

## The effects of active labor market policies in Kosovo on employment growth

Sami Ahmeti

### Abstract

Active Labor Market Policy (ALMP) is an instrument that countries with fragile economies use in response to high unemployment especially vulnerable groups such as youth, women, people with disabilities, etc. Through these policies, the direct intervention of the state is aimed at increasing the likelihood of employment of jobseekers and persons who are economically active. For countries in transition such as Kosovo, where there is a high rate of emigration and labor mismatch as a result of the transition from a socialist system to a market economy system, these policies are necessary and perhaps even necessary. In this paper, we provide a critical overview of active policies implemented in Kosovo, how they are implemented, their effects and the difficulties and problems arising from their implementation. The basic data of the analysis will be those derived from the Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE).

**Keywords:** ALMP, unemployment, economy, transition, DLE.

### Introduction

The high and steady unemployment rate has been a major blot in the economic and social records of most OECD countries. From 1973 to 1997 the unemployment rate increased from 3.2% to 7.3%. In response to this uncontrolled increase in unemployment, OECD Ministers gave the organization a mandate in 1992 to analyze the causes and consequences of this continued increase and have proposed ways and forms to deal with this problem (Martin, 1998). The first fruits of this work were published in 1994 and include a list of more than 60 detailed recommendations for this phenomenon. This included an examination of how Active Labor Market Policy (ALMP) can be turned into a powerful tool in the fight against high and persistent unemployment. In particular, states sought to answer the question: *what is the potential contribution which active labor market policies can make as part of a strategy to combat high and persistent unemployment and the problems of low pay and poverty among the working-age population?* OECD countries have worked hard on this question and what has been found is that active policies have a very great potential in reducing the unemployment rate.

Active labor market policies (ALMP) are considered those tools which are used by the government of a country to increase employment opportunities for individuals of different social strata, especially those who feel discriminated like for example: people with disabilities, women, youth, etc. So, unlike passive policies, in the active policies, the state intervenes directly through measures which it sets in order to achieve the above objectives (Aliu, 2015).

One of the major problems facing Kosovo today is youth unemployment. Kosovo has the youngest average age compared to all countries in the region and has a large

number of labor force which is able to work (KSA, 2019). This makes unemployment a concern and a negative phenomenon that affects the entire Kosovar society and especially the youth. In Kosovo, there is little serious research and study that has analyzed the role and effect of active policies that Kosovo has implemented. In Kosovo, there is little serious research and study that has analyzed the role and effect of active policies that Kosovo has implemented. This also has to do with the fact that data from the Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE) are scarce and incomplete. In this paper, we will try to critically analyze these policies, focusing on their effect not only on the employment of jobseekers but also their preparation for the labor market, or what is known as the transition from the paradigm "employment" in "employability".

*a. Research questions*

In this paper, we will try to answer the following research questions:

1. What is the importance of Active Labor Market Policies for the economy of a country and especially for those in transition?
2. What are the Active Labor Market Policies implemented in Kosovo?
3. How have these policies affected the reduction of the unemployment rate?
4. What is the link between ALMP and the preparation of the unemployed for the labor market?
5. What are some of the shortcomings in the implementation of ALMP in Kosovo?
6. How does Kosovo stand in relation to some of the countries in the region regarding the implementation of ALMP?

**Literature review**

*a. The role and importance of active employment policies*

Active labor market policies are state mechanisms that enable direct intervention in the labor market in order to provide jobseekers with better employment opportunities (Lubishtani, 2015). The main purpose of active labor market policies is to provide the means to increase skills and intensify job search activity that would improve the employment prospects for the unemployed. Active Labor Market Policies (ALMPs) help return the unemployed to the labor market as quickly as possible, in the type of work that is most optimal for the job seeker.

In the last decade, partly due to the global financial crisis, unemployment has reached the most worrying levels in the history of European economies. This problem becomes even more pronounced for the economies of countries in transition due to high unemployment inherited from the period of the collapse of the socialist system and the transition to a market economy. During the transition process, the problem of skills mismatch has made unemployment a very prominent feature in the labor markets of these countries (Lubishtani, 2015). In such a situation, European economies have emphasized policies aimed at improving human capital, as they have realized that they are necessary and perhaps even mandatory to achieve higher levels of employment, improve the quality of work and increase labor productivity (Calmfors et al., 2002).

The basic attribute of ALMPs is the preparation and stimulation of human capital in order to move from the 'employment' to the 'employability' paradigm where the aim is not to offer the unemployed a job, but to expand their skills and abilities so

that they be able to find and earn a job on their own. Overall, there is little serious research that analyzes the effectiveness of ALMPs in transition economies, both at the individual and state level. During the pre-transition period, open unemployment did not exist. Only during the transition process did unemployment appear and become a distinctive feature of most transition countries (Boeri, 1997). Rising unemployment was a direct consequence of the dramatic collapse of production during the transition from rigid trade relations of the central planning system to a market economy (Burda, 1993).

In most transition countries, most employment was concentrated in large conglomerates (Boeri, 1997). Labor market restructuring involved large job losses in heavy industry and agriculture, while the services and light manufacturing industries were evolving (Boeri, 2001). More than six million people had lost their jobs in Central and Eastern European countries and many more were eventually withdrawn from the labor market (Hoti, 2003). The privatization of enterprises made the skills that workers had acquired in the public sector incompatible with those of the private sector which, among other things, led to a higher level of unemployment because many of the skills were already considered obsolete precisely because of the changes. in the form of business organization and technologies (Nesporova, 2002). Hoti (2003) argues that adapting to the new circumstances created in the labor market takes time, therefore unemployment was a process that lasted.

Unlike other countries in transition, Kosovo has a special history that is reflected in the current labor market situation. Kosovo was the last country to secede from the former Yugoslavia and as such the last country to begin the transition from a central economy to a market economy (Hoti, 2017). Prior to the break-up of Yugoslavia, Kosovo was the poorest region in the country in terms of per capita social product (Bevc, 1993). During the period 1989-1999, the occupation of Kosovo by Serbia, affected the isolation of the country and the mass departure of workers from their jobs, with a number of over 145,000 workers laid off (Hoti, 2017).

#### *b. Unemployment situation in Kosovo*

After the liberation from Serbia in 1999, the process of economic recovery was difficult and slow and as a result was unable to address the inherited problem of unemployment and the stock of impoverished human capital. As mentioned earlier, almost 1/3 of the population in Kosovo is under the age of 15, which means that there are a large number of candidates who enter the labor market each year. Compared to other Western Balkan countries, the labor market performance in Kosovo is poorer. As seen in Fig 1., low labor force participation remains one of the most critical issues in the labor market in Kosovo (Hoti, 2017).

Fig. 1 shows that of persons of working age, in 2017, only 42.8% actively participate in the labor force (economically active) which means that they have been employed or not employed (i.e actively seeking work or available for work) (KSA, 2017). Part of the reason why this lower number of economically active people compared to other Balkan or European countries is the fact that Kosovo has experienced a significant expansion of higher education in recent decades, with more universities and open fieldsthan any other country in the Western Balkans. This gives many people the opportunity to attend and prioritize schooling thus being considered inactive.

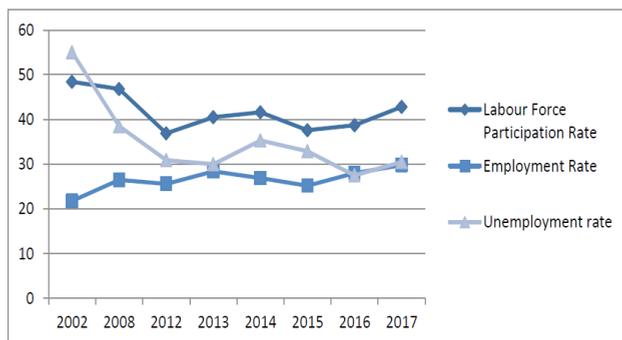


Fig 1. Main indicators of the labor market in Kosovo from 2002 to 2017

Source: Kosovo Statistical Agency (KSA, 2018)

There are many other factors that affect the discouragement of the workforce. According to the KSA (2018) report from the number of 733,341 of inactive population, 165,712 had not sought work because they did not think that there were enough job opportunities for them. This includes perceptions of the negative phenomena that accompany employment such as nepotism, employment on political basis, etc.

Participation is significantly lower in females compared to males (slightly more than 20% in females and 65.3% in males). In addition to lower female gender demand in the labor market, family responsibilities, gender role stereotypes are some of the reasons for low female labor market participation (Democracy for Development, 2016). Gender stereotypes that some professions are not suitable for women are very present in the Kosovar environment. This has led to a very small number of women attending schools in the fields of ICT or science compared to men. This has made the ICT sector in Kosovo dominated by men. This is a very big handicap for women as the ICT sector is the sector with the highest job growth compared to all other sectors (Democracy for Development, 2016).

From 2002 to 2017 we had an increase in employment despite not being at high levels. From different age groups, the employment rate is highest in the 35-44 age group (40.55%). The lowest employment rate is at the age of 15-24. Fig. 2 shows that the higher the education, the higher the opportunity for employment. About 57% of the

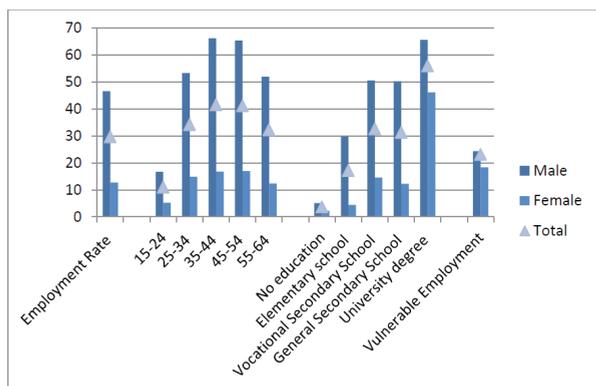


Fig 2. Employment rate of active population by gender, age, education

Source: Kosovo Statistical Agency (KSA, 2018)

candidates who had a university degree were employed.

As can be seen from the figure, the 'vulnerable employment' rate that refers to self-employment without employees or those employed in unpaid family business is 23.1%. Men are more likely to have vulnerable employment (24.4%) compared to women (18.3%). Another important element of the employment scheme as presented by the Statistical Agency of Kosovo is those who have an employment contract, 70% of them (regardless of gender) have only a temporary contract while 5% of employees enjoy the benefits of the employment scheme health insurance (KAS, 2018).

According to the same statistics, the number of young people in Kosovo, between the ages of 15 and 24, who are not employed, who do not attend school and any training is quite high with a percentage of over 27%. This raises many questions about the future of these young people as without education or training participation in the labor market becomes very difficult. Some other factors influencing the high unemployment rate of young people in Kosovo are: lack of quality of education, lack of adaptation of study programs to the demands of the labor market, lack of practical work in school, lack of career guidance, lack of information on labor market specifics, non-updating with global trends, lack of support for employment, etc. (USAID, 2017).

c. *Active labor market policies implemented in Kosovo*

The first policy that we will elaborate is the policy of public works. The concept of public works is well known in other countries as well. Through it, a state aims by creating a project for the community to contribute to job generation and employment support. Public work can be limited in time (e. g seasonal) or unlimited in time. In most cases, public works are given for a fixed period of time. Such works may include: arranging parks, schools, cleaning public spaces, etc. So, through a project for the community, the jobseekers registered in the Employment Office can be employed. Employees in public works are mainly persons who have been unemployed for a long time or persons who find it difficult to be placed in any other work due to lack of qualification (MLSW, 2019). One of the main drawbacks of this method is that it can only include unskilled jobseekers and not other categories. A large part of public works involves construction, where the participation of women is quite low in relation to men.

Another ALMP implemented in Kosovo is on-the-job training. Through this policy, it is possible to mediate jobseekers in institutions or companies for a period of 3 months, in order for them to be trained for the labor market. Jobseekers are trained by staff of the Vocational Training Center (VTC) and finally evaluated by them to find out if they are sufficiently qualified for the aspiring job. During the trainings, it is thought that the jobseeker develops more in-depth knowledge for performing a specific job (MLSW, 2019). On-the-job training over the years has produced good results making jobseekers gain new knowledge and thus find it easier to find a job. The main drawback of this method is the fixed time for completing the training which in many cases is not enough to equip job seekers with the necessary knowledge for the job. In many countries where this method is applied, the time is variable and depends on the degree of advancement of the candidate. In Kosovo this has not been applied due to budget constraints.

Another active policy implemented in Kosovo is internships. In fact, this policy is

most present among all countries where these policies are implemented, including neighboring countries such as Albania, Montenegro and North Macedonia. The main purpose of this policy is to help jobseekers who have graduated or completed a craft to enter the labor market more easily. This assistance comes as a result of the fact that after the completion of the internship, jobseekers can establish regular working relationships with the employer with whom they have completed the internship or with another employer (MLSW, 2019). This in fact constitutes the policy which in practice has proved to be the most successful in terms of finding jobs by jobseekers, not only in Kosovo but also in other countries mentioned above.

Another ALMP is entrepreneurship or self-employment. These policies aim to encourage participants to start their own business or to become self-employed. Through entrepreneurship, the state chooses to subsidize an idea or business plan which is considered to be the best, which is profitable and sustainable. The disadvantage of this policy is the fixed support cost which is usually not sufficient for long-term business planning. In Kosovo practice, most established businesses are shut down immediately after the end of support.

The last measure or policy we address is vocational training. This is an ALMP that has early origins. The primary goal is to provide participants with the skills, knowledge, attitudes and competencies that are necessary for employment in a particular profession. It is usually applied to improve the employability of persons registered with the Employment Offices (EOs) and vulnerable jobseekers. Trainings are usually provided by the network of Vocational Training Centers (VTCs) of the Ministry, but they can also be provided by other public providers with whom the Ministry has a public contract. The approach of the various countries that apply this policy is to give priority to women, or the unemployed under the age of 25 and over the age of 50, which are therefore the categories most affected by the unemployment rate. Vocational training in Kosovo has been criticized for several main reasons: first, the outdated training curriculum that does not reflect the changing demands of the labor market. Second, the equipment used by VTC is outdated, damaged and not well maintained. Many countries contract services from private providers to reduce the cost of purchasing, maintaining and upgrading equipment.

### **Practical findings and trends**

In this empirical part we will address and analyze the concrete findings which relate to the number of jobseekers and young unemployed who have benefited from active labor market policies implemented in Kosovo. The aim is to look critically at the trend of benefiting from active policies from 2015 to 2019 and to see if there are differences in terms of benefit, related to independent variables such as age, gender, qualification and ethnicity. The data will be obtained from the database of the Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE) of the Republic of Kosovo. According to the DLE records there are two types of jobseeker registrations: registered unemployed and registered jobseekers. The registration of the unemployed is done at the moment of submitting the unemployed to the Employment Office (EO). To be kept on the register, the unemployed must appear at the office every 3 months.

The registration of jobseekers is done online and does not require the physical presence of jobseekers. Necessary services are also performed online.

In line with the theoretical findings, the active measures implemented within the Ministry of Labor and Social Welfare (MLSW) are also aimed at alleviating unemployment. In the active labor market measures in terms of the level of qualification, the largest number of participants over the years as seen in Fig. 3, is the jobseekers with high school, then those with primary school and those not qualified. As for gender, the same figure shows that the participation of women over the years has been lower than that of men. The graph shows that participation in active labor market policies has increased higher among men than women (6.05% to 6.25% respectively). In terms of education / qualification, the highest increase in participation had jobseekers with a master's degree (54.17%) while the least those who were unskilled (7.05%). These results also support some of the findings from the literature review, where in the absence of curriculum compliance with market requirements, leads to a higher unemployment rate of graduates and their need to participate in active labor market policies.

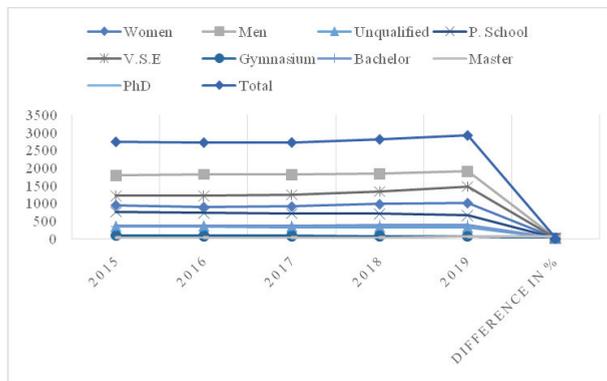


Fig 3. Participation in active labor market policies by gender and qualification

Source: Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE, 2019)

According to the same data, in terms of participation in active labor market policies and age, the age group with the highest participation is 25-29 with about 45% of the total for each year. The lowest participation belongs to the age group 55+ with about 2.53% for each year. The 25-39 age group also has steady growth from 2015 to 2019 with a margin from 2015 to 2019 of 13.48%.

According to the data and records of the Ministry, respectively the Department of Labor and Employment (DLE), of all the active measures used, vocational training is the one that is treated with the highest priority. This measure is offered by 8 Vocational Training Centers (VTC) under the operation of the DLE. DLE offers two forms of training: institutional training in VTC and combined training (VTC and company). Table 1 shows that this policy is the most applicable compared to other policies and that there has been a significant increase from 2015 to 2019.

Table 1. Participation in active labor market policies by years

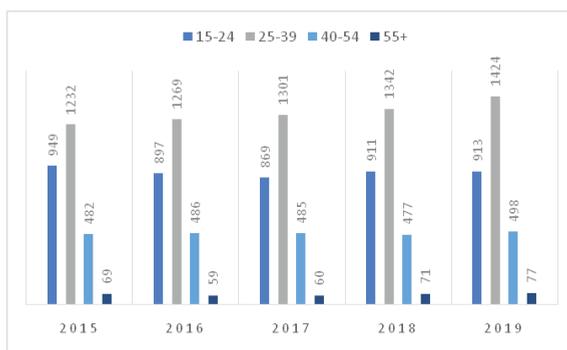


Fig 4. Participation in active labor market policies by gender

Source: Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE, 2019)

Type	2015	2016	2017	2018	2019
Vocational training	4,055	4,132	4,334	4,289	4,419
Public job	1,865	1,765	1,614	1,517	1,578
Self-employment/ Entrepreneurship	498	541	576	512	602
Work practice	49	98	103	92	69
Salary subsidy	188	174	178	154	135
Job training	281	289	303	278	267
<b>T</b>	<b>6,939</b>	<b>6,710</b>	<b>7,108</b>	<b>6,842</b>	<b>7,070</b>

Source: Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE, 2019)

One of the pillars of ALMP functioning is definitely the budget. The more there is a budget allocation for the implementation of these policies, the higher the participation will be. Unlike other countries, Kosovo does not have a separate and consolidated ALMP budget. The budget for these policies is included in the category of subsidies

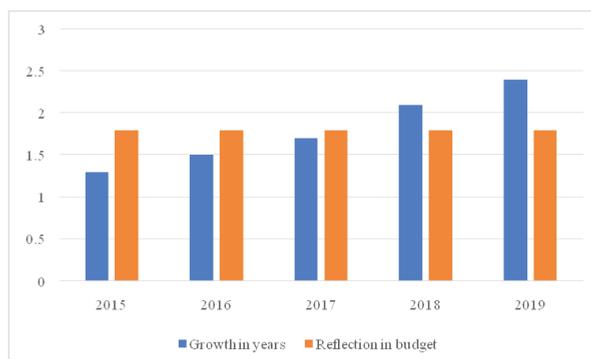


Fig 5. The growth of jobseekers in years and reflection in budget allocation

Source: Ministry of Labor and Social Welfare, Department of Labor and Employment (DLE, 2019)

and transfers and despite the fact that the number of jobseekers has increased from year to year, this is not reflected in the budget. This is also noticed by Fig 5 where although the growth of jobseekers has continued, the budget has not moved at the same pace. This of course affects not only the number of participants but also the quality of services provided within the policies, knowing e.g. that in vocational training, the investment cost plays an important role, which then translates directly into cost effective.

The budget for active policies over the years has averaged 1.8 million euros. A similar situation is present in Albania, where spending on active policies has been in the form of the letter U, with ups and downs, and generally have not gone in a linear trend in relation to the number of jobseekers. In Albania, from 2013 to 2017, the average cost of hiring a jobseeker has tripled. According to Behushi (2017) the reason for this increase remains unclear. In both Kosovo and Albania there has been a constant increase in projects and investments in the field of vocational training. This spirit is illustrative of a good approach of both countries, through which approach, is invested in "employability" of jobseekers and not just "employment". Of all the Western Balkan countries, Serbia is the best at investing in active policies and is the only one that has invested in proportion to the increase or growth in the number of jobseekers.

## Conclusions and recommendations

### *a. Conclusions*

It is an indisputable fact that Active Labor Market Policies (ALMPs) are very important for all countries and their economies but are especially important for countries in transition, which, as a result of the transition from a socialist system to a system of a market economy, problems with the unemployment rate and the mismatch of labor skills with market demands are very prevalent problems. The labor force with the beginning of the transition has been influenced by two factors: the restructuring of socially-owned enterprises (which is a common factor for all countries in transition) and the high rate of emigration which has also been very present in Kosovo. Youth unemployment is a very present phenomenon in Kosovo. Precisely for this reason, the direct intervention of the state through ALMPs is necessary and indispensable. An even more worrying fact in Kosovo is the number of young people who are unemployed, are not in school, are not pursuing any vocational training or are not looking for a job. This is especially present in the 15-24 age group, with 52.7% of the total. This number is higher in females than in males.

Kosovo continues to face a narrow patriarchal culture and mentality, with numerous stereotypes about the role of women in society and the profession they should pursue and practice. Many promising jobs in Kosovo are male-dominated precisely because of this stereotyping. For example, the field of Information and Communication Technology (ICT) is populated with a ratio of 1/5 with men, although this field promises the largest number of vacancies in the next five years.

Another element that makes necessary the state intervention through active policies is the discrepancy that arises between the knowledge that young people receive from their education with the demands of the labor market. Curricula in schools is outdated, there is a lack of practical work, there is a lack of career guidance, there is a lack of

cooperation between schools and other educational institutions with market agents in order to make it easier for young people to find employment after graduation.

A handicap in relation to the implementation of active policies is also the proper budget. Kosovo does not yet have a separate budget for the execution of active policies but envisages budget allocation from the category of subsidies and transfers. This is probably why we have not had an increase in the budget for active policies despite the increase in the number of jobseekers. Due to this shortage, the budget per capita jobseeker has been smaller than other countries in the region and this explains the discrepancy between the number of young people who are unemployed and registered as jobseekers and who benefit from active policies with the number of young people entering the labor market each year. Although there has been an increase in budget allocation for vocational training policy, such a policy has had its problems and as such has not produced the right results. From the data from the Department of Labor and Employment (DLE) we have seen that the number of young people participating in trainings organized by Vocational Training Centers (VTC) is small compared to the number of young people unqualified for the labor market.

Internship is a very useful policy for young graduates or those who have received a diploma or certificate of vocational training. This practice, in addition to helping young people better prepare for the labor market, also helps them meet the criterion of work experience which is one of the special conditions required by most employers. Although the Labor Law of the Republic of Kosovo, in its article 16 regulates the practice at work as a process, this law still has shortcomings. For example, point 4 of this article determines the duration of the internship for the intern but this duration is not fully implemented and in general the interns are forced to work longer without receiving any compensation. This of course discourages the intern, so it is necessary to have functional mechanisms that supervise and oblige the employer to strictly implement the provisions of this law.

Another important aspect of Active Labor Market Policies (ALMPs) is how they are promoted. In Kosovo, there are few or no promotional campaigns on these policies such as business grants or vocational training calls, so even a large number of jobseekers are uninformed about them. There is also a lack of detailed reports on these policies and the number of beneficiaries, which makes it difficult to take an analytical and critical look at these policies, their role and implementation. This of course has to do with the frequent change of governments in recent years and how different governments have had different approaches to the problem of unemployment in general and active policies in particular.

In conclusion, it can be said that active policies have an extremely important role in reducing a country's unemployment. These policies in the countries of the region have shown great success. Even in Kosovo, it can be said that these have had an effect, but factors such as: insufficient budget, lack of promotion, frequent change of governments, non-updating of training programs for vocational training, etc., have made these policies not be as effective in reducing unemployment in Kosovo.

#### *b. Recommendations*

Considering some of the problems in the implementation of Active Labor Market Policies (ALMP) as well as the good experience of other countries on their implementation, some of the recommendations would be as follows:

1. Initially there should be an increase in the budget which corresponds to the increase in the number of jobseekers, as is the case in most countries where these policies are implemented, including the countries of the region.
2. The budget should be separate and not included within another category.
3. There should be greater and continuous promotion of active policies in order to have the greatest possible involvement of jobseekers and persons who are economically active
4. The Vocational Training Policy needs to be advanced because it has many shortcomings in implementation. Much more budget allocation and a new approach to this policy is needed.
5. More work needs to be done to increase participation and access to active policies for the 15-24 age group, where the data showed that there was a high discrepancy between active jobseekers of this age group registered in the Employment Offices (EOs) and the overall unemployment assessment of this age group.

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