

Employment Policy Papers

Young people's transition to decent work: Evidence from Kosovo

Valli' Corbanese and Gianni Rosas

Employment Policy Department, ILO, Geneva

ILO Sub-regional Office for Central and Eastern Europe, Budapest

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First published (2007)

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Geneva, International Labour Office, 2007

ISBN 978 92-2-119684-6 (printed version)

ISBN 978 92-2-119685-3 (web version)

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Printed by the International Labour Office, Geneva, Switzerland

Preface

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society. The transitions to adulthood and to the world of work often take place simultaneously, and this is a difficult time for many young people. However, if this transition can be made easier by effective assistance in making a good start in the world of work, it will positively affect young people's professional and personal success in the future stages of life.

The International Labour Office (ILO) has long been active in promoting youth employment, through its normative action and technical cooperation activities. The ILO's global strategy on employment – the Global Employment Agenda (GEA) – goes beyond the scope of traditional labour market policies and places employment at the heart of economic and social policy. Its ten core elements provide a comprehensive framework to address youth employment in an integrated approach to employment growth. This approach harnesses the forces of change that permit employment creation – namely trade and investment, technological change, sustainable development and macroeconomic policy – and combines them with policies to manage change in a socially acceptable and non-discriminatory manner.

To assist member States in building a knowledge base on youth employment, the ILO's Youth Employment Programme (YEP) has designed a "school-to-work transition survey" (SWTS). The SWTS was developed to quantify the relative ease or difficulty faced by young people in "transiting" to a job that meets the basic criteria of "decency", namely a job that provides the worker with a sense of permanency, security and personal satisfaction.

This paper presents the results of the SWTS conducted in the UN Administered Province of Kosovo. This survey was part of a technical cooperation project on youth employment funded by the Italian Government. This joint study, undertaken by the Employment Policy Department and the Sub-regional Office for Central and Eastern Europe, seeks to measure the quality of the transition to decent work. It captures the labour market status of young people, the different types of transitions leading to work and provides information on both quantity and quality of employment. The study also incorporates the results of an employers' survey that enriches the analysis with data concerning labour demand. Furthermore, the process followed in conducting the survey – from the training of data collectors to the tabulation – was based on a participatory approach involving government institutions (Ministry of Labour and Social Welfare and the Ministry of Culture, Youth and Sport), employers' and workers' organizations and youth associations.

The paper is structured around five chapters. Chapter 1 examines the overall labour market situation in Kosovo, while chapter 2 analyzes the trends and dynamics of the youth labour market. Chapter 3 screens the different types of transitions to work and relates them to labour market requirements. Chapter 4 reviews the policies and institutions mandated to address the youth employment challenge and chapter 5 concludes the report by exploring the implications for the design and implementation of policies aimed at easing young people's access to the labour market and countering decent work deficits.

Evidence from the survey points to substantial flaws in strategies aimed to ease the entry of young people into the labour market. The majority of youth (58.9 per cent) are still considered "in transition" either because they are unable to find work or because they work in conditions that are below the standards of decency. Such survey results, therefore, confirmed a continuing need to redress the current fragmentation of policies and programmes and have served a useful purpose in defining the baseline for future improvements regarding youth employment through development of the youth employment policy and action plan of the UN Administered Province of Kosovo.

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Acknowledgements

We would like to express our gratitude to everyone involved in conducting the survey in Kosovo. Thanks go especially to the staff of the Youth Department (Ministry of Culture, Youth and Sport), the officials of the Public Employment Service (Ministry of Labour and Social Welfare) and the youth network of the Kosovo Confederation of Free Trade Unions. A special acknowledgment goes to Aureliano Cerreti and Burim Leci for their work on the data tabulation.

We would also like to thank our colleagues of the Youth Employment Programme, particularly Sara Elder, who provided invaluable guidance on the data analysis, as well as Giovanna Rossignotti and Sabina Dewan, who commented on the last draft of this paper. We are also thankful to Laura Brewer of the Youth Employment Network (YEN) for her useful suggestions at the beginning of the drafting process. Finally, a special mention goes to Farhad Mehran, former Senior Labour Statistician of the ILO, who encouraged us to pursue this undertaking.

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Executive summary and main findings

The economic recovery experienced by Kosovo in the last few years failed to create jobs

Kosovo's post-1999 economic recovery failed to tackle inherited structural unemployment, the depleted stock of human capital and the poor public utilities and infrastructure.

Job creation in the private sector, still dominated by low value-adding micro-enterprises, has been particularly disappointing.

Despite positive population growth, labour force participation rate is – at 46.2 per cent – the lowest in the region, due to a large youth population, worker discouragement and the low participation of women in the labour market. Long-term unemployment is persistently high – 88 per cent of all the unemployed had been looking for work for one year or more – and disproportionately affects first-time job seekers with no work experience. There is a noticeable amount of worker discouragement, mostly amongst women and those with a low level of education.

Many workers and their families rely on work in the informal economy and migration to cope with the risk of unemployment and low earnings. Remittances remain an important source of household income and the public safety net provides limited support and no unemployment benefits.

Positive population trends may represent a potential for growth, but can also aggravate unemployment problems

Population rates are still increasing and will be an important source of future growth of the labour force. However, realizing this potential will require significant improvement in the economy's capacity to generate decent jobs. Weak labour demand results mostly in inactivity, unemployment and informal work.

Labour market outcomes are particularly unfavourable for the less-educated, women, ethnic minorities and youth. Kosovo's present employment performance is, to a certain extent, a legacy of the past, when stronger demographic pressures, low skills and industrial strategies favouring low employment-absorbing sectors regressed to the lowest employment levels within the former Yugoslavia.

The promotion of employment is a complex challenge for any government, as job creation requires mutually reinforcing policies in a number of sectors. Against this backdrop, sound macroeconomic policies and a favourable business climate, as well as adequate education policies and effective labour market policies, are essential.

Education matters in the labour market, especially for youth, but sometimes it is only an alternative to idleness or open unemployment

Young people's participation in the labour force, employment and earnings are positively linked to educational achievement. Being an educated worker brings a wage premium and reduces the likelihood of being unemployed. Educated young people have higher employment rates and lower inactivity. Secondary school enrolment is particularly high for young women, while it remains

Young people experience many setbacks while trying to gain a foothold in the labour market...

low for young people of the Roma, Ashkaelia and Egyptian (RAE) minority – 65 per cent of RAE youth had only primary, or less than primary education at the time of the survey. School dropouts continue to be an issue, as one out of ten drops out of primary school because of financial difficulties.

Young Kosovars postpone their entry into the labour market due to the lack of job opportunities and because they believe that tertiary education will increase their chances of finding employment. Yet, there is a clear divergence between the number of students in vocational education and training and enterprises' requirements on the one hand, and between students' preferred university paths and the employment-absorbing sectors, on the other.

The relative improvement of the youth employment situation since 2001, unfortunately, did not benefit all young people equally. Albanian men, Bosniaks and Turks had the highest employment performance, while young RAE had the poorest with an employment ratio as low as 17.4 per cent, compared to the youth employment ratio of 28.7 per cent.

Occupational segregation is apparent: young women are over-represented in clerical and administrative jobs – mainly in the public sector – while young RAEs are predominantly engaged in manual jobs. Self-employment is concentrated on marginal activities, mostly small trade – including street vendors – and personal and community services. For 24 per cent of young own-account workers self-employment is not a choice, but the only alternative to unemployment.

The informal economy is much larger than in other countries in the region. About half of all youth employment can be found in the informal economy, measured by the employment contract and the enterprise registration yardsticks. The degree of informality is even more pronounced if appraised according to whether enterprises comply with the statutory provisions on working conditions—especially social security and hours of work.

In Kosovo, young people are nearly twice as likely as adults to be unemployed.

For Serbian and RAE youth, long-term unemployment is more the rule than the exception – 88.6 per cent and 72.2 per cent respectively had been looking for work for more than one year. Young women are less exposed to unemployment compared to young men, but have higher inactivity rates (48.5 per cent and 37.2 per cent respectively). Inactivity and discouragement are also important indicators to determine the extent of labour market exclusion. Poor health and disability seem to be the most important causes of inactivity for both sexes, and family responsibilities as well for women. Low educational achievement and inability to find jobs, on the other hand, are more likely to

...but for certain groups exclusion from the labour market has reached emergency levels and public services appear unable to help

Going beyond the mere measurement of youth employment and unemployment.....

affect RAE youth.

The predominance of informal networks for job-searching can also aggravate labour market exclusion. It creates difficulties for those young job seekers who cannot rely on “good” family connections to find a job and reduces the capacity of employment offices to offer adequate services. Neither the unemployed nor enterprises seem to overly rely on the public employment service for job mediation, which would indicate that the PES is unable to fulfil its most important functions, that is, to provide accurate information on labour market conditions and to offer cost-effective and well-targeted job search assistance.

A broader concept of transition was applied in the Kosovo survey to overcome the limits of traditional labour market analysis and to capture the quantitative and qualitative dimensions of youth employment in terms of working conditions and social protection.

The route to decent work should begin with a transition from school to work that meets the criteria of decency and permanency, which provides young workers with job security and satisfaction. The survey was organized around three major segments according to whether the young person had “not yet started” the transition; was “in transition”; or had “transited” to decent work. The stage *transition not yet started* includes all respondents still in school or inactive and not in school, with no intention to work and not searching for a job. The stage *in transition* comprises all young people who are unemployed; those who are employed but plan to change jobs or return to education; young people employed but exposed to decent work deficits; and finally, all those young people who are inactive and not in school, but with an aim to work later. The stage *transition completed* includes all respondents currently employed, with no plan to change or to return to education as well as enjoying decent work conditions.

The analysis of the youth labour market, according to this definition, confirmed a certain amount of positive trends such as the increasing number of young people in education. However, the overall picture remains bleak, with an insignificant share of young people obtaining a decent job. Less than 5 per cent of young people are employed in a career or permanent job, enjoying decent working conditions and social protection. The most striking feature is that they are nearly all young women employed in the public sector. The number of young RAE having completed the transition is nearly nil, while for Albanians and Serbs, decent work appears to be possible only by securing a job in the public administration.

Young people who have not started their transition to the world of work, i.e. those still in school, or inactive with no intention of working, were over 36 per cent, with a share of inactive people

...leads to an appalling picture of the situation in Kosovo

bordering on 9 per cent. If discouraged young men and women were included in labour force calculations, the overall youth unemployment rate would shift from 39.5 per cent to 43.5 per cent.

Young discouraged workers, the unemployed and young people wanting to change jobs or resume education, as well as those subject to decent work deficits account for 58.9 per cent of the surveyed population.

For those who are working, the situation is just as grim: over half of them are dissatisfied with the job they have and 34 per cent want to change, either to return to education or to improve salary and working conditions in another job. Two out of ten workers are exposed to serious job-quality deficits – measured in terms of weekly working hours, employment contracts, temporary work and insurance contributions. Over 20 per cent of young employees work over and above the hours prescribed by the labour protection laws, and 33 per cent are regularly working overtime. Over 50 per cent of them have either no contract at all, or only an oral arrangement with the employer. Only three young workers out of ten have social security, while seven out of ten are exposed to non-compliance with health and safety regulations. For 53 per cent of young workers, pension schemes go unpaid.

Such dismaying transition signals require long-term commitment and policy coherence...

In Kosovo, the most critical aspects of youth employment are access to quality education and training, and the cost of increasing numbers of unemployed and under-employed young people working in the informal economy and exposed to decent work deficits. The transition from school-to-work is a difficult process, with many setbacks, exits and re-entries. As compared to other young people in the region, Kosovo youth have less employable skills and face longer spells of unemployment early in the transition process. Moreover, formal job creation is not forthcoming and certainly not at the rate needed to absorb the projected numbers of young entrants into the labour force. Neglecting the young has both economic and social costs, in terms of depletion of human capital, loss of opportunities for economic growth and increased social instability.

... geared to job creation ...

The creation of more and better jobs is essential if poverty is to be reduced and living standards improved. Reducing the current jobs deficit in the formal economy requires a comprehensive strategy covering different policy areas. The agenda for job creation includes measures to be taken in the fields of macroeconomic policy, education, labour market policy and social policy.

....to improving access to basic education...

Broadening access to education and training will be of crucial importance if the exclusion of certain groups of the population is to be diminished. Education and training reforms need to reflect the areas most demanded by the labour market and to strike a balance

.... to reducing exclusion from the labour market, and

between occupational skills and core skills for employability.

The most important priority for labour market policy reform is to address the exclusion of certain groups from the labour market and ineffective labour protection for workers. Policy makers should also focus on improving the coverage and efficiency of social protection for workers and labour law. The Government, with the social partners, should consider models of income protection adequate to Kosovo's needs.

to upgrading active labour market measures targeting disadvantaged youth

Active labour market programmes, including the services provided by employment offices, need to be well designed, targeted and carefully monitored and evaluated. Resources should, optimally, be allocated on the basis of performance. Presently, both the employment services and active labour market programmes play a limited role in facilitating the transition of young people to the world of work. More resources need to be allocated to these measures to enable them to have a positive impact while being cost-effective.

Chapter 1 Overview of the labour market

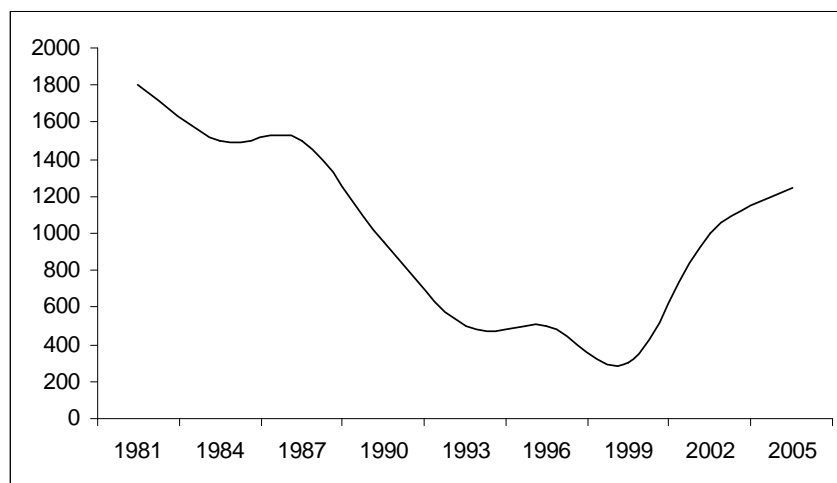
1.1 Overview of the economic and social context

1.1.1 Socio-economic trends

In 1988, Kosovo was by far the least-developed Province among the federal units of the Socialist Republic of Yugoslavia (SRY), with only 27.8 per cent (US\$700) of the average Gross Domestic Product (GDP) per capita of the country (US\$2,520) or 12.1 per cent of the GDP of Slovenia (US\$5,779), the most developed area in the SRY.¹

Throughout the 1990s, the Kosovo economy experienced decreasing growth rates, widespread unemployment and increasing levels of poverty. Output and income halved at the beginning of the decade and fell another 20 percent during the 1999 conflict.² Since 2000, per-capita income recovered quickly and had increased four-fold by 2004 (see figure 1.1 below for the evolution of per capita GDP at constant Euro during the period 1981-2005).³

Figure 1.1 Pro capita GDP (at constant Euro 1981-2005)



Source: IMF, *Kosovo – Gearing policies toward growth and development*, op. cit.

This increase can be attributed to the growth engendered by donor reconstruction aid, income transfers from the significant international presence – i.e. the United Nations Mission in Kosovo (UNMIK) and the NATO-led military forces – and remittances from migrant workers.

During the period 2000-2003, estimates put foreign assistance at a total of €4.1 billion, with private inflows adding another €2.4 billion⁴. Six years after the conflict, Kosovo's economy is still partly dependent on external assistance, with donor funding and remittances contributing 23 and 15 per cent respectively to the GDP.⁵ These inflows had a limited effect on domestic production. During the reconstruction period, domestic demand for goods and services was satisfied by imported goods in the expanding sectors – construction, housing, retail trade and other services – as well as in those sectors

¹ RIINVEST, *Economic activities and democratic development of Kosova*, Pristina, 1998, Chapter pp 26 seq.

² World Bank (WB), *Kosovo economic memorandum*, Washington D.C. 2004

³ International Monetary Fund (IMF), *Kosovo – Gearing policies towards growth and development*, Washington D.C., 2004.

⁴ IMF, *Kosovo – Gearing policies towards growth and development*, op.cit. p. 10

⁵ UNMIK, *The economic foundations of status. Kosovo economic outlook*, European Union Pillar, Pristina, 2006

related to household consumption, rather than the re-activation of internal production. Hence, the multiplier effect of reconstruction on the economy was quite limited, the employment impact was restricted to a small number of occupations and it dwindled even further once reconstruction was over.

Access to external financing and the adoption of the Euro helped reduce inflation from 11.7 per cent in 2001 to 1.2 per cent in 2003.⁶ Table 1.1 below shows the main economic indicators of Kosovo during the period 2002-2006.

Table 1.1 Selected economic indicators 2002-2006

	2002e	2003e	2004e	2005e	2006p
National accounts					
Real GDP growth	-0.1	-0.5	2.0	-1.5	2.0
Investment (%GDP)	23.7	22.9	26.3	28.2	28.9
Gross domestic savings (%GDP)	-7.1	-5.7	-4.2	-8.3	-5.3
Government budget/1					
Overall balance (millions of €)	98	47	-138	-67	-77
Overall balance (%GDP)	4.0	1.9	-5.4	-2.9	-3.0
External accounts					
Current account balance (%GDP)/2	-32.8	-26.6	-26.3	-31.5	-29.2
Foreign assistance (millions €)	887	688	570	553	546
Workers' remittances (millions €)	341	341	341	345	347
Consumer Price Index (CPI)	3.6	1.2	-1.5	-2.1	-1.8

e= estimate, p = projections; 1/ Excludes donor designated grants and off-budget UNMIK and donor expenditures; 2/ before donor grants.

Source: World Bank and IMF staff estimates in the World Bank's, *Interim strategy note for Kosovo for the period 2006-2007*, Washington, D.C., 2006

Kosovo is considered to be a middle-income country, with a Human Development Index (HDI) of 0.734. The percentage of the population living below the poverty line of €1.42 per adult/day was 37 per cent in 2005. The poverty gap is calculated at 11.4 per cent and the severity of poverty index at 4.9 per cent.⁷ Unemployment is an important cause of poverty while income poverty affects children, female-headed households and certain ethnic minorities disproportionately. In 2004, wages accounted for 55.2 per cent of the average monthly income of private households, while cash remittances from abroad represented 13.2 per cent and as much as 10 per cent were from unspecified income sources.⁸

The social protection system in Kosovo comprises social assistance benefits, old age and disability pensions, complemented by special schemes for war invalids.⁹ Expenditure for social transfers equals 27 per cent of the public budget and is estimated to increase by 3 percentage points a year between 2005 and 2008 (from €113 million to €25 million).¹⁰

1.1.2 Fiscal and trade policy

Fiscal and budgetary reforms undertaken since 2002 generated significant domestic revenues, which allowed Kosovo to realize a major increase in budgetary spending. Between 2003 and 2004, the increases in capital expenditure and in public wages and salaries (the latter grew by almost 20 per

⁶ Banking and Payment Authority of Kosovo (BPK), *Annual report 2004*, Pristina, 2005.

⁷ WB, *Kosovo poverty assessment: Promoting opportunity, security and participation for all*, Washington D.C., 2005

⁸ Statistical Office of Kosovo (SOK), *Kosovo in figures*, Pristina, 2005.

⁹ It is worth noting that the current system is unable to reach all those people requiring social assistance.

¹⁰ Ministry of Economy and Finance (MEF), *Kosovo 2006-2008. Medium term expenditure framework*, Pristina, 2006.

cent), resulted in a fiscal deficit of 5.4 per cent of GDP.¹¹ A breakdown of tax collection sources reveals that more than three-quarters of the revenue is collected by customs and only 11 per cent at the municipal level. In 2005, Kosovo exported €50 million worth of products and imported €1,180 million. The year-on increase in imports (11 per cent) and the decrease in exports (15.6 per cent) aggravated the trade balance deficit and increased the import/export coverage ratio to 4.1 per cent (from 5.3 per cent of the previous year). Imports originate mainly from the European Union (35 per cent), the Former Yugoslav Republic of Macedonia (19 per cent) and Serbia and Montenegro (14 per cent).

1.1.3 Private sector

The enterprise sector in Kosovo is dominated by micro-enterprise. Most firms are organized as sole proprietorships or partnerships employing less than five workers (see table 3 in the statistical annex), with 75.2 per cent of them being individual businesses.¹² According to business registry data, the share of productive activities has been increasing in the last five years by one-two percentage points per year. In 2005, approximately 54,000 private enterprises were registered: 57 per cent in trade, hotels and restaurants; 8.7 per cent in manufacturing; and less than 1.6 per cent in agriculture.¹³

Information on the manufacturing sector's contribution to the GDP is only partial, since there has been no survey of manufacturing production and little information is available on public-owned enterprises (POEs) and socially-owned enterprises (SOEs). The latter face problems of outdated and poorly maintained assets, poor financial performance and unclear employment relationships. In 2003, there were an estimated 16,000 active employees in public-owned enterprises and 18,000 in socially-owned enterprises with an estimated equal number of workers on administrative leave¹⁴. The liquidation of these enterprises and the spin-off of their assets took off in 2005 with 239 enterprises sold by the end of 2005, with revenues equal to €166 million.¹⁵

Agriculture contributes an estimated 25 per cent to Kosovo's GDP, employs over one-half of the rural working population and provides about 11 per cent of the value of total exports.¹⁶ Productivity in agriculture, including quality and reliability of supply and compliance with phyto-sanitary requirements, however, is well below that of neighbouring countries¹⁷. The agricultural sector faces stiff competition from imported products, especially in dairy production. This is also due to the fact that compared to other countries in the region, Kosovo's agricultural products are not protected by measures such as import duties.

In 2005, trade tariffs and value added tax (VAT) on the import of agricultural inputs (e.g. seeds, fertilizers and equipment) were reduced to zero from 10 per cent and 15 per cent respectively. It is estimated that this measure could decrease domestic production costs by 7 to 8 per cent, although the Kosovo budget would suffer a loss of tax revenue of approximately €4 million.

The volume of credit almost tripled since 2001, due to the establishment of new financial and banking institutions and services. The share of deposits to GDP in Kosovo is lower than in other

¹¹ For the period 2006-2008, projections estimate a public wage bill amounting to 30 per cent of total public expenditure, compared to an average of 20-25 per cent for EU15 and Central European countries. The possibilities for decreasing this amount have been limited by the establishment of new agencies and ministries (transfer of responsibilities), by the capacity of these new entities to absorb re-deployed civil servants and by pressures to increase civil service salaries.

¹² SOK, *Statistical survey of registered businesses*, Pristina, 2003 and Ministry of Trade and Industry, (MTI) *Research on small and medium size enterprises*, Pristina, 2004.

¹³ Data provided to the authors by the Business Registration Office of Kosovo in June 2006.

¹⁴ WB, *Kosovo economic memorandum*, Washington D.C. 2004.

¹⁵ Banking and Payment Authority of Kosovo (BPK), *Annual report 2005*, Pristina 2006, p. 44.

¹⁶ WB, *Interim strategy note for Kosovo for the period 2006-2007*, op.cit. The difference between the percentage of companies registered in the agricultural sector and the estimated contribution of the sector to the GDP is due to the fact that many farmers are not formally registered as economic entities.

¹⁷ WB, *Kosovo economic memorandum*, op. cit.

countries (21.1 per cent compared to 51 per cent in Albania). This could indicate that, despite the positive trends, client confidence in long-term savings is still rather low. The volume of outstanding credit to the private sector has been growing rapidly (from 2 per cent of GDP in 2001 to 19.7 per cent in 2004) with the trading industry taking the lion's share of loans (49.3 per cent), followed by manufacturing (9.6 per cent) and agriculture (2.1 per cent).¹⁸

In 2004, a significant shift was registered from short to longer-term loans (maturity over one year), which now account for 54.7 per cent of total loans. Interest rates on business loans vary from 14.7 per cent to 16.1 per cent depending on maturity; lower interest rates and longer-term loans are normally provided only to creditworthy borrowers.¹⁹

1.2 Analysis of the labour market

The main source of labour market statistical information in Kosovo is the Labour Force Survey (LFS), which has been carried out on a yearly basis since 2001.²⁰ The analysis of this chapter is mainly based on the latest LFS data available.

Any analysis of labour market data in previous years should take into consideration a number of caveats: first, data were collected in different periods of the year and up to 2003 employment in agriculture did not feature in the LFS. This resulted in the under-estimation of total employment due to the incidence of seasonal employment. Second, the methodology for data tabulation was modified in 2003; and lastly, information on temporary employment was only collected as of 2003. It is for this reason that data can only be compared for the years 2003 and 2004.²¹

1.2.1 Demographic trends

The resident population is estimated to be between 1.8 and 2.0 million (60 per cent living in urban areas and 40 per cent in rural areas), while approximately 400,000 Kosovars live abroad.²² The population is comprised of about 88 per cent of Kosovo Albanians, 7 per cent of Kosovo Serbs and 5 per cent of Bosniaks, Roma, Ashkaelia and Egyptians (RAE), and Turks, with an equal distribution of men and women.²³

Although birth rates are declining, the Kosovo population continues to grow faster than in neighbouring countries. Estimates suggest that, in 2004, over 50 per cent of the population was under the age of 25,²⁴ with more than 21 per cent categorized under the UN statistical definition of youth.²⁵ It is expected that roughly 200,000 young people will reach the working age of 15 in the next five years, while the number of people reaching the retirement age of 65 will be approximately 60,000 (see figure 1.2 below and Table 1 in the statistical annex).

¹⁸ BPK, 2005, op cit.

¹⁹ *ibid.*

²⁰ The LFSs were carried out in December 2001, in November 2002, in October 2003 and in September 2004. Data relating to sectors such as agriculture and construction need to be taken with caution, due to the influence of seasonal employment for LFSs undertaken prior to 2003. Unless otherwise specified, the data presented in this section are from the LFSs.

²¹ For instance, unemployment rates provided by both LFS and the unemployment register (i.e. administrative data) started to converge as of 2004. For the administrative data on employment see Ministry of Labour and Social Welfare (MLSW): *Labour and employment in Kosovo: Annual report 2004*, Pristina, 2005.

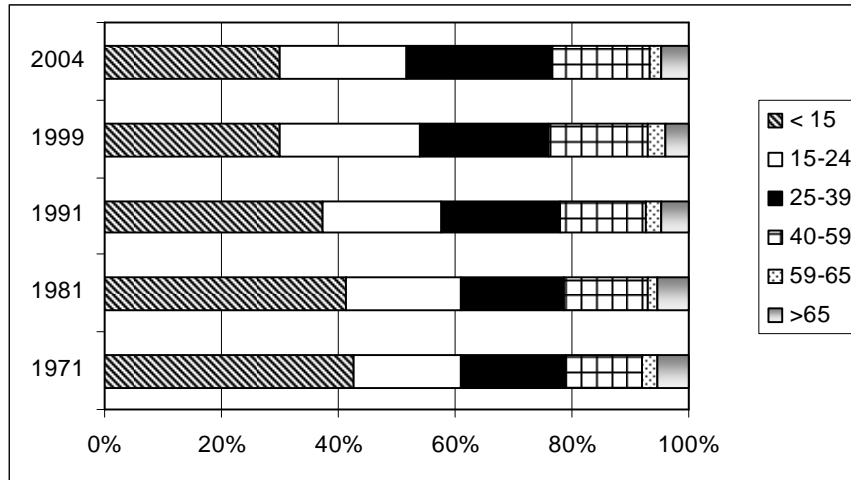
²² The last census of the Kosovo population dates back to 1981.

²³ WB, *Living standards measurement survey – Kosovo*, Washington D.C., 2001.

²⁴ RIINVEST, *Labour market study*, Pristina 2003, confirmed by the LFS (2003) and UNDP, *Kosovo human development report – The rise of the citizen: challenges and choices*, UNDP Pristina, 2004.

²⁵ Although the age bracket identifying young people varies between countries, within the United Nations system, and in all statistics and indicators, young people are defined as those between 15 and 24 years of age.

Figure 1.2 Estimates of Kosovo population growth (1971-2004)



Source: United Nations Population Fund (UNFPA), *Demographic, social and reproductive health situation in Kosovo. Results of a household survey*, Pristina, 2004.

Box 1: Labour market indicators and definitions

The essential feature of labour market indicators is that individuals are classified into three mutually exclusive categories: employed, unemployed and inactive. According to the criteria set by the International Labour Office, precedence is given to employment over unemployment and to unemployment over inactivity.

Inactivity: it refers to all people of working age (between the ages of 15 and 65, who are neither employed nor unemployed, i.e. those who are not “economically active”, because they are attending school, are engaged in household duties, are retired, etc.

Employment: the employment category encompasses all people who, during the reference period, worked for a wage or salary (paid employed), for profit or family gain (self-employed or own-account workers) including members of cooperatives and unpaid family workers. The indicators used to measure employment are the employment rate, i.e. the percentage of people employed in the labour force and the employment ratio, i.e. the share of people working on the total of working age population.

Unemployment: ILO criteria classify as “unemployed” all individuals who are: a) without work (not in paid or self-employment); b) currently available for paid employment or self-employment, and c) actively seeking work. The “relaxed” definition of unemployment waives the active job search requirement, to include discouraged workers in the unemployed, i.e. those individuals who have not been looking for work because they think none is available, or they believe they lack the skills necessary to compete in the labour market. Normally, discouraged workers are not included in the unemployment count and they are considered “inactive”. Two indicators are used to measure unemployment: the unemployment rate, i.e. the share of people unemployed out of the total labour force and the unemployment ratio, i.e. the share of people not working, available and actively seeking for work out of the working age population.

Source: Hussmans, R., Merhan, F., Verma, V., *Survey of economically active population, employment, unemployment and underemployment: an ILO manual on concepts and methods*, ILO Geneva, 1990

1.2.2 Labour force participation

In 2004, the labour force participation rate in Kosovo was 46.2 per cent, the lowest in the region (see table 1.2 below that illustrates key labour market indicators for the period 2001-2004 and table 1.3 for a comparison of labour market indicators in selected countries and group of countries).

Table 1.2 Key labour market indicators 2001-2004

	2001		2002		2003		2004	
	All	Women	All	Women	All	Women	All	Women
Participation rates	47.0	27.0	52.8	34.5	50.3	29.5	46.2	25.3
Inactivity rates	53.0	73.0	47.2	65.5	49.7	70.5	53.8	74.7
Unemployment rate	57.0	70.0	55.0	74.5	49.7	71.9	39.7	60.7
Employment ratio	20.0	8.0	23.8	8.8	25.3	8.3	27.9	9.9
Unemployment ratio	27.0	19.0	29.1	25.7	25.0	21.2	18.3	15.4

Source: Adaptation based on Labour Force Surveys (2001-2004)

A number of factors concur to explain this low labour force participation rate. Increasing numbers of young people continue to study after having completed compulsory education. This is an important factor, especially since the young population constitutes over 21 per cent of the total population. At the other end of the age bracket, many older workers (between the ages of 55 and 65) leave the labour force before reaching retirement age, which could be caused by worker discouragement, itself possibly due to enterprise restructuring and downsizing. Most importantly, the overall participation rate is affected by the extremely low participation of women in the labour market, especially those aged between 25 and 39, who usually take care of family and household responsibilities instead of entering the labour market. Furthermore, their participation rate in 2004 decreased by 4.2 percentage points to reach an all-time low of 25.3 per cent. This rate is less than half of that of men (around 68 per cent) and more than 37 points percentage lower than the EU average (62.6 per cent). Although the collapse of social services (e.g. child care, facilities for the elderly) could partially explain women's low participation rate, its staggeringly low level could point to discrimination in employment resulting from stereotyped gender and societal roles as well as institutional and other barriers that prevent women accessing the labour market.

Table 1.3 Participation, employment and unemployment in selected countries (in percentage)

Country	Participation rate		Employment-to-population		Unemployment	
	All	Women	All	Women	All	Women
EU 25	70.4	62.6	64.1	56.5	8.9	9.8
EU 15	71.2	63.2	65.5	57.6	8.0	8.9
Bulgaria	63.8	58.9	57.9	53.5	9.3	9.2
Croatia	63.3	57.1	54.8	49.0	13.4	14.3
Kosovo	46.2	25.3	27.9	9.9	39.7	60.7
Romania	61.8	54.9	57.8	51.8	6.5	7.1

Source: EUROSTAT, *Labour market trends* (3rd quarter 2005) and SOK, LFS 2003 and 2004

1.2.3 Employment

Overall employment in 2004 was as low as 27.9 per cent.²⁶ Despite the positive trend in the employment performance, with an average yearly increase of more than 2 per cent (2.6 per cent in 2004), this rate fares very poorly when compared to any country in the SEE region (see table 1.3 for a comparison with Bulgaria, Croatia and Romania). Even before 1999, Kosovo's employment performance was the lowest compared to the other areas of the former SRY. Stronger demographic

²⁶ Overall employment is calculated as the percentage of employed people out of the total working age population.

pressures, low-level skills and industrial strategies favouring low employment-absorbing sectors (e.g. mining and energy) were some of the reasons for low employment rates, which were compensated by income transfers from central authorities and migration.²⁷

The employment of women is, incredibly, under 10 per cent. The increase noted over the past few years continues to favour men more than women (4 per cent and 1.6 per cent respectively in 2004).

There is a positive correlation between employment and educational achievement: the employment of workers with tertiary education is 50 percentage points higher than that of people with only secondary education.²⁸ The fact that educated workers perform better in the labour market can be attributed to the lack of an acceptable qualification system, pushing employers to use university education as a proxy for occupational qualifications; and to the weak performance of the labour market itself –the few jobs available cannot accommodate the large and increasing number of jobseekers with higher education.

The structure of employment by economic sector and branch of activity indicates that the service sector is the main provider of employment in Kosovo, accounting for more than 65 per cent of total employment.²⁹ In 2004, a large number of workers were employed in trade (13.9 per cent) and education (10.6 per cent). In the same year, agricultural workers represented about 25 per cent of total employment, whilst manufacturing had an employment share of around 10 per cent. Compared to 2003, both services and agriculture registered an increase in employment (15 per cent and 1 per cent respectively) while manufacturing decreased by 17 per cent. The shift from manufacturing to services confirms the trend experienced by other transition economies of Central and Eastern Europe.³⁰ Women tended to be over-represented in the service sector, with a large share of them employed in education (18 per cent), health (13.8 per cent) and trade (13.1 per cent).

As in many other countries in the region, a source of new employment in Kosovo has been self-employment. The share of the self-employed is on a steady ascent, and represented nearly 26 per cent of the total number of employed in 2004, with an increase of 1.8 per cent compared to 2003. The share of self-employed women is less than half that of men (11.9 per cent in 2004), although it has doubled since 2003 (5.8 per cent). This important increase could also indicate that women decide to become self-employed because it is so difficult to find wage employment. Unpaid family workers represented 20 per cent of total employment in 2004 – an increase of more than 10 per cent, if compared to 2003 – almost equally distributed between men and women.

In 2004, full-time employees worked an average of 42.5 hours per week, men generally working one hour more than women. During the same year, part-time employees worked approximately 23 hours a week. There is a considerable difference between the working hours of the self-employed and of salaried workers, the former working fewer hours (around 40) than the latter, although international data normally show the opposite.

Unfortunately, data on employment in the public and private sectors are not available. However, administrative data shows that employment figures in the public sector had started to decrease in 2004, in spite of which this sector remained the main employer in Kosovo, with 55 per cent of the total employed.

Temporary employment out of total employment increased drastically, from 14 per cent in 2003 to 65 per cent in 2004. These data cannot, however, be considered completely reliable, as the LFS sample did not include the agricultural sector prior to 2003 and that data were collected during different periods of the year. Part-time work remained stable at 30 per cent of total employment in 2004.

²⁷ IMF, *Kosovo: Gearing policies toward growth and development*, op. cit., p. 18.

²⁸ The 2004 LFS reports that 80 per cent of people with tertiary education are employed, as against 40 per cent of those with only upper secondary education.

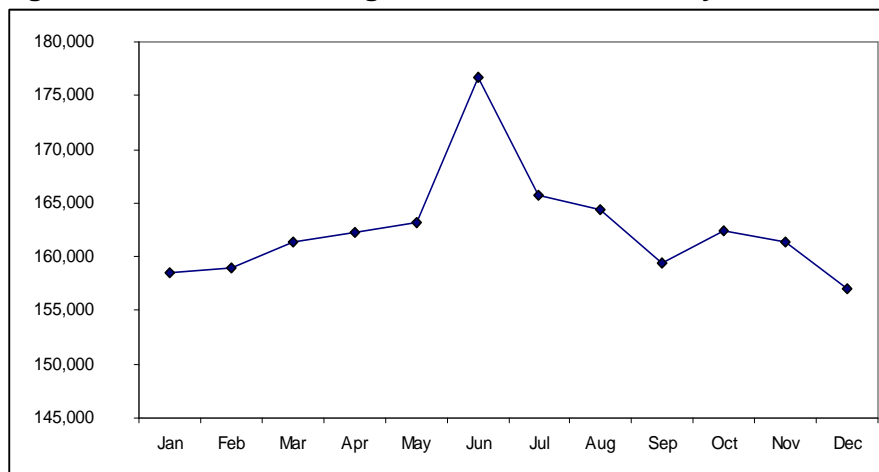
²⁹ The data are based on authors' approximations derived from figures of the 2004 LFSs.

³⁰ Ministry of Economy and Finance (MEF), *Kosovo 2006-2008. Medium term budget framework*, Pristina, 2005.

1.2.4 The informal economy

According to a survey conducted in Kosovo in 2003, about half of total employment was to be found in the informal economy (measured using the criteria of registration for enterprises and written employment contracts for employees). The degree of informality was higher if measured according to whether payroll taxes were paid or withheld (67 per cent of the respondents were informally employed based on this criterion).³¹ Other estimates suggest that as many as 150,000 workers, out of 356,200, were employed in the informal economy in 2004.³² In 2005, only 160,000 workers were registered with the government as being liable for wage taxes (see figure 1.3).³³

Figure 1.3 Number of registered workers, January – December 2005



Source: Authors' elaboration based on the records of the Ministry of Economy and Finance (2006)

It would seem to be an obvious conclusion that the contribution of the informal economy to the country's GDP needs to be calculated as soon as possible, together with any connected revenue losses.³⁴ Finally, the lack of accurate population and labour market data means that any estimate of informal employment in Kosovo would have to be considered flawed.

1.2.5 Wage levels and working conditions³⁵

The average monthly wage in the private sector (in nominal terms) was €220 in 2003, €204 in 2004 and €217 in 2005.³⁶ Again, there is no published data on public sector wages. However, an average monthly wage of €220 would seem to be a reasonable median for the public sector.³⁷ Although foreseen by the labour law, there is no minimum wage in Kosovo and employers presumably adopt a simple bargaining wage-fixing method. Educated workers in high-skilled occupations (such as

³¹ WB, *Kosovo labour market study: Policy challenges of formal and informal employment*, Washington D.C., 2003.

³² IMF, *Kosovo – Gearing Policies Toward Growth and Development*, op. cit., p.20.

³³ These data were provided by the Ministry of Economy and Finance.

³⁴ The Ministry of Economy and Finance estimates that a share of approximately 50 per cent of informal economy means an annual loss of Euro 4 to 5 million in terms of wage tax and Euro 7 to 8 million in pension contributions.

³⁵ The data on wages are from the *Wage and skills survey* conducted by the MLSW and the ILO in October 2005 (processed, March 2006).

³⁶ Data for the years prior to 2005 are from the administrative records of the MLSW. See MLSW, *Labour and employment in Kosovo*, (annual publication), op. cit.

³⁷ Authors' estimate based on total number of full-time employed in the public administration and annual wage bill on total budget.

insurance and financial services) earn a wage premium, while certain population groups –such as young people, women and ethnic minorities – face wage inequality. Table 1.4 below and Table 5 in the statistical annex illustrate wage gaps according to sex, age, ethnicity, educational level, occupation and type of enterprise.

Table 1.4 Average monthly wage by education, age group and occupation (in €/month)

Education	Men	Women	15-24	25-39	40-55	Over 55
Primary	162.92	161.55	156.97	174.12	155.74	156.75
Lower secondary	195.77	171.19	178.12	197.45	192.85	195.08
Upper secondary	222.93	206.56	201.88	217.14	240.63	242.50
University	331.28	272.15	244.93	322.82	325.31	354.34
Occupation	Men	Women	15-24	25-39	40-55	Over 55
Managers	324.99	301.17	258.40	316.24	334.48	333.72
Professional	289.87	263.46	251.08	291.61	283.67	258.17
Administrative	232.69	222.07	206.39	235.69	228.93	220.27
Skilled trades	216.08	168.05	189.99	211.12	223.16	209.88
Sales	197.86	197.37	204.27	192.83	198.55	197.98
Process	197.96	226.67	202.66	200.73	199.88	194.50
Elementary	177.53	177.55	172.27	185.08	158.44	157.56

Source: MLSW-ILO *Wage and skills survey*, op. cit.

All too often, companies ignore workers' entitlements and conditions of work. The wage and skills survey conducted in 2005 indicated that the majority of the respondent enterprises (both registered and non-registered) did not comply with the legal provisions on working conditions foreseen by the law. Table 1.5 below gives an appalling picture of the conditions of work in the surveyed enterprises.

Table 1.5 Percentage of companies not providing entitlements

Entitlement	Unregistered companies (%)	Registered companies (%)
Transport or allowance for it	31.7	72.5
Meals or meal allowance	92.7	20.4
Annual paid leave (holiday time)	61.0	37.1
Paid sick leave	39.0	54.0
Pension benefits	68.3	29.3
Paid maternity leave	41.5	51.5
Severance/end of service payment	24.4	84.8
Bonus/reward for good performance	41.5	57.6
Educational or training courses	22.0	81.5
Occupational safety/protective equipment/clothing	61.0	43.7

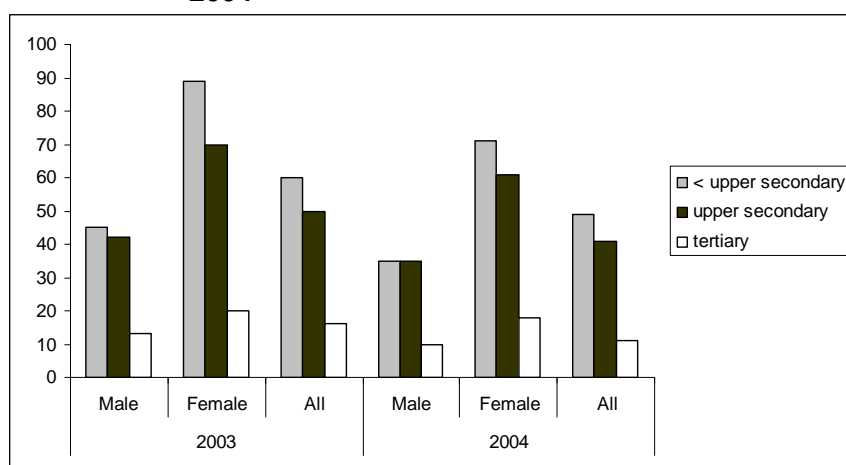
Source: MLSW-ILO, *Wage and skills survey*, op. cit.

1.2.6 Unemployment

The official unemployment rate for 2004 was 39.7 per cent. There is no substantial difference between the LFS and other data sources, including the administrative data on unemployment, which shows a rate of 42.3 per cent for the same year.³⁸ Compared to the 2003 rate, there has been a decrease of 10 percentage points. However, calculations made by the authors of this report on the 2003 LFS data indicated a rate of unemployment of 41.8 per cent. In 2004, the unemployment rate for women reported by the Statistical Office (60.7 per cent) was nearly double that of men (31.5 per cent).³⁹ Almost 88 per cent of unemployed people had been without work for more than one year (defined as long-term unemployment). Most of the unemployed are first-time job seekers with no previous work experience. The distribution of the unemployed according to sector and occupation of last job held, shows that 32.1 per cent of jobseekers were previously employed in manufacturing, more than 60 per cent in the service sector (with as many as 18 per cent of them employed in building and construction) and 7.6 per cent in agriculture. Most of these jobseekers were previously working in elementary occupations (24.9 per cent), crafts and related trades (19.3 per cent), service and sales (15.4 per cent) and as machine operators (13.6 per cent).

The higher the education and the age, the lower the unemployment rate. This correlation confirms the already-indicated positive influence of education and age on employment outcomes. Figure 1.4 compares the unemployment rate by education and sex in 2003 and 2004.

Figure 1.4 Unemployment rates by sex and education, LFS 2003 (not adjusted) and 2004



Source: Authors' adaptation of SOK, *Labour market statistics*, Pristina, 2005, graphic 14, p. 26.

1.2.7 Inactivity and discouragement

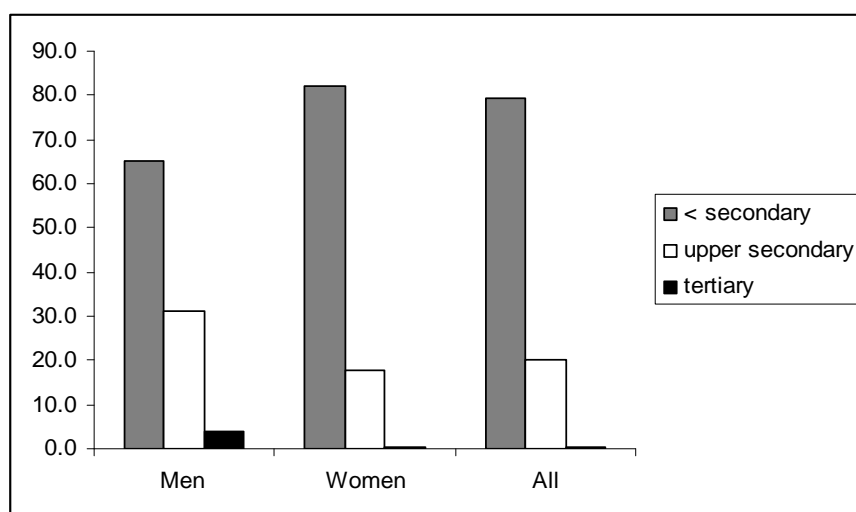
According to the LFS, 71.4 per cent of the Kosovo population was inactive in 2004. However, since 2002, these data also include members of the population not of working age (i.e. those below the age of 15 and over the age of 65). A percentage of around 50 per cent (53.8 according to adjusted LFS data) seems to be more appropriate. During the period 2001-2004, the overall inactivity rates were fairly volatile, but they seem to have levelled out at around 53 per cent, most likely indicating a ensible

³⁸ Until 2003 there was a considerable difference between the unemployment rate calculated by the LFS and administrative data and other sources such as those from international organizations.

³⁹ Author calculations on the rough data of 2003 LFS provide an unemployment rate of 33.7 per cent for men and 58.5 per cent for women.

incidence of worker discouragement due to jobless growth.⁴⁰ During the same period, women's rate of inactivity has been subject to higher fluctuation, levelling out, in 2004, at an abysmal rate of 74.7, almost 2 percentage points higher than that of 2001. Inactivity and discouragement disproportionately affect both sexes with levels of education lower than secondary. Women are more exposed than men, but for those with tertiary education the figures become negligible (see figure 1.5). In 2002, only 13 per cent of the population aged 25- 64 (18 per cent of men and 8 per cent of women) had a university diploma. However, in the same year and within the same age group, only 44 per cent of the working age population had completed secondary education, compared to the EU25 average of 68.9 per cent. Table 4 in the statistical annex gives a breakdown of the education levels of the Kosovo population by sex.

Figure 1.5 Inactivity by sex and educational level



Source: SOK, *Labour market statistics*, Pristina, 2005, graphic 21, p. 33.

Chapter 2 The youth labour market

This chapter is based on the analysis of data collected in October 2004 through the school-to-work transition survey, which was conducted by the ILO in order to better understand the youth labour market in Kosovo.⁴¹ The data of the SWTS were complemented by those collected by the *Kosovo Wage and Skills Survey*, carried out in 2005.

The present survey is based on the ILO's SWTS methodology, details of which can be found in the technical note appended to this study (annex 1). The Kosovo survey was the first of the second generation of SWTSs for a number of reasons. First, it was carried out through the development of a significant sample based on the LFS and includes an analysis of the main labour market indicators. Second, it not only captures the labour market status of young people at a given time (in school, employed, unemployed, inactive) but it also depicts the different kinds of transition between education and work. Thirdly, the SWTS includes a survey of employers that supplements the first generation with data on labour demand. Fourthly, it endeavours to provide information on both the quantity and the quality of youth employment. Finally, the survey (from the training of the data collectors to the

⁴⁰ The worker discouragement phenomenon refers to individuals who, owing to lack of (perceived) success, have stopped looking for work, although they are willing and able to engage in productive activities.

⁴¹ If not otherwise indicated, tables and figure of this chapter are drawn from the SWTS in Kosovo, processed by the ILO in 2005.

tabulation of data) was based on a participatory approach involving government institutions (Ministry of Labour and Social Welfare and the Ministry of Culture, Youth and Sport), employers' and workers' organizations and youth associations.⁴²

2.1 Socio-demographic characteristics of young people

As mentioned in chapter one, in 2004 it was estimated that children and youth accounted for 52 per cent of the total population of Kosovo, with 21.4 per cent of young people aged between 15 and 24.

About 70 per cent of surveyed youth lived in households with an average of 6.4 members. Kosovo society is based on strong family ties, which allow households to influence whether young people participate or not in the labour market, or even whether they can work outside their households (this particularly concerns young women), as well as the type of employment young women and men may undertake. Income poverty is also significantly dependent on household characteristics, including its size, the number of employed members and the educational level of the head of family. More than 70 per cent of surveyed youth lived in households with one or more employed member, while almost a quarter of them lived in a household where nobody was employed. Table 8 of the statistical annex provides a picture of household members by activity status.

More than 90 per cent of the young respondents were unmarried (87.5 per cent of women and 93.2 per cent of men). Young people's attitudes towards marriage show that values and priorities are changing. During the period 1999-2003, the mean age for marriage shifted from 21 to 24 years for young women and from 25 to 27 for young men.⁴³

Despite the bleak labour market situation, young people in general seem to be optimistic about their future. Out of ten life goals listed in the questionnaire, the two most important ones were a successful career and a good family life.⁴⁴ Table 10 of the statistical annex gives a breakdown of these two life goals by labour force status, sex, age group and ethnicity. Career aspirations are very important for more than 34 per cent of young women and for 43 per cent of young men, although a good family life comes first for 43 per cent of young women and 33 per cent of young men.

2.1.1 Trends in education

By the end of 2004, the majority of the young people surveyed had completed secondary education, less than 10 per cent of them had completed primary education and 2.7 had less than primary education. Table 2.1 below shows that 54.2 per cent of the sample had completed high school (nearly 56 per cent of young men and almost 53 per cent of young women).

Table 2.1 Educational attainment by sex, age and ethnicity

Highest attainment	Total	Men	Women	15-19	20-24	Albanians	Serbs	RAE	Others
Less than primary	2.7	2.9	2.4	4.0	1.8	1.58	2.41	35.7	---
Primary	9.7	11.3	8.2	10.9	8.2	9.06	8.43	30.9	10.7
Vocational	16.5	16.7	16.2	19.8	16.2	17.96	4.82	4.8	3.6
High school	54.2	55.9	52.6	59.9	52.6	53.37	77.11	21.5	75.0
University and higher	16.9	13.2	20.7	5.4	20.7	18.04	7.23	7.1	10.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

⁴² For more information on the surveys, see website: www.ilo.org/youth and for a brief analysis of results from eight SWTS, see chapter 5 of ILO, *Global employment trends for youth*, Geneva, 2006.

⁴³ United Nations Population Fund (UNFPA) and SOK, *Demographic, social and reproductive health situation in Kosovo: Results of a household survey*, Pristina, 2004.

⁴⁴ These goals were: 1) success at work, 2) making a contribution to society, 3) participating in the community, 4) upholding religious faith, 5) having a lot of money, 6) having a good family life, 7) having leisure time, 8) having many different experiences, 9) finding purpose and meaning in life and 10) building self-esteem and finding personal fulfillment.

The data relating to tertiary education was difficult to analyze, given the fact that most of the surveyed university students between the ages of 20 and 24 were still studying, rather than having completed their tertiary or higher education. However, if these data are compared with those in the transition table “relevance of education for unemployed youth” (see table 48 in the statistical annex) it will be seen that university studies were perceived as the most useful for finding a job for 53 per cent of unemployed youth, and that nearly 55 per cent of them were planning to continue their studies. Increasing levels of education amongst young women are even more obvious if compared with the educational achievement of their mothers, showing a difference of almost 20 percentage points between the two generations.

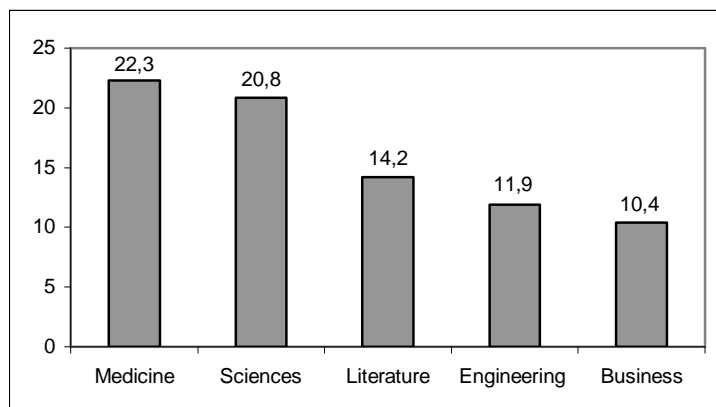
The high-school achievement of Serbs and other minorities was over 75 per cent, but this does not reflect in the above-mentioned tertiary education trend. This can be partly explained by the fact that minority languages are not used in the university, which forces these minorities to continue their studies outside Kosovo. The above-mentioned positive results in secondary education do not hold true for RAE youth, 65 per cent of whom had had only primary education, or less, and only 21.4 per cent had been to high school.

Increased school enrolment is without doubt a positive indicator. The data collected by the SWTS and LFS show that better educated young people have better employment prospects. However, there are two main conclusions that can be drawn from the data on education. First, many Kosovars postpone their entry into the labour market due to the lack of job opportunities and because they believe that tertiary education helps them secure employment, in spite of the fact that employers value work experience more. Second, school dropouts continue to be an issue, given that 10.6 per cent of those interviewed had dropped out of primary school, mainly because of financial constraints (more than 33 per cent of respondents) – see table 11 in the statistical annex.

Nearly half of young people still attending school plan to postpone their entrance into the labour market to obtain higher education diplomas (53.3 per cent women and 44.4 per cent men). Out of the 45 per cent of students who plan to enter the labour market (41.2 per cent women and 50 per cent men), only 26.5 per cent are already looking for a job, mainly through their schools or through advertisements (tables 43 and 44 of the statistical annex).

Some young people in school plan to pursue a medical career, despite the fact that this occupational cluster appears already overcrowded with limited opportunities (figure 2.1 and table 37 of the statistical annex). The reasons that so many choose a medical career could be that it is a profession that offers many earning opportunities in private practice.

Figure 2.1 Preferred sectors of education



2.2 The youth labour market

2.2.1 Youth labour force participation

In 2004, young people in the labour force made up 56.9 per cent of surveyed population 15-24 years old (62.8 per cent men and 51.5 women).

The participation rate varies according to age and ethnic group: teenager involvement (15-19 years old) was 40.2 per cent, while that of young adults (aged 20-24) was 69 per cent. The participation of Kosovo Serbs and other minorities was higher (63.4 per cent and 65.2 per cent respectively) than for Kosovo Albanians (56.5 per cent). However, young people belonging to the RAE minority had the lowest rate (51.2 per cent). Table 2.2 provides detail of the main youth labour market indicators.

Table 2.2 Key youth labour market indicators of the surveyed population by sex, age group and ethnicity

	Total	Sex		Age group		Ethnicity			
		Women	Men	15-19	20-24	Albanians	Serbs	RAE	Others
Participation rates	56.9	51.5	62.8	40.2	69.1	56.5	63.4	51.2	65.2
Inactivity rates	43.1	48.5	37.2	59.8	30.9	43.5	36.6	48.8	34.8
Unemployment rate	49.5	45.7	52.8	60.1	45.0	48.4	63.0	66.1	24.5
Employment ratio	28.7	28.0	29.6	16.0	38.0	29.2	23.4	17.4	49.2
Unemployment ratio	28.2	23.6	33.1	24.2	31.1	27.3	40.0	33.8	16.0

Despite the high number young people still in education, their participation rate is quite high, probably because many young people manage to combine school and work. In these cases, and according to the ILO measurement criteria, activity always takes precedence over inactivity.⁴⁵ The high rate of activity of young women, compared to that of adult women (51 per cent and 25 per cent respectively) may point to the fact that many young women work until they marry which – as already mentioned in paragraph 2.1 – takes place at an average age of 24. This trend is confirmed by the high inactivity rate of prime age women workers (22 per cent).⁴⁶ Moreover, pay gaps and lack of child-care services make married women's engagement in the labour market a non-affordable option.

Educational achievement strongly influences employment and inactivity. Predictably, those with low education levels experience lower employment and higher inactivity, while the reverse applies for higher educated youth, with higher employment and lower inactivity (see table 16 in the statistical annex). For instance, over 70 per cent of the young self-employed had obtained a high school diploma. Young women have higher participation rates in education than men. At the time of the survey, 35 per cent of the young women interviewed were in school, compared to 29 per cent of men, (see table 15 in the statistical annex).

2.2.2 Youth employment

The survey reported overall youth employment at 28.7 per cent, which points to an improvement since 2001.⁴⁷ However, the employment benefits were mostly reaped by young Albanian

⁴⁵ R. Hussmans, F. Merhan, V. Verma, *Survey of economically active population, employment, unemployment and underemployment: an ILO manual on concepts and methods*, ILO Geneva, 1990, p. 38-40.

⁴⁶ SOK, *Labour market statistics*, Pristina, 2005, graphic 20, p. 32.

⁴⁷ For the same year, the LFS records a lower youth employment rate (11.3 per cent). For 2001 data see A. Kolev, C. Saget, "Understanding youth labour market disadvantage: Evidence from south-east Europe", *International Labour Review*, Vol. 144 (2005), No 2, p. 165 et seq.

men and minority groups other than Serbian and RAE youth. Conversely, young RAE had the lowest employment rate (17.4 per cent). Table 2.3 below and table 17 in the statistical annex show youth employment ratios by age, sex and ethnicity.

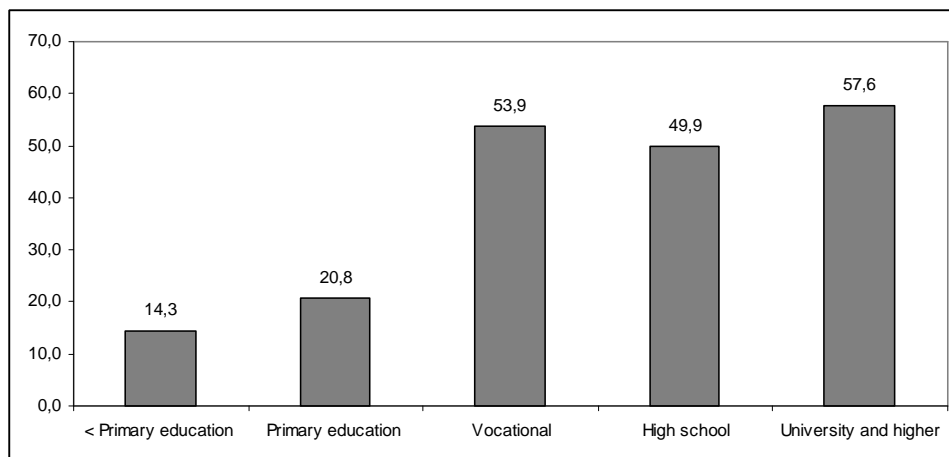
This ratio, also known as the employment-to-population ratio, can be seen as a reflection of the country's ability to create jobs, although one must keep in mind that many young people will still be in education and, therefore, voluntarily outside the labour force. This is reflected by both the lower employment ratio and lower participation rate of teenagers as opposed to young adults. Table 17 in the statistical annex compares the employment ratio with other labour market indicators disaggregated by sex, age group and ethnicity.

Table 2.3 Youth employment ratio by age, sex and ethnicity (percentage)

	Total	Employees (wage & salaried workers)	Self-employed	Unpaid family workers
Total	28.7	26.8	1.4	0.5
Women	28.0	27.0	0.6	0.4
Men	29.6	26.7	2.3	0.6
15-19	16.0	14.5	1.0	0.6
20-24	38.0	35.6	1.8	0.5
Kosovo Albanians	29.2	27.1	1.5	0.5
Kosovo Serbs	23.4	22.2	1.2	0.0
RAE	17.4	16.9	0.0	0.5
Other	49.2	44.0	3.5	1.7

The positive correlation between employment and educational achievement found for adults is also true of the youth labour market: over 57 per cent of young people with tertiary education were employed at the time of the survey, against only 14 per cent of all young people with less than primary education (see figure 2.2 below and table 13 of the statistical annex).

Figure 2.2 Employment by educational level (as percentage of total in each education level)

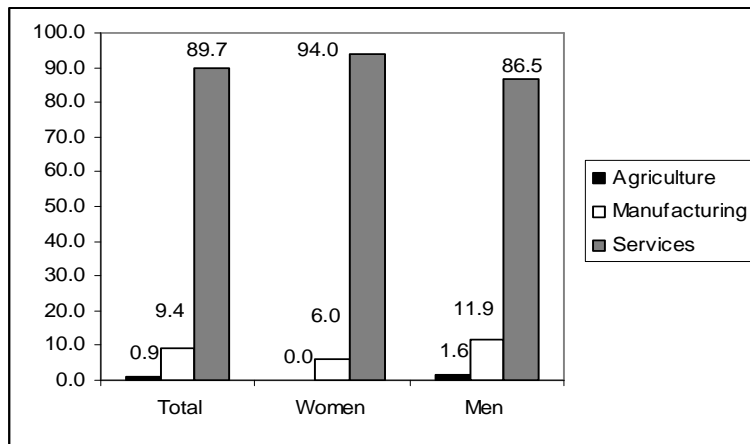


When enterprises are recruiting young workers, educational achievement remains one of their most important considerations, although it still comes second to work experience for almost 31 per cent of those enterprises seeking to recruit young professionals, and third for those needing manual labour (see table 55 in the statistical annex). Moreover, employers generally prefer both manual and

professional workers to have a secondary vocational education diploma (see table 38 of the statistical annex). Tertiary education remains the desirable qualification for professional posts in more than 33 per cent of the surveyed enterprises, while over 45 per cent prefer vocational education qualifications.

As already mentioned, the service sector accounted for nearly 90 per cent of youth employment in 2004 (see figure 2.3) – which was apportioned as follows: trade (32.9 per cent), community services (15.7 per cent) and restaurants and hotels (14.6 per cent). In the same year, manufacturing accounted for less than 10 per cent, while the agricultural sector’s employment share was negligible, with less than one per cent (see table 19 of the statistical annex). Young women are mainly engaged in trade (35 per cent compared to 31.3 for young men) and in community and health services (31.1 compared to 18.5 for young men), while young men have a higher share of employment in the hotel industry (21.4 per cent compared to 5.5 for young women).

Figure 2.3 Employed young people by economic sector



Segregation by occupation and by sex in the tertiary sector is also reflected in the occupational class structure. Compared to young men, young women are over-represented in clerical and administrative jobs (5.8 per cent for men and 25.9 per cent for women), whereas the contrary applies for manual and technical jobs (68.6 for men and 40.6 for women). Distribution by sex in the professional category shows that women are more represented than men (28.6 per cent and 18.8 per cent respectively), but these figures should be viewed dispassionately as the questionnaire gave no examples, nor explanation, of the word “professional”. Local languages define the term *professional* as reflecting a worker’s education and experience rather than the usual tasks performed. For instance, a bank teller would be regarded as professional rather than as a clerk. Figure 2.4 and table 18 of the statistical annex give the sex disaggregated data by employment group.

The above-mentioned table also provides data relating to ethnicity, and it will be noted that young RAE are predominantly engaged in manual jobs (71.4 per cent compared to 39 per cent for Kosovo Albanians and 33.3 for other minorities) and do not seem to occupy administrative, managerial or professional positions (figure 2.5). This can be due to the generally lower educational levels of these minorities (see table 2.1), but also would suggest a certain amount of discrimination in employment. However, young Serbs exclusively occupy professional and managerial positions and do not appear to be represented in the manual, clerical, technical and administrative categories.⁴⁸

⁴⁸ The data referring to Kosovo Serbs may be affected by the fact that a few areas were not surveyed due to security constraints. Also, de-facto freedom of movement of Kosovo Serbian workers may bias certain data.

Figure 2.4 Occupational class structure by sex

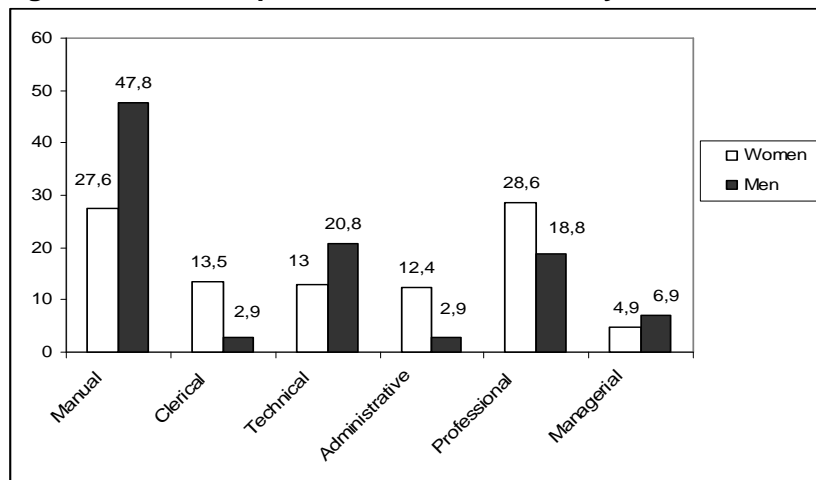
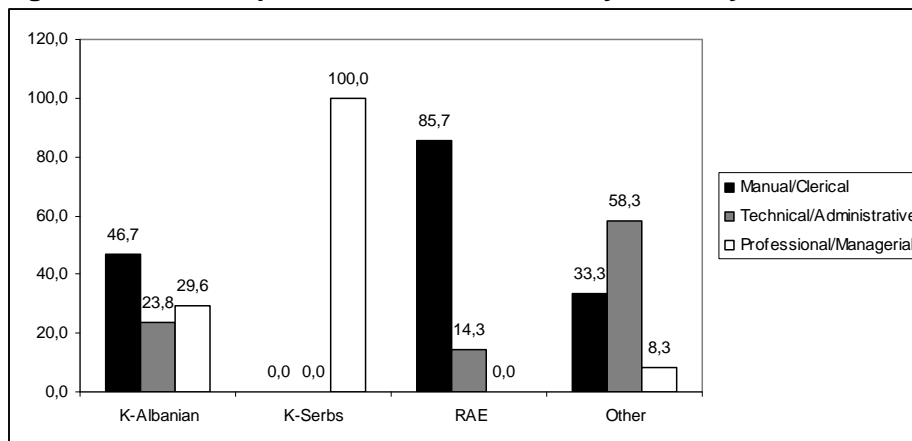


Figure 2.5 Occupational class structure by ethnicity



Over half of young employed people were, at the time of the survey, working for private companies with less than ten employees (see table 20 of the statistical annex). The number of young women employed in the public sector was more than four times higher than that of young men (22.3 per cent and 5.4 per cent respectively). This could reflect women's preference for jobs that allow them to reconcile work with family responsibilities (see section 2.2.4 on wages and working conditions).

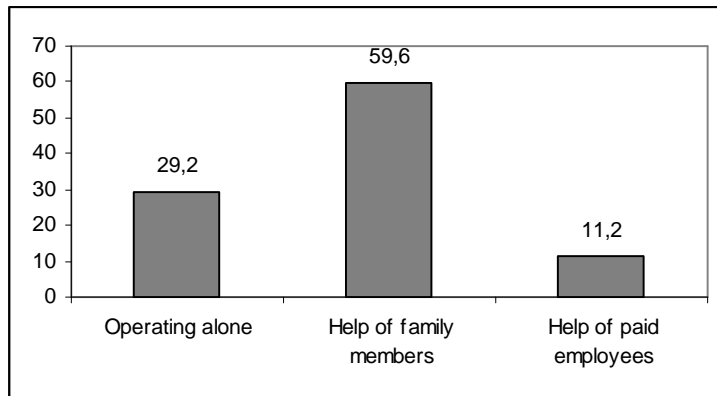
The survey questionnaire did not include specific questions on full- and part-time employment. However, this information can be extrapolated from the data on weekly hours of work, which show that more than 64 per cent of employed young people worked full-time (see section 2.2.4 below), while 7.4 per cent of them worked less than 25 hours a week. The questionnaire also did not distinguish between voluntary and involuntary part-time employment.

In 2004, 11.3 per cent of young people were self-employed (9 per cent women and 13.6 per cent men), while unpaid family workers represented 8.2 per cent, with minimal differences between men and women (7.8 per cent versus 8.5 per cent respectively). The data indicate a strong correlation between self-employment and educational achievement since more than 72 per cent of self-employed youth had completed high school (see tables 16 and 28 of the statistical annex).

Most young people choose self-employment because it either gives them greater independence (39 per cent) or higher income (30.8 per cent), while 4.4 per cent of them opt for self-employment to enjoy flexible working hours. For more than 24 per cent of surveyed youth, however, self-employment

was not a choice, but the only alternative to unemployment (table 30 of the statistical annex). Almost 60 per cent of young self-employed people rely on their families to manage their business, while only 11 per cent of them employed one or more workers. Figure 2.6 below and table 29 in the statistical annex give an indication of the support received by young self-employed people in running their businesses.

Figure 2.6 Support received by young self-employed in running their business



Self-employment is generally concentrated in marginal activities, mostly small trade and street vendors (mainly cafes and restaurants, and personal and community services. This focus on low value-adding activities– in itself likely to hamper the expansion opportunities of young entrepreneurs – is further confirmed by the low share of salaried workers: just about 11 per cent of young entrepreneurs have employees, but more than 66 per cent employ only one worker (see table 29 in the statistical annex).

The specific economic sectors in which self-employed women are present are indicative of sex segregation in the labour market: most women entrepreneurs operate in social and personal services and in trade (44 per cent and 33 per cent respectively), but are absent from other economic sectors (see table 61 in the statistical annex). Another major constraint faced by the young self-employed is access to credit – the data presented in table 63 of the statistical annex shows that 38.4 per cent of them identified difficult access to financial services as the main obstacle to running their businesses. This explains why most young self-employed start their businesses with their own savings, or with the financial backing of their families (23.6 per cent and 47.2 per cent respectively). Only 9 per cent of surveyed youth obtained a bank loan and 4.5 per cent of them turned to private moneylenders.

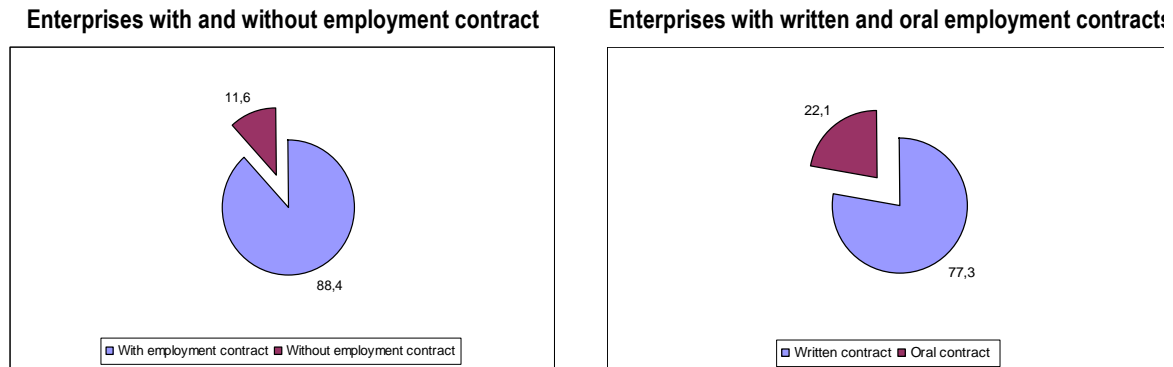
2.2.3 Young workers in the informal economy

The survey data on both young (self) employed people and enterprises confirm the magnitude of the informal economy already outlined in section 1.2. Two aspects of informality were measured, as it applies to workers and to enterprises. The degree of worker informality was assessed using the employment contract and compliance with other labour law requirements as benchmarks, while for enterprises both business registration and reported profit were used. As regards employment contracts, half of young workers were informally employed at the time of the survey with more than 20 per cent of young workers with no contract at all. This figure is two and three times higher for RAE and Serbs (42.9 per cent and 61.5 per cent respectively). Nearly 30 per cent of the overall number of contract holders (66 per cent men and 34 per cent women) had oral contracts (see table 23 and 24 in the statistical annex).⁴⁹ Although with lower figures, informality is also reported among surveyed

⁴⁹ The *Essential Labour Law in Kosovo* (UNMIK Regulation 2001/17) prescribes the written form for employment contracts.

enterprises. Figure 2.7 illustrates the percentage of companies that reported degrees of informality in the employment relationship.

Figure 2.7 Enterprises compliance with employment contract requirements



Informality among young workers would seem to be higher when measured against labour law requirements on social security. Table 26 in the statistical annex shows that more than 54 per cent of young workers reported not having access to paid sick leave, while 45.5 per cent of enterprises did not envisage paying their workers this entitlement (see table 27 of the statistical annex). Nearly 42 per cent of surveyed enterprises and 53 per cent of young workers reported non-compliance with the mandatory contributions to the pension scheme.

Informality is also widespread among the young self-employed. Despite the high percentage who reported that their businesses were profitable, it was found that more than 23 per cent of young own-account workers were not registered (see figure 2.8 and 2.9 below). This figure is more than four times higher than that of surveyed enterprises (see table 57 of the statistical annex).

Figure 2.8 Compliance with administrative requirements (young own account workers)

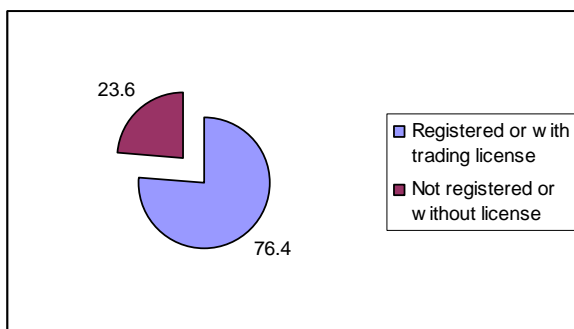
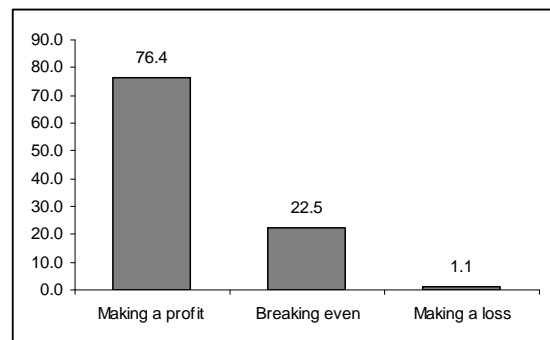


Figure 2.9 Self-employment activities of youth by financial status



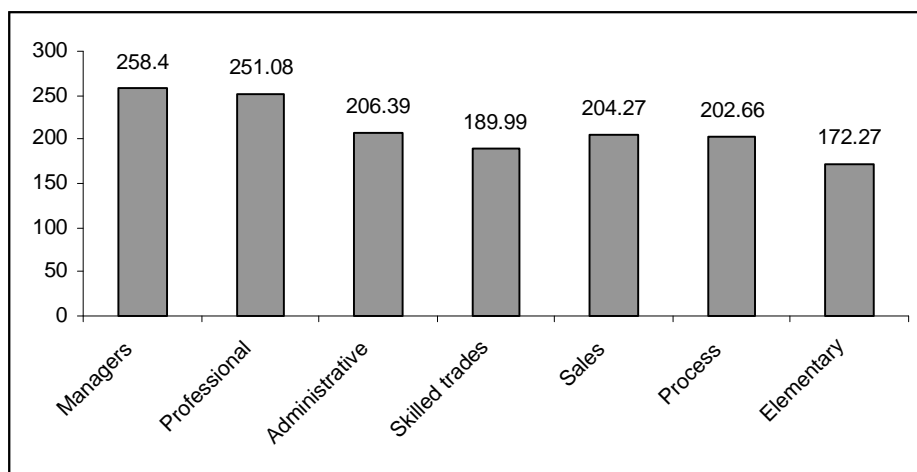
The higher degree of informality among young own-account workers may have several explanations – being new to business (table 65 of the statistical annex indicates an average life of one year or less for half of the businesses) and family-based management (table 29 of the statistical annex shows that 59.6 per cent of self-employed people receive the help from their families). As regards enterprises, the cost of social security was cited as the main reason for non-compliance with the registration requirement (table 58 of the statistical annex).⁵⁰

⁵⁰ The Essential labour law envisages a mandatory social security contribution to be paid by employers equivalent to 5 per cent of the gross salary. According to government documents, this rate is the lowest in

2.2.4 Wages and working conditions of young workers

In 2004, the average monthly wage for the younger age group was €196 or 16 per cent lower than the average monthly wage of prime age workers (see table 1.4 in section 1.2.5). The effect of education on wage level is depicted in table 1.4. The positive relation between educational achievement and wages –reported for adult workers – is confirmed for young workers. Young workers having completed secondary education have a wage premium of more than 20 per cent, compared to workers with primary education only (€202 ad €157). Their wage is inferior by almost 18 percentage points compared to workers with university diplomas (€245). There are also wage differences between occupations – for example, the lower average wage for skilled young tradespersons compared to elementary and process occupations is not in line with the wage trends of other countries (see figure 2.10 below).

Figure 2.10 Average monthly wage for young people by occupation (in €/month)



Source: MLSW-ILO, *Wage and skills survey*, op. cit.

The earnings of the self-employed in occupations like fitters, plumbers, bricklayers, electricians, etc., are much higher than the salaries paid in the same occupations. The higher earnings of the young self-employed are a matter of fact: around 75 per cent of them earn between €200 and €450 a month (see table 31 in the statistical annex).

With regard to other working conditions, the survey collected information on types of contract, job tenure, hours of work and other entitlements.

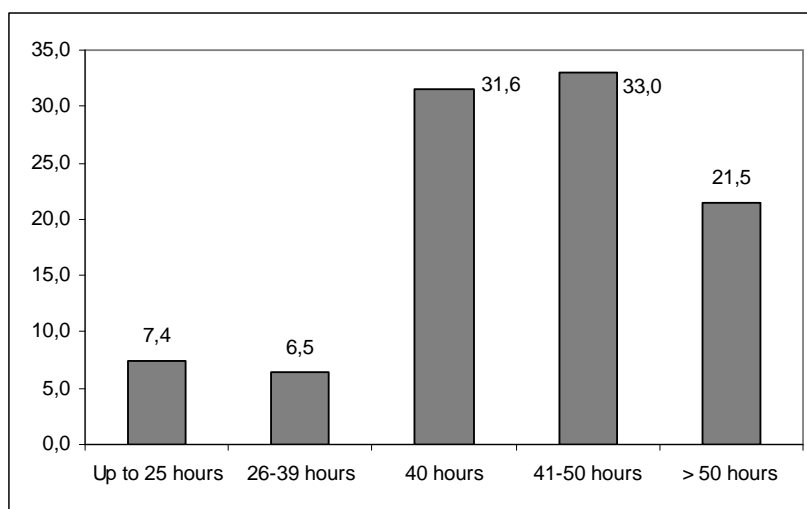
The data on types of contract indicate that nearly 46 per cent of young workers had contracts of unlimited duration, 39 per cent had fixed-term arrangements and 11.6 per cent had short-term contracts. However, some young workers did not have written employment contracts at all (i.e. 30.8 per cent of them). At the time of the survey, over 50 per cent of the young workers had been employed for one year or less, while 15 per cent of them had been employed for less than 6 months (see table 21 and 22 in the statistical annex). Working hours are another factor used in determining the level of working conditions. Almost 32 per cent of respondents worked 40 hours per week, 33 per cent worked between 41 and 50 hours, and 21 per cent exceeded 50 hours per week, (see figure 2.11 below and table 32 in the statistical annex).⁵¹ The data on working hours and the number of young people working while still at school could be considered contradictory, but many young people are capable of

South-East Europe. See Ministry of Economy and Finance, *Kosovo mid-term budget framework 2006-2008*, Pristina, 2005.

⁵¹ The Essential Labour Law establishes the weekly hours of work at 40. This limit can be exceeded with overtime amounting to 20hours/week but not exceeding 40 hours/month.

working for eight hours a day, and more, even if they are attending school. This is particularly true for those young people in the retail sub-sector, where opening hours are discretionary and often very long. Many young women work overtime as a matter of course (36 per cent of them between 41 and 50 hours), although young men often work double the amount of overtime stipulated by law (28 per cent compared to 14.9 per cent). Although the provisions of the labour law are in line with international labour standards on the protection of young workers, the result of the survey indicated weak enforcement, since a disproportionate number of teenage employees work 40 hours or more per week (87.3 per cent).⁵² The data on weekly hours of work, disaggregated by ethnicity, show that nearly 43 per cent of young RAE work only up to 25 hours a week, a rate that is between six and seven times higher than that of other ethnic groups. This figure also confirms other labour market indicators which reinforce the belief that this particular ethnic group is targeted by discrimination in employment.

Figure 2.11 Weekly working hours of employed youth



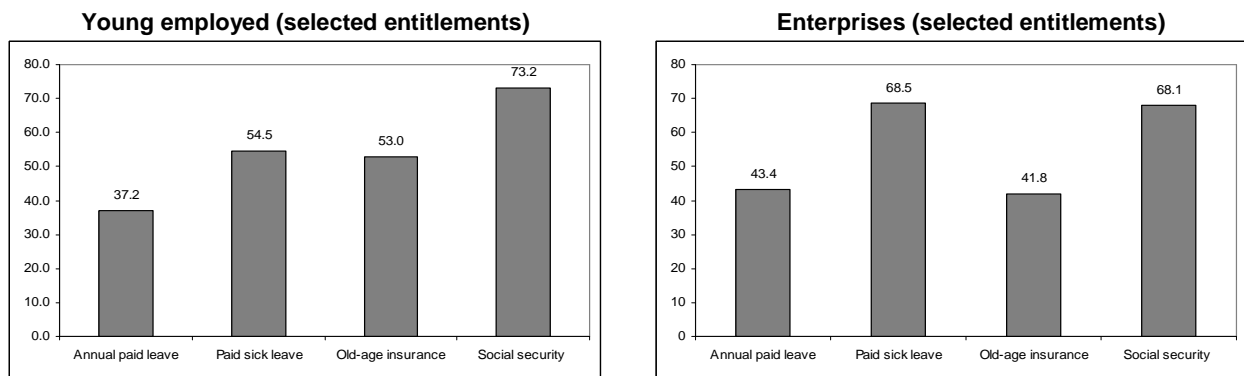
Besides those entitlements already discussed in section 2.3, the survey gathered other data on annual paid leave, sick leave, severance pay, training allowances and occupational health and safety in the enterprise. Figure 2.12 compares the results of interviews of young workers and enterprises. The percentages of young workers and enterprises where unpaid annual leave is the norm correspond to 37.2 per cent and 43.4 respectively, whilst sick leave is not applicable to 54.5 per cent of young employees and not paid by 68.5 per cent of employers. It is somehow contradictory that employees report higher rates of entitlements compared to the rates quoted by enterprises. However, this apparent contradiction can be explained by the fact that many young workers have limited knowledge and understanding of their rights at work. High rates of non-compliance with the health insurance regulation, which was also reported by both employees and enterprises (73.2 per cent and 68.1 per cent respectively), were probably due to the fact that legislation had been enacted only a few months before the survey was carried out.

As regards other incidences of non-respect of working conditions, tables 26 and 27 of the statistical annex indicate the percentage of non-compliance with the requirement for severance payment (86.3 for workers and 84.9 for employers), while training was not considered as an entitlement by nearly 85 per cent of enterprises. Non-compliance with occupational health and safety

⁵² The international labour standard on the minimum working age allows work under 18 years of age under the condition that “the health, safety and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity”, article 3(3) of the Minimum age Convention C182 (1973).

regulations was evident for 70 per cent of young employees, while the same share of employers reported that health and safety rules were fulfilled.

Figure 2.12 Percentage of young employed without entitlement



2.2.5 Youth unemployment

A number of indicators can be relied upon to measure the difficulties faced by young people in their search for work. Although the rate of youth unemployment is the most common indicator, it alone does not give a full picture of the labour market disadvantages faced by young people between the ages of 15 and 24. Other indicators are needed, such as the ratio of youth-to-adult unemployment, the rate of youth long-term unemployment and youth underemployment. Furthermore, given that young people are not a homogeneous group, each indicator should be analyzed on the basis of sex, age, educational level, ethnicity and household composition, any of which can aggravate young people's disadvantages in the labour market.

The results of the survey show that in 2004 the Kosovo's youth unemployment rate was 49.5 per cent (45.7 per cent for women and 52.8 per cent for men). For the same year, the LFS showed a rate of 66.5 per cent (82.5 per cent for young women and 57.9 per cent for young men), with a decrease of 8 percentage points compared with 2003.⁵³ Among the individuals interviewed by the STWS, as many as 16.4 per cent considered themselves as unemployed, even though they were in paid or self-employment for one or more hours in the reference period (i.e. one week for Kosovo). This rate, combined with the percentage of young people working less than 25 hours a week (7.4 per cent), could provide some insights into the underemployment of young people. However, the calculation of underemployment needs to be time-related, take into account those involuntarily working less than the normal work duration and seeking additional work, and include those who consider themselves unemployed because they are dissatisfied with their job (see chapter 3). The same calculation would also need to make a clear distinction between voluntary and involuntary part-time employees, since only the latter fall into the "underemployed" category.⁵⁴

Unemployment amongst young women is lower than that of their male counterparts (table 17 of the statistical annex). This tendency is possibly due to the higher percentage of young women enrolled in education (35 per cent for young women and 28.9 for young men). Moreover, young girls tend not to look for work while they are still in school (see chapter 3). As regards the 15-19 and 20-24

⁵³ The difference between the LSF and the STWS would seem to lie in the fact that the LSF adopted a wider criterion of unemployment instead of the ILO standard definition (strict unemployment criteria). The strict criteria define unemployed as those persons who are: 1) without work; 2) are available for work; and 3) are actively seeking work. The relaxed criterion waves the active search to include discouraged workers, i.e. those who have stopped seeking work because of their (perceived) lack of success in finding a job.

⁵⁴ The STWS questionnaire did not include specific questions on underemployment and involuntary part-time.

age brackets, there is higher unemployment amongst teenagers than amongst young adults (60.1 per cent and 45 per cent respectively). The main reasons detected in many countries to explain the lower employment the younger the age –such as lower educational achievement, lack of life and work experience– also apply to Kosovo. Unemployment is also more acute for certain ethnic minorities. In 2004, young RAE had an unemployment rate of 66.1 per cent, almost 18 percentage points higher than that of Albanians (48.4 per cent), while Serbs scored nearly 15 percentage points higher than Albanians. The positive relation between educational achievement and employment (see sections 2.1.1 and 2.2.2 above) is inverted when reading the unemployment data, i.e. the lower the educational achievement the higher the unemployment.

The disadvantages of the youth labour market are more apparent when assessed through the youth unemployment ratio, which measures the share of unemployed youth out of the total youth population. In 2004, the youth unemployment ratio was 28.2 per cent (see table 2.2 above). The disparity between the unemployment ratios for young men and young women (33.1 per cent and 23.6 per cent respectively) is due to the difference in the economic status of the two sexes. Young women are more likely to be in education than young men (35 per cent for young women and 28.9 for young men) and more likely to be inactive (13.5 per cent of inactivity for young women and 8.4 for young men), both of which amount to a lower labour force participation and lower share of unemployment for young women compared to young men.

In 2004, the youth-to-adult unemployment rate was 1.9, indicating that young Kosovars are nearly twice as likely as adults to be unemployed.⁵⁵ This is lower than in neighbouring countries (2.3 in Bulgaria, 3.4 in Romania, 4.2 in Serbia), but close to the ratio of 1.6 found in Albania.⁵⁶

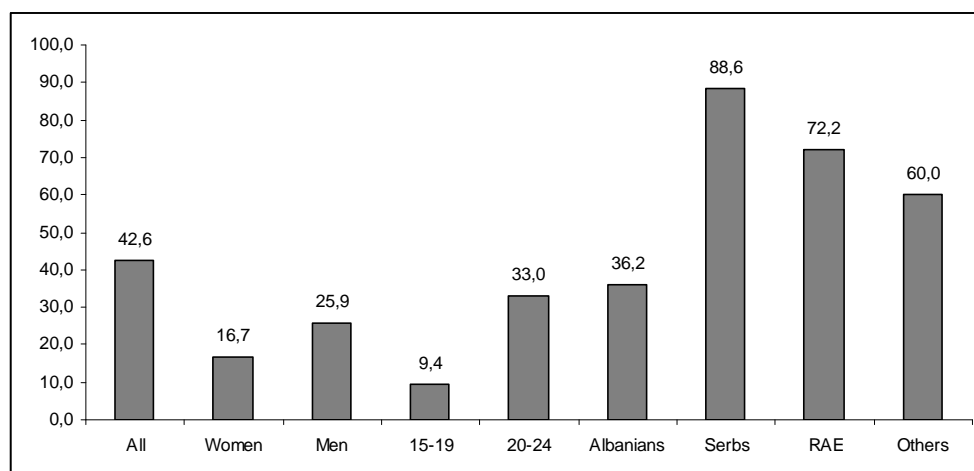
In Kosovo, 42.6 per cent of unemployed youth had been looking for work for more than one year, and 19.4 per cent for between 6 months and one year. Figure 2.13 below and table 34 in the statistical annex show long-term unemployment by age groups, sex and ethnicity.

The situation was extremely severe for all minority groups, but especially for young Serbs (88.6 per cent of them had been looking for work for more than a year) and for RAE (72.2 per cent). The data indicates that long-term unemployment is predominantly a male phenomenon (47 per cent of young men compared to 37 per cent of young women). This is probably due to the likelihood of young women abandoning their job search and becoming economically inactive sooner than young men. In order to find the job they want, some young people are willing to wait until the right job comes along. However, given the grim economic climate, this is only possible when remittances and earnings from work in the informal economy play an income-substitution role.

⁵⁵ This indicator compares the share of unemployed youth in the youth labour force to the share of unemployed adults in the adult labour force.

⁵⁶ A. Kolev, C. Saget, *Understanding youth labour market disadvantage: Evidence from South-east Europe*, op. cit., p. 165

Figure 2.13 Youth long-term unemployment by sex, age and ethnic belonging



2.2.6 Youth inactivity and discouragement

Inactive young people, excluding students, accounted for 11 per cent of the total respondents. Table 2.4 below shows the share of discouraged workers amongst inactive youth, set out by sex, age group and ethnicity. Included in the “inactive young people” are those who are outside the labour force because they are disabled or have household and/or childcare responsibilities, or they believe that no work is available. The latter two reasons classify young people as “discouraged workers”, a category that is on the fringe of the labour force since these people would be likely to return to the labour market if they felt that the economic situation or their employment prospects could be improved. Like the unemployed, therefore, they represent part of the unexploited labour potential.

More young women are inactive than men by a mere 5 percentage points. The causes of inactivity, however, diverge substantially between the sexes (see table 35 of the statistical annex).

Table 2.4 Inactive young people by sex, age group and ethnicity

	In school	Not in the labour force	Inactivity rate (percentage)	Share of discouraged workers among inactive (percentage)
Total	32.1	11.0	43.1	21.2
Women	35.0	13.5	48.5	22.2
Men	28.9	8.4	37.2	19.3
15-19	49.9	9.9	59.8	25.4
20-24	19.1	11.9	30.9	18.6
Kosovo Albanians	32.3	11.2	43.5	21.3
Kosovo Serbs	31.0	5.6	36.6	-
RAE	36.1	12.7	48.8	50.0
Others	18.8	16.0	34.8	-

Men are mostly inactive due to poor health or disability (66 per cent) or because they are discouraged (17.9 per cent of them reported they could not find a job and 1.8 per cent because of inadequate levels of education). Young women are also generally inactive because of poor health or disability (32 per cent of respondents), but childcare (21 per cent) and household responsibilities (6 per cent) play a role as well. More than 22 per cent of them were discouraged, either because they could not find a job (12.1 per cent) or because they considered their level of education inadequate (10 per cent). If young discouraged workers were accounted for in the labour force, such a “relaxed” definition would increase the youth unemployment rate by 4 percentage points.

For young RAE, inactivity is mostly determined by inadequate education (33 per cent) by childcare and household responsibilities and inability to find a job (16.7 per cent for each of these reasons). It is worth mentioning that 16.7 per cent of the young RAE indicated that it was considered unsuitable for women to work. Young Serbs and other ethnic groups had the lowest overall inactivity rate (36.6 per cent and 34.8 per cent) while RAE had the highest (48.8 per cent), with Albanians somewhere in the middle range (43.5 per cent).

Chapter 3 Transition to decent work

3.1 Different transition results but a common goal

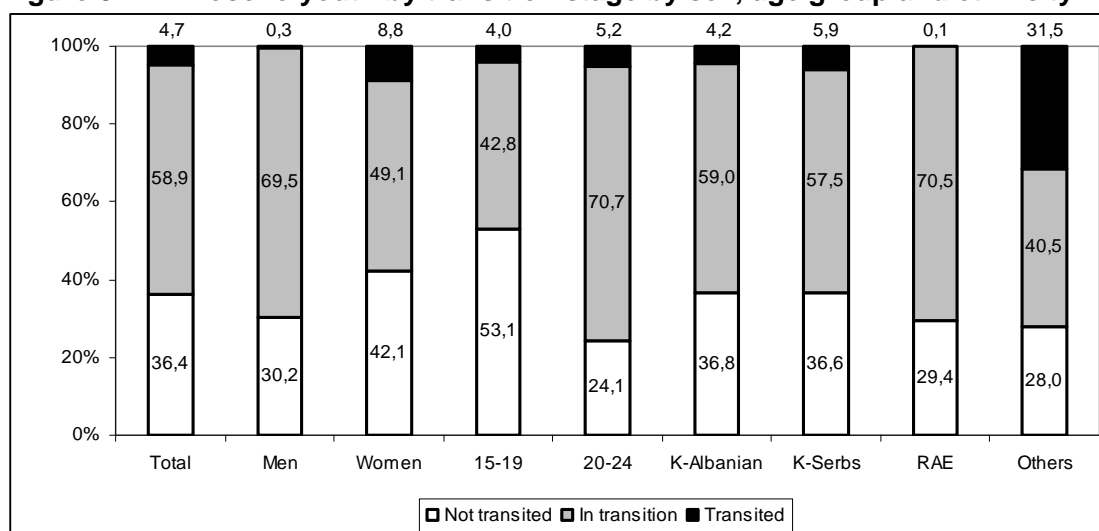
As already mentioned in chapter 2, labour market indicators do not always reflect the difficulties young people face in the transition from school to work. The ILO school-to-work transition survey was designed to measure the degree of ease or difficulty experienced by young people in their search for, and access, to decent work. The latter is defined as work that is productive, generates adequate income and guarantees rights at work and social protection. The approach goes beyond the traditional binary concept of quantity of employment and unemployment. The quantity of employment is but the tip of the iceberg – increasingly, young people are more likely to work longer hours under informal, intermittent and insecure work arrangements, characterized by low productivity, meagre earnings and reduced labour protection.⁵⁷ The youth unemployment rate, by itself, does not draw attention to the multifaceted causes and effects of the unemployment problem, thus delaying effective policy responses. Furthermore, this rate does not take into account “old and new” realities, such as discouragement and underemployment that have important socio-economic consequences and policy implications.

The route to decent work implies a smooth transition from school to a decent and permanent job that provides young workers with job security and satisfaction. The *school-to-work transition* concept is defined by the ILO as the passage of a young person from the end of schooling to the first “career” job or “regular” job. “Career job” is a subjective concept and implies a job that responds to the desired career path of the individual, while a regular job is defined in terms of duration of contract or expected length of tenure.

The ease or difficulty involved in the transition from school to work is not always reflected by traditional youth labour market analysis. For this reason, the school-to-work transition has been divided into three major stages according to whether the young person: 1) has “not yet started” the transition (all young people still in school or inactive with no intention to work); 2) is “in transition” (all the unemployed, those who are working but want to change jobs or return to education, as well as youth who are inactive and not in school, but plan to work later, and those working with decent work deficits or in non-career or temporary jobs); or 3) has “transited” to decent work, e.g. all young people employed in a career or permanent job, enjoying decent working conditions and social protection. Figure 3.1 below and table 36 of the statistical annex illustrate the stage of transition of young respondents at the time of the survey, by sex, age group and ethnicity.

⁵⁷ ILO, *Starting right: Decent work for young people*. Background paper prepared for the Tripartite Meeting on Youth Employment: The Way Forward, held in Geneva, 13-15 Oct. 2004. Geneva, 2004.

Figure 3.1 Kosovo youth by transition stage by sex, age group and ethnicity



Box 2: Expanding the set of indicators of the youth labour market

The inadequacy of traditional measures in the face of the disadvantages in the youth labour market is shown in the following table, which compares *traditional* and *transition* indicators.

The traditional indicator used to measure unemployment, does not take into account the fact that some of the inactive people are either willing to work (discouraged workers) or searching for a job (some students do look for work while in school). These young people are accounted through the indicator “in-transition”. Conversely, the school-to-work indicators consider inactive young people only those who have no intention to look for work in future.

The unemployment ratio only measures the number of people unemployed in the total population, while the comparable transition indicator distinguishes between those who are “unemployed”, according to ILO strict criteria, those who are working, but consider themselves unemployed, those working but wishing to change jobs and those who, despite not wishing to change jobs, are exposed to decent work deficits.

The categories “in-transition” and “transition completed”, which measure both quantity and quality of employment, are those that differ most from traditional indicators: compared to the 28.7 per cent of employed young people, the share of those enjoying a productive job is only 4.7 per cent, while those who are still struggling to get a decent job, are as many as 58.9 per cent, compared to a traditional computation of 28.2 per cent.

Traditional labour market indicators		School-to-Work transition indicators			
Inactivity rates	43.1	Transition not yet started	36.4	In-school	27.7
				Inactive	8.7
Unemployment rate	49.5	In transition	58.9	Discouraged workers	2.3
				In-school, but job searching	4.4
Unemployment ratio	28.2			Unemployed	28.2
				Workers considering themselves unemployed	5.5
				Workers wishing to change	8.5
				Workers with decent work deficits	10.0
Employment rate	50.5	Transition completed	4.7	Employed in decent work	4.7
Employment ratio	28.7				

3.2 The transition of young Kosovars to decent work

3.2.1 Young people not yet in transition

Young people not yet in transition are young people still in school or inactive with no intention to work. At the time of the survey, the percentage of young people in this category was 36.4 per cent of the total youth population (27.7 per cent in school and 8.7 per cent inactive). This percentage does not include young students who are already seeking work, or those who are discouraged. In the first category, almost 4.4 per cent of the total youth population (2.6 per cent of young boys and 1.7 per cent of young girls) is seeking work while studying. The discouraged make up 2.3 per cent of the total youth population (1.55 per cent young women and 0.77 young men) or 4 per cent of the youth labour force. These results would not have shown up in a survey where only traditional indicators of the youth labour market had been used.

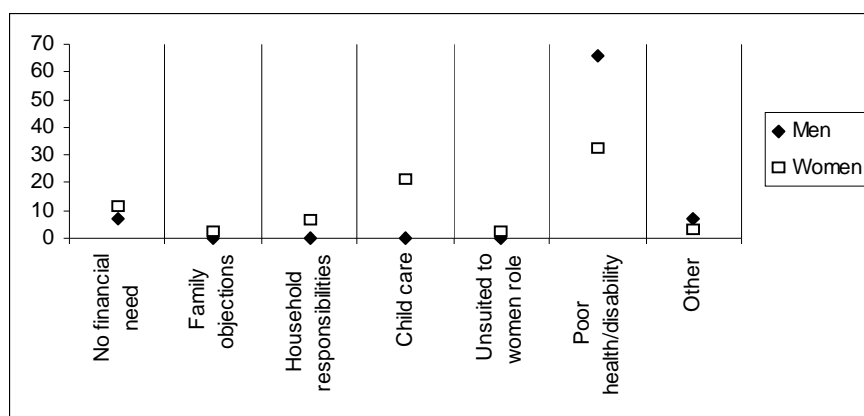
Table 3.1 below displays the number of young people who have not started their transition by sex, age group and ethnicity. There were 16.4 per cent of young women compared to 11.3 per cent of young men. This figure may be explained by women's higher rate of school attendance (45.2 per cent compared to the 30.9 rate for young men), together with higher inactivity (14.9 per cent compared with 8.9 of young men). Almost 70 per cent of the young people in the 15-19 age group are still in school, while nearly 36 per cent of them are neither in school nor looking for work. The reverse trend can be observed for the 20-24 age group, with 30 per cent of young people attending school and the other 70 per cent being inactive. As already noted (see section 2.2.6) there are also differences by ethnicity. Although the share of young people in school is similar for all ethnicities— except for the Bosniak and Turk minorities— young RAE, Bosniaks and Turks have higher inactivity rates (see table 15 of the statistical annex).

Table 3.1 Youth not yet transitioned (in school and inactive), percentage by sex, cohort age group and ethnicity

Sex	Total	In school	Inactive
Women	60.1	45.2	14.9
Men	39.9	31.0	8.9
Age group			
15-19	61.5	52.9	8.6
20-24	38.5	23.1	15.4
Ethnicity			
Kosovo Albanians	89.5	68.0	21.5
Kosovo Serbs	6.5	5.5	1.0
RAE	2.6	2.0	0.6
Other	1.4	0.6	0.8

Reasons for inactivity have already been discussed in section 2.2.6. It is, however, worth analyzing these reasons, especially with regard to the sex of the respondents. The major reason for inactivity (44.5 per cent of the total inactive) is poor health or disability, with a marked difference between the sexes (see table 35 in the statistical annex and figure 3.2 below). Although this figure needs to be considered with caution, it may emphasize a need for policy responses in employment promotion for youth with disabilities and in public health, although it is rather difficult to separate the implications for each of these policy areas.

Figure 3.2 Reasons of inactivity by sex



Family responsibilities (childcare and household duties) considerably limit young women’s participation in the labour market, given that 27.3 per cent of them are inactive because of childcare (21.2 per cent) or family responsibilities (6.1 per cent). Affordable social services, and especially childcare facilities, could be part of a package of policy measures to reduce young women’s inactivity, but it should also take into account that gender stereotypes are still deeply ingrained, even within the younger generation, since family-related responsibilities do not influence young men’s inactivity. A small number of young people even felt that work was unsuitable for women, a stereotype which particularly prevails among young RAE women (almost 17 per cent). Finally, as many as 11 per cent of women (compared with 7.1 per cent of young men) were inactive because they believed their financial situation did not require them to work. Initiatives and policies advocating gender equality, especially in the social and employment domains, could help redress gender imbalances which affect the labour market.

At the time of the survey, more than 58 per cent of in-school youth were in secondary education (16.8 per cent in vocational education and training and 41.4 per cent in high school) and more than half of them planned to take university studies (see tables 14 and 37 in the statistical annex). Another 28 per cent were enrolled in university, and more than a quarter of them wanted to pursue post-graduate studies. When employers were asked what specific level of education they sought in young prospective workers, they stated that completion of vocational education and training was their top priority (69.7 per cent for manual jobs and 45.4 per cent for “professional” and technical positions). These data, presented in table 38 of the statistical annex, show a clear mismatch between the number of in-school youth enrolled in vocational education and training and employers’ needs. The same applies to high school studies, since approximately 20 per cent of employers reported a preference for high school graduates for both “professional” and manual posts. The disparity in this case is smaller for the supply and demand of jobs requiring university studies. Figure 2.1 provides some information on the more favoured fields of university studies and career paths, which are not fully in line with the needs of the high employment-absorbing sub-sectors.⁵⁸ Between 2004 and 2005, employment increased faster in wholesale and retail (more than 25 per cent), social and personal services (more than 24 per cent), transports and communication (20 per cent) and manufacturing (13 per cent). The overall relevance of education to the world of work is obviously a priority for Kosovo’s reform agenda. Besides redressing the mismatch between supply and demand of skills, the combination of vocational and core skills for employability should also be part of the reform package.⁵⁹ Employers increasingly attribute importance

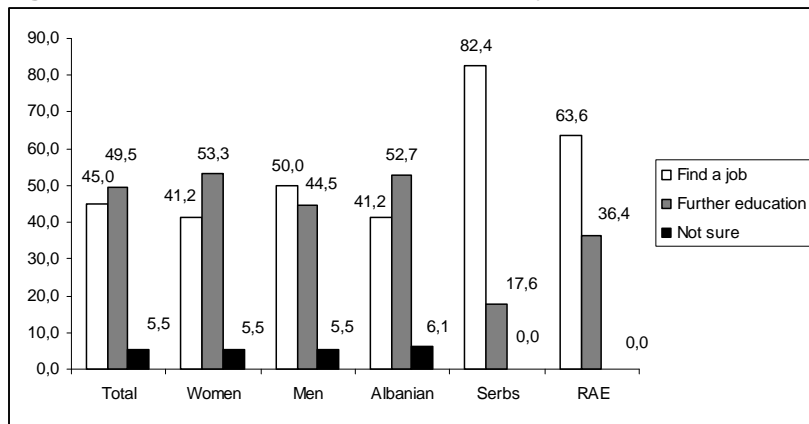
⁵⁸ Table 37 in the statistical annex reports the following university fields as the most selected by students: medicine 22.3 per cent, science 20.8 per cent, literature 14.2 per cent, engineering 11.9 and business administration 10.4.

⁵⁹ See for instance RIINVEST, *Education system and economic development in Kosova*, Pristina, 2004, p.9.

to skills such as the ability to solve problems, make calculations, acquire new knowledge and work in teams (see tables 41 and 42 in the statistical annex). These skills were largely not found in either existing workers or new recruits.

The responses of young students to the question about their immediate plans after completion of their studies revolved around two major priorities, i.e. to move on to further education and training (49.5 per cent) or to look for a job (45 per cent). Young women seem to be keener to continue their studies (53.3 per cent compared to 44.5 per cent of young men), young Albanians seem to prefer education to work (52.7 per cent versus 41.2 per cent), and young Serbs and RAE favour work over education (82.4 per cent and 63.6 per cent respectively).

Figure 3.3 Future plans of in-school youth



The policy implications of such findings suggest a need to accelerate education system reform at all levels, focus vocational education and training on areas that are required by the labour market and strike a balance between occupational skills and core skills for employability. Increased relevance and quality of education in Kosovo would lead to more positive labour market outcomes. However, measures affecting youth employment should be accompanied by policies that redress current education deficiencies. These policies are discussed in chapter 4.

3.2.2 *Struggling with transition*

Young people in transition include all the unemployed; those employed in non-career or temporary jobs; those who are working, but want to change jobs or return to education; youth who are inactive and not in school, but plan to work later; and young workers subject to job-quality deficits. For the purposes of this study, a broader concept of transition has been applied in order to overcome the limits of traditional employment and unemployment indicators, as well as to highlight their quantitative and qualitative dimensions. The latter dimension, often neglected, has been emphasized through selected indicators on working conditions and social protection. The traditional analysis of the youth labour market would identify only the unemployed as those “in transition”. At the time of the survey, 58.9 per cent of young people, out of the total youth population, fell into this transition category. A comparable indicator, used in traditional analysis of youth labour market, is the youth unemployment ratio (share of young unemployed people over total youth population). In Kosovo, the ratio of 28.2 per cent would be less than half the number of young people considered as to be “in transition”.

Table 3.2 shows the percentage of youth in transition by sex, age group and ethnicity. As one could expect, the share of unemployed youth in this transition stage is predominantly larger than the other sub-groups.

Table 3.2 Youth in transition percentage by sex, cohort age group and ethnicity

Sex	Total	Discouraged	In school but seeking work	Unemployed	Working but planning to change	With decent work deficits
Women	43.3	2.7	3.0	21.6	10.6	5.5
Men	56.7	1.3	4.4	26.2	13.3	11.5
Age group						
15-19	30.6	1.8	3.0	17.2	4.9	3.7
20-24	69.4	2.2	4.4	30.5	18.9	13.4
Ethnicity						
Kosovo Albanians	88.6	3.6	6.8	41.1	21.2	15.9
Kosovo Serbs	6.2	-	-	4.3	1.5	0.4
RAE	4.0	0.4	0.4	1.8	1.0	0.4
Other	1.2	-	0.2	0.5	0.2	0.3

Of the total number of young people in transition, young men represent 56.7 per cent and young women 43.3 per cent. The difference is the result of higher rates in the number of young men in school but looking for work, unemployed, willing to change job and with decent work deficits. The number of teenagers in transition is less than half that of young adults (30.6 per cent and 69.4 per cent respectively). These data, when compared to that of in-school youth, clearly indicate that teenagers are mostly in school, while young adults are mostly in transition (see figure 3.1 above and table 36 in the statistical annex). The ethnic composition of youth in this transition stage does not diverge significantly from that previously analyzed. The following briefly analyzes the major traits of the above-mentioned sub-groups.

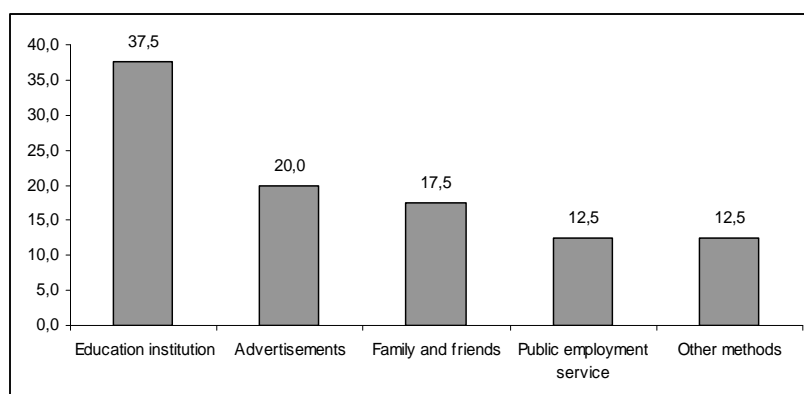
Inactive young people who meet the criterion “plan to take up work in future”, i.e. discouraged workers, have been included under this transition stage. Traditional labour market analysis would classify them as “inactive”, since they are not looking to work. Similarly, young people who, although in school, meet the criterion “seeking work” have also been included here.

In Kosovo, inactive youth who plan to take up work represent 4 per cent of all youth in transition (2.7 per cent young women and 1.3 per cent young men)⁶⁰ and students looking for work represent another 7.4 per cent (3 per cent women and 4.3 per cent men). The causes of discouragement have already been analyzed in section 2.2.6 and the same considerations as to sex, age group and ethnic composition apply here.

The differences between the sexes and the age groups already mentioned during the analysis of in-school youth (see section 3.2.1) also apply to students looking for work. Compared to young women, men are more likely to look for work while in school. This can be influenced by the role of “breadwinner”, which is still predominant among young men in Kosovo. The marginal difference between young adults and teenagers looking for work while in school (4.4 per cent and 3 per cent respectively) may suggest that, for some of them, education is just an alternative to inactivity or open unemployment. This could also explain the asymmetry found between young Serbs and RAE. More than 57 per cent of young RAE planning to work after completing their education was looking for work at the time of the survey, while none of the young Serbs was. In their search for work, students generally address themselves mostly to educational institutions (37.5 per cent), read newspapers for offers of employment (20 per cent) or rely on family and friends (17.5 per cent). Figure 3.4 shows that only 12.5 per cent of students use the employment services to find work.

⁶⁰ There is a minimal difference between this percentage and the share of young discouraged workers in the youth labour force.

Figure 3.4 Preferred job search method of young people in school



These findings suggest that there is an urgent need to improve labour market relevance of educational outcomes and to strengthen the career guidance services. The education system often falls short of students' expectations to provide them with the skills and means needed to navigate the labour market, especially as the employment services are currently unable to provide assistance to all jobseekers.

Young unemployed people represent 47.8 per cent of the total number of "in-transition" youth (21.6 per cent women and 26.2 per cent men). As the main features of youth unemployment (by sex, age group and ethnic composition) have already been analyzed in section 2.2.5, the following paragraphs focus mainly on measuring the subjective and objective difficulties encountered by young people in their search for decent work.

Although registering with the employment services is not mandatory, over 61 per cent of young people looking for a job use these services (see table 3.3 below), young men more than young women, young adults more than teenagers.

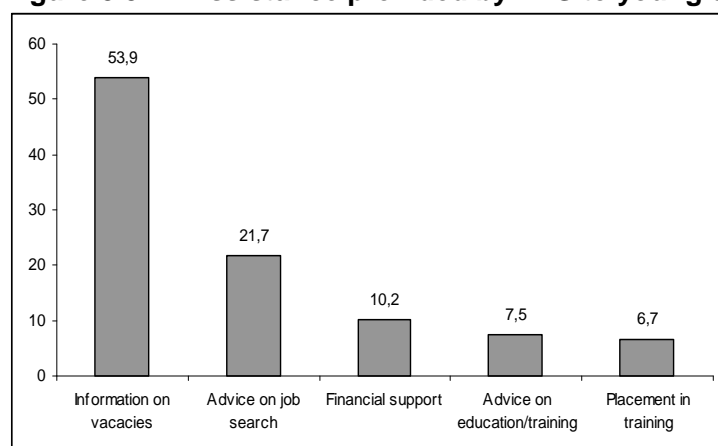
Table 3.3 Unemployed youth by job searching method

Method of job searching	Percentage	Men	Women	Albanians	Serbs	RAE	Others
Education/training institution	13.2	9.1	18.1	11.3	15.9	5.6	20.0
Advertisement	12.1	12.5	11.6	10.8	--	33.3	--
Family and friends	11.5	10.6	11.5	9.8	2.3	27.7	--
Public Employment Service	61.1	65.4	56.0	52.0	81.8	27.8	60.0
Other methods	2.1	2.4	2.8	16.1	--	5.6	20.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Many young RAE prefer informal channels and other job-search means, while Serbs rely mostly on public employment services and education and training institutions⁶¹. As illustrated in figure 3.5 below, the employment services mainly provide young unemployed with information on vacancies and advice on job-searches.

⁶¹ *Informal channels* refer to family, friends or acquaintances.

Figure 3.5 Assistance provided by PES to young unemployed



The survey also attempted to measure the “intensity” of job search of the young unemployed through the number of jobs applied for and the number of job interviews attended. Table 3.4 below show that nearly 42 per cent of unemployed youth did not apply for any “advertised jobs” and over 64 per cent never went through a job interview.

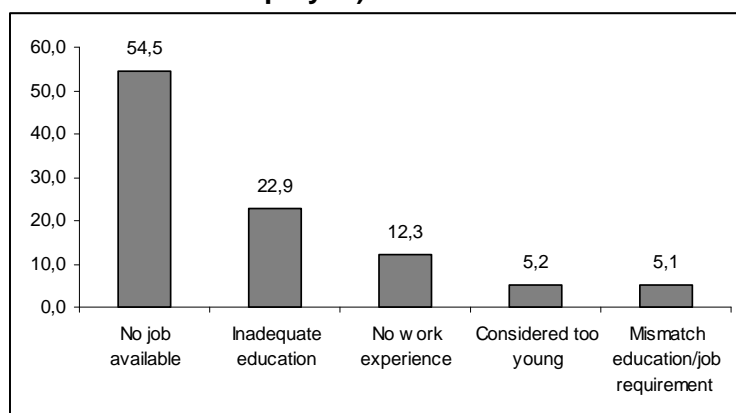
Table 3.4 Youth unemployed vacancy application and interview rate

Job applications	Percentage	Job interviews	Percentage
None	41.8	None	64.1
One application	17.4	One interview	19.9
Two applications	14.4	Two interviews	9.9
Three applications	11.5	Three interviews	3.2
Four applications	4.5	Four interviews	1.7
Five applications	3.7	Five interviews	0.6
More than five applications	6.7	More than five interviews	0.6

Young women and men are hindered in their search for jobs by a number of factors. First, many enterprises do not advertise vacancies and rely on informal means to recruit workers (see table 46 in the statistical annex). Second, when jobs are advertised, the qualification and work experience requirements seem to automatically exclude many young applicants. Third, many young people lack the basic job search skills that would allow them to take advantage of employment opportunities. Finally, the average number of openings seems to be rather low. At the time of the survey, only 61 vacancies were open among the 261 enterprises surveyed.

The latter finding is confirmed by the most recurrent difficulty identified by nearly 55 per cent of young jobseekers (figure 3.6 and table 47 in the statistical annex). The level of education is another important difficulty, since 23 per cent of young people identified the lack or inadequacy of education as the main cause of unemployment. If the mismatch between education and job requirements is also taken into consideration, the share of young unemployed unable to find a job due to education failures goes up to 22 per cent. This also explains the high percentage of young unemployed (53.4 per cent) who considered tertiary education as the best job-search asset (see table 48 of the statistical annex).

Figure 3.6 Perceived obstacles in finding employment (percentage of young unemployed)



The policy implications of such findings revolve around the strengthening of the PES in the provision of job-search skills and labour market training to redress skills mismatches. In particular, the PES should try to make itself more attractive to young jobseekers, promote equal opportunities in recruitment practices and devise strategies to address or overcome the work experience requirement. Furthermore, the education system should provide young students with job search techniques through dedicated career information and education programmes. These implications call for closer links among employment services, enterprises and education and training institutions to ease the school-to-work transition. Box 3 gives an example of a system that links employment and training service offered by several institutions.

Box 3: Career guidance to facilitate the school-to-work transition (United States)

In the United States, school-to-work transition systems integrate career orientation, and academic and occupational orientation with high- and post-secondary schooling, work-based learning and skills development. These systems are developed through partnerships between schools, employers and trade unions and are decentralized at the community level. Their three major components are:

■ *School-based learning:*

- teaching in high school that meets national standards;
- career exploration and counselling;
- initial selection of a career path by students;
- instruction that includes both academic and occupational learning;
- coordination between education and training;
- constant evaluation of students' progress, personal goals and additional learning requirements.

■ *Work-based learning:*

- on-the-job training and work experience recognized and certified;
- broad instruction in all aspects of industry;
- workplace mentoring.

■ *Connecting activities:*

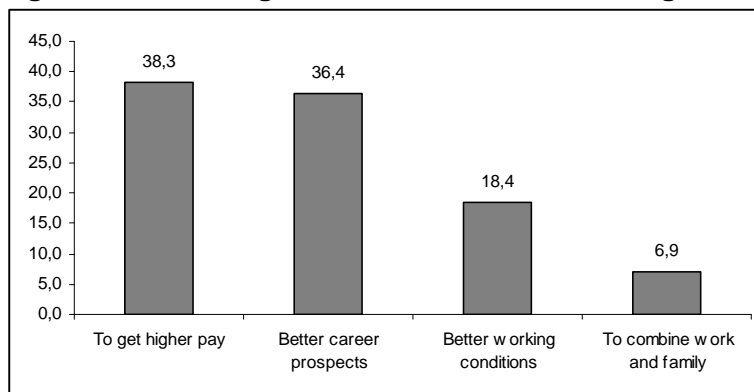
- activities to encourage employers and trade unions to participate in the system;
- matching students with work-based learning opportunities;
- assistance in integration between school- and work-based learning;
- liaison among students, parents, employment offices and employers;
- assistance to graduates in finding appropriate jobs or additional on-the-job training;
- monitoring progress of participants;
- linking youth development activities with employers and skills development strategies for young workers.

Source: Corbanese, V., Rosas, G., Employment counselling and career guidance: A trainer's guide for employment service personnel, ILO (forthcoming).

The share of young workers in the “in transition” group is 40.9 per cent (16.1 per cent women and 24.8 per cent men). The characteristics of each sub-group – those who wished to change jobs (employed in a non-career job) or resume education, and those subjected to job-quality deficits – are analyzed briefly in the following paragraphs.

Young workers who plan to change their current job are 23.9 per cent of the total in-transition youth (10.6 per cent women and 13.3 per cent men). This is not surprising, since half of those already employed (50.6 per cent) are only “partially satisfied” with their jobs and 6.6 per cent are not satisfied at all (see table 49 of the statistical annex). The main reasons for wanting to change jobs, as shown in figure 3.7, are mostly related to the search of better working conditions, in terms of higher salary (38.3 per cent), better career prospects (36.4 per cent) and other conditions of work (18.4 per cent). Finally, nearly 7 per cent of young workers plan to change jobs to better combine work and family responsibilities.

Figure 3.7 Young workers’ reasons for wishing to changing jobs



The differences between men and women and between age groups are not significant. The higher share of young adults planning to change jobs compared to the number of teenagers (18.9 per cent and 4.9 per cent respectively) can be explained by their longer work experience, which makes them more confident in planning job changes.

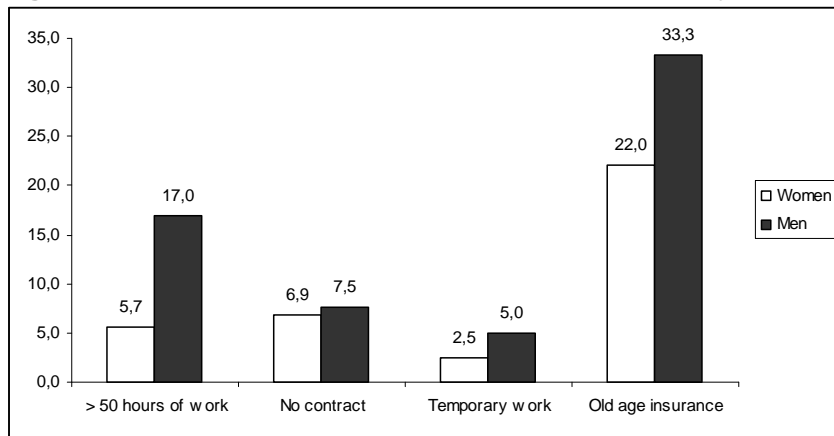
Table 3.5 below shows the ethnic composition of the sub-category “working, but planning to change”. Young Albanian and young RAE workers (14.8 per cent and 15 per cent) wish to change their job more than young Serbs and other ethnic groups (10 per cent and 9.9 per cent respectively).

Table 3.5 Ethnic composition of in transition youth (as percentage for each ethnic group)

In-transition sub-categories	Albanian	Serb	RAE	Other
Inactive, with plans to take up work	4.1	--	9.1	--
In school, but seeking work	7.7	--	9.7	16.3
Unemployed	46.3	69.6	48.1	39.6
Working, but planning to change	23.8	23.5	24.0	19.7
With decent work deficits (including temporary workers)	18.1	6.9	9.1	24.4
Total	100	100	100	100

Young workers exposed to job-quality deficits also fall under the category “in transition”. Four indicators were used to assess these deficits. These are: 1) weekly hours of work, 2) employment contract, 3) temporary employment and 4) old-age insurance. Young workers whose jobs presented multiple deficits were computed only on the basis of the most serious deficit. This sub-group of “in-transition” young people– totalling 10 per cent of the surveyed population – comprises all those working more than 50 hours per week, young workers with no employment contracts, youth in temporary employment (with tenure 6 to 12 months) and young workers with no paid-up pension scheme. Figure 3.8 shows the incidence of each deficit, disaggregated by sex.

Figure 3.8 Incidence of each decent work deficit by sex



Young people subjected to with decent work deficits represent 17 per cent of the total number of youth in transition. The higher rate of young men compared to young women (11.5 per cent and 5.5 per cent respectively) can be explained by women's higher rate of employment in administrative and professional occupations in the public sector, where employment protection legislation is expected to be better enforced than in the private sector (see section 2.2.2.). The lower incidence of work deficits for teenagers compared to young adults reflects the lower number of the 15-19 age group in the labour force and in employment, which is due to higher school attendance. Within the "in-transition" stage, the number of young adults exposed to decent work deficits is second only to that of the unemployed and reveals that the youth employment problem in Kosovo affects not only the quantity, but also the quality of employment. Table 3.5 illustrates the incidence of decent work deficits borne by each ethnic group. Although the Bosniaks and Turks have higher employment ratios than other ethnic groups (49.2 per cent, see section 2.2.2), nearly a quarter of them are exposed to decent work deficits, compared to 17.9 per cent of young Albanians, 9 per cent of young RAE and 6.8 per cent of Serbs. In general, it would seem that higher employment ratios do not yield decent employment. Young RAE are an exception, since they experience low employment ratios and, at the same time, face considerable deficits.

These figures go beyond the respondents' subjective perception of the transition process and give a rather grim portrayal of young people's working conditions in Kosovo. The fact that some young workers do not wish to change their poor-quality jobs would suggest that they have accepted their current situation and believe they cannot change or improve it. As noted in section 2.2.4, another contributing factor is that young workers have little or no knowledge of their rights at work, nor of their basic entitlements.

These findings would suggest that improvement of the overall labour protection system is more than necessary, together with the strengthening of the institutions entrusted to promote and enforce labour standards. Also, rights at work should be promoted by various agents ranging from schools to labour market institutions, including the social partners.

3.2.3 Young people with decent and productive work

Young people who have completed their transition are all those employed in a career or permanent job, enjoying decent working conditions and social protection. At the time of the survey only 4.7 per cent of the surveyed population (8.8 per cent women and 0.3 per cent men) had completed the transition from school to work and had no immediate plan to change (see figure 3.1).

Table 3.6 below shows the number of young people who had transited to the world of work by sex, age and ethnicity. It should be noted that this "transited" category consists almost exclusively of young adult women who are predominantly employed in the public sector.

Table 3.6 Youth transited (percentage by sex, age group and ethnicity)

Sex	Total
Women	97.0
Men	3.0
Age group	
15-19	36.3
20-24	63.7
Ethnicity	
Kosovo Albanians	80.1
Kosovo Serbs	8.0
RAE	0.1
Other	11.8

The data on young people who have “transited” to decent work confirm the considerations made in previous sections. The number of RAE youth who have completed their transition and are in decent work is negligible. For Albanian and Serbian youth decent work is conditional to securing a job in the public administration⁶², while for young Bosniaks and Turks the higher rates of transition to decent work partly reflect their higher employment ratios. As the main features of youth employment have already been analyzed in section 2.2.2, the following focuses mainly on measuring the subjective and objective ease, or difficulty, encountered by young people in securing a decent job.

Table 21 in the statistical annex illustrates the length of employment of young workers at the time of the survey. Nearly half of the respondents had been employed for a period ranging from 6 months to one year, while 15.4 per cent were new recruits, with job tenure of less than six months.

Most young workers found their jobs through family, friends or acquaintances (see table 45 of the statistical annex). This type of informal recruitment practice is fairly widespread and confirmed by enterprises. As shown in table 50 of the statistical annex, informal networking is preferred for recruiting new workers in most occupations (46.2 per cent of all surveyed enterprises).

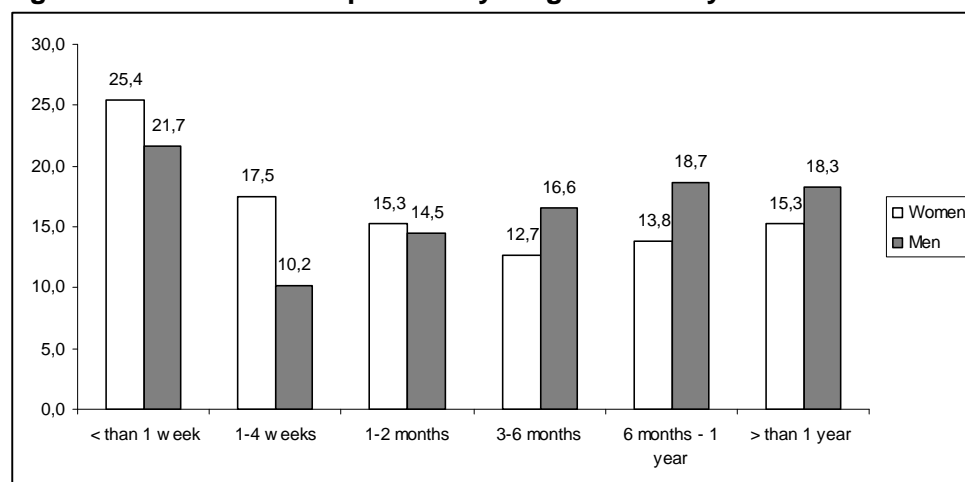
This informality in the recruitment process also clarifies the findings on the “intensity” of job search. More than 52 per cent of young workers’ job-searching period ranged between one week and two months, and most of them never formally applied for a job or went to an interview (figure 3.9 below and table 54 in the statistical annex).

Eighty-four per cent of young workers never registered with the PES and, among those who did, about 88 per cent received no assistance, 5.3 per cent received information on job vacancies, while only 5 per cent were given help to find a job (table 52 in the statistical annex).

The fact that young people routinely use family connections and social networks to get a job reflects negatively on PES and highlights the need to strengthen its capacity to diversify and target services to clients, that is, both people looking for jobs and enterprises looking for workers.

⁶² Around 18 per cent of staff locally recruited by UNMIK belongs to ethnic minorities. UNMIK, Economic Policy Office, *UNMIK’s impact on the Kosovo economy. Spending effects 1999-2006 and potential consequences of downsizing*. UNMIK European Union Pillar, Pristina, July 2006, page 4.

Figure 3.9 Job search period of young workers by sex



Chapter 4 Policies and institutions for youth employment

The analysis carried out in the previous chapters highlighted the complexity of the youth employment challenge in Kosovo in terms of both its quantitative and qualitative dimensions. Although the need to tackle this challenge is acknowledged by a wide spectrum of actors, the action taken by government institutions still appears to be rather fragmented. To date, there is no established framework for employment and youth employment policy coordination. Most government agencies pursue the work in their technical areas of responsibility with little inter-ministerial connection and joint planning.

The only available youth-development policy instrument is the bill on youth empowerment and participation and the action plan prepared by the Ministry of Culture, Youth and Sports (MCYS).⁶³ However, the bill is still queuing before the Kosovo Assembly. Other institutions that have started to address the question of youth employment are the Ministry of Labour and Social Welfare (MLSW), the Ministry of Education, Science and Technology (MEST), and the social partners.

The availability of decent job opportunities for young people is influenced by many factors, such as aggregate demand, labour market regulations, education and training outcomes, work experience, entrepreneurship options, trade union representation and voice, as well as young people's own aspirations. The way in which policies are coordinated and administered also affects the effectiveness of the measures taken to facilitate young people's transition to decent work. As seen in the previous chapters, the analysis of the youth labour market pointed to three crucial policy areas: i) macroeconomic and fiscal policies and their impact on job creation; ii) education and training policies and their relevance to labour market requirements; and iii) labour market policies that bridge the gap between labour supply and demand, while ensuring workers' protection. This chapter will briefly review the main policies affecting youth employment in Kosovo.

4.1 Macroeconomic and fiscal policy

The Government's mid-term priority for the period 2006-2008 is to reduce unemployment and create jobs for the country's young and rapidly expanding labour force. To achieve this goal, all macroeconomic and fiscal strategies are geared towards developing the private sector and improving

⁶³ The Bill, proposed by the Ministry of Youth, Culture and Sport contains general provisions regarding youth education, health, employment, participation and so forth.

international competitiveness through import substitution and export growth.⁶⁴ These strategies revolve around the promotion of small and medium size enterprises (SMEs) in key economic sectors (agriculture, light manufacturing, mining and energy), with fiscal approaches centred on low tax rates, further liberalization of trade with neighbouring countries, reduction of the public sector workforce and of public subsidies and transfers. As a consequence, employment creation is reduced to a hoped-for-outcome of economic, fiscal and trade policies. As in other countries of the region that adopted similar approaches, the path chosen by Kosovo is failing to deliver needed employment growth for a number of reasons.

Firstly, restrictive supply-side policies, rapid de-industrialization, insufficient domestic and foreign investments and decreasing external income transfers have depressed aggregate demand and caused the economy to contract. Restrictive macro-economic measures are still envisaged, despite low or negative growth rates and deflationary pressures. In addition, the positive growth registered in the aftermath of the conflict has mostly turned into the creation of temporary employment linked to the reconstruction effort. Low and jobless economic growth greatly affects the employment prospects of young people – mostly labour market entrants – since the large size of this age group outnumbers the jobs on offer.

Secondly, premature trade liberalization and the predominance of micro-enterprises with low productivity and competitiveness would seem to be the main causes of the large trade deficits, which in turn seriously affect employment. While imports have increased, exports have lagged behind, due to low production standards and inadequate certification and quality control. The trade-off of further opening the Kosovo economy to international markets is likely to have a negative employment effect in the medium-term because Kosovo's industries and products cannot yet compete on an equal basis. Moreover, increasing production may not pay off in terms of long-term employment for young people, especially if the internal and the export markets remain as weak as they have been over the last few years.

Thirdly, the business environment appears to be rather favourable to enterprises.⁶⁵ It is easy for enterprises to move in and out of a market, to recruit and dismiss workers and to register property. So far, this business environment does not seem to have had a net employment impact, but rather a high turnover of both businesses and young workers. At the same time the business environment imposes significant constraints on credit and business start-up. Commercial lending is affected by low saving rates and investment, by the uncertainty of the regulatory framework and the limited enforcement capacity. The under-developed regulatory structure and the failure to develop compliance mechanisms prevent enterprises from operating to capacity and encourage them to turn to the informal economy, a buffer for many young people without work experience.

4.2 Education and training policy

During the 1990s, access to formal education and training was limited and most of the Albanian population obtained basic education through informal programmes. Vocational education and training opportunities were in short supply and most skills were acquired on-the-job. Since 2001, the Ministry of Education, Science and Technology (MEST) has been working to bring the education system into line with the international standards; many schools have been built or rehabilitated; a new administration system has been established and a comprehensive curriculum framework prepared. Enrolment in basic education increased significantly and today the education and training systems is capable to serve most of the students.

⁶⁴ The government is currently drafting an overall development strategy for the period 2007-2013 aimed at providing a coherent policy approach. However, the only official document outlining the policy priorities is the *Kosovo 2006-2008 Medium Term Expenditure Framework* of the Ministry of Economy and Finance (MEF), Pristina, 2006.

⁶⁵ WB, *Kosovo Business Climate*, Pristina, 2004.

In spite of these improvements, the government still needs to comprehensively address important issues such as equity, access, quality, relevance and effectiveness of education. The system still suffers from high dropout rates, it is inadequately financed and this, in turn, fosters poor educational outcomes. In 2005, public expenditure on education was approximately 4 per cent of GDP. Approximately 87 per cent of the investment in education covers teachers' salaries, with less than 2 per cent allocated to curricula development, textbooks and teachers' training. The lack of funding for in-service training and re-training suggests that teachers have not been adequately equipped with new pedagogical tools and that teacher-centred methods and practices still dominate.⁶⁶

Although the administration and financing of primary and secondary education have been decentralized to municipalities, decision-making is still centralized and weak management and planning capacity seem to be causing inefficient and unpredictable allocation of scarce resources. Municipalities are responsible for schools' resources, but wages and staffing levels are managed centrally.⁶⁷ The findings of this survey suggest that the mismatches between educational outcomes and labour market requirements are partly responsible for young peoples' poor employment performance. These gaps are particularly obvious in vocational education and training (VET) and in university education.

Vocational training is not very popular among students, parents and teachers. Despite the fact that enterprises are mainly looking for workers with vocational skills for both manual and professional jobs (see table 38 in the statistical annex) VET is still considered to be a suitable option for "low performers" only. This could partly be due to the fact that programmes focus on narrow specializations, mostly theory-based and with little hands-on practice. No structured links exist between VET institutions and the local labour market. Core employability skills, which allow people to move across occupations and enterprises, are not included in the curricula, despite their increasing importance in the recruitment process (see table 41 of the statistical annex). The quality and quantity of labour market information in Kosovo is not as yet able to serve as a base for VET development; and enterprises are still new to the idea of participating in workforce development strategies. The recently promulgated VET law envisages a combination of school-based education with in-company training as well as a framework covering vocational qualifications and recognition of prior learning (RPL).⁶⁸ This policy measure, however, falls short of introducing broad competency-based education and training programmes that meet the need for adaptability and flexibility in rapidly changing labour markets. The low share of companies providing training to both young and adult workers further aggravates the low performance of the VET system, making lifelong learning a far difficult objective to reach. As already mentioned in section 2.2.4, training is not considered a worker's entitlement by 85 per cent of enterprises (see also tables 71 and 72 of the statistical annex).

Compared to primary and secondary education, progress in reforming university education has been slower, even though attempts are being made to align it with EU standards. The fact that university graduates perform better in the labour market, as compared with other job seekers, is not so much because of their higher productivity, better qualifications and preparedness for the labour market, but because enterprises use university degrees to screen recruits. As a result, graduates are often overqualified for the work they do.

⁶⁶ Part of the teaching force— 27 per cent of teachers in primary schools— is also formally unqualified as they have only lower secondary education attainment.

⁶⁷ World Bank, *Kosovo Monthly Economic Briefing*, Pristina, July, 2005.

⁶⁸ MEST currently adopts *ad hoc* approaches when and if required. A RPL system would motivate individuals between 20 and 40 years of age to return to the formal education and training system by accrediting their work experience or prior non-formal learning, as well as help entrepreneurs identify unrecognized and underutilized skills in the workforce.

4.3 Labour market policies and institutions

The MLSW has a two-fold mission, which is reflected in its organizational structure. The Social Welfare Department designs and implements social policies and measures aimed at alleviating poverty and at providing entitlements for retired persons. The Employment Department formulates and implements labour law, employment and training policies and programmes. Employment and training services are operated through a number of decentralized employment offices and vocational training centres. The labour inspectorate has autonomous status within the same Ministry and is responsible for supervising compliance with legislation and standards.

4.3.1 Employment protection legislation

The framework for employment protection legislation (EPL) consists of a number of UNMIK Regulations and Kosovo Assembly's Laws, which are aligned with the ILO's fundamental principles and rights at work⁶⁹. Notwithstanding the progress made in the past few years, labour law is still very basic and provides only limited coverage of areas commonly regulated in most countries (see box 4 for a summary of Kosovo labour standards). Furthermore, inadequate enforcement causes many of Kosovo's decent work deficits.

Box 4: Main provisions of the Essential Labour Law in Kosovo

Discrimination: Prohibition of discrimination in employment and occupation (including access to vocational training) based on race, sex, colour, religion, age, family status, political opinion, social origin, etc. The Kosovo Essential Labour Law also provides for equal remuneration between men and women for work of equal value.

Minimum working age: 15 years of age. Young people between the ages of 15 and 18 may only be employed in work that does not harm their health and does not affect school attendance.

Labour contract: The law insists on written employment contracts. The contract has to describe the nature, type and place of work as well as working hours, duration, base salary and any additional entitlement. The law also provides the grounds for employer's termination of the contract.

Working conditions: Working hours cannot exceed 40 hours per week (overtime may not exceed 20 hours per week and 40 hours per month), night work is regulated by the law as well as the right to annual leave, maternity leave, sick leave, etc. The employer is obliged to take all necessary measures in the workplace to prevent accidents and work-related illnesses. The Labour Inspectorate is responsible for monitoring the implementation of occupational health and safety practices.

Pension: employers and employee contribute to the Pension Fund in an equal amount of 5% of the total wage.

Source: Regulation 2001/27 on Essential Labour Law in Kosovo (UNMIK/REG/2001/27)

To improve the labour law, the Ministry of Labour prepared a new Labour Code (2004), which has not yet been passed by the Kosovo Assembly. The *General Collective Agreement*, signed in 2004 by the trade unions and the chamber of commerce, amplifies current labour protection measures (maternity and annual paid leave, working hours, health and safety in the work place) and improves on norms regulating the minimum wage and trade unions' operations. However, this agreement was repudiated in 2005 by the government and, therefore, failed to become effective on its envisaged date.⁷⁰

⁶⁹ The employment protection framework encompasses the Essential Labour Law (2001), the Labour Inspectorate Law (2002) and the Occupational Safety, Health and Working Environment Law (2003)

⁷⁰ See paragraph 23 of the letter of intent of the Provisional Institution of Self-Government of Kosovo sent to the donor community and signed by the Prime Minister and the Representative of the UNMIK, whereby the government regrets "initiatives undertaken by the previous government in the context of the tripartite agreement that are now limiting the required flexibility. Importantly, we will allow for a new employment

Despite the very weak protection offered to workers by the Essential Labour Law, the survey revealed significant gaps in the enforcement of this basic regulation. Such shortcomings also undermine the incentives that EPL provides for employers to invest in human capital and discourage cooperative labour relations, with negative effects on basic security for workers, productivity, competitiveness and overall efficiency. The predominance of informal working arrangements is also due to the limited capacity of the public administration to ensure enforcement of labour protection legislation.

The traditional argument that poor employment performance is the result of excessive labour protection regulations does not hold true for Kosovo, since the rigidity of the employment index remains at only 20, the lowest in the region.⁷¹

Box 5: Youth employment activities of the trade unions and chamber of commerce of Kosovo

The Union of Independent Trade Unions of Kosovo (BSPK) has established a network of youth focal points in each region together with a national coordination unit. The network is part of a wider youth trade union network for South-East Europe, promoted by the International Confederation of Free Trade Unions (ICFTU). Unlike the other members, however, the Kosovo network faces organizational and membership problems. In Kosovo, youth membership in trade unions is very low (the survey reports a rate of unionization for young workers of only 6 per cent), financial constraints limit the scope and impact of youth activities and the organizational and management structure is still incomplete.

Although not an employer's organization, the chamber of commerce of Kosovo (OEK) currently represents business community interests vis-à-vis the trade unions and the government. It hosts the Euro-Info-Centre that provides information on services to young people for enterprise development. These services include training for self-employment, assistance in the design of business plans, mentoring schemes for young entrepreneurs and information on micro-credit schemes.

Source: ILO Project Reports, Pristina, 2005 (unpublished)

Current labour legislation in Kosovo does not include unemployment assistance and the limited social safety net enacted consists of two broad categories of services: a basic pension system (old-age assistance programme) and a social assistance scheme targeting households with no income. This latter scheme also foresees cash-in-hand benefits for households whose members are able to work but are jobless and registered with the employment service. The overall expenditure on this type of benefit, which may be of use to unemployed young people, has been increasing due to the deteriorating economic situation. However, the coverage and effectiveness of this safety net is inadequate to insure workers against the risk of unemployment and loss of earnings.

Kosovo labour law also includes a minimum wage system, which has never been enacted in the private sector. Wages are often negotiated between the parties and influenced by labour supply and demand. The wage gap between rural and urban areas, men and women and those in the younger and older age brackets, are unrelated to productivity, and are probably caused by low labour mobility, absence of a formal occupational classification system, and using the public sector wage scales as a reference⁷², as well as by remittances, which may set wage reservation mechanisms.

contract that is not subject to minimum wages (but to taxation). For the future, we will not interfere in the workings of the bargaining process between employers and workers", Pristina, 2 November 2005.

⁷¹ Integra, *Business Conditions Index in Kosovo 2005*, Pristina, 2006. The index measures three indicators: i) difficulty in hiring, ii) rigidity of hours of work and iii) difficulty in firing. The rigidity of the employment index was, in 2005, 23 for Serbia and Montenegro, 38 For FYR of Macedonia, 63 for Romania, 57 for Croatia and 49 for Bosnia and Herzegovina.

⁷² There are 75,000 civil servants in Kosovo, with average monthly salaries of €200. The IMF considers that these salaries are well above the €120 marketrate and act as a drag on the growth of the private sector. ICG Kosovo: *The Challenge of Transition*, 2006, p.5.

4.3.2 Active labour market programmes

There are six main active employment measures promoted by the Ministry of Labour and Social Welfare: employment counselling and career guidance, labour market information, labour market training, employment subsidies, public works and self-employment programmes.

Since 2001, the PES offers employment counselling and career guidance, together with job brokering and labour market training. Access to employment services in Kosovo is open to all registered jobseekers, although registration is mandatory only for social assistance beneficiaries. The high ratio of unemployed to PES staff (1,600:1) contributes to the difficulties faced by the PES in fulfilling its main function, i.e., to provide accurate information on the labour market and well-targeted job search assistance, as well as addressing sex and ethnic inequality in employment. However, this ratio has to be viewed with caution since the unemployment register is inflated by a high number of people who are not actively looking for work, or are working informally, or have abandoned the labour market. Enterprises do not need to notify the PES of any job openings; information on open vacancies is collected by PES counsellors through direct contact with employers. This fairly new task is not yet operational. The passive approach of waiting for the employers to post vacancies still predominates with little effort put into marketing the service. Hence, the service cannot adequately respond to the needs of both jobseekers and enterprises. Service provision and procedures are not geared towards the *tiering* of services, i.e. ensuring that assistance and labour market programmes target the most vulnerable groups of unemployed. In addition, there is no performance evaluation system to monitor the service's impact. The overall strategy of the PES is affected by the lack of balance between efficiency and equity targets and this, in turn, affects the capacity of the Ministry of Labour to achieve employment policy objectives.

The lack of reliable and up-to-date labour market information often makes the provision of employment counselling, vocational guidance and career information ineffective. Although some progress has been registered in the collection of administrative data and in the regular running of the Labour Force Survey, there is no coherent system that matches data coming from different sources, including information on social welfare beneficiaries, wage and income taxes, and registered enterprises. Furthermore, there is no system for employment forecast.

Labour market training programmes are delivered through a network of eight vocational training centres and a number of training institutions partnered with the Ministry of Labour. These programmes, although improved in quality and quantity, are still serving only a limited number of applicants (less than one per cent of the registered unemployed) and their flexibility and relevance do not keep pace with changing labour market requirements. Neither is there an established system to measure the relevance and cost-effectiveness of labour market training. The targets set by the Ministry of Labour for disadvantaged youth, particularly the low skilled, those from low-income households and ethnic minorities, have not been met. Furthermore, young women's participation in labour market training programmes is hampered by male-dominated occupational profiles, limited information on non-traditional occupations and rigid training timetables. Since 2001, the performance of the training system has been measured only twice, and in both cases the gross placement rates were well below expectations (48.7 per cent for males and 37 per cent for women).⁷³ Factors limiting the impact of institution-based training are, mainly, the lack of funding, limited responsiveness of programmes to labour market requirements and inadequate participation of employers in programme design.

Labour market institutions only recently started to improve the flexibility of training provision through contracting enterprise-based training for the young unemployed aged 15-24 (in-company training, apprenticeship and internship schemes). These measures allowed geographical and equity targets to be better established, the diversification of training in a range of occupations without rigid costs, and the organization of direct links between trainees and the labour market. A comparative

⁷³ ILO, *Impact evaluation of adult training services of the Ministry of Labour and Social Welfare, Project Report*, Pristina, 2005 (unpublished).

analysis between enterprise- and institution-based training showed that the former is also more effective in reaching equity targets. These measures seem to be particularly effective for the long-term unemployed coming from low-income households and for young RAE.⁷⁴

Measures to support the creation of employment opportunities through labour intensive public works and employment subsidies were also implemented, but preliminary results provided a mixed picture. The overall impact of employment subsidies was reported to be lower than that found for labour market training. The main finding suggested that employers prefer to recruit young people with work experience gained through enterprise-based training, rather than those who have received both employment subsidies and institution-based training. Conversely, pilot programmes providing an integrated package of labour market services (e.g. employment counselling, labour market training and employment subsidies) appeared to work rather well for the placement of the most disadvantaged youth, especially the disabled. Although the limited number of participants does not allow us to draw specific conclusions, the results of these measures would seem to be in line with the evaluation results of similar youth programmes implemented in many parts of the world (see box 6).

Box 6: Active labour market policies for youth: Advantages and disadvantages		
Several studies of ALMPs have shown that some programmes are successful while others fail to enhance participants' chances of gaining a job. Some of the features of these programmes are summarized below.		
Type of ALMP	Advantages	Disadvantages
Labour market training	Works better with broader technical and employability skills that are in demand and includes work experience as well as other employment services.	May produce temporary rather than sustainable solutions and if not well targeted, may benefit those who are already "better off". Training alone may not be sufficient to increase youth employment prospects.
Employment services (career guidance, job search and labour market information)	Can help youth make realistic choices and match their aspirations with employment and training opportunities; improve information on job prospects as well as efficiency, effectiveness and relevance of initiatives. They can also increase targeted/tailor made design and implementation.	May create unrealistic expectations, if not linked to labour market and often cover only urban areas and the formal economy.
Employment intensive public works and community services	Help young people gain labour market attachment and, at the same time, improve physical and social infrastructure, especially if combined with development and sectoral strategies. They can increase employability, if combined with training.	Low capacity for labour market integration; young workers may become trapped in a spiral of temporary public works programmes; often gender-biased; displacement of private sector companies.
Employment subsidies	Can create employment, if targeted to specific needs (e.g. to compensate for initial lower productivity and training) and to groups of disadvantaged young people.	High deadweight losses and substitution effects (if not targeted); employment may last only as long as the subsidy.
Entrepreneurship promotion	Can have high employment potential and may meet young people's aspirations (e.g. for flexibility, independence); more effective if combined with financial and other services, including mentoring.	May create displacement effects and may have high failure rate, which limits its capacity to create sustainable employment. They are often difficult for disadvantaged youth, owing to their lack of networks, experience, know-how and collateral.

Source: Rosas, G., Rossignotti, G., "Starting the new millennium right: Decent employment for young people", *International Labour Review*, Vol. 144 (2005), No. 2, Geneva.

⁷⁴ A preliminary evaluation of ALMPs provided a placement rate of approximately 50 per cent. Detailed data are included in ILO, *Youth Employment Project Progress Report*, Pristina, June 2006 (unpublished).

There are two employment measures that do not seem to work well for young people: public works and youth entrepreneurship programmes. The design of public works is unrelated to the Public Investment Programme or to public procurement of works and services. As a result, a higher investment in the development of infrastructure financed by public resources does not have a net impact on the long-term unemployed. Moreover, the limited capacity of municipal authorities to identify viable public work programmes, as well as their limited monitoring and evaluation competences has a negative impact on the effectiveness of such measures. Most importantly, the administration of these programmes is not combined with other labour market measures such as those geared at enhancing the employability of participants.

There are a number of entrepreneurship development programmes in Kosovo, focused mainly on training and advisory services. This kind of programme is open to adults and youth equally, but adults between the ages of 25 and 39 seem to benefit most. Existing self-employment and enterprise development opportunities hardly touch young people, as their lack of experience and collateral denies them access to commercial credit and other financial opportunities.

Presently, the range and scope of active labour market measures is still rather limited and does not yet play a role in facilitating the transition of young people to decent work. Many of the pilot programmes implemented so far, have registered positive results both in terms of relevance and effectiveness in addressing labour market exclusion, bridging labour supply and demand and mitigating education and labour market failures. Although the pilot nature of these programmes does not allow conclusive evidence to be drawn, the positive outcomes would suggest their up-scaling—albeit under tight monitoring and rigorous evaluation—to verify their impact on decent employment outcomes for young people.

Chapter 5 Conclusions and policy implications

5.1 Conclusions

Kosovo's hoped-for economic recovery, although supported by extensive foreign assistance and private inflows, nevertheless failed to tackle high unemployment, the problem of a depleted stock of human capital as well as poor public utilities and infrastructure system.

The labour market remains tainted by low labour force participation, low employment rates, high long-term unemployment, discouragement and informal work arrangements. Job creation in the private sector has been particularly disappointing, labour demand remains weak and the economy appears to be unable to create decent jobs. A number of economic factors may help explain this poor performance: the strict adjustment policies enacted to control the post-conflict surge of inflation and current account deficits; rapid de-industrialization; insufficient investment, both domestic – due to the low savings rate – and foreign – due to an ill-defined regulatory framework.

The plight of young people in the labour market is even worse than that of adults and the transition from school to decent work is fraught with difficulties. Long-term unemployment, discouragement and inactivity are higher than in neighbouring countries. Young people working in the informal economy and flagrant violations of fundamental labour standards remain pervasive and there are increasing problems of exclusion, particularly towards the less-educated, young women, ethnic minorities and disabled young people.

Evidence from the survey points to substantial flaws in strategies aimed to ease the entry of young people into the labour market. At the same time, many young people who are already employed are still considered “in transition” because they have not yet transited to decent jobs: this group makes up as much as 40.9 per cent of all youth still “in-transition”. Only one young person in every 21 surveyed has transited to decent work.

Although youth employment is high on the government's agenda, both policies and programmes are fragmented, uncoordinated and do not effectively address the problems.

Employment growth is a complex challenge for any government. Job creation requires policies that promote sustained growth through employment-centred strategies. Sound macroeconomic, education and training policies, together with effective labour market policies, would only make a dent in the employment prospects of half of Kosovo's population.

The cost of the increasing numbers of young people working in the informal economy, many of whom are exposed to serious violations of fundamental labour standards, is yet another question that needs to be urgently addressed. The survey also found that the ineffective labour protection system is another important area deserving immediate attention. There is, however, enough scope to increase the coverage and enforcement of the labour law, as well as to enact both promotional and repressive measures to reduce the informal economy, which is a key problem in the youth labour market. The findings indicate that young people mostly transit from school and unemployment to insecure and low paid jobs in the informal economy.

5.2 Policy implications

The analysis presented in this paper highlights a number of challenges affecting three main policy areas that are of particular importance to the youth labour market. These areas range from economic and social policies, to education and training policies and labour market policies. The strategy to address youth employment needs to be based on multi-sectoral reforms that simultaneously tackle labour demand and supply, address quantity and quality of employment and balance preventive and curative measures. The implications for the three main policy areas are briefly presented in this section.

Employment-centred economic and social policies

In order to reduce youth unemployment, expansionary policies are needed to generate higher rates of employment intensive growth. The poor employment records of the past few years point to the need for an integrated, coherent and multi-dimensional strategy that addresses employment as part of broader economic and social policies, contains youth-specific employment objectives and specifies both efficiency and equity targets. The main policy implications in this area revolve around:

- *The formulation of an overall development strategy that considers employment as the centre of economic and social policies rather than as a derivative of private sector development strategies. Both the specific problems and the demographic composition of the population call for a focus of this strategy on young people.*
- *The establishment of a coordination mechanism that spans all ministries and ensures that long-term development objectives and targets are achieved through constant monitoring and evaluation. Both employment and youth employment objectives should be shared between several institutions, rather than being confined to a few ministries.*
- *The promotion of sectoral approaches with the potential to create productive work for young people (e.g. sectors with high youth elasticity).*
- *The promotion of a business environment which would support the development and growth of enterprises, especially those creating jobs for young people. This would necessitate improving the legal framework, promoting access to a broader range of financial and non-financial services and drastically reducing the number of enterprises operating in the informal economy.*
- *The development of a set of social policies aimed at reducing poverty, redressing social exclusion and promoting a healthy and productive youth labour force.*

Education and training policies to enhance employability and foster productivity

Quality education and training that is relevant to labour market requirements is the best long-term policy to prevent decent work deficits of young people. The findings of the survey confirm that high education gives a premium in the labour market.

Employment and training services and other targeted active labour market policies could be instrumental in redressing labour market exclusion and in facilitating the transition of disadvantaged young people to the world of work. The encouraging results of some of the pilot measures suggest that they should be up-scaled to allow them to effectively reach out to disadvantaged youth and ensure that employment targets are based on both efficiency and equity.

Kosovo has to catch up on more than ten years of limited investment in its human capital, and education reforms now have to be accelerated at all levels to try and bridge this gap. Reforms also need to focus on improving access and reducing school dropout figures, especially those of young people from ethnic minorities. The key policy implications for the education and training system therefore, indicate the need for:

- *Increasing the quality and relevance of education in order to motivate more young people to remain in school and provide them with the skills needed to build the foundations of employability.*
- *Developing a vocational education and training system that is aware of, and responsive to, labour market requirements to attract higher numbers of young people. A flexible and relevant VET system is one that provides broad competency-based training programmes combining vocational and employability skills and that links schools with work experience.*
- *Introducing career education and guidance programmes in basic and secondary education to align students' expectations/desires with the general trend and availability of labour market opportunities.*
- *Mainstreaming gender equality and diversity principles at all education levels to counter stereotypes – based on sex, ethnicity and disability – deeply rooted in Kosovo society, both at school and in the labour market.*

Employment and labour market policies that improve productivity, the security of young workers and include disadvantaged youth

The role of labour market regulations and active labour market policies is to improve youth employment opportunities by promoting efficiency and equity objectives. The labour law currently in force in Kosovo is very basic and does not provide sufficient employment protection, especially for young workers. Also, poor enforcement of the labour law, coupled with low awareness of rights at work, pushes many young workers into the trails of the informal economy. Active labour market policies to promote youth employment through remedial measures do exist, but are still in their infancy.

Two main goals to be achieved throughout the policy cycle are the promotion of gender equality to combat discrimination in employment and redress occupational segregation, and involving the social partners in the design monitoring and evaluation of labour market policies.

The development of a modern labour law framework, in line with international labour standards, is needed to provide employment protection for young workers. In addition, labour laws need to be regularly and properly enforced in order to help redress the many decent work deficits affecting young people. Decent work fosters productivity, improves worker satisfaction and contributes to overall economic and social development. If the social partners also participate in the labour law reform, it will ensure that employers' and workers' interests are both included in economic development priorities.

The above-mentioned issues need to concentrate on the following policy-linked objectives:

- *A combination of supportive and reduction-oriented strategies to deal with the informal economy, to promote young peoples' rights at work and convince marginal enterprises*

that it is in their interest to comply with labour law. At the same time, they can include measures to firmly repress activities that abuse young people at work and harm their development, or are intolerable because they use child labour.

- *The development of an employment policy with clear objectives linked to broader economic and social goals. The establishment of specific youth employment objectives, targets and indicators can improve young peoples' employment prospects, especially if a monitoring and evaluation system is in place. In addition, an effective labour administration system can foster better coordination of youth employment objectives and improve the enforcement of labour law.*
- *Implementation of activation strategies that combine social welfare measures with targeted active labour market policies and promote labour market inclusion of inactive, poor and socially excluded youth.*
- *The formulation of active labour market policies that reconcile labour supply and demand, alleviate education and labour market failures, and promote efficiency, equity, growth and social justice. The lessons learnt from the pilot programmes provide a basis for the development of policies aimed at the quantity and quality of youth employment. Integrated package of services can help improve young peoples' labour market outcomes. To be relevant to young Kosovars, these packages need to include components such as employment counselling and career guidance, labour market training, employment subsidies, public works and community services, and self-employment.*
- *The expansion and decentralization of the PES reform to make it closer and more attractive to both young people and employers. The tiering of employment services makes individualized approaches particularly suitable for disadvantaged youth. Also, closer links with enterprises can improve efficiency and equity in the recruitment of young workers.*
- *The availability of reliable labour market information to shape the policy and programming cycle. A coherent system that collects, analyzes and disseminates labour market information can play a key role in giving young people up to date knowledge of current and future employment opportunities.*

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Annex I Methodology for the School-to-work Transition Survey

The labour force structure classifies individuals into three mutually exclusive categories: employed, unemployed and inactive (or out of the labour force). According to ILO guidelines, precedence is given to employment over unemployment and to unemployment over inactivity. A student attending school, but working for a wage or actively seeking work, is classified as employed or unemployed (if available for work).

Employment: Paid employment consists of two categories a) those who, during the reference period of one week, worked for a wage or salary, and b) a person with a job but not working at the time of the survey (the criterion of formal employment was used). Self-employed people are those who, during the reference period, worked for profit or family gain including members of cooperatives and unpaid family workers.

Unemployment: ILO criteria were used to classify respondents as unemployed, that is, all those who were, at the time of the interview: i) without work (not in paid or self-employment) and did not work for even one hour in the preceding week; ii) currently available for paid employment or self-employment, and iii) actively seeking work. Those who stated to be unemployed or looking for a job, but who, in fact, worked in the preceding period, were counted as employed.

Informal economy and informal working arrangement: Two criteria were used to classify respondents as workers in the informal economy: i) whether or not they had a contract with their employer; and ii) whether the employment contract was in writing (legal requirement under Kosovo law). In order to classify the extent of the informal economy, two criteria were used: i) whether the company was registered with the competent authorities (for Kosovo the Business Registration Agency of the Ministry of Trade and Industry) and ii) whether the company provided employees with a written employment contract.

School to work transition indicators are designed to measure the ease or difficulty with which young people are able to access decent work, i.e. the progression of a young person from the end of schooling to the first “career” job or “regular” job with decent work qualities. The survey was built around three major segments according to whether the young person had “not yet started” the transition; was “in transition”; or had “transited” to decent work. The stage *transition completed* includes all respondents currently employed in a career job, with no plan to change or to return to education, as well as enjoying decent work, measured in terms of weekly working hours, employment contract and social security.

The stage *in transition* comprises all respondents who are unemployed, or employed and planning to change jobs or return to education, e.g. people in a non-career job; employed, but exposed to decent work deficits (measured in terms of weekly hours of work, employment contract, temporary employment and social security); inactive and not in school, but aiming to work later on and looking for a job.

Finally, the stage *transition not started* includes all respondents still in school or currently inactive and not in school, with no intention of either working or looking for work.

Two questionnaires were used as research instruments: one for young people between the ages of 15 and 24 and one for employers and managers looking to recruit young workers. They were developed and adapted to the Kosovo situation by the ILO and translated into the two local languages (Albanian and Serbian). The survey was based on the five specific target groups: youth in-school, unemployed, employed, self-employed and employers recruiting young people.

The total number of people involved was 1,352 individuals and 251 employers, randomly selected.⁷⁵ The geographic coverage comprised young men and women living in urban and rural

⁷⁵ The sample was based on the preliminary tabulation of the Labour Force Survey 2003, conducted by the Kosovo Statistical Office.

communities in five of the seven administrative Regions of Kosovo, (Pristina, Mitrovica, Gijlan, Gjakova, Prizren,).

The survey was based on a participatory approach involving government institutions (Ministry of Labour and Social Welfare and the Ministry of Culture, Youth and Sport), employers' and workers' organizations and youth associations. The data collectors in the five selected regions were trained by the ILO to distribute the questionnaires and accurately code the responses (September-October 2004), while the tabulation and cleaning of data was conducted by a team of experts of the Ministry of Culture, Youth and Sport (October-December 2004). This capacity building exercise, albeit successful, somewhat limited the reliability of some of the data – for instance, it was not possible to draw an immediate distinction between rural and urban locations and it is, therefore, reasonable to assume some urban-bias. To overcome this drawback, an extensive comparative exercise was carried out through external sources and household surveys.

Based on population distribution and ethnic origin, the approximate sample size of the survey was 1,450 individuals –young men and women living in urban and rural communities (870 in rural and 580 in urban areas) – and 600 employers in the five administrative Regions.

The Chamber of Commerce of Kosovo was to have used its mailing system to send out the employers' questionnaires, but because of a misunderstanding, only 261 businesses were surveyed, compared to the 600 envisaged.

Altogether 50.5% men and 49.5% of women were interviewed. Ethnic composition corresponds to existing population patterns as reported by major socio-economic surveys; age structure indicates a majority of respondents in the 20 to 24 year old age group, mainly because interviews with in-school youth were downplayed and the respondents in the other target groups, mainly (self)employed and jobseekers, were increased. The weighting for self-employed and for in-school youth was based on the sampling of the Labour Force Survey 2003. (0.22 and 1.55 respectively), as shown in the following table.

	Category	Number
1	Young people in school	293
2	Young people employed	302
3	Young people unemployed	477
4	Young people self-employed (including unpaid family workers)	124
5	Young people not in the labour force and not in school	156
6	Employers (no age limit)	251

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⁷⁶ If not otherwise indicated, the tables of this annex are drawn from the School-to-work transition Survey (STWS) in Kosovo, processed by the ILO in 2005.

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Chapter 1

Table 1: Estimates of Kosovo population growth (1971-2004)

Age group	1971	1981	1991	1999	2004
< 15	42.70	41.40	37.30	29.90	30.10
15-24	18.30	19.70	20.50	24.20	21.40
25-39	18.10	17.60	20.30	21.80	25.00
40-59	13.00	14.30	14.60	17.20	16.70
59-65	2.60	1.80	2.50	2.90	2.00
>65	5.30	5.20	4.80	4.00	4.70

Source: United Nations Population Fund (UNFPA), *Demographic, social and reproductive health situation in Kosovo. Results of a household survey*, Pristina, 2004

Table 2: Labour force, employment and unemployment trends (in thousands)

	2001	2002	2003	2004
Total working age population ¹	1,214	1,235	1,255	1,277
Employed	242.8	293.9	317.5	356.2
Unemployed	327.7	359.3	313.7	233.6
In the labour force	570.5	653.2	631.2	589.8
Not in the labour force	643.5	653.2	623.8	687.2

Notes: ¹The percentage of working age population is derived from UNFPA and RIINVEST calculations.

Source: SOK, Labour Force Surveys 2001 to 2004

Table 3: Economic activity by sector and number of workers

Economic activity	Per cent	1 to 5 employees	5 or > employees
Agriculture, hunting and forestry	1.37	71.7	28.2
Fishing	0.02	80.	20.0
Mining and Quarrying	0.60	67.4	32.5
Manufacturing	9.57	79.8	20.2
Electricity, gas and water supply	0.05	10.0	90.0
Construction	6.65	60.9	39.1
Wholesale and retail trade	51.10	96.6	3.4
Hotels and restaurants	8.64	92.0	8.0
Transport, storage and communication	13.09	90.2	9.8
Financial intermediation	0.17	64.5	35.5
Real estate	2.54	88.4	11.6
Education	0.87	84.0	16.0
Health and social work	1.07	86.2	13.8
Other community services	4.27	92.6	7.4

Source: SOK *Statistical survey of registered businesses*, Pristina, 2003

Table 4: Level of education of Kosovo population by sex (age 25-64)

Educational attainment	All	Men	Women
< than primary	6.0	2.0	10.0
Primary	36.0	24.0	49.0
Secondary	44.0	55.0	33.0
Higher education	13.0	18.0	8.0
N.A.	1.0	1.0	1.0

Source: RIINVEST, *Education system and economic development in Kosova*, Pristina, 2004

Table 5: Average monthly wage by sex, age, ethnicity, occupation and type of business (in €/month)

Sex	Women	207.0
	Men	227.0
Age group	15-24	196.9
	25-39	221.7
	40-55	245.7
	> 55	230.0
Ethnicity	Kosovo Albanians	224.1
	Kosovo Serbs	196.6
	RAE	144.3
	Other	240.2
Occupation	Managers	323.4
	Professional	284.6
	Administrative	228.2
	Skilled trades	208.1
	Sales	197.6
	Process	200.0
	Elementary occupations	177.5
Type of business	Family business	199.4
	Government enterprise	212.0
	Private company	225.8
	Branch foreign firm	361.5
	Non-profit organization	154.2

Source: MLSW-ILO *Wage and skills survey*, (unpublished) 2006

Chapter 2

2.1. Socio-demographic characteristics of young people

Table 6: Youth sample population by sex, age group and ethnicity (percentage)

Sex	%
Women	49.5
Men	50.5
Age group	
15-19	38.5
20-24	61.5
Ethnicity	
Kosovo Albanians	88.7
Kosovo Serbs	6.1
RAE	3.1
Turks	1.4
Bosnian	0.7

Table 7: Household composition

No of members	Total
up to 4 members	19.8
5 members	24.2
6 members	18.4
7 members	14.3
over 7 members	23.3
Total	100.0

Table 8: Household members by activity status

Activity	No of members	Percentage
<i>In wage employment</i>	None (besides self)	24.6
	One member	36.7
	Two members	26.2
	Three members	8.6
	> three members	3.9
<i>In self-employment</i>	None (besides self)	75.7
	One member	20.4
	Two members	2.3
	Three members	0.7
	> three members	0.9
<i>Job seeking</i>	None (besides self)	29.6
	One member	24.7
	Two members	21.9
	Three members	13.2
	> three members	10.6

Table 9: Marital status of sample group by sex and age (percentage)

	Men	Women	15-19	20-24
Single	89.8	80.9	94.8	79.4
Engaged	3.4	6.6	1.9	6.9
Married	6.6	12.1	3.3	13.1
Separated/Divorced	0.2	0.4	0.0	0.6
Total	100.0	100.0	100.0	100.0

Table 10: Two most important goals of sample group by labour force status, gender, age group and ethnicity

	Employed	Self-employed	Unemployed	In school
Success at work	38.7	52.7	42.1	36.9
Good family life	40.1	22.0	38.8	35.8
	Men	Women	15-19	20-24
Success at work	43.0	34.2	40.6	37.4
Good family life	33.1	43.8	36.2	39.8
	Albanians	Serbs	RAE	Others
Success at work	38.9	42.2	31.0	28.5
Good family life	39.4	20.5	47.6	35.7

Table 11: Early school leaving by age and reason

Early school leaving by age	Percentage
Percentage of early school leavers over total sample, of which	10.6
Left before reaching 15 years old	23.7
Left at 15 years of age ¹	21.7
Left between 15 and 18 year of age	37.1
Left at over 18 years of age	17.5
Total	100.0
Early school leaving by reason	Percentage
Did not enjoy school	17.5
Wanted to start working	15.4
Economic reasons	33.6
Due to sickness or disability	18.9
Failed examination	9.8
Other	4.8
Total	100.0

Note ¹ End of compulsory education

Table 12: Labour force status of respondents (percentage) by education attainment of parents

Highest education attainment of parents		Employed	Self-employed	Unemployed
<i>Mother</i>	Primary	46.6	43.5	67.2
	Vocational school	7.7	8.2	5.6
	High school	35.5	42.7	24.3
	University	10.2	5.6	2.9
	Total	100.0	100.0	100.0
<i>Father</i>	Primary	22.5	19.4	31.3
	Vocational school	13.3	13.7	17.3
	High school	40.7	41.1	35.5
	University	23.5	25.8	15.9
	Total	100.0	100.0	100.0

Table 13: Educational attainment of sampled young people by labour force status (as percentage of total in each education level)

Cumulative level of education	Employed	Self-employed and unpaid family workers	Unemployed	Not in the labour force	Total
< Primary education	14.3	0.0	33.3	52.4	100
Primary education	19.6	1.2	47.0	32.1	100
< Vocational	8.8	2.9	70.6	17.7	100
Vocational	40.5	1.7	46.2	11.6	100
<High school	13.9	3.0	41.6	41.6	100
High school	29.3	3.7	54.8	12.1	100
University and higher	55.3	2.3	35.8	6.5	100

Table 14: Educational stock of respondent youth (as percentage of total)

Primary		Secondary		Tertiary		Total
<i>Enrolled</i>	<i>Completed</i>	<i>Enrolled</i>	<i>Completed</i>	<i>Enrolled</i>	<i>Completed</i>	
3.08	1.03	58.22	5.14	28.08	4.45	100.0

2.2. The youth labour market

Table 15: Activity status by age, sex and ethnicity (percentage)

	Employee (wage & salaried workers)	Self-employed and unpaid family workers	Unemployed	In school	Not in the labour force	Total
Total	26.8	1.9	28.2	32.1	11.0	100.0
Women	27.0	1.0	23.6	35.0	13.5	100.0
Men	26.7	2.9	33.1	28.9	8.4	100.0
15-19	14.5	1.6	24.2	49.9	9.9	100.0
20-24	35.6	2.3	31.1	19.1	11.9	100.0
Kosovo Albanians	27.1	2.0	27.3	32.3	11.2	100.0
Kosovo Serbs	22.2	1.2	40.0	31.0	5.6	100.0
RAE	16.9	0.5	33.8	36.1	12.7	100.0
Other	44.0	5.2	16.0	18.8	16.0	100.0

Table 16: Highest education attainment of sampled young people by labour force status (percentage)

Highest attainment in education	Employed	Self-employed	Unemployed	Inactive
Primary	9.2	5.7	14.0	33.5
Vocational school	19.0	11.4	16.7	12.9
High school	49.3	72.4	59.9	48.4
University	22.3	10.5	9.2	5.2
Total	100	100	100	100

Table 17: Labour force participation, employment and unemployment rates by age, sex and ethnicity

	Employment-to-population ratio	Unemployment rate	LFPR
Total	28.7	49.5	56.9
Women	28.0	45.7	51.5
Men	29.6	52.8	62.8
15-19	16.0	60.1	40.2
20-24	38.0	45.0	69.1
Kosovo Albanians	29.2	48.4	56.5
Kosovo Serbs	23.4	63.0	63.4
RAE	17.4	66.1	51.2
Others	49.2	24.5	65.2

Table 18: Young people employed by occupational class

Occupation	Total	Sex		Age group		Ethnicity			
		Women	Men	15-19	20-24	Albanian	Serbian	RAE	Other
Manual job	39.1	27.6	47.8	38.0	39.4	39.0	0.0	71.4	33.3
Clerical job	7.4	13.5	2.9	6.0	7.9	7.7	0.0	14.3	0.0
Technical job	17.4	13.0	20.8	17.0	17.6	16.6	0.0	14.3	50.0
Administrative job	7.0	12.4	2.9	4.0	7.9	7.2	0.0	0.0	8.3
Managerial job	6.0	4.9	6.9	7.0	5.8	6.0	66.7	0.0	0.0
Professional job	23.0	28.6	18.8	28.0	21.5	23.6	33.3	0.0	8.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 19: Youth people employed by economic sector

Industry	Total	Women	Men	15-19	20-24
Agriculture	0.9	0.0	1.6	0.0	1.2
Manufacturing	9.4	6.0	11.9	14.1	8.0
Services	89.7	94.0	86.5	85.9	90.8
Construction	3.5	1.6	4.9	0.0	4.6
Retail	32.9	35.0	31.3	46.5	28.7
Hotels	14.6	5.5	21.4	10.1	15.9
Transport	4.5	4.4	4.5	2.0	5.2
Finance	2.6	4.4	1.2	1.0	3.1
Real Estate	0.9	0.5	1.2	0.0	1.2
Public Administration	3.1	5.5	1.2	0.0	4.0
Education	2.8	5.5	0.8	0.0	3.7
Health	8.2	14.2	3.7	6.1	8.9
Community	15.7	16.9	14.8	19.2	14.7
Other	0.9	0.5	1.2	1.0	0.9
Total	100	100	100	100	100

Table 20: Young people employed by type of business and company size

Type of business	Percentage	Men	Women	Company size	Percentage
Family business	15.0	16.9	12.5	< 5 workers	38.3
Public sector	12.7	5.4	22.3	5-9 workers	19.0
Private company	53.8	60.7	44.6	10-19 workers	14.8
Non profit	5.9	4.1	8.2	> 20 workers	23.1

Table 21: Young employees by length of employment period

Employment period	%
> 3 years	13.3
3 years	7.5
2 years	14.1
1 year	26.0
More than 6 months	23.5
Less than 6 months	15.4
Total	100.0

Table 22: Young workers by type of contract

Tenure of contract	Percentage
Unlimited duration	45.9
Fixed duration	39.0
Temporary (less than 12 months)	11.6
Other	3.5

Table 23: Young employees with employment contract by sex, age group and ethnicity

	With employment contract	With no employment contract
Total	79.6	20.4
Women	79.4	20.6
Men	79.8	20.3
15-19	66.2	33.8
20-24	83.3	16.7
Albanians	81.1	26.5
Serbs	38.5	61.5
RAE	57.1	42.9
Others	12.0	0.0

Table 24: Young employees with written and oral employment contract by sex, age group and ethnicity

	Written employment contract	Oral employment contract
Total	69.2	30.8
Women	60.3	34.1
Men	39.7	65.9
15-19	11.4	34.1
20-24	88.6	65.9
Albanians	71.8	28.1
Serbs	80.0	20.0
RAE	25.0	75.0
Others	25.0	75.0

**Table 25: Enterprises with and without employment contract with their workers
(written, oral and by tenure)**

Companies	With employment contract	Without employment contract
Total, of which	88.4	11.6
<i>Written contract</i>	77.3	
<i>Oral contract</i>	22.1	
<i>Unlimited duration</i>	39.4	
<i>Fixed duration</i>	24.3	
<i>Temporary duration</i>	39.4	

Table 26: Lack of entitlements for young people employed

Entitlement	Percentage
Transport	79.2
Meals	36.3
Annual paid leave	37.2
Paid sick leave	54.5
Old-age insurance	53.0
Severance pay	86.3
Social security	73.2
Training allowance	84.2
Safety gear and equipment	69.6

Table 27: Lack of workers' entitlements granted by respondent enterprises (percentage)

Entitlement	Percentage
Transport	24.3
Meals	19.1
Annual paid leave	43.4
Paid sick leave	68.5
Old-age insurance	41.8
Severance pay	84.9
Social security	68.1
Training allowance	84.9
Safety gear and equipment	31.1

**Table 28: Self-employed and unpaid family members by sex, age group and ethnicity
(percentage of total employment)**

	Self-employed	Unpaid family members
Total	11.3	8.2
Women	9.0	8.5
Men	13.6	7.8
15-19	15.3	13.3
20-24	10.1	6.6
Albanians	11.1	7.9
Serbs	16.1	11.4
RAE	12.2	14.8
Others	9.5	6.7

Table 29: Support to young self-employed in running the business

	Percentage
Operating alone (own-account worker)	29.2
Help of family members, of which	59.6
<i>with the help of only one family member</i>	50.0
Help of paid employees, of which	11.2
<i>with the help of only one paid employee</i>	66.7

Table 30: Choice to enter self-employment by main reason

Reason for choosing self-employment	%
Greater independence	39.6
Higher income level	30.8
Could not find a wage job	24.2
More flexible working hours	4.4
Other	1.1

Table 31: Monthly income of employed youth by employment status

Range of income	Employment Status	
	Employee	Self-employed
50-90 €	2.7	1.0
100-148 €	22.7	8.6
150-180 €	33.1	15.2
200-240 €	19.4	24.8
250-300 €	13.0	21.0
330-450 €	6.4	13.3
> 450 €	2.7	16.2
Total	100.0	100.0

Table 32: Usual weekly hours worked by young employees by sex, age group and ethnicity

	Up to 25 hours	26-39 hours	40 hours	41-50 hours	> 50 hours
Total	7.4	6.5	31.6	33.0	21.5
Men	8.0	6.8	27.1	30.1	28.0
Women	6.8	6.3	36.0	36.0	14.9
15-19	11.3	11.4	28.8	25.8	22.7
20-24	5.8	5.8	31.7	34.7	22.0
Albanians	7.0	6.5	32.0	33.2	21.3
Serbs	5.9	11.7	35.3	23.6	23.5
RAE	42.9	14.2	14.3	14.3	14.3
Others	6.2	0.0	12.5	37.6	43.7

Table 33: Unemployment rate – strict and relaxed (percentage)

	Unemployment rate – standard definition	Unemployment rate – relaxed definition (including discouraged workers)	Difference (percentage points)
Total	49.5	53.6	4.1
Women	45.7	51.6	5.8
Men	52.8	55.4	2.6
15-19	60.1	66.4	6.3
20-24	45.0	48.2	3.2
Kosovo Albanians	48.4	52.6	4.2
Kosovo Serbs	63.0	63.0	0.0
RAE	66.1	78.4	12.4
Others	24.5	24.5	0.0

Table 34: Youth unemployed by duration by sex, age group and ethnicity

	1-4 weeks	1-2 months	3-6 months	6-12 months	> one year	Total
Total	5.4	10.2	22.3	19.4	42.6	100
Women	4.2	11.1	27.3	20.4	37.0	100
Men	6.5	9.5	18.3	18.6	47.1	100
15-19	7.0	9.9	36.0	20.9	26.2	100
20-24	4.6	10.5	14.7	18.6	51.6	100
Albanians	5.6	11.4	25.7	21.1	36.2	100
Serbs	0.0	0.0	2.3	9.1	88.6	100
RAE	16.7	5.6	0.0	5.6	72.2	100
Others	0.0	20.0	0.0	20.0	60.0	100

Table 35: Reason of inactivity (percentage by sex, age group and ethnicity)

Reason	Total	Sex		Age group		Ethnicity	
		Men	Women	15-19	20-24	Albanian	RAE
No financial need	9.7	7.1	11.1	10.2	9.4	10.0	--
Family objections	1.3	0.0	2.0	3.4	0.0	1.4	--
Household responsibilities	3.9	0.0	6.1	1.7	5.2	3.6	16.7
Child care	13.5	0.0	21.2	6.8	17.7	14.3	16.7
Unsuited to women role	1.3	0.0	2.0	1.7	1.0	0.7	16.7
Inadequate education	7.1	1.8	10.1	8.5	6.3	6.4	33.3
Unable to find job	14.2	17.9	12.1	16.9	12.5	15.0	16.7
Poor health/disability	44.5	66.1	32.3	45.8	43.8	43.6	--
Other	4.5	7.1	3.0	5.1	4.2	5.0	--

Chapter 3

Table 36: Youth by transition stage by sex, age group and ethnicity

	Transited	In transition	Transition not started	Total
Total	4.7	58.9	36.4	100.0
Women	8.8	49.1	42.1	100.0
Men	0.3	69.5	30.2	100.0
15-19	4.1	42.8	53.1	100.0
20-24	5.2	70.7	24.1	100.0
Kosovo Albanians	4.2	59.0	36.8	100.0
Kosovo Serbs	5.9	57.6	36.5	100.0
RAE	0.1	70.5	29.4	100.0
Others	31.5	40.5	28.0	100.0

Table 37: Highest educational attainment expected by students and preferred educational field

Educational level	Total	15-19	20-24	Women	Men	Education field	
						Percentage	
Secondary diploma	13.8	18.4	5.3	12.6	15.6	Medicine	22.3
University degree	57.7	58.1	56.8	59.7	54.8	Sciences	20.8
Post-graduate degree	28.5	23.5	37.9	27.7	29.6	Literature	14.2
						Engineering	11.9
						Business Administration	10.4

Table 38: Enterprises' education level requirements

Education level	Professional posts	Manual posts
Primary education	0.4	8.8
Vocational education	45.4	69.7
High school	20.7	20.3
University education	33.5	1.2

Table 39: Yearly percentage increase in employment by NACE

NACE	Description	Percentage
A	Agriculture, hunting and forestry	0.43
B	Fishing	0.55
C	Mining and quarrying	8.46
D	Manufacturing	13.15
E	Electricity, gas and water supply	0.37
F	Construction	-4.38
G	Wholesale and retail trade, repair of motor vehicles	25.62
H	Hotels and restaurants	8.09
I	Transport, storage and communication	20.02
J	Financial intermediation	0.12
K	Real estate, renting and business activities	0.67
L	Public administration and defence	0.12
M	Education	2.68
O	Other community, social and personals services	24.10
Total		100.00

Source: ILO-MLSW Wage and Skills Survey

Table 40: Employment prospective by NACE (next 12 months)

NACE	Description	Increase	Same	Decrease
A	Agriculture, hunting and forestry	0.5	1.0	0.0
B	Fishing	0.1	0.1	0.0
C	Mining and quarrying	0.3	0.1	0.0
D	Manufacturing	5.4	7.8	0.5
E	Electricity, gas and water supply	0.1	0.6	0.1
F	Construction	2.8	2.0	0.6
G	Wholesale & retail trade, repair motor vehicles	12.2	34.7	1.8
H	Hotels and restaurants	2.9	6.5	0.4
I	Transport, storage and communication	2.3	6.1	0.5
J	Financial intermediation	0.1	0.5	0.0
K	Real estate, renting and business activities	0.6	0.3	0.0
L	Public administration and defence	0.1	0.1	0.0
M	Education	1.2	1.8	0.0
O	Other community, social and personals services	2.3	3.6	0.0
Total		30.8	65.3	3.8

Source: ILO-MLSW Wage and Skills Survey

Table 41: Employers' ranking of two most important skills when recruiting

Description of skills	First	Second
Understanding written documents and writing clearly	7.7	6.8
Ability to calculate, read and use figures and tables	9.5	8.5
Learn- to-learn skills (prepared to learn continuously new methods and skills)	6.9	9.9
Negotiation skills	7.0	8.1
Acquiring, interpreting and communicating information (both in writing and oral)	7.3	9.2
Leadership skills	8.4	7.4
Team working (working well with others also from diverse backgrounds)	10.9	9.4
Understand and use information and communication Technology (computers)	9.9	8.7
Decision-making skills	5.7	8.0
Problem solving	6.8	8.8
Efficient use of materials, technology, equipment and tools	11.7	7.8
Organizational and planning skills	8.3	7.4
TOTAL	100.0	100.0

Source: ILO-MLSW Wage and Skills Survey

Table 42: Missing skills of the workforce as assessed by employers (by occupation) ¹

	Man.	Prof.	Adm./Sec	Skilled	Sale	Process	Elem.
Understanding written documents and writing clearly	3.7	4.8	8.4	7.6	7.6	1.7	8.3
Ability to calculate, read and use figures and tables	28.5	5.1	8.4	10.6	15.2	16.2	10.0
Learn- to-learn skills (prepared to learn continuously new methods and skills)	4.8	8.0	12.9	16.0	14.4	15.4	13.0
Negotiation skills	8.1	10.2	6.3	4.2	6.3	6.7	5.7
Acquiring, interpreting and communicating information (both in writing and oral)	2.1	8.6	11.2	2.8	6.8	7.3	5.0
Leadership skills	13.7	6.7	6.6	3.7	4.4	4.7	2.7
Team working (working well with others also from diverse backgrounds)	3.9	7.3	8.4	11.5	11.7	12.5	10.7
Understand and use information and communication Technology (computers)	9.9	12.7	15.5	12.8	10.1	10.8	11.3
Decision-making skills	6.7	9.6	5.8	3.7	5.5	5.8	4.3
Problem solving	7.5	17.5	10.4	19.9	12.1	12.9	22.0
Efficient use of materials, technology, equipment and tools	10.3	8.6	6.1	6.8	5.6	5.9	6.3
Organizational and planning skills	0.7	1.0	0.0	0.3	0.2	0.2	0.7
Total	100	100	100	100	100	100	100

Note 1: Employers were asked which particular skills, in their opinion, were missing in their workforce

Source: ILO-MLSW Wage and Skills Survey

Table 43: Students immediate plans (percentage)

	Total	Men	Women	Albanian	Serbs	RAE
Look for a job, of which	45.0	50.0	41.2	41.2	82.4	63.6
<i>Already looking for a job</i>	26.5	32.4	20.8	28.0	0.0	57.1
<i>Not looking for a job yet</i>	73.5	67.6	79.2	72.0	100.0	42.9
Go into further education	49.5	44.4	53.3	52.7	17.6	36.4

Table 44: Young students' job search methods

Job search methods	Percentage
Education institution	37.5
Advertisements	20.0
Family and friends	17.5
Public employment service	12.5
Others	12.5
Total	100.0

Table 45: Young workers by job finding method

Job finding method	Percentage
Advertisement	16.6
Family and friends	59.0
Public Employment Service	2.9
Direct recruitment from employer	21.5
Total	100.0

Table 46: Companies' vacancy filling method

Type of assistance	Professional posts	Manual posts
Advertisement	55.3	20.4
Training institution	0.0	3.7
Employment services	2.1	14.8
Relatives/friends	38.3	55.6
Internal promotion	4.3	5.6

Table 47: Young jobseekers' perceived constraints in finding employment

Perceived constraint	Percentage
No job available	54.5
No education	12.4
No work experience	12.4
Unsuitable education	10.4
Considered too young	5.2
Mismatch education/job requirements	5.0

Table 48: Education relevance for unemployed youth in finding a job

Relevance of education attained	Percentage
Very useful	19.0
Somewhat useful	59.4
Not useful	18.1
Not relevant	3.5
Most useful education level for job finding	Percentage
University	53.4
Secondary	12.3
IT training	12.1
Professional training	12.7
Language training	9.6
Planning to continue education	Percentage
Total	54.9

Table 49: Young employees' satisfaction and future plans

	Percentage	
Satisfaction with current job	Mainly satisfied	42.8
	Partly satisfied	50.6
	Not satisfied	6.6
Future plans	Do not plan to change jobs	16.5
	Not sure	4.1
	Plan to change, of which	34.2
	<i>to get higher pay</i>	38.3
	<i>better career</i>	36.4
<i>better working conditions</i>	18.4	

Table 50: Enterprises preferred method of recruitment by profession

Occupation	Adverts	Education training institution	Public employment services	Relatives or friends	Promotion within the enterprise
Managers	6.4	0.8	1.8	10.9	1.3
Professionals	3.4	0.6	1.3	2.3	0.2
Administration	3.8	0.3	2.9	3.3	0.4
Skilled trades	2.9	0.6	4.0	6.2	0.6
Sales	4.1	0.6	5.2	13.1	0.8
Process	2.4	0.1	2.9	4.8	0.6
Elementary	2.7	0.2	2.3	5.6	0.7
Total	25.6	3.2	20.4	46.2	4.6

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 51: Young workers' job-search period by sex and ethnic belonging

Job searching period	Total	Men	Women	Albanian	Serbian	RAE	Other
< than one week	23.5	21.7	25.4	23.4	23.5	14.3	18.2
1- 4 weeks	13.9	10.2	17.5	13.8	5.9	14.3	18.2
1-2 months	14.9	14.5	15.3	14.6	11.8	28.6	18.2
3-6 months	14.6	16.6	12.7	15.6	5.9	14.3	9.1
6 months – 1 year	16.3	18.7	13.8	16.1	29.4	0.0	27.3
> than 1 year	16.8	18.3	15.3	16.4	23.5	28.6	9.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 52: Assistance received from PES by young people employed

Type of assistance	Percentage
Never registered with PES	84.0
Registered with PES, of which	16.0
Never received any assistance	87.9
Received assistance in job search	5.0
Received information on vacancies	5.3
Received guidance on education/training	1.5
Received placement in education/training	0.3

Table 53: Assistance received from PES by young people unemployed

Type of assistance	Percentage
Advice on job search	21.7
Information on vacancies	53.9
Guidance on education/training	7.5
Placement in training	6.7
Financial support	10.2

Table 54: Young workers' vacancy application and interview rate

Job applications	Percentage	Job interviews	Percentage
None	57.6	None	60.8
One application	17.2	One interview	17.9
Two applications	12.2	Two interviews	14.2
Three applications	7.3	Three interviews	2.9
Four applications	3.6	Four interviews	2.0
Five applications	1.2	Five interviews	1.3
More than five applications	0.9	More than five interviews	0.9

Table 55: Enterprise most important factor in hiring young workers

Factor	Professional posts	Manual posts
Sex	4.0	5.2
Age	6.4	14.0
Education	30.8	6.0
Marital status	2.0	4.0
Past training	20.4	9.2
Work experience	36.4	61.2

Table 56: Young workers' expectations according to companies

Workers' expectations	Percentage
Interesting job	13.5
Status of the job	8.8
Financial remuneration	34.3
Job security	17.9
Family-friendly job	5.6
Career prospects	9.6
Using skills in the job	7.2

Chapter 4

Table 57: Sample companies by registration, economic sector and number of workers (percentage)

Companies by sector	Percentage of surveyed companies	Registered companies (% of total)	Number of workers employed (%)				
			< 5	5-25	26-50	51-150	> 150
Finance	0.4	100.0	0	1.4	0	0	0
Public Administration	0.8	100.0	1.3	0	0	0	0
Manufacturing	19.5	98.0	17.8	20.8	25	36.4	0
Hotels and restaurants	19.9	94.0	19.1	22.2	12.5	18.2	33.3
Transport and communication	1.6	100.0	0.6	2.8	12.5	0	0
Construction	4.4	100.0	1.3	12.5	0	0	0
Social and personal services	14.7	89.2	17.8	9.7	25	0	0
Electricity and water	1.6	100.0	0.6	2.8	0	0	33.3
Wholesale and retail	36.7	94.6	40.8	27.8	25	45.5	33.3
Handicraft	0.4	94.8	0.6	0	0	0	0.1

Table 58: Enterprises' reasons for non-registration

Cause	Percentage
Fiscal requirements	9.1
Social protection/cost workers	72.7
Labour regulations	9.1
Others	9.1

Table 59: Enterprises by structure and number of workers

No of partners	%	Percentage of paid workers	
No partners	75.3	None	19.9
One partners	15.1	1-2 workers	30.6
Two partners	2.8	3-4 workers	15.6
Three partners	2.0	5-6 workers	8.8
Four partners	1.2	7-10 workers	10.0
		11-20 workers	7.2
		>20 workers	7.9

Table 60: Preferred hiring age by economic sector, occupation, age group and sex

	Professional/Administration			Manual/Production		
	15-24 years	> 25 years	No preference	15-24 years	> 25 years	No preference
Finance	100.0	0.0	0.0			
Public Administration	50.0	50.0	0.0	50.0	50.0	0.0
Manufacturing	38.8	44.9	16.3	49.0	34.7	16.3
Hotels and restaurants	56.0	28.0	16.0	64.0	20.0	16.0
Transport/ communication	25.0	50.0	25.0	50.0	25.0	25.0
Construction	9.1	63.6	27.3	27.3	54.5	18.2
Social and personal services	59.5	21.6	18.9	56.8	18.9	24.3
Electricity and water	0.0	75.0	25.0	0.0	50.0	50.0
Wholesale and retail	50.0	38.0	12.0	52.2	28.3	18.5
Handicraft	0.0	0.0	100.0	0.0	0.0	100.0
TOTAL	47.4	36.7	15.9	52.6	27.6	19.1
Young women	11.9	12.0	17.5	9.2	14.3	20.8
Young men	14.4	26.1	10.0	16.0	25.7	12.5
No preference	73.7	62.0	72.5	74.8	60.0	66.7

Table 61: Enterprise ownership by sex and sector (percentage)

	Total	Men	Women
Finance	0.4	0.4	0.0
Public Administration	0.8	0.9	0.0
Manufacturing	19.5	21.4	3.7
Hotels and restaurants	19.9	21.9	3.7
Transport/ communication	1.6	1.8	0.0
Construction	4.4	3.6	11.1
Social and personal services	14.7	11.2	44.4
Electricity and water	1.6	1.3	3.7
Wholesale and retail	36.7	37.1	33.3
Handicraft	0.4	0.4	0.0
Total	100.0	100.0	100

Table 62: Main characteristics of businesses operated by the young self-employed

Business established	With own savings	23.6
	With household savings	47.2
	With bank loan	9.0
Current financial status	Making a profit	76.4
	Breaking even	22.5
	Making a loss	1.1
Compliance with administrative requirements	Registered or with trading license	76.4
	Not registered or without license	23.6
Main business customers	Private households/individuals	84.3
	Other small businesses and traders	10.1
Business with outstanding loans		23.6

Table 63: Most important constraint in running a business for young self-employed (percentage)

Description	Percentage
Business information	16.3
Marketing services	18.6
Financial services	38.4
Legal services and advisory services	7.0
Access to technology	5.8
Product development	4.7
Training services	8.1
Others	1.2

Table 64: Most important constraint for young self-employed in enterprises' operations (percentage)

Description	Percentage
Financial services	42.2
Legal/administrative regulations	17.5
Competition domestic market	21.5
Cost of production	4.4

Table 65: Permanence in the market for young self-employed

Time in business	Percentage
More than 5 years	7.7
4 years	22.4
3 years	5.5
2 years	14.3
1 year	29.2
Less than 6 months	20.9

Table 66: Permanence in the market for enterprises

Time in business	Percentage
More than 7 years	19.1
Between 3 and 7 years	59.9
Between 1 and 3 years	12.2
Up to 1 year	8.8

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 67: Percentage of workforce fully proficient at their job, as stated by employers

	All	Nearly all	Over half	Some	Very few	None	Total
Managers	79.7	10.7	2.8	2.2	3.0	1.6	100
Professionals	53.4	24.5	6.2	4.6	4.4	7.0	100
Administration	45.1	29.6	11.4	3.9	3.5	6.5	100
Skilled trades	35.4	27.5	19.9	11.9	2.4	3.0	100
Sales	44.4	29.4	14.1	8.7	2.2	1.2	100
Process	39.8	30.5	13.9	8.8	2.4	4.6	100
Elementary	45.5	23.8	15.9	6.1	3.5	5.2	100

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 68: Causes of lack of proficiency of workforce (percentage), as stated by employers

	Man.	Prof.	Adm./Sec	Skilled	Sale	Process	Elem.
Failure to train and develop staff	47.8	24.3	24.5	22.7	20.4	26.6	21.0
Recruitment problems	6.6	12.2	10.3	13.9	15.7	17.3	20.7
High staff turnover	15.2	16.9	19.8	27.1	29.1	19.0	25.1
Inability of workforce to keep up with change	8.3	15.5	12.6	17.1	12.2	19.4	13.3
Lack of experience/ recently recruited	7.3	20.9	23.7	8.6	10.0	10.9	9.2
Staff lack motivation	10.4	8.8	7.9	10.0	11.2	6.5	10.7
Other	4.5	1.4	1.2	0.7	1.3	0.4	0.0
Total	100	100	100	100	100	100	100

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 69: Barriers identified by employers to develop and maintain a proficient workforce

	Man.	Prof.	Adm./Sec	Skilled	Sale	Process	Elem.
Lack of funds for training	31.8	30.3	30.6	26.5	25.5	33.4	25.2
Lack of suitable courses	16.4	26.0	25.3	23.5	21.3	22.1	17.3
Unwillingness of staff to undertake training	1.7	3.1	6.7	8.5	4.5	5.2	6.1
High labour turnover	1.2	2.8	3.1	8.3	8.7	4.3	6.4
Lack of time for training	9.1	5.9	8.1	15.5	13.7	10.7	9.1
No barriers	39.8	31.9	26.4	17.8	26.4	24.2	35.9
Total	100	100	100	100	100	100	100

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 70: Action envisaged by employers to overcome skills shortcomings

Action	%
Increased recruitment	6.7
Providing further training	17.4
Changing working practices	15.2
Relocating work within the company	4.7
Expand recruitment channels	2.9
Increase/expand trainee programmes	4.0
Apply to a Governmental employment and training scheme	8.7
No particular action being taken	40.4

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 71: Employment oriented training for young workers (percentage)

No training received	Total	69.8
Training received	<i>Apprenticeship</i>	18.1
	<i>Non-apprenticeship</i>	31.5
	<i>Other non- job related training</i>	36.2
	<i>Business development</i>	7.9
	<i>Product development</i>	3.1
	<i>Accounting/booking</i>	3.1
	Total	30.2
Training provided by	<i>Employer</i>	57.8
	<i>Private training institution</i>	10.9
	<i>Public training institution</i>	15.6
	<i>Private contractor</i>	3.9
	<i>International Organization/NGO</i>	11.7
Training duration	<i>Less than 1 week</i>	10.2
	<i>Between 1 week and 1 month</i>	18.0
	<i>Between 1 and 3 months</i>	25.8
	<i>Between 3 and 6 months</i>	11.7
	<i>Between 6 months and 1 year</i>	19.5
	<i>More than 1 year</i>	14.9
Training paid by	<i>Self/family</i>	15.6
	<i>Employer</i>	54.7
	<i>Public funds</i>	17.2
	<i>International Organization/NGO</i>	12.5

Table 72: Enterprises providing training by sector and number of workers trained last 12 months

NACE	Description	% workers	% enterprises
A	Agriculture, hunting and forestry	1.6	0.4
B	Fishing	0.0	0.0
C	Mining and quarrying	0.0	0.0
D	Manufacturing	15.5	5.8
E	Electricity, gas and water supply	0.8	1.5
F	Construction	7.8	2.1
G	Wholesale and retail trade, repair of motor vehicles	34.9	16.6
H	Hotels and restaurants	10.9	2.1
I	Transport, storage and communication	7.0	3.5
J	Financial intermediation	1.6	0.3
K	Real estate, renting and business activities	1.6	0.3
L	Public administration and defence	1.6	5.1
M	Education	6.2	7.1
O	Other community, social and personals services	10.9	55.0
	Total	100.00	100.00

Source: ILO-MLSW Wage and Skills Survey (2006)

Table 73: Training of workers, location, provider, length and financing

Location	On-the-job, informal	52.59
	Classroom, on premises	19.26
	Classroom, off premises	28.15
Provider	By enterprise	61.2
	A private sector training institution	9.0
	A government training institution	23.9
	Other	6.0
Duration	Less than a week	13.5
	1 week but less than 1 month	27.1
	1 month but less than 3 months	30.0
	3 months but less than 6 months	17.8
	6 months but less than 1 year	7.9
	More than 1 year	3.5
Financing	The enterprise	70.7
	Workers	2.2
	The Government	27.1
	Internship with training institution	2.2

Source: ILO-MLSW *Wage and Skills Survey* (2006)

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