



**EMPLOYABILITY IN KOSOVO
ASSESSMENT AND OPTIONS FOR
DEVELOPMENT**

**REPORT BY THE INTERNATIONAL PEER
REVIEW TEAM**

APRIL 2003

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Glossary

BSPK	Kosovo Trade Union Confederation
CEDEFOP	European Centre for the Development of Vocational Training
CIDA	Canadian International Development Agency
CIS	Commonwealth of Independent States
DfEE	UK Department for Education and Employment
DfID	UK Department for International Development
EAR	European Agency for Reconstruction
ESOK	Employment and Skills Observatory of Kosova
ETF	European Training Foundation
EU	European Union
GDP	Gross Domestic Product
GTZ	German Development Agency
ILO	International Labour Office
IOM	International Office of Migration
KEC	Kosova Education Center
KTA	Kosovo Trust Agency
MEST	Ministry of Education, Science and Technology
MLSW	Ministry of Labour and Social Welfare
MTI	Ministry of Trade and Industry
NEMDF	National Employment and Manpower Development Forum
NGO	Non-governmental organisation
NSB	National Skills Board
OECD	Organisation for Economic Cooperation and Development
PIO	UNMIK Principal International Officer
POE	Publicly owned enterprise
SAP	EU Stabilisation and Association Process
SME	Small and medium sized enterprise
SOE	Socially owned enterprise
SOK	Statistics Office of Kosovo
TDLSW UNMIK	Transitional Department of Labour and Social Welfare
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNMIK	United Nations Interim Administration Mission in Kosovo

UNFPA United Nations Fund for Population Analysis
VCG Vocational Guidance and Counselling

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Foreword

In 2002 the European Training Foundation launched a new Peer Review Programme in south-east European countries that are preparing or already running European Union funded CARDS¹ projects in the field of VET. The programme is a follow-up to the thematic reviews of education policy carried out by the OECD throughout the years 2000 and 2001 and is funded from the European Training Foundation's own budget. In 2002 peer reviews were carried out in Albania, Croatia, Serbia and Montenegro, and the Kosovo², while peer reviews in other countries will follow in 2003 and thereafter.

The focus of this peer review programme is to evaluate recent progress in VET policy development and to propose activities that could be undertaken to help bring the reform process forward. The Foundation's peer reviews aim at both policy advice and capacity building in the region. They are organised in such a way that they would:

- contribute to an exchange of policy experience and enhance learning processes among national stakeholders;
- contribute to develop policy analysis capacities in the countries of the region;
- promote, in an effective way, regional co-operation between actors involved in similar activities;
- contribute to the CARDS programming and implementation cycle.

The present (and possible future) peer review cycles of the European Training Foundation contain five phases:

- a specific review topic is agreed with the country in question;

- national background material is prepared by both the host country and the country manager of the European Training Foundation, which includes the drafting of a briefing paper;
- a peer review team is set up and pays a visit to the country;
- a public review report is formulated and circulated.

In addition, the European Training Foundation organises specific staff development activities as a follow-up to the national reviews, as well as regional dissemination events to share experience between experts from different south-east European countries and learn from each other.

Where relevant, the peer reviews of the European Training Foundation put a clear focus on assessing where the country stands in terms of meeting its requirements from the Stabilisation and Association Agreement and preparing for accession to the European Union. Experts from European Union member states are included in the review teams to compare countries against EU good practice in terms of *outcomes (what has to be done)*; and experts from candidate countries are included to share their experience in terms of suitable *reform processes (how should it be done)*.

The aim of the final reports is to give policy advice and to identify short and mid-term actions rather than providing a complete, academic analysis of the VET system and grand reform proposals. The reports contain substantiated and operational conclusions and recommendations which should allow policy-makers in the country in question to design follow-up activities.

The Foundation does not see the peer reviews as a one-off event but rather as a permanent cycle during which the Foundation would provide inputs into the VET reform processes in the given

1 CARDS is the European Union's assistance programme to south-east European countries.
2 Under international administration in line with UNSCR 1244 of 10 June 1999

countries. It is, hence, planned to arrange for subsequent review missions with external peers after periods of two to three years.

All peer review documents - *Executive Summary, Briefing Note and Peer Review report* – will be made available through the European Training Foundation's website: <http://www.etf.eu.int>.

Executive summary

Improving the employability of Kosovo's workforce will be a key feature in the country's shift to a market economy, ensuring more competitive enterprises and broader socio-economic development.

Borrowing on the practice of external peer review of employment policies within the European Union, key stakeholders to employment and skills' development in Kosovo commissioned an international team to review existing policies, structures and measures supporting employability with a view to determining how these could be improved.

The review was undertaken in September 2002 and involved an assessment of all key materials and publications, interviews with policy makers and practitioners, site visits and discussions with stakeholders.

Employability was defined as 'knowledge, skills and attitudes that should enhance one's opportunities for access to and sustainability within the labour market.'

The team concentrated on a select number of areas considered important by the stakeholders and provided independent appraisal, constructive critique and recommendations for improvement.

With respect to cooperation between the key institutions, the peers concluded that more impact in promoting employability could be achieved by way of better policy and institutional connections at both national and local levels. Ultimately, a 'one-system' framework for employment and skills' development (involving education, labour, employers and trade unions) should be considered and building on existing discussion for common institutions e.g. National Employment Forum. Such a forum would focus on economic and social development to address employment at all levels and ensure the coordination of economic policies.

Secondly, institution building should be a key priority. In particular, support for high quality, labour market data systems and analytical capacity is necessary to allow for efficient and

effective policy responses to support employability. Further, vocational guidance and counselling services will be necessary to meet the demands of educators, training providers, employment services and enterprises.

The report recommends that on-going tripartied discussions at operational level, should take on a more strategic character with the institutions signing up to a common employment and manpower development agenda. This should ensure that the necessary policy linkages are made by decision-makers at the highest level while raising the profile of employment and skills in the wider market transition effort. International expertise and experience will be important in this exercise. Better efforts at coordinating donor inputs are required.

Thirdly, cross-stakeholder strategies will be necessary to address large-scale industrial restructuring and privatisation. This should be couched within plans for local economic and employment regeneration that will require significant technical and financial support.

Given the importance of the SME sector to employment generation, the peer team considered that the small business support environment was too loosely coordinated. A tighter, coordination mechanism could bring big advantages for SME development and job creation.

Inward investment will be critical for growth. The peers appreciate that the investment option is limited as long as the constitutional status of Kosovo remains undetermined. In the meantime, interest of the diaspora could be better harnessed in terms of inward investment, trade cooperation and transfer of management know-how to Kosovo enterprises.

Kosovo's efforts to improve the employability of minorities remain a key issue. Stakeholders must take courage and address minorities' employment in a more strategic and concerted way. Options proposed to help the employability of minorities include specific SME support measures and teacher training.

In its consideration of basic skills, the peer group was unable to arrive at any definitive conclusions. More reliable data is required and the report recommends that an upcoming census include targeted questions to allow for more empirical data to assist policy and measures, as appropriate.

The report concludes with calls for a more strategic and coordinated effort to promote employability in South Eastern Europe. It stresses the importance of skilled workforces to the region's economic turn-around, competitiveness and stability set against the EU policy framework for the region (SAP).

1. Introduction

1.1. Context

With a post-conflict rebuilding effort underway and first steps taken to establishing a market economy, a critical challenge facing Kosovo's young government is how to deal with chronic unemployment, estimated at 57%. The scenario is bleaker with plans afoot to restructure public enterprises and a wider privatisation drive to address socially owned enterprises accounting for 130,000 workers. And on top of this, joblessness is set to rise further with growing numbers of school leavers joining the unemployment queues. Set this against widespread poverty (over 50% falling under the poverty line, 12% in extreme poverty³) and there are the makings of a serious social crisis.

It is against this background that the Ministry of Labour and Social Welfare and the Ministry of Education, Science and Technology took a joint initiative to examine how existing policies, structures and measures in Kosovo were contributing to employability, borrowing on a principal theme of the EU's Employment Strategy (towards which Kosovo will be expected to evolve given EU signals as to integration of the countries in the region into European structures).⁴

In February 2002 the two ministries participated in a meeting in Ljubljana involving representatives of the ministries of education and labour from Western Balkan countries. The objective was to determine how countries in the region could cooperate and share experience in developing human capital and skills.

The meeting concluded that a system of "peer reviews" could be introduced involving experts/ministry officials from countries in South Eastern Europe, EU Member States and candidate countries, reviewing relevant policies within neighbouring countries.

1.2. Peer review

The practice of "peer reviews" is a central feature within the European Union's common employment strategy. The reviews allow for EU member states to provide constructive assessment and critique of each other's efforts in improving employment.

This report is the result of a peer review specifically addressing employability policies, structures and measures in Kosovo. The review was undertaken by international experts from Denmark, Croatia, Northern Ireland, Slovenia and South Africa from 9-21 September 2002, in Kosovo, with follow-up meetings with various stakeholders and organisations for further detail and clarifications.

The peer review was funded by the European Training Foundation and logistical support, including background literature search and initial intelligence, was provided by the Employment and Skills Observatory of Kosova.

The peer team met with a broad range of stakeholders (Annex I) to employability in Kosovo and had access to a wide range of reports, papers and data on the economy, education and training systems, institutions and partners to Kosovo's reconstruction programme.

1.3. Employability

The peer group took as its understanding of employability the following: knowledge, skills and attitudes that should enhance one's opportunities for access to and sustainability within the labour market. This definition was considered straightforward and was readily understandable by the key stakeholders with whom the team consulted.

1.4. Structure of the report

The structure of the report reflects a number of key concerns expressed by the Kosovar authorities and on which the peer review team concentrated.

Firstly, aware of the various interests and

3 World Bank (2001). Kosovo Poverty Assessment. Volume II. report N.233390-KOS. pp 7-8

4 Santa Maria da Feira European Council, June 2000.

inter-dependencies of a range of different players on employment and skills' development, the Kosovar authorities asked for an assessment of cooperation and linkages between the stakeholders and to make recommendations as to how employability could be improved by way of more coordinated actions.

Secondly, given the range of different donors and international support institutions, there was some concern from the Kosovo side that priorities/developments were essentially donor-driven. Chapter 3 examines the context of cooperation with international partners.

Thirdly, notwithstanding the weakness of the economy and high unemployment, Kosovo stakeholders requested the peer team to reflect on and propose different measures that could assist in lessening the unemployment scenario. Chapter 4 considers the macro-economic framework, enterprise situation and options for improving employment.

Chapter 5 focuses on vocational guidance and counselling that is considered essential in the development of new institutions and services.

How minority communities feature in the employability policy orientations and measures is addressed at Chapter 6.

Finally, the peers provide an assessment of structures, policies and measures to underpin basic skills development.

Each chapter highlights key strengths and weaknesses of the subject area and makes a number of recommendations as to how the Kosovar stakeholders could improve employability, with specific reference to policies, institutions and measures.

The report concludes with some overall impressions of the peer review team on employability in Kosovo set against concerns for employment and stability in South Eastern Europe.

2. Stakeholders to employability: maximising impact through partnership

2.1. Introduction

The stakeholders to employment are many. It is a central concern for a range of strategists and policy makers, both inside and outside of government structures. More particularly, it directly affects individuals, families and communities with the wider implications for the stability and socio-economic well being of Kosovo. During their fact-finding mission, the peer group concentrated only on the primary stakeholder institutions to employability (see para. 2.2). More specifically, the peers focused on the interdependencies between the key stakeholders in the context of better practice for employability promotion and the crosscutting concerns for policies that address employability. Finally, the group considered how the partners to employment and employability in Kosovo co-operated at ground level where impact for the unemployed particularly would be most necessary.

2.2. The stakeholders

In its programme, the peers met and dialogued with the following key stakeholders:

Central Level

- Ministry of Labour and Social Welfare (MLSW);
- Ministry of Education, Science and Technology (MEST);
- Ministry of Trade and Industry (MTI);
- social partners: Chamber of Commerce (employers), BSPK (trade unions);
- Kosovo Trust Agency (KTA - state privatisation body).

Regional/local level

- UNMIK employment and training authorities, education authorities;
- municipal authorities;
- vocational training centres, vocational education schools.

Finally, discussion was held with selected non-governmental organisations (International Office of Migration and the Kosovo Education Center) to ascertain how civic institutions were engaged in employability developments.

2.3. Overview of key issues

With the worst unemployment record in Europe (and aware of the risk particularly to social stability in Kosovo and the region) the peer group's primary interest was to determine how the range of stakeholders coordinated effort in policy, structures and measures, which could ensure a more comprehensive approach in addressing joblessness and skills' development.

Statutory training providers: central level co-operation, local level divisions

At central level, significant efforts in supporting employability were being made by the key ministries responsible for vocational training. In particular, the Ministry of Labour and Social Welfare and the Ministry of Education, Science and Technology had signed a protocol for co-operation concentrating primarily on sharing of material resources. More mileage could be made by widening the co-operation protocol to include a) inter-ministerial policy formulation and b) joint measures.

In this regard, the peers were impressed with the project for assessment and certification of vocational education and training, including perspectives for joint institution building on standards as well as plans for a National Skills Board (NSB). The operational phase of the project foresees that the social partners participate fully in the development process.

More structured policy developments involving all stakeholders could be foreseen within the NSB plans and, as such, the skills' board idea represents an important milestone in achieving more comprehensive policies and partnership to human capital development in Kosovo.

While dialogue and co-operation was good at central government level. The scenario was mixed at local level. There were some good examples of vocational education schools and adult training centres working together on curricula, teacher training and shared infrastructure but this was for the most part a function of local personalities

as opposed to any policy or operational guidelines.

The peer group recommends that the good co-operation established at central government level be translated into operational guidelines for vocational schools and adult training centres to help them work more closely together to maximise the use of available expertise, infrastructure, finance and services to support employers and the community. The guidelines could encourage participation on training school/centres boards, task sharing for vocational guidance and information and consistent exchange of data and other information pertinent to skills' development in the locality.

Entrepreneurship, self-employment and small business development

The development of new businesses, expansion of existing businesses and the promoting of self-employment would be central to Kosovo's efforts in tackling unemployment. This process must be promoted by encouraging greater entrepreneurial awareness across Kosovo society. Starting the awareness raising early in the school system would be important. The peers noted that an earlier OECD education policy review had recommended more attention to be given to entrepreneurship as a core feature of the school curriculum.⁵ This recommendation would not appear to have been followed up. The peer group recommends that the vocational education lead agency integrate entrepreneurship into all vocational curricula and that the new 9th grade plans and curriculum be shared with employers particularly to assist the school-to-work transition process. This point is developed further in Chapter 5.

The peer group appreciated the lead agency initiative for education development, but recommends closer co-operation between the vocational education lead agency and its counterparts responsible for curriculum development and teacher training, given the importance of promoting entrepreneurship across the education spectrum.

There was an impression that each lead agency was acting in isolation when cross-agency issues and interests were at stake. A bridging mechanism is required across all lead agencies to ensure coherence in policy setting and measures for wider education developments in Kosovo.

Policy linkages and co-operation between the Ministry of Labour and Social Welfare and the Ministry of Trade and Industry were minimal. There was clearly room for more direct communications and information sharing. The peer group noted that co-operation on skills' monitoring had been foreseen between the employment observatory (Ministry of Labour and Social Welfare) and the SME observatory (Ministry of Trade and Industry) as part of a wider enterprise development initiative supported by the European Union. However, there was no evidence of information exchange or co-operation between the two organisations.

The Ministry of Labour and Social Welfare's employment strategy foresees a mechanism for co-ordinating initiatives for training on self-employment and SMEs across the range of stakeholders. This is considered by the peers as essential in the bid to promote synergy and coherence in policy terms as well as guarding against duplication of scant resources. The idea has not been operationalised. This point is developed further in Chapter 4.

Baseline data – essential institutional building

The Ministry of Labour and Social Welfare had put employability clearly within its employment strategy where active employment measures, in particular vocational training, were devoted to getting job seekers back to work. A crucial but missing element in the Ministry's efforts to effectively address employability and unemployment, however, is that data assembled by local employment offices was often incomplete and interpretations of data at times confused.

Until reliable data is available, policy formulation and priority setting would be less than optimal. There is clearly a capacity problem on essential data, which needs to be addressed if the authorities are to be able to formulate policy and measures, which will assist the unemployed and job seekers in access to and mobility within the labour market.

5 OECD (2001). Thematic Review of National Policies for Education – Kosovo. p.30

Existing donor support is having some impact on data development but is confined to ad hoc arrangements as opposed to a strategic and holistic institutional development exercise, which is what is needed. A concerted effort is required across the entire employment service to establish coherent, comprehensive, baseline data as an essential and conditional element in policy making, priority setting and targeting of scarce public resources.

The Ministry indicated that various requests had been made to international organisations/donors for a comprehensive capacity building plan of the employment services but support has come in from different donors at different times. The job skills needs to be completed. Detailed proposals and operational plans should be at hand to share with potential benefactors, and if necessary to engage several donors into one overall project plan to see the job completed. The European Agency for Reconstruction is planning a programme of support for the Ministry and the employment services in 2003.

Engaging better with the non-statutory service providers

In the immediate post-war period, a significant number of training providers, and to a lesser extent employment support service operators, started up operations in Kosovo to promote employment and enhance skills' required by the post-war economy. These initiatives were undertaken by international and resident NGOs and eventually some private training providers. Some of the training providers are now providing certificates to their graduates. Often these are not based on any objective or verifiable standards or quality benchmarks and their distribution run the risk of vocational training services being derided by employers, particularly.

Both key ministries (education and labour) have indicated that quality issues and certification of training provided by these operators needs to be addressed. Until the outcomes of the on-going inter-ministerial interim certification development process bears fruit, both ministries may need to agree on some measures to accommodate the demands from the non-statutory training providers, including private sector training providers

One option is that the task of the Vocational Standards Committees foreseen within the certification plans is widened to include at least the principal non-statutory training providers either in parallel or sequential to the interim certification exercise planned for statutory training bodies.

In terms of employment advisory services, the peer group noted the network of services and expertise already in place and managed by the IOM (Employment Assistance Centres). This capacity should not be lost on downsizing or withdrawal of IOM from Kosovo. The IOM anticipates that its services could be accommodated by the private sector. Whether there is a market for private sector services of this kind, even in the medium term, in Kosovo is questionable.

There has been no reflection as to how, if at all, the IOM employment assistance services could be integrated within the existing Ministry of Labour and Social Welfare employment service arena.

Industrial reconstruction and privatisation

With an estimated 130,000 employees located in socially owned or public owned enterprises (SOEs, POEs) and privatisation of SOEs and restructuring plans afoot for POEs, the implications of redundancy, retraining and re-deployment would be significant. As an indicator of human resource implications, an estimated 20% of the 500 SOEs will continue to operate, the remaining to go into liquidation.

The Kosovo Trust Agency (KTA) is responsible for the industrial restructuring process. Co-operation with the Ministry of Trade and Industry was considered good while dialogue with the trade union confederation and the pensions trust was constructive. The peer group noted, however, that co-operation with the Ministry of Labour and Social Welfare is poor, particularly given the implications for the local employment services in those municipalities where the factory closures will hit hardest.

The peer group appreciates that the privatisation process can, if handled well, make an indispensable contribution to economic growth and employment creation. Good planning and co-operation with all stakeholders (employment

service, municipalities, trade unions, enterprise development agencies, community groups, private training providers) will be key to a successful privatisation strategy.

While fully aware of the difficulty of building employment protection and promotion measures into a privatisation exercise, the peer group recommends that these issues be addressed by other parts of the structural adjustment and transition programmes, in particular local economic strategies and active labour market policies (see para. 4.8).

The group recommends that the KTA invite a high-level official from the Ministry of Labour and Social Welfare to join its Board as a first step in determining how the employment and social services will need to position themselves for large-scale worker fall-out and impending social and community implications.

2.4. Conclusions

Getting Kosovo back to work, creating an institutional framework for knowledge and skills for new labour market entrants and ensuring that managers and workers have the necessary competencies for enterprises to meet the pressures of local and regional competition, should be the key aims of a Kosovo employability strategy. The primary conclusion of the peer group is that Kosovo's key stakeholders' understanding of employability is not sufficiently developed at this point to ensure the necessary collective effort required for Kosovo to address employability both strategically and effectively.

A number of options have been put forward in this chapter to prompt a more integrated process for stakeholders to ensure better policy connections and joint measures to enhance employability.

2.5 Recommendations

Capacity building and modernisation of local employment offices

A serious and immediate effort is needed to ensure that local employment offices (in terms of staff capacity and infrastructure) provide a minimum and acceptable level of service expected in developed economies.

In terms of infrastructure - information and network communications - the peer group stresses that the issue here is not luxury. What is needed is to put in place public employment support structures to serve the needs and interests of all stakeholders in the evolving market economy (unemployed, employers, employees, community development organisations /civil society) on a par with the minimum service provided in other parts of Europe. Existing small scale, ad hoc projects will not be sufficient to do the job.

The peer group recommends that a larger international or multi-lateral organisation take this recommendation on board.

In the interest of Kosovo's institutions working more closely with wider EU structures in the future, all structures where possible should reflect the EU guidance and practice on development of public employment services.⁶

National Employment and Manpower Development Forum

During its fact-finding and dialogue process on the ground, there was a strong impression that employment was considered a 'one-ministry affair'. Generally, local observers considered employment and particularly unemployment as the sole concern of the Ministry of Labour and Social Welfare. It was not considered as a governmental or cross-stakeholder concern where all key parties have a role and responsibility in the interest of economic competitiveness, stability and sustainable development.

Given the seriousness of the employment scenario and the risks to social and political stability, a high level forum involving key stakeholders (including social partners, civic interest groups) and other government departments (e.g. Prime Minister's Office, Ministry of Finance, Ministry of Trade and Industry) should be considered. The Forum's brief should be to establish a permanent dialogue on employment and workforce development where policy connections can be established, progress can be monitored, and political support assured in order to effectively tackle the unemployment crisis and related social hardship and poverty

⁶ European Commission (1998). Modernising Public Employment Services to support the European Employment Strategy. COM(1998) 641 (13.11.1998).

issues. Education and training concerns, measures to address the informal economy and coordination in employment research should feature within the Forum's brief. Support in the form of both financial and technical assistance for such an initiative should be sought from an external partner.⁷

Interest expressed by stakeholders in linking the forum to a wider regional dialogue involving governments and social partners concerned with employment and manpower developments from neighbouring countries for employment should additionally be considered (South East Europe Standing Conference on Employment and Workforce Development), as part of the wider bid to promote political, economic and social stability in the region.

Employment service and links with non-statutory service providers

The peer group was impressed with some of the proactive employment services being delivered by non-governmental organizations and inter-governmental bodies. In particular, more capital could be made by the Ministry of Labour and Social Welfare of the efforts and contribution of the International Office of Migration - employment assistance (information, vocational counselling, referrals, tool kits, vacancies database) and small business/self employment advice services.

The peer group recommends that the Ministry of Labour and Social Welfare with municipal authorities consider options as to how the better performing IOM employment support services could be integrated or associated with the existing statutory provision (e.g. phase-in to statutory services or alternatively by way of structured co-operation or contracting of IOM services) to assist the employment service in making its strategy of prevention and activation more effective. Where demands on public services are expected to increase e.g. in municipalities where factory downsizing or closures is scheduled, IOM operations could be called upon to meet demand or assure additional services.

⁷ This proposal could possibly connect with the recommendation for a high level task force to address minority employment concerns. See para 6.4.

3. The role of international players

3.1 Context

International players are very prominent in mainly two spheres in Kosovo. The primary role of international players within the ministries and administration of Kosovo has been the provision of international experts at all levels of government to assist with capacity building. The key ministries in employment (education, labour and trade) all benefit from international expertise. Since the government election in November 2001 there has been a shift in emphasis away from these players and responsibility has gradually been taken over by Kosovars at all levels of government in a process which has been labelled 'Kosovarisation'.

The second role has been the involvement of international donors in providing funds for the development and implementation of the policies of the respective ministries. The Ministry of Education Science and Technology has adopted an innovative method of creating 'lead' agencies which are directly responsible for the funding and implementation of certain key aspects of the ministries' functions, e.g. curriculum development (UNICEF), vocational education and training (GTZ), teacher training (CIDA), assessment and evaluation (World Bank) and special needs' education (Helsinki Group). This method appears to have attracted large resources of funds to the Ministry of Education Science and Technology but may have led to isolation of the vocational education issues from wider education developments. For example, curriculum for the vocational schools was not included in the overall school curriculum that was developed.

The Ministry of Labour and Social Welfare on the other hand has had relatively little donor support. Most support to date has come from 2 donors (Italian and Danish governments) and has concentrated on the setting up, equipping and operations of 8 adult training centres throughout Kosovo. This has led to 8 separate centres being established. Co-ordination amongst different donor-supported centres in the form of curriculum, standards, instructors, etc needs to take place.

Other donors supporting employability are the European Agency for Reconstruction

with funds from the European Union for a vocational education and training programme and ETF that provides technical expertise on the ground to all stakeholders with small-scale funding for pilot actions.

Among other non-governmental training providers who are operating in the vocational education and training sector are the IOM and Mercy Corps.

3.2 Policies and actions

The effectiveness of the 'Kosovarisation' process in the Ministry of Education Science and Technology is visible in some instances where some individuals have benefited directly from either working closely with an international expert or being involved in the programmes being implemented by the lead agencies.

There is evidence though in some areas that this handing over of expertise to Kosovars has not been sufficient as often international players were also the main implementers without much time or effort spent on building the capacity of a counterpart (in some instances no local counterpart could be identified).

A clear constraint in the mentoring exercise between local and international staff has often been a language barrier while a lack of resources within key ministries to translate documents accurately and speedily for utilisation in initial policy discussions has acted as a brake for information and knowledge transfer.

During the site visits to the adult training centres by the peer group, there was evidence that some Kosovar trainers had benefited from the development of the centres and had taken full responsibility for their respective subject areas. However, this was not the case in all subjects where in some instances international trainers were still the key trainer. Further, there was little evidence that sufficient capacity had been built of the Kosovar directors of the adult training centres who would soon be taking over full responsibility for the running of the centres.

3.3 Cooperation with national authorities of Kosovo

In general, cooperation with the national authorities of Kosovo from all international donors was apparent in the form of contractual commitments between the respective ministries and the donors involved. Cooperation was mostly limited to a bilateral agreement with little links to other projects and programmes, other ministries or donors. In some instances national committees comprising the broad range of stakeholders have been set up to oversee the project implementation, e.g. a vocational education and training modernisation programme funded by the EU. This cross-stakeholder approach encourages cooperation, knowledge sharing and more inclusive processes for policy development and could be followed by other donors.

3.4 Links and gaps

The peer group found that good links had been established between the Ministry of Labour and Social Welfare and the Ministry of Education Science and Technology at central level. It is possible that this cooperation is prompted by international support. Interfaces with social partners, while evident at project or training centre level, were just emerging at central level while cooperation of the Ministry of Trade and Industry with other partners to employability was weak reflecting perhaps the absence of 'pressure' from international partners for cooperation.

Existing linkages at central level need to be strengthened and emulated at the local level to enhance programme delivery and to maximise utilisation of resources.

Links need to be established between all international donors supporting employability to bring better coherence to the overall reform and modernisation effort.

3.5. Conclusions

There is clearly significant potential for knowledge transfer and capacity building of the Kosovar administration and in particular for those ministries directly

responsible for policies, structures and measures impacting on employability.

Cross-ministerial cooperation is for the most part satisfactory but social partners need to be better integrated into the policy development dialogue and structures. The international donors could help enhance a more inclusive process by building in conditions and support for cooperation within their financial contributions.

3.6 Recommendations

In terms of practical, immediately realisable recommendations, the peer group presents two ideas for consideration by the stakeholder group.

Enhanced donor co-ordination

To help with the range of existing internationally supported actions and future possibilities, it is recommended that one of the key ministries involved in employability developments take responsibility for setting up a donor coordination meeting to facilitate programme planning and dialogue.

Further, all donor implemented programmes should ensure that knowledge and skills' transfer occurs between international experts and Kosovar counterparts so that programmes are sustainable and institutions profit from expertise available.

Insofar as possible, donors should encourage and actively promote cross-stakeholder planning and implementation on all measures whose objective is to promote employability. This will instil a culture of cooperation and more inclusive and democratic practice in the bid to further employment and skills in Kosovo.

International support for social partners

Finally, in terms of institutional capacity building, the peer group had a distinct impression that the notion of institution building by international observers was confined to state institutions. Developing modern and democratic institutions should not exclude social partners and civil society. This said, perhaps the weakest partner in the employability development dialogue in the stakeholder group was the confederation of trade unions (BSPK). The

BSPK was also the partner least supported by the international community. The peer group recommends that a capacity building plan be drawn up for BSPK with particular reference to employment, skills and manpower reforms

and a donor be identified to ensure that BSPK 'catches up' with its counterparts in the reform and development discussions. This should include support for BSPK's international operations.

4. Absorption capacity of the labour market

4.1 Introduction

In the best of circumstances, a healthy labour market depends on a healthy economy. Kosovo's economy is far from healthy. Set against a decade of economic oppression in the 1990s, a war and wider regional conflict, lost markets, non-productive industry and a non-existent technology base, employment perspectives are grim. The capacity of the economy to accommodate workers is strikingly poor and no immediate solutions are in sight.

This chapter addresses a number of issues that the peer group considered critical to improving the employment potential, given existing economic circumstances and the shift towards a market based system. Firstly, the key macro-economic factors, including inward investment, are addressed with particular reference to business development and employment. Secondly, the peers consider the challenge for all stakeholders: how to deal with worker fall-out consequent to factory restructuring and plant closures. Thirdly, a thriving informal economy raises questions as to the seriousness of unemployment data and ethics of the business environment. Finally, how sustainable is the flourishing small business sector and what further efforts can be made to develop SMEs - essential for employment creation?

4.2. Economic trends: implications for employment

At first sight, the key economic indicators for Kosovo appear impressive: annual growth rate in 2002 standing at 7%⁸, inflation holding steady at 6.5%, investment at €1.6bn with GDP estimated at just under €2bn⁹. A closer look at what lies behind the data reveals another picture.

Firstly, 'growth' is essentially starting from zero. It reflects a) a post-conflict

construction boom that is now levelling out and b) a vibrant service sector established on the arrival of the international aid machinery where questions of sustainability are raised as international operators begin to close up.

Secondly, unlike other economies in early transition, inflation is being kept under control thanks to the introduction of the Euro in 2002. As one of two non-EU countries¹⁰ that have gone 'Euro' this means that effectively monetary policy is set by external forces - the European Central Bank. The impact has been a rise in prices - very difficult for local people but more stabilising in the medium term.

Thirdly, with imports in 2002 totalling €759m compared to exports at €201m it is clear that Kosovo is contributing well to the economies and employment scenarios of other countries (imports: 25% Macedonia, 20% Serbia). This underlines the need for investment to improve Kosovar business production, quality, management and market access that ultimately will improve local employment opportunities.

And with an estimated 57% unemployment, a significant demand is being made on the public purse in the form of welfare support payments. Welfare payments¹¹ make demands on waged workers and viable businesses adding to existing strain on business development and the economy, as a whole.

Finally, with the lion's share of investment accounted for by donor funding and set to tumble as the international community moves on to new priority regions efforts to improve inward investment will be essential for growth and jobs.

4.3 How realistic is the investment option?

Where will the investment come from, needed to develop the economy and ensure employment? Critical factors are

8 compared with an average EU Member State growth rate, 2%.

9 All data taken from, Macro economic data 2002. Fact Sheet Kosovo, October 2002, p. 4. (UNMIK, Pillar 4).

10 Neighbouring Montenegro adopted the Euro as its currency in 2002.

11 approximately €64.7m for social welfare related payments. More detail from, [The New Kosovo Government. 2002 Budget](#): (UNMIK, 2002).

security, political stability and a reliable energy supply. Until these have been properly established in Kosovo, inward investment sufficient to generate a functioning market economy that could accommodate the unemployment swell is unlikely. However, all is not gloom.

The US government, for example, provides backing and cover for private investment in 'risky' areas overseas.¹² Kosovo is now a target country for risk insurance investment. The employment implications of risk insurance investments could be better integrated into the investment discussions and should be monitored. Slovenia also provides investment cover for its enterprises. Other governments could follow suit in providing 'risk' cover to investors.

A second development line being followed by the Kosovo Trust Agency is engaging the diaspora into investment. Diaspora networks clearly have significant potential for generating inward investment but further mileage could be made by broadening the dialogue with the diaspora to include access to external markets, and 'back home' management and knowledge transfer to SMEs helping to sustain small business development, creating jobs and promoting growth.

Further, with some 50% of the population under 25 years of age, there is a clear advantage for promoting new skills and workplace attitudes in a young workforce. Information technology trends elsewhere and implications for the youth labour market in particular is worth serious reflection by Kosovo's government in the bid to cut joblessness, enhance competitiveness and buy into wider 'knowledge society' developments in Europe.¹³

12 Since 1971, the US's Overseas Private Investment Organisation has supported \$142 billion worth of investments, generating over \$11 billion in host-government revenues and create over 673,000 host-country jobs.

13 EU Heads of State and Government agreed at their summit in March 2000 to make Europe by 2010 'the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and great social cohesion' (Lisbon Strategy). Education and training would be central to achieving this objective (Barcelona Summit, 2002).

4.4 Industrial reform and privatisation

With over half the active population out of work and an industrial reform agenda already quite well advanced the question is what is the likely impact on 130,000 workers employed in the socially and publicly owned enterprises?

First steps in the industrial restructuring process – the commercialisation programme – suggest that there has been moderate success with 2,200 jobs approximately retained/created within 16 socially owned enterprises within the next 10 years. However, by its own admission, the Kosovo Trust Agency that is responsible for the privatisation effort cannot guarantee that the jobs' obligations will be met.¹⁴

At the early stage in the downsizing process, every effort should be made to ensure that workers with knowledge and skills are retained in viable business units and in keeping with the spirit and provisions of labour legislation specifically addressing industrial restructuring.¹⁵ This will require partnership - a close dialogue and planning process between all stakeholders. This is not happening. The objective of a partnership process should be:

- determine wider local economic development opportunities;
- optimise maximum employee retention in-company through re-skilling;
- allow public services (e.g. job counselling and support services, training centres, adult education provision, business advisory services) to be ready to accommodate lay-offs following plant closures.

Ideally, such dialogue and planning should happen at local level, in full co-operation with the Kosovo Trust Agency and investors and be framed within a strategic local economic and employment regeneration framework. Spin-off businesses i.e. new holdings established from viable SOEs or units thereof will be critical in maintaining and contributing

14 Shala, Ahmet (2002). Privatisation: tenders to be called soon. Focus Kosovo. December 2002.

15 UNMIK (2001). Essential Labour Law, Regulation No. 2001/27. para 12(2)(d). 8 October 2001.

further to local economies and employment development.

4.5. Informal economy

An informal economy, although not sufficiently researched, is a key feature of rural communities in Kosovo while street trading is vibrant and carried out very openly in urban areas. Construction, market gardening and auto-mechanics are considered key sectors for informal employment. Over 24% of businesses operating in the informal sector do not pay taxes or employer contributions.¹⁶ Workers employed in the informal economy do not appear in employment statistics; do not pay taxes nor pensions contributions. The contribution of the informal economy to macro economic statistics in terms of GDP and consumption is absent. A system of incentives for the informal economy to participate in the formal economy needs to be established.

All this begs the question: if the informal economy in Kosovo is so energetic is the employment situation really as critical as is made out to be?

What is missing is comprehensive and reliable data. Employment services, Ministry of Trade and Industry, SME Observatory, the Kosovo Office of Statistics, municipalities and other organisations with knowledge and diverse data sources should be encouraged to take a more integrated approach to develop intelligence on the informal economy. This could eventually evolve towards a co-ordinated strategy as to how those operating in the informal sector could be encouraged to shift to the formal sector.

A reflex by the authorities to penalise informal businesses should not be a first option, for two reasons.

Firstly, Kosovo's informal economy is very much institutionalised – a legacy of the 'parallel' economy established in the 1990s to circumvent oppressive legislation introduced by Belgrade. It will take time, education and awareness by the informal sector and its workers to appreciate why an informal business culture is counterproductive to society's interests

16 Riinvest (2002). Households' Survey. Prishtina. December 2002.

and that good business ethics is important for Kosovo's future.

Secondly, and perhaps more importantly, the jobs created in the informal economy often ensure income for families and community upkeep, particularly in rural areas where poverty and hardship are most extreme. In the medium-term, rural development actions, supported by international donors could eventually promote economic development with particular emphasis given to non-farm activities in order to diversify rural economic activity. Such measures are considered important in the bid to counteract rural poverty and unemployment in transition economies.¹⁷

4.6. SME development

Some 47,466 small and medium sized enterprises are now registered accounting for 90% of all enterprise activity in Kosovo. These employ approximately 161,000 workers.¹⁸ There is clearly significant employment creation potential in the SME area and efforts in promoting small businesses should not slacken.

The peer group observed that support for SME development, including micro enterprises, straddles a number of different players (e.g. Ministry of Trade and Industry, Ministry of Labour and Social Welfare, regional development agencies, enterprise oriented NGOs) with little coordination between them. While at institutional level this can often happen, the key issue is how this is perceived by the SME owner/manager or budding entrepreneur. And how can s/he be assured of the correct reference point for help, when needed?

Kosovo does not need parallel SME support structures. Serious consideration should be given to establishing a co-ordinating mechanism to maximise overall impact of the SME development effort in Kosovo. Its mandate should include donor co-ordination given the wide range of external business support interest.

17 EBRD (2002). Transition Report 2002. Agriculture and Rural Transition. European Bank for Reconstruction and Development. London. Chapter 5.

18 SOK (2001). Business Registry of Kosovo. Prishtina. 30 September 2001.

Gathering evidence of the training availability for SMEs was not easy. The peers noted that an SME Observatory within the Ministry of Trade and Industry had been established and one of whose tasks was to host key information on SME information and support services, skills needs, training providers and training availability. This function did not appear to be operational. The idea is worth resurrecting and could be combined with the SME co-ordination mechanism proposed above.

4.7 Poorly skilled workforce

Perhaps, the most striking challenge to businesses already operational on the market is ensuring necessary skills to remain competitive. Data for 2001 indicate that some 54% of job seekers had no qualifications - a core group handicapped in the employment market and at a significant disadvantage. Put this figure alongside the statistics for long-term unemployment (those out of work for more than a year) and there are the makings of an unending spiral of structured unemployment.

4.8 Conclusions

There can be no magic solutions to Kosovo's economy or its employment scenario. It has to cope with double-disadvantage: set backs from the 1990s (including the inheritance of a parallel economy) and the impact of a war require a 'catch-up' process. Simultaneously, Kosovo is shifting to the open market. In the policy development process immediate concerns to address employment and social hardship (e.g. public authorities and social partners working with the informal economy) should be considered alongside longer-term goals to establish a competitive private sector able to co-operate and compete in regional trade and European markets.

4.9 Recommendations

Establish local economic and employment partnerships

Macro economic policies are having little impact at local level in terms of jobs. This will take time. Bottom-up measures are

necessary to ensure that communities feel that the transition process can bring results more quickly to local people.

The peer group recommends that a concerted effort be made by all stakeholders to develop meaningful co-operation at local level to enhance local employment and skills but as part of a municipal economic development plan and linked directly to discussions/scheduling of large-scale factory closures. Local employment and economic partnerships (municipality, employers, community interest groups, local employment offices, training providers, business support institutions) should be established to address local socio-economic concerns.

Ideally, and as a first step, any measures should be piloted in a select number of municipalities with the objective of determining how local partnerships can effectively develop local solutions in promoting local economic development and job creation.

The pilot projects should involve technical assistance to the selected municipalities where expertise must address the crosscutting policy areas:

- partnership approaches to local economic development;
- industrial restructuring;
- employment creation;
- community development including social economy;
- skills' development and policies related to social inclusion;
- training centres.

A schematic overview of a possible project is available at Annex II.

A first step could involve pilot actions at selected municipalities hosting SOEs scheduled for restructuring and privatisation. The objective of the pilot projects should be to determine how local partnerships could effectively develop local solutions in promoting economic development and job creation.

Co-operation with the Association of Kosovo Municipalities and all central stakeholders will be critical to sustainability and success. Consideration should additionally be given to the creation of a local economic and employment generation fund. Discussions within the Ministry of Labour and Social Welfare on

an 'employment fund' are in this direction.

Support to SMEs: co-ordination of effort

More mileage could be made from the range of different players and donors to SME development in Kosovo if a co-ordinating mechanism could be established. SMEs are the key to addressing Kosovo's economic malaise and are essentially the only real option for creating employment.

The peer group recommends that one of the key Ministries take responsibility for establishing a framework for SME and micro enterprise development, including training and information services.

Finally, steps being taken by the Ministry of Trade and Industry on certification of SME training should be integrated into the wider certification of training discussions already well advanced between Ministry of Labour and Social Welfare, Ministry of Education, Science and Technology and social partners.

5. Vocational guidance and counselling

5.1 Introduction

A modern vocational education and training system will incorporate services to provide learning institutions, enterprises, employment support services and individuals with systematic information and assistance in determining choices and options for human resource development. Changing circumstances of market economies and the flexibility of workers and enterprises to adapt to such changes require vocational guidance and individual counselling to steer those in the labour market towards employment opportunities and re-skilling programmes.

The vocational guidance and counselling services in Kosovo will be instrumental in promoting labour market options for the following target groups: school leavers, first-time job seekers, the unemployed and those at risk of unemployment. Vocational guidance and counselling are particularly important when addressing large-scale industrial reforms where professional and targeted services can be called upon to assist with redundancies and re-deployment efforts.

Given the early days in the reform and development of vocational services in general, the peer group considered the role and contribution of a new vocational guidance and counselling service in Kosovo set against competing priorities for scarce funds, evolving institutions and a growing awareness of the need for professional support to address high unemployment and the human resource implications of industrial restructuring.

5.2 Key policy developments for vocational guidance and counselling

Existing provisions for educational and vocational guidance and career information in Kosovo originate from the ex-Yugoslav system, where employment offices were responsible for provision of vocational guidance. This system started to break up down at the end of the 1980's and had virtually collapsed by the mid 1990's.

The Essential Labour Law is the primary policy document for employment regulation in Kosovo. It does not offer a statutory base for vocational guidance provision. The Law provides for a Tri-partite Council, which has been set up, but proceedings and outputs of the Council are limited due to the Council's recent establishment. There is now clearly an opportunity for the Tri-partite Council to consider economic development, employment and wider social policy issues in a more structured and inclusive forum. Further, the statutory authorities have an opportunity to work in partnership with representatives of the Council e.g. participation within the proposed National Skills Board, ad hoc working groups etc. The peers consulted three strategic papers that provide a framework for adult vocational guidance and counselling services and concentrate on development of primary vocational guidance and counselling services.¹⁹

The key activities in the short-term are:

- creation of specialist teams of vocational counsellors within the network of regional and municipal employment offices;
- staff development measures;
- development of key tools, testing materials and information required for the administration and delivery of a modern vocational guidance and counselling system.

Longer-term perspectives include:

- creation of Vocational Guidance and Information Centres networks linked to the network of employment offices;
- full implementation of vocational guidance methods for individual and group vocational counselling;

19 a) TDLSW (2001). Formulation of a consolidated employment policy (2nd draft). November 2001.
b) TDLSW (2002). Supporting the unemployed and job-seekers in Kosovo by enhancing employability: a strategy for vocational training. February 2002.
c) ILO (1999). Technical cooperation programme for skills' development for the reconstruction of Kosovo Strategies for vocational guidance and counselling. International Labour Office, Pristina.

- revamped occupational classification system compatible with regional and EU systems.

There is no strategic framework for vocational guidance and counselling services in the general education system although the Ministry of Labour and Social Welfare plans includes dissemination of vocational guidance and information through future vocational guidance and information centres and the wider education system.

5.3 Vocational guidance structures and services

Vocational guidance, career information and counselling services presently operate separately in terms of provision and there is no cross-stakeholder dialogue framework for sharing and development of a common system.

The network of labour offices

The employment service of Kosovo consists of a central office in Pristina, seven regional employment centres (with training centres attached) and 22 municipal employment offices.

Employment advisors and regional vocational training coordinators furnish information on training needs and provide guidance to unemployed and those at risk of unemployment. Initial staff training has been delivered by ILO experts on vocational guidance and counselling.

The main activity of the vocational guidance services is job mediation. The number of job seekers finding jobs by way of mediation services provided by the employment offices is on the increase (3,018, 2000 and 4,528, 2001). This demonstrates an improved performance of the employment services arising from internal organisation, staff training measures and a growing awareness by the public of the services available.

The employment offices use manual registration offering very limited possibilities in terms of circulation, statistics and matching by specific requirements. This reflects the general poor material conditions of the employment services, particularly at municipal level. There is no register of unemployed available (data reflects job seekers only which is a different target

group), and no counselling activities are planned for workers facing redundancy. This is a critical gap given the plans for privatisation and imminent plant closures.

Education system provisions

Discussion on a school-based guidance system was only initiated with the introduction of an 'orientation year' or '9th grade' in September 2002. The '9th Grade' was introduced as an integrated part of compulsory schooling. The objective of the orientation year is to assist the school leaver with determining options and helping with decisions on his/her future career. A key principle of the 9th grade year is to allow pupils to experience the world of work in chosen professions and to be able to evaluate their own abilities and preferences. All students should obtain insight in four orientation areas in an extended period of time and deeper insight in one of the areas by individual choice. Vocational guidance is foreseen to ensure that school leavers have a broad view across orientation fields and a school-leaving examination at the end of the '9th grade' should be considered the condition for students' access to gymnasias and higher vocational schools.

The peer group considered the concept of a '9th grade' very worthy but feedback from teachers particularly indicated that it was 'rushed in' without sufficient discussion and planning. A further concern of the peer group is that employers would not appear to have been sufficiently involved in the dialogue and development plans.

Apart from the '9th grade' work preparation measures, there are no systematic activities of vocational guidance and counselling provided at the upper secondary school level. Some vocational schools however offer information on their training capacities and provide counselling to individuals and local enterprises at training entry stage. Young people in transition from school to labour market do not get any counselling. Little information is made available to school leavers on job opportunities. At the same time a very low proportion of youth population seek the assistance of public employment services. Better connections between school leaving support services and the employment and adult training environment is recommended.

NGOs and wider community-based actions

Some NGOs provide employment support, vocational guidance and counselling and vocational training. A key service provider is IOM (see chapter 2) providing information and counselling with job preparation and support measures for employment and self-employment. Other smaller, community-based organisations provide job assistance/training services but as part of a wider mandate. There are very little linkages between NGO projects and the employment services.

Discussions between the education and labour ministries have addressed this factor in the past with draft proposals particularly for certification of NGO training. The discussions should be brought forward to include options for including non-statutory vocational information and guidance services.

There are some positive community-based development programmes where vocational training centres, small entrepreneurs and local employment services provide practical training for existing needs of the skilled workforce. In particular, the peer group was impressed with the SME development park in Zvecán where vocational training, SME advisory services and incubator facilities are located in one site to promote local economic development. Although still early days in Zvecán, the peer group consider the business park concept, combining a range of economic and employment support services, as worthy of duplication elsewhere in Kosovo. Good monitoring and evaluation should ensure that lessons learnt are transferable.

5.4 Conclusions

It is still very early days for vocational guidance and counselling services in Kosovo. Small-scale measures, particularly within the public employment services, provide a foundation for development but at this early stage more coherence, if not in planning, at least in dialogue should be taking place between the principal actors. EU policy signals should not be ignored in the interest of putting in place a system that will evolve

and approximate EU vocational guidance developments.²⁰

A single vocational counselling and guidance system will be required. Hence, ad hoc developments at this stage should ideally be couched within a broader vision as to where Kosovo's key institutions foresee future developments.

On a positive note, the peers consider that the key ministries (labour, education) and other institutions e.g. Tri-partite Council are now in a position to take straightforward, strategic steps to build up common policies and institutions. Given the importance of good professional services in vocational guidance and counselling for the education system, labour market institutions and employers, it is perhaps timely that an open discussion takes place as to what form of policies and institutions would be required in Kosovo to assist with vocational guidance and counselling. This should include how they should be financed and managed and borrow on experience from other small countries in the region and European Union.

5.5 Recommendations

Institutional framework, legal basis and financial issues

The Ministry of Education, Science and Technology and the Ministry of Labour and Social Welfare and social partners should dialogue and determine which options are possible for an integrated vocational guidance service. This discussion ideally should be located alongside other common institutional developments e.g. certification, occupational classification and ideally within the framework of the National Employment and Manpower Development Forum, should this be established.

Agreement will be required on the main legal issues (definition of the main objectives, institutional basis, division of responsibilities between ministries) for further provision of the vocational

20 e.g. provisions for vocational guidance within life-long learning perspective for the EU. Communication on Lifelong Learning (2001) [Making a European Area of Lifelong Learning a Reality](#) and [Joint Employment Report](#) (2001) which recommends greater attention to be given to VCG services.

guidance and counselling. At the same time, there should be an agreement between key ministries on the financial responsibilities for the vocational guidance provision. The vocational guidance provision should be met by a national budget.

Staff development for vocational advisors: employment offices, schools

It is recommended that a staff development plan for the counsellors at the employment services, schools and other vocational guidance and counselling providers be prepared by education and labour authorities (and other interest groups, as appropriate). The development plan should include the methods which should be used in group and individual counselling, networking between different institutions providing vocational guidance and counselling, the number of staff and time table of training. Training should be provided by national experts already trained by the ILO and external trainers. Infrastructure (e.g. information networking systems), testing materials and other working tools should be developed and standardised across the education and training environments.

Consideration could be given to a pilot vocational guidance centre to be linked to the wider national resource and guidance centres in the South Eastern Europe region and in the European Union and follow on-going developments proposed by the EU in its 'Copenhagen Declaration', in particular, the EU's technical working group on life-long guidance coordinated by CEDEFOP.²¹ The centre should provide also good connections and exchange of expertise between all local players and stakeholders.

Vocational guidance at school level

Given the absence of a vocational guidance service within the education system, interim provisions could be considered while the wider institutional plans are elaborated (earlier recommendation). In addition to the 9th grade initiative, there should be a systematic approach of vocational guidance development from 1st grade of primary school (introduction of different professions, discovery of professional interests) through to professional employment counselling and career services for third level and university students.

21 European Union (2002). Declaration of the European Ministers of Vocational Education and Training, and the European Commission on enhanced European co-operation in vocational education and training. Copenhagen, 30 November 2002.

6. Employability support services for minorities

6.1. Introduction

Ethnic differences are deeply embedded in Kosovo's history and the issue is still emotionally very charged, three years after termination of the last violent conflict.

Although all minority groups can be said to have their own specificities and problems, the main focus for the peer group was the Serb population that, as a general rule, lives in isolation from mainstream Kosovo society.

Reconciliation between the Serb minority and the majority Albanians, slow as it is, will be a key issue for stabilisation and development processes, including possible realisation of Kosovar aspirations as to the future status of the country. Whatever the final solution, the relationship with the EU is set to be an important factor and this has significant ramifications for Kosovo's economy, social and democratic development.

The general policy statements of government on inclusion of minorities reflect awareness and recognition thereof as do the policy documents of the Ministry of Labour and Social Welfare and the Ministry of Education, Science and Technology.²²

Although all sectors of society are potential actors in the reconciliation process, education and training systems and the labour market are potentially key "movers". Concrete contact between people who are learning and/or working together carries strong potential for assisting the reconciliation process in the long term. Promoting employability of the minority groups will be an important investment in the future of Kosovo at community and individual levels.

6.2. Key facts, activities and issues

The majority Albanian population constitute approximately 88% of citizens.

The minorities are 6% Serbs, Roma (2%), Turks (1%) and others (3%).²³

The available data on employment indicate some differences by ethnicity: the overall unemployment rate is estimated at 57% with the Albanian majority at 56.6%, Serb community resident in Kosovo, 64.3% and other groups at 56%.²⁴ These differences can hardly be considered alarming in the context of the disastrous employment situation in Kosovo, as a whole. By comparison, the differences between men and women and between education levels are more pronounced.

Mixed schooling initiatives are generally not evident outside primary education. At upper secondary level and above, students from the Serb minority are restricted to the limited provisions inside the enclaves, whereas students from the other minorities are engaged in mainstream education structures and activities.

The peer group was pleased to note ongoing training activities targeting Bosnian and/or Roma students at the technical schools of Shaban Spahija in Peja and Nexhmedin Nixha in Gjakova. Training provisions at these schools seem mostly to be organised in separate groups according to ethnicity but occasionally students are taught in mixed groups.

The Ministry of Education, Science and Technology demonstrated promising results of 'catch-up' classes for Roma and Ashkalia children. The 'catch-up' provision could be considered duplicating for other age groups.

No mixed education or training projects are reported to involve Serb participation. According to the Ministry of Education, Science and Technology investments are needed for Serb upper secondary and higher education but the problem lies partly in financing and partly on concerns as to how segregation may be avoided. The Ministry of Labour and Social Welfare clearly highlights training and support services to minority communities in its

22 Hethy, L. (2001). Policies on minorities, TDLSW 19. February 2001 and Draft law no. 2002/xx 13/6 2002 on Primary and Secondary education in Kosovo, section 5.

23 UNMIK (2002). Fact Sheet Kosovo (October 2002). UNMIK Pillar 4, p.1.

24 MLSW (2002). Kosovo Labour Force Survey, 26 June 2002. Ministry of Labour and Social Welfare.

strategy documents but little data is available to determine if the strategies are being implemented.

The peers noted that special efforts are being made by the Ministry of Labour and Social Welfare to promote cross-community training provision and to meet demand for vocational guidance and counselling in selected Serbian communities. The employment services in Serbian enclaves are linked to the employment service network in Serbia. At the moment they do not recognise the Kosovar labour authorities (Mitrovica North) though the Serbian authorities are not able to provide sufficient counselling and job mediation activities. Clearly, parallel systems for vocational guidance and counselling cannot be sustainable and will undermine efforts to establish a single, coherent system for Kosovo. The issue should be raised with the Belgrade authorities with services co-operating and integrating fully within mainstream Kosovo policy and institutional developments.

In short, present mainstream education and training provisions and Kosovo's labour market environment would not appear to reflect policy statements. Very little is being done to promote minorities' employment and skills. Initiatives aimed at the minority groups are scarce and with no overall co-ordination. Initiatives aimed at mixed employment or training for employability are rare. And according to the data and information available to the peers, cross community initiatives aiming to bring Serb and Albanian workers/trainees together particularly are difficult to identify.

This said, the peers are conscious of the political, institutional and psychological factors that play on this process.

Firstly, unemployment is critically high for all communities. Given data available, differences between regions and gender are more acute than differences between the various ethnic groups. The Serb minority factor, in particular, is highly political and evokes strong feelings adding to the tendency to avoid tackling the issue in any direct and strategic way. Further, present community-specific initiatives for employment and skills may inadvertently reinforce division. Kosovar cross-community developments on employability are unlikely given the absence of driving mechanisms to pave the road from

awareness, recognition and policy towards commitment and action.

Secondly, until individual and community fears are addressed and the security situation is improved, workplace democracy allowing for safe and secure work environments for all employees cannot be assured. The result will be continued division. The peer group notes that despite highly co-ordinated efforts by the police and military forces, the level of risk in particular for the Serb and Roma communities continues to be a concern for international authorities.²⁵

Thirdly, a paucity of teachers in minority languages restricts education and training delivery to minority communities. Without teachers the learning process is severely constrained.

Lack of adequate financing for vocational education and training is a major problem given competition with other public spending priorities. This is likely to frustrate any attempts by central level decision makers to strategically address cross-community projects. Considerable investment, at least initially, would be necessary to engage all parties into co-operation exercises that could have demonstration value. Meanwhile at local level, many vocational schools and training centres are currently fighting very harsh material and financial conditions and lack the resources to initiate and fund special initiatives for minorities even if they so wanted.

6.3. Conclusions

The peer group's primary concern is that minority issues are weakly promoted in existing employment and training related policies and projects. This may further deepen the chasm between the majority Albanians and the Serb community, especially. If policies do not lead to real actions and visible positive development within reasonable time limits there is a real risk of further marginalisation of minorities and aggravated relations between ethnic groups. This will consequently prolong

25 UNHCR (2003). Update on the situation of Roma, Ashkaelia, Egyptian, Bosniak and Gorani and the potential impact of unplanned returns of these minority groups to Kosovo in 2003. Prishtina. 31 January 2003.

Kosovo's uncertain status and stagnant development process.

The group advises that stakeholders to employability in Kosovo focus on specific and practical solutions to enhance employability at ground level in the immediate term given that political solutions for economic and labour market reintegration of the Serb community into mainstream Kosovo developments will take time.

6.4 Recommendations

Entrepreneurship training for minority citizens

Given that adults from some minority groups will not be able to obtain regular jobs in short-medium term, the peer group recommends that education and training efforts target opportunities and prerequisites for setting up and running of micro businesses.

In the short term, this would require development of adult education and training programmes focusing on promotion of minority citizens' awareness of self-employment, access to advisory services and credit systems, counselling, training and follow-up support. A bridging mechanism with new labour market entrants will be important to break the cycle of young people going from schools directly into unemployment lines. Therefore, school based '9th grade' activities will require a self-employment/own business orientation.

In the medium and long term, school curricula for young people with self-employment as an integrated part should be prepared as well as steps taken to include entrepreneurial issues in curricula for the early age groups.

Cross community programmes for pre-vocational (9th grade) students

The introduction of 9th grade is a new opportunity in Kosovo for bridging school and labour market. It could also be an opportunity for efforts in bridging different communities - bringing young people together for concrete, cross community co-operation projects with a focus on labour market integration.

As a first step, the peer group advises that the Ministry of Education, Science and Technology and the Ministry of Labour and Social Welfare form a working group to determine how an initiative could be developed, financed and piloted for a select number of communities.

Joint training programs and networking for teachers

Teachers are role models for children, young people and adults. Professionals working in the education field should be encouraged to co-operate and form cross-community professional linkages that will provide good example while simultaneously providing a professional basis for the many challenges ahead for the teaching profession operating in a multi-ethnic country.

The peer group advises that networking arrangements and/or in-service training for majority and minority teachers are encouraged and that pedagogical methods to encourage tolerant and democratic behaviour are included as a priority. Support through formation of partnerships with schools or municipalities in countries with similar problems could be considered e.g. Bosnia-Herzegovina, Croatia, Northern Ireland. As a first step, the peer group suggests that the Ministry of Education, Science and Technology consult with teachers' trade unions to discuss and determine how to further develop and implement such measures.

High-level cross-ministerial task force

Targeted actions will only have any real impact and sustainability if they are backed up with approval and support from the highest political levels. Therefore, the peer group recommends the setting up of a high-level, cross-ministerial task force to prepare for a more medium-long term development process targeting fundamental, ethnically related problem areas in education and training delivery.

The task force should involve the Prime Minister's office and include the Ministry of Education, Science and Technology, the Ministry of Labour and Social Welfare, the Ministry of Industry and Trade the Ministry of Transport and social partners and civic partners. The task force should be entrusted with the overall responsibility for developing strategies, action plans and monitoring of employment, education

and training provision for minorities. The UNMIK Office of Returns and Communities clearly provides an immediate framework for such a venture but ultimately the issue is for Kosovo institutions to take the dossier.

Among the important issues for the task force to consider are language policies in education. The range of education and training possibilities for minority students at technical schools, training centres and university are restricted by a number of factors. But a process towards promotion of the Albanian language as compulsory

second language at primary, secondary and upper secondary levels would lead to widening of the training and employment possibilities for future generations of all Kosovo communities.

Finally, the stakeholders should consider how better planning and co-ordination with donors could target support for cross community programmes with particular reference to integration of minority communities into training programmes, business development and job creation projects.

7. Basic skills and employability

7.1 Introduction

Functional literacy and numeracy are a pre-condition for employment, training and further education of everyone.²⁶ Poor literacy and numeracy skills' effectively rule out access to jobs and contribute to economic and social exclusion. Further, enterprise potential is considerably reduced if workers do not have the basic skills to allow them to perform essential tasks contributing to inefficiency, counter productivity and non-competitiveness.

On the specific request of the Ministry of Labour and Social Welfare and the Ministry of Education, Science and Technology, the peer group reviewed the existing education and training provision for adult literacy and numeracy. The key issue for the group was to determine how poor basic skills (illiteracy and innumeracy) affect opportunities in an already difficult labour market and what can be done by the various stakeholders to address it.

7.2 Facts, indicators, issues

A first obstacle facing the peer group was a lack of data specifically on literacy and numeracy skills. A second was competing hypotheses amongst local observers as to the seriousness of an illiteracy and innumeracy problem within Kosovo. A third issue was one of definition – a lack of shared understanding as to what, in effect, is illiteracy and innumeracy.

Literacy

A review of available statistical evidence on literacy in Kosovo highlights a positive downward trend in illiteracy rates from the establishment of the Yugoslav Federation until the introduction of coercive legislation by Belgrade in 1990.

Average illiteracy rates in Kosovo in 1948 were estimated at more than 70%. With greater local control on education planning and delivery from 1975 onwards,

significant inroads were made on the illiteracy problem dropping to around 10% in 1978 (coinciding with a substantial increase in education participation from 38% to 72% in the decade commencing 1968).²⁷

More recent data suggests that there have not been any significant adverse effects on literacy for those schooled in the parallel system. UNFPA/IOM and Office of Statistics data (November 1999-February 2000) shows illiteracy rates of just under 5% for those 45 years or less but with a steady rise for older people, particularly women.²⁸

The 5% trend for 45 years and younger holds in a 2001 World Bank household survey. Data here demonstrates that illiteracy only affected 5% of the population aged 45 or younger with similar trends for both Albanian and Serb communities.²⁹ There are more disturbing figures for remaining ethnic groups with 15% of 18-25 years olds classified as illiterates rising to 22% of 16-17 year.

Numeracy

While data on literacy level was scant, the peer group had difficulty in finding data on numeracy levels. It would appear that innumeracy rates have not featured in the more recent data collection by the various agencies and research bodies, as they are not been considered a criterion for measuring educational attainments' or outcomes.

In the absence of data to measure numeracy skills, the task of the peer group for reporting on numeracy skills is not possible, apart from the assuming that a problem in numeracy skills could outweigh literacy skills following general trends elsewhere. For example, recent United Kingdom data demonstrates that while

26 The peer group took as its definition of functional literacy and numeracy the ability to read and write and to use mathematics at a level necessary to function at work and in society in general.

27 Alva, S., Murrugarra E., Paci, P., (2002). The Hidden Costs of Ethnic Conflict. Decomposing Trends in Education Outcomes of Young Kosovars. World Bank Policy Research Working Paper 2880. p 1.
28 UNFPA, IOM, Statistical Office of Kosovo (2000). Demographic, social, economic situation and reproductive health in Kosovo following the 1999 conflict. Results of a household survey.
29 World Bank (2001). Kosovo Poverty Assessment. Volume 1. Report N°23390-KOS. Page 35.

20% of the adult population has functional literacy problems, some 40% of adults have difficulties in functional numeracy. And even here data is controversial.³⁰

7.3 Policies and measures

Adult literacy and numeracy – policy and provision

In terms of adult literacy and numeracy education, there is no policy context or specific statutory provision, although efforts have been made by non-governmental organisations to meet specific needs particularly of women. With the withdrawal of many NGOs from Kosovo and a policy vacuum in this area, it is unlikely that literacy and numeracy education provision will be sustained. Further, none of the lead agencies for reform of education, in particular those responsible for curriculum, teacher training and vocational education have integrated adult literacy and numeracy into the development agenda.

Adult training provision does not include options for literacy or numeracy skills although an adult training strategy of the Ministry of Labour and Social Welfare foresees co-operation with the education services to meet specific skills needs in this area. At the time of the review, no strategic discussion on co-operation on the matter between the two authorities had taken place.

As for social partners, neither the employers nor trade unions have any specific policy position or support measures for improving functional literacy and numeracy of employees.

A case for a policy discussion between all stakeholders may be warranted as soon as reliable data is available. This could conceivably be couched within a wider debate on life-long learning that features within a cross-Ministry memorandum of understanding signed in 2002 with the European Agency of Reconstruction and where a small fund has been allocated.

Social partners must be engaged into the debate.

Assuming worrying data on literacy and numeracy rates was established, the issue could be registered with the planned National Skills Board to determine ways forward, including interventions and funding arrangements.

Divergent opinions

In its meetings with a broad range of stakeholders, the Peer Group encountered divergent opinions on the existence or otherwise of illiteracy and innumeracy. Broadly, these fall squarely into two camps: a) no problem and b) a problem exists.

Clearly, questions of basic competencies of individuals and society at large including scrutiny of quality and achievement in education services are an extremely sensitive issue. This is even more pertinent for Kosovo given its efforts to ensure a complete education delivery in the 1990s. Pride, achievement and community identity were central to the success of the parallel education system.³¹ These factors could also contribute to the perception of the 'no problem' camp.

It is more likely that a problem exists and is centred on a small but hard-core group, as are trends in developed market economies. Nonetheless, empirical data is required to back up this assumption and determine the level or seriousness of the problem. And baseline data will be essential. Some proposals as to establishment of baseline data are made later.

Another issue could be misunderstanding of illiteracy and innumeracy locally – a problem of definition. In the materials reviewed and in the more recent research undertaken involving comment on literacy levels particularly, there has been no definition provided on literacy which prompts the question – could the researchers have been investigating different phenomena?

The World Bank defined literacy as 'the ability to read, even with difficulty.'³² More

30 DfEE (1999). A Fresh Start: Improving Literacy and Numeracy. (The Moser Report) United Kingdom Department of Education and Employment.

31 Gribben, A.A. & Krissler, D. (2000). Education and training in Kosovo: post-conflict analysis and support perspectives. European Commission Task Force for the Reconstruction of Kosovo. p.5.

32 World Bank (2001) op cit. p.94.

focused interest in this area should set out with a clear definition of the issues which will in turn help in the measurement process. At least, in terms of employability, it is recommended that any future definition of literacy and numeracy be considered with respect to function/competence at work, in particular.

Minorities

From information available, perhaps the most critical issue is the data relating to illiteracy of non-Albanian and non-Serbian communities. With some 15% of 18-25 year olds and 22% of 16-17 year olds of other minority groups registering as illiterate (whatever the definition) in the 2000 Living Standard Measurement Survey there is clearly a problem that should be investigated urgently. Little has been said by investigators to date on how the 'parallel' years affected non-Albanian and non-Serbian communities.

The question is: did the state education system in Kosovo in the 1990s fail non-Serbian communities? Further, what are the employability implications today for these young people given the importance of basic skills for the labour market and what can be done to ensure skills' catch-up?

7.4 Conclusions

The case is strong for ensuring adequate levels of functional literacy and numeracy in Kosovo's effort to improve employability. Weaknesses in literacy and numeracy skills will act as a brake on an evolving economy that Kosovo cannot afford, assuming that the problem is sufficiently serious, in the first place.

The conclusion of the Peer Group is that without good empirical evidence on adult literacy and numeracy, policy making and strategic interventions would be premature. Relying on household surveys or other general social data collection methods will not be enough. Establishing more focused, baseline data from a range of sources should be a first step in determining if there is a literacy and numeracy problem and allow for primary policy orientations and priority setting.

7.5 Recommendations

Census and labour force surveys to gather data on basic skills' concerns

The ministries of education, labour, employment services, central statistics office and social partners ideally should all contribute to intelligence gathering ensuring a broad range of data which can be cross-referenced for validation. An upcoming population census, at present planned for April 2004, could address this data gap.³³

The key ministries (Education, Labour) should consider a joint request to the Kosovo Office of Statistics to ensure that the data requirements are discussed and integrated into the census tools.

Particular consideration should be given to the formulation of questions designed to tap literacy and numeracy levels within the population. Special attention should be given to how those schooled through the 'parallel' education, particularly in terms of duration of schooling (if this is to be criterion for determining literacy/numeracy levels). For example, number of years of education may yield more reliable responses for those schooled in the parallel system than level of schooling acquired if the parallel delivery processes involved mixed level classes.

Second, future labour force surveys ideally should allow for more targeted and probing questions on literacy and numeracy skills while assessment tools should be considered for introduction to local employment offices as a means of more reliable measurement albeit on selected populations. This will require training of employment service staff in assessment, particularly and should link into existing capacity building plans for vocational guidance and counselling.

Determine and capitalise on existing basic skills' training provision

A mapping of existing adult literacy and numeracy support projects should be undertaken to provide more detailed data on target groups and needs, and should allow for a cataloguing of teaching and learning tools which could eventually be called upon for extension to other projects.

33

Further, focused research on illiteracy is recommended by UNDP. Human Development Report. Kosovo (2002). p.53.

Basic skills and minority communities

Finally, further and immediate investigation should be given to the 18-25 year old cohort of non-Albanian and non-Serbian communities who featured poorly in literacy levels within the 2000 Living Standard Measurement Survey. If the

same illiteracy levels are reproduced, serious consideration should be given to community-based, catch-up basic skills' education in the localities concerned. Implications for wider areas of education where this cohort may have failed may also need to be addressed.

8. Conclusions

This peer review on employability was a challenge on two fronts.

Firstly, for the Kosovar stakeholders it was no easy task to expose staff, policies, operations and institutions to external scrutiny and particularly so early in the reform effort. In opening its doors to external observers, Kosovo has made a significant step towards more strategic development and cooperation on employment at international level, reflecting global concerns on economic competitiveness, poverty reduction and social inclusion.

Secondly, in adopting 'employability' as the focus of the review for international peers, the Kosovo authorities have entered into a policy arena where EU Member States and candidate countries have signed up for regular and consistent assessment and critique from external observers in the bid to improve the enlarged European Union's competitive standing. The process towards policy alignments with the EU in keeping with the Stabilisation and Association Process will be important for Kosovo as will be the need to adapt and upgrade performances to EU levels as part of the wider effort for eventual integration within the EU structures.

The peers' overall conclusion is that getting to satisfactory levels of employment and employability is a difficult and uphill task. Turning the economy around and switching to growth will be the pre-condition to employment creation.

The peer group recognises that there will be no quick fixes. But as the transition to the market evolves, the key players can take immediate and necessary steps to ensure that institutions, policies and measures can contribute to a successful transition.

Essential to this will be cross-stakeholder partnership. Joint planning, cooperation and development of measures to address the large-scale industrial reform and plant closures will be a critical first step.

Establishing a common policy framework for economic, employment and skills' promotion at local level will be a second.

Local solutions will be all the more necessary given that macro-economic measures will take time to impact at grass-roots level. The recommendations and proposals for capacity building of municipal employment services and local economic partnerships will go some way to meeting this requirement.

New institutions may be required to meet new challenges for manpower development. A high-level employment and manpower policy forum could be a first step, while a professional vocational guidance and counselling service should be a priority consideration as a central service for education and training authorities and employers. Co-ordination of SME development measures where jobs can be created is a further area for improvement.

New institutions will make further demands on an already tight public purse. Developments may need to be sequenced to allow for budgetary availability across defined periods. Better dialogue, linkages and strategy between the stakeholders on common institutional and policy concerns will maximise the opportunity for external funds to be sourced to meet demand. In this respect, a more strategic donor coordination mechanism to assist all stakeholders to employment and workforce development should be considered.

All stakeholders need to re-think on policies and measures to integrate ethnic minorities into Kosovo's emerging economy, including access to jobs and training. More needs to be done. Politicians, policy makers and community leaders should consider taking bold steps in this direction in the interests of promoting pluralism, democracy and ensuring that Kosovo is fit for Europe.

While employment is a critical socio-economic concern for Kosovo, it is equally an issue across the entire South Eastern Europe region. Borrowing on EU Member State cooperation on employment improvements, the report recommends that Kosovo work more closely with its neighbours in sharing best practice and experience on employment development. This could be facilitated by the European

Union agencies operational in the area and directly contribute to the region's competitiveness in line with the EU's policy framework (Stabilisation and Association process) for South Eastern Europe.

Kosovo's final status remains a critical issue for development of the country. Whatever the final solution, the relationship with the EU is set to be an important factor.³⁴ All efforts to enhance employability would therefore do well in following key EU developments on employment.

In closing its report, the peer group refers to the conclusion of EU Heads of State and Government in March 2000 when it agreed to create the most dynamic economic area in the world: 'people are Europe's main asset and should be the focal point of the Union's policies.'³⁵

People are Kosovo's primary asset, its primary resource. As part of the wider bid for closer connections with the EU, concerted effort by government and social partners is required in Kosovo to develop its human capital. Technical and financial support will be important. EU partners and the wider international community would do well in lending a hand.

34 Financial Times. Farewell Yugoslavia. Comment and Analysis. 31 January 2003.

35 Lisbon European Council: Presidency Conclusions, point 24.

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Annex I.

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Annex II

Local development project schema

