

# CORRELATION BETWEEN LABOUR MARKET IN KOSOVO AND OUT MIGRATION

June 2020



Prepared by UNDP Kosovo - Public Pulse Project Prishtinë/Priština June 2020

*The views expressed in this document are those of respondents of the business survey and those of the individuals interviewed from institutions and organisations in Kosovo, and do not necessarily represent the views of UNDP or USAID.*

## Contents

<b>Executive Summary .....</b>	<b>5</b>
<b>Introduction .....</b>	<b>8</b>
Background - Employment, Skills and Emigration in Kosovo .....	11
<b>Research Findings .....</b>	<b>15</b>
Company Profiles .....	15
Labour Conditions .....	21
Labour Challenges .....	26
Labour Training and Development .....	36
Labour Market and Emigration.....	42
Institutional Engagement and Cooperation .....	48
Unemployment and Labour Market Future in Kosovo .....	49
<b>Discussion and Conclusion .....</b>	<b>51</b>
<b>Annex - Methodological Approach .....</b>	<b>54</b>

## List of Figures

<b>Figure 1.</b> Business Ownership.....	15
<b>Figure 2.</b> Legal Status of Businesses.....	15
<b>Figure 3.</b> Regional Distribution of Businesses.....	16
<b>Figure 4.</b> Primary Activity of Businesses .....	16
<b>Figure 5.</b> Years of Operation.....	16
<b>Figure 6.</b> Business Size .....	16
<b>Figure 7.</b> Position of the respondent .....	17
<b>Figure 8.</b> Total number of Female and Male employees .....	17
<b>Figure 9.</b> Total number of Full time and Part time employees.....	18
<b>Figure 10.</b> Within the last year, have the revenue and the costs increased, decreased, or stayed the same? .....	19
<b>Figure 11.</b> Which is the highest cost your company incurs in its operations?.....	20
<b>Figure 12.</b> In your opinion, how favorable are the labor conditions in your company? (By Region) .....	21
<b>Figure 13.</b> Does the company staff have written contracts? (By Region).....	22
<b>Figure 14.</b> Does the company staff have written contracts? (By Business Size) .....	22
<b>Figure 15.</b> How long is the usual contract for full time workers? .....	23
<b>Figure 16.</b> How long is the usual contract for part time workers?.....	23
<b>Figure 17.</b> How long is the usual contract for non-managerial and managerial positions? .....	24
<b>Figure 18.</b> Does your company offer private health insurance for its employees? .....	24
<b>Figure 19.</b> Does your company pay pension contributions for all its employees at 5% of their gross wage at the Kosovo Pension Savings Fund?.....	25
<b>Figure 20.</b> Rate the following elements depending on how challenging you find them for your company.....	26
<b>Figure 21.</b> How do you advertise job positions? .....	27
<b>Figure 22.</b> In the past three years, have you hired any new employees? How many people have you hired? .....	28
<b>Figure 23.</b> How difficult has it been to hire competent/qualified employees, in the past three years? .....	28
<b>Figure 24.</b> If you have had difficulties finding candidates with the right qualifications, what was the following course of action?.....	29
<b>Figure 25.</b> When you recruit new employees how important is each of the following.....	30
<b>Figure 26.</b> What are the most challenging causes of your hard-to-fill vacant positions?.....	31
<b>Figure 27.</b> How difficult is it to find employees with the skills listed below? .....	32
<b>Figure 28.</b> Do you agree with the following statements?.....	33
<b>Figure 29.</b> What are the skill levels of employees at your company for performing their current roles?.....	34
<b>Figure 30.</b> What impact does your current staff's skills gap have on this company? .....	35
<b>Figure 31.</b> Does your company offer trainings on the following? .....	36
<b>Figure 32.</b> Does your company offer trainings on the following? (1/2) .....	37
<b>Figure 33.</b> Does your company offer trainings on the following? (2/2).....	38
<b>Figure 34.</b> Who trains the employees at your company? Only those who offer trainings .....	39
<b>Figure 35.</b> What factors present a barrier to the amount of training undertaken at this organisation?.....	39
<b>Figure 36.</b> Does your company identify individual development plans for your staff? (By Region) .....	40
<b>Figure 37.</b> Does your company identify individual development plans for your staff? (By Business Size) .....	40
<b>Figure 38.</b> Are there realistic opportunities for career advancement within your company? (By region) .....	41
<b>Figure 39.</b> Are there realistic opportunities for career advancement within your company? (By Business Size) ..	41
<b>Figure 40.</b> Have you had employees leave the job due to (emigration in the past three years? .....	42
<b>Figure 41.</b> Have you had employees leave the job due to emigration in the past three years? .....	42
<b>Figure 42.</b> What are the countries the emigrating employees leave mostly to? What types of positions did most of these employees have?.....	43
<b>Figure 43.</b> Education level of employees who left for emigration purposes.....	44
<b>Figure 44.</b> Can you tell me about the severity of the effect the employee emigration had on the following? .....	44

<b>Figure 45.</b> Does the company try to convince the employees who want to emigrate to stay by offering increased benefits? .....	46
<b>Figure 46.</b> What have you done to level the consequence of employee emigration? .....	47

## List of Tables

<b>Table 1.</b> Kosovo key figures of Employment in 2018 and 2019 by gender and total .....	12
<b>Table 2.</b> How many employees have left your company for any reasons in the past three years? How many employees have left in the past three years due to emigration? .....	43

## Executive Summary

The overall objective of this study is to explore the correlation between the labour market in Kosovo<sup>1</sup> and migration outside of Kosovo.<sup>2</sup> In this regard, the study explores challenges related to the labour market in terms of consequences of skills mismatch – i.e. unmet demand and supply of certain skills - and aims to provide useful information for policy makers in addressing these gaps in the labour market.

In order to explore these objectives, a **desk research** was conducted to give an insight into issues connected to the labour market, unemployment, and emigration out of Kosovo. Furthermore, a representative quantitative **survey with 201 businesses**<sup>3</sup> in Kosovo was conducted, as well as **17 semi-structured interviews** with representatives of several institutions and organisations in Kosovo that engage with topics relevant to this study.<sup>4</sup>

Businesses of different sectors and sizes took part in this study. Reflecting the overall geographic distribution of businesses in Kosovo, many of the companies surveyed were located in Prishtinë/Priština region (39%), whereas the remaining business were located in the region of Prizren (14%), Ferizaj/Uroševac (11%), Gjilan/Gnjilane (10%), Gjakovë/Djakovica (9%), Pejë/Peć (9%), and Mitrovicë/Mitrovica (8%). For the purpose of robust analysis, the businesses were divided in two categories “Prishtinë/ Priština” and “Non-Prishtinë/ Priština”. Most businesses which took part in the survey were engaged in the trade sector (47%), and around one third was engaged with agricultural work, while 9% were part of the service sector, 8% were part of the manufacturing sector and 2% of the construction sector, reflecting the approximate business sector distribution in Kosovo<sup>5</sup>.

Data results pertaining to **work contracts and benefit payments** revealed that two in three companies declared that written work contracts were used for all employees. However, the majority of those were located in the region of Prishtinë/Priština (83%), while only just about half of the businesses in other regions reported the same. Medium and large companies were more likely to make use of written contracts for all their staff compared to the smaller ones; 13% of the micro company respondents declared that they do not have written contracts for any of their employees. Often, contracts were set up with a time limitation of 12 months (24%) or less (6%). Furthermore, only 7% of the respondents declared that their company offers private health insurance for its employees. The lack of formal contracts, contracts with limited time durations, as well as the lack of health insurance or other benefits for workers were also emphasized by organisational and institutional stakeholders as factors that drive people in Kosovo to emigrate or to seek employment in the public sector.

**Informal job advertising methods** are still common in Kosovo. Around 44% of all companies stated that their main channel of disseminating information about vacant job positions is through word of mouth and friends, while 39% made use of social media. Only a few companies engaged with online job

---

<sup>1</sup> For UNDP, references to Kosovo shall be understood to be in the context of Security Council Resolution 1244 (1999).

<sup>2</sup> The data collection activities for the business survey took place between 12.03.2020 and 02.04.2020, while the semi-structured interviews were conducted within the period of 06.04.2020 to 28.04.2020.

<sup>3</sup> The term business and the term company are used interchangeably in this report.

<sup>4</sup> The terminology used to refer to findings from these interviews throughout the report is “institutional and organisational stakeholders.” Details regarding these stakeholders and their work engagement can be found in the introduction chapter as well as in the methodology annex of this report.

<sup>5</sup> [https://www.oecd-ilibrary.org/development/sme-policy-index-western-balkans-and-turkey-2019\\_dd53f292-en;jsessionid=E9GRpYkUISRqF79j-nDeJapu.ip-10-240-5-22](https://www.oecd-ilibrary.org/development/sme-policy-index-western-balkans-and-turkey-2019_dd53f292-en;jsessionid=E9GRpYkUISRqF79j-nDeJapu.ip-10-240-5-22)

platforms (12%) or employment agencies (2%) as their main channel. Data further suggests that companies located outside the Prishtinë/Priština region and micro companies relied more heavily on informal ways to advertise job positions. Based on the assessment of some organisational stakeholders, the phenomenon of making mainly use of informal channels to advertise jobs has slightly decreased in the past years but is still a prevalent issue. Despite efforts made by the Kosovo Agency of Employment to tackle this issue, proper cooperation and information exchange concerning demand and supply of certain skills and profiles between the businesses and the Employment Agency is still lacking.

Companies found it **moderately difficult to hire competent or qualified staff**, nearly two in three companies have settled for hiring less qualified employees (63%) or assigned additional duties to current staff (19%) when unable to find new employees with the desired qualifications. Work experience and skills were viewed as the two most important factors and most challenging aspects when hiring new staff. However, the most challenging aspects for filling vacancies that are hard to fill related to applicants' lacking motivation or the right attitude, according to the business respondents.

Organisational stakeholders that were interviewed criticized **the lack of harmonization and coordination between educational opportunities and the needs of the labour market**. Businesses often need new employees with specific profiles and are unable to find them in Kosovo. The incompatibility between supply and demand in the labour market is due to the inadequate educational curricula that are not in line with labour market requirements, lack of vocational schools offering relevant training and lack of cooperation between these schools with the private sector. Furthermore, the interest to work within fields such as manufacturing and constructions has decreased over the years. Employees with good skills for handiwork and craft related jobs (e.g. welders) are sorely missing in Kosovo. Additionally, shortages of IT skills (e.g. information technology, programming) were mentioned by a high number of institutional and organisational stakeholders, a field that is becoming increasingly important in Kosovo.

Taking a closer look at **skills which employees commonly lack** – foreign language, analytical, and technical skills - are the top three which were perceived as most difficult for companies to find in Kosovo. However, it should be noted that while it appears to be challenging to hire new qualified staff, companies were in agreement that their current employees have sufficient skills to meet the needs of the businesses. When presented with a list of potential soft skills their current staff may have, companies rated their staff performance slightly above average. The two skills with slightly lower evaluation related to *clear and concise written communication* and *delivering projects according to their objectives*. When asked about what impact the skill gaps of current staff have, most mentioned a number of concerns. Around 20% of the surveyed companies saw an impact concerning the loss of quality in service, while 18% saw difficulties in meeting customer service objectives.

Questions revolving around **labour training and development** revealed that few companies offered training for their staff. Only around 23% offered training in workplace ethics and technical skills development. Slightly fewer offered training related to workplace safety (21%), customer and client communication (20%), leadership and management development as well as training related to product and service (19%). Those companies which offered training most commonly did so through internal peer-to-peer training (72%). Only 14% and 13% respectively offered on the job training or contract experts to conduct the training. Around 40% declared that training is not relevant to the needs of their businesses; nearly one third mentioned the costs of training in the local area as an inhibiting factor (29%). Data obtained through the interviews with institutional and organisational stakeholders revealed

that investments into training and development of employees in businesses are seen as vital when wanting to reduce emigration and increase the general satisfaction among employees in Kosovo.

Turning to the **correlation of emigration and issues in the labour market in Kosovo**, data revealed that nearly half of all surveyed companies have been confronted with emigration of their employees in the past three years (49%). Nearly three out of four medium and large companies witnessed emigration of employees (73%), while 70% of small companies reported the same. Micro companies seem less likely to have encountered the emigration of employees. When taking a closer look at the average number of employees who have left the company for **any reason** in the past three years, it can be observed that around half who left did so for **emigration purposes**. Most emigrated employees moved to Germany (83%). Organisational and institutional stakeholders appear in agreement that emigration of Kosovans, especially concerning skilled workers, is a prevalent issue in Kosovo. Emigration is perceived as constantly increasing and subsequently having an impact on the labour market and skill gaps in Kosovo. Apart from the hope of better job opportunities and personal economic development, family reunifications also played a large role for many who immigrated to Germany.

Nonetheless, the **severity of effects arising from employee emigration** does not seem high among the surveyed companies. When presented with a list of potential issues caused by labour emigration and asked to rank the severity of said issues (on a scale from one to five, where one equals no effect and five equals severe effect) all were ranked between one and two points (a rank of 2 indicates a minor effect). The highest ranked issue, which was 1.9 points on average, related to costs of hiring new employees. These results might be explained due to the majority of employees of the surveyed companies who have emigrated having only obtained secondary education (75%) and worked within technical positions (52%) (i.e. not professional or managerial positions) and might be easier to replace than highly qualified staff.

Interviews with organisational and institutional stakeholders revealed that emigration is perceived as having the biggest impact when it comes to professional and skilled workers. This especially relates to positions such as doctors, nurses, and engineers. **The health sector is perceived as impacted the most**, according to organisational and institutional stakeholders. It was furthermore highlighted that often skilled and professional workers, or those with higher educational degrees, are emigrating with no intention to return to Kosovo later. Based on the individual assessment of the interviewed stakeholders, the lack of circular migration<sup>6</sup> has been increasing over the recent years.

Furthermore, around 41% of the business' respondents stated that their **companies did not try to convince the employees to stay when wanting to emigrate to another country** by offering increased benefits. Nearly one third of the businesses have hired new staff to level the consequences of employee emigration (27%), however only 6% have offered better working conditions for new applicants.

According to organisational stakeholders, in order to prevent large numbers of people from emigrating for better working opportunities, businesses in Kosovo need to improve human resource practices, offering better working conditions (formal contracts, increased salaries), and invest more in training and development.

---

<sup>6</sup> Circular migration is the temporary movement of a migrant worker between home and host areas, typically for the purpose of employment.



The main **reasons for unemployment and dissatisfaction in Kosovo** relate to the poor education system, the lack of coordination of actors responsible for the workforce and employment, as well as a weak economy in general which does not create enough vacant positions for the unemployed in Kosovo. The overall difficult political situation and the failure to implement efficient institutional strategies for employment and economic development were also mentioned as contributing factors why many, especially young, people in Kosovo have lost hope in a future in Kosovo and rather opt for emigration, according to various stakeholders interviewed within this study.

## Introduction

High levels of unemployment and the lack of an effective educational system that creates a labour force matching the demands of the labour market have been prevalent issues in Kosovo for a long time. These issues have led Kosovans, especially the young, to opt for emigration abroad seeking a better future as well as working opportunities. Therefore, the overarching goal of the UNDP Business Pulse is to explore the challenges that businesses face in acquiring skilled labour and preventing labour emigration. More concretely, the objective of this study is to explore the correlation between labour market in Kosovo and emigration outside of Kosovo. In this regard, the study will aim to unearth the challenges related to the labour market in terms of consequences of unmet supply of certain skills. The study aims to provide useful information for policy makers in addressing gaps in labour market.

In order to achieve the above-described objectives, UNDP contracted IDRA Research and Consulting to gather and analyse data through three distinct components:

**A desk research on the topics of employment and emigration in Kosovo**, which gives background information on challenges related to unemployment, the labour market as well as missing skills in Kosovo.

**A targeted representative opinion survey with two-hundred-one (201) businesses in Kosovo**, which aims to explore how businesses in Kosovo conduct themselves, which challenges they face in terms of findings skilled workers as well as the impact of emigration of workers in Kosovo on them.

**Seventeen (17) open-ended semi-structured Interviews<sup>7</sup> with representatives of different institutions and organisations** were conducted to further deepen the analysis of issues relevant to the study.<sup>8</sup>

Interviews were conducted with the following:

- The Department of Labour and Employment, part of the Ministry of Labour and Social Welfare,
- The Department for Cultural Centres in the Diaspora, part of the Ministry of Diaspora and Strategic Investments,
- The Division of Active Measures and Analysis in the Labour Market, Department of Labour in the Employment Agency,

---

<sup>7</sup> Throughout the report, findings from these interviews are incorporated into the quantitative survey analysis, as well as some additional findings in the end of research findings chapter. The terminology used to refer to these interviews is “institutional and organisational stakeholders.”

<sup>8</sup> Further details regarding the interviewed institutions and organisations can be found in the methodology annex of this report below.

- The Enhancing Youth Employment (EYE) project,
- Four representatives from different programs and project of the German GIZ and DEMAC,
- The NGO Kosovo Education Center (KEC),
- The Agency for Vocational Education and Training and Adult Education (VETAE),
- The NGO Chamber of Doing Business in Kosovo (CDBK),
- The American Chamber of Commerce,
- The Kosovo Chamber of Commerce,
- The Kosovo Women's Chamber of Commerce – G7
- The NGO Germin,
- The NGO Help Kosovo,
- The Center for Enterprise Executive Development (CEED).

Data collection through these three modules provides a three-dimensional research, which allows for studying the correlation of these issues with one another and help policy makers tackle them jointly.

This report presents the combined findings of these data collection activities. It begins with providing background information of topics relevant to this study through the desk research conducted and is followed by the main chapter of this report consisting of the data findings obtained through the business survey and institutional interviews. This chapter is structured by the different modules used in the survey questionnaire and the interview guide. The last section of this report presents a brief discussion of findings, conclusions as well as recommendations. The detailed methodological approach can be found in the annex section of this report.

While details of the sampling approach are presented in the methodological section, it is important to note a few basic information on the business landscape in Kosovo before engaging with the detailed findings of this report.

Kosovo's business sector is made up almost entirely of MSMEs (Micro, Small and Medium Enterprises). There are around 38,000 registered enterprises operating in Kosovo:

- 93.1% of which are micro enterprises,
- 5.9% are small and
- 0.9% are medium sized.
- Only 0.1% of the total business population are classified as large enterprises.

Kosovo's classification of MSMEs is defined by the law on foreign investment, which entered into force in 2014. The only criterion is employment size. MSMEs are defined as shown below:

- **Micro-enterprise** one (1) to nine (9) employees;
- **Small-enterprise** ten (10) to forty-nine (49) employees;
- **Medium-enterprise** fifty (50) to two-hundred and forty-nine (249) employees.<sup>9</sup>

---

<sup>9</sup> Source: <https://www.oecd-ilibrary.org/docserver/dd53f292-en.pdf?expires=1574245745&id=id&accname=guest&checksum=1CA49ECE532B111585674DDA86653B17>

The above classifications terminology has been largely adopted for this report, apart from one adjustment i.e. medium and large companies were grouped to one category (50+ employees) to create a sub sample big enough in size to allow meaningful analysis.

Considering the business landscape in Kosovo, proportional distribution of the sample (N=201) would not allow any subsample analysis by size. Hence, in order to also represent businesses of bigger size in this study, a higher target number of medium and large businesses was set (oversample).

Oversampling/quota sampling provides the possibility to make comparative analysis for different size segments while weighting the results for the aggregate sample.

*Table 1. Quantitative Business Sample*

<b>Business Size and Weights</b>	<b>Quota Sampling</b>
	N=201 Business Interviews
<b>Micro</b> (93.1%) (1-9 employees)	91
<b>Small</b> (5.9%) (10-49 employees)	66
<b>Medium and Large</b> (1%) (50+ employees)	44
<b>Total</b>	<b>201</b>

Regarding the geographic distribution of enterprises, it should be kept in mind that around one-third of all registered enterprises in Kosovo are located in the region of Prishtinë/ Priština. In order to represent the geographical distribution of businesses landscape in Kosovo and due to the rather small sample size of the study, data disaggregated by region, has been disaggregated into “Prishtinë/ Priština” based businesses and “Non-Prishtinë/ Priština” based businesses. In the “Non-Prishtinë/ Priština” group, there are businesses located in the region of Prizren (14%), Ferizaj/Uroševac (11%), Gjilan/Gnjilane (10%), Gjakovë/Djakovica (9%), Pejë/Peç a (9%) and Mitrovicë/Mitrovica (8%).

The data collection activities for the business survey took place from 12 March to 02 April 2020, while the semi-structured interviews were conducted within the period of 06 - 28 April 2020.

## Background - Employment, Skills and Emigration in Kosovo

High levels of unemployment, discouraged workers, and brain drain have put Kosovo in a grim social and economic situation. Some of the most worrying issues for years have been the high unemployment rate, especially of the youth and women; the subpar job-related skill level regardless of level of education, years of schooling, or the field of education and the high level of emigration of different-level skilled population have had significant effects on Kosovo.

### Employment Snapshot

Kosovo has had high unemployment levels for both men and women and especially youth for years on end. For at least the past eight years, unemployment levels have only slightly altered by rising or declining marginally. Comparing the 2018 total unemployment level with the one at the end of 2019, reveals a decrease of 15% decrease in unemployment (or 3.9 percentage points (pp)). The unemployment level of men has decreased by 26% (or 5.9 pp). This could be partially due to an increase of inactivity of men by 9%. Women's unemployment level, on the other hand, besides being the least active, has increased by 3% (or 1 pp).<sup>10</sup>

Less than half of Kosovo's working age population is economically active, while around 59.5% of its working age population are economically inactive individuals including students, homemakers, discouraged workers, and other individuals who do not actively seek any type of employment.

The bleakest situation in this regard involves women of working age, 78.9% of whom are economically inactive. While in general, the group with the highest unemployment rate at about 50% are the youth, namely people aged 15-24. Moreover, about 33% of them are not in education, employment, or training (NEET) indicating a complete separation from the education system and labour market, which is grounds for the deterioration of their overall employment opportunities in the near or distant future.<sup>11</sup> Without being in any type of training and with the quick labour market changes, this group is in high risk of long-term economic hardship or economic dependence on others.

Comparison of data between the years 2018 and 2019 reveal that the total labour force participation rate has decreased by 1% (or 0.4 pp). The female labour force participation rate however has increased by 15% (or 2.7 pp), while the male labour force participation rate has decreased by 6% (or 3.6 pp). Not only has the labour force participation worsened, the share of youth who are not in education, employment, or training has increased by 9% (or 2.6 pp). However, unstable employment has improved a bit by decreasing by 4% (or 0.8 pp) (see table below).<sup>12</sup>

---

<sup>10</sup> Kosovo Agency of Statistics. Online data platform. [askdata-ks.org](http://askdata-ks.org)

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

*Table 1. Kosovo key figures of Employment in 2018 and 2019 by gender and total*

	2018			2019		
	Male	Female	Total	Male	Female	Total
Labor force participation rate	63.3%	18.4%	40.9%	59.7%	21.1%	40.5%
The degree of inactivity	36.7%	81.6%	59.1%	40.3%	78.9%	59.5%
Employment to population ratio (employment rate)	45.3%	12.3%	28.8%	46.2%	13.9%	30.1%
Unemployment rate	28.5%	33.4%	29.6%	22.6%	34.4%	25.7%
Youth unemployment rate (15-24 years)	51.5%	64.7%	55.4%	44.1%	60.3%	49.4%
NEET Share of Youth Population (15-24 years)	30.2%	30.0%	30.1%	31.4%	34.2%	32.7%
Percentage of unstable employment over general employment	20.3%	17.1%	19.6%	20.3%	13.9%	18.8%

Source: ASK data platform.

In regards to employment by economic activity or sector, 58% of women are employed in the education, trade, health care, and service sectors, whereas 47.2% of men are employed in the trade, construction, manufacturing, and agriculture sectors.<sup>13</sup> It is also noteworthy that from those employed, 74.5% have temporary contracts (fixed-term) and only 25.5% of working individuals have permanent contracts<sup>14</sup> which indicates that about 3 out of 4 people in Kosovo do not have considerable job security in terms of their risk of being unemployed in the near future.

## Skills and Migration Snapshot

Understanding the main determinants of unemployment and the underlying problems of the less than desirable quality of education is of utmost importance, however, at the same time it is important to understand the extent of the supply of inadequate/irrelevant skills in the setting of the Kosovo labour market.

An analysis of a few years ago reveals that the technical skills learned in vocational education, training schools and universities are not leading to job creation due to out-of-date subjects that are not compatible with labour market requirements. This was concluded to be the case primarily because of a lack of effective cooperation mechanisms between the private sector and education institutions in the development of suitable and relevant curricula.<sup>15</sup>

<sup>13</sup> Kosovo Agency of Statistics. Online data platform. "Labor Force Survey 2018". askdata-ks.org.

<sup>14</sup> Ibid.

<sup>15</sup> The Enhancing Youth Employment (EYE) Project, Improved Skills Development for Better Youth Employability in Kosovo, Case Study. 2016.

Depending on the sector or economic activity, the lack of soft or job-related skills present major problems. For instance, a few years ago, the main challenges were faced by the manufacturing and service sector compared to the trade sector. In the manufacturing sector, professional skills were more in-demand and hardest to find.<sup>16</sup> Moreover, in the service sector, where there is a more abundant pool of candidates to choose from, companies report shortage of skills as well. One such case is the excess of social science graduates that the private market has trouble absorbing, yet companies show that they lack labour related skills. To make matters worse, there continues to be a discrepancy between standards and vocational training curricula and labour market needs.<sup>17</sup>

A recent employer survey reveals that lack of qualified labour, or lack of competencies, has constrained firms to want to hire new employees.<sup>18</sup> A conclusion presented is that unemployed job seekers do not have the skills or work experience that companies need for their services or products. Furthermore, even though technical or specialized skills are important, it turns out that most employers need employees who are willing to do their job well and show diligence (conscientiousness) together with problem solving skills and the ability to work well under pressure.<sup>19</sup>

Interestingly, skill gaps have a higher impact on job seekers than on those already employed. Both the companies and employees themselves believe they have a higher match of the skills required to do the job and the education level they obtained than those who seek employment or apply for work at companies in Kosovo.<sup>20</sup>

Besides the skills gap, Kosovo has been experiencing high levels of emigration. One of the key reasons for that are living standards in Kosovo, which are significantly lacking compared to the standards of EU member states. Kosovo is considered one of the poorest countries in Europe with a GDP per capita of 3,372 euros, while the annual average per capita consumption is 1,511 euros and annual household consumption is 7,803 euros. Moreover, since the minimum wage in Kosovo is 130 euros per month for those under 35 and 170 euros per month for those above it, most people struggle to make ends meet.<sup>21</sup>

According to a report published by the Kosovo Agency of Statistics, Kosovans emigrate mainly to Germany (35.25%) and Switzerland (22.94%), while Italy (7.26%) and Austria (5.61%) follow along with a few other European countries.<sup>22</sup> Eurostat data on emigration from the Western Balkans to the EU shows that between the years 2008 to 2018 a total of 529,647 Kosovans have left Kosovo.<sup>23</sup> In comparison, 318,271 emigrated from Bosnia to the EU, 258,020 emigrated from North Macedonia to the EU and only 36,089 emigrated from Montenegro to the EU.

The two countries which show higher emigration levels between these years are Serbia with 588,033 who emigrated to the EU and the country with significantly higher emigration levels compared to all others is Albania with a total of 1,249,706 who emigrated to the EU between the years 2008 and 2018.<sup>24</sup>

---

<sup>16</sup> American Chamber in Kosovo. "Skills Gap Analysis". 2017.

<sup>17</sup> Ibid.

<sup>18</sup> World Bank. "Kosovo country report: Findings from the Skills towards Employment and Productivity Survey". 2019.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Kosovo Agency of Statistics. "Household Budget Survey". 2017.

<sup>22</sup> Kosovo Agency of Statistics. "Kosovar Migration". 2014.

<sup>23</sup> The emigration numbers are calculated as follows: Number of first-time asylum applications in the EU + Citizens found to be illegally present in the EU + First time residence permits in the EU

<sup>24</sup> Report, "Western Balkans Migration to the EU", November 2019 (Report analysis based on EUROSTAT data)

While in general high-skilled employees also have the highest salaries in Kosovo, they often lack opportunities for growth and talent refinement, which makes them choose to leave Kosovo. Brain drain is also becoming a problem for Kosovo. For instance, the health sector has seen a large impact of emigration of skilled doctors, nurses, and health technicians. A few years ago, the Federation of Kosovo Health Syndicates claimed that about 400 medical doctors have emigrated, not counting nurses, and about 73% of medical students declared that they intend to leave.<sup>25</sup> If Kosovo continues with this pattern, it will lose many people who are highly skilled. This will decrease the Kosovo's revenues from tax income, decrease competitiveness, and lower productivity. In the case of health providers, it will eventually decrease the quality of health services..

---

<sup>25</sup> Balkan.eu. "Healthcare system in Kosovo on the brink of collapse". 2018

## Research Findings

This chapter of the report presents the research findings gathered through the quantitative survey with 201 businesses in Kosovo, as well as findings from the 17 semi-structured interviews conducted with representatives of several institutions and organisations in Kosovo that engage with topics relevant to this study.

### Company Profiles

Out of the 201 surveyed businesses, nearly all were under Kosovan ownership (98%), only one percent each is under foreign ownership or owned by a Kosovan-Foreign partnership. Around 2 in 3 businesses were registered as a sole proprietorship, while 28% were limited liability companies (LLC).

Figure 1. Business Ownership

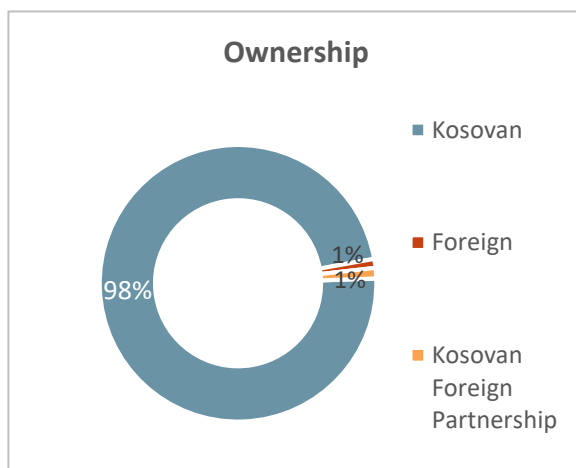
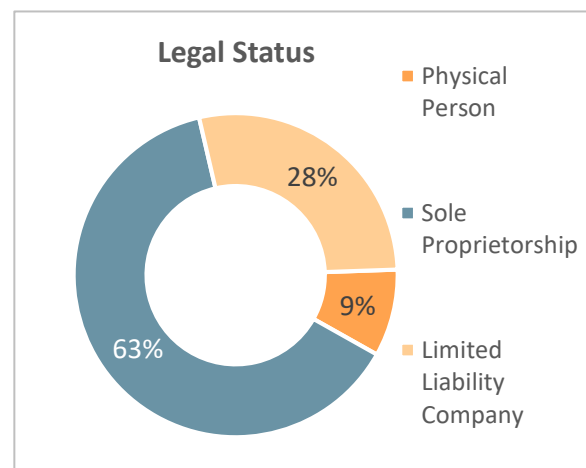


Figure 2. Legal Status of Businesses





Most of the businesses who took part in this study were located in the region of Prishtinë/ Priština (39%), while 14% were situated in Prizren. Around 10% each were in the other regions of Kosovo. Nearly half reported trade as their primary activity (47%), while around one third engaged with agriculture (31%).

Figure 3. Regional Distribution of Businesses

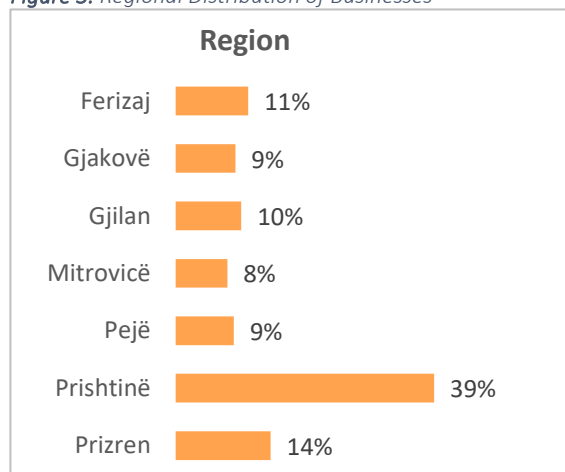
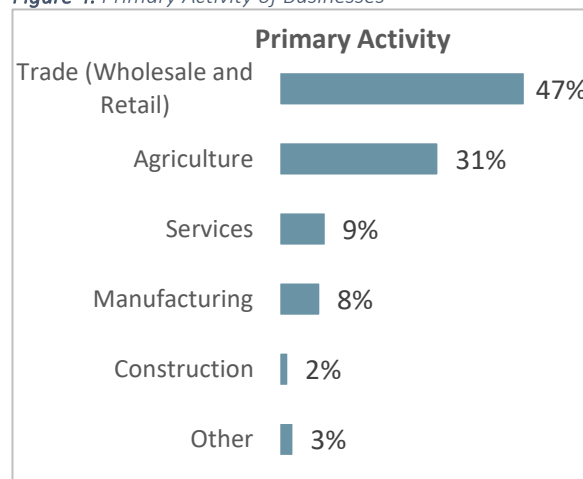


Figure 4. Primary Activity of Businesses



Most of the businesses have been operating for a considerable amount of time, 27% have been operating for 10-20 years and 21% for more than 20 years. However, newer businesses were represented with nearly as many (22%), with less than two years of operation.

Kosovo's business sector is made up almost entirely of micro and small businesses. In order to also represent also businesses of bigger size in this study, a higher target number of medium and large businesses was set (oversample), which gives the possibility to make comparative analysis for different size segments while weighting the results for the aggregate sample.

Around 45% of the business fell into the micro category (1-9 employees), while one third was part of the small business category, (10-49 employees). Medium and Large companies have been grouped into one category (22%).

Figure 5. Years of Operation

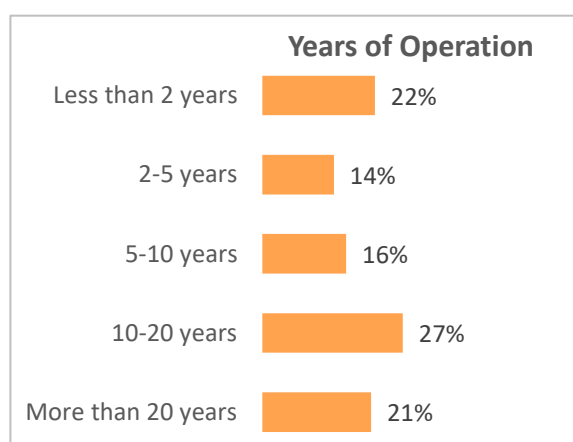
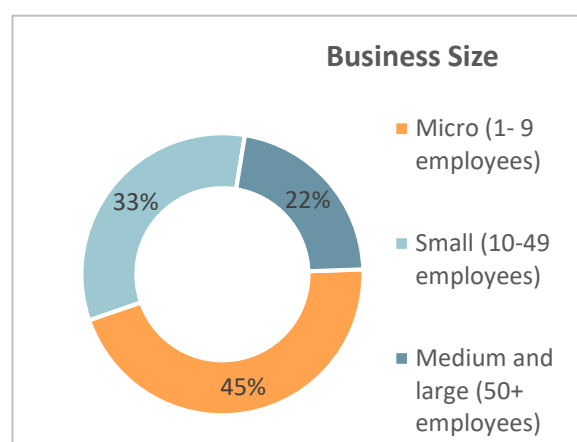
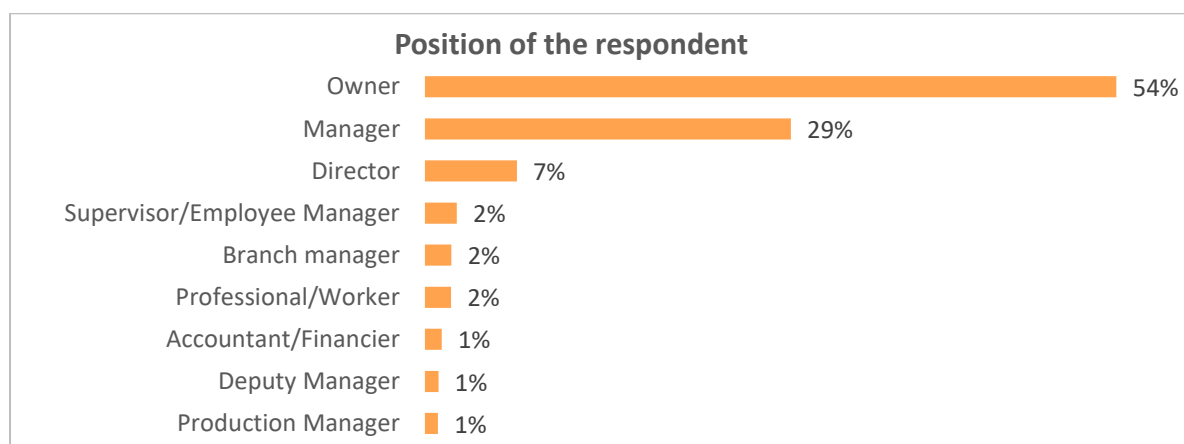


Figure 6. Business Size



The majority of respondents of this study were the owners of the respective businesses (54%), while nearly one third of the survey were answered from employees with a managerial position.

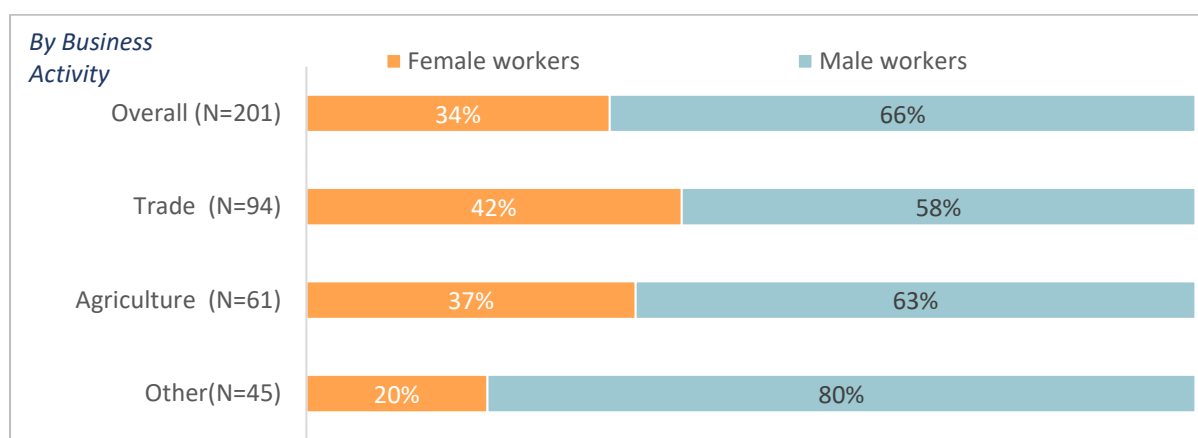
Figure 7. Position of the respondent



Data results reveal a high male ratio among employees. Two thirds of all employees of the surveyed businesses were male (66%). More female employees were observed within the trade sector (42%), while fewer were engaged with agriculture (37%). The category 'other' which is comprised of manufacturing, construction, services and other, showed the lowest number of female employees (20%).\*

Interviews with organisational and institutional stakeholders further underlined that a large part of the female population in Kosovo is not active in the labour market. This issue is still associated with traditional gender roles in many families in Kosovo, where the women are largely responsible for household and parenthood. Data from KAS (Kosovo Agency for Statistics) estimates that up to 79% of women in Kosovo are not an active part of the labour force in 2019.<sup>26</sup>

Figure 8. Total number of Female and Male employees



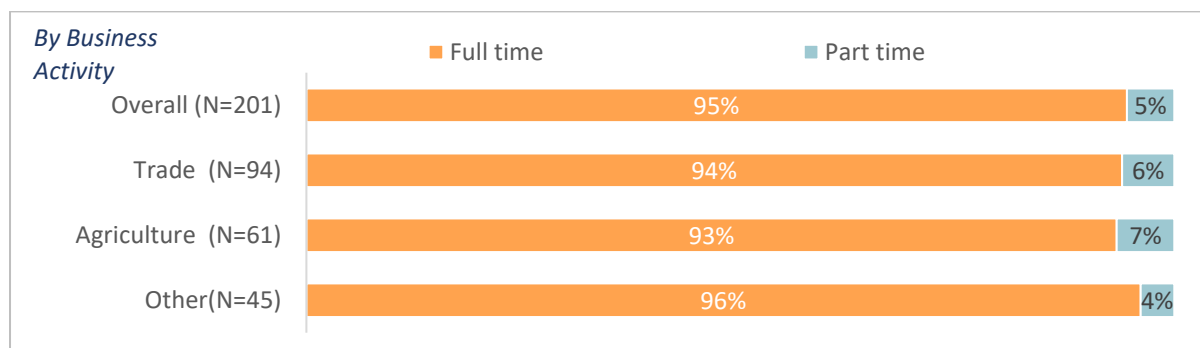
\* Please note: 'Other Activity' includes manufacturing (16 cases), Construction (4 cases), Services (18 cases) and other (6

<sup>26</sup> Kosovo Agency of Statistics. Online data platform. askdata-ks.org.

cases). These activities have been grouped due to the small number of cases. This applies for all graphs disaggregated by businesses activities throughout the report.

Part time employment appears to be uncommon among the surveyed businesses. Only 5% of the employees of the surveyed businesses were engaged with part time work (N=30). Part time employment was marginally more common within the agricultural sector (7%).

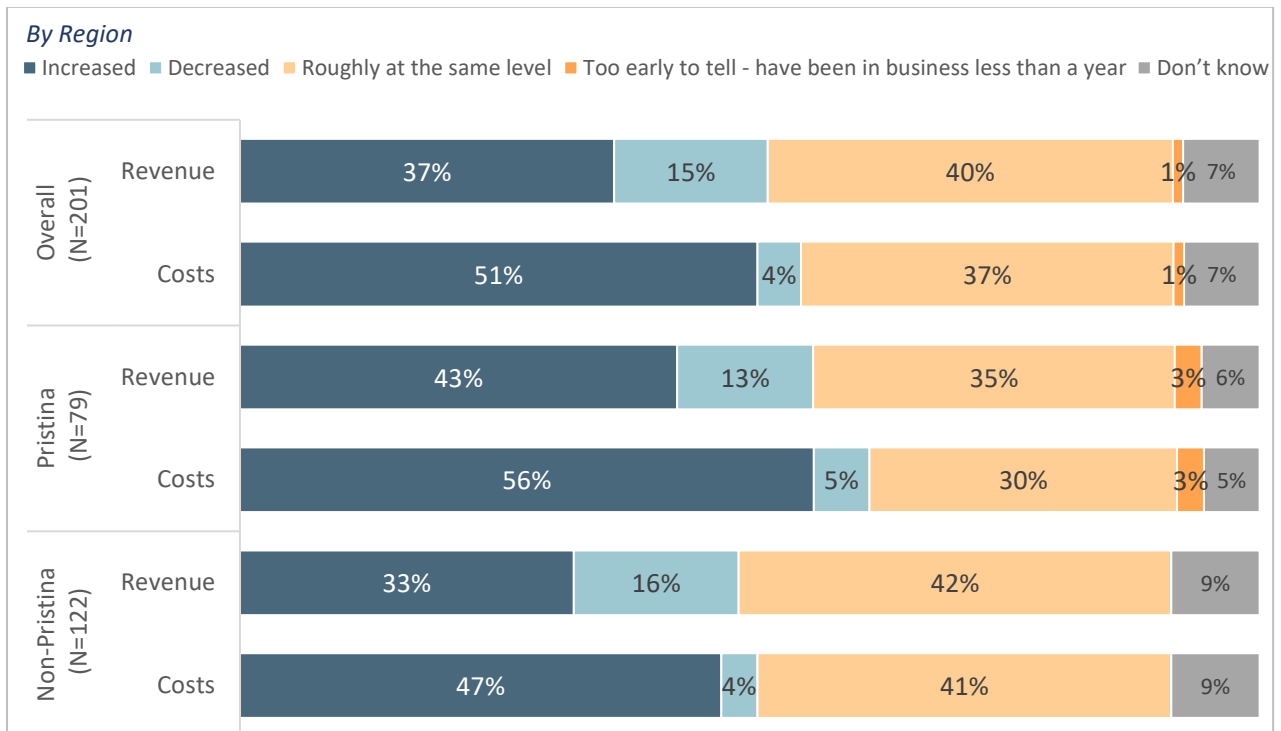
Figure 9. Total number of Full time and Part time employees



Within 2019, more than one in three businesses had increased their revenues (37%). Simultaneously costs had increased as well with more than half who reported an increase in costs (51%).

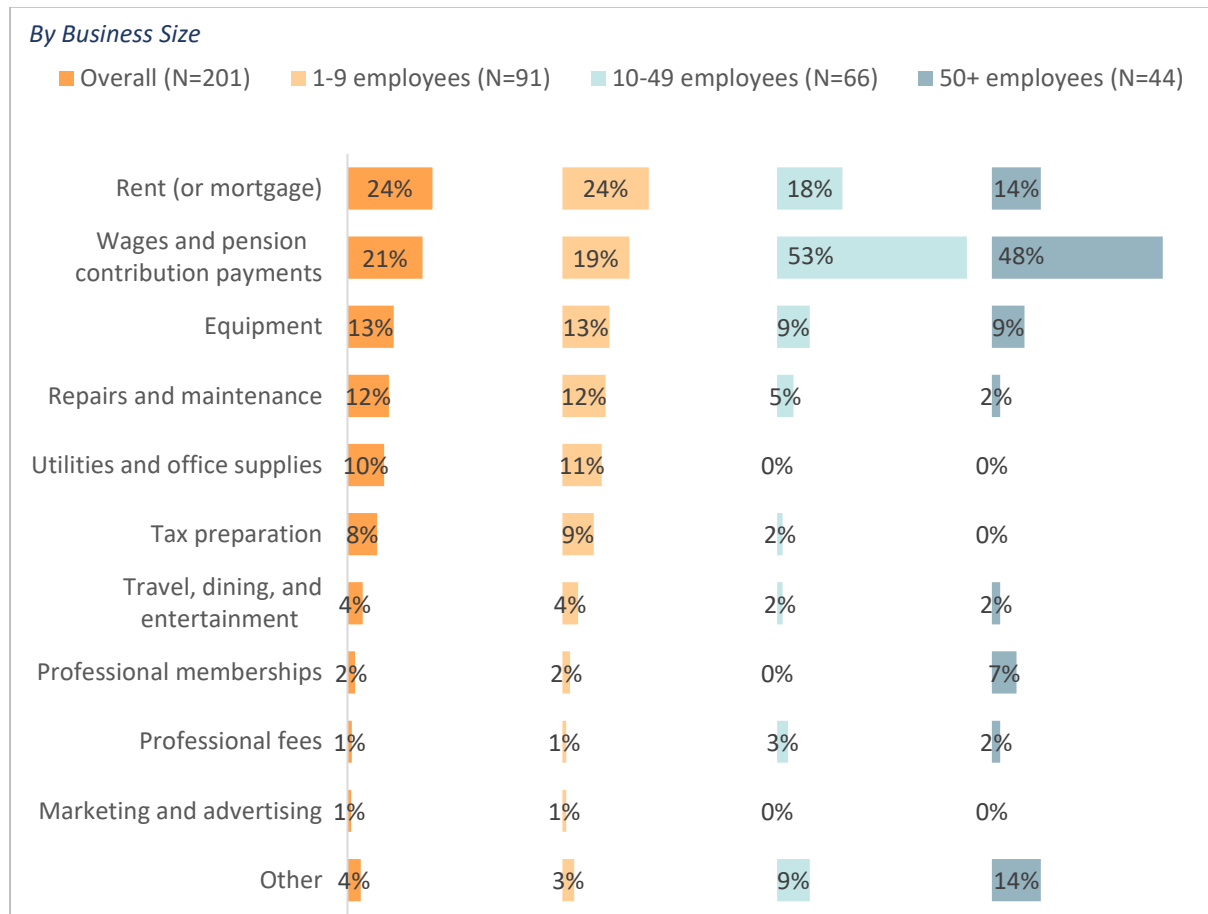
However, it should be noted that a considerable percentage of business reported that revenues (40%) and costs (37%) have remained about the same. Businesses which were located within the region of Prishtinë/ Priština witnessed a higher increase in revenues (43%), than those located in other regions of Kosovo (33%). At the same time, the former also experienced a higher increase in cost (56%) than the latter (47%). Around 16% of the businesses outside Prishtinë/ Priština reported decreased revenues, while only 13% of Prishtinë/ Priština based businesses did so as well.

Figure 10. Within the last year, have the revenue and the costs increased, decreased, or stayed the same?



Costs for rent/mortgage (24%) and costs related to wages, pensions, and contribution payments (21%) were the main factors mentioned when asked about the highest cost businesses incur in their operations. Disaggregation by business size shows that larger businesses often incur the highest cost through paying wages, pensions, and contribution payments. Micro businesses experienced rent/mortgages or costs related to equipment and repairs as the highest cost more commonly than bigger businesses.

Figure 11. Which is the highest cost your company incurs in its operations?



## Labor Conditions

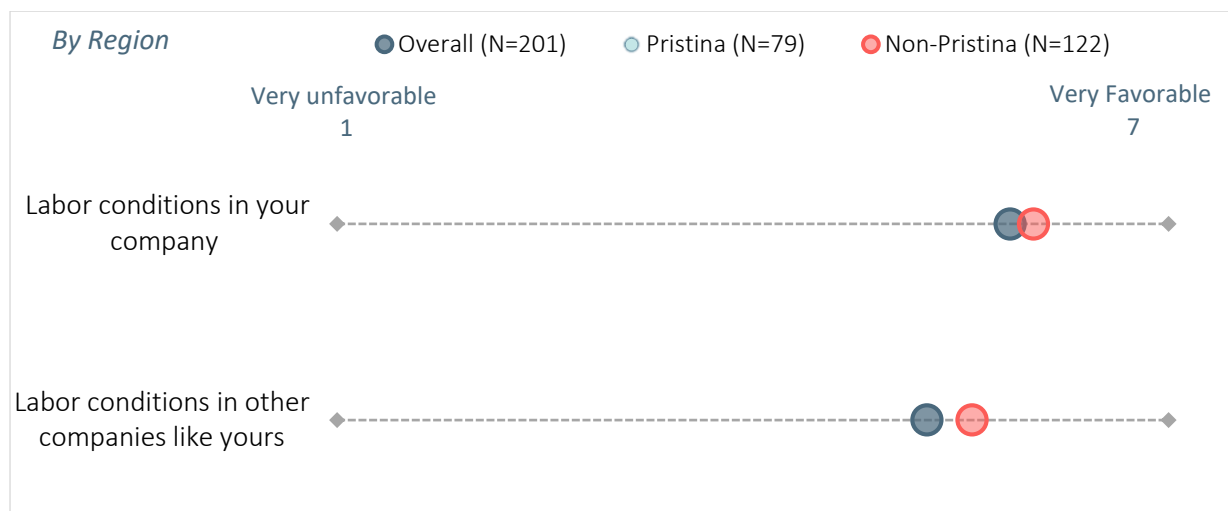
This section revolves around topics such as the general assessment of labour conditions in the surveyed businesses, types, and length of work contracts as well as payments of benefits for employees.

First respondents were asked to rate on a scale from one to seven (one=very unfavourable and seven=very favourable) whether they assess the labour conditions in their company, and in other similar companies, are favourable.

Overall, respondents rated the labour conditions in their own company as favourable, with 5.8 out of 7 points. Those with companies located outside the Prishtinë/ Priština region seemed slightly more in favour of their companies' labour conditions (6.0 points) than those inside Prishtinë/ Priština region (5.6 points).<sup>27</sup>

When asked to assess the labour conditions of other companies similar in kind compared to those of the respondents, labour conditions were still assessed as favourable but slightly lower (5.2 overall). Other companies in the region of Prishtinë/ Priština were only assessed with 4.6 points representing the lowest value, while other companies inside Prishtinë/ Priština were rated with 5.8 points.

**Figure 12.** In your opinion, how favourable are the labour conditions in your company and in other companies like yours? (By Region)

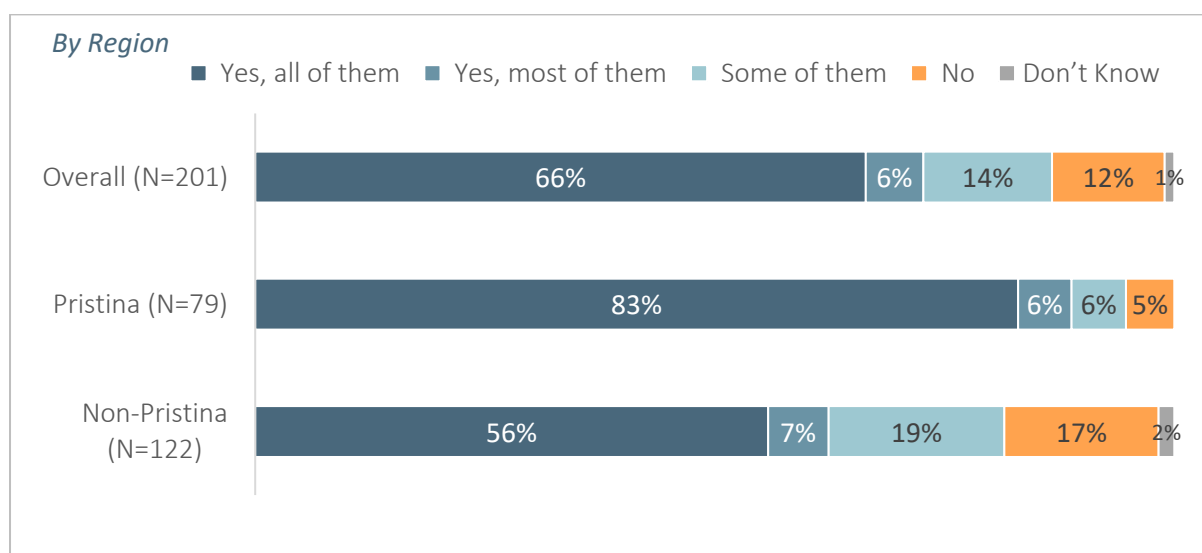


Data results disaggregated by business size showed similar results as the above. Small differences can be observed with respondents who assessed labour conditions in larger companies slightly more favourable than in smaller ones.

<sup>27</sup> Please note here that the majority of interviews were conducted with the owners, CEO or directors of the companies. Respondents with high positions within the businesses were chosen in order to ensure knowledgeability about the companies conduct and challenges.

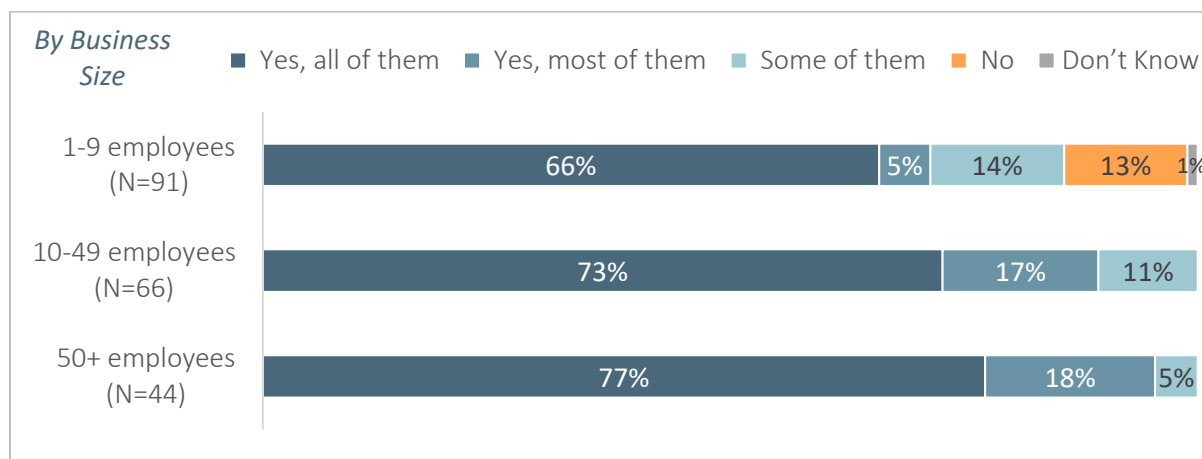
Two in three companies stated that all their staff has written work contracts. However, the majority of those were located in the region of Prishtinë/ Priština (83%), while only 56% of respondents of companies in other regions reported the same. Around 19% of companies outside the Prishtinë/ Priština region declared that only some of the employees have written contracts and 17% stated that their staff does not have written contracts. This issue is also underlined by some institutional stakeholders who questioned the reality of the high unemployment levels in Kosovo due to informal employment. According to them, a significant number of workers in Kosovo engage with work without a formal contract.

**Figure 13.** Does the company staff have written contracts? (By Region)



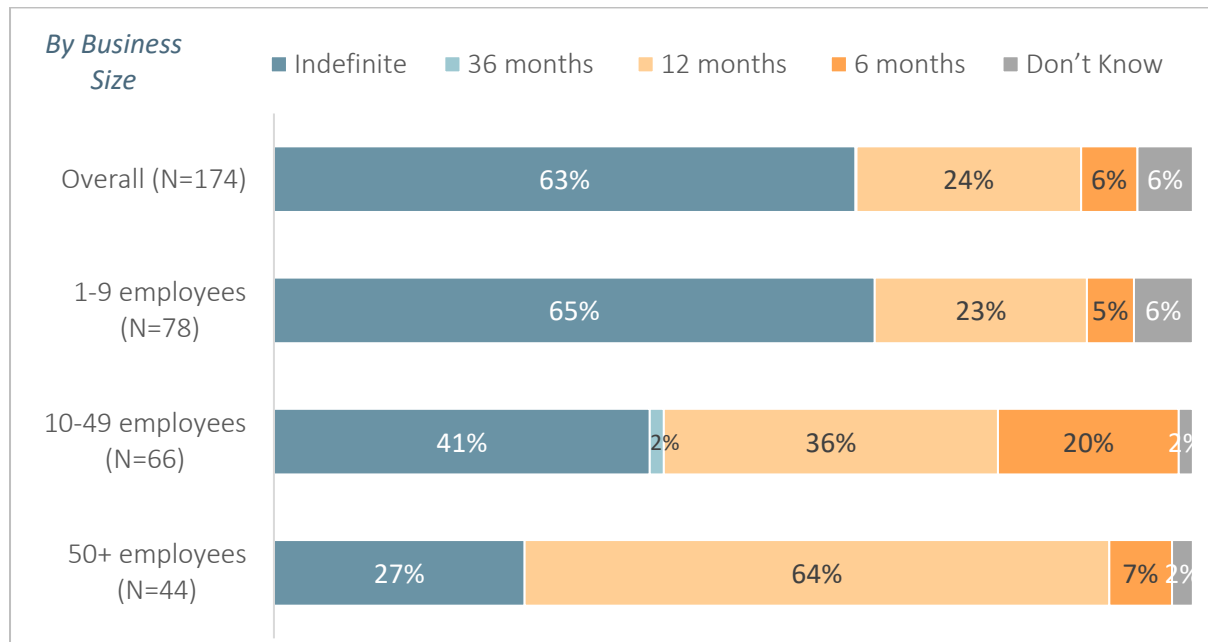
Data suggest that the likelihood of having written contracts for all staff increases with company size. While 77% of the respondents belonging to a medium or large business said that all staff possess a written work contract, only 66% of the micro companies reported the same. Around 13% of the micro companies' respondents declared that their staff does not have written contracts.

**Figure 14.** Does the company staff have written contracts? (By Business Size)



For medium and large companies, it was more likely that work contracts for full time staff are limited to a duration of 12 months (64%), while the smaller the company is, the more common unlimited contracts were. Nearly two in three micro businesses stated that their usual contract for full time employees is indefinite (65%), while only 27% of the respondents of medium and large companies declared the same.

**Figure 15.** How long is the usual contract for full time workers?

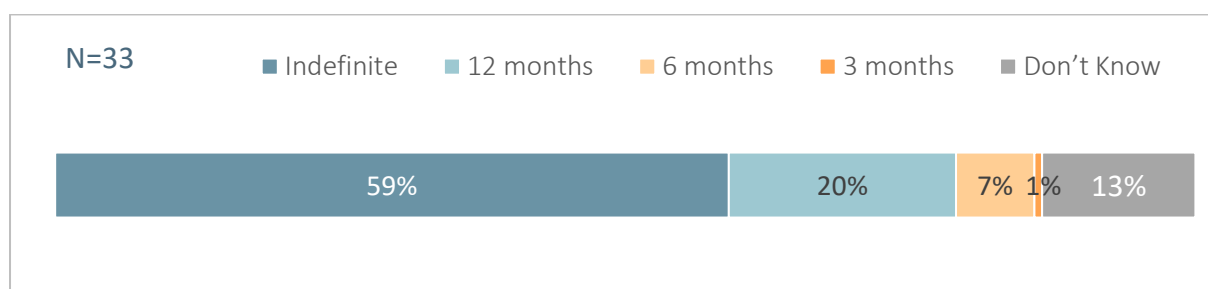


*\*Only those businesses who have written contracts.*

Job security in the private sector is often perceived as low due to a lack of formal contracts or contracts with short time duration. This in turn is seen as a reason for people in Kosovo to seek employment abroad or in Kosovo’s public sector, according to institutional stakeholders.

Only 33 of the surveyed companies reported to employ part time workers. The majority of those usually had an unlimited work contract (59%), while 20% had a contract that was limited to a 12-month duration.

**Figure 16.** How long is the usual contract for part time workers?

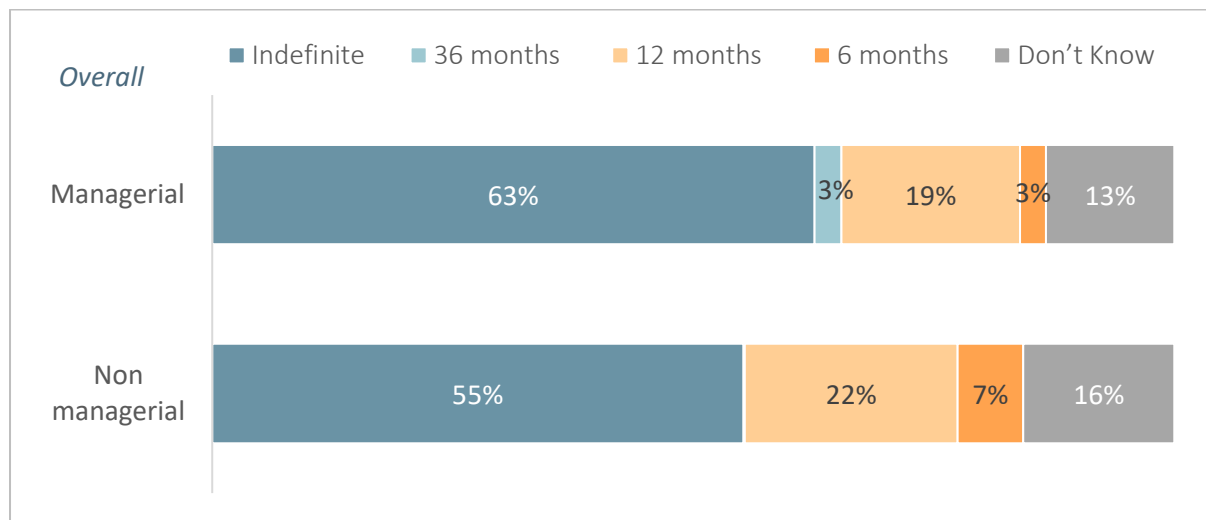


*\*Only those businesses who have written contracts and have part time employees.*



Data further suggests that employees holding a managerial position were slightly more likely to hold an unlimited work contract, than those with non-managerial positions (63% vs. 55%).

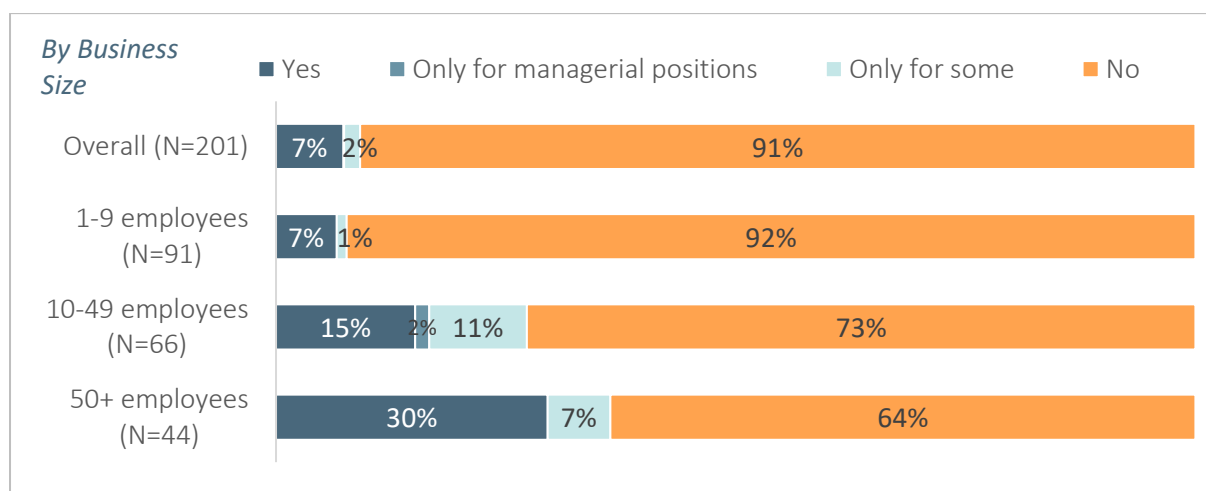
**Figure 17.** How long is the usual contract for non-managerial and managerial positions?



*\*Only those businesses who have written contracts.*

Only 7% of the respondents declared that their company offers private health insurance for its employees. Bigger companies appeared more likely to cover private health insurance than the smaller ones. Nearly one third of the medium and large companies reported to cover this kind of service (30%). The lack of offering health insurance and other types of benefits to workers was also highlighted by organisational stakeholders who viewed this issue as attributing to the general dissatisfaction about the labour market in Kosovo.

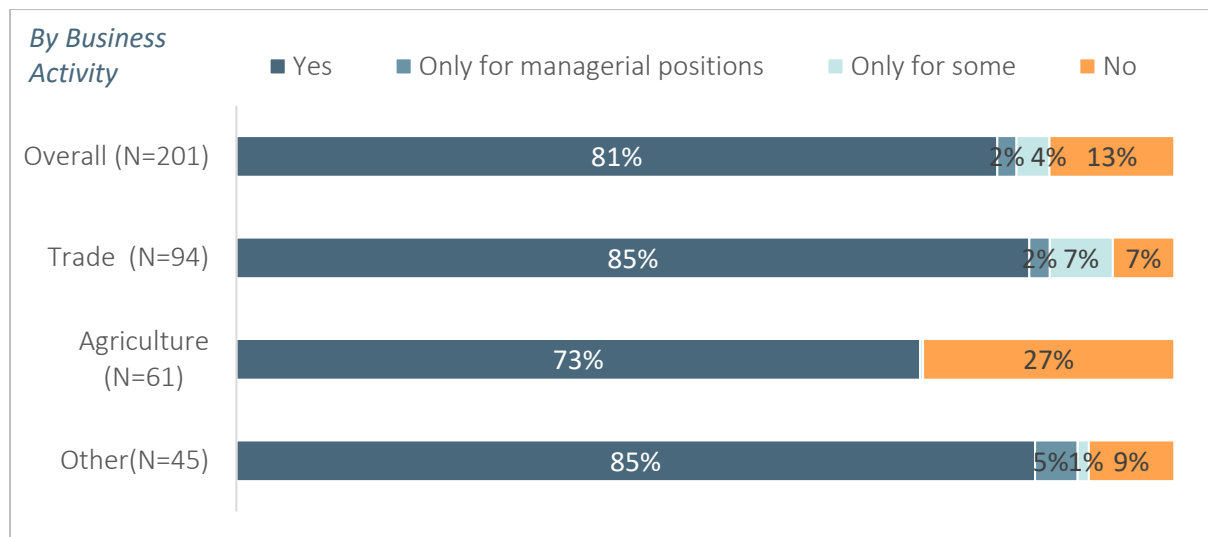
**Figure 18.** Does your company offer private health insurance for its employees?



On the other hand, majority of companies paid pension contributions for all its employees at 5% of their gross wage at the Kosovo Pension Savings Fund (81%).

The agricultural sector stood out in this regard with 27% who declared that their company does not pay pension contributions. While the overall rate of companies not paying these contributions stands only at 13%, it should still be noted that these contributions are mandatory by law in Kosovo.

**Figure 19.** Does your company pay pension contributions for all its employees at 5% of their gross wage at the Kosovo Pension Savings Fund?



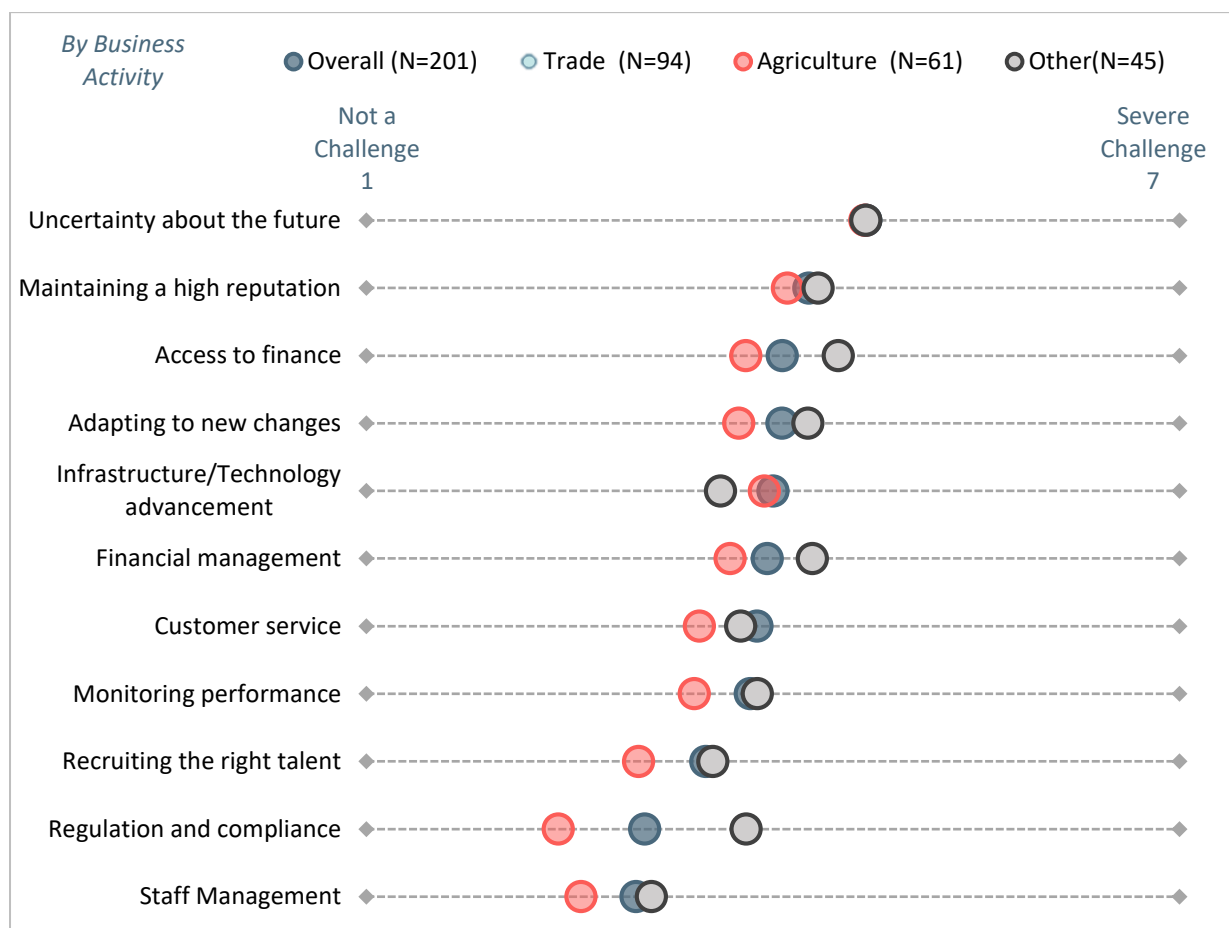
\* Note: 'Other activity' includes manufacturing (16 cases), Construction (4 cases), Services (18 cases) and other (6 cases) due to low n cases which would be statistically insignificant.

## Labour Challenges

This section of the report engages with various types of labour challenges companies may face. Among others, it analyses the severity certain challenges may pose to different types of companies. It further explores how companies disseminate their job advertisement as well as difficulties with recruitment of new (qualified) employees. Potential skill gaps of current employees and when recruiting new staff, is also discussed in this section of the report.

First, the respondents were asked to rate on a scale from one to seven how challenging certain issues are for their company. Overall, uncertainty about the future was rated as the most challenging element companies in Kosovo are facing (3.5 points), followed by maintaining a high reputation (3.2) and access to finance as well as adapting to new changes (3.0 each). The two issues rated the least challenging related to regulations and compliance (2.4) and staff management (2.3). While companies of different sectors agreed that uncertainty about the future is the highest concern, companies belonging to the agricultural sector were less prone to face severe challenges. Trading companies viewed infrastructure/technology advancement and customer service as more challenging than others (3.1).

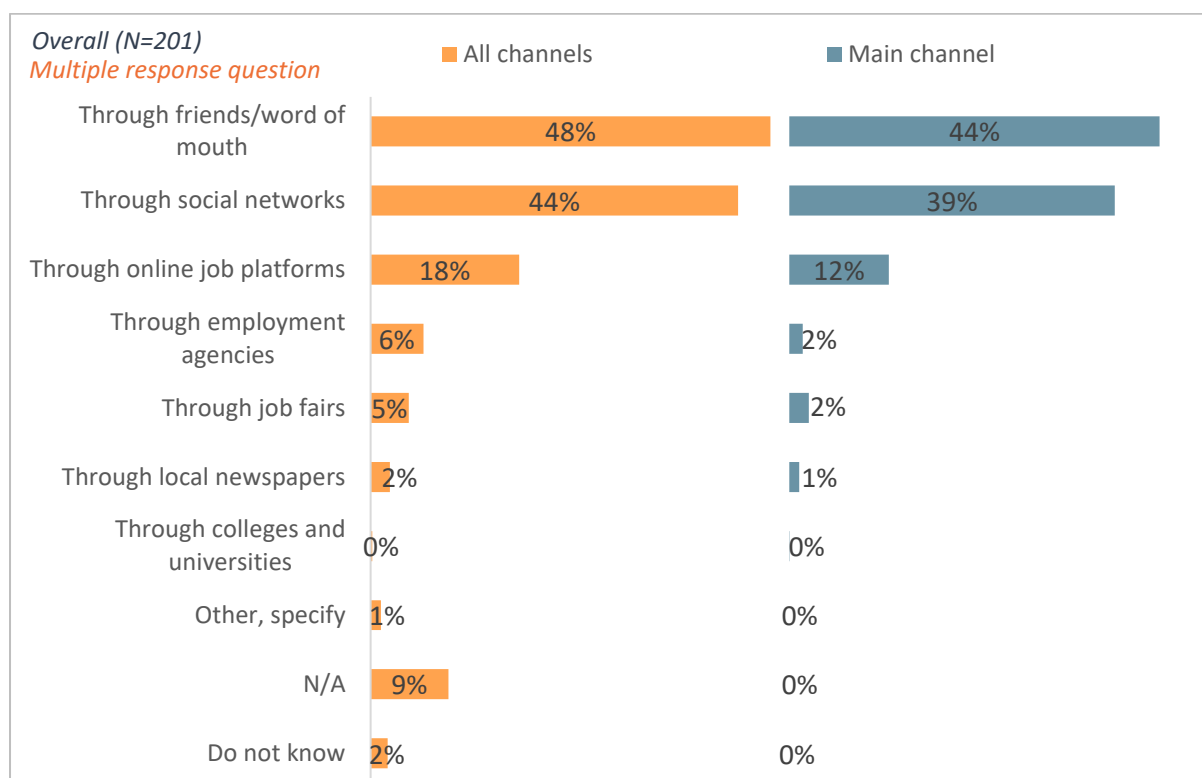
Figure 20. Rate the following elements depending on how challenging you find them for your company



\*Note: 'Other activity' includes manufacturing (16 cases), Construction (4 cases), Services (18 cases) and other (6 cases).

To further explore how companies conduct themselves, respondents were asked which channels their company uses for advertising job positions, and which out of these are the main channels used. The two main channels that stood out are “through friends/word of mouth” (44%) and through social networks (39%). This suggests that a significant amount of job advertising in Kosovo still happens through informal means. Looking at all channels used for job advertising, around 6% and 5% also used employment agencies and job fairs, respectively. However, only 2% each mentioned those channels as their main channel.

Figure 21. How do you advertise job positions?



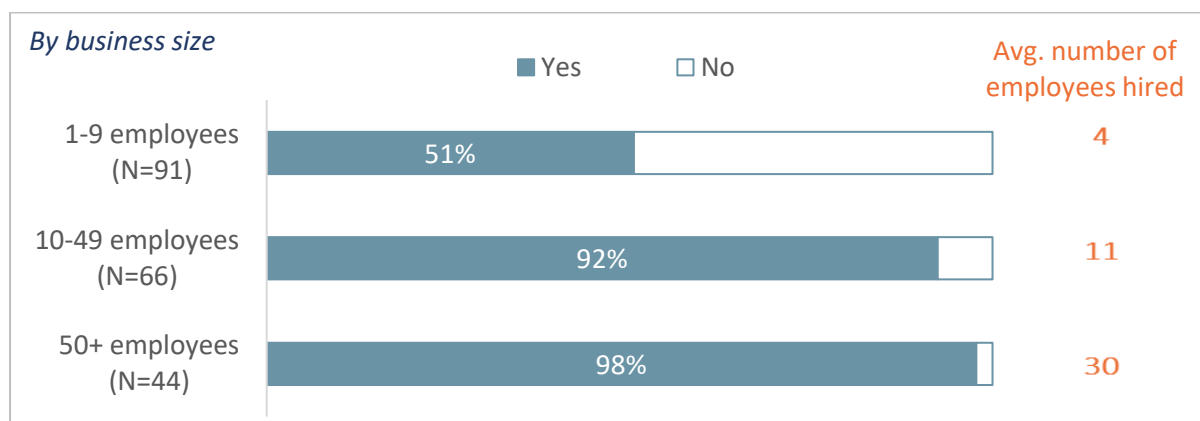
Data further suggests that companies which were located outside the Prishtinë/ Priština region and micro companies relied more heavily on informal ways to advertise jobs (word of mouth/through friends) than those which were based in Prishtinë/ Priština and those companies of medium or large in size. Medium and large companies also made more use of social networks than of formal channels like the employment agencies in Kosovo.

Based on the assessment of some organisational stakeholders, the phenomenon of making use of informal channels to advertise jobs has slightly decreased in the past years. While it still is a prevalent issue, more businesses have started to advertise their vacant positions on more formal platforms (e.g. mentioned were “Portal Pune” and “Kosova Job”). Nonetheless, despite efforts made by the Kosovo Agency of Employment to improve this issue<sup>28</sup>, proper cooperation and information exchange in regard to demand and supply of certain skills and profiles between the businesses and the Kosovo Agency of Employment were still lacking according to several organisational stakeholders.

<sup>28</sup> This issue is discussed in more depth further below in this chapter.

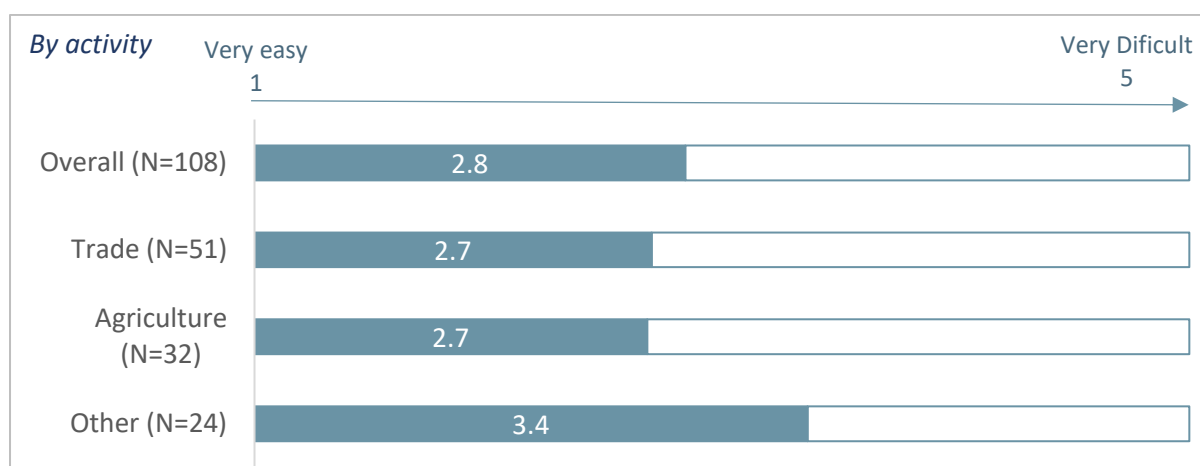
Out of all surveyed businesses, around half declared to have hired new employees in the past three years (53%), on average that amounted to six new staff members. There are no significant differences among sectors these companies belong to, however, data results by business size show that the larger the company, the more likely that new employees were hired in the past three years. In addition, the number of new staff hired increases with the company size.

Figure 22. In the past three years, have you hired any new employees? How many people have you hired?



Those companies who have hired new employees were asked to rate how difficult it was to hire competent/qualified employees (on a scale of one=very easy to five = very difficult). Overall, companies rated this issue with 2.8 out of 5.0 points, which translates into moderately difficult. Data indicated that companies belonging to the other sectors<sup>29</sup> consisting mainly of manufacturing, construction and service companies found this issue slightly more difficult than companies belonging to the trade of agricultural sectors.

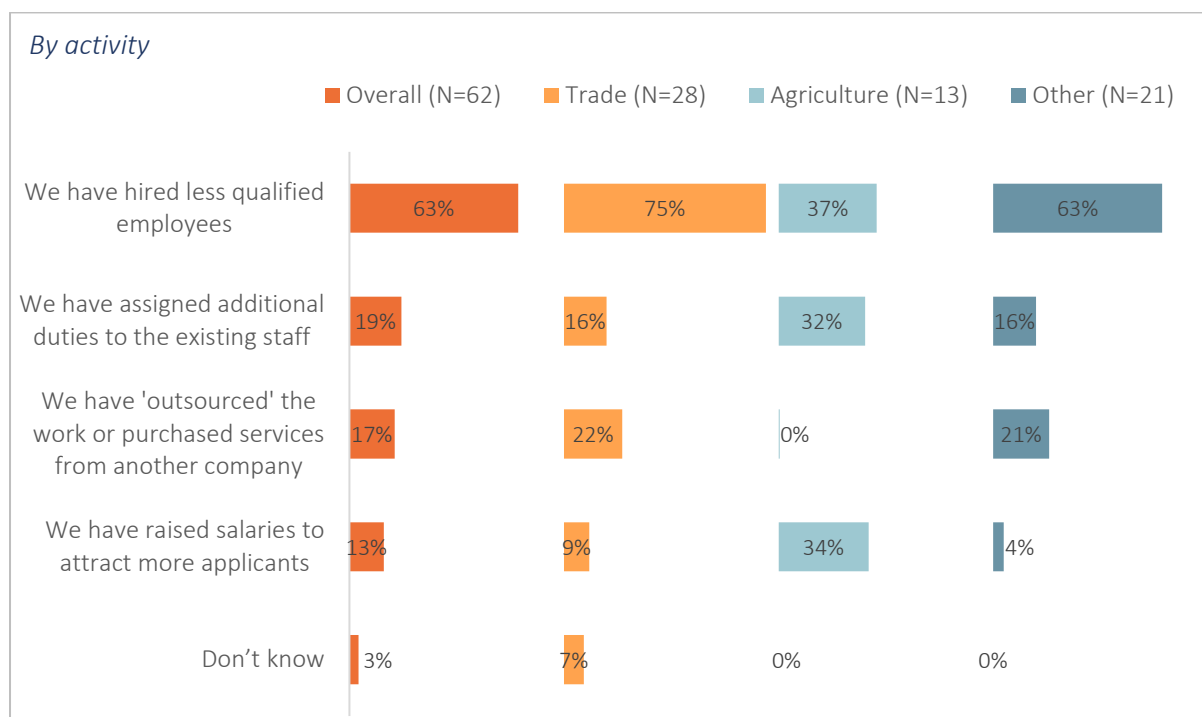
Figure 23. How difficult has it been to hire competent/qualified employees, in the past three years?



<sup>29</sup> Note: 'Other activity' includes manufacturing (16 cases), Construction (4 cases), Services (18 cases) and other (6 cases).

The companies that reported to have difficulties in hiring qualified new employees were asked about their following course of action in regard to this issue. Nearly two in three companies had settled for hiring less qualified employees (63%), while around 19% said that additional duties were assigned to existing staff. (Differences between sectors in this regard can only be treated as indicative due to the low number of cases).

**Figure 24.** *If you have had difficulties finding candidates with the right qualifications, what was the following course of action?*



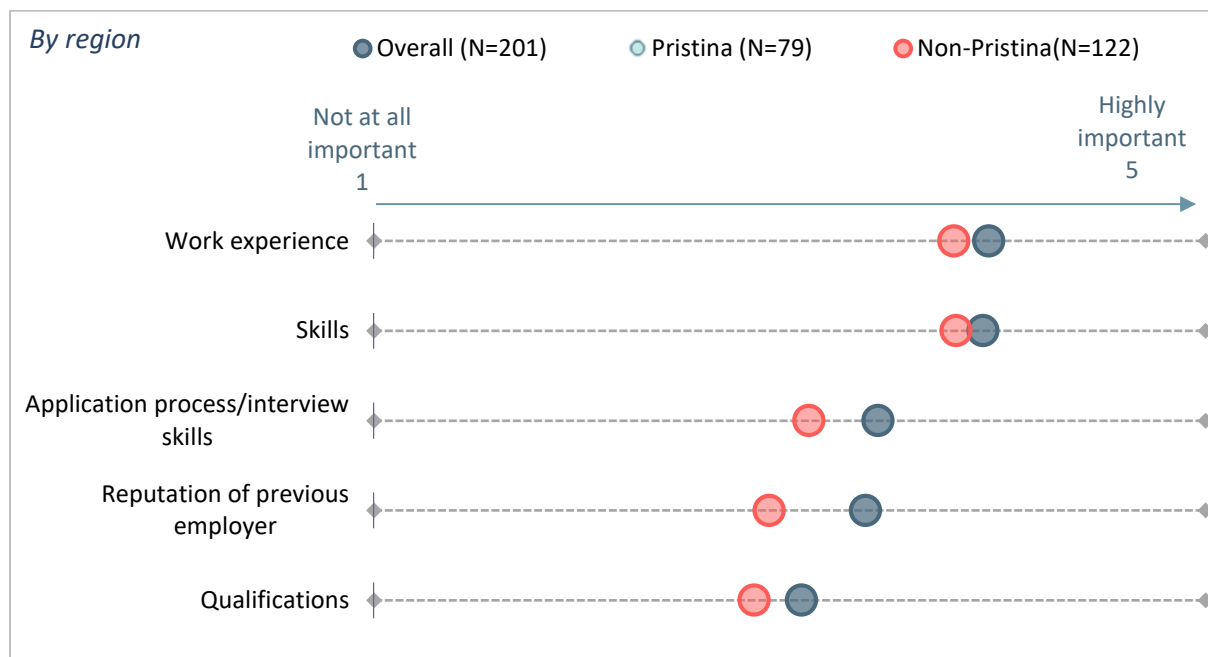
According to the interviewed organisational stakeholders, the private sector is also perceived as struggling to find qualified workers due to the increasing desire of the population to work in the public sector. The public sector has improved its working conditions in recent years, increased its salaries and offers higher job security than many private companies. Competition within the labour market for qualified workers was also mentioned as one important factor to why businesses in Kosovo struggle to hire new employees with desired skills.

Furthermore, organisational stakeholders criticized a lack of harmonization and coordination between educational opportunities and the needs of the labour market, businesses often were in need of new employees with specific profiles and were unable to find them in Kosovo. The ratio between demand and supply of certain skills and profiles often did not match. Due to that, there is a large number of Kosovans with university degrees (especially in social sciences and law) who are unable to find work within their field and end up working as e.g. taxi drivers or waiters instead. This phenomenon in turn aggravated difficulties of people with low or no qualifications to find a vacant job. Organisational and institutional stakeholders shared the impression that the interest to work within fields such as manufacturing and constructions has decreased over the years, employees with good technical skills for handiwork and craft related job are sorely missing in Kosovo.

When recruiting new employees, the two most important factors for companies were work experience (4 out of 5 points) and skills (3.9 points). Two further aspects that are rated as slightly less important, related to application process/interview skills and the reputation of the previous employer (3.4 points each). Qualification of the new employees are rated the lowest with 3.0 out of 5 points.

Companies which were located inside Prishtinë/ Priština region viewed all aspects listed as more important than those based in other regions of Kosovo. The two biggest differences can be observed in regard to Prishtinë/ Priština companies which rated interview skills and the reputation of previous employer as more important.

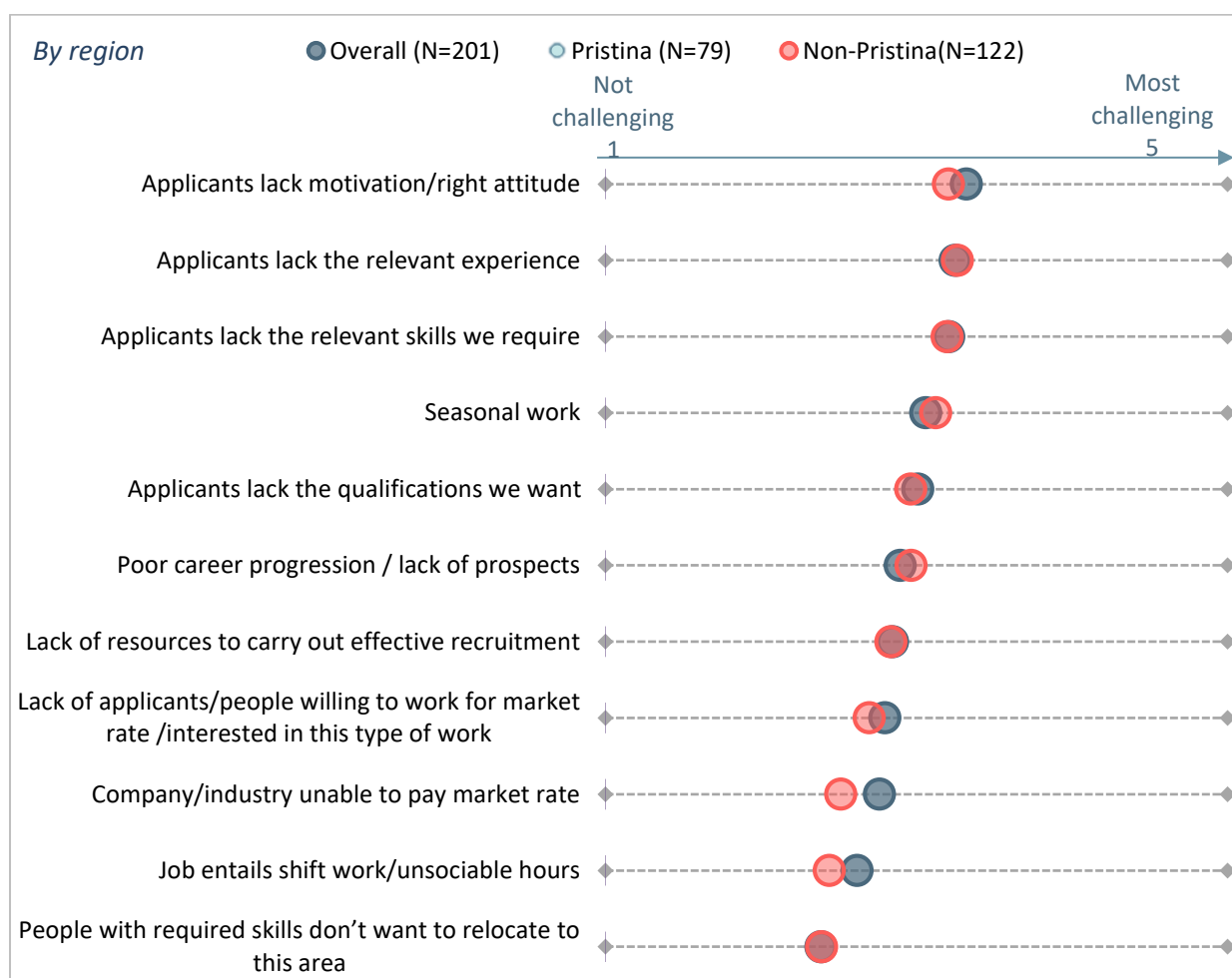
Figure 25. When you recruit new employees how important is each of the following



Next respondents were asked to rate the most challenging causes of hard to fill vacant positions, on a scale from one to five (one=not challenging and five=most challenging). Applicants lacking motivation/ the right attitude<sup>30</sup> was rated as the most challenging cause with 3.3 out of 5 points, closely followed by the applicants lacking the relevant experiences or the relevant skills required by the company (3.2. points each). Most other causes were rated on average with 3 out of 5 points, indicating that all listed potential causes do impose challenges on the companies. Overall employees' unwillingness to move to a certain location inside Kosovo posed the smallest challenge to companies.

Results are not displaying large differences between companies that were located inside or outside Prishtinë/ Priština region apart from two subjects. The issues of companies not being able to pay market rate and jobs entailing shift work/unsociable hours were slightly more challenging causes for non-Prishtinë/ Priština companies (by a difference of around 0.5 points).

Figure 26. What are the most challenging causes of your hard-to-fill vacant positions?



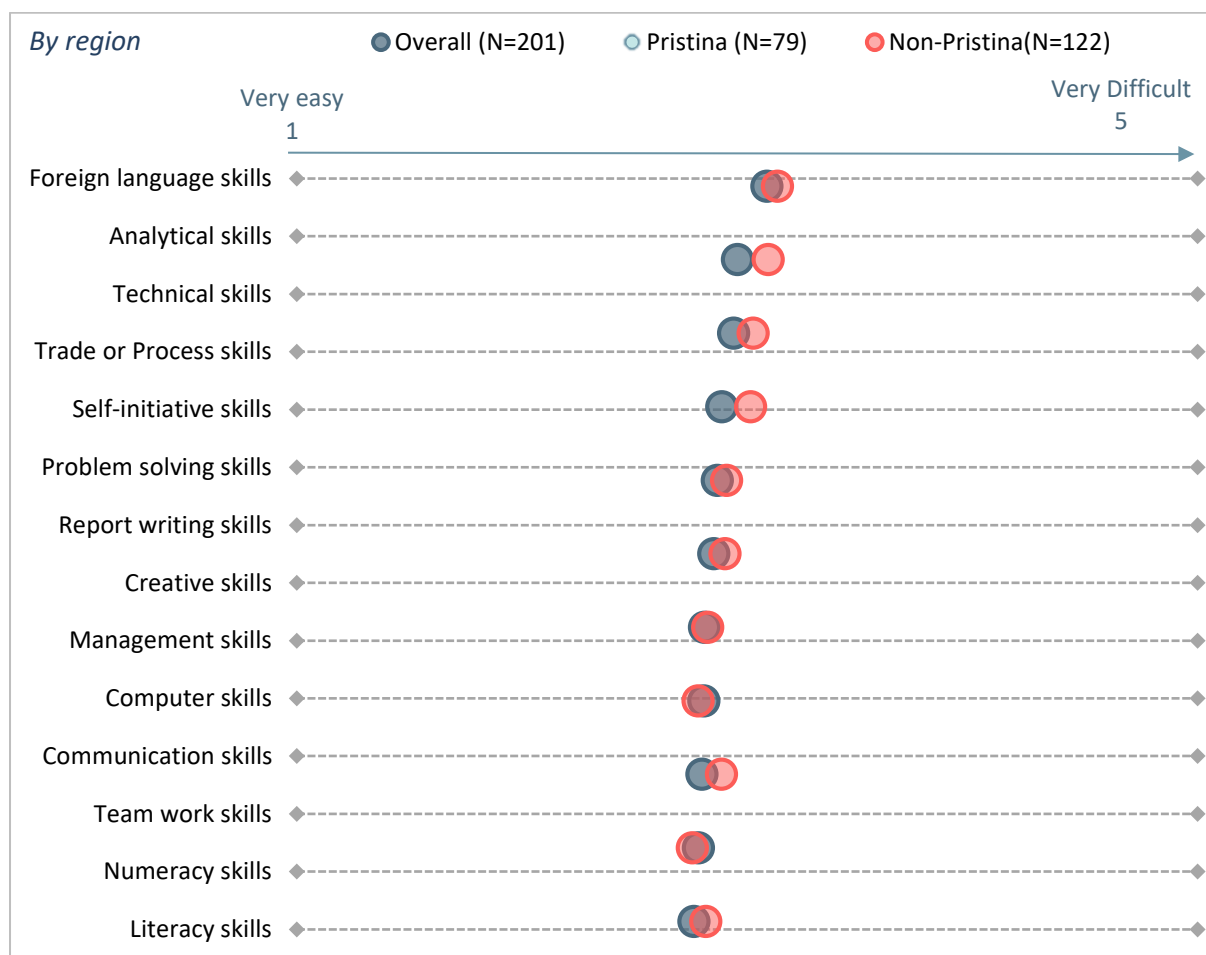
<sup>30</sup> Findings from interviews with institutional and organisational stakeholders highlight the issue of especially young people in Kosovo who do not seek employment and remain inactive largely by choice. The general perception of not seeing a future in Kosovo may be a contributing factor why some show little interest to find a job and are hoping to emigrate abroad instead.



Next respondents were presented with a list with 14 skills an employee may have and asked how difficult it is to find employees with such skills (on a scale where one =very easy and five= very difficult).

Overall, all listed skilled were on average rated with 3 out of 5 points indicating that it was “moderately difficult” to find employees with all the respective skills. Foreign language skills, analytical skills and technical skills were the top three which were perceived as most difficult to find in employees in Kosovo (3.0, 2.9 and 2.9 points respectively). Results for companies that were located outside the region of Prishtinë/Priština indicate that it was on average slightly more difficult for them to find people with desired skills.

Figure 27. How difficult is it to find employees with the skills listed below?



According to interview findings from organisational and institutional stakeholders, skills that are in demand often relate to soft skills, project management skills, machinery work, and IT skills as well as quality assurance.

An increased demand for computer and IT skills, information technology and programming was noticed in the recent years. Simultaneously, these skills are lacking in Kosovo, shortages in IT skills were mentioned by a high number of institutional and organisational stakeholders, more so than by the businesses who took part in this survey.

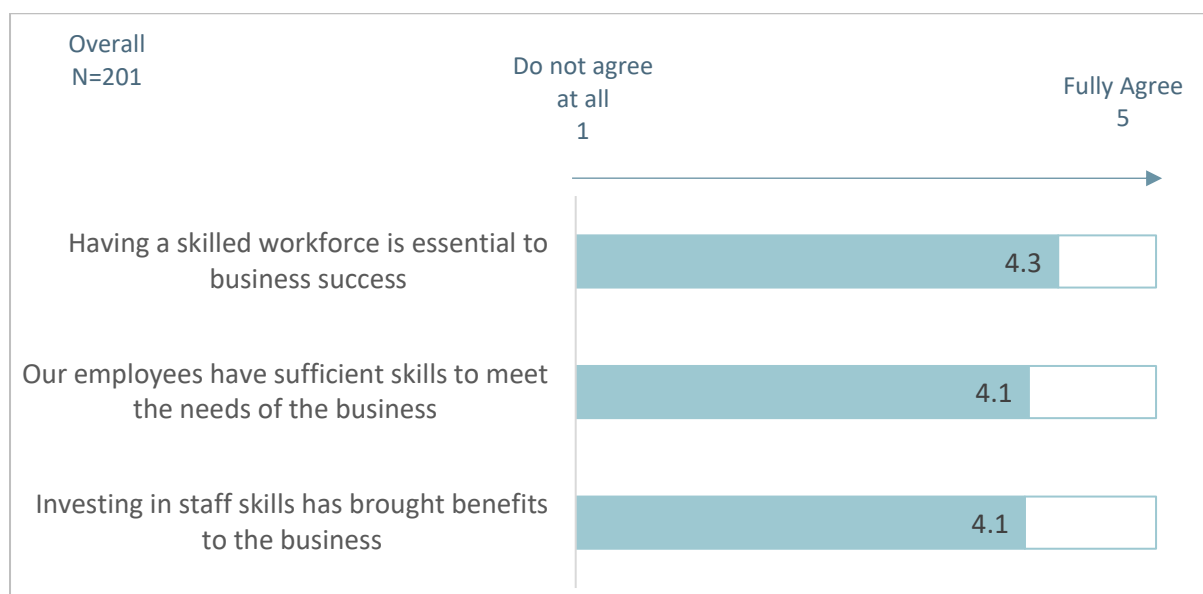
According to the representative of the Kosovo Agency of Employment, there are Vocational Training Centres, for more than 37-38 different professions that are trained in these centres, precisely to reduce the skill gap of certain professional skills in Kosovo. Within a year, the Employment Agency through this network of Vocational Training Centres produced more than 6,000 people who developed their profession further or have acquired a new profession. However, a large number of those who received these professional training were seeking them in order to have better chances for successful emigration.

What should be noted here as well is that several organisational stakeholders assessed the efforts of the Kosovo Agency of Employment and its training programs, or centres, as not efficient enough to meet the fast-changing demands of the labour market in Kosovo.

The business survey continued with asking the respondents to express agreement or disagreement regarding three statements about the role of employee skills. The highest agreement can be observed concerning the statement of “Having a skilled workforce is essential to business success” (4.3 out of 5 points).

It should, however, be noted that the statements “our employees have sufficient skills to meet the needs of the business” and “investing in staff skills has brought benefits to the business” were nearly rated equally high (4.1 each).

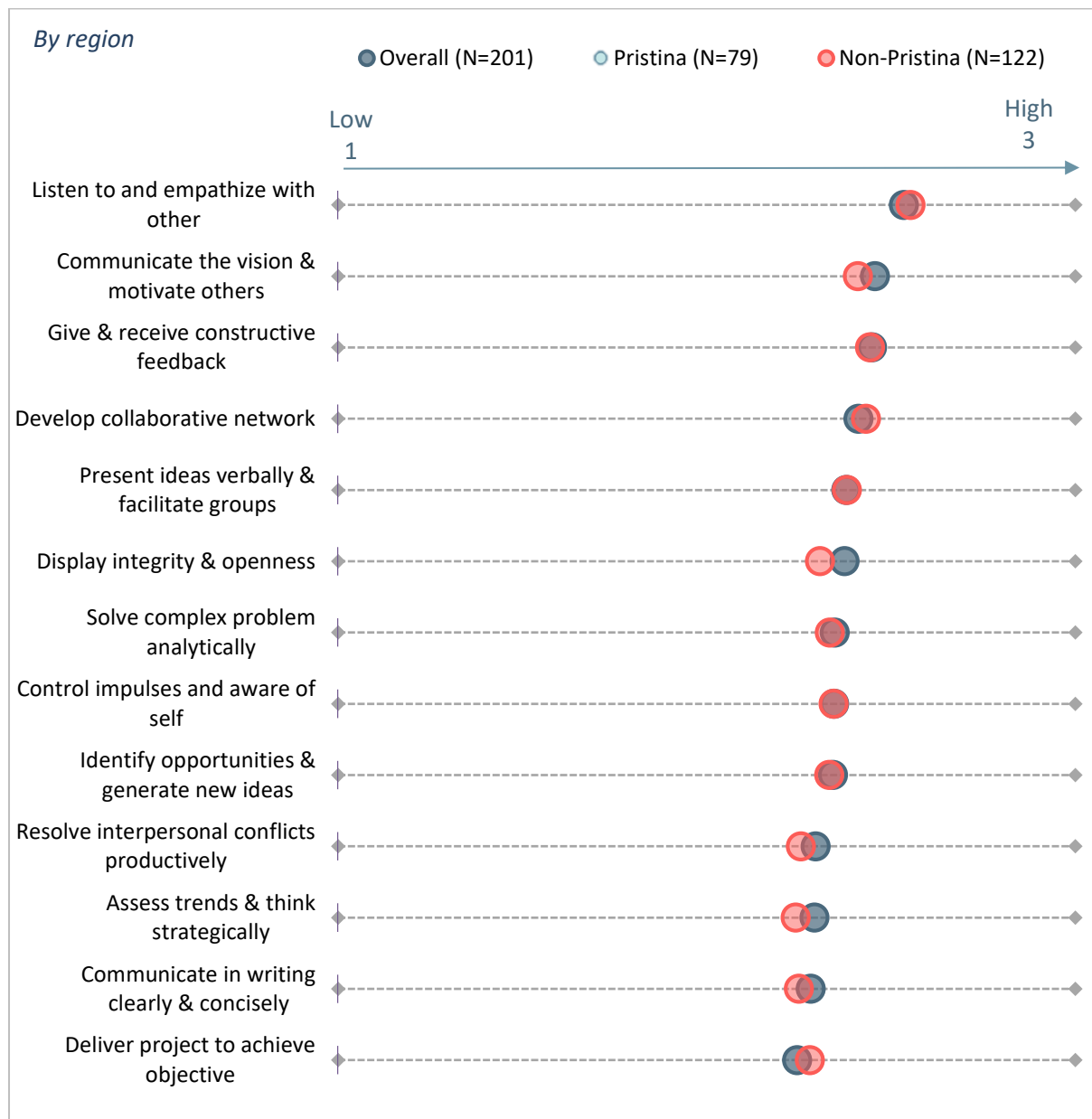
*Figure 28. Do you agree with the following statements?*



On a scale from one to three where one equals low, two average and three high, respondents were next asked to rate their current employees' skill levels for performing their current roles.

In regard to most soft skills, companies rated their employees with around 2.3 to 2.5 points out of three (slightly above average). The two skills with slightly lower evaluation (2.2) related to clear and concise written communication and delivering projects according to their objectives. Regarding some skills, companies located inside the region of Prishtinë/ Prishtina were marginally more satisfied.

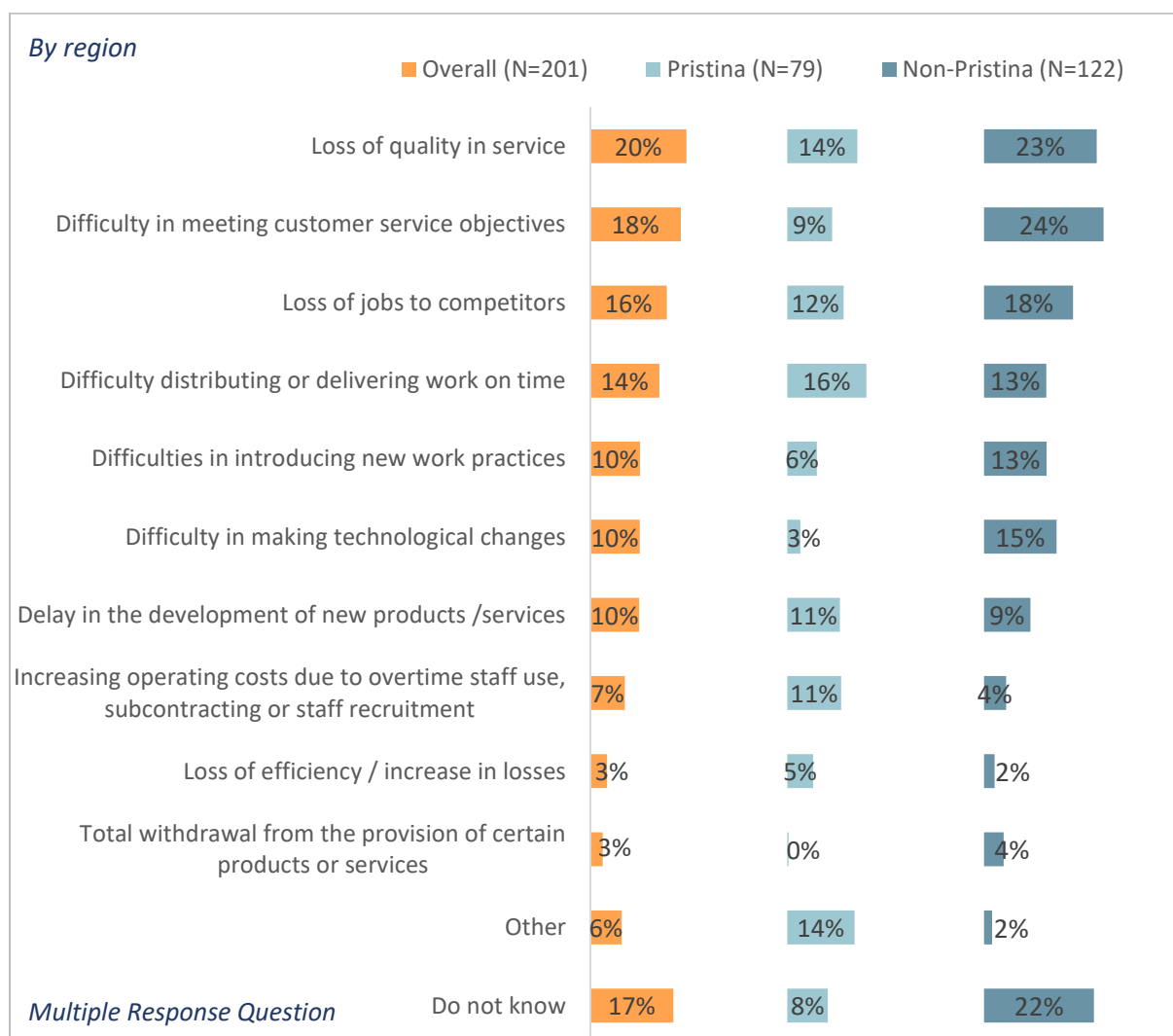
Figure 29. What are the skill levels of employees at your company for performing their current roles?



Most companies agreed that their employees have sufficient skills to meet the needs of the business or performed slightly above average concerning the skills discussed above. Nonetheless when asked which of the below listed issues have impacted their company due to the current staff's skill gaps, most mentioned a number of concerns.

Around 20% of the surveyed companies saw an impact in regard to loss of quality in service, while 18% saw difficulties in meeting customer service objectives. Worth mentioning are also 16% who mentioned the loss of jobs to competitors. Loss in quality of service or work was also a factor mentioned by organisational stakeholders when asked about the impact of certain skill gaps in businesses in Kosovo. Prishtinë/Priština-based companies had on average fewer difficulties than those based in other regions, however, more commonly faced issues concerning the distribution and delivery of work on time (16% vs 13%), as well as difficulties related to increasing operating costs due to overtime staff use, subcontracting or staff recruitment (11% vs 4%). Overall, 17% stated that they do not know an answer to the question, potentially indicating that they are either unsure or solely satisfied with their current staff.

**Figure 30.** What impact does your current staff's skills gap have on this company?

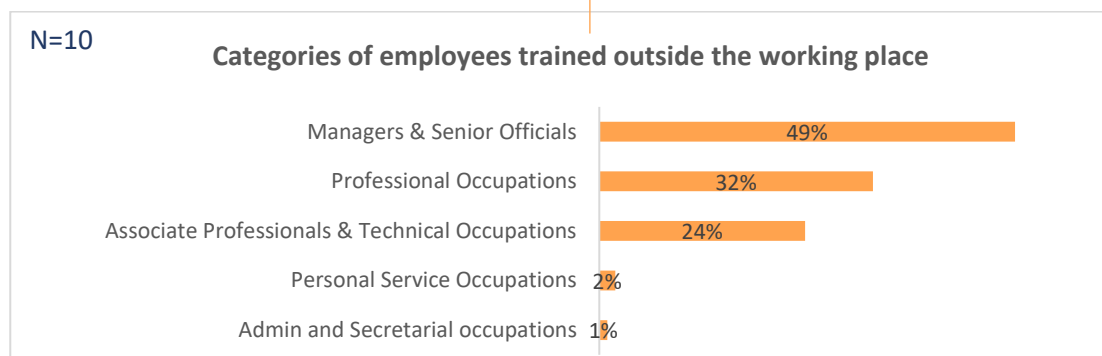
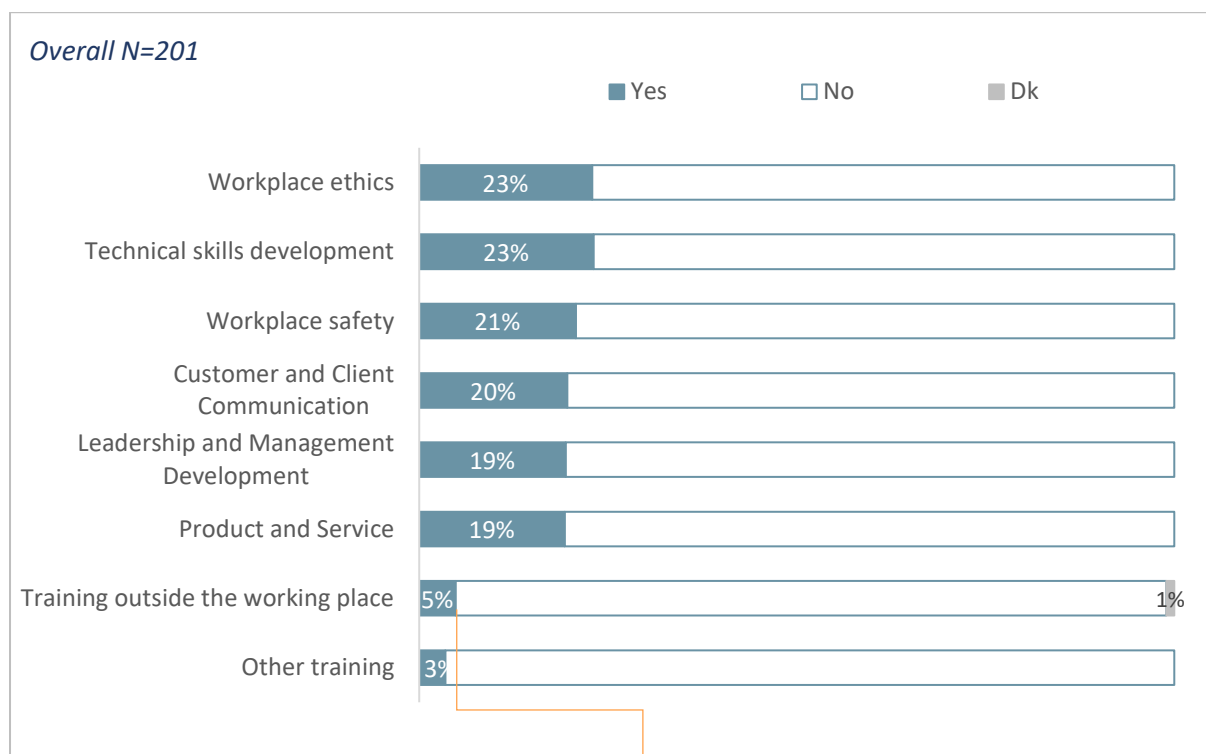


## Labour Training and Development

The objective of this section is to explore whether companies in Kosovo offer training or other types of career development opportunities for their employees. It discusses the type of training offered, by whom the training is conducted and what type of barriers are present which prevent companies in offering training to their employees.

Respondents were first asked about a variety of different types of training and whether their company offer them to employees. Only around 23% each offered training in workplace ethics and technical skills development. Slightly fewer offered training related to workplace safety (21%), customer and client communication (20%), leadership and management development as well as training related to product and service (19% each). Only 5% offered training outside the workplace, which equals to 10 companies. Most of them were for managers and senior officials.

**Figure 31.** Does your company offer trainings on the following?



When taking a closer look at the different types of training offered by the businesses, data results show that medium and large companies were significantly more likely to offer various types of training than those of smaller size.

**Figure 32.** Does your company offer trainings on the following? (1/2)

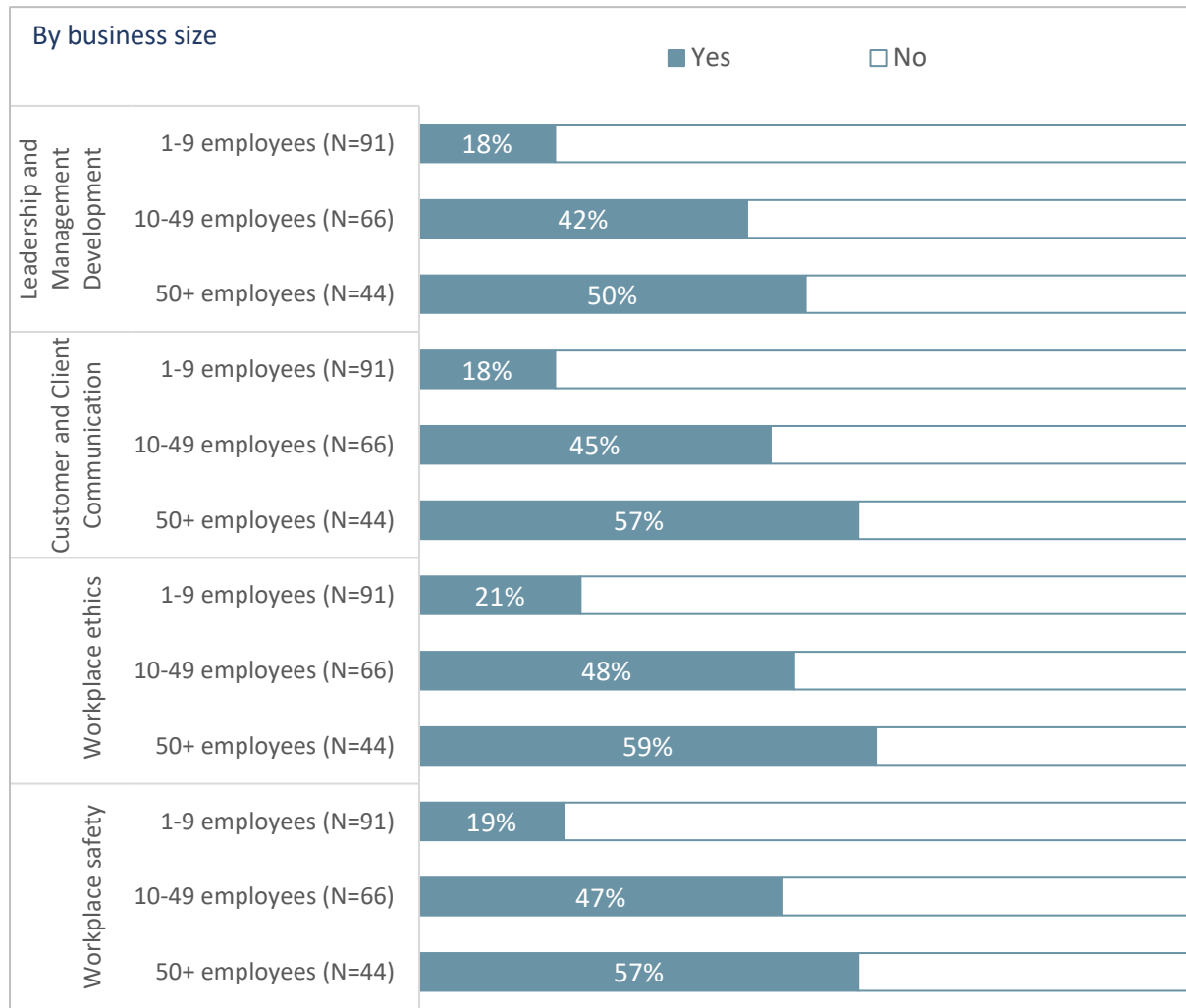
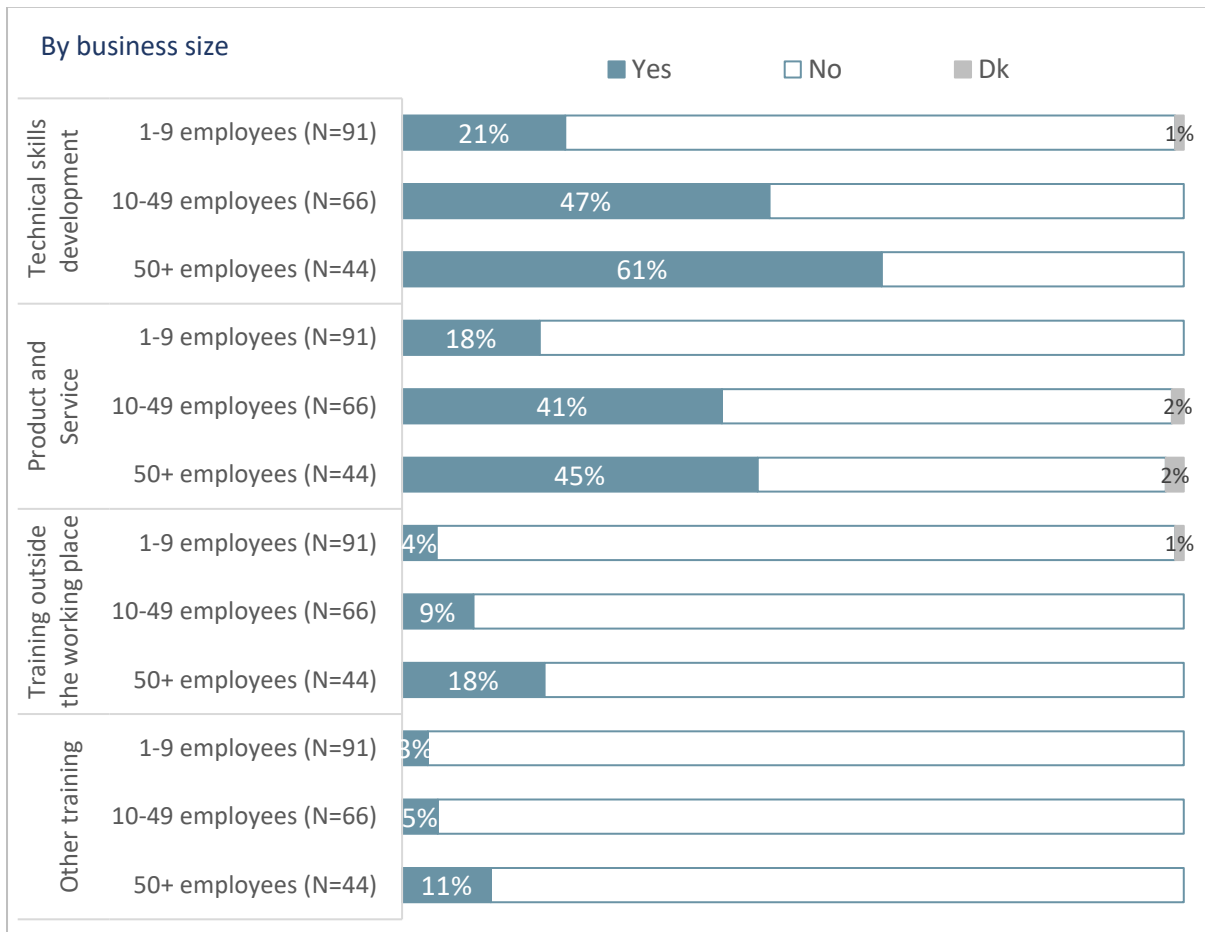


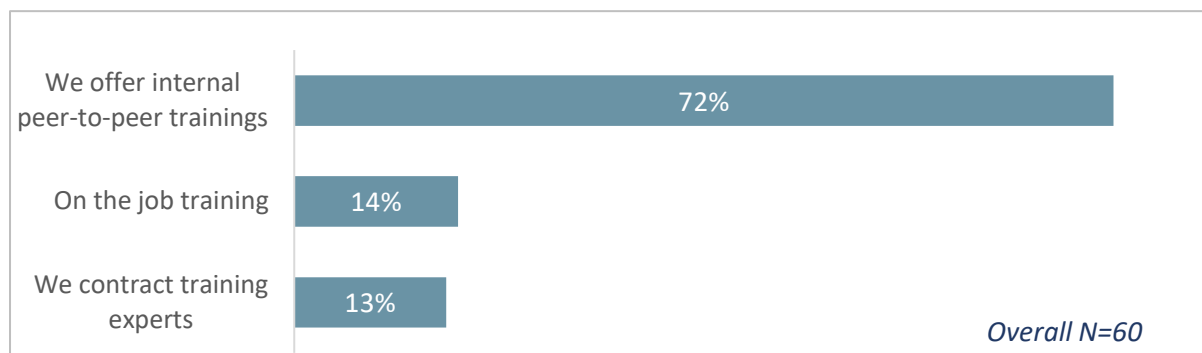
Figure 33. Does your company offer trainings on the following? (2/2)



Considering these findings on training and development opportunities, it is important to note that data obtained through the interviews with institutional and organisational stakeholders revealed that investments into training and development of employees in businesses are seen as vital when wanting to reduce emigration and increasing general satisfaction among employees.

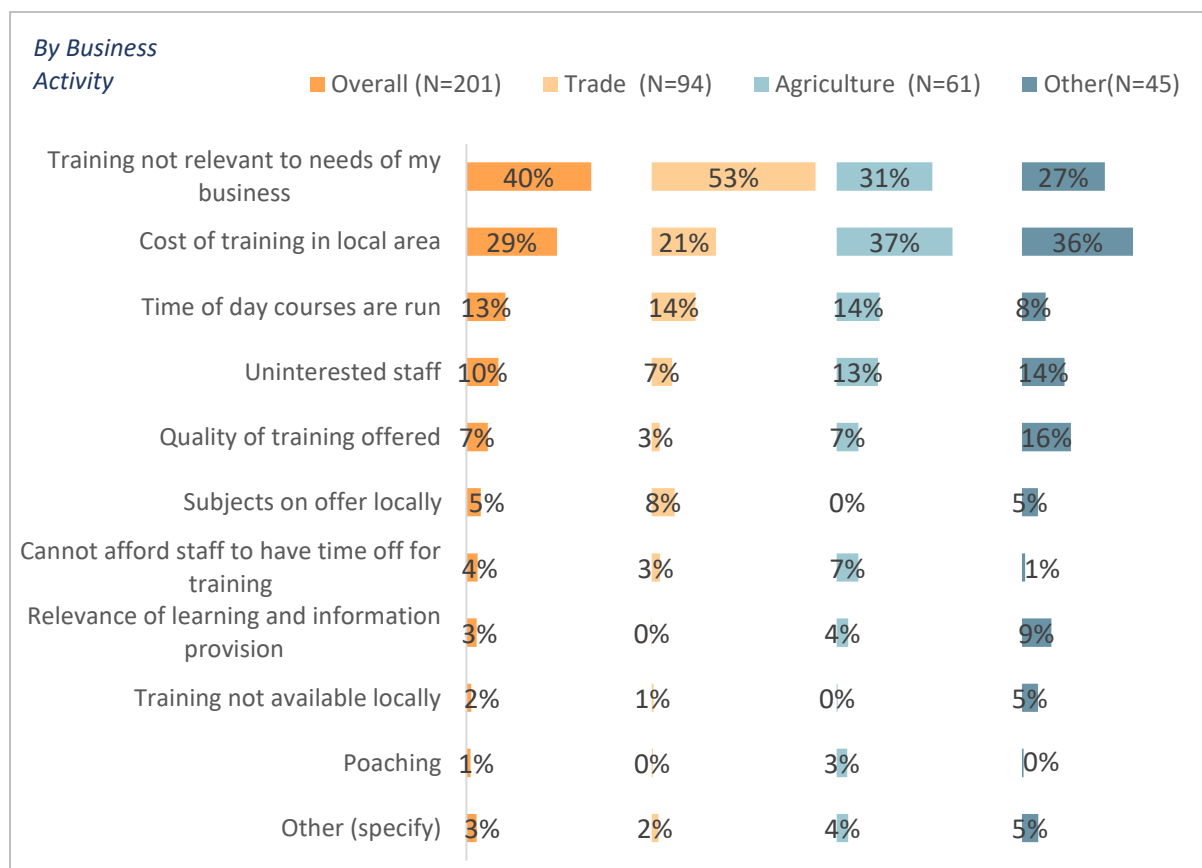
Those companies which offered training most commonly did so through internal peer-to-peer training (72%). Only 14% and 13% respectively offered on the job training or contracted experts to conduct the training.

Figure 34. Who trains the employees at your company? Only those who offer trainings



Considering that a large number of companies did not offer any of the listed training, it was important to further analyse the factors that present a barrier to the amount of training undertaken by the surveyed companies. While around 40% declared that training is not relevant to the needs of their businesses, nearly one third mentioned the costs of training in the local area as an inhibiting factor (29%). This appears especially relevant in regard to the agricultural sector (37%).

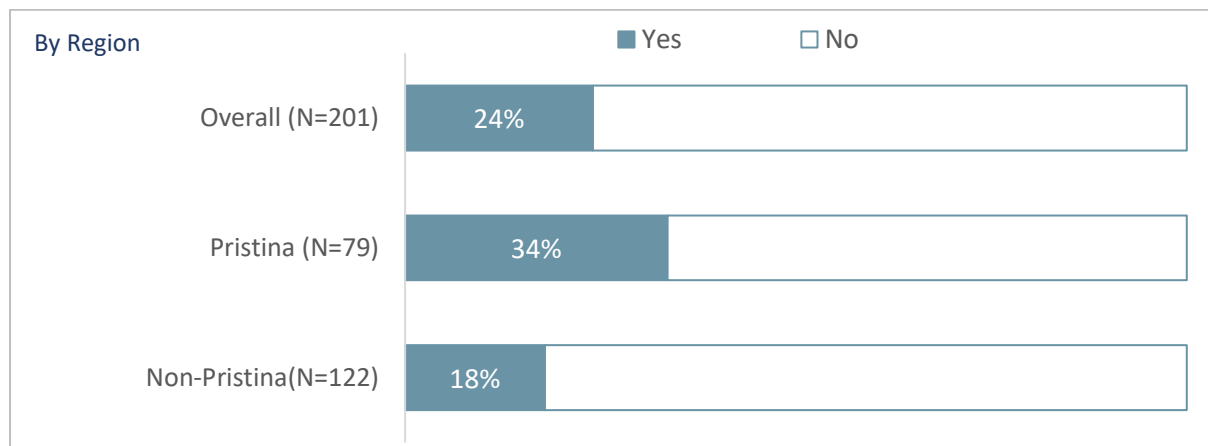
Figure 35. What factors present a barrier to the amount of training undertaken at this organisation?





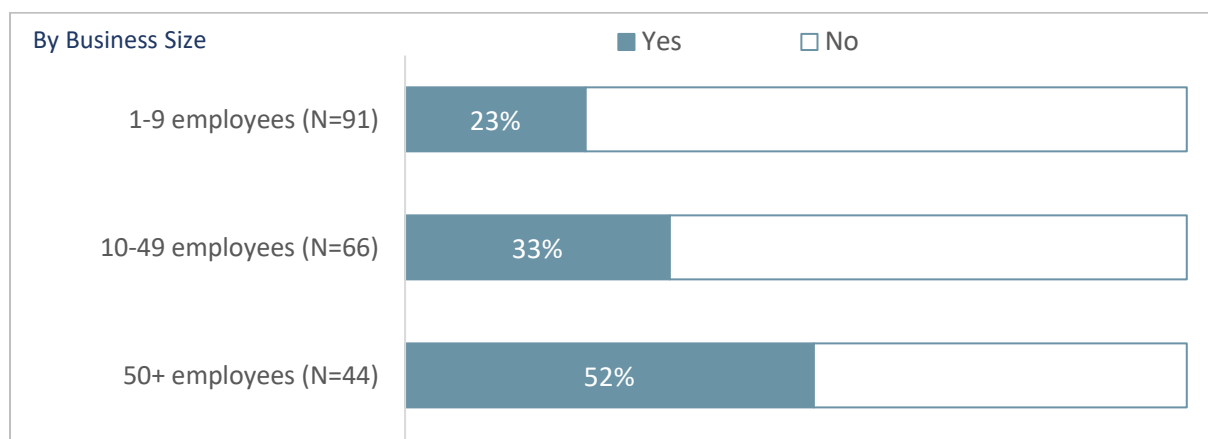
Individual plans for staff development were not offered by most companies. However, looking at data disaggregated by region, it becomes apparent that companies which were based in Prishtinë/ Prishtina were significantly more likely to offer individual plans than those in other regions of Kosovo (34% vs 18%).

**Figure 36.** Does your company identify individual development plans for your staff? (By Region)



Furthermore, data suggests that medium and large companies were more likely to offer individual plans for their respective staff (52%), than small (33%) or micro companies (23%).

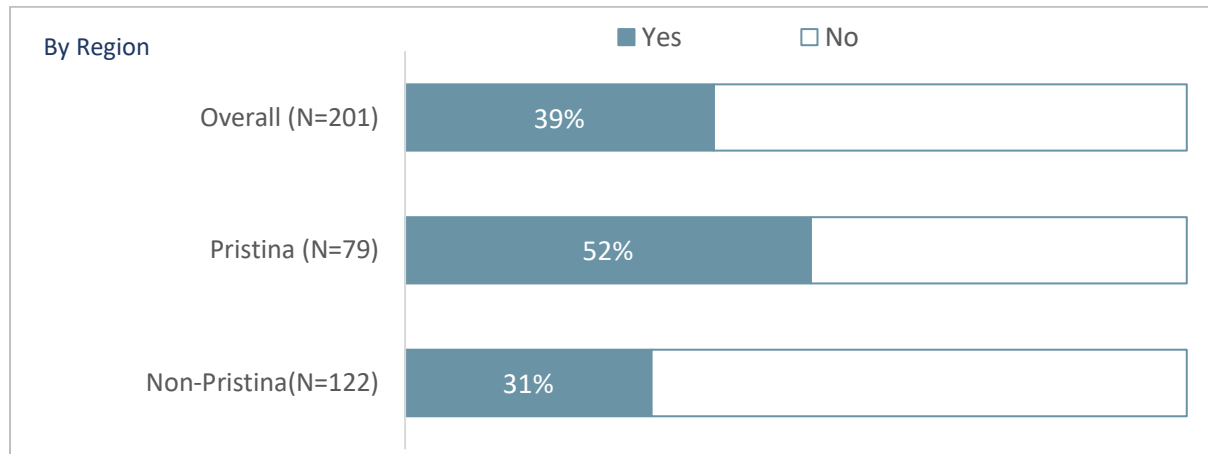
**Figure 37.** Does your company identify individual development plans for your staff? (By Business Size)



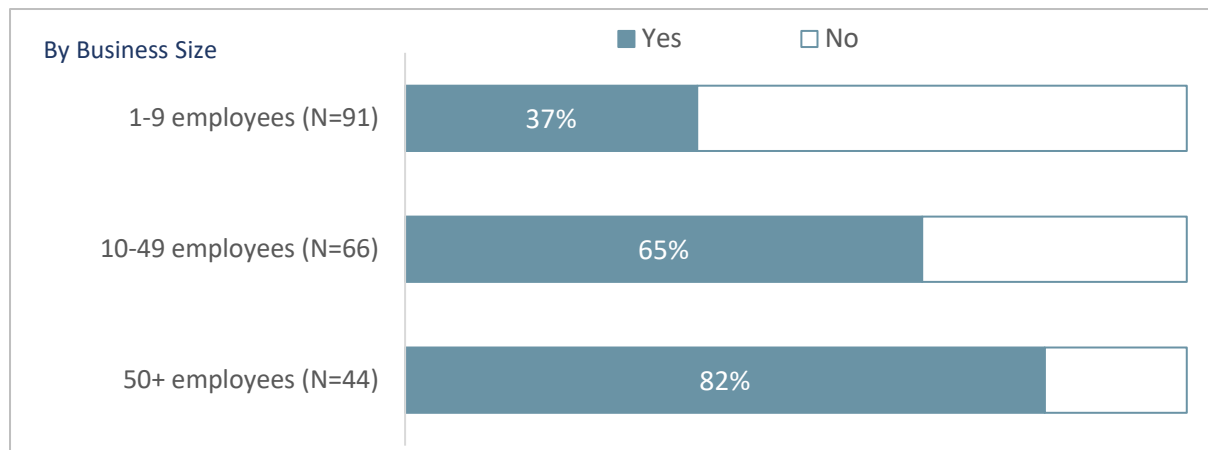
Over half of the respondents with Prishtinë/Priština based companies (52%) and the great majority of medium and large businesses (82%) assessed their companies as offering realistic opportunities for career advancement for their employees, despite few of them offering training or development plans.

Fewer companies located in other regions of Kosovo as well as micro businesses saw career advancement as likely within their companies (31% and 37% respectively).

**Figure 38.** Are there realistic opportunities for career advancement within your company? (By region)



**Figure 39.** Are there realistic opportunities for career advancement within your company? (By Business Size)

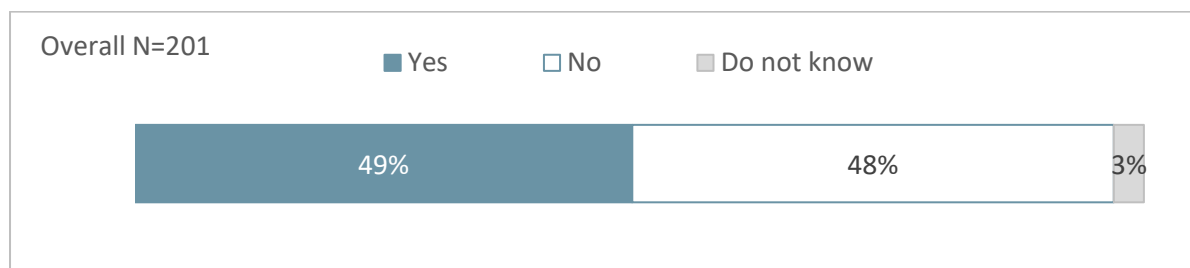


## Labour Market and Emigration

This section of the report engages with the topic of emigration and its effect on the labour market in Kosovo. It specifically explores to what extent the surveyed companies have witnessed emigration of employees, whether it had a grave effect on them, as well as what actions have been taken to level the consequences of migration.

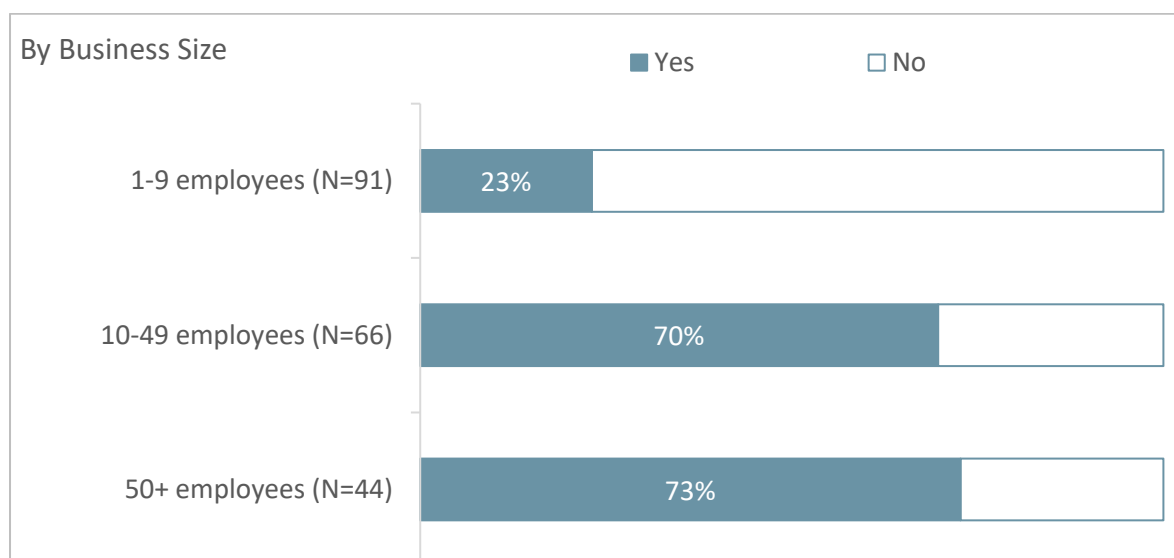
Data results reveal that nearly half of all surveyed companies have been confronted with emigration of their employees in the past three years (49%).

*Figure 40. Have you had employees leave the job due to emigration in the past three years?*



Larger companies seem have been especially confronted with this phenomenon. Nearly 3 out of 4 medium and large companies witnessed the emigration of employees (73%), while 70% of small company reported the same. Micro companies were less likely to encounter the emigration of employees.

*Figure 41. Have you had employees leave the job due to emigration in the past three years?*



Organisational and institutional stakeholders were all in agreement that emigration of Kosovans, especially concerning skilled workers, is a prevalent issue in Kosovo. Emigration is perceived as constantly increasing and subsequently having an impact on the labour market in Kosovo.

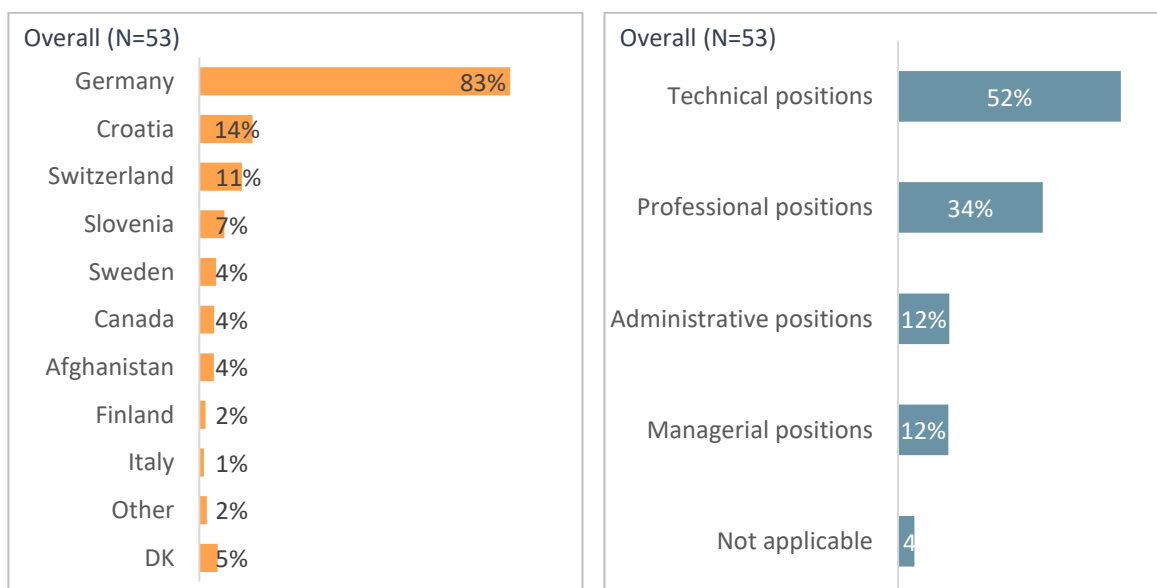
When taking a closer look at the average number of employees who have left the company for any reason in the past three years, it can be observed that a large amount has left due to emigration. The highest emigration ratio for small companies is observed at 61% for employees who left for emigration purposes.

**Table 2.** How many employees have left your company for any reasons in the past three years? How many employees have left in the past three years due to emigration?

Business size	Avg. number of employees who left the company for any reason	Avg. number of employees who left the company due to emigration	Percentage of employees who have left due to emigration out of all who left
1-9 employees (N=91)	2	1	46%
10-49 employees (N=66)	6	4	61%
50+ employees (N=44)	14	6	48%

The majority of employees who left the companies for emigration purposes went to Germany (83%) and had technical positions in their previous companies (52%). Only around one third were holding professional positions.

**Figure 42.** What are the countries the emigrating employees leave mostly to? What types of positions did most of these employees have?

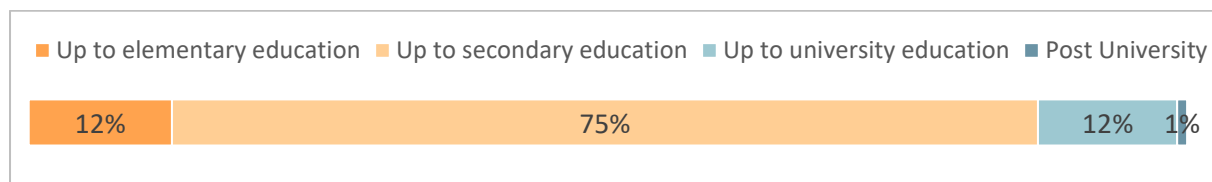


Germany was also mentioned as the number one destination country for emigration by all organisational and institutional stakeholders. Some organisations who engaged with vocational training often witnessed that trainees primarily asked whether the certificates obtained would be then valid in

Germany. Apart from the hope of better job opportunities and personal economic development, family reunifications also played a large role for many who immigrate to Germany. Furthermore, an increase in movement to Croatia has been noted through the Croatian Embassy issuing more work visas to residents of Kosovo. Croatia itself suffers from labour emigration and needs additional workers in some field, according to organisational stakeholders.

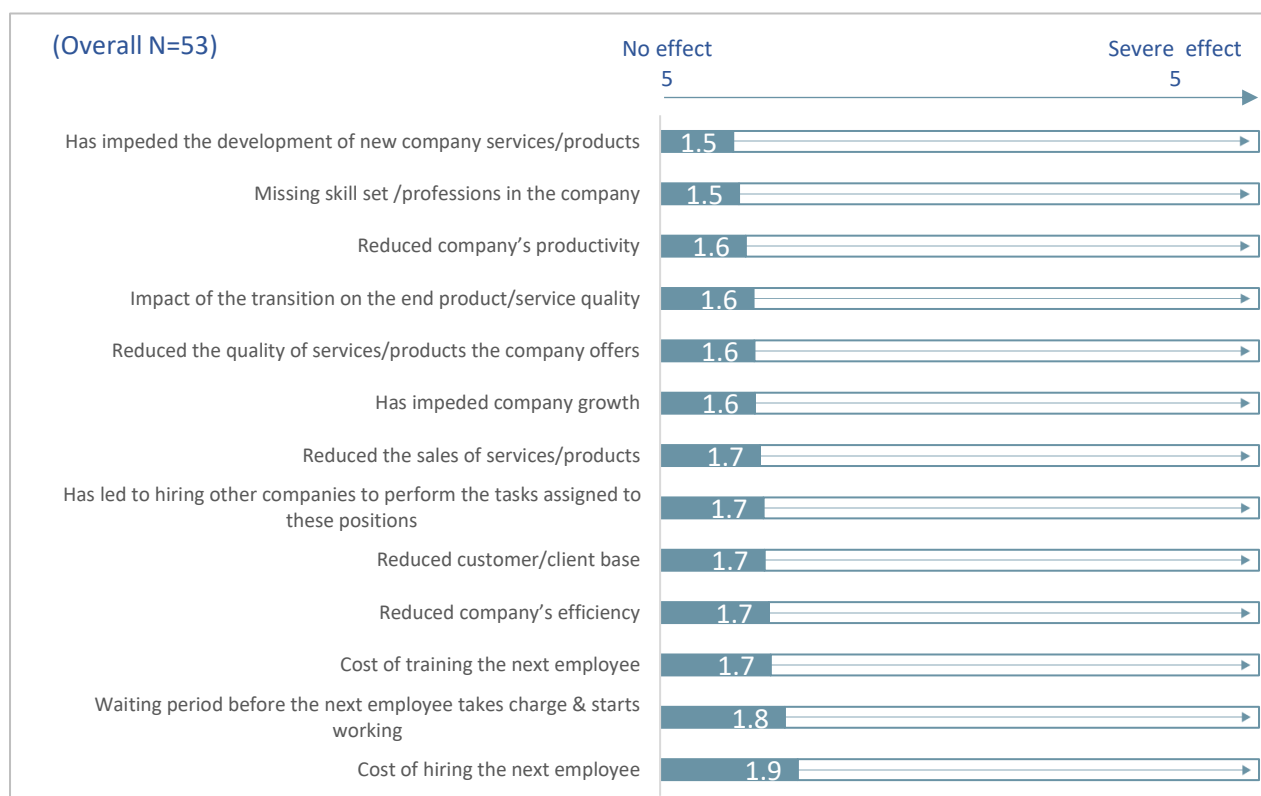
Data results obtained from the surveyed companies reveal that around three out of four employees who emigrated only had a secondary education level (75%). Around 12% each, had either only elementary education or a university education level.

Figure 43. Education level of employees who left for emigration purposes



However, the severity of effects arising from employee emigration did not seem high among the surveyed companies. When presented with a list of potential issues caused by labour emigration and asked to rank the severity of said issues (on a scale from one to five, where one equals no effect and five equals severe effect) all were ranked between one and two points (two equals a minor effect). The issue highest ranked with 1.9 points related to costs of hiring new employees.

Figure 44. Can you tell me about the severity of the effect the employee emigration had on the following?



These results might be explained due to the majority of employees of the surveyed companies who have emigrated having only obtained secondary education (75%) and worked within technical positions (52%) (i.e. not professional or managerial positions) and might be easier to replace than highly qualified staff with specific profiles or skill sets.

Interviews with organisational and institutional stakeholders revealed that emigration is perceived as having the biggest impact when it comes to professional and skilled workers. This especially relates to positions such as doctors, nurses, and engineers (the health sector is perceived as impacted the most in general). It was furthermore highlighted that often skilled and professional workers or those with high educational degrees were emigrating with no intention to return to Kosovo later again. Based on the individual assessment of the interviewed stakeholders, it appears that the lack of circular emigration has been increasing over the recent years

It should also be noted that organisational stakeholders pointed out that due to the lack of development in Kosovo and lower numbers of vacant jobs than job seekers, emigration mostly played a significant or severe role when businesses had specific needs for a profile, which then has not been available. The departure of qualified workers with specific professional profiles (doctors, IT experts, engineers etc.) left many businesses in Kosovo without sufficient numbers of experts in certain fields. The consequences of migration may not be noticed to a great extent by some individual companies as even without emigration there is a lack of certain skills in the labour market and consequently for businesses in Kosovo, according to the interviewed organisational stakeholders.

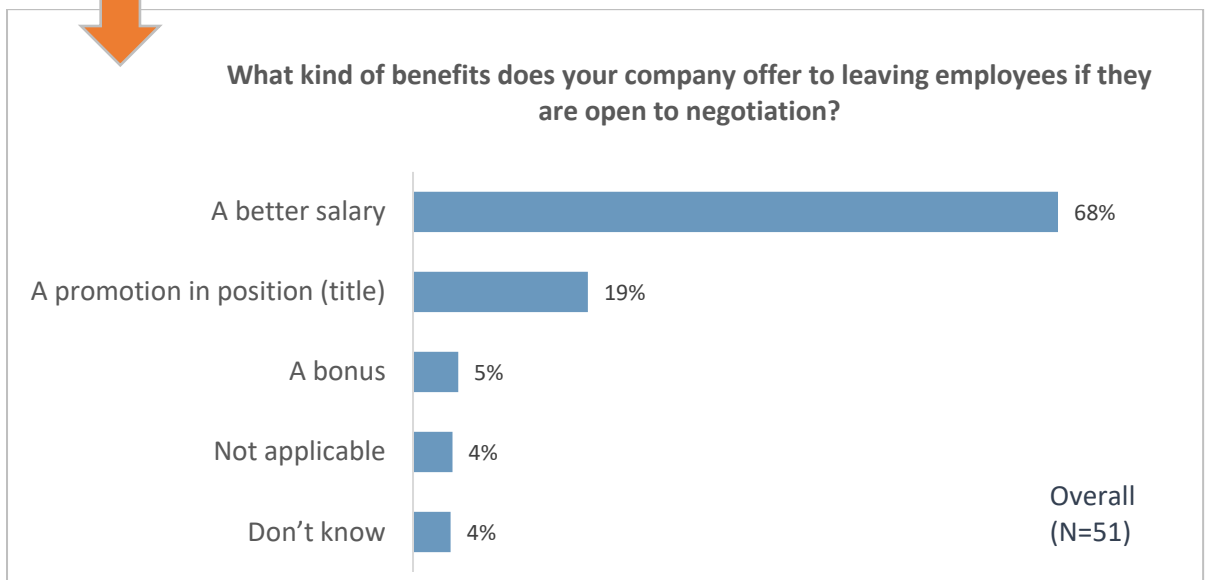
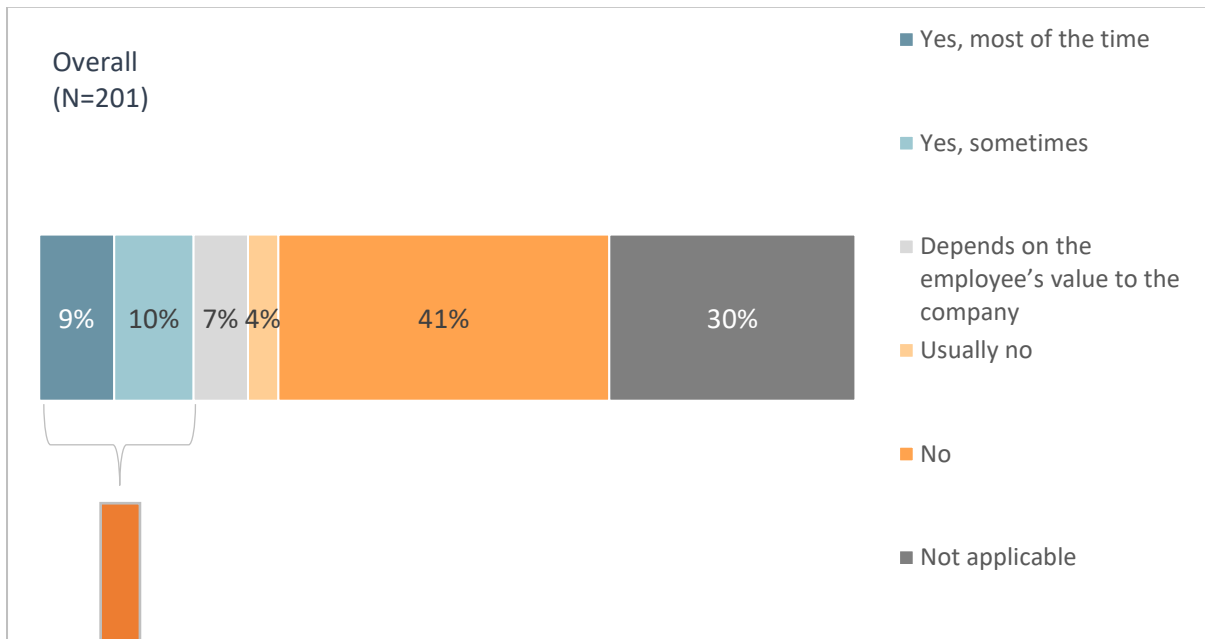
Apart from the emigration of said professional workers, some also highlighted the lack of experienced and skilled workers in various field related to handiwork and craft such as experienced welders and plumbers. Those are difficult to replace due to the lack of efficient and well-coordinated training in vocational schools and training, according to organisational stakeholders.

A representative from the Kosovo Agency of Employment highlighted that there has been lack of accurate data on how many people actually emigrate abroad, what qualifications they have obtained or to which professions they belong. Hence, their efforts are focused on increasing the number of those who receive professional training, so that these professional skills are in line with market demand. The intention laying behind such training are to prepare people for the Kosovo labour market, not for the European market, but, since there is an increase of emigration, these people after receiving training also increasingly move towards the European market.

Organisational stakeholders also emphasized the lack of accurate data in this regard; however, they estimated that in the past 10 years around 70,000 have emigrated legally and that unofficial or illegal emigration is likely much higher than 100 thousand people.

Survey findings (figure 45 below) further revealed that around 41% of the respondents stated that their companies did not try to convince the employees to stay when wanting to emigrate to another country by offering increased benefits. The 51 companies who tried to convince their employees to stay most of the time, or sometimes (19% combined), did so through offering a better salary (68%) or a promotion (19%).

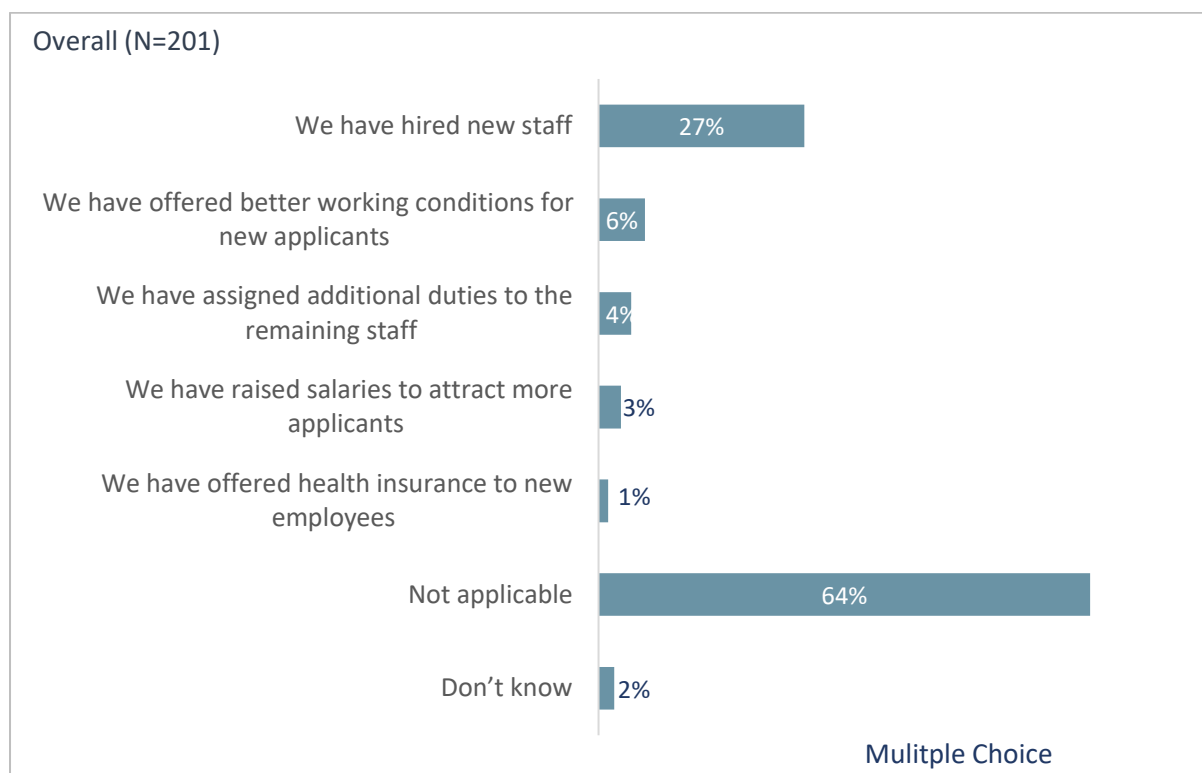
Figure 45. Does the company try to convince the employees who want to emigrate to stay by offering increased benefits?



Nearly one third of the businesses have hired new staff to level the consequences of employee emigration (27%), however only 6% have offered better working conditions for new applicants. The 64% who stated that this matter does not apply, were either part of companies who have not witnessed emigration of employees or did not take any actions to level the consequences.

According to organisational stakeholders in order to prevent large number of people from emigrating for better working opportunities, businesses in Kosovo need to improve human resource practices, offering better working conditions (increase wages and the usage of formal contracts), and invest more in training and development.

**Figure 46.** What have you done to level the consequence of employee emigration?



In general, institutional and organisational stakeholders saw the main reasons for emigration in the lack of job opportunities in Kosovo and the general dissatisfaction due to political and economic instability. Many, especially young people, have lost hope that the overall situation in Kosovo will improve. Poor treatment of workers, low wages as well as not paying of wages at all further contributed to people looking for better conditions abroad.

Conversely, advantages of emigration are mainly seen in remittances sent back to Kosovo. Furthermore, those who do return (circular migration) bring valuable experience and expertise into the labour market. As stated by the interviewed representative of the Kosovo Agency for Employment, 2019 marked the year with the highest remittance revenues<sup>31</sup>. Conversely, according to an institutional stakeholder the sending of remittance is decreasing, referring to this development as “modern

<sup>31</sup> “Remittances received in Kosovo (...) marked a value of EUR 405.6 million until June 2019, or 5.5 percent higher compared to the same period of 2018 percent” (CBK, [https://bqkkos.org/repository/docs/2018/CBK\\_Q2\\_2019\\_M\\_D-Engl.pdf](https://bqkkos.org/repository/docs/2018/CBK_Q2_2019_M_D-Engl.pdf))



emigration” where people leave Kosovo with the intention of leading a completely separate life from those remaining in Kosovo.

### Institutional Engagement and Cooperation

Institutions and organisation interviewed for the purpose of this study work with issues related to the labour market in Kosovo, unemployment, as well as effects of emigration on the labour force. Hence, many interviews revealed further information about opportunities and challenges when it comes to their institutional engagement, cooperation between different relevant actors as well as the authorities.

The most important factors mentioned by nearly all respondents was the lack of cooperation and information exchange between vocational schools, businesses, central institutions, and the labour market demands in general. The non-coordination between such actors has led to the mismatch of demand and supply of certain skills and profiles in the labour market according to various organisational stakeholders. Communication between businesses and educational institutions especially are seen as vital in order to produce a strong labour force in Kosovo. Keeping an eye on developments in the future (such as an increase in demand for IT and technology skills) were further seen as important when engaging in such communication.

Several organisations and institutions engaged with projects focusing on efforts to create new members of the workforce with relevant profiles in demand by businesses in Kosovo. The development of professional standards for certain jobs by the industries, together with the relevant actors in the institutions, was mentioned as an important first step for improvement. For example, the organisation Enhancing Youth Employment, (EYE) which is funded by the Swiss government and implemented by Swiss Helvetas Inter-corporation and MDA, has begun to develop 27 such standards. However further efforts are needed to increase the catalogue, formalize it, and ensure usage by all relevant actors. EYE has also engaged with the creation of career centres in vocation schools with the aim of preparing students more effectively for the demands of the labour market.

Representatives of the German GIZ in Kosovo highlighted the importance of their work in engaging the private sector into curricula development through recommendations and information exchange, and the support of private initiatives such as the development of additional training centres to also create a labour force with relevant skills for the fast-changing demands of the labour market in Kosovo.

The organisation Kosovo Education Center (KEC) likewise engaged with projects relating to the cooperation between schools and businesses and monitors the implementations of policies in the field of employment in cooperation with the Ministry of Labour and Social Welfare.

As mentioned above, the Kosovo Agency of Employment has as well-made efforts to improve training and schooling offers concerning vocational training. It further engaged more than 92 labour market advisors who are actively researching the labour market, investigating businesses and enquire whether they have open vacancies and what the characteristics of those vacancies are.

More initiatives and projects within these fields exist which are partly implemented by organisations, partly by the public institutions or in cooperation between the two actors. However, some institutional actors also pointed out that while many ideas and concepts appear well addressed on paper, the execution on the ground is often not concrete enough.

When turning to the specific role of the central institutions concerning the development a more efficient strategy or reform of the educational sector and employment matters, it stands out that many perceived these efforts as not well coordinated or executed.

Kosovo is one of the countries that has many sectoral strategies, but these strategies were either not integrated with each other, or were often not implemented at all due to changes in central institutions and different priorities, according to several stakeholders. There were many uncoordinated actions and fragmented initiatives with little effect on the ground. Actions were often of sporadic nature or addressed short-term issues, but did not contribute to the sustainability of policies and the construction of a system that addresses the problems that the labour market is facing.

Many organisational stakeholders felt that a general reform for the education system in Kosovo is needed in order to create a stronger and relevant labour force, however, this must go hand in hand with a more efficient economic plan for the overall development of Kosovo.

In regard to emigration, stakeholders also were in agreement that this is not a phenomenon that can be stopped; however, focus can be put on implementing actions that foster circular migration. For example, the organisation Germin in cooperation with GIZ started a program that focuses on the development and growth of circular migration. Professionals from the diaspora were supported to engage in work with various institutions in Kosovo for short periods of time, in order to provide their expertise and skills to advance institutions in Kosovo. Given that most of the professionals targeted were integrated into the host society and have been for years, they often perceived it as difficult to return to live in Kosovo.

Other stakeholders agreed in this regard and pointed out that the main objective of the central institutions in Kosovo should be to properly manage emigration. Irregular or illegal emigration should be fought and diminished, so that only formal emigration remains, which in turn enables higher chances for circular migration. This is the only way the institutions can also benefit from emigration, according to the stakeholders.

### Unemployment and Labour Market Future in Kosovo

Information gathered through the semi-structured interviews with institutional and organisational stakeholders, also revealed additional insight into the general issue of unemployment in Kosovo as well as some evaluations concerning the future of the labour market in Kosovo.

The majority of institutional and organisational stakeholders did not believe that the overall unemployment situation in the past three years has significantly changed. A factor that many perceived as ongoing and very problematic is a large part of, especially young, unemployed Kosovans who are not actively searching for vacant job opportunities.

One reason for this phenomenon was attributed to the lack of knowledge and information regarding labour market, support services as well as vacant jobs of many people in Kosovo, but also the general lack of faith in having a prosperous future in the Kosovo. Furthermore, the interview with the NGO "Help Kosovo" revealed that often people have been not aware of the role of vocational centres or training and are not even aware that supporting entities like the employment agency exists.

The issue of inactive persons is most prevalent among women in Kosovo; as previously mentioned, as much as 78.9% of women are inactive in the labour market in Kosovo, which is largely attributed to

outdated gender roles where women are expected to take care of duties related to the household and parenthood rather than engaging with work.

Apart from this, according to institutional and organisational stakeholders, the main reasons for unemployment in Kosovo relate to the poor education system, the lack of coordination of actors responsible for the workforce and employment, as well as a weak economy in general which does not create enough vacant positions for the unemployed in Kosovo. The overall difficult political situation and the failure to implement efficient institutional strategies for employment and economic development has also been mentioned as contributing factors.

The lack of adequate education or training opportunities, especially in regard to vocational schools for certain sectors was also highlighted as a significant issue. Many young people in Kosovo focus on sciences that can provide services in the future; economics, political science, but few engage with crafts or vocational training, for which the market has a high demand. One organisational representative pointed out that considering that Kosovo has the highest number of businesses within the trading sector, it appears counterintuitive that trading schools and vocational training within this field are scarce

The general business landscape of Kosovo (consisting largely of micro and small companies), the lack of large companies in Kosovo as well as the lack of foreign direct investment further inhibit the labour market development. Some attributed these issues to the instability of the political system, corruption, and a weak justice system. Such factors impose high risks for companies and different actors who consider investing in Kosovo.

According to a representative of the Kosovo Employment Agency, unemployment has slightly decreased in the past three years, however, largely due to increased emigration abroad. Furthermore, the representative emphasized that the main reason for unemployment has been disproportionate between the creation of new jobs and jobseekers. According to agency data, 18 to 20 thousand people are entering the job market every year, while the market only produces around 12,000 new jobs on average. This large discrepancy significantly contributed to high unemployment levels. In the end of 2019, some 70,790 job seekers were registered with the employment agency.

Changes in the landscape of different types of labour in Kosovo are especially noticed in regard to the technological section. Work related to IT, programming, social media but also marketing has significantly increased in the past years and with it the demands for related skills. Furthermore, a rise in interest to engage in entrepreneurship especially among young people has also been noticed by organisational stakeholders. This refers especially to the IT sector, gastronomy, and design.

Overall, institutional and organisational stakeholders seemed to agree that the unstable political situation in Kosovo hampers positive development for the future of the labour market in Kosovo. This factor contributes to young people in Kosovo having little faith that positive development will occur any time soon and also drives them to immigrate to other countries. The current Covid-19 pandemic is also mentioned by several stakeholders as a factor that has, and especially will have, a negative impact on the labour market and economy in Kosovo.

## Discussion and Conclusion

Based on the quantitative findings of this study, data suggest that businesses in Kosovo found it moderately difficult to hire new competent and qualified staff. Companies countered difficulties in findings new skilled employees through hiring less qualified staff or assigning additional duties to current staff. As the root of many problems, organisational stakeholders mainly criticized the lack of harmonization and coordination between educational opportunities and the needs of the labour market. The incompatibility between supply and demand in the labour market is due to the lack of adequate educational plans or curricula that are in line with labour market requirements, lack of vocational schools offering relevant training and lack of cooperation between these schools and the private sector.

Few surveyed companies offered training and development opportunities, a considerable amount did not offer formal contracts to all their staff and contracts are frequently limited to certain time durations. Data obtained through the interviews with institutional and organisational stakeholders revealed that investments into training and development of employees in businesses are seen as vital when wanting to reduce emigration and increasing general satisfaction among employees. In order to prevent large number of people from emigrating for better working opportunities, businesses in Kosovo need to improve human resource practices, offering better working conditions and invest more in training and development.

Half of the surveyed companies have lost employees due to emigration in the past three years. Emigration is perceived as constantly increasing and subsequently having an impact on the labour market and skill gaps in Kosovo also according to most organisational and institutional employees. Most of the companies did not attempt to convince the employees to stay when wanting to emigrate to another country by offering increased benefits. Interviews with organisational and institutional stakeholders revealed that emigration is perceived as having the biggest impact when it comes to professional and skilled workers.

The main reasons for unemployment and dissatisfaction in Kosovo relate to the poor education system, the lack of coordination of actors responsible for the workforce and employment, as well as a weak economy in general which does not create enough vacant positions for the unemployed in Kosovo. The overall difficult political situation and the failure to implement efficient central strategies for employment and economic development has also been mentioned as contributing factors why many people in Kosovo do not have faith in a future in Kosovo and rather opt for emigration. A factor that many also perceived as ongoing and very problematic is a large part of, especially young, unemployed Kosovans who are not actively searching for vacant job opportunities. One reason for this phenomenon was attributed to the lack of knowledge and information regarding labour market, support services as well as vacant jobs of many people in Kosovo. A large number of women in Kosovo are not active in the labour market. According to findings from the interviews, this was largely attributed to outdated genders roles that are still prevalent in Kosovo.

A number of projects have been implemented with efforts to standardize work profession profiles, to increase and improve vocational training, and to foster communication of the private sector and relevant actors in the employment market. However, some institutional actors pointed out that while many ideas and concepts appear well addressed on paper, the executive on the ground was often not concrete enough. There were many uncoordinated actions and fragmented initiatives with little effect

on the ground. Actions often addressed short-term issues but did not contribute to the sustainability of policies and the construction of a system that addresses the problems that the labour market is facing, according to various interviewed stakeholders. Many felt that a general reform of the education system in Kosovo is needed in order to create a stronger and relevant labour force; however, this must go hand in hand with a more efficient economic plan for the development of Kosovo.

Based on these findings the following **recommendations** have been developed which aim to provide useful information for policy makers in addressing issues related to gaps in the labour market and in creating a stronger labour force in Kosovo.

- Businesses in Kosovo should increase their usage of formal channels to advertise vacant job positions. The communication and cooperation between the Kosovo Agency for Employment vocational schools and businesses needs to be increased and improved to ensure better match between the skill sets of jobseekers and those that are needed in the labour market.
- The issue of informal employment as well as the small number of employees with long term contracts needs to be addressed in a sufficient manner. The National Strategy for the Prevention and Combating of Informal Economy, Money Laundering, Terrorist Financing and Financial Crimes 2019-2023<sup>32</sup>, covers all measures through which Kosovo intends to prevent all forms of informal economy. The implementation of this strategy should be closely monitored by national and international actors in order to ensure significant improvement. If not already implemented, regular round tables including various actors from the central institutions, different business sectors as well as international actors could be established to discuss challenges on the way of implementing the strategy.
- The Kosovo Agency for Employment as well as vocational schools should improve the dissemination of information about their service offers to the general public to increase awareness on the options unemployed people in Kosovo have for help in finding employment.
- Professional standards for all job profiles within different industries and sectors should be developed by jointly by Kosovo institutions, business representatives, and vocational schools. These should also be continuously updated in order to meet the demand of a fast-changing labour market to foster the creation of labour force with relevant profiles in the labour force of Kosovo.
- In order to make employment generally more attractive in Kosovo, especially for young people, businesses should opt for investing in training and talent development as well as formal work contracts. Furthermore, businesses should consider offering comprehensive benefit packages for employees which would include e.g. health insurance, pension/retirement plans, paid time off, as well as short term and long-term disability insurance. This may alleviate the departure of professional staff abroad and create a more satisfied labour force in Kosovo.
- Further research should be conducted in order to explore in depth the clear and concise needs of the labour market in Kosovo. Such data findings then in turn can inform and support policymakers

---

<sup>32</sup> <https://mf.rks-gov.net/desk/inc/media/0211B611-A5EB-45F5-BE19-45A408D1DFA8.pdf>

in Kosovo to develop relevant strategies and reforms for the education system to create a more relevant labour force in Kosovo.

- Vocation schools should focus and monitor the demands of skills and profiles in the labour market more effectively in order to offer relevant educational services and training to respond to the mismatch of supply and demand of labour skills in Kosovo.
- More research should be conducted in order to identify relevant actions to better allow for women's increased activity in the labour market.
- As emigration continues, Kosovo institutions need to develop effective strategies to identify how Kosovo can better benefit from the positive aspects of emigration. Increased efforts should be made to research and enhance circular migration as well as diminishing of illegal emigration.
- Efforts by Kosovo institutions should prioritize the reform of the education system in Kosovo to create a stronger and relevant labour force; and at the same time develop more efficient economic plans.

## Annex - Methodological Approach

This studies' methodology consists of three data gathering activities. The quantitative business survey, 17 institutional semi structured interviews as well as a desk research.

The data collection activities for the quantitative survey took place between 12 March and 02 April 2020, while the semi-structured interviews were conducted within the period of 06 to 28 April 2020. Only 58 of the business interviews were conducted face-to-face due to the emerging COVID-19 pandemic, the remaining business interviews and semi-structured interviews with stakeholders were conducted via phone.

During the preparatory phase the work plan, methodology, sample plan and data collection tools were developed. The desk research was conducted with already existing literature/secondary sources such as various reports and news articles on the topic of employment, migration from Kosovo and skill gap in Kosovo.

### Quantitative Survey

Kosovo's business sector is made up almost entirely of MSMEs (Micro, Small and Medium Enterprises). There are around 38,000 registered enterprises operating in Kosovo;

- 93.1% of which are micro enterprises,
- 5.9% are small and
- 0.9% are medium sized.
- Only 0.1% of the total business population are classified as large enterprises.

Kosovo's classification of MSMEs is defined by the law on foreign investment, which entered into force in 2014. The only criterion is employment size.

MSMEs are defined as shown below:

- Micro-enterprise one (1) to nine (9) employees;
- Small-enterprise ten (10) to forty-nine (49) employees;
- Medium-enterprise fifty (50) to two-hundred and forty-nine (249) employees.

**Number of registered companies in Kosovo by enterprise size and district**

District	Year	Enterprise size, by employment				Total	Share of total number of enterprises
		0-9	10-49	50-249	250+		
Gjakova	2013	3 275	136	10	0	3 421	10.02%
	2017	3 408	162	17	2	3 589	9.40%
Gjilan	2013	3 397	150	20	0	3 567	10.45%
	2017	3 580	233	20	0	3 833	10.04%
Mitrovica	2013	2 755	96	14	3	2 868	8.40%
	2017	3 069	146	23	2	3 240	8.49%
Peja	2013	2 863	130	29	1	3 023	8.86%
	2017	3 189	185	23	2	3 399	8.90%
Prizren	2013	5 310	232	27	5	5 574	16.33%
	2017	5 625	317	34	3	5 979	15.66%
Pristina	2013	10 845	789	166	38	11 838	34.68%
	2017	12 605	1 111	216	47	13 979	36.62%
Ferizaj	2013	3 683	142	20	1	3 846	11.27%
	2017	3 898	231	28	1	4 158	10.89%
Kosovo	2013	32 128	1 675	286	48	34 137	100.00%
	2017	35 374	2 385	361	57	38 177	100.00%

Source: Statistical Agency of Kosovo, 2018.

In Kosovo, MSMEs mostly operate in the following sectors;

- Distributive trade sector (44.1%),
- Manufacturing sector (12.5%, (with a low level of integration into the global value chain)
- Construction sector (7%)
- Agricultural sector (2.8%)
- Mining and quarrying sectors 0.4%.

Regarding the geographic distribution of enterprises, around one-third of all registered enterprises are located in the district of Prishtinë/ Priština.

### Sample Size

As per RFP, the minimum sample size was N=200. However, to be able to conduct a more meaningful analysis it was recommend conducting at least N=300 interviews. Nonetheless, the survey was conducted with a sample of N=201 and can be considered representative. Only in cases where sub sample groups fall below N=30 results should be observed as indicative.

### Quota Sampling

Considering the business landscape in Kosovo, proportional distribution of the sample (N=201) would not allow any subsample analysis by size. Hence, in order to also represent business of bigger size in this study, a higher target number of medium and large businesses was set (oversample).

Oversampling/quota sampling gives the possibility to make comparative analysis for different size segments while weighting the results for the aggregate sample.



Business Size	Quota Sampling
	N=201 Business Interviews
<b>Micro</b> (93.1%) (1-9 employees)	91
<b>Small</b> (5.9%) (10-49 employees)	66
<b>Medium and Large</b> (1%) (50+ employees)	44
<b>Total</b>	<b>201</b>

The distribution in regard to the regional component and the sectors is in respect to the distribution of businesses currently operating in Kosovo.

### Sample Design

A multistage sampling procedure was conducted for this survey. Businesses were identified from the Kosovo Business Registration Agency (KBRA), which has the following information:

- 1) NIPT
- 2) Name of Business
- 3) Date of Registration
- 4) Type of Business (Ltd, JSC, Physical Person, etc.)
- 5) Location Address
- 6) Founding Capital
- 7) Legal Representative
- 8) Status (Active, Passive, under bankruptcy)

Based on this database businesses were randomly selected by location and then went through a “Screening procedure” which is as follows:

1. Contact the business (using different sources of contacts from databases, extracts from NRC, Chambers of Commerce, yellow pages, etc.)
2. Screen the business (through e mini survey over the phone) in terms of:
  - a. Size
  - b. region
3. If the business suited the quota, (interlocking quota – region, size, ownership) then an appointment was set for the main questionnaire.

The team of screening operators then prepared an agenda for field enumerators. Such a process is more difficult in terms of logistical coordination, but it ensures that we are capturing the right information regarding the companies interviewed and also ensuring that the field teams are not sent out without proper contact information. Accurate contact information (addresses and phone numbers) is normally missing in the official business databases.

## **Respondent**

The respondents chosen from the companies were high-ranking positions within the firm in order to ensure that they are sufficiently knowledgeable about the topic of interest. Such positions are:

- 1) Head of the company/Director/General Manager
- 2) High Level Managers
- 3) Head of HR/Chief HR Officer

## **Research Instrument**

Having a structured and well-formulated questionnaire is key to a successful research product. The design and finalization of the questionnaire were conducted while having in mind the specific objectives of the task. Before the commencement of the questionnaire development, in depth the objectives of the assignment, understanding the specific and detailed goals of the project that could be translated into specific questions in the questionnaire were discussed. The questionnaire length amount to an approximate interview length of 20 minutes.

## **Organisation of work**

Below a series of phases that ensured a successful implementation of this project is presented.

### **Phase 1 – Preparatory Phase**

The Preparatory phase consisted of: a) Questionnaire drafting and finalization, b) Piloting, c) Sampling and d) Design & Programming of the data entry platform (for tablets).

The survey was conducted through CAPI (Computer assisted interviewing via tablets).

Before the tablet programming, test interviews/pilots were performed, (5-7 test interviews conducted by the most experienced enumerators) to understand and assure the regular and logical flow of questions as well as assess the timing needed for the correct completion of the instrument.

### **Phase 2 – Fieldwork Conduction**

After the instrument was finalized, training sessions were conducted for the selected enumerators. Training sessions were focused on providing enumerators with explanations on survey methodology and use of tablets, explaining context and content of all survey questions and introducing them to various interviewing techniques that might come in hand while on the field.

Tablet Computers used to conduct interviews deliver the data electronically to a central database. One of the main advantages of using tablets is the possibility of monitoring in real time every completed interview in the field. Furthermore, this method minimizes the “human error” by means of logical rules in the survey that prevent “wrong” skips or passages during the interview.

The use of tablets has also logistical advantages. It allows an increase in the quality and speed of the work process with conveniences, among others, such as:

- Automatic recording in the system of the time and date of the interview
- Managing the duration of the interview

- Geo-location function allows the recording and tracking of the location of the interview and by bringing a graphical representation of each questionnaire in the fieldwork

The fieldwork was organized by two fieldwork coordinators, assisted by three fieldwork assistants/supervisors. The supervisors' main role is much connected with the quality control measures in the field, explained in the "Quality Control" section below. Such measures require site visits to check the work of enumerators as well as telephone checking for logistical control of the questionnaire.

In order to increase fieldwork efficiency as well as have real time checking of the overall picture as well as in each single sampling unit, IDRA's has created a management information system (IDRA MIS) that allows for proficient coordination and control over the field. It contains: a) Search form and Enumerators list, b) Enumerators file containing enumerators': personal information, contacts, qualifications, projects assigned, etc., c) List of PSU's for selected project showing information of PSUs' location, voting centre ID, address, urban/rural definition, etc., d) Detailed information per PSU; questionnaires and enumerators assigned at PSU level, status etc.

Out of 201 interviews, 58 were conducted face to face. The remaining interviews were conducted via telephone due to the emerging Covid-19 pandemic during the fieldwork conduction.

### **Phase 3 – Quality Control**

The Quality Control phase consisted of promptly control of the first few interviews by each interviewer as well as in conducting 30% random back check of each interviewer completed interviews. Respondents that are to take part in this phase will be selected randomly from each PSU that has been selected during the Sampling phase, assuring a critical mass of controlled respondents at PSU level. IDRA will prepare a "Quality Control" Module, containing at least five questions from the study final questionnaire to verify the work of the enumerators.

In order to preserve respondents' confidentiality of data, the personal contact information provided by the respondents was only used for the sole purpose of verification of the enumerators work and it will not be disclosed to any third parties. The Quality Control phase started somewhat simultaneously (with 5 days delay) with the fieldwork phase in order to raise efficiency and to make the most out of the time available for the conduction of this Survey.

### **Phase 4 – Data Processing and Analysis**

SPSS was employed for data analysis purposes, a specialized package for statistical analysis as its main tool for processing results and statistical analysis. Statistical analysis employed included:

- Descriptive statistics: frequencies, percentiles, mean, 5% trimmed mean, standard error, mode, skewness, kurtosis,
- Non-parametric comparison of means between two independent samples
- Factor analysis: principal components analysis,
- K-means cluster analysis,
- Difference of proportions t-tests,
- Spearman Rho correlation,
- Chi-square independence test,
- ANOVA analysis
- Regression analysis: for linear, logistic (depending on the predictor) and stepwise regression.

## Semi-Structured Interviews with Institutions and organisations in Kosovo

Next to the quantitative businesses survey, seventeen (17) open-ended and semi-structured interviews with representatives of relevant institutions and organisations in Kosovo were conducted.

The aim of these interviews was to gain a deeper insight into the issues relevant to this study. A specific interview guide was developed to facilitate these interviews and can be found in the annex section below. Identified institutions and organisations were contacted via email and phone and the objective of the project was explained in order to identify which staff exactly would be most suitable to conduct the interview with. Below information about the interviewed institutions and organisations can be found.

- The **Department of Labour and Employment**, part of the Ministry of Labour and Social Welfare. The department focuses on the drafting of policies for the Kosovo Employment Agency and the Inspectorate, and the monitoring and implementation of policies in the Agency and the Labour Inspectorate
- **Department for Cultural Centres in the Diaspora**, part of the Ministry of Diaspora and Strategic Investments (Division for Drafting and Updating the Registry of Diaspora and Diaspora), which is responsible for the diaspora registry and leads the ongoing project of "Registration of diaspora" which started in 2014.
- The **Division of Active Measures and Analysis in the Labour Market**, within the Department of Labour in the Employment Agency, which engages with the employment services, the labor market analysis and emigration.
- The **Enhancing Youth Employment (EYE)**, an SDC Project Implemented by Helvetas and MDA, which aims to increase employment among young people, with activities in the field of labour market development.
- The German **GIZ**, who engage inter alia with migration counselling, employment and cooperation with the diaspora and diaspora expert.
  - (i) one person engaged with the **YES program** (Youth, Employment, Skills),
  - (ii) one GIZ representative of the **program for migration and development**,
  - (iii) one representative from the **DIMAC** (German Information Point for Migration, Vocational Training and Career) who cooperates with the GIZ.
  - (iv) One representative of **Creating Employment through Export Promotion** Project
- The NGO **Kosovo Education Centre (KEC)**, which is mainly focused on training of school staff in relation to the new teaching methodologies and leadership. Additionally, KEC is active in other areas that support the advancement of the quality of education in Kosovo.
- The **Agency for Vocational Education and Training and Adult Education (AVETAE)** whose goal is to provide a strong impetus and support to Vocational Education Training (VET) development in Kosovo in line with European standards.
- The NGO **Chamber of Doing Business in Kosovo (CDBK)** which has the goal to support the businesses community and to promote economic development in Kosovo

- The [American Chamber of Commerce](#), which aims to strengthen economic cooperation between the United States and Kosovo, as well as to promote opportunities for businesses in Kosovo.
- The [Kosovo Chamber of Commerce](#) with the main focus on the representing business interests in Kosovo.
- The [Kosovo Women's Chamber of Commerce – G7](#), which advocated for raising awareness of the issue of women's participation in the labour market and economy in Kosovo.
- The [NGO Germin](#), whose core principles and ideals are based on the belief that the Albanian diaspora must play an extensive and proactive role in the positive development of all countries in the Balkans where Albanians live including Kosovo.
- The [NGO Help Kosovo](#), which is working to strengthen the microbusiness sector and to support socio-economic stability in Kosovo.
- The [Centre for Enterprise Executive Development \(CEED\)](#), which aims to support development of entrepreneurial capacities in Kosovo.