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Kosovo

Youth in Jeopardy

Being Young, Unemployed, and Poor in Kosovo

A Report on Youth Employment in Kosovo

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ABBREVIATIONS AND ACRONYMS

ALMM	Active Labor Market	LMP	Labor Market Programs
ALMP	Active Labor Market Policy	MCYS	Ministry of Culture and Youth Services
CAS	Country Assistance Strategy	MEST	Ministry of Education, Science and Technology
CCT	Conditional Cash Transfers	MLSW	Ministry of Labor and Social Welfare
DPL	Development Policy Lending	MoLSP	Ministry of Labor and Social Protection
EAR	European Agency for Reconstruction	MTI	Ministry of Trade and Industry
ECA	Europe and Central Asia	NGOS	Nongovernmental Organizations
ETF	European Training Foundation	OECD	Organization of Economic Co-operation and Development
EU	European Union	OPM	Kosovo Government
FYR	Former Yugoslav Republic	PES	Public Employment Service
FDI	Foreign Direct Investment	PISG	Provisional Institutions of Self-Governance
GDR	Gross Domestic Product	PIU	Project Implementation Unit
GYZ	German Agency for Technical Cooperation	PLMP	Passive labor market policies
HBS	Household Budget Survey	RAE	Roma, Ashkaelia, and Egyptian
ILO	International Labour Organization	REC	Regional Employment Center
IMF	International Monetary Fund	SOK	Statistical Office of Kosovo
IOM	International Organization for Migration	STI	Sexually Transmitted Infections
IPA	Instrument for Pre-Accession	UN	United Nations
ISN	Interim Strategy Note	UNDP	United Nations Development Programme
KES	Kosovo Energy Strategy	UNMIK	United Nations Mission in Kosovo
KYEAP	Kosovo Youth Employment Action Plan	UNFPA	United Nations Population Fund
KYPAP	Kosovo Youth Policy and Action Plan	VET	Vocational Education Training
KWN	Kosova Women Network	WAP	Working Wage Population
LAC	Latin America and the Caribbean	WB	World Bank
LFS	Labor Force Survey		

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KOSOVO

Youth Employment in Kosovo

CONTENTS

ACKNOWLEDGEMENTS	I
EXECUTIVE SUMMARY	II
CHAPTER I. THE CHALLENGE OF YOUTH EMPLOYMENT IN KOSOVO	1
GENERAL BACKGROUND	1
MAIN FOCUS OF THE REPORT	7
REPORT'S SCOPE	11
CHAPTER II. WHAT DO WE KNOW ABOUT YOUTH EMPLOYMENT IN KOSOVO?	12
YOUTH LABOR MARKET INDICATORS AND TRENDS	14
QUALITY OF YOUTH EMPLOYMENT	19
UNEMPLOYMENT DURATION AND JOB SEARCH	24
WAGES AND RETURNS TO EDUCATION	26
YOUTH IN JEOPARDY	28
CHAPTER III. YOUTH LABOR POLICY AND INSTITUTIONS IN KOSOVO	34
REVIEW OF EXISTING POLICIES AND PROGRAMS	34
REFERENCES	43

Boxes

Box I.1: Does a Large Youth Population Cause Conflict?	8
Box II.1: A brief description of the data used in the report	13
Box II.2: The Education Sector in Kosovo	18
Box II.3: Youth Informality	20
Box II.4: Voices of Vulnerable Youth	32
Box III.1: Characteristics of Successful Labor Market Programs (LMPs)	41

Figures

Figure I.1: Kosovo displays the highest youth unemployment rate in the ECA region	9
Figure II.1: Young females participate very little in the labor force compared to young males, and the few participants are likely to be unemployed.	15
Figure II.2: Unemployment rates are slightly higher among higher-skilled youth, in part because low-skilled youth are likely to be employed in subsistence agriculture.	16
Figure II.3: It takes about 10 years for young males to transition from school to work, as measured by the time it takes to shift 50 percent of this population from being enrolled in school to having employment.	17
Figure II.4: While more frequent among male youth, unpaid employment decreases more rapidly among males, especially once they reach adulthood.	19
Figure II.5: The share of workers in full-time jobs increases with age: from 60 percent at age 15 to about 85 percent at age 45, and decreases thereafter until retirement age	21
Figure II.6: Underemployment is more frequent among unskilled young males.	22

Figure II.7: The main reasons why youth migrate from Kosovo are to pursue “better economic opportunities” and “a better quality of life.”	23
Figure II.8: Long-term Unemployment, by Age Group, in Kosovo.....	24
Figure II.9: Most inactive females (both young and adult) never have work experience.....	25
Figure II.10: Percent Decrease in Poverty and Extreme Poverty—Random Compared to Targeted Allocation of Youth Safety Nets.....	29
Figure II.11: Youth in jeopardy drop out of school earlier than youth living in richer households.	30
Figure II.12: Young women and youth in rural areas constitute the majority of all youth who are poor and unemployed simultaneously.	31
Figure II.13: Youth who have attained only primary education display a great risk being poor and unemployed at the same time.	33
Figure III.1: Summary of the KYEAP: objectives, outcomes, and investments 2007-2009	35
Figure III.2: Budget planned under the KYEAP vs. budget actually spent according to LMPs inventory [Kosovo, 2007].....	40

Tables

Table I.1. Economic Growth Has Stalled since 2003	2
Table I.2. In 2006, the employment rate in Kosovo was at 29 percent (roughly half of that in the EU – at 65 percent).....	5
Table I.3. Dynamics of the unemployed registered at the PES in 2007: 12-month cumulative.....	6
Table I.4. While less than 10 percent of all households benefit from youth wages, for those who do, youth wages constitute a significant share of household wage income.....	10
Table II.1. Main Employment Indicators Included in this Chapter.....	12
Table II.2. Youth account for 38.4 percent of the unemployed in Kosovo	14
Table II.3. Approximately 8 out of 10 young individuals in the Kosovo’s labor force are unemployed.	14
Table II.4. Mitrovica is the region displaying the worst youth employment outcomes.	18
Table II.5. Self-employment and firm ownership account for less than 25 percent of all employment, at all age groups.....	20
Table II.6. Most temporary workers are so due to a lack of permanent vacancies.....	21
Table II.7. About 23 percent of all young female workers work on a part-time basis because of their role as caregivers; this share increases as they enter adulthood.....	21
Table II.8. On Average, young workers earn about €200 per month; which only about 20 percent less than what adult workers make on average.....	27
Table II.9. Statistics on Youth in Jeopardy.....	28
Table II.10. Sample Size and Program Coverage Used in Micro-simulations	29
Table II.11. Regional Disparities in Vulnerability among Kosovo Youth	32
Table II.12. Incidence of Youth in Jeopardy by Education of the Household Head	33
Table III.1. Employment Programs Targeted to Youth in Kosovo (For program details, see Appendix).....	39
Appendix: Inventory of ALMPs in Kosovo.....	47

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EXECUTIVE SUMMARY

1. **The main objective of the report is to provide diagnosis on youth employment, which can provide the basis for future policy design.** In recent years, the topic of youth employment in Kosovo has been studied extensively.¹ There are reports produced by Provisional Institutions for Self-Government (PISG) and international organizations and donors which compile information about youth employment trends, skills mismatches, employment promotion, and labor demand constraints for this segment of the population. Nevertheless, studies fall short on addressing issues related to youth employment quality, regional differences in youth employment outcomes, and relationships between youth employment and household poverty. This report uses available micro-data (the Labor Force Survey, LFS; and the Household Budget Survey, HBS) and develops a more in-depth analysis of youth employment outcomes, trends, and determinants, focusing on the aforementioned information gaps. Our definition of youth includes individuals aged 15 to 24.

2. **The Provisional Institutions for Self-Government developed the 2007–2010 Kosovo Youth Employment Action Plan (KYEAP),** which includes a broad set of policy options to improve youth employment in the territory. The Ministry of Labor has expressed an interest in obtaining analysis on youth labor market outcomes that could facilitate design, implementation, and prioritization of this action plan. This endeavour will benefit from the diagnosis provided in this report. While this report does discuss general policy issues -- specifically pertaining to active labor market programs -- based on the analysis undertaken, it does not provide specific policy recommendations.

OVERVIEW

3. **Because of a very young population, Kosovo faces the imperative of integrating large youth cohorts into the labor market in the years to come.** This heightens the overall challenge of youth unemployment. Kosovo has the youngest population in Europe. According to 2005 Labor Force Survey (LFS) estimates, individuals aged 15 to 24 account for about 30 percent of the working-age population, and 20 percent of total population (vs. 14 percent in Europe on average). Kosovo has the largest youth share of total population in Europe. It is expected that roughly 200,000 young people will reach working age in the next five years, while the number of people reaching retirement age will be approximately 60,000. These combined phenomena will contribute to make more difficult the labor market situation faced by youth in the years to come.

4. **High levels of unemployment overall remain a major challenge in the labor market.** Historically, Kosovo was one of the regions with the highest unemployment rates in the former Yugoslavia. High rates of unemployment in Kosovo have become a matter of serious concern, especially because of their negative social and economic repercussions.

¹ Under United Nations Security Council Resolution 1244 (1999)

5. **Kosovo has the highest unemployment rate in Europe and Central Asia (ECA) at 45 percent;** followed by Macedonia (36 percent), Montenegro (31 percent), and Bosnia and Herzegovina (30 percent). Labor force participation in Kosovo (at 53 percent) is substantially below the ECA average (at 65 percent) and the second lowest in the ECA region after Turkey (51 percent). Since 2003, employment indicators in Kosovo have improved slightly. Estimates based on data from the Labor Force Survey suggest a decline in overall unemployment rates and an increase in employment rates between 2003 and 2006, while labor force participation remained roughly unchanged in the period of study:.

	<i>Working Age Population (15-64)</i>		
	Employment Rate	Unemployment Rate	Labor Force Participation
2003	25.3	52.3	53.0
2006*	29.0	44.6	52.3

Source: Angel-Urdinola and Malaiyandi (2008) using LFS data * Estimates from SOK (2006).

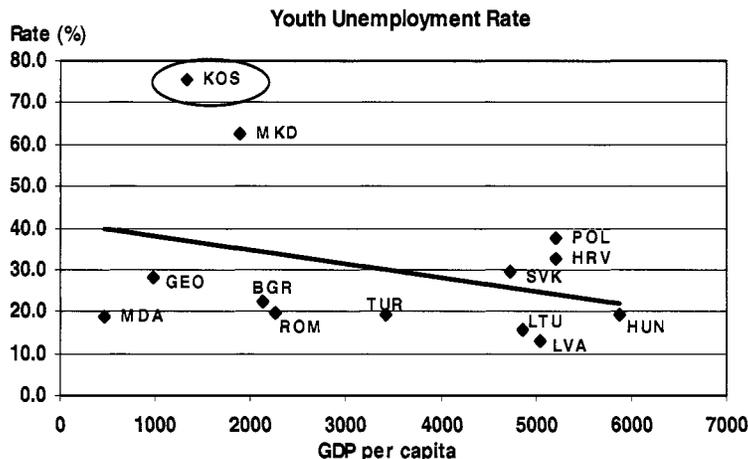
6. **There are several structural, multisector and interrelated constraints to employment in Kosovo,** including stagnant economic and labor demand growth, excess supply of labor, skill mismatches, and political uncertainty; all of which have substantially affected the labor market in recent years:

- **Sluggish labor demand:** While many labor supply problems coexist in Kosovo, the main binding constraint to employment policy remains stagnant labor demand. The best way for the labor market to absorb workers is by strengthening the dynamism of the demand for labor in general. Doing so requires a solid macroeconomy, and cross-sectoral efforts, including favorable legislation, a good investment climate, and political stability. As such, increasing labor demand in Kosovo will likely be a slow and far-reaching process.
- **A Dutch Disease?:** Inflows of foreign aid and UNMIK administration have been important sources of jobs for hotels, restaurants, translators, house keepers, nannies, drivers, independent consultants, consulting firms, and NGOs. There is anecdotic evidence suggesting that the expatriate community has contributed to increasing reservation wages in Kosovo. To the extent this is true, this would be contributing to employment problems.
- **Low levels of investment:** Delays in privatization, political uncertainty, and poor infrastructure are all barriers to investment in Kosovo. Even after current political uncertainties are overcome, new uncertainties will appear as investors test the credibility and assess the capacity of the government to secure their investment.
- **Education:** During the period of conflict, Kosovo relied on an informal (and rather low quality) education system. During this time, massive layoffs of individuals from the public sector and long unemployment spells contributed to a rapid depreciation (and a slow renewal) of skills demanded by the emerging labor market.

THE YOUTH LABOR MARKET IN KOSOVO

7. **An important feature of the difficult overall labor market situation is the very unfavorable labor market outcomes for young people.** There are a number of reasons to focus on youth employment, including: (a) youth is a crucial time of life, (b) high and rising unemployment levels among youth are associated with higher crime and social instability, (c) powerful demographic forces are working to expand the labor force, creating problems of unemployment among youth, (d) youth are particularly vulnerable to unemployment and poverty, and (e) youth account for 40 percent of the pool of unemployed in Kosovo. The majority of unemployed youth in Kosovo could be categorized as long-term unemployed. Lack of experience is a common feature especially affecting young women. Youth in Kosovo display a very difficult transition from school to employment. Moreover, youth who are employed are so in jobs that display low quality, low returns, and high levels of informality.

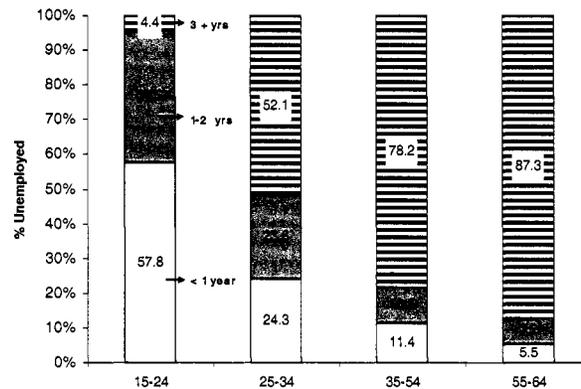
8. **Kosovo has the highest youth unemployment rate in the ECA region.** Recent improvements in employment outcomes in Kosovo did not benefit youth. Estimates using LFS data indicate that unemployment, employment, and participation rates among youth remained roughly unchanged in the 2003-2006 period at 76 percent, 11 percent, and 46 percent respectively (more details in Chapter II). Indeed, youth employment outcomes in Kosovo are alarming compared to ECA standards. The youth unemployment rate in Kosovo is still almost 5 times higher than the average for the European Union.



Source: World Development Indicators (2005). Data for Kosovo from World Bank Estimates using 2005 LFS.

9. **Four out of every 10 youth who are unemployed have been so for more than one year.** Long-term unemployment, as defined as being unemployed for a period longer than 1 year, is common Kosovo. While this phenomenon generally affects adults, long-term unemployment is also affecting youth. Indeed, about 44 percent of all unemployed youth in Kosovo could be categorized as long-term unemployed.

Long Term Unemployment by Age Group in Kosovo



Source: World Bank calculations using 2005 LFS data. Estimates exclude first-time job seekers.

10. **Although their situation is steadily improving, young women display the worst employment outcomes in the labor market.** Employment outcomes for females are less favorable than those for males, especially among youth. For females, employment and participation rates are very low. However, while labor market indicators for young males have been stable (roughly unchanged) since 2003, labor market indicators among females (albeit worse than among males) improved between 2003 and 2006.

11. **Youth in Kosovo have a long transition from school to employment.** It takes about 10 years for young males to transition from school to work, as measured by the time it takes from when 50 percent of the population is enrolled in school to when 50 percent of the population is employed. In Macedonia, a country that also faces significant challenges in the labor market, using a similar definition it takes four to five years for young males to transition from school to employment. In developed countries, it takes even less time for new young entrants to get a stable job.

12. **Young workers in Kosovo are typically employed in very low-quality jobs.** Rapid inflows of new young participants into the labor market and high unemployment rates are not the only problems faced by youth. In 2005, about 20 percent of all employed youth did not have an employment contract; 37 percent were not entitled to paid leave; 55 percent were not entitled to paid sick leave; and 73 percent were not registered in Social Security. Moreover, in 2004 around 21 percent of all young workers claimed to have worked for more than 50 hours a week. Low quality of jobs is likely to affect youth from poor and vulnerable groups, mainly in agriculture-related activity, who generally accept (due to necessity) the conditions offered by existing jobs, albeit precarious:

- About one-third of all young individuals engage in unpaid work. However, the share of unpaid employment drops quickly and steadily with age as young individuals reach adulthood. Unpaid work among youth is more frequent among males than among females.

- Over one-third of all young workers are employed on a part-time or temporary basis. About 30 percent of all youth are employed on a temporary basis, with contracts offering duration of less than 6 months. Also, 70 percent of all young workers who are employed work on a part-time basis. While part-time work is common among youth as they combine work with study, this seems not to be the case in Kosovo. Indeed, 72 percent of all youth working on a temporary/part time basis do so because they can not find permanent/full time jobs.
- About one-third of all young workers are looking for a second job or want to work more hours. About 40 percent of all young male workers claim to want to work more hours or to be searching for an additional job. Underemployment among young females is lower than among young males at 20 percent. Underemployment is more frequent among urban youth than among rural youth.
- Returns to education among youth are positive but very low. Young workers with post-secondary education have an adjusted wage premium of only 13 percent, compared to otherwise similar young workers who have attained at most primary education. These rates of return are extremely low by regional standards (varying between 30 to 80 percent elsewhere).

13. **Many young workers rely on work in the informal economy to cope with the risk of unemployment and low earnings.** The degree of youth informality, as measured according to whether social contributions were paid on their behalf, is 67 percent. This high incidence of informality occurs primarily because of limited opportunities in the formal sector and is coupled with poor enforcement and low awareness of the labor law. By getting informal jobs, however, youth do acquire labor market experience, which may contribute to eventually getting a formal job.

14. **Migration is another important coping mechanism for youth to mitigate unemployment risks.** There are about 500,000 individuals who were born in Kosovo who now live abroad. Migration flows have been significant in Kosovo in recent years. Youth are more likely to emigrate because the costs of leaving their home countries are lower than the economic and social gains of doing so. A recent survey conducted by UNDP found that 44 percent of all youth intend to migrate from Kosovo. Since most of the legal emigration routes to Europe from Kosovo are now closed, a large portion of its current youth emigration is illegal. Nevertheless, poverty and high unemployment rates continue to make migration an attractive option for many people, especially the young.

YOUTH IN JEOPARDY

15. **Within the broader problem of youth labor market outcomes, this report pays particular attention to Youth in Jeopardy** (i.e. extreme poor and unemployed youth). The traditional focus for discussion of youth employment problems has been on unemployment. In addition, this report raises awareness of a group of vulnerable youth (or youth in jeopardy). The government will need to focus and prioritize its youth policy agenda. Currently, there are 163,000 young individuals who are unemployed. As such,

the government may consider the possibility to target interventions and limited resources to those who need them the most through the creation of safety-nets for vulnerable groups of the population. Youth in jeopardy constitute an important group at risk and one that is less likely than others to benefit from future improvements in labor demand. By focusing on those in need, Kosovo can avoid creating an underclass of excluded groups, poverty traps, and intergenerational transmission of poverty:

- Twenty percent of all unemployed youth in Kosovo are extreme poor, defined as those living in households in the first [*poorest*] consumption quintile. This group is at high risk to face social exclusion, long-term poverty, and lack of second chances. The majority of youth in jeopardy are women and low-educated youth. Youth in the Mitrovica region display a higher risk of facing extreme poverty and unemployment at the same time.
- Resources for youth policy are scarce: While youth in jeopardy is a narrow population, it is still larger than the total youth population that the government is currently able to serve through labor market policies, given the current fiscal and institutional capacity (Chapter III). Of course, this does rule out more investments and budget support for youth policy in the near future, which would enable to develop a broader scope and coverage of youth-related policies.
- Youth in extreme poverty display the worst employment outcomes: The unemployment rate for youth in the poorest consumption quintile is at 86 percent, while for youth in the richest consumption quintile, it is at 68 percent (HBS 2005/06 estimates). Employment rates for youth aged 20 to 24 are twice as high among those living in households in the highest quintile compared to those living in households in the poorest quintile (26 percent compared to 12 percent).
- Youth “paid” employment is an important safety net for households in extreme poverty: While only a small share of all households have “paid” employed youth, youth wages among households in the poorest quintile account (on average) for 61 percent of overall household wage income for those households with at least one employed youth.

16. **Safety-nets targeted to youth in jeopardy can have an important impact in reducing extreme poverty.** Using micro-simulation techniques, analysis in this report quantifies the impact on poverty of targeted interventions that provide households having youth in jeopardy with a transfer equivalent to the youth median monthly wage vs. the same transfer randomly allocated among households having unemployed youth. The transfer can be thought of as income assistance through a targeted income transfer and/or targeted employment assistance. Simulation estimates indicate reaching less than 20 percent of all youth in jeopardy (about 6,000 thousand individuals) can contribute to decrease extreme poverty by much more than a random allocation.

YOUTH LABOR POLICY IN KOSOVO

17. **While the main constraint to youth employment is the low demand for labor, labor policy can potentially help improving labor market outcomes.** Significant improvements in the economic situation and in the dynamism of the private sector requires a long-term and multi-sectoral strategy that largely falls outside of the labor market – e.g. maintaining macroeconomic stability, and improving the investment climate. Nevertheless, labor market policy can also contribute to a better environment for job creation. A potentially important issue to improve labor market outcomes for youth is the government’s capacity to deliver cost-effective active labor market programs (ALMPs). While employment services and training programs are of limited use in a labor market as slack as Kosovo’s is currently, they can play a useful role in enhancing the functioning of the labor market and improving the employability of job-seekers and other disadvantaged workers, especially as labor demand picks up. Under the current labor market conditions, there are very strong reasons to consider ALMPs that could have more immediate impacts in terms of creating jobs, alleviating unemployment, and providing safety nets for extreme poor unemployed youth.

18. **This report provides a new inventory of existing Active Labor Market Programs (ALMPs) in Kosovo.** Prior to this study, there was no information compiled on youth ALMPs in Kosovo. As such, there was a general lack of knowledge about how much Kosovo was spending on these programs and about the effectiveness of such spending. The World Bank team preparing this report interviewed several agencies, line ministries, NGOs, and donors, and compiled information scattered in various documents to produce an updated inventory of ALMPs. This inventory provides information on the scope, budget, coverage, and lessons learned from several ongoing ALMPs.

19. **The KYEAP (2007-2010) is the flagship document for youth labor policy.** The plan is the comprehensive strategy of the Government to improve the situation of young people by involving governmental and non-governmental institutions in exploring and meeting the needs of youth and by finding ways and mechanisms for youth participation in the decision-making process in Kosovo. The KYEAP has 3 main objectives, each with its own budget allocation: 1) to promote employment among young people (€4.4 million per year); 2) to increase decent work opportunities for young people (€1.7 million per year); and 3) to prevent social exclusion of youth through targeted labor market measures (€0.4 million per year).

20. **The implementation of the KYEAP is falling behind, mainly due to institutional capacity constraints.** Although the action plan was formally approved and budget was allocated for its implementation, the implementation mechanism was never established. This was mainly because the Youth Employment Action Plan requires strong institutional and administrative capacities (perhaps too ambitious given the level of development of institutions) to oversee and steer the implementation process. In particular, the KYEAP planned for the establishment of an Inter-ministerial Committee on Youth Employment to oversee implementation and to report back to the respective

ministries. In practice, the implementation structures foreseen by this document have not as yet been established.

21. **Overall, the Ministry of Labor and Social Welfare (MLSW) faces capacity and financing constraints in implementing youth labor policy as specified in the KYEAP.** The MLSW is the central institution mandated with employment policies and institutional arrangements to ensure their implementation. The MLSW Department of Employment and Labor and its respective Labor Division are in charge of youth policy design. The number of staff at the MLSW is considered to be low and, according to their officials, there is an urgent need to increase it. Personnel from the MLSW claim that the ministry lacks formal rules, guidelines, and procedures for programming ministerial activities.

22. **The role of the main implementing agency (the PES) is undermined by institutional capacity constraints.** Implementation of the KYEAP requires major institutional changes. This will require a greater emphasis on better coordination and improved brokerage/information services provided by the PES. Indeed; (a) the staff caseload of the PES is too high given its capacity; (b) the level of educational qualification of PES staff is modest; (c) the PES currently operates without a legal basis (which implies that a large share of its budget is financed from donor contributions); and (d) the majority of young workers never registered with the PES and, among those who did, most did not receive assistance.

23. **Lack of donor coordination has contributed to the proliferation of small-scale employment programs targeted to youth.** The involvement of international organizations is substantial in terms of the preparation and implementation of employment policies and programs. The kind of involvement varies from advisory to policy design/implementation and budget support. Most programs targeted to promote youth employment in Kosovo are either financed or implemented by donors. As such, donors play a major role in defining the policy agenda. However, not all donors seem to have a common agenda in relation to programs and policies that should be implemented. Some donors seem to have higher preference towards VET-related programs while others seem to have higher preference for programs that promote employment (temporary or permanently), such as apprenticeships and entrepreneurship support. As a result, there is a proliferation of expensive programs with limited scope and coverage.

24. **About €7 million are spent on youth employment programs yearly, yet program coverage remains low.** The level of yearly expenditure on ALMPs in Kosovo in 2007 slightly surpassed that envisioned in the KYEAP. However, in 2007 ALMPs benefited only 10 thousand youth per year (about 6.3 percent of all the pool of unemployed individuals in this age group). The youth employment program inventory compiled for this report collected information on 19 ALMPs that have been implemented since year 2000, 12 of which still operate. In terms of cost and coverage, ALMPs currently being implemented have high unit costs (averaging €700 per beneficiary per year) and limited participation (10,300 out of a total pool of unemployed youth of more than 160,000).

25. **In 2007, most ALMPs resources were spent on promoting youth employment through VET-related programs** (€3 million) and promoting/financing new small business start-ups (€2.2 million). Spending on ALMPs to prevent social exclusion in 2007 (€1.8 million) was higher than conceived under the original plan. Most ALMPs are focused on strengthening vocational education and training (10 programs), on providing temporary employment (3 programs), and on promoting youth entrepreneurship (6 programs).

26. **However, the success of VET-related programs is being undermined by the sluggish growth in labor demand.** Although most resources for youth ALMPs are spent on VET-related programs, placement rates of trainees are very low. Indeed, the success of these programs is heavily constrained by the general sluggish demand for labor. While investments in training can provide young labor market entrants with skills, which can improve their employability, training programs are not successful if labor demand is weak. In 2007, only 40 percent of male graduates of PES training centers, and less than 30 percent of females' graduates found paid employment upon training completion. This is much less than placement rates (at 70 percent on average) in most other transition countries.

27. **For the government and donors it is important to carefully evaluate ALMPs and introduce interventions on the basis of what works in Kosovo.** Unfortunately, youth employment programs implemented in Kosovo have not been carefully evaluated. There are many different types of evaluations: (a) process evaluations focus on how a program operates; (b) performance monitoring provides information on the extent to which specific program objectives are achieved; and (c) impact evaluations focus on whether a program has its intended impact. As such, future programs should try to use these available techniques in order to collect evidence of what policies work and don't work in the Kosovo context.

28. **The report is structured as follows.** Chapter I provides a general background of macroeconomic and employment outcomes in Kosovo. The chapter then explains the framework, scope, and limitations of this study (Why youth? Why youth in jeopardy?). Chapter II develops a youth employment profile using data from the 2003–2006 Labor Force Surveys and the 2006 Household Budget Survey; analysis includes a profile of youth in jeopardy in Kosovo, employment trends, and assessment of youth employment quality and constraints. Chapter III provides an overview of the current youth programs and policies being implemented in the territory in the context of the Kosovo Youth National Action Plan (KYNAP).

CHAPTER I. THE CHALLENGE OF YOUTH EMPLOYMENT IN KOSOVO

It's time for policymakers now to look beyond the silos, to begin recognizing that consistent, cost-effective investment in children and youth can pay for itself. Providing young people with the resources they need to compete in today's global economy is not just a moral imperative. It is an economic necessity, too.

— James J. Heckman, Nobel Laureate in Economics

Abstract

This chapter provides a general background of macroeconomic and employment outcomes in Kosovo. The chapter then explains the framework, scope, and limitations of this study (Why youth? Why youth in jeopardy?). This report does not claim to be comprehensive. Indeed, this report focuses on providing a diagnosis of the youth labor market on which policy design can be based. Analysis suggests that sluggish labor demand, slow growth, and lack of investment are the main constraints to job creation in Kosovo. Although supply side constraints coexists (such as lack of information and skill mismatches), in the medium and long-run, labor policies should focus on promoting growth, investment, and expansion in labor demand. In the short-run, there is a need to provide safety nets for the large pool of unemployed; and especially for those at higher risk (such as youth in jeopardy). On the analytical side, this report provides a new in-depth analysis of youth employment outcomes, trends, and determinants.

GENERAL BACKGROUND

1. **In recent years, the labor market in Kosovo has substantially suffered from sluggish economic growth, lack of investment, evolving demographics, political uncertainty, and political conflict.** ²Kosovo is the poorest territory in South East Europe. In 1988, gross domestic product (GDP) per capita in Kosovo was just 67 percent of the average in Yugoslavia as a whole and just 44 percent of the average of Slovenia, which is considered the richest in the region. When Yugoslavia broke apart, Kosovo became even poorer and its economy was hard hit by conflict in the late 1990s and early 2000s. During the time of conflict, individuals from Albanian origin were massively laid off from public employment, which contributed to raise unemployment and informality in Kosovo. Economic growth surged in the immediate post-conflict period, buoyed by a large inflow of resources for reconstruction. Since then, and especially in the last four

² Under United Nations Security Council Resolution 1244 (1999)

years, growth has stalled (Table I.1). Industrial output has not fully recovered and agriculture, which contributes a large share of the GDP and where the majority of the population earns their livelihood, remains a low-productivity activity. Inflation also remains low. Agricultural productivity is significantly below neighboring countries. Kosovo receives little foreign direct investment and must rely on foreign assistance to help cover its massive trade deficit, which was 51 percent of GDP in 2006 (PISG 2007).

Table I.1. Economic Growth Has Stalled since 2003

<i>Macroeconomic Trends</i>	<i>Proj.</i>					
National Accounts	2002e	2003e	2004r	2005r	2006r	2007p
Real GDP growth	-0.1	-0.5	2.5	0.5	3.3	2.3
GDP per head (in 2002 euros)	1,141	1,147	1,156	1,143	1,161	1,168
External Accounts						
Current account balance (% GDP) ^a	-50.1	-41.6	-39.5	-40.7	-42.2	-40.5
Foreign assistance (% of GDP) ^b	42.7	32.4	25.5	22.6	20.7	16.2
Worker remittances (millions of euros) ^c	35	125	215	262	300	342
Prices						
CPI Inflation	3.6	1.3	-1.4	-1.4	1.5	2.0

e = Estimate; r = Revision in 2007; p = Projection. a. Before donor grants. b. Total foreign assistance excluding capital transfers. c. Including pensions from abroad.

Source: IMF (2007) and World Bank and IMF staff estimates. IMF estimates subject to revision.

2. **There are several structural and “multisector” constraints to employment in Kosovo, but the main one seems to be lack of labor demand.** While many labor supply problems coexist in Kosovo, the main binding constraint to employment policy remains to be the stagnant labor demand. The best way for the labor market to absorb workers is by strengthening the dynamism of the demand for labor in general (Osmani 2002; Godfrey 2003). Doing so requires cross-sectoral efforts, a solid macroeconomy, favorable legislation, a good investment climate, and political stability. As such, increasing labor demand in Kosovo will likely be a slow and far-reaching process:

- **Sluggish labor demand:** (a) growth in demand for labor is generally linked to overall macroeconomic performance and economic growth. According to World Bank (2007), to reduce the overall unemployment rate by half in the next 10 years, assuming an annual labor force participation growth rate of 1.9 percent and growth to productive employment elasticity of 1.6 percent, Kosovo would need to grow at about 6 percent per year. However, real GDP growth has averaged only 0.9 percent during 2002–07. (b) A recent study (PEM 2007) finds that while job creation in Kosovo has been improving and about 63 percent of a random sample of firms claimed to have expanded their labor demand in the years 2005 and 2006, the number of new vacancies is not growing at the pace of the inflow of the new participants. In 2006 the employment service of Kosovo registered only 8,561 new vacancies for 326,000 registered unemployed (95,000 of which are between 15 and 24 years of age). (c) The private enterprise sector in Kosovo is very weak. The sector is dominated by micro-enterprises, most of which are organized as sole proprietorships or partnerships employing less than five workers in low value added, low margin sectors (such as small scale food production, retailing and trade, restaurants and cafés).

- A Dutch Decease?: Inflows of foreign aid and UNMIK administration have recently been important sources of jobs for hotels, restaurants, translators, house keepers, nannies, drivers, independent consultants, consulting firms, and NGOs. There is anecdotic evidence suggesting that the expatriate community contributed to increase the level of wages in Kosovo. As UN presence diminishes and foreign aid flows are reduced (IMF, 2008), labor demand in Kosovo (and wages) may actually suffer a contraction in these sectors in the short-medium run.³
- Low levels of investment: Delays in privatization, political uncertainty, and poor infrastructure are all barriers to investment in Kosovo. Despite a great potential to have a favorable investment climate (given Kosovo's low labor costs, proximity to the EU, and availability of natural resources and energy), flows of foreign direct investment (FDI) into Kosovo have been less than desirable (World Bank 2008). This has been mainly due to political uncertainty. Even after these uncertainties are overcome, new uncertainties will appear as investors test the credibility and assess the capacity of the new government to secure their investment. Most of the recent FDI into Kosovo has been generated as result of the privatization process, which has picked up considerable since 2004.⁴ Despite its proximity to the EU, very few multinational corporations operate in Kosovo.
- Labor legislation: Legislation seems not to be a main constraint to employment creation as the rigidity of the employment index is one of the lowest in the region (Kuddo, 2008). The current employment protection framework provides only for the basic protection of workers not meeting EU standards. The MLSW prepared a new Labor Law (2004), which has not been approved yet by the Kosovo Assembly. The proposed new law introduces more protection to workers (through generous severance payments and the introduction of a minimum wage; among others) that would increase overall labor costs. A few examples follow. The draft Labor Law restricts fixed term contracts in time and by type of work. Instead of health insurance (due to its absence), the burden of maternity leave payments for the first three months is put on employers which may lead to discrimination of young females in the labor market (especially by SMEs) who already have the worst labor market outcomes. Also severance payments of up to ten monthly wages proposed in the draft are the most generous in the region, partially due to absence of unemployment benefits. There are other restrictive aspects of flexibility, such a high wage premiums for overtime, limitations of work on weekends, and so on. These changes, while improving the employment quality of those with jobs, would likely contribute adversely to labor demand and to expand further the informal sector.
- Lack of Budget to Finance LMPs:. Most LMPs in Kosovo are financed from donor contributions. A draft law on Promotion of Employment and on Protection

³ According to IMF (2008), foreign assistance in Kosovo is expected to halve between 2007 and 2012 from 9 to 4.7 percent of GDP.

⁴ So far, the process of privatization has yielded about €150 million (World Bank, 2008)

of Unemployed, submitted to the Kosovo Assembly in 2005, establishes the general framework for the design and financing of passive and active labor market measures (PISG 2006a). The draft Law lists the following ALMP measures: job counseling and mediation, labor market training and retraining, wage subsidies, public works programs, and self-employment and entrepreneurship promotion measures. In terms of the costs and coverage, ALMPs suggested by the draft Law tend to be geared towards the programs with the highest unit costs and limited number of participation. The draft Employment Promotion Law anticipates that employment programs will be financed from the following: (a) employers' contribution equal to one percent of the gross wage for each employee; (b) workers' contribution equal to one percent of the gross wage; (c) 5 percent of privatization proceeding. The act has not been promulgated, mainly due to the lack of financial means and because it relies of contributions from firms and workers; which would increase labor costs and contribute adversely to labor demand and to further informalization of the economy. The draft law also envisages that no less than 30 percent of the funds available shall be disbursed for ALMPs. Currently, most active labor market measures are financed by contribution from donors. A country with high unemployment or an undeveloped formal sector will need to depend, at least initially, on central budget support for most if not all employment programs. As the labor market matures, financing may be split between the central budget and employer/employee contributions. As full employment is reached, all financing may be shifted to employers and employees. Also in determining how different programs are financed, particularly in countries with rapidly growing unemployment rates, it is critical that a legal and budgetary distinction be made between the source of financing for income support and that for other employment programs. Without such distinctions, income support program expenditures will "crowd-out" investments in employment service and other active programs (Kuddo, 2008).

- Education: During the period of conflict, Kosovo relied on an informal (and rather low quality) education system. During this time, massive layoffs from the public sector and long unemployment spells contributed to a rapid depreciation (and a slow renewal) of skills deemed necessary by the new labor market. Inadequate skill levels are normally associated with education and training policy. The education and training systems are currently unable to address the employability challenges faced by the working age population. The increase in the overall quantity of education and training was not matched by an increase in quality and relevance; and most importantly by the creation of new jobs. The coverage of training still remains limited compared to the unemployment dimension. Lifelong learning opportunities and the possibility for early school leavers to return to the education and training system are still limited both in terms of quantity and quality. School drop-out rates after lower-primary education are large especially among girls and in rural areas (LFS 2006); although secondary enrollment and completion rates remain comparable to ECA standards (Edstats, 2005). Furthermore, the lack of a qualification framework and a perceived low quality of tertiary education complicates matters further. The lack of an accepted qualification system is pushing employers to use highly experienced workers as a

proxy for occupational qualifications, thereby limiting employment opportunities for young people (albeit educated) to enter in the labor market.

UNEMPLOYMENT IN KOSOVO

3. **High levels of unemployment remain a major challenge in the Kosovo labor market.** Historically, Kosovo was one of the regions with the highest unemployment rates in the former Yugoslavia. High rates of unemployment in Kosovo have become a matter of policy concern, especially because of their negative social and economic repercussions. Unemployment is a waste of human capital and is often associated with causing social and financial distress among individuals, families, and communities.

4. **Kosovo has the highest unemployment rate in the ECA region at 45 percent;** followed by Macedonia (36 percent), Montenegro (31 percent), and Bosnia and Herzegovina (30 percent). Labor force participation in Kosovo among the working age population (at 53 percent) is substantially below the ECA average (65 percent) and the second lowest in the ECA region after Turkey (51 percent) (Angel-Urdinola and Macias, 2008). Since 2003, employment indicators in Kosovo have improved slightly. Estimates based on data from the Labor Force Survey (LFS) suggest a decline in overall unemployment from 52 percent in 2003 to 45 percent in 2006 and an increase in employment rates from 25 percent in 2003 to 29 percent in 2006, while labor force participation remained roughly unchanged in the period of study at 53 percent (Table I.2).

Table I.2. In 2006, the employment rate in Kosovo was at 29 percent (roughly half of that in the EU – at 65 percent)

	<i>Age Group 15-64</i>		
	Employment Rate	Unemployment Rate	Labor Force Participation
2003	25.3	52.3	53.0
2006*	29.0	44.6	52.3

Source: Angel-Urdinola and Malaiyandi (2008) using LFS data * Estimates from SOK (2006).

5. **By the end of 2007, the number of registered with the public employment services (PES) unemployed reached 334,600 individuals,** showing a 2.6 percent increase compared with December 2006. Most registered unemployed were aged 25-39, (147,400 individuals) and 15-24 (98,700 individuals).

6. **Public employment services (PES) have quite a low turnover of registered unemployed.** In 2007, the inflow of newly registered unemployed equaled 7 percent of the total registered unemployed, while only 4.4 percent of the unemployed were erased from the records for various reasons in the same period; including only 1.8 percent of registered job seekers who were placed in jobs (Table I.3). These outflows rates are very low for international standards. For instance, in Macedonia, which is the second country in the region with the highest unemployment rate, outflow rates reach up to 30 percent per year (Kuddo, 2008a).

Table I.3. Dynamics of the unemployed registered at the PES in 2007: 12-month cumulative.⁵

<i>Registered unemployed</i>	<i>Inflow rate In %</i>	<i>Outflow rate In %</i>	<i>Placement rate In %</i>
Total	7.01	4.43	1.80
Female	6.70	3.81	1.41
Youth 15-24	7.66	4.31	2.51
Albanian	6.87	4.62	1.87
Serbs	10.74	2.61	0.62
Other minorities	6.53	2.38	1.54
Unskilled	6.27	3.36	1.11
Semiskilled	4.81	2.26	1.25
Skilled	4.52	2.89	1.17
Secondary school	8.73	6.38	2.97
High school	17.19	21.24	6.59
University	36.48	34.61	21.21

Inflow rate: ratio of newly registered unemployed to the total number of currently registered unemployed;
 Outflow rate: ratio of unemployed placed in job, started training or deregistered to the total number of currently registered unemployed;

Placement rate: ratio of placed in job unemployed to the total number of currently registered unemployed.

Source: MoLSW of Kosovo cited by Kuddo (2008).

7. The pool of the registered unemployed in Kosovo has the following main characteristics (2007):

- Almost 47 percent of the registered unemployed are females, 29 percent of which are youth aged 15-24;
- Around 91 percent of the registered unemployed are Albanians, 4 percent are Serbs and the rest are from other minority groups;
- Seventy three percent of all registered unemployed have attained incomplete secondary education at the most. This group of less educated individuals display “registered” unemployment rates varying between 67 and 71 percent. On the contrary, individuals who have attained secondary general and higher education have unemployment rates of 6 to 7 percent. This confirms that individuals with a low level of education are more affected by unemployment;
- About 91 percent of the registered unemployed are long-term unemployed. High levels of long-term unemployment (defined as unemployment spells longer than 1 year) are particularly detrimental from a social perspective, since the concerned individuals and their families are particularly threatened by poverty and social exclusion;

8. At the same time, the unemployment register is inflated by a high number of people who are not actively looking for work. The mandatory requirement of the “unemployed status” for obtaining the status of social welfare beneficiary is causing the

⁵ Unskilled (SCED 0-2): not completed elementary school; semi-skilled (SCED 3): elementary school completed, 3-6 months in-service training; skilled (SCED 3A): secondary school not completed, 3-6 month technical training; secondary school (SCED 3C): secondary school completed, 4 years technical gymnasium; high school (SCED 4): university not completed, engineer graduation; university (SCED 5A or 6): university graduates or post-graduates.

registration of persons who do not classify as unemployed according to international standards. Since there is no obligation to confirm periodically their (un)employment status and re-register themselves after initial registration, many job seekers stay on the roster while some of them are de facto working informally, emigrated or are economically inactive thus inflating the actual number of job seekers.

MAIN FOCUS OF THE REPORT

9. **Despite alarming employment outcomes for the overall population, this report focuses on youth:**

- Youth is a crucial time of life. Making a good start in the world of work can make it easier for many young individuals in Kosovo to become productive in their communities. In today's environment, younger generations are shaping society. Unemployment early in a person's working life has been shown to increase the probability of future joblessness and lower future wages. The start toward a working life is considered by many social scientists as the most important marker of independence – and long spells of inactivity during youth as quite costly (World Bank; WDR 2007). Young people are important components in development and, in many cases, are catalysts for social, economic, and political change.
- High and rising unemployment levels among youth are associated with higher crime and social instability. This fact is particularly important in Kosovo, given its recent history of conflict and political change. The evidence on the association between large youth cohorts and violence and conflict is striking. Countries in which young adults (aged 15–29) made up at least 40 percent or more of the adult population were more than twice as likely to experience an outbreak of civil conflict in the 1990s compared to those with fewer youth populations (Cincotta, Engelman, and Anastasion 2003) (Box I.1).
- Powerful demographic forces are working to expand the labor force, creating problems of unemployment, especially among youth. Kosovo has the youngest population in Europe. According to 2005 Labor Force Survey (LFS) estimates, individuals aged 15 and 24 account for about 30.5 percent of the working-age population, and 20 percent of total population (vs. 13.9 percent in Europe on average). Kosovo has the largest share of population aged 15 to 25 in Europe (UNDP 2006). It is expected that roughly 200,000 young people will reach working age in the next five years, while the number of people reaching retirement age will be approximately 60,000 (PISG 2006a). Worse than that, many workers over retirement age are continuing to be engaged in the labor market as available pensions are significantly lower than average wages.⁶ These

⁶ The average pension for retirees is at €45 per month, while average wages are at €216 per month (see Angel-Urdinola and Malaiyandi, 2006)

combined phenomena are contributing to an increasing backlog of unemployed youth.

Box I.1: Does a Large Youth Population Cause Conflict?

Almost all of the countries with a young adult proportion of 50 percent or more are in either Sub-Saharan Africa or the Middle East and North Africa. A decline in the birthrate of 5 births per 1,000 would correspond to a decline of over 5 percent in the probability of civil conflict. Cincotta, Engelman, and Anastasion (2003) identify five stress factors that make states more vulnerable to instability and civil conflict: (a) a large youth population, (b) political volatility, (c) rapid urban population growth, (d) competition for cropland and fresh water, and (e) proliferation of HIV/AIDS. A youth bulge is only one factor.

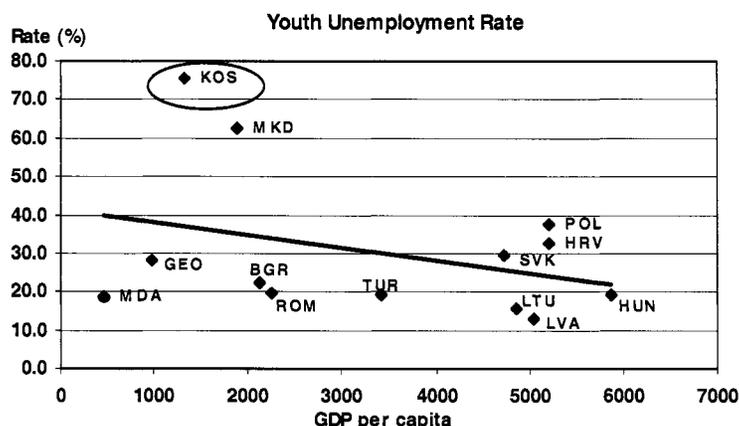
Researchers have suggested that it is the presence of more than one factor at the same time that may create the conditions for conflict. This view is supported by Henrick Urdal (2004), who finds that the risk of conflict is heightened by the combination of a large youth cohort, poor economic growth, and limited opportunities for migration. The studies highlight several key elements regarding youth: (a) *youth issues are cross-sectoral*. The studies demonstrate how unemployment, migration, citizenship, and governance are all interdependent with respect to conflicts involving youth; (b) *youth are not inherently a threat to be contained*, particularly in the presence of opportunities consistent with their expectations and energies; and (c) *youth are a potential asset*, as demonstrated by their preference for economic opportunities over violence, here represented by the mitigating effects of migration on conflict.

Sources: Cincotta, Engelman, and Anastasion (2003); Urdal (2004).

- Youth are particularly vulnerable to unemployment. Recent improvements in employment outcomes in Kosovo did not benefit the young population (15 to 24). Estimates using LFS data indicate that unemployment, employment, and participation rates among youth remained roughly unchanged in the 2003-2006 period at 76 percent, 11 percent, and 46 percent respectively (more details in Chapter II). These are very unfavorable employment outcomes. Indeed, youth employment outcomes in Kosovo are alarming compared to ECA standards. The youth unemployment rate in Kosovo is still about 4.8 times higher than the average for the European Union.⁷ Another statistic of concern is that Kosovo has the highest percentage of youth (46.5 percent according to 2005 LFS estimates) that are in neither education nor employment in South East Europe. This is more than twice the percentage found in Serbia (22 percent) or Romania (19 percent) and higher than that in Albania, Bosnia and Herzegovina, and Bulgaria in the same year. Kosovo displays by far the highest youth unemployment rate in the ECA region (Figure I.1).

⁷ According to Eurostats, youth unemployment (15-24) in EU-27 countries was at 16 percent in May 2007

Figure I.1: Kosovo displays the highest youth unemployment rate in the ECA region.



Source: World Development Indicators (2005). Data for Kosovo from World Bank Estimates using 2005 LFS.

- Young individuals in Kosovo are poorer than average. Children and young people under age 24 are disproportionately likely to live in extreme poverty. Approximately 45 percent of the population lives in poverty and 17 percent in extreme poverty (World Bank 2007).⁸ Individuals under age 25 comprise about 57 percent of people facing extreme poverty, with young people aged 15 to 24 comprising 22.4 percent (UNDP 2006).
- Forty percent of all unemployed in Kosovo are between 15 and 24 years of age. LFS estimates indicate about 30 percent of the WAP and about 38 percent of all the pool of unemployed in Kosovo is comprised of youth between 15 and 24 years of age.

10. **Within the broader problem of youth labor market outcomes, this report pays particular attention to Youth in Jeopardy** (i.e. extreme poor and unemployed youth). The traditional focus for discussion of youth employment problems has been on unemployment. In addition, this report raises awareness of a group of vulnerable youth (or youth in jeopardy). The government of Kosovo will need to focus and prioritize its youth policy agenda. Currently, there are 163,000 young individuals in Kosovo who are unemployed. As such, the government may consider the possibility to target interventions and limited resources to those who need them the most through the creation of safety-nets for vulnerable groups of the population. Youth in jeopardy constitute an important group at risk in Kosovo and one that is less likely than others to benefit from future improvements in labor demand. By focusing on those in need, Kosovo can avoid creating an underclass of excluded groups, poverty traps, and intergenerational transmission of poverty:

⁸ The groups most at risk in terms of income poverty include children, the elderly, female-headed households, the disabled, the unemployed, precarious job holders, residents of secondary cities, and non-Serb ethnic minorities.

- Twenty percent of all unemployed youth in Kosovo live in extreme poverty (approximately 33,000 individuals), defined as *living in households in the first [poorest] consumption quintile*. These individuals (i.e. youth in jeopardy) are likely to be vulnerable to *social exclusion, long-term poverty, and lack of second chances* in Kosovo. Youth in jeopardy are less likely than the average youth to benefit from a pick up in the demand of labor and/or to cope with unemployment by migrating, studying, or receiving family support.
- Youth in extreme poverty display the worst employment outcomes. In Kosovo, youth living in extreme poverty display less-favorable employment outcomes than average (that is, lower employment and higher unemployment rates). One would expect that poorer youth in Kosovo would have higher employment rates and lower unemployment rates as it occurs in many other developing countries (Godfrey, 2003) because i) poor youth generally work in subsistence agriculture and ii) they are less likely to “afford” joblessness. However, this is not the case in Kosovo. The unemployment rate for youth in the poorest consumption quintile is at 86 percent, while for youth in the richest consumption quintile is at 68 percent (HBS 2005/06 estimates). Employment rates for youth aged 20 to 24 are twice as high among those living in households in the highest quintile compared to those living in households in the poorest quintile (26 percent compared to 12 percent) (Angel-Urdinola and Malaiyandi, 2006). Furthermore, youth who live in extreme poverty and who do have jobs are generally engaged in low-quality unpaid subsistence agriculture.
- Youth “paid” employment is an important safety net for households in extreme poverty: While only a small share of all households have “paid” employed youth, youth wages represent a significant share of household overall wages, especially among the poor and extreme poor. HBS calculations indicate that while less than 10 percent of all households benefit from wage income brought by their young members, for those who do, youth wages constitute a significant share of household wage income (Table I.3). Indeed, youth wages among households in the poorest quintile account (on average) for 61 percent of overall household wage income for those households with at least one employed youth.

Table I.4. While less than 10 percent of all households benefit from youth wages, for those who do, youth wages constitute a significant share of household wage income.

<i>Socioeconomic Group</i>	<i>Sample Size</i>	<i>Percent of Households with Youth Wage</i>	<i>Youth Wage as Share of Total Family Wage Income</i>
Poorest Quintile	2,506	7.07	61
Q2	3,811	8.89	52
Q3	3,706	8.05	48
Q4	3,600	6.89	45
Richest Quintile	6,494	10.01	46

Source: World Bank calculations using 2005/06 HBS data. Estimates pool data from all available surveys. Wages are in real 2002 prices and in monthly/per-adult equivalency.

- Providing safety-nets through active labor market policies (ALMP) targeted to youth in jeopardy can reduce extreme poverty three times as much as a random allocation, while having a similar impact on relieving unemployment. Micro-simulation techniques indicate that safety-nets targeted to youth in jeopardy can play an important role in reducing extreme poverty rates (more details in Chapter II).
- Resources for youth policy are scarce: While youth in jeopardy is a narrow population, it is still larger than the total youth population that the government is currently being able to serve with Labor Marker Policies given the current fiscal and institutional capacity (Chapter III). Of course, this does rule out more investments and budget support for youth policy in the near future, which would enable to develop a broader scope and coverage of youth-related policies.

REPORT'S SCOPE

11. **The main objective of the report is to provide diagnosis on youth employment on which policies can eventually be designed.** In recent years, the topic of youth employment in Kosovo has been studied. There are reports produced by PISG institutions, international organizations, and donors; which compile information about youth employment trends, skills mismatches, employment promotion, and labor demand constraints for this segment of the population. Nevertheless, studies fall short on addressing issues related to youth employment quality, targeted employment policy, regional differences in youth employment outcomes, and relationships between youth employment and household poverty. This report uses available micro-data (the Labor Force Survey, LFS; and the Household Budget Survey, HBS) and develops a more in-depth analysis of youth employment outcomes, trends, and determinants; focusing on the aforementioned information gaps. The Provisional Institutions for Self-Government (PISG) developed the 2007–2010 Kosovo Youth Employment Action Plan (KYEAP), which includes a broad set of policy options to improve youth employment in the territory. The Ministry of Labor has expressed an interest in obtaining analysis on youth labor markets that could facilitate design, implementation, and prioritization of this action plan. This endeavour will benefit from the analysis and diagnosis provided in this report (more details on the KYEAP in Chapter III).

12. **Finally, this report provides a new inventory of existing Active Labor Market Programs (ALMPs) in Kosovo (Chapter III).** Prior to this study, there was not compiled information on ongoing youth ALMPs in Kosovo. As such, there was a general lack of knowledge about how much Kosovo was spending on youth employment programs and about the effectiveness of such spending. The World Bank team preparing this report interviewed several agencies, line ministries, NGOs, and donors; and compiled information scattered in various documents – to produce an updated inventory of ALMPs in Kosovo. This inventory provides information on the scope, budget, coverage, and lessons learned from several ongoing ALMPs. This information will allow policy makers get an idea what set of polices works/do not work in the Kosovo context when designing programs targeted to unemployed youth.

CHAPTER II. WHAT DO WE KNOW ABOUT YOUTH EMPLOYMENT IN KOSOVO?

Abstract

This chapter contains two main sections. The first section develops an employment profile for youth in Kosovo using 2003 to 2006 LFS data. Results indicate that youth labor market indicators in Kosovo are discouraging: first, the majority of unemployed youth in Kosovo could be categorized as long-term unemployed. Second, lack of experience is a common feature affecting unemployed youth and young adults, especially females. Third, Youth in Kosovo display a very difficult transition from school to employment. Fourth, young workers in Kosovo are employed in jobs that display low quality, low returns, and high levels of informality. The second section develops a profile of youth in jeopardy in Kosovo using 2005/06 HBS data. Estimates indicate that approximately 20 out of every 100 unemployed youth in Kosovo live in extreme poverty. This group is mainly comprised by low-skilled, female, and rural youth.

1. **This chapter provides an employment profile of youth in Kosovo** using 2003–2006 Labor Force Surveys (LFS) and the 2006 Household Budget Survey (HBS) (Box II.1). Besides low employment, and high and predominantly long-term unemployment, youth in Kosovo are disadvantaged in many other ways: (a) a significant proportion of young people (especially rural poor youth and young women) are in neither education nor employment or training; (b) a significant proportion of young people leave school without a high-school degree, partly due to low returns to education; (c) the quality of employment among young workers is less than desirable.

Table II.1. Main Employment Indicators Included in this Chapter

<i>LABOR MARKET INDICATORS</i>	<i>Calculation</i>			<i>Description</i>
Labor force part. rate (%)	LF (U + E)	÷	WAP	Share of WAP in the labor market.
Employment rate (%)	E	÷	WAP	Share of employed in the WAP
Unemployment rate (%)	U	÷	LF (U+E)	Share of unemployed in the labor force.
Inactivity rate (%)	WAP - LF	÷	WAP	Share of WAP not in the labor market.
Joblessness rate (%)	U + (WAP - LF) - Enrolled	÷	WAP	Share of WAP not working, excluding students.

U = Unemployed population; E = Employed population. WAP = Population aged 15 to 64.
LF = Population in the labor force (employed or unemployed).

2. **Our definition of youth includes individuals aged 15 to 24.** Although there are alternative definitions of youth that are linked to certain rights and responsibilities provided by national law, this study uses the same definition as used by the United Nations Youth Program, which covers individuals aged 15 to 24.

Box II.1: A brief description of the data used in the report

This report presents an employment profile for youth using data from 2003 to 2006 Labor Force Surveys (LFS) and from the 2006 Household Budget Surveys (HBS). The LFS is the core survey of the Statistical Office of Kosovo (SOK) to monitor employment outcomes in Kosovo. The LFS was introduced by the Statistical Office of Kosovo in 2001 in order to collect comparable information on employment and unemployment in the territory of Kosovo, and make them available to local and international institutions. The survey's sample is stratified and nationally representative. Sampling includes the selection of 360-400 enumeration areas, which correspond to about 3200 households (19,000 individuals approximately). The LFS collects information on demographics, education, and labor market outcomes for individuals aged 15 and above. The HBS provides data to monitor poverty and inequality and collects some (albeit limited information) on employment. The survey's sample is stratified and nationally representative. The main advantage of the HBS is that allows comparison of employment outcomes by socio-economic groups.

The major caveat concerning these two data sources is related to representativeness of the samples. Kosovo has not had a reliable census since 1981. Therefore, the current surveys still use the 1981 population frame as the starting point for sampling despite likely changes in the population since then. Obtaining employment indicators in levels (i.e. population extrapolations) is likely to provide unreliable results. As such, most estimates presented in this article refer to population rates (and not levels). For years of available data (2003, 04, and 05), main employment indicators were calculated and compared to those published in SOK publications. While most estimates are similar, there are mild discrepancies as quantified in the Table below.

	<i>Employment Rates</i>			<i>Unemployment Rates</i>			<i>Inactivity Rates</i>		
	WB*	SOK**	HBS*	WB	SOK	HBS	WB	SOK	HBS
Age Group 15-64									
2003	25.3	25.3	30.4	52.3	N/A	45.6	47.0	N/A	44.0
2004	28.6	27.9	29.1	39.6	39.6	51.6	52.6	53.8	39.8
2005	28.8	28.9	31.7	41.5	41.3	46.8	50.7	50.8	40.3
2006	N/A	29.0	29.7	N/A	44.6	49.0	N/A	47.7	41.7
Age Group 15-24									
2003	10.69	N/A	13.4	76.6	N/A	73.0	54.28	N/A	50.3
2004	12.65	11.3	11.0	63.9	66.5	79.3	64.99	N/A	47.1
2005	10.6	10.5	13.9	70.9	70.5	74.5	63.61	N/A	45.6
2006	N/A	11.5	10.3	N/A	75.5	78.7	N/A	N/A	51.7

* World Bank Estimates using LFS and HBS data. ** Estimates from SOK reports.

3. **For comparison, this study also includes analysis of other groups,** namely young adults (aged 25 to 34) and working-age adults (aged 35–64). This study also provides analysis of two subgroups among youth—those aged 15–19 and those aged 20–24—in order to make distinctions between youth in and out of secondary-school age. While most individuals aged 15 to 19 are expected to be in school rather than participating in the labor market, the opposite occurs with individuals aged 20 to 24. As such, these two groups are likely to display different employment outcomes, especially

concerning labor force participation, inactivity, and joblessness rates. About one third of the WAP and about 38 percent of all the pool of unemployed in Kosovo are comprised of youth between 15 and 24 years of age (Table II.2).

Table II.2. Youth account for 38.4 percent of the unemployed in Kosovo

<i>Age group</i>	<i>Percent of Total Unemployed</i>	<i>Percent of the WAP</i>
15-24	38.4	30.5
25-34	31.2	24.0
35-54	27.5	34.4
55-64	2.9	11.1

Source: World Bank calculations using 2005 LFS data.

YOUTH LABOR MARKET INDICATORS AND TRENDS

4. **Since 2003, employment indicators in Kosovo have remained rather stable, with some slight improvements in overall employment and unemployment rates.** As mentioned in Chapter I, Kosovo has the highest unemployment rate in the ECA region at 45 percent; followed by Macedonia (36 percent), Montenegro (31 percent), and Bosnia and Herzegovina (30 percent). Labor force participation in Kosovo among the working age population (at 53 percent) is substantially below the ECA average (65 percent) and the second lowest in the ECA region after Turkey (51 percent) (Angel-Urdinola and Macias, 2008). There was a decline from 52 percent to 45 percent in overall unemployment rates and an increase in employment rates from 25 percent to 29 percent for the working-age population between years 2003 and 2005. Labor force participation remained roughly unchanged during the period of study at 52 percent. These improvements, however, did not benefit the young population. Estimates for the young population indicate that unemployment, employment, and participation rates remained roughly unchanged between 2003 and 2006 at 76 percent, 11 percent, and 46 percent, respectively. These are very unfavorable employment outcomes.

Table II.3. Approximately 8 out of 10 young individuals in the Kosovo's labor force are unemployed.

	<i>Age Group 15-24</i>			
	Employment Rate	Unemployment Rate	Labor Force Participation	Inactivity Rate
2003	10.7	76.6	45.7	54.3
2006*	11.5	75.5	46.9	53.1
	<i>Age Group 15-64</i>			
2003	25.3	52.3	53.0	47.0
2006*	29.0	44.6	52.3	47.7

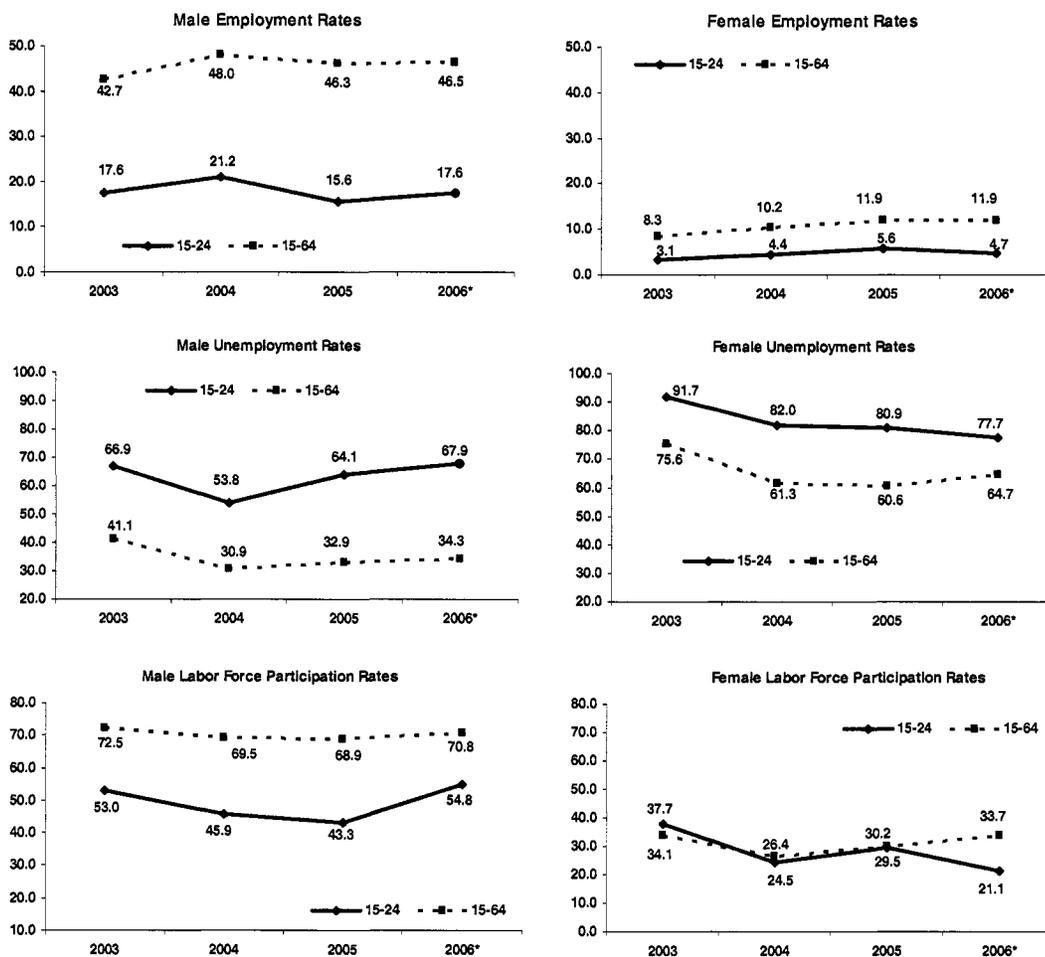
*Estimates from SOK (2006).

Source: World Bank Estimates using 2003–2005 LFS data.

⁹ Unemployment rates in Kosovo may be inflated as individuals do not seek for jobs actively although they claim so (i.e. many rely on being registered in the PES as the only job search method). Also, many workers work from time to time in the informal sector, which is not captured by the LFS questionnaire, which relies on a one-week recall period to calculate employment indicators.

5. **Despite improvements since 2003, young females display the worst employment outcomes in the labor market.** Employment outcomes for females are less favorable than those for males, especially among youth. For females, employment and participation rates are very low, not only for young women but for the overall female working-age population. As expected, employment rates among female youth are lower than among females on average. However, while labor market indicators for young males have been stable (roughly unchanged) since 2003, labor market indicators among females (albeit worse than among males) improved between 2003 and 2006 (Figure II.1).

Figure II.1: Young females participate very little in the labor force compared to young males, and the few participants are likely to be unemployed.

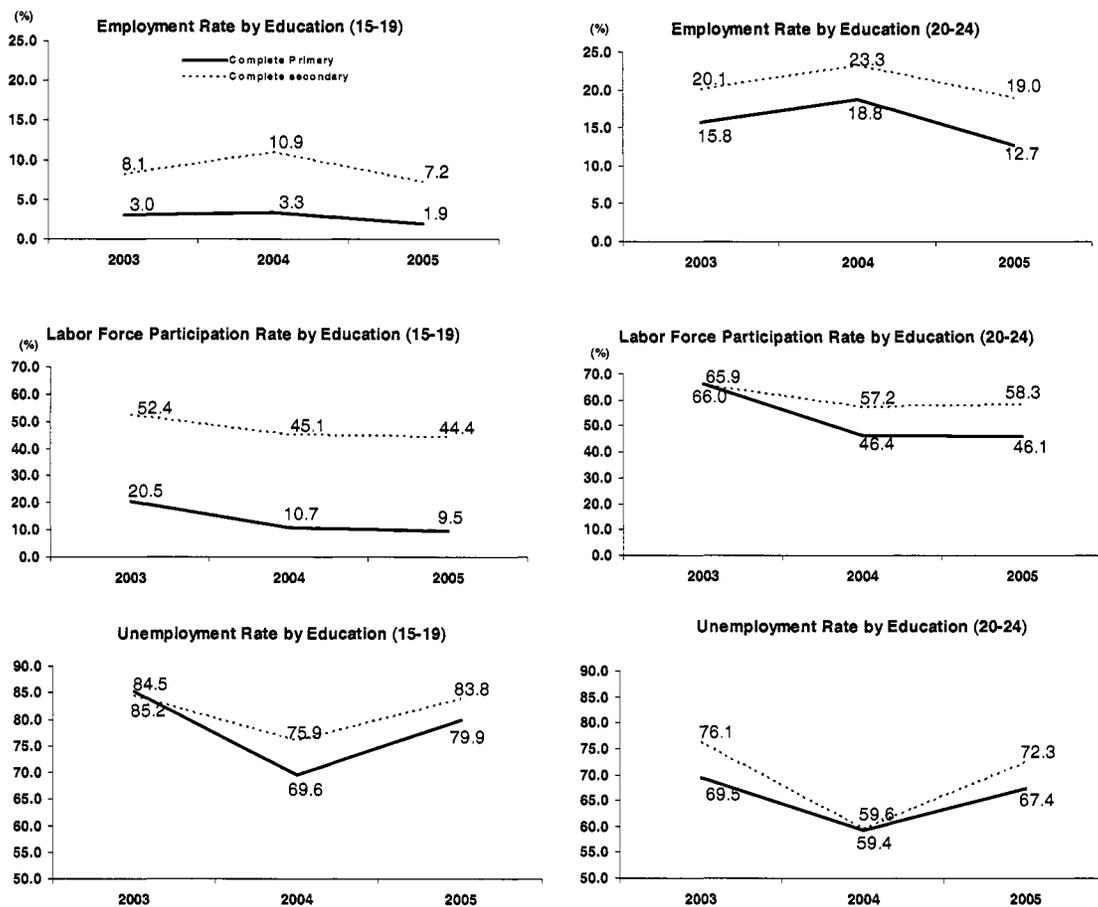


Source: World Bank calculations using 2003–05 LFS data. * Estimates for 2006 from SOK (2006).

6. **Employment and participation rates are higher for young individuals with higher levels of education.** Employment and participation rates are higher among youth aged 20 to 24 than among youth aged 15 to 19. This occurs because youth in the latter group are largely enrolled in secondary education. For youth aged 20 to 24, having

attained secondary education is associated with higher employment and participation rates, as is generally the case. Unemployment rates are higher among youth who have attained secondary education compared to those who have attained primary. This occurs because low-skilled young workers are more likely to be employed in low-quality subsistence agriculture (that is, unpaid work in the agriculture sector) (Figure II.2).¹⁰

Figure II.2: Unemployment rates are slightly higher among higher-skilled youth, in part because low-skilled youth are likely to be employed in subsistence agriculture.



Note: Employment in Subsistence Agriculture = Unpaid family work in agriculture.

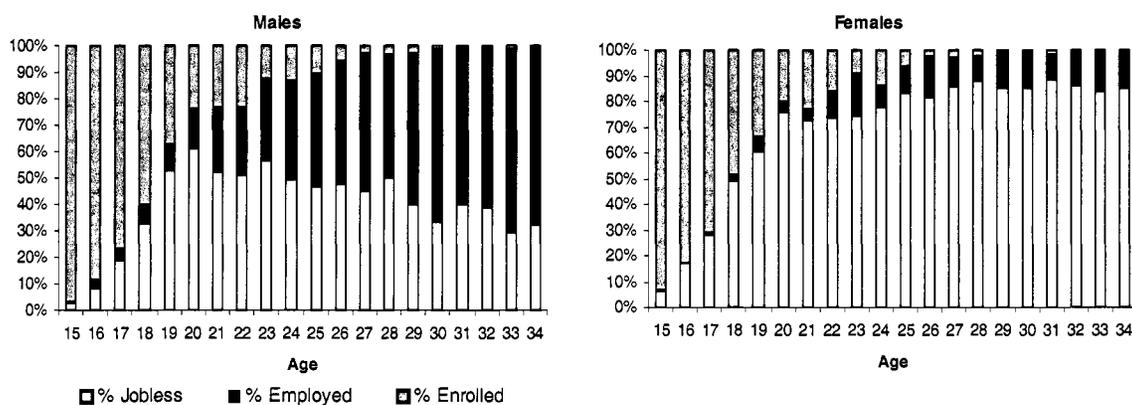
Source: World Bank calculations using 2005 LFS data.

7. Youth in Kosovo display a very difficult transition from school to employment. Figure II.6 plots the share of individuals who are employed, enrolled in school, and jobless (that is, inactive or unemployed), by age and gender. Labor market problems faced by individuals during their young years are likely to accompany them into adulthood, especially among females. School enrollment decreases substantially between ages 15 and 19, especially among females, but drops in enrollment are not

¹⁰ LFS estimates indicate that 81.2 percent of all youth with no education engage in subsistence/unpaid agriculture.

accompanied by similar increases in employment (that is, as students drop out of school they are likely to become jobless). Among young females, school-to-work transition is scarce. It takes about 10 years for young males to transition from school to work, as measured by the time it takes from when 50 percent of the population is enrolled in school to when 50 percent of the population is employed (Figure II.3). In the neighboring country of Macedonia, using a similar definition, Angel-Urdinola and Macias (2008) find that it takes four to five years for young males to transition from school to employment. In developed countries, it takes an average of about 1.4 years for new young entrants to get a stable job. The comparable time for less-developed countries is four years, more than twice as long. The lack of good employment opportunities has caused youth discouragement and idleness in Kosovo.

Figure II.3: It takes about 10 years for young males to transition from school to work, as measured by the time it takes to shift 50 percent of this population from being enrolled in school to having employment.



Source: World Bank calculations using 2005 LFS data.

8. **There are important regional differences in youth employment indicators that are associated with the composition of regional economic activities.** In particular, estimates indicate that youth employment rates are higher and youth unemployment rates are lower in Gjakova, Gjilani, and Peja than nationally (the aforementioned are traditionally agricultural regions). According to Angel-Urdinola and Malaiyandi (2008), this is partly due to the fact that the agricultural sector is displaying a high demand for young low-skilled male labor. Labor force participation is higher than nationally in regions with a large tertiary sector, such as Mitrovica and Prizren. Nevertheless, these regions display the highest unemployment rates and lowest employment rates nationally. These findings hold true by gender. Female employment rates are higher and female unemployment rates lower in regions with a more developed agriculture sector, while female participation and unemployment rates are larger in regions with a large tertiary sector. The secondary sector (that is, manufacturing) absorbs very little youth employment (at most 10 percent in regions where this sector is more representative) (Angel-Urdinola and Malaiyandi 2008) (Table II.4).

Box II.2: The Education Sector in Kosovo

In 2000 Kosovo went into a period of reform of its educational system. The reform introduced nine years of compulsory education: five of primary education; two of low secondary education; and two of high secondary education. Secondary education includes general secondary education, which lasts for four years preparing students for university, and vocational secondary education which lasts generally three years.

Primary Enrollment: Primary gross enrollment rates in Kosovo (at 95 percent) are comparable to those of other ECA countries given Kosovo's levels of development as proxied by per-capita GDP. Student teacher ratios at the primary level (at 20 students per teacher) are high for ECA standards (at 16 students per teacher).

Secondary enrollment: Kosovo's gross secondary education enrollment rates (at 75 percent) are rather low for ECA standards (at 90 percent). Drop-out rates in upper-secondary education are large among females and in rural areas. In particular, secondary attainment rates in rural areas and among females (at 47 and 42 percent respectively) are below the national average (at 60 percent).

Tertiary enrollment: Enrollment in post-secondary education in Kosovo (at 20 percent) is lower than that in the ECA region (at 47 percent). The lack of a qualification framework and a perceived low quality of education are two main challenges of post-secondary education in Kosovo. The lack of an accepted qualification system is pushing employers to use highly experienced workers as a proxy for occupational qualifications, thereby limiting employment opportunities for young people (albeit educated) to enter in the labor market.

Source: Angel-Urdinola and Kutateladze (2008), SOK (2005), EDSTATS (2005), and HBS 2005/06 data.

Table II.4. Mitrovica is the region displaying the worst youth employment outcomes.

	<i>Age Group 15–24</i>		
	Employment	Unemployment	Participation
Total	10.6	70.9	36.4
	REGION		
Gjakova	17.4	47.4	33.0
<i>Male</i>	27.8	38.3	45.1
<i>Female</i>	6.8	67.3	20.8
Gjilani	11.0	63.3	30.0
<i>Male</i>	12.6	61.3	32.6
<i>Female</i>	9.5	65.5	27.6
Mitrovica	7.0	84.8	45.8
<i>Male</i>	10.3	79.6	50.2
<i>Female</i>	3.3	91.9	41.0
Peja	16.5	52.8	35.1
<i>Male</i>	25.6	39.0	42.0
<i>Female</i>	6.6	76.0	27.5
Prizren	10.8	67.3	32.9
<i>Male</i>	18.6	59.8	46.2
<i>Female</i>	3.2	84.1	20.0
Prishtina	7.8	81.4	42.0
<i>Male</i>	9.8	78.1	44.7
<i>Female</i>	5.9	84.9	39.4
Ferizaj	8.4	70.1	28.1
<i>Male</i>	12.1	67.9	37.6
<i>Female</i>	4.4	75.2	17.8

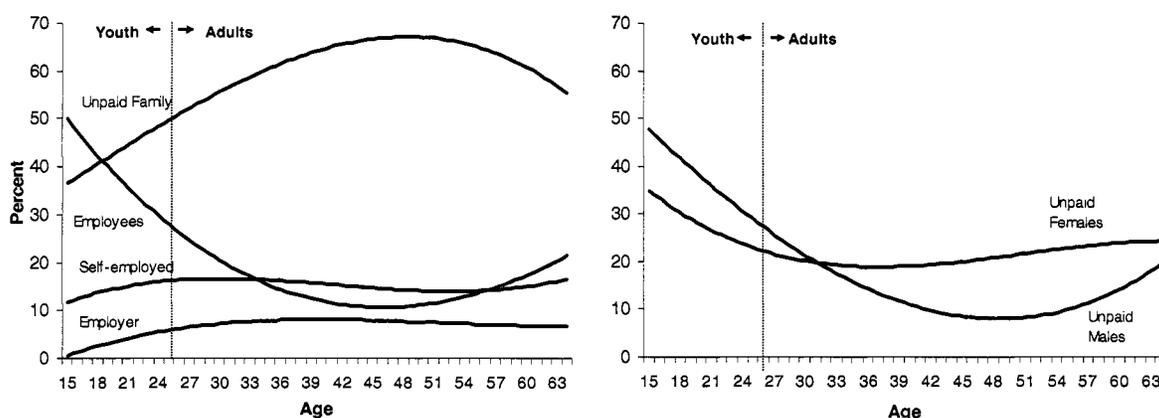
Source: World Bank calculations using 2005 LFS data.

QUALITY OF YOUTH EMPLOYMENT

9. **Young workers in Kosovo are employed in jobs that display low quality and high levels of informality.** High inflow rates and high unemployment rates are not the only problems faced by the youth labor market. Anecdotal evidence suggests rapid increases in youth informality, especially in the construction and agriculture sectors. According to the Provisional Institutions of Self-Governance (PISG) and ILO (2006), in 2005 about 20 percent of all employed youth did not have an employment contract, 37 percent were not entitled to paid leave, 55 percent were not entitled to paid sick leave, and 73 percent were not registered in Social Security. Moreover, in 2004 around 21 percent of all young workers claimed to have worked for more than 50 hours a week. Low quality of jobs is likely to affect youth from poor and vulnerable groups, mainly in agriculture-related activity, who generally accept (due to necessity) the conditions offered by existing jobs, albeit precarious (Box II.3).

10. **About one-third of all young individuals engage in unpaid work.** Estimates from the 2005 LFS indicate that a large share of youth employment is engaged in unpaid family work, especially between ages 15 and 19. However, the share of unpaid employment drops quickly and steadily with age as young individuals reach adulthood. Unpaid work among youth is more frequent among males than among females (Figure II.4). Unpaid employment among males decreases rapidly with age, but not so among females. At age 33 the share of unpaid females becomes larger than that of males and stays so until retirement age. Less than 18 percent of all youth engage in self-employment or firm ownership activities (Table II.5). Indeed, even at prime adult age, self-employment and firm ownership remain low, absorbing only about 20 percent and 10 percent, respectively, of overall employment.

Figure II.4: While more frequent among male youth, unpaid employment decreases more rapidly among males, especially once they reach adulthood.



Source: Angel-Urdinola and Malaiyandi (2008) using 2005 LFS data. Shares by age have been smoothed using a polynomial regression.

11. **Many young workers and their families rely on work in the informal economy and on migration to cope with the risk of unemployment and low earnings.** About half of all youth employment can be found in the informal economy, defined as those without employment contracts and/or working in enterprises not formally registered. By getting informal jobs youth acquire experience, which may contribute positively to eventually get a formal job. Poor enforcement of the labor law, coupled with low awareness of rights at work, pushes many young workers into the trials of the informal economy. The degree of informality is even more pronounced if appraised according to whether enterprises comply with the statutory provisions on working conditions—especially social security and hours of work. The degree of informality was higher if measured according to whether payroll taxes were paid or withheld (67 percent of the respondents were informally employed based on this criterion (Corbanese and Rosas 2007).

Box II.3: Youth Informality

Youth informal employment and violations of fundamental labor standards remain pervasive in Kosovo. Unfortunately, the Labor Force Survey does not disaggregate information on the informal economy, and official estimates are not available. Nevertheless, based on a World Bank 2003 survey, about half of the employment in Kosovo was in the informal economy, according to the ILO criteria of whether employees had a signed contract and the enterprises were registered. The degree of informality was even more pronounced if appraised according to whether enterprises complied with the statutory provisions on working conditions—especially social security and hours of work. Less than 5 percent of young people are employed in a career job, enjoying decent working conditions and social protection. Over half of working youth are dissatisfied with the job they have and 34 percent want to change.

Source: Kuddo (2008)

Table II.5. Self-employment and firm ownership account for less than 25 percent of all employment, at all age groups.

<i>Age Group</i>	<i>% Employees</i>	<i>% Employers</i>	<i>% Self-employed</i>	<i>% Unpaid Family</i>
15–24	48.5	6.3	11.9	33.2
25–34	56.3	6.0	16.3	21.4
35–54	63.8	8.4	16.5	11.3
55–64	64.7	5.1	12.2	18.0

Source: World Bank calculations using 2005 LFS data.

12. **Unpaid work is more frequent in agricultural activities, rural areas, and among younger workers with lower levels of education.** According to Angel-Urdinola and Malaiyandi (2008), being a youth increases the probability of being engaged in unpaid work by 15 percent compared to adults of prime working age (35–54). Controlling for other characteristics, secondary and tertiary school attainment is associated with a 10 to 15 percent lower probability of being in unpaid work. Workers engaged in the tertiary sector (mainly services and transport) are associated with a 50 percent lower probability of being engaged in unpaid work compared to workers in the primary sector (mainly agriculture and mining). Finally, workers in Gjakova, Gjilani, and Peja (all regions with a large primary sector) are associated with up to a 10 percent higher probability of being engaged in unpaid work.

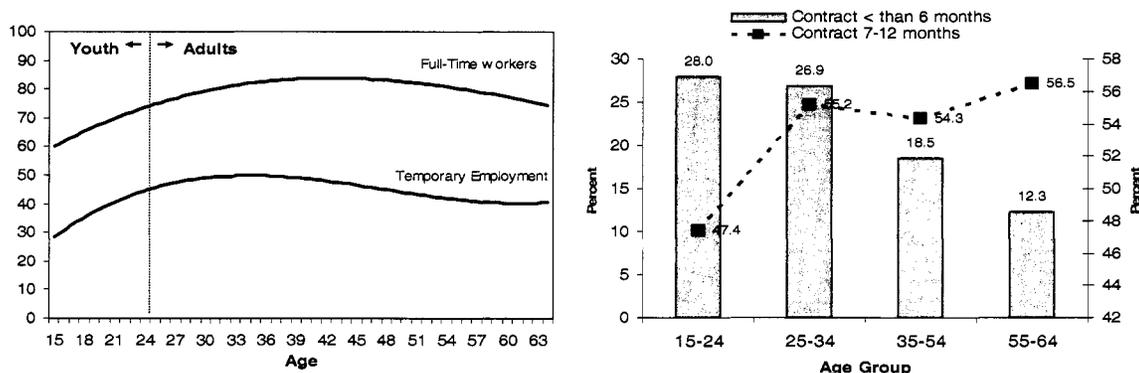
13. **Over one-third of all young workers are employed on a part-time or temporary basis.** Figure II.5 provides information on whether workers are employed on a full-time/part-time or a temporary/permanent basis. Results indicate that about 30 percent of all youth are employed on a temporary basis. This share is even larger (between 40 percent and 50 percent) for adults of prime working age. Although the share of temporary work is lower among youth than among adults, results indicate that youth engaged in temporary employment have very short (and thus unstable) contracts. Indeed, 30 percent of all workers aged 15 to 24 who are working in temporary jobs have contracts with duration of less than 6 months (Table II.6). About 70 percent of all workers are so on a part-time basis. While among females this partly occurs because of their role as caregivers, among men this mainly occurs because they cannot find a full-time job (see Table II.7)

Table II.6. Most temporary workers are so due to a lack of permanent vacancies.

	<i>Reasons for Not Having Permanent Employment</i>				
	<i>15-24</i>	<i>25-34</i>	<i>35-54</i>	<i>55-64</i>	<i>15-64</i>
Training	10.47	6.49	6.74	9.28	7.24
Probationary Period	8.8	5.33	5.93	2.52	5.69
No Permanent Vacancy Available	71.58	76.66	78.38	79.66	77.43
No Reason Given/ N.A.	9.16	11.53	8.96	8.54	9.65

Source: World Bank calculations using 2005 LFS data.

Figure II.5: The share of workers in full-time jobs increases with age: from 60 percent at age 15 to about 85 percent at age 45, and decreases thereafter until retirement age.



Source: Angel-Urdinola and Malaiyandi (2008) using 2005 LFS data.

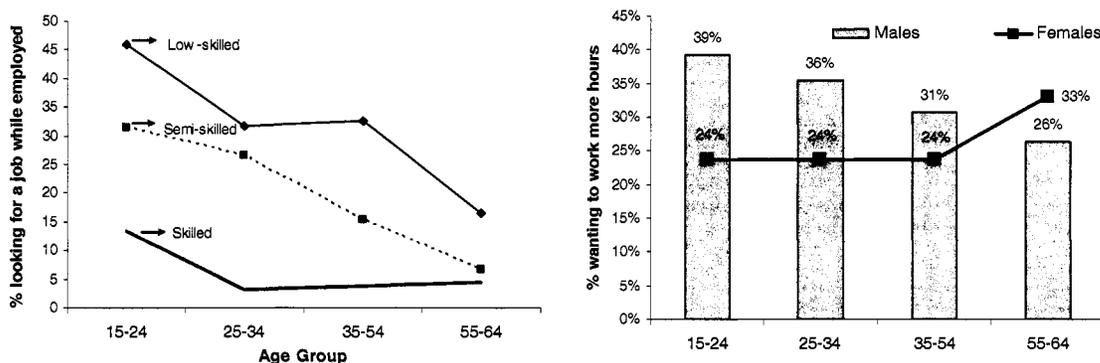
Table II.7. About 23 percent of all young female workers work on a part-time basis because of their role as caregivers; this share increases as they enter adulthood.

<i>Reasons for Working Part Time</i>	<i>15-24</i>		<i>25-34</i>		<i>35-64</i>	
	Male	Female	Male	Female	Male	Female
% could not find full-time job	66.0	46.3	71.5	41.8	63.6	22.9
% needed to take care of family member	0.0	23.4	0.0	39.2	1.7	33.4
Total	66.0	69.7	71.5	80.9	65.3	56.3

Source: World Bank calculations using 2005 LFS data.

14. **About one-third of all young workers are looking for a second job or want to work more hours.** According to Angel-Urdinola and Malaiyandi (2008), about 40 percent of all young male workers claim to want to work more hours or to be searching for an additional job. The same share decreases to approximately 30 percent (still a large share) for adults in prime employment age. Underemployment among young females is lower than among young males at 20 percent (compared to 40 percent among young males). Underemployment is more frequent among urban youth compared to rural youth. While the share of young workers in urban areas that seek an additional job is at 40 to 45 percent, the same share is 20 to 25 percent among young workers in rural areas (Figure II.6).

Figure II.6: Underemployment is more frequent among unskilled young males.



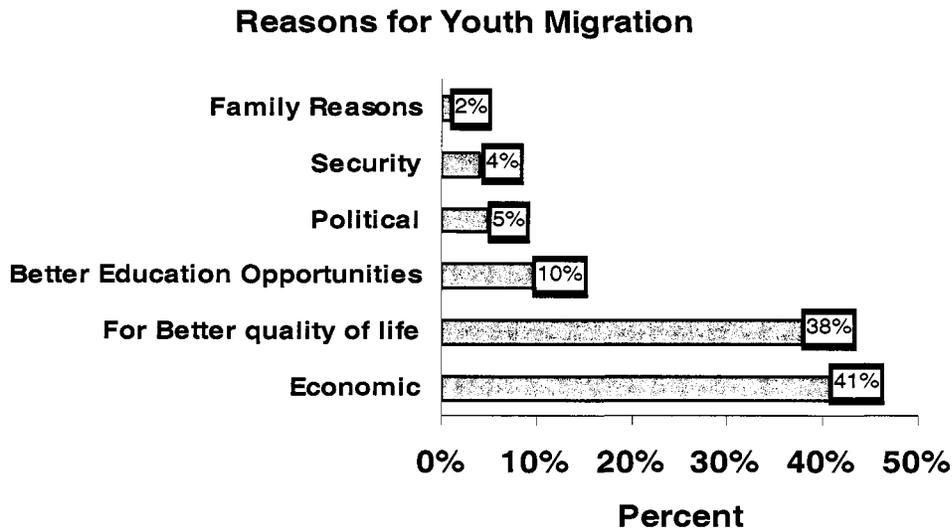
Low-skilled: Complete primary or below; semiskilled: Complete secondary; Skilled: Some tertiary education complete/incomplete.

Source: World Bank calculations using 2005 LFS data.

15. **Migration is an important coping mechanism for youth in Kosovo to mitigate unemployment risks.** Vathi and Black (2007) indicate that there are about 500,000 individuals who were born in Kosovo who now live abroad. Migration flows have been significant in Kosovo in recent years. Youth are more likely to emigrate because the costs to them of leaving are lower than the economic and social gains of doing so. According to the authors, migrating youth in Kosovo has been quite heterogeneous in recent years: the youth migration flows resulting from the 1990s conflict was likely to have been rather a skilled one (since repressive policies during the Milosevic regime targeted professionals and students) while in more recent years, lack of employment opportunities has provided incentives to both semi-skilled and high-skilled youth to migrate. Semi-skilled migration generally leaves the territory illegally (given tight emigrations policies towards Kosovo by most EU countries), while some very high-skilled students find ways to study abroad and/or work in international organizations.

16. **On the positive side, youth migration may reduce tensions in the labor market** at the national level, decrease unemployment, increase incomes in the home country from remittances that contribute to decreasing deficits in the national current accounts balance and possibly to investments in human capital, and provide return migrants with skills and capital for investment.¹¹ On the negative side, migration may result in “brain drain” and reduced productivity at the national level, it often removes youth from the social environment of family and friends, and it can put youth at greater risk of exploitation and/or abuse and lead to increased exposure to health problems.¹² A recent survey conducted by UNDP found that 44 percent of individuals aged 18 to 25, and 38 percent of individuals aged 26 to 35, intend to migrate from Kosovo (UNDP 2006). Since most of the legal emigration routes to Europe from Kosovo are now closed, a large portion of its current youth emigration is illegal. Poverty and high unemployment rates continue to make migration an attractive option for many people, especially the young (Figure II.7).

Figure II.7: The main reasons why youth migrate from Kosovo are to pursue “better economic opportunities” and “a better quality of life.”



Source: UNDP Kosovo, *Human Development Report* (2006).

¹¹ According to the World Bank (2007), migration remains, by far, one of the most effective mechanisms for reducing poverty in Kosovo. Foreign remittances in Kosovo account for 13.5 percent of Kosovo’s GDP. Kosovo ranked fifth among transition economies and it is among the top 20 countries in the world in terms of highest total remittances received as percentage of GDP.

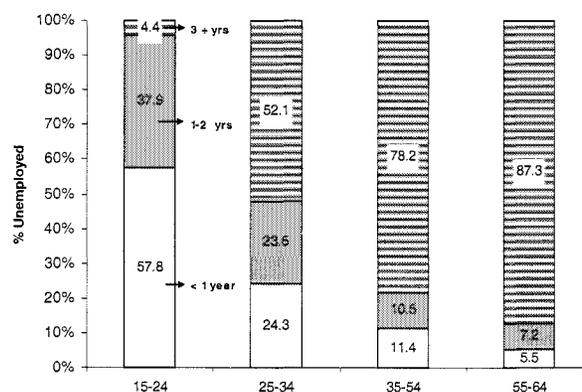
¹² Vathi and Black (2007) argue that human trafficking in Kosovo for the purpose of sexual exploitation has increased significantly since the end of conflict in 1999, affecting mainly female youth.

UNEMPLOYMENT DURATION AND JOB SEARCH

17. **Large inflows of youth into participation, combined with stagnant job creation and low outflows of pension-aged adults out of the labor market, are expected to increase youth unemployment if no action is taken.** Despite a decreasing trend in youth unemployment since 2002, estimates suggest that about 11,000 new youth continue to enter the labor market on a yearly basis, the majority of which join the pool of unemployed. Indeed, it is expected that roughly 200,000 young people will reach working age in the next five years, while the number of people reaching retirement age will be only 60,000 (ILO 2006).¹³ These combined phenomena may contribute to an increase in the backlog of unemployed youth. A recent study (PEM 2007) finds that while job creation in Kosovo has been improving and about 63 percent of a random sample of firms claimed to have expanded their labor demand in 2005 and 2006, the number of new vacancies is not growing at the pace of the inflow of new participants. For instance, in 2006, the employment service of Kosovo registered only 8,561 new vacancies for 326,000 registered unemployed (95,000 of which were aged 15 to 24).

18. **Four out of every 10 youth who are unemployed have been so for more than one year.** The majority of unemployed individuals in Kosovo could be categorized as long-term unemployed, as defined by having been unemployed for a period longer than one year. Long-term unemployment in Kosovo is worrisome. As illustrated in the left side of Figure II.8, about 38 percent of all unemployed youth has been so for a period longer than one year, and 4.4 percent have been so for longer than three years (estimates exclude first-time job seekers). Long-term unemployment does not get any better as individuals enter adulthood. Indeed, long-term unemployment is a phenomenon affecting mainly adults of prime working age.

Figure II.8: Long-term Unemployment, by Age Group, in Kosovo



Source: World Bank calculations using 2005 LFS data. Estimates exclude first-time job seekers.

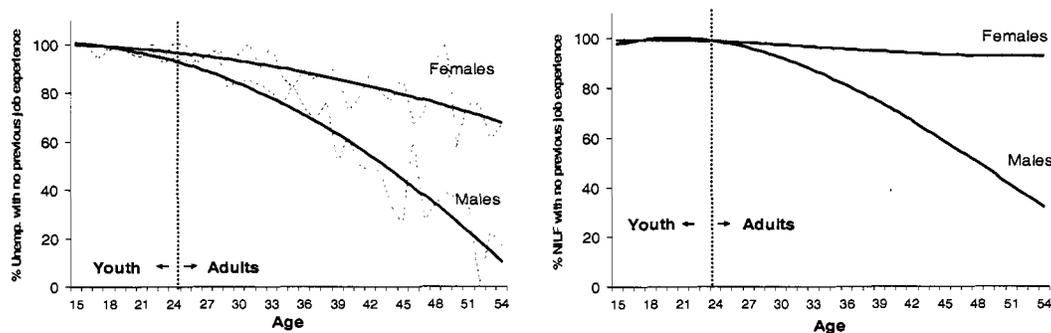
¹³ In mature market economies in Europe, the situation is the opposite: the shrinking number of new labor market entrants will have a significant impact on labor supply and the structure of the working-age population, which may encourage out-migration of youth from Kosovo as well.

19. **Long-term unemployed youth are more likely to undertake a “passive” job search.** Active job search is one of the key requirements to be considered unemployed. According to Angel-Urdinola and Malaiyandi (2008), only 55 percent of all unemployed youth and 63 percent of young adults are engaged in “active” job search. As such, these individuals have characteristics that make them more “inactive” than truly “unemployed.” If these individuals were considered “inactive,” unemployment rates in Kosovo would likely decrease. Finally, the authors find that the more time individuals spend in unemployment, the more likely they are to engage in passive job search.¹⁴

20. **The registered number of unemployed is inflated by the high number of people who are not actively looking for work** (Kuddo 2008). Also, the mandatory requirement of the “unemployed status” for obtaining the status of social welfare beneficiary is causing the registration of people who do not classify as unemployed according to international standards. Since there is no obligation to periodically confirm their (un)employment status and re-register themselves, after initial registration, many job seekers stay on the roster, while some are de facto working informally, have emigrated, or are economically inactive, thus inflating the actual number of job seekers.

21. **Lack of experience among the unemployed remains an important factor at adulthood, especially among women.** By age 24, more than 95 percent of all unemployed workers have not had any work experience. Estimates indicate that about 90 percent of all unemployed women and 98 percent of all inactive women at age 35 are likely not to have any previous work experience (Figure II.9). The share is lower among unemployed and inactive males, at approximately 70 percent and 80 percent, respectively.

Figure II.9: Most inactive females (both young and adult) never have work experience



Source: World Bank calculations using 2005 LFS data. Shares by age have been smoothed using a polynomial regression.

¹⁴ Active search means that unemployed individuals applied for a job, advertised his/her availability in newspapers, or participated in job placement exams/interviews in the four weeks prior to the survey. Passive search is defined as being registered in the Public Employment Service (PES) or at any other employment agency.

22. **Young job seekers are per se in a difficult position because they are newcomers with little experience and reduced productivity.** Another factor is the reluctance of employers to recruit inexperienced young people and to invest in their training. Moreover, youth in Kosovo are trapped in precarious and temporary employment, which prevents them from moving into permanent work arrangements. Low pay is also a rather common feature of jobs performed by young people. Unemployment early in a person's working life has been shown to increase the probability of future joblessness and lower future wages.

WAGES AND RETURNS TO EDUCATION

23. **Although data on wages is limited; HBS provides some useful information to analyze wages across age, gender, and education groups.** Unfortunately, LFS data does not collect information about workers' wages. HBS does collect information on monthly wages for the sample of employed wage earners. Nevertheless, data on wages collected in the HBS are limited and must be used with care due to high rates of non-response. As illustrated in Table II.8, 50 percent (30 percent) of all wage earners in the sample in the 2002/03 HBS (2005/06) survey have missing data on wages. As such, it is difficult to provide disaggregated wage analysis with the available data. Unfortunately, data do not provide enough observations to do disaggregated analysis by education/gender for young workers only. Estimates in Table II.8 indicate that there is not much dispersion on average wages across age groups, strata, gender, and education. Nevertheless, and as expected, average wages are higher in urban areas, among males/adults, and among individuals with higher levels of education.

24. **Returns to education among youth are positive but low.** Angel-Urdinola and Malaiyandi (2008) run a basic Mincer-model of wage determination for youth and for the overall WAP in Kosovo. The authors find that returns to having primary and secondary education vs. having no education are not significant for the WAP; while returns to tertiary education, albeit positive and significant, are low at 12.5 percent. Results in relation to education returns are similar for youth. In particular, young workers having attained post-secondary education are associated with 13 percent higher wages than similar young workers who have attained at most primary education. These rates of return are extremely low by regional standards (varying between 30 to 80 percent) (Yemtsov, Cnoblach, and Mete, 2006). While results demonstrate that the returns to higher levels of schooling are substantial and significant, Kosovo displays rather "low returns to education". A number of other countries in the region have much higher returns, including some of the leading reformers like Hungary and Poland (with returns to tertiary education oscillating between 60 and 77 percent in the early 2000s).

25. **Controlling for education, ethnicity and region are other important determinants of wages.** The authors find that gender is not an important determinant of wages among youth. However, for the overall working age population, being a male is associated with a 10 percent higher wage vs. being a female. Age (which is a proxy for experience) is also a significant determinant of wages for the working age population but

not for youth. This is not surprising, since the dispersion in acquired experience among workers in ages 15 to 24 is little. Estimates indicate that every additional year of experience (after the average working age) is associated with an expected wage increase of 1.4 percent. Young workers of Albanian origin display wages that are 20 percent lower than young workers of non-Albanian (mainly Serbian) origin. This constitutes ethnicity one of the main determinants for wage determination among youth. For the overall wage population, workers of Albanian origin display wages that are 10 percent lower than workers of non-Albanian origin. Urban workers as well as workers living in the Peje, Ferizaj, and Prizren regions are associated with 5 to 7 percent higher wages as compared to workers living in rural areas and in the Mitrovica region respectively.

Table II.8. On Average, young workers earn about €200 per month; which only about 20 percent less than what adult workers make on average.

	<i>Sample Size of Wage earners</i>	<i>% with missing wage</i>	<i>Weighted Sample Size w/o missing</i>	<i>Average Wage per worker per month*</i>	<i>Sample Size of Wage earners</i>	<i>% with missing wage</i>	<i>Weighted Sample Size w/o missing</i>	<i>Average Wage per worker per month*</i>
	<i>Total</i>				<i>[15-24]</i>			
2002/03	3,023	54.5	174,734	223.56	416	86.1	9,271	160.28
2003/04	2,864	37.6	233,293	213.22	332	49.7	23,140	215.98
2004/05	2,968	39.7	235,735	225.64	395	58.5	25,589	203.32
2005/06	2,792	33.3	241,472	216.21	292	47.3	20,117	194.21
	<i>Women</i>				<i>[25-35]</i>			
2002/03	529	50.3	28,661	206.75	928	73.2	30,034	295.21
2003/04	546	18.3	50,340	197.92	902	42.8	71,363	218.06
2004/05	579	21.4	51,008	201.34	889	43.5	70,437	243.27
2005/06	531	15.6	47,224	198.54	903	35.2	77,590	221.00
	<i>Men</i>				<i>[36-54]</i>			
2002/03	2,494	55.5	146,073	226.86	1,679	36.5	135,429	212.01
2003/04	2,318	42.1	182,953	217.43	1,630	32.3	138,791	210.26
2004/05	2,388	44.1	184,662	232.37	1,684	33.2	139,709	220.84
2005/06	2,259	37.5	194,217	220.51	1,597	29.6	143,765	216.71
	<i>Rural</i>				<i>Primary</i>			
2002/03	1,259	67.4	89,216	212.64	815	68.3	36,573	191.67
2003/04	1,316	48.4	118,721	199.73	683	59.4	38,109	173.14
2004/05	1,316	51.4	114,528	210.46	701	66.5	34,981	188.99
2005/06	1,213	42.0	131,390	201.75	618	51.6	48,083	188.75
	<i>Urban</i>				<i>Secondary</i>			
2002/03	1,761	45.3	85,518	234.96	1,599	56.8	89,738	219.99
2003/04	1,548	28.4	114,572	227.19	1,579	36.5	134,447	209.38
2004/05	1,647	30.1	121,206	239.99	1,601	37.1	130,301	208.51
2005/06	1,578	26.5	110,081	233.48	1,647	32.1	140,463	212.95
					<i>Vocation-University</i>			
2002/03	-	-	-	-	563	26.6	47,088	254.73
2003/04	-	-	-	-	559	11.6	58,387	248.60
2004/05	-	-	-	-	628	13.4	69,577	276.70
2005/06	-	-	-	-	496	13.1	51,534	252.67

Source: Angel-Urdinola and Malaiyandi (2008) using 2002/03 to 2005/06 HBS data. * Euro per month

YOUTH IN JEOPARDY

26. **This sub-section provides a profile of youth in jeopardy, that is, unemployed youth who are extreme poor.** The 2005/06 Household Budget Survey (HBS) is the primary data source for this analysis and provides key poverty measures and dimensions to labor force data that are not available in the Labor Force Survey (LFS). Profiling youth in jeopardy is used to illustrate how targeted interventions (through transfers and safety-nets) to this group can have a significant impact on overall poverty levels compared to random interventions targeted to any unemployed youth.

27. **Twenty percent of all unemployed youth in Kosovo live in extreme poverty,** defined as living in households in the first consumption quintile. These vulnerable youth account for approximately 33,000 young individuals (generally low-skilled, female, and living in rural areas). These individuals are likely to be a group vulnerable to social exclusion, long-term poverty, and lack second chances in Kosovo (Table II.10).

Table II.9. Statistics on Youth in Jeopardy

	<i>Unemployed Youth</i>	<i>Youth in Jeopardy</i>	<i>Youth in Jeopardy Incidence %</i>	<i>Youth in Jeopardy Pop. Share in %</i>
TOTAL	163,467	33,085	20.2	100
Gender				
<i>Male</i>	75,362	14,714	19.5	44.0
<i>Female</i>	88,105	18,371	20.9	56.0

Source: World Bank calculations 2005/06 HBS data.

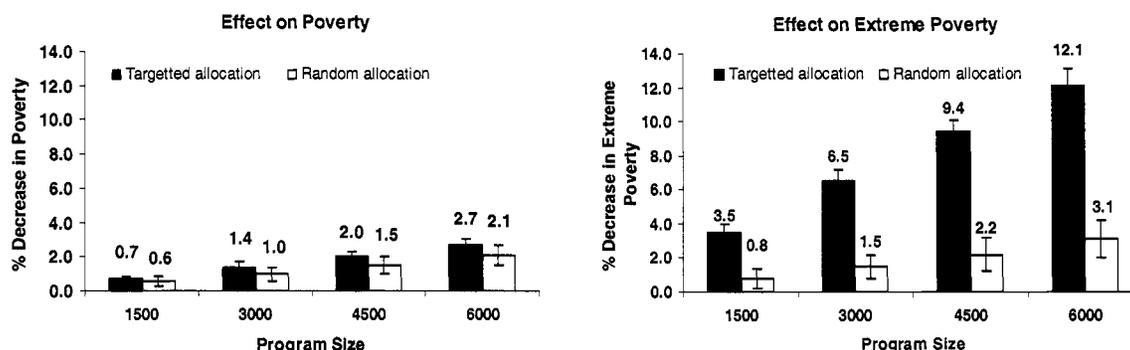
28. **Safety-nets targeted to youth in jeopardy can have an important impact in reducing extreme poverty.** Using micro-simulation techniques, analysis in this report quantifies the impact on poverty of targeted LMPs that provide households having youth in jeopardy with a transfer equivalent to the youth median monthly wage (about €106.7 per month) vs. the same transfer randomly allocated among a sample of households having unemployed youth. The transfer can be thought of as income assistance through a targeted income transfer and/or targeted employment assistance.¹⁵ Simulation estimates indicate reaching 6,000 youth in jeopardy with such an intervention can contribute to decreasing extreme poverty by 12 percent (that is, can contribute to getting up to 41,000 individuals out of extreme poverty, which are those living in households with a young beneficiary) while the effect of a randomly allocated LMP would contribute to decreasing extreme poverty by only 3 percent (Figure II.10).¹⁶ Implementing such a program would

¹⁵ Simulations assume perfect targeting, which in real life is not possible to achieve. Nevertheless, there are methods such as proxy means-testing models and geographic targeting that may identify beneficiaries that are more likely to be in poverty. However, as in any targeted program, there will be misallocation of resources because some non-poor individuals may end up benefiting from the program (errors of inclusion) and some poor may end up being excluded from it (errors of exclusion).

¹⁶ According to World Bank (2006), 17 percent of the population in Kosovo lives in extreme poverty (about 340,000 people).

cost approximately €11.5 million per year (which is slightly above the budget envisioned in the KYEAP) (Table II.9).¹⁷

Figure II.10: Percent Decrease in Poverty and Extreme Poverty—Random Compared to Targeted Allocation of Youth Safety Nets



Source: World Bank calculations using HBS 2005/06. Lines in bars display confidence intervals (Bootstrap with 100 repetitions).

Table II.10. Sample Size and Program Coverage Used in Micro-simulations

<i>Total Youth in Jeopardy: 33,085</i>				
Number of youth given a transfer in micro-simulations	1,500	3,000	4,500	6,000
As % of vulnerable population	4.5	9.1	13.6	18.1
Estimated investment in million Euro per year ^a	1.92	5.76	8.64	11.52

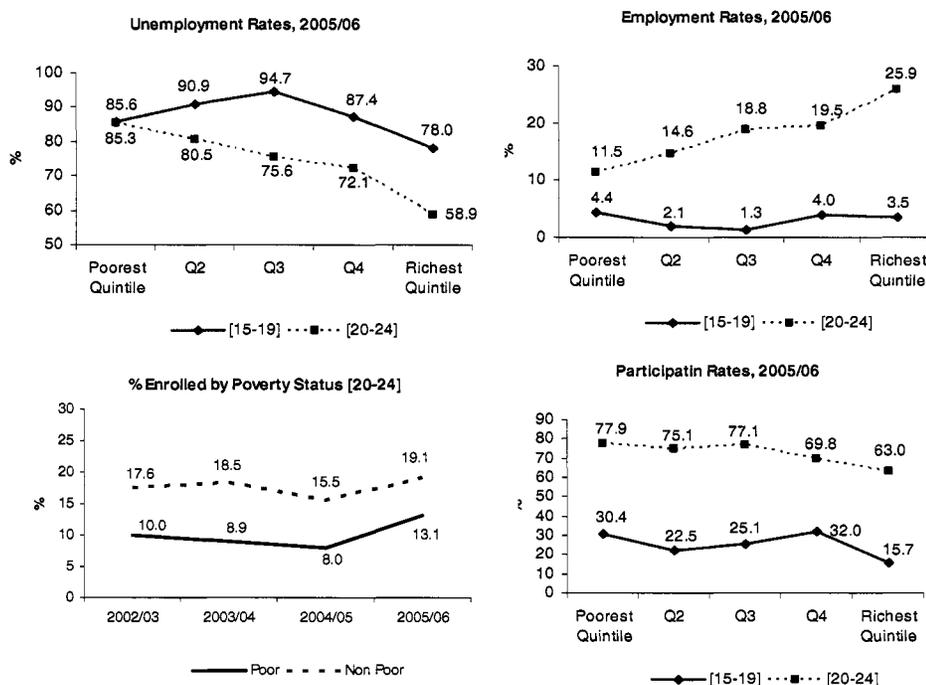
a. Program Unit Cost: €106.7 per household per month, equivalent to €1,280 per household per year.

Source: World Bank calculations using HBS 2005/06.

29. **Young individuals who are poor display worse employment outcomes.** Generally, it is not clear whether unemployment is a phenomenon affecting poorer or richer youth. Indeed, international evidence is mixed in this respect (Godfrey 2003). In Kosovo, youth living in poorer households display less-favorable employment outcomes (that is, lower employment and higher unemployment rates). The unemployment rate for youth in the poorest consumption quintile is about 86 percent, and for youth in the richest consumption quintile it is 58 percent (lower but still high) (Figure II.11). Employment rates for youth aged 20 to 24 are twice as high among those living in households in the highest quintile compared to those living in households in the poorest quintile (26 percent compared to 12 percent). Youth participation rates are higher for youth in the poorest consumption quintiles. This is because the poorest youth are less likely to be in school. While 20 percent of all youth (20 to 24) in non-poor households are enrolled in school, only 13 percent of youth in the same age group living in poor households are enrolled.

¹⁷ Although not presented in this report, the impact of a targeted transfer is also relevant for decreasing the poverty gap, the square poverty gap, and inequality (as proxied by the Gini Coefficient). Results are available upon request.

Figure II.11: Youth in jeopardy drop out of school earlier than youth living in richer households.



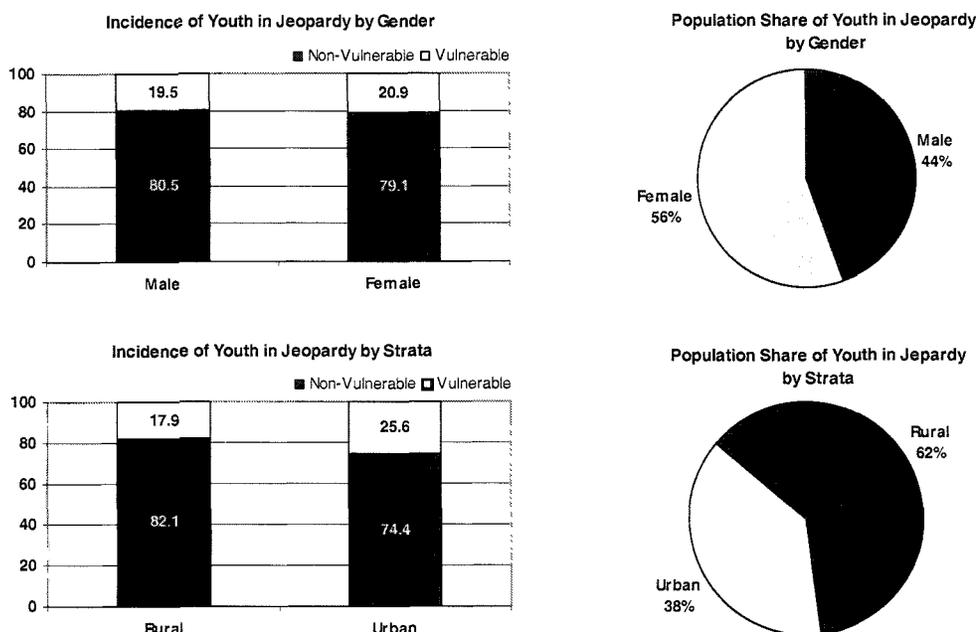
Source: World Bank calculations using 2002/03 to 2005/06 HBS data.

PROFILE OF YOUTH IN JEOPARDY

30. **“Incidence” and “population shares” are the two main indicators used in this report to profile youth in jeopardy.** The report provides a profile of youth in jeopardy by different subgroups, such as strata, region, and education. In this section, incidence (or risk) is quantified as the proportion of youth in jeopardy in a subgroup compared to the total number of unemployed youth in that subgroup. Population shares are calculated as the number of youth in jeopardy in a given subgroup divided by the total number of youth in jeopardy. The former indicator is useful to targeting particular groups, while the latter is useful to design policies that maximize the coverage of policy interventions.

31. **The majority of youth in jeopardy are women and live in rural areas.** Six out of every 10 youth experiencing extreme poverty and unemployment simultaneously are women. As mentioned, this gender bias is evident in other labor market indicators as well, with 77.7 percent of young women aged 15 to 24 being unemployed in 2006 compared to 67.9 percent of young men in the same age group. However, the incidence (or risk) of young males and females being in jeopardy is similar for young males and females, at approximately 20 percent. Almost two-thirds of youth in jeopardy live in rural areas. Despite this, the incidence of being poor and unemployed simultaneously is higher for urban youth than for rural youth (26 percent in urban areas compared to 18 percent in rural areas) (Figure II.12).

Figure II.12: Young women and youth in rural areas constitute the majority of all youth who are poor and unemployed simultaneously.



Source: World Bank calculations using 2005/06 HBS data.

32. **Youth in Mitrovica display a higher risk of being extreme poor and unemployed simultaneously than in any other region.** Almost half of all youth in jeopardy (54 percent) live in Mitrovica and Prishtina. As such, targeted interventions in these two regions may potentially cover the majority of the youth population at greater risk (see last column in Table II.11). Mitrovica alone is home to 34.3 percent of all youth in jeopardy in Kosovo (11,497 vulnerable youth). At 33.4 percent, the incidence (or risk) of being poor and unemployed simultaneously is also higher in Mitrovica than nationally (at 20 percent). Continued ethnic conflict and tension continue to hamper growth, political stability, and employment opportunities in the region. Interventions targeted to low-skilled individuals in the Mitrovica region are likely to benefit a vulnerable and disadvantaged segment of the youth population in Kosovo. Ferizah is the second region in Kosovo with the highest incidence of youth in jeopardy, at 27 percent (see Box II.4).

Table II.11. Regional Disparities in Vulnerability among Kosovo Youth

	<i>Unemployed Youth</i>	<i>Youth in Jeopardy</i>	<i>Youth in Jeopardy Incidence %</i>	<i>Youth in Jeopardy Pop. Share in %</i>
TOTAL	163,467	33,085	20.2	100
Region				
<i>Mitrovica</i>	34,465	11,497	33.4	34.7
<i>Prishtina</i>	40,928	6,372	15.6	19.3
<i>Ferizaj</i>	18,283	5,022	27.5	15.2
<i>Prizren</i>	22,808	3,881	17.0	11.7
<i>Gjakove</i>	19,222	3,124	16.3	9.4
<i>Peje</i>	10,751	1,893	17.6	5.7
<i>Gjilani</i>	17,010	1,296	7.6	3.9

Source: World Bank calculations using HBS 2005/06.

Box II.4: Voices of Vulnerable Youth

Ferizaj region: Two focus groups have been the subject of a survey in the Ferizaj region. The Roma, Ashkali, and Egyptians (RAE) from the Dubrava village were interviewed, which represent the most disadvantaged group. The second group involved the illiterate RAE community in Ferizaj.

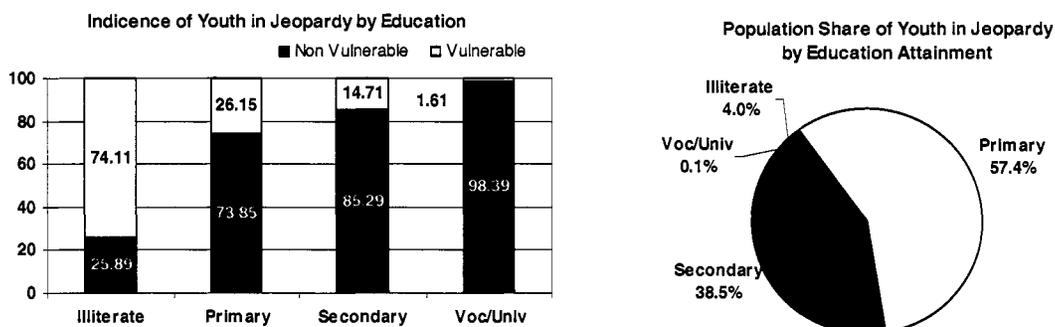
Youth from minority groups are rarely offered jobs. Of 14 interviewees, only 2 received a temporary job as part of the United Nations Development Programme's (UNDP's) employment-generation project. The rest registered with Regional Employment Centers (RECs) and Municipal Employment Offices but never received any feedback about their employment status. Moreover, even in the formulation of policies at the central and local level, they were never invited to contribute to the ongoing debate. They were active in the community and performed voluntary work in it.

The meetings and interviews with focus groups involving youth, women, and minorities led to several conclusions. Generally, relevant government institutions dealing with employment and employment services (such as regional PES and Vocational Education. Training [VET] centers) offered no help for this category of people. Youth from the RAE community persistently seek jobs, but there is little space for finding one. Women are in an especially difficult position. Women from rural areas are deprived of information, and job offers are very rare for them. Questionnaire results suggest that no special programs and plans were arranged to attract this disfavored group, and consequently, the biggest number of women remain unemployed, with little prospect for future employment.

Source: ETF (2008).

33. **Education attainment is strongly associated with being in jeopardy**, with lower-educated youth displaying a much higher risk of being unemployed and extreme poor at the same time. Illiterate youth display a high incidence (and therefore a high risk) of being in jeopardy at 74 percent compared to lower incidence levels of 14 percent among youth who have attained secondary education and 1.6 percent among youth who have attained tertiary education. In terms of population shares, 58 percent of all youth in jeopardy have completed primary education and 38 percent secondary education (these two groups account for 96 percent of all youth in jeopardy). These findings indicate a very important link between education achievement and labor market/poverty outcomes, whereby youth with lower levels of education face much higher incidence of poverty and unemployment (Figure II.13).

Figure II.13: Youth who have attained only primary education display a great risk being poor and unemployed at the same time.



Source: World Bank calculations using HBS 2005/06.

34. **Higher educational attainment of the head of the household is negatively associated with youth's vulnerability to unemployment and poverty**, whereby youth living in households with an illiterate head have a higher incidence of being in jeopardy (at 36 percent) than youth living in households with a head who has attained post-primary education (at 16 percent). Because youth aged 15 to 24 may still be in the middle of their education cycle, the characteristics of the head of household are a good proxy for assessing youth vulnerability, especially for those in the younger age cohort. Finally, estimates indicate that about 63 percent of all youth in jeopardy live in households where the head of household has attained at most primary education (Table II.12).

Table II.12. Incidence of Youth in Jeopardy by Education of the Household Head

	<i>Unemployed Youth</i>	<i>Youth in Jeopardy</i>	<i>Youth in Jeopardy Incidence %</i>	<i>Youth in Jeopardy Pop. Share in %</i>
TOTAL	163,467	33,085	20.2	100.0
Educ. of Head				
Illiterate	16,396	5,929	36.2	17.9
Primary	71,861	14,903	20.7	45.0
Secondary	58,687	9,632	16.4	29.1
Voc/Univ.	16,392	2,621	16.0	7.9

Source: World Bank calculations using HBS 2005/06.

CHAPTER III. YOUTH LABOR POLICY AND INSTITUTIONS IN KOSOVO

Abstract

This chapter provides an overview of the current youth programs and policies being implemented in the territory in the context of the Kosovo Youth Employment Action Plan (KYEAP) – the main national strategy on youth employment. While significant investments are made in Kosovo on ALMPs targeted to unemployed youth on a yearly basis (even larger than those originally conceived under the KYEAP), coverage remains low and the impact of programs remains limited and often un-assessed. This mainly occurs because institutional capacity remains low and because lack of donor coordination seems to have contributed to the proliferation of programs with limited scope and coverage.

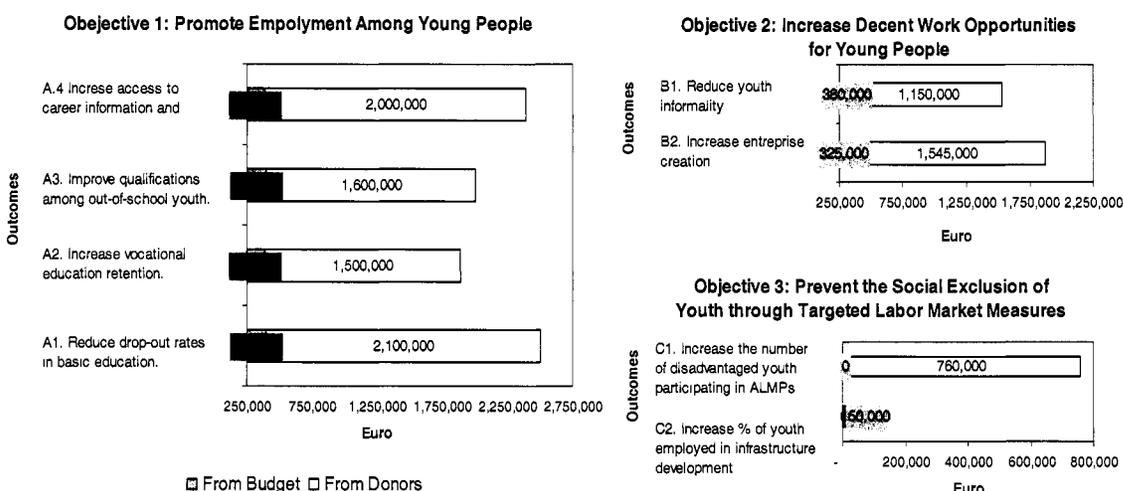
REVIEW OF EXISTING POLICIES AND PROGRAMS

1. **The KYEAP (2007-2010) is the flagship document for youth labor policy in Kosovo.** The plan is the comprehensive strategy of the Kosovo Government that aims at improving the situation of young people of age 15-24 by involving governmental and non-governmental institutions in exploring and meeting the needs of youth and by finding ways and mechanisms for youth participation in the decision-making process in Kosovo. The KYEAP (Figure III.1) has 3 main objectives, each with its own budget allocation: 1) to promote employment among young people (€4.4 million per year); 2) to increase decent work opportunities for young people (€1.7 million per year); and 3) to prevent social exclusion of youth through targeted labor market measures (€0.4 million per year). Each objective has a set of outcomes and activities based on a policy mix that envisages both preventive and curative approaches to address labor demand and supply constraints to youth employment. Note that the first objective (i.e. promote employment among youth), which is heavily focused on investment in education, training, and skills; is the one where the largest share of the budget is allocated. The regional PES are the main institutions that will bring these set of policies to beneficiaries through job mediation, training, and support to young entrepreneurs.

2. **The implementation of the KYEAP is falling behind, mainly due to institutional capacity constraints.** Although the action plan was formally approved and budget was allocated for its implementation, the implementation mechanism was never established (ETF, 2008). This was mainly due because the Youth Employment Action Plan was designed to have strong institutional and administrative capacities (perhaps too ambitious given the level of development of institutions) to oversee and steer the

implementation process. In particular, the KYEAP planned for the establishment of an Inter-ministerial Committee on Youth Employment to oversee implementation and to report back to the respective ministries. The Inter-ministerial Committee on Youth Employment would consist of at least one representative of key line ministries—MLSW; MEST; Ministry of Finance and Economy; Ministry of Trade and Industry; Ministry of Agriculture, Forestry and Rural Development; and the Ministry of Energy and Mining. The Office of the Prime Minister would provide overall coordination for the implementation of the KYEAP. Local government would also participate in this process mainly by identifying policies and also by assisting with planning and implementation. Civil society organizations would be called on to monitor and evaluate progress in implementation. In practice, the implementation structures foreseen by this document have not as yet been established (ETF, 2008).

Figure III.1: Summary of the KYEAP: objectives, outcomes, and investments 2007-2009



Source: Kosovo Youth Employment Action Plan. A mid-term policy framework (2007-2010)

MAIN INSTITUTIONAL CONSTRAINTS TO IMPLEMENT THE KYEAP

3. Overall, the MLSW faces capacity and financing constraints in implementing youth labor policy, as specified in the KYEAP. The MLSW is the central institution mandated with employment policies and institutional arrangements to ensure their implementation. The MLSW Department of Employment and Labor and its respective Labor Division are in charge of youth policy design. The number of staff at the MLSW is considered to be low and, according to their officials, there is an urgent need to increase it (ETF 2008; and Kuddo 2008). Personnel from the MLSW claim that the ministry lacks formal rules, guidelines, and procedures for programming ministerial activities.

4. The role of the main implementing agency (namely the PES) is undermined by institutional capacity constraints. Implementation of the KYEAP requires major institutional changes in Kosovo. For the most part, this will require a greater emphasis on

better coordination and improved brokerage/information services provided by the PES. The PES operates with tight capacity and budget constraints. The system of public employment services in Kosovo is organized and managed¹⁸ by the MLSW. Generally there are 7 regional centers, 23 municipal offices, and 6 employment municipal sub-offices.¹⁹ The PES administrative and institutional capacities are perceived to be very weak (Kuddo 2008):

- **Staff caseload in Kosovo—the ratio of clients to employment counseling staff—is a critical constraint to PES performance.** In early 2008, the PES had a staff of 180 with a clientele of 334,600 registered unemployed. Of the total PES staff, only 106 employees, or 59 percent, are frontline employment counselors/advisors, while by comparison, in the Czech Republic and Estonia, 84 percent and 83 percent, respectively, of PES staff are caseworkers. On average, in Kosovo one job counselor/advisor has to deal with 3,200 registered unemployed, and in some local offices, such as in Mitrovica, the caseload is about one-third higher, making it the heaviest workload of a PES in the region.
- **The level of educational qualification of PES staff is modest.** Forty-six percent have university degrees and one-fifth have vocational education diplomas. Of 91 employment advisors, 27 have only high-school diplomas. Therefore, upgrading of staff skills, competence, and motivation is an important area of reform.
- **The PES currently operates without a legal basis.** The PES budget for labor policy implementation is financed from budgetary transfers and donor contributions (for an overview on PES financing, see PISG 2006a.). The draft law on Promotion of Employment and on Protection of Unemployed, submitted to the Kosovo Assembly in 2005, establishes the general framework for the design and implementation of passive and active labor market measures (PISG 2006a). The draft law lists the following Active Labor Market Policy (ALMP) measures: (a) job counseling, (b) training, (c) wage subsidies, (d) public works programs, and (e) entrepreneurship promotion measures. ALMPs suggested by the draft law tend to have high unit costs and limited coverage. The act has not been promulgated, mainly due to the lack of financial means.
- **In 2006, 84 percent of young workers never registered with the PES and, among those who did, about 88 percent received no assistance, 5.3 percent received information on job vacancies, while only 5 percent were given help finding a job (Kuddo 2008).** The fact that young people routinely use family connections and social networks to get a job reflects negatively on PES and highlights the need to strengthen its capacity (Carbonese and Rosas 2007). While the private sector in many countries contributes to the provision of labor market

¹⁸ The term “management” is used here to describe the MLSW’s legal responsibility to manage and monitor the work of PES. However, because of MLSW’s limited resources, PES management and monitoring were often left in the hands of international organizations.

¹⁹ MLSW’s internal document on Public Employment Services in Kosovo.

services, such as training and job brokerage; the role of private placement agencies in Kosovo is currently negligible.²⁰

- **Labor market information systems need to be further developed**, through better management of administrative records, short-term qualitative surveys, and regular employer and household surveys. Having current labor market information is essential to monitoring changes in employment and anticipating labor supply needs. Many transition countries are conducting customer satisfaction surveys of the clients of PES - not only used to measure performance of individual employment offices but also the effectiveness of specific policy interventions or major labor market reforms. In Kosovo, as part of the ILO Youth Employment Project, a labor market information database was set up to link the network of employment offices and match job applicants with vacancies. At the same time, the Chamber of Commerce set up a youth entrepreneurship desk to provide information and assistance, as well as mentoring and coaching services to young entrepreneurs. However, labor market information system needs further improvement. In particular, employer-based surveys of current and projected labor market conditions could focus on actual and planned job creation and job destruction, and on key determinants of hiring and firing. It would also be useful to keep track of graduates some years after graduation, as part of labor market monitoring.

5. **Lack of donor coordination has contributed to the proliferation of small-scale employment programs targeted to youth.** The involvement of international organizations in Kosovo is substantial in terms of the preparation and implementation of employment policies and programs. The following international actors have been directly or indirectly involved in employment policies in Kosovo: European Commission (EC), European Training Foundation (ETF), International Labour Organisation (ILO), United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), International Organization for Migration (IOM), and World Bank among others. Coordination among the aforementioned agencies remains a major challenge. Most programs targeted to promote youth employment in Kosovo are either financed or implemented by donors. As such, they play a major role in defining the policy agenda. However, not all donors seem to have a common agenda in relation to programs and policies that should be implemented. Some donors seem to have higher preference towards VET-related programs while others seem to have higher preference for programs that promote employment (temporary or permanently), such as apprenticeships and entrepreneurship support. As a result, there is a proliferation of expensive programs with limited scope and coverage (Table III.1). ALMPs targeted to

²⁰ The practice in other countries shows that the private agencies are often more efficient and effective in the provision of services of employment mediation than public sector, bearing in mind that they can secure services within smaller and targeted segments of labor market (comparing the costs), and are to a larger extent oriented towards the employers' requirements than the needs of the unemployed. Private agencies will likely address only a few labor market niches but will offer more proactive employment policy by tailoring policy towards labor demand (Kuddo, 2008)

unemployed youth could be more effective if there were fewer and larger programs. More effective donor coordination is needed to achieve such a purpose.

INVENTORY OF YOUTH ALMPs IN KOSOVO

6. **This sub-section aims at providing information on the scope, budget, coverage, and lessons learned of ongoing ALMPs targeted to youth in Kosovo.** When analyzing what policy options may be suitable for youth in Kosovo given its current context, it is useful for policy makers to compile information on ALMPs targeted to youth currently being implemented in the territory (refer to the appendix for a more detailed description of each ALMP included in the inventory). Prior to this study, there was not compiled information on ongoing youth ALMPs in Kosovo. As such, there was a general lack of knowledge about how much Kosovo was spending on youth employment programs and about the effectiveness of such spending. A compilation of this information will allow policy makers get an idea what set of policies works/does not work in the Kosovo context when designing programs targeted to unemployed youth.

7. **About €7 million are spent on youth employment programs yearly, yet program coverage remains low.** A recent inventory of youth employment programs in Kosovo compiled by the World Bank for this report, collected information on 19 Active Labor Market Programs (ALMPs) that have been implemented in Kosovo since year 2000, 12 which still operate in Kosovo (Table III.1). The majority of these programs are financed and/or executed by donors, while some are financed by donors but executed by public institutions (generally the Ministry of Labor and Social Welfare [MLSW] through the Public Employment Service [PES]) and vice-versa (some programs are financed from public budget and implemented by donors, such as UNDP).

8. **According to the compiled inventory, ALMPs in the inventory benefited only 10 thousand youth in 2007** (about 6.3 percent of all the pool of unemployed individuals in this age group). In terms of the cost and coverage, ALMPs currently being implemented in Kosovo have high unit costs (averaging €700 per beneficiary per year) and limited participation (10.3 thousand out of a total pool of unemployed youth of more than 160 thousand). About €2 million per year are spent on ALMPs that target to vulnerable youth, mainly public works and apprenticeships, benefiting about 6 thousand individuals per year. About €4.9 million per year are spent on non-targeted ALMPs, mainly VET and micro-credit/entrepreneurship assistance, benefiting about 4.3 thousand individuals per year. Most programs in the inventory are focused on strengthening vocational education and training (10 programs), on providing temporary employment (3 programs), and on promoting youth entrepreneurship (6 programs) (Table III.1).

9. **According to the information compiled in the inventory, the current level of yearly expenditure on LMPs in Kosovo slightly surpasses that envisioned in the KYEAP.** Figure III.2 provides information on spending on ALMPs in Kosovo in year 2007 and compares it with planned budget for the same year under the KYEAP. Results indicate that actual spending in LMPs was slightly higher than that planned under the KYEAP.

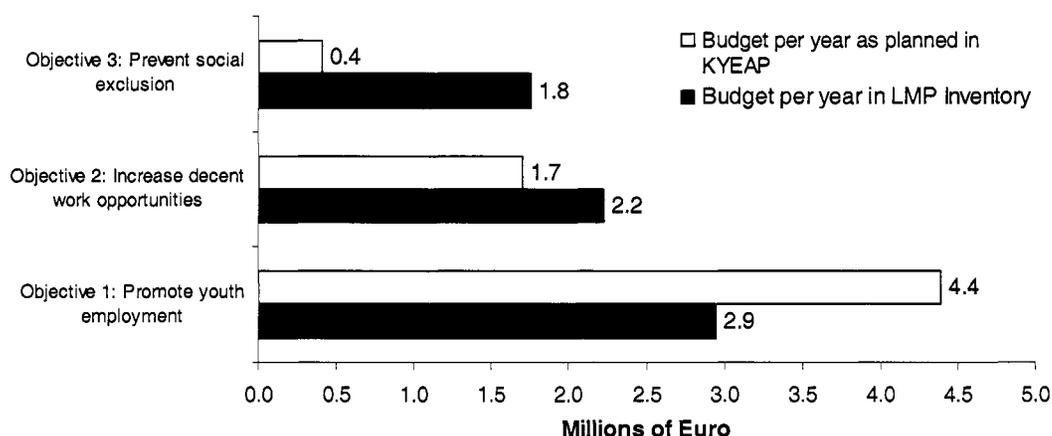
Table III.1. Employment Programs Targeted to Youth in Kosovo (For program details, see Appendix)

	<i>Program Name</i>	<i>Coverage per Year</i>	<i>Active</i>	<i>Budget per Year, in Euros</i>	<i>Cost Per Capita, in Euros</i>	<i>Implementing Agency</i>	<i>Targets Vulnerable Youth</i>
1	Active Labor Market Program	1,500	2007	831,644	554	UNDP, MLSW, ILO	Yes
2	Employment Generation Project	2,680	2005-06	937,376	350	UNDP, MLSW, ILO	Yes
3	Strengthening Vocational Education in Kosovo	280	2006-10	700,000	2,500	Lux, MLSW	No
4	Business Development for Youth	200	2007-09	760,566		WB, MYCS, and other partners.	No
5	Youth Employment through ALM Measures	4,000	2009-11	920,000	230	EC, MLSW, MYCS, MEST	Yes
6	Regional Economic Growth and Stability Project I	123	2006-08	858,679	6,981	CARE Kosovo, KEP	No
7	Kosovo Vocational Education and Training (KOSVET I)	416	2002-04	3,000,000	7,212	ICCED, EPI in Macedonia	No
8	Kosovo Vocational Education and Training (KOSVET II)	369	2004-06	1,000,000	2,251	EAR	No
9	Community Stabilization Program IV	529	2005-06	1,066,667	2977	EAR, IOM	Yes
10	Business Start-Up Center	165	2006-08	518,000	3,139	SPARK, Ministry of Trade and Industry, MEST, MYCS, and other partners	No
11	Vocational Education Support	3271	2001-09	817,141	250	Swisscontact	No
12	Skills Development for the Reconstruction and Recovery of Kosovo	368	2001-07	279,010	758	ILO, MLSW	Yes
13	Internships (through Ministry of Trade and Industry)	50	2008	10,000	200	---	No
14	Don Bosco Training Center	200	2003-08	1,050,000		Supported by Lux, GTZ, Congregata Salezione, and the Italian Government	No
15	International Medical Corps (IMC)	N/A	2004-05	959,519	---	---	No
16	Youth Development in Kosovo (Start-Up Assistance)	N/A	2006-08	87,309	---	---	No
17	Youth Development in Kosovo (Career Centers)	N/A	2006-08	97,322	---	---	No
18	Students Employment Program (in Germany)	98	2004-08	6,000	61	MLSW	No
19	Shelters for women who face gender-based violence	101	2008	225,000	2,228	KWN	Yes

Source: World Bank own compilation.

10. **In 2007, most ALMPs resources were spent on promoting youth employment through VET-related programs** (€3 million, which relate to objective 1 in the KYEAP) and on increasing decent work opportunities through programs promoting/financing new start-ups (€2.2 million, which relate to objective 2 in the KYEAP). Spending on ALMPs to prevent social exclusion in 2007 (€1.8 million, which relate to objective 3 in the KYEAP) was higher than conceived under the original plan. Nevertheless, it is worth noting that some of these LMPs were implemented outside the framework of the KYEAP. Funding for these activities may or may not continue as they rely on outside funding. In order to assure sustainability of labor market policy in Kosovo, public institutions (mainly the MLSW and the PES) need to play a more important role in financing and implementing ALMPs as originally conceived in the KYEAP.

Figure III.2: Budget planned under the KYEAP vs. budget actually spent according to LMPs inventory [Kosovo, 2007]



Source: World Bank own compilation.

11. **However, the success of VET-related programs is being undermined by the sluggish growth in labor demand.** Although most resources for youth ALPMs are spent on VET-related programs, placement rates of trainees are very low. Indeed, the success of these programs may be undermined by the general sluggish demand of labor in the territory. While investments in training provide young labor market entrants with skills, which make them easier to employ; training programs are not successful if labor demand is scarce.. This seems to be somehow the case in Kosovo today. The MLSW Department of Employment and Labor runs a network of 8 regional vocational training centers (VTC) and coordinates vocational training capacities of external allied training institutions. In 2007, 3,022 registered unemployed entered a vocational training through the PES, of which 2,381 trainees graduated (79 percent of the entries). Only 40 percent of male graduates of PES training centers, and less than 30 percent of females' graduates found paid employment upon training completion (Kuddo, 2008). This is much less than placement rates (at 70 percent on average) in most other transition countries.

12. **VET-Programs have limited coverage and generally serve less vulnerable sectors of the population.** Training programs are still serving less than 1 percent of all registered unemployed. Almost half of the trainees were in the 15-24 age group. Over 60 percent of them have upper secondary education, and over 5 percent university degrees. As such, trainees are generally not among the most vulnerable groups of job seekers (Kuddo, 2008).

13. **For the government and donors it is important to carefully evaluate ALMPs and introduce interventions on the basis of what works in Kosovo.** Unfortunately, most youth employment programs implemented in Kosovo have not been carefully evaluated. There are many different types of evaluations: (a) process evaluations focus on how a program operates; (b) performance monitoring provides information on the extent to which specific program objectives are achieved; and (c) impact evaluations focus on whether a program has its intended impact (World Bank 2002) (Box III.1). In particular, the central questions for ALMP impact evaluations are: (a) What are the impacts of program participation on the future labor market outcomes of participants? (b) What is the cost-effectiveness of programs? Evaluations must determine whether subsidized jobs would have been created anyway in the absence of the subsidy (deadweight effects) or whether subsidized jobs have displaced, or have been substituted for, unsubsidized jobs. In most ALMP evaluations, the key impact indicators are post-program employment rates and earnings.

Box III.1: Characteristics of Successful Labor Market Programs (LMPs)

A background paper for the 2006 Organization of Economic Co-operation and Development (OECD) Employment Outlook includes a useful summary of what features of ALMPs appear to work for youth in member countries (Quintini and Martin 2006; Betcherman and others 2007):

- Programs should come into play early—after a period of unemployment of at most six months.
- Job-search assistance programs are found to be the most cost-effective for youth, with wage and employment subsidy programs having a positive short-term impact but a less positive impact on the longer-term employment prospects of participants.
- In order to connect training programs to local and national labor market needs, the private sector and local communities need to be mobilized and involved in project design.
- Targeting of programs is crucial, distinguishing between teenagers (who should be helped to remain in school and acquire qualifications) and young adults (who need help in acquiring work experience), and focusing on school dropouts.
- Programs should insist on tight work-search requirements, in the interest of an early exit from unemployment.
- Integration of services into a combined, comprehensive package seems to be more successful than separate provision.
- Effectiveness of programs is increased by greater involvement of social partners and of public authorities at all levels.

Source: Kuddo (2008).

14. **Nevertheless, information compiled in the inventory provides some valuable lessons learned** in the process of implementation of the various LMPs:

- VET-related programs constitute the most popular ALMP for youth in Kosovo. Although most ALMPs on training and skills development have not been carefully evaluated, evidence on the success of training programs is mixed. A training program sponsored by Swisscontact staff found that about 40 percent of all beneficiaries found employment after participating in the program. This placement rate is close to that of VET-related programs implemented by the PES (which as mentioned before, is below that of most training programs in transition countries at 70 percent). However, a program on skills development implemented by ILO achieved a placement rate of approximately 80 percent, which would make this program a quite successful one. However, the coverage of the program was very limited (368 beneficiaries per year).
- Programs financed by donors by implemented by the PES seem to have enhanced institutional capacity of the PES;
- ALMPs providing on-the-job training (i.e. apprenticeships and or internships) displayed placement rates after program completion of approximately 25 to 30 percent (similar to those of VET-related programs);
- Public works programs displayed the largest coverage (and the lowest cost per beneficiary) among all reviewed ALMPs – they provided short term employment for 3160 low skilled jobseekers and assisted in longer term employment of about 2200 jobseekers per year;. However, the impact of these programs in the probability of finding a job after program completion remains un-assessed.
- Most programs financing start-ups seem to have been successful as proxied by the share of new enterprises that remain in the market after 2 to 3 years after their creation (about 80 percent). However, these programs are associated with very high cost per-beneficiary and very limited coverage.

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APPENDIX
Inventory of ALMPs
in Kosovo

Active Labor Market Program- Report 2007

Organizations

1. UNDP
2. MLSW
3. ILO (capacity building of Public Employment Service)

PROJECT DESCRIPTION / OBJECTIVES

The Active Labor Market Program builds on the lessons learnt from two previous years of the so-called Employment Generation Project (EGP) financed by UNDP. In 2007, the EGP changed into the "Active Labor Market Program for Youth". The project envisioned five typologies of measures: on-the-job training; pre-employment training; employment subsidies; internship schemes; and during 2007, introduced a fifth scheme, vocational training offered by a private provider (Don Bosco training center). The program was implemented over 12 months. The main objectives of the program were to: 1) provide youth with skills and experience required for the labor market; 2) strengthen the capacity of the PES to organize their interventions along the lines of an individual case management; and 3) provide direct assistance to unemployed youth through a number of active measures, rigorously designed, implemented, monitored and evaluated.

COVERAGE

The project envisaged in the beginning to cover 1100 jobseekers. However, the number was increased to 1500 jobseekers registered in Municipal and Regional Employment Offices:

- Sixteen percent of the beneficiaries are 15-19 years of age; 49 percent, 20-24 years of age, and 34 percent, 25-29 years of age.
- Forty nine percent females, 15 percent minorities, and 79 percent unskilled with only primary or less than secondary education. There was an equal distribution of beneficiaries in urban vs. rural areas.
- Twenty two percent of the beneficiaries were from the Prizren region; 19 percent from the Gjilan region; 16 percent from the Prishtina region; 12 percent from the Ferizaj region; 10 percent from the Peja region; and less than 8 percent from the Mitrovica region.

EXPENDITURE

During 2007 the Project spent about US\$1,300,000. Beneficiaries received about US\$965,000 and capacity building of PES counselors, admin and other cost were US\$335,000. To employ/train one jobseeker the project cost net US\$657 per person (gross, US\$898 per person):

- Total Funding of Project (2004-2007) US\$ 4,501,678
- Total Expenditure (2004-2007) US\$ 4,000,365
- Total Available Funds (2008) US\$501,313

RESULTS/ ACHIEVEMENTS

- The Project strengthened the capacity of employment counselors of regional employment centers and municipal employment offices to 1) conduct effective individual counseling sessions, 2) develop appropriate individual employment plans, 3) sequence and grade the intensity of services to be provided to the individual client, 4) monitor and evaluate individual progress.
- The *On-the-Job Training* scheme seemed to be the most favorable for employers. As a result, 80 percent of the beneficiaries were on this scheme.
- During 2005 and 2006, the project placed 300 jobseekers.

<h1>Employment Generation Project- Report 2006</h1>	Organizations
	<ol style="list-style-type: none"> 1. UNDP 2. Ministry of Labor and Social Welfare

PROJECT DESCRIPTION/ OBJECTIVES

The Employment Generation Project (EGP) is designed to ease unemployment and stimulate job creation. The EGP has two main components. The first component is public works and targets unemployed with secondary or lower education. The second component is an employment subsidy and is suitable for young graduates of the vocational training centers. The employers, however, are required to offer them a contract for one year. *Internships*: 100 fresh graduates will work for a maximum period of 4 months in different companies. The main objectives of this project were to: i) support sustainable employment for 1500 young people; ii) assist the targeted youth to engage in useful work with their own communities through public works.

COVERAGE

Component 1: Public Works

- Forty percent of the beneficiaries are 15-24 years of age; 22 percent, 25-30 years of age; and 38 percent, over 31 years of age
- Sixty percent of beneficiaries were with elementary school, 40 percent with secondary education (16 percent minorities and 3 percent females)

Component 2: Sustainable employment

- Forty eight percent of the beneficiaries are 15-24 years of age; 32 percent, 25-30 years of age; 17 percent, 31-35 of age; and 3 percent over 36 years of age
- Minorities are represented at 7 percent and women at 32 percent
- Fifty one percent of internship scheme's beneficiaries were female

EXPENDITURE

Total funding: US\$ 3,317, 435

Total expenditure: US\$ 2,930,596

Re-budgeted for 2007: US\$ 300,000

Project expenditures 2006: USD\$1,972,124

US\$733,994.16 were spent in component 1 and \$1,238,838.05 in component 2.

RESULTS/ ACHIEVEMENTS

- In two years, EGP provided short term employment for 3160 low skilled jobseekers and assisted in longer term employment of about 2200 jobseekers.
- In 2005, 80 percent of beneficiary companies were monitored. 79 percent of the beneficiaries were working, 17 percent were not and no data was available for 4.3 percent
- 38 public works projects were implemented during 2006 and workers who were a part of the social assistance scheme generated 28 percent more income
- 88.5 percent of the companies were monitored. 92 percent of the workers were still working
- At the time of the report, 22 from 124 interns in the program became regular employees

<h1>Strengthening Vocational Training</h1>	Organizations
	<ol style="list-style-type: none"> 1. Lux Development 2. MLSW

PROJECT DESCRIPTION

The Grand Duchy of Luxemburg has launched a support program aiming to strengthen the capacity of public, private, and not-for-profit sectors to provide pertinent vocational training in Kosovo.

By the end of 2007, the project has been restructured to focus on the basic needs of the Vocational Training Centers (VTCs): skill training, modernization of obsolete equipment, workshops rehabilitation, and transport subsidies for poor trainees in rural areas. The main objective of the program is to contribute to the long-term reduction of poverty by providing fair and impartial access to quality training.

COVERAGE

The main beneficiaries of the project are young unemployed people between 16-25 years of age.

Vulnerable groups:

- Seven hundred trainees will benefit from training in management and business administration
- Seven hundred beneficiaries will undergo on the job training with local companies.

EXPENDITURE

Total financing approved for the project between 2006 and 2010 is €3.5 million. €1,009,092.00 are available to be injected in the economy when seen fit, mainly through construction and equipping of VTC-s. The private training provider, Don Bosco, has also received around €1 million from the project so far. About €140,000 have been budgeted for 1400 beneficiaries from vulnerable groups (€100 person/month). The yearly break of the budget is as follows:

- 2006: €121,253.00; 2007: €460,000.00
- 2008: €1,089,225.00; 2009: €496,380.00
- 2010: €324,050.00

RESULTS/ ACHIEVEMENTS

The project plans to achieve the following three key results through the underlying tasks:

1. Response to adult training needs is more efficient:
 - a. Introduction of a Performance Management System to VTCs
 - b. Introduction of a Quality Management System in the VTCs
 - c. Introduction of subsidy schemes to stimulate the response of the private sector to adult training needs
2. Increase in the accessibility to training by vulnerable groups:
 - a. Extension of service provision to remote areas and minority groups
3. Enhancement of the capacity of the Don Bosco training center

Business Development for Youth	Organizations
	<ol style="list-style-type: none"> 1. World Bank 2. MYCS 3. Partner organization

PROJECT DESCRIPTION
<p>The project plans to improve inter-ethnic relations in Kosovo and create employment by helping young people set up their own business. The project component puts special emphasis on cooperation between young Albanians and Serbs.</p> <p>The Project Implementation Unit (PIU) will work together with a partner organization that has experience in business start ups for young people. The project aims to generate 750 applications from youth between 18 and 35 years of age. Selected candidates that will undergo a 3 week training intensive program and will present a business plan at the end of the training. The 250 most successful applicants who will establish their businesses will also receive extra 10 hours of personalized consultancy.</p>

OBJECTIVES
<ul style="list-style-type: none"> • Improve ethnic relations among program beneficiaries • Reduce youth unemployment through enhancing self-employment. • Train 500 young people in business development skills • Support 250 young entrepreneurs to start a business • Evaluate the impact of the activities

COVERAGE
<p>From the total volume of applications, 500 candidates will be randomly selected to participate in a 3 week intensive training program. 250 most successful applicants will be offered grants/loans. The target group is youth between 18 and 35 years of age, with a focus on female, rural and minority youth.</p>

EXPENDITURE
250 best selected business plans will be granted €2,000 each.

RESULTS/ ACHIEVEMENTS
N/A

Promotion of youth employment through ALM measures	Organizations
	<ol style="list-style-type: none"> 1. European Commission 2. MLSW 3. MYCS 4. MEST

PROJECT DESCRIPTION/OBJECTIVES

This project will last 2.5 years and will start in January 2009. The project builds on the knowledge and experience of the UNDP-led “Employment Generation Project” and the “Youth Business Development Program” implemented by the MYCS (funded by the World Bank). The PES will provide counseling and advisory services to unemployed youth in the form of the individual action plans and will identify employers who are willing to train or recruit beneficiaries. The program will offer on-the-job training, vocational training, temporary employment, self-employment opportunities, and internships to beneficiaries.

The main objectives of the program are to: increase employability of young people through business skills training, ii) support entrepreneurship in Kosovo, iii) provide support and follow up coaching to newly established businesses; iv) develop quality and capacity of public and private training providers; v) strengthen capacity of PES front line officers; and iv) provide individualized and integrated counseling and guidance service to beneficiaries.

COVERAGE

The first three services, as outlined above, target low skilled segments of job seekers including high school drop outs. Meanwhile, the last scheme targets young job seekers who are higher skilled, such as university graduates. The project foresees at least 10 thousand young jobseekers to benefit directly. Project aims to have at least a 50 percent female participation, as well as adequate participation of disadvantaged groups (including RAE)

EXPENDITURE

EC funding: €2,300,000.00

- On the job training: 50 percent of the budget
- Vocational and other trainings: 15 percent of the budget
- Temporary employment: 10 percent of the budget
- Self-employment scheme: 50 percent
- Internships: 5 percent

Kosovo Employment Offices are expected to fund some of the activities, but there is nothing definite yet.

RESULTS/ ACHIEVEMENTS

N/A

Regional Economic Growth and Stability Project I- (Oct 2007)	Organizations
	<ol style="list-style-type: none"> 1. CARE- Kosovo 2. KEP ICCED in Kosovo 3. EPI in Macedonia

PROJECT DESCRIPTION/ OBJECTIVES

The overall project objective is to increase employment by creating a business environment that promotes economic growth and investment opportunities at the local level. The REGS project was designed to last for a period of 5 years, with a pilot of 2 years. Extension of the pilot will depend on the success of the first phase. In its implementation phase, the project has opted for a sectoral approach, whereby a number of promising sub-sectors of the economy would be targeted. The project also targets to benefit the rural working poor. The project supports the following sub-sectors: a) broiler production, b) non-timber forest products, c) bee-keeping, d) strawberries, and e) rural tourism.

COVERAGE

The project component which focuses on institutional development has identified three main target groups: 1) municipalities; 2) business community as a whole; and 3) individual enterprises, including organized representatives.

By September 2007, 170 jobs were created in the 3 aforementioned sub sectors. The report gives the following projections for job creation in Kosovo: remaining in 2007, 257 jobs; in 2008, 628 jobs; in 2009, 920 jobs; and in 2010, 1140 jobs.

EXPENDITURE

The total budget for REGS-1 is €1,717,358, of which €1,508,914 were provided by the Netherlands Ministry of Foreign Affairs and €208,444 contributed by CARE and partner municipalities and businesses. Fifty two percent of the budget is for staff and running costs and 48 percent for project inputs: surveys, training, technical support and investments in micro projects.

For grants, a total amount of €102,197 has been disbursed, along with matched contributions of €34,798 from the beneficiaries themselves.

RESULTS/ ACHIEVEMENTS

In 2007 the following results were achieved in each sector:

Broiler production: four farmers were supplied with chickens

Bee-keeping: 11 farmers received trainings on the production of high value by-products and on the multiplication of the queen bees (11 additional jobs were created).

Non-timber forest products: around €15,400 is the generated income for both Kosovo and Macedonia. Collectors were trained for species recognition and methods of sustainable collection.

Off season strawberry cultivation: 5 farmers have cultivated off season strawberries in Kosovo and around €19,000 was the generated income in both Macedonia and Kosovo.

Village tourism: contacts have been established and deals made with the families providing for food and lodging as well as tourist attractions in the Novo Brdo municipality.

As a part of the institutional development component, the municipalities were involved in the planning and implementation process.

KOSVET I	Organizations
	<ol style="list-style-type: none"> 1. European Agency for Reconstruction 2. MLSW

PROJECT DESCRIPTION/ OBJECTIVES
<p>The Phase I of the European support for VET focused on piloting innovative approaches and developing human resource capacity and ran between 2002 and 2004. The approach adopted was based upon the principles that the system should be demand-led and responsive to the needs of the labor market and at the same time, learner-focused with an emphasis on increasing the employability of VET learners. A majority of the teachers who were trained received no fewer than two whole weeks of training and some received more than three.</p> <p>The overall objective of the program was to develop an EU-compatible VET system capable of meeting Kosovo's long-term socio-economic needs.</p>

COVERAGE
<p>The beneficiary ministries of this project were Ministry of Labor and Social Welfare (MLSW) and the Ministry of Education, Science and Technology (MEST). The project provided training for 295 teachers, 55 trainers and 66 stakeholders, mainly MEST and MLSW officials.</p>

EXPENDITURE
<p>Total amount of the project was €3 million. €1 million were provided for the construction and equipping the Prishtina VTC in run by the MLSW</p>

RESULTS/ ACHIEVEMENTS
<ul style="list-style-type: none"> • <i>Increase human resource capacity:</i> three and a half times more teachers and trainers were trained than originally envisioned, resulting in visible changes in the application of teaching and learning strategies in VET providers. However, a significant number of trainers found better paid jobs. • <i>Enhance physical capacity of schools and training centers:</i> 13 schools were included in the final selection. Schools were able to increase their stock of equipment by 25 percent. • <i>Develop training standards:</i> The chosen model for the specification of curricula included the identification of explicit learning outcomes and performance criteria. • <i>Develop and implement new curricula:</i> A modular, outcome-based curricula was developed between April 2003 and January 2004. It included practical applications of skills and knowledge, and an overall curriculum framework for each profile. • <i>Develop and implement assessment and certification procedures:</i> Each module was expressed in terms of learning outcomes. Attached to each learning outcome were a number of performance criteria and an explanation of the assessment instruments. • <i>Develop and implement career guidance and education arrangements:</i> Activities included: a) preparation of resource packages for young people and jobseekers, b) trainings for stakeholders, c) starting a network of pilot schools and employment offices in Prizren and Prishtina. • <i>Increase the capacity of the vocational training center at Doljane</i>

KOSVET II	Organizations
	1. European Agency for Reconstruction

PROJECT DESCRIPTION/ OBJECTIVES

This report addresses phase II of the KOSVET project (September 2004 and September 2006). The program was implemented on the basis of a memorandum of understanding between the Minister of Labor and Social Welfare, the Minister of Education, Science and Technology, the Chief Executive Officer of the Statistical Office of Kosovo (SOK), and the European Agency for Reconstruction. This memorandum set out detailed implementation arrangements for the project, including the working group structure and implementation timetable. The overall objective of the KOSVET II program is to support economic development by assisting development of a long term, EU compatible VET system. The three project components had the following objectives, respectively: 1) support the development of an appropriate legal and institutional framework to underpin development and implementation of strategies for VET system development; 2) enhance human resources capacities of identified VET institutions and providers to develop, implement and deliver VET provisions; and 3) support the development of career guidance and labor market information system.

COVERAGE

The beneficiaries of the project were the MEST and the MLSW. Also, the Statistical Office of Kosovo (SOK) benefited from activities associated with labor market information:

- *Component I:* 99 people trained
- *Component II:* 546 people trained
- *Component III:* 27 technical experts and stakeholder representatives trained

In total, 738 persons were trained under the three components (205 females and 533 males).

EXPENDITURE

Total amount of the project was approximately €1 million.

RESULTS/ ACHIEVEMENTS

- *Component I:* the project played an important role in reviewing the laws on adult education and training and the VET law. A draft Law on qualifications was presented to the MEST and is expected to enter legislative process; support was provided in the drafting and dissemination process of the report covering National Qualifications Framework and National Qualifications Assessment.
- *Component II:* materials regarding curriculum and standards were translated; standards were embedded in 13th grade curricula (business and IT/electronics); a report on training profiles which should be offered (based on a labor market analysis in Prishtina) at the VTC Prishtina was prepared and amended.
- *Component III:* a career education and guidance module was developed and piloted with MEST.

Community Stabilization Program IV	Organizations
	<ol style="list-style-type: none"> 1. EAR 2. IOM (implementing partner)

PROJECT DESCRIPTION/ OBJECTIVES

This program was established in November 2002 and is still running. CSP IV ran between December 2005 and May 2006. CSP works throughout Kosovo and targets the most disadvantaged and vulnerable minority populations, focusing on sustainable income generation. The program funds production based activities to a maximum of €5 thousand, service based activities to a maximum of €3 thousand, trade-based activities up to €2 thousand and community development projects up to €40 thousand. Grants are mainly used for the purchase of equipment, machinery and start-up raw materials. The overall objective of the program is to stabilize the situation in ethnic minority communities, to enable vulnerable communities to build up sustainable livelihoods; and to assist returnee communities.

COVERAGE

Phase 1, 2, 3 and 4:

- Of 813 direct beneficiaries, 116 are female
- 1,208 primary direct beneficiaries, 1,492 secondary direct beneficiaries and 175,027 indirect beneficiaries

EXPENDITURE

CSP IV: **270 projects** were supported for a total amount of **€1,062,917**, including contributions from beneficiaries of €955,105. When the number of primary direct beneficiaries is compared to the provided funding the **cost per job is €2,016**. If secondary direct beneficiaries are included, the **cost per job is €1,340**.

The aforementioned figures, however, do not include community development projects and made by IOM.

RESULTS/ ACHIEVEMENTS

- During the first three phases of the project between 2002 and 2006, 532 projects were funded, of which 297 (55 percent) were in production, 163 (31 percent) in services, 24 (5 percent) in trade and 48 (9 percent) others (minor infrastructure, cultural, or psycho-social activities).
- In the last Grant Approval Meeting support was approved for 270 projects: 163 start-ups, 107 existing enterprises (228 were individual projects and 42 community projects)
- The bulk of the funding went to the Serbian community (71 percent), 9 percent to the RAE community and 7 percent to the Bosniak community.
- Around 80 percent of the enterprises established since the inception of the CSP are still operating. The report also notes that the program has helped stem the net outflow of communities in Kosovo, despite difficult economic conditions.

<h1>Business Start Up Center</h1>	Organizations
	<ol style="list-style-type: none"> 1. SPARK 2. Ministry of Trade and Industry 3. MEST 4. MYCS 5. University of Prishtina

PROJECT DESCRIPTION/ OBJECTIVES
<p>The total duration of the program is 24 months, starting in October 2005. The center provides practical training and direct financial assistance to young people (18-35) for start ups and prepares youth for the labor market. The program sponsors “business ideas” competition, and “business plan” competitions. The center provides free one-week training on business plan writing for 80 participants and free 10-week training to 50 participants per cycle. Ten business plans, which are selected through a competitive process; receive micro-loans, two years of membership in the Kosovo Chamber of Commerce, and 100 hours of consultancy. The center’ overall objective is to establish 30 new small enterprises in Kosovo and train 400 business minded entrepreneurs over the period of two years.</p>

COVERAGE
<ul style="list-style-type: none"> • Sixty eight percent of the participants were students, 21 percent college graduates, 6 percent entrepreneurs and 5 percent youth with high school education. 19 percent of the total number of applicants was female. • Seventy four youth participated in business plan development training (67 received certificates) • In the business plan competition, 82 percent of the applicants were male (18 percent female) • Forty four youth participated in the Business Skills Training (under Business Plan Competition); 42 received certificates. • Nineteen competed in the Final Business Plan Competition, 11 were selected and 10 applied for a micro-credit.

EXPENDITURE
<p>Total amount of base revolving fund capital €100,000 Total amount contributed by BCK partners €36,000 Total amount provided by the Government of the Netherlands €1,000,000</p>

RESULTS/ ACHIEVEMENTS
<ul style="list-style-type: none"> • By now, BSC has trained 330 individuals between the ages of 18-35. • In the first cycle, out of 10 winners of the business plan competition, 7 were awarded with micro-credits. So far 24 full time jobs have been created and about 20 indirect jobs. 17 more jobs are expected to be created in the near term. • In the following three years 60 more new jobs are expected. • The second cycle has been completed and the 10 winners were announced. They are in the process of establishing their businesses. • A second phase of the project is envisioned (BSC II), which will continue until 2010. This project is expected to have a total budget of €2 million.

General overview of A-B-C project	Organizations
	<ol style="list-style-type: none"> 1. Medica Kosova 2. Heifer International 3. BMZ 4. Medica Mondiale Germany

PROJECT DESCRIPTION/ OBJECTIVES
<p>The organization was established in 1999 by the organization Medica Mondiale from Koln, Germany. Until the end of 2003, the organization functioned as an international NGO. In November 2004 it registered as a local NGO providing psycho-social, gynecological and judicial care for women who were traumatized during the war; with a special focus on women victims of rape during the war. In January 2006 the organization started a project to develop agricultural, cow breeding and bee-keeping activities. The project will close in November 2008.</p> <p>The main objectives of the project are: i) building capacity of women farmers, ii) establishing the women farmers and beekeepers association, and iii) provide employment opportunities for a marginalized group of the society.</p>

COVERAGE
In 2006 the number of direct beneficiaries was 90; meanwhile, in 2007 it was 145.

EXPENDITURE
The total funding available for the project was €600 thousand, of which €100 thousand were designated for capital investments (tractors, bees and cows)

RESULTS/ ACHIEVEMENTS
<ul style="list-style-type: none"> • Eight groups of women in the Gjakova and Decan municipalities received 3 tractors and accompanying equipment, 187 received “bee families”, and 42 received simmental cows. • The number of women farmers has significantly increased in the villages of Krelan, Korenice and Dobrosh. • Women farmers have the opportunity to sell their milk for €0.25-0.30 to a dairy producer from Gjakova. • Women beneficiaries of this project earn on average €180-220 per month from their produce. • The organization assisted the honey producers to establish commercial operations with the Prishtina International Airport (they provide to the facility about 100 kg of honey monthly).

<h1>Vocational Education Support</h1>	Organizations
	1. Swisscontact

PROJECT DESCRIPTION/ OBJECTIVES
<p>The project began in 2001 and is foreseen to end in 2009. The first two phases of the program have been completed and the third phase is in progress. Swisscontact designs and supports the implementation of learning projects in 7 partner schools in order to train students and non-formal learners with high quality standards. <i>Phase I</i> provided job-oriented modular training for adults. Training was offered in technical professions; such as plumbing and tailoring. A significant portion of the resources was allocated to buy school equipment and for curriculum development in vocational schools.</p> <p><i>Phase II and III</i> provided training in vocational schools (mainly suitable for girls). Students in 3 schools had a chance to be employees of a virtual company. Other training to electricians and mechanics was provided. Two new courses are being implemented now; they are: “greenhouse as a business” and “sales assistant for food products”. These courses are still in testing phase.</p>

COVERAGE
<p><i>Phase I:</i></p> <ul style="list-style-type: none"> • In 2002, 316 adults attended different kinds of training • In 2003, 238 adults enrolled and 226 graduated from the program (75 percent were male and 25 percent were female) • In 2003: 32 percent of the beneficiaries were below 20 years of age; 28 percent between 20 and 24 years of age, 16 percent between 25 and 30 years of age, and 24 percent over 30 years of age <p>Under <i>Phase II and III</i>, 3 thousand students annually are expected to attend schools supported by the Swisscontact.</p> <ul style="list-style-type: none"> • The first generation of 600 students graduated in 2007 • Eight hundred students were enrolled in the academic year 2004/2005 and 1600 in 2005/2006.

EXPENDITURE
The total cost of the project between 2001 and 2009 is about € 6,537,129.

RESULTS/ ACHIEVEMENTS
<p><i>Phase I</i></p> <ul style="list-style-type: none"> • Two tracing studies were conducted. In the first tracing study, Swisscontact staff found that out of the total number of graduates in 2002, 40 percent were employed. In the second tracing study for the same group, 34-35 percent reported to be employed. One of the reasons for this difference was employment seasonality. <p><i>Phase II and III</i></p> <ul style="list-style-type: none"> • The first generation of students graduated in May 2007. Currently, Swisscontact staff is contacting every graduate to find out what their status is (employed, unemployed, seeking employment, or student).

Don Bosco Center for Vocational Education	Organizations
	<ul style="list-style-type: none"> • Italian Government • Lux Development • Government of Germany • Congregata Salezione

PROJECT DESCRIPTION/ OBJECTIVES

Don Bosco is a private provider of vocational training. It has been constructed, equipped and constantly supported by a number of donors. Don Bosco VTC has been operating since October 2003. Don Bosco provides training for adults in eight different professions. Starting from June 2008, the center will offer a course in fruit and vegetable processing, targeted to young females from rural areas. The center organizes a *licé* for students who want to receive vocational education. Students attending the *licé* pay €840 annually. The *licé* began to operate in fall 2007.

COVERAGE

About 1000 students have graduated in the *training center* since 2003.

- 30 percent of the students were self-financed.
- 70 percent supported by different projects
- Average age: 20-30
- 50 percent female

The Licé

- 2007- total of 56 students (30 students with scholarships)
- 2008- total of 75 students

Note: Estimates provided by Anton Gojani, General Manager of the Center

EXPENDITURE (SUPPORT)

- Congregata Salezione: €60 thousand per year
- The Italian Government: €3 million for building construction and equipment
- GTZ: €500 thousand, of which €350 thousand are for equipment and building construction
- Lux Development: €1.2 million
- VIS: €250 thousand for construction and training programs

RESULTS/ ACHIEVEMENTS

The center plans to begin tracing its students in 2008.

Internship Scheme	Organizations
	<ol style="list-style-type: none"> 1. Ministry of Trade and Industry 2. Partner companies

PROJECT DESCRIPTION/ OBJECTIVES

The Ministry of Trade and Industry plans to start an internship program in 2008. The program targets students and youth between 18 and 35 years of age. The program will be an opportunity for students to gain work experience. The selection criteria has not been established yet as the program is still being drafted. The main objectives are: 1) to facilitate the transition from university to the labor market; 2) to familiarize students with the working environment; and 3) to assist in the creation of a more favorable attitude towards students and/or young graduates as potential employees.

COVERAGE

- At this time, 50 students are expected to benefit from this scheme

EXPENDITURE

The program is expected to cost approximately €10,000; however, this is a tentative amount since project has not been finalized yet. The number of beneficiaries could be subject to modifications too.

RESULTS/ ACHIEVEMENTS

Depending on the results achieved in the first year, the program could gain more support from the government, the ministry, donors, and other stakeholders.

Skills Development for the Reconstruction and Recovery of Kosovo	Organizations
	<ol style="list-style-type: none"> 1. ILO 2. MLSW

PROJECT DESCRIPTION/ OBJECTIVES

Between 2001 and 2004 the first phase of the project focused on building institutional capacity (in the MLSW), while the second phase focused on development of a Youth Employment Action Plan (2004-mid 2007) and on piloting ALMPs targeted at disadvantaged youth. The first phase (*Skills development*) aimed to tackle the depleted stock of human capital resulting of the conflict and to help authorities to establish a vocational training system. ALMPs, in turn, aimed to address: 1) the specific disadvantages of young labor market entrants; 2) the capacity of the government and social partners in youth employment policy development, and 3) the introduction of pilot programs to enhance the employability of disadvantaged youth.

COVERAGE

Phase I: by June 2004, 850 jobseekers were trained in self-employment and 173 completed fully-fledged training programs and have prepared business plans

- The four ILO-sponsored vocational training centers provided competency-based courses to 1,609 unemployed;
- Six hundred disadvantaged youth participated in school-to-work programs (apprenticeships, internships, and in-company training), with 50 percent female participation.
- Almost 1 thousand youth between the ages of 15 and 24 participated in ALMPs (53 percent were men and 47 percent women).

EXPENDITURE

Total funds available for the project: \$2,617,028

Youth Employment

Between June 2005 and May 2006 the fund had disbursed a total of € 290,956 (€185,160 from the ILO and €105,786 from the MLSW)

RESULTS/ ACHIEVEMENTS

Apart from successfully setting up training and employment infrastructure in the MLSW, the project contributed to the drafting of labor/education laws, policies, and strategies

Skills Development:

- Of the 1,609 individuals who were trained in the four ILO assisted VTCs, approximately 80 percent subsequently found work. At the time of the final evaluation of the project, the overall number of people who had participated to competency-based training courses totaled 14 thousand individuals.

Youth employment:

- The placement rate for ALMP participants was 46 percent overall
- Sixty percent of the disadvantaged youth who participated in school-to-work programs found employment;
- Two sets of training material (employment counseling and self-employment for young people) are available in local languages.

<h2>Shelters for Women</h2>	Organizations
	1. Kosovo Women Network

PROJECT DESCRIPTION/ OBJECTIVES

The Kosova Women's Network (KWN) provides shelters for women who experience gender based violence. In 2007, Kosovo had 8 shelters. The institution is currently undertaking an assessment that focuses primarily on four shelters that were UNFPA-financed. KWN plans to use the recommendations in this assessment to develop an advocacy campaign to raise funds and secure longer term support for Kosovo shelters.

COVERAGE

Since their opening and up to September 2007, shelters have provided protection to more than 1,958 women and children. Altogether, shelters in Kosovo have the capacity to shelter 101 clients at a time.

EXPENDITURE

In 2007, the MLSW made a commitment to the shelters totaling €18,810. It is not clear whether the MLSW continued to provide financial assistance to the shelters in 2008. For 2008 and 2009 operation, shelters need approximately €225 thousand per year. At the time when the report was written €53,190 and €170,000 for 2008 and 2009 remained to be raised.

RESULTS/ ACHIEVEMENTS

Employment Programs

Three of the four shelters supported by the UNFPA had informal programs helping women clients find employment opportunities. The assessment provides an example in Gjakova, where sheltered women learned to make facial creams from beeswax. Individuals who wished to support the shelter could do so by giving donations in exchange for the produce. Since the product was not licensed, it could not be sold in the market.

Summer Employment Program	Organizations
	<ol style="list-style-type: none"> 1. MLSW 2. Bundesagentur fur Arbeit 3. Zentralstelle fur Arbeitsvermittlung

PROJECT DESCRIPTION/ OBJECTIVES

The Summer Employment Program (SEP) has been running since 2004. The program offers seasonal employment to university students between 18 and 35 years of age, who are willing to spend 2 to 3 months in Germany. One of the main eligibility criteria is knowledge of the German language. Interested students have to be registered as jobseekers and apply for the program through the regional employment centers. The short-listed candidates go through an interview, after which the final list is prepared. The students pay for their own trip and do not receive any allowances (but do receive wages and tips). The main sectors where they find employment are catering, agriculture, production, cleaning and industry. Students do not pay income taxes in Germany, but in Kosovo; thus generating additional tax revenue for Kosovo.

COVERAGE

- In 2004 (2005) 20 (30) students participated in the program.
- In 2006, 17 percent of the beneficiaries were 18 to 20 years old; 65 percent, 21 to 24 years old; and 18 percent were 25 to 35 years old (74 percent of the participants were male and 26 percent female)
- In 2007, 92 students participated in the program: 17 percent of the successful applicants were between 18 and 20 years old; 65 percent, 21 to 24 years old; and 18 percent, 25 to 35 years old. In 2007, female participation increased to 41 percent.
- In 2008, approximately 250 mediations are expected, of whom 150-182 will be new beneficiaries. Of the successful applicants, 38 percent will be 18 to 20 years old; 55 percent, 21 to 24 years old; and 7 percent, 25 to 35 years old.

EXPENDITURE

The average cost of the program is estimated to be €6,000 per year.

RESULTS/ ACHIEVEMENTS

- Students save up to €3,000 in a period of 3 months.
- In 2007, the average monthly income students generated was €1,242. In 2008 this sum is expected to become higher
- The successful implementation of this program has paved the way for similar programs with other EU countries
- In 2008, the cumulative income for all beneficiaries for the 3 month period is expected to reach about €1 million, which should in turn provide tax revenue for Kosovo of approximately €50 thousand.