

SUMMARY OF THE MINUTES OF THE MEETING
INVESTMENT COUNCIL (IC)
MEETING IX

**Readiness of the Labour Market against the Potential for Investment in the
Business Process Outsourcing (BPO) Sector**

Tirana, 13 February 2017, 15:30 – 18:00

The meeting was held at the Ministry of Economic Development, Tourism, Trade and Entrepreneurship and was chaired by Ms Milva Ekonomi, Minister of Economic Development, Tourism, Trade and Entrepreneurship. Present in the meeting were representatives of business associations, international organisations in Albania, as well as experts from AVASANT, a leading advisory firm which offers counselling services for strategic sourcing, globalisation and digital transformation services – contracted in the framework of a project funded by the Swiss Government.

I. Opening of the meeting

The Chair of the Investment Council, Minister Milva Ekonomi, opened the meeting extending thanks to the members for their participation in the meeting. Chair Ekonomi informed the Council that in the present meeting will be discussed some recommendations for the improvement of investments in the BPO sector. In this meeting, there will be no reporting on the status of previous recommendations, due to the short period (2 months) from the last meeting in which an annual reporting was delivered. In addition, in the last meeting, it was discussed for establishing collaboration between Investment Council and some main universities in the country to carry out some research work. Template contracts are already ready, but with some small amendments, adding some elements in regards to competitiveness and OECD Triple Helix Programme. In regards to the recommendations prepared for this Meeting by the Secretariat in collaboration with RisiAlbania and AIDA, it is important to take into consideration the need for continuous statistics in the area of availability of workforce in service sectors because the way to collect information by statistical entities in Albania needs to be strengthened and improved, especially in regards to building skills for the labour market.

Ms Diana Leka added that the analysis in question considers the challenge of skills in the view of the potential for new investments or increase the standard of current investments in the sector. In the first part of the meeting, it will be presented a study on the sector potentials by the AVASANT company, supported by the Swiss Government, while in the second part of the meeting, the Secretariat will present some observations resulted from a survey carried out by the Secretariat with about 17 BPO companies, representing circa 10,000 employees.

II. Presentation of a Study on the Potentials of the BPO Sector by AVASANT

Mr Chirag Rawat, AVASANT, continues with the presentation of a study carried out to build a strong BPO industry in the country. During the presentation, it was highlighted the global trend of BPO industry, the positioning of Albania in the sector as well as the opportunities of the country to attract more BPO value-added services. In addition, the expert presented a SWOT analysis noting the advantages, challenges and threads toward the potentials of the sector, as well as the incentives which need to be offered to support the sector. An important factor for the development of the sector is building labour skills considering the advantages that are represented in Albania such as young workforce as well as good knowledge of foreign languages.

Regarding a strategy for the sector, it is recommended to aim focusing in a small number of services such as digitalisation, translation and transactional services in the short and medium term with a perspective in the future to focus on knowledge-intensive services which offer high value proposition. To develop an industry such as the BPO, it is necessary to have in place a coordination mechanism and participation of many stakeholders. In its centre, it should be an implementing agency or government body supported by training institutions, bank institutions, etc.

III. Presentation by the Secretariat of Investment Council in regards to the Findings and Recommendations for the Improvement of the Situation of Labour Skills in the Sector

Ms Ermelinda Xbaja, IC Secretariat, delivered a brief presentation on the methodology of the Secretariat's Analysis as well as some macro data and findings on the sector. During January – February 2017, the Secretariat held meetings/interviews with around 33 stakeholders of the sector (businesses, associations, public institutions/agencies, etc.). In the meantime, the Secretariat launched a Survey on the problems of labour skills filled in by 17 BPO companies, representing a total of circa 10,000 employees.

Ms Diana Leka, IC Secretariat, continued with the main findings and recommendations on the labour skills in the BPO sector. It is noted an increase in the requests for services by Albania toward EU and potential for investment in certain segments in the sector, which demand a high quality of human resources. Meanwhile, the education and training systems in place, lack elements of “serious” involvement of the business in curricula as well as in the monitoring of students' practices, career offices or even different projects. Some main recommendations raised by the Secretariat are: Strengthening of the Association (AOA) and its role to fight informality; building partnership between the universities and private sector and Employment Offices through the strengthening of the role of the Career Offices in internships, practices and employment of students, early development of career counselling; support to the business initiatives for setting up vocational centres in technology and innovation (Digital Academy); making accurate the statistics on the contribution of the sector in economy; incentives on the training of certain professions; creating a web-based platform on the sector supported by AIDA – Business – Universities, to support the business in requests for staff, diploma thesis/ project propositions to be implemented by the business, etc.

IV. Summary of Main Comments raised during the Meeting

Mr Genti Beqiri, AIDA, informed that during 2016, about 13% of the requests for investment have been submitted by the BPO sector. Since November 2016, there has been an interest shown by 6 foreign companies for services of the fourth generation (financial services, HR, etc.),

where it is noted a diversification of the market. Meanwhile, Swiss Embassy, RisiAlbania and AOA have shown a special persistence in promoting the sector which effects should become visible in the sector during the middle of the year. The sector shows interest for investment for some reasons such as efficient labour force, good knowledge of foreign languages, and flexibility in training. Two issues are seen as positive: diversification of the origin of the companies and diversification of the services being offered by the BPO companies. When we talk about this sector, it is looked down by the media because it is thought that they have a low cost of the initial investment, enter and leave the market easily, but the sector is in growth in regards to employment and there should be more collaboration and coordination with the universities. On the other side, it is also important to bring them together in one single location. With Risi Albania, the BPO portal is being built, however, it is necessary also to create an area to locate these businesses either in the aspect for the provision of services, but also to reduce informality.

Mr Luan Bregasi, BiznesAlbania, said that the subject of this meeting is probably of the most important ones ever tackled by the Investment Council. Presentation made by AVASANT gave some indications of where it will be invested in the future. It is true that the current labour market faces many problems. It is often said that there is work but no professionals. The government should give confidence to the domestic market. It should be restored the confidence that also in Albania there are able specialists, e.g. in the area of accounting. On the other side, the curricula of professional schools should be improved, according to the needs of the local business. In the meantime, Mr Bregasi suggested that a concession right for training is attributed to some companies in the country with 6-month rotation period, so it is the entrepreneurship itself which drive the training needs.

Mr Mark Crawford, AMCHAM, making reference to the presentation of the AVASANT on Albania's Value Proposition for BPO sector, he highlighted that country is already attractive as the most cost effective destination and that the sector has grown, not necessarily through government support or specific incentives. But there are also companies that have added value and quality to the product of the sector produced in Albania. It is not only necessary for the state to say to investors to come, but rather to focus on maintaining the status of the cost-effective destination by being tax efficient, continue to streamline the regulations and more specifically to protect consumers from fraud. In the case of the AmCham, the Chamber does not tend to tell its own members where to invest, but instead, they tell investors to come because there is an efficient tax system and that the state protects investors and consumers. Afterwards, potential investors can identify investments opportunities with the consultancy of other members of AmCham.

Mr Matteo Colangeli, EBRD RO, highlighted that there is an immediate need to specialise working force in priority areas. He took as an example TAP project where unfortunately there are no professionals in the area of gas. Mr Colangeli expressed engagement of EBRD to offer technical assistance for the qualification of the labour force, especially in the priority areas.

Ms Edlira Muka, Balfin Group, said that she wished that the analysis was focused also on the aspect of incentives that the Government might offer to address this problematic issue. Meanwhile, Ms Muka stated that there are some big companies in the country, such as Balfin Group which have opened schools for the qualification of youngsters, while increasing the collaboration with universities for the internship of students.

Mr Shkëlqim Bozgo, TAP, emphasised the importance of public-private partnership in building human capacities. He brought up the support provided by TAP to the Albanian Government in establishing Albgaz Agency, especially in the aspect of professional skills.

Comments by other Non-Member Participants in the Meeting

Ms Ines Muçostepa, Union of Chambers, thanked for the meeting and affirmed its importance for the BPO sector. On behalf of the Union of Chambers but as well as a good cognizant of the sector, Ms Muçostepa put forth some problems highlighted also during the presentation of AVASANT/RISI and the Secretariat on the working force skills. The market of call centres is increasing but there are difficulties in finding staff, therefore it is a must to establish collaboration with universities and training centres especially in regards to enhancing the level of foreign languages. For example, there are requests for the German language, but there are shortages in the market. School gives some neutral impact, and it currently does not provide elements of practical communication, therefore some difficulties are encountered in the outsourcing services because, during the training, businesses have to include these missing elements. It is true that difficulties are encountered also in finding qualified IT staff.

Despite the government's fight against informality, high informality in the sector remains a concern, which is made visible by frequent staff turnover. Meanwhile, staff instability creates high initial costs for the business, as they have to train new employees for these lacking elements for at least 5 weeks. It has been proposed that the state should incentivise BPO companies by covering the training cost for at least 5 weeks. In addition, due to the specifics of the sector regarding extended working hours and working days, another important aspect which constitutes a concern for the BPO companies is the work contract. Therefore, a review of the Labour Code is required in this regard and some flexibility in the contracts of companies with over 2,000 employees. In addition, because of the high number of employees, extra costs occur to the business because of abusing done by the employees with the medical leaves and the inability to verify their authenticity. Referring, the approval of the law in Italy for the protection of consumers' rights, Ms Muçostepa raised the concern of great importance, the protection of personal data and the collaboration that businesses should have with Commissioner of Personal Data Protection on the awareness-raising and training of their employees. Another proposal was related to setting up a database or website listing the working skills, to facilitate the search by the business, while collaboration with universities especially public ones remains difficult and too bureaucratic.

Mr Albani Zusi, Association of Exporters, raised the concern of skills of professionals in the area of manufacturing such as engineers, technologists, chemists, economists which lack the analytical skills for certain situations, by reducing the competitiveness opportunities of the Albanian companies in a global economy. Today, the business should move fast because decision-making and information should be given in time otherwise the business is penalised. University curricula should be improved to make students capable of facing the requests of the industries, especially of manufacturing and exporting ones.

Mr Gentian Drenova, AOA, said that the work in call centres should not be looked down. The activity of call centres offers big employment opportunities not only for those with knowledge of foreign languages but also with technical skills in finance, marketing and IT. There is a high potential in the area of BPO, however, there are problems regarding legal vacuums in the Labour Code, high training costs considering the low-profit margin in the sector.

Mr Dritan Mezini, AITA, emphasised the importance for increasing capacities in the area of IT and informed that AITA is applying for support by USAID for re-trainings in programming languages (Java, etc.) in basic levels, as a request by the business operating in the field.

Mr Elvis Zerva, IC Secretariat, delivered a brief presentation on the range of penalties model provided by the Labour Code in Albania and region, as a request raised in the last IC meeting by one of the IC Members. From his analysis, it came out that almost all countries in the region foresee wide ranges of fines for violations of labour legislation, meanwhile Albanian imposes neither stricter sanctions nor a wider range of fines between the minimum and maximum. Problematic remains implementation of the law and capacities of the inspectors in determining correctly the criteria for the categories of applied fines and not the law in itself which contains the same principles as one of the neighbouring countries.

Mr Luan Leka, EHW, contradicted in terms of the value of minimal fine, which according to him it starts from ALL 440,000, and not ALL 22,000 as presented by the Secretariat's expert. According to Mr Leka, it is visible that Albania represents no flexibility in terms of range of fines, especially minimal ones, where other countries in the region apply much lower ones, as e.g. Serbia (EUR 400), Rumania (EUR 67), Greece (EUR 500), Montenegro (EUR 30), or even Kosovo (EUR 100) – based on the information provided by the Secretariat. Such fines are unrealistic, leading to the corruption of the tax administration, therefore an immediate intervention is required.

Ms Milva Ekonomi, IC Chair, confirmed that in the country there do exist some good professionals in certain areas, such as accounting expert but it is necessary for the Chambers of Commerce to collaborate with the business to map shortages in professions, meaning Chambers should be oriented toward the real needs of the businesses. Moreover, Ms Ekonomi following the issue raised by Mr. Bregasi, mentioned that first it is necessary to know if the Ministry of Social Affairs and Youth possesses any information of how much would cost building capacities in a field because when it is spoken about concession, this is the first thing being required. Regarding propositions for amendments to the Labour Code, it is necessary for the intervention to be well-studied. Meanwhile, the Secretariat has carried out the first investigation for fines and asked the Secretariat to consider a deeper analysis for the requests of the business in regards the Labour Code.

The Chair thanked all the participants for their valuable contribution and eventually informed that:

- All recommendations discussed will be sent to the IC Members again for second consideration and final approval before they are submitted to the Council of Ministers and relevant institutions for further considerations.
- The next agenda item will be the Facilitation of Customs' Procedures. In addition, it will be initiated a deeper analysis in collaboration with the IC business members on the Labour Code.

V. Close of the Meeting - The meeting was closed at 18h00.

List of Participants

Government representatives

1. Ms Milva Ekonomi, Chair of the Investment Council/Minister of Economic Development, Tourism, Trade and Entrepreneurship;
2. Ms Lorena Pullumbi, Chief of Cabinet, in absence of Mr Bledi Çuçi, Minister of State for Local Issues/National Coordinator of the Anticorruption Strategy
3. Ms Natasha Ahmetaj, Deputy Governor of the Bank of Albania
4. Mr Flobens Dilaveri, Deputy Director, GTD, in the absence of Ms. Vasilika Vjero, General Director, GTD
5. Ms Arjana Dyrmishi, Advisor, General Customs Directorate, in the absence of Ms Belinda Ekonomi, General Director of GCD
6. Mr Genti Beqiri, CEO, AIDA
7. Orald Lani, Advisor to Minister of State for Relationships with Parliament, Ms Ermonela Felaj

Business community

1. Mr Shkëlqim Bozgo, TAP Albania Country Manager
2. Mr Luan Leka, CEO, EHW GmbH
3. Mr Edlira Muka, CEO, Balfin Group
4. Mr Arben Shkodra, Chair, Producers' Association
5. Mr Luan Bregasi, Chair, BiznesAlbania
6. Mr Mark Crawford, President, American Chamber of Commerce

International partners

1. Mr Yngve Engstroem, Head of Cooperation, EU Delegation Albania
2. Mr Matteo Colangeli, Director of EBRD Resident Office in Albania
3. Ms Laura Qorlaze, Representative of the IFC Office in Tirana