



Albania
Investment
Council

Improving Transparency and Investment Climate

ON THE AVAILABILITY OF THE WORKING FORCE AND QUALITY OF SKILLS

Tirana, October 2022

This working document was prepared in the framework of the Meeting XXVIII of the Investment Council (26 October 2022) by the experts of the Secretariat of the Investment Council, Ms Elida Fara, Economic Expert, Mr Elvis Zerva, Legal and Regulatory Expert, Ms Xaira Shurdha, Monitoring and Liaison Expert, under the direction of the Head of the Secretariat, Ms Diana Leka (Angoni). Supported in the organisation of meetings with partners, and language editing of the material, Ms Elisa Lula, Administrative and Communication Officer at the Secretariat. We thank for the contribution and views expressed the business associations and chambers of commerce (CCI Berat, CCI Durrës, Proeksport Albania, Innovest, etc.), private companies (Gjedra, Castle Park, Royal G Hotel, Antea Cement, Famiko Group, Shkodra Resort Camping, Kaon Hotel, Sipa Tours, Hotel Argjiro), public institutions (Ministry of Finance and Economy, National Agency for Vocational Education, Training and Qualifications-AKAFP, National Agency for Employment and Skills in Tirana, State Inspectorate of Labour, Employment Offices in Shkodra and Saranda), youth organisation "Young Professionals Network", professional schools ("Kristo Isak", "Antoni Athanas", "Thoma Papapano"), Austrian School "Peter Mahringer", donor-funded projects (RisiAlbania, Albanian Skills), professors from the University of Tirana and independent experts, Shkëlzen Marku and Sidita Dibra, who cooperated with the Secretariat during the preparation of this material.



ABBREVIATIONS

AIDA	Albanian Investment Development Agency
ALL	Albanian Lek
DCM	Decision of Council of Ministers
EBRD	European Bank for Reconstruction and Development
ECD	European Commission Delegation
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoA	Government of Albania
IC	Investment Council
ICS	Secretariat of Investment Council
ICT	Information Communication Technology
INSTAT	Albanian Institute of Statistics
MFE	Ministry of Finance and Economy
MSME	Micro, Small, and Medium-sized Enterprises
NAES	National Agency of Employment and Skills
NESS	National Employment and Skills Strategy
NAVETQ	National Agency of Vocational Education, Training and Qualifications
WB	Bank
WB	Western Balkans

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INTRODUCTION

In 2020, the impact of Covid-19 on the labour market accelerated the development trends of the labour market toward new skills and further underlined the need for public sector support and intervention. Osnabrück Declaration 2020 on vocational education and training as an enabler of recovery and just transitions to digital and green economies¹ highlights that a strong partnership with social partners is vital for achieving the objectives and deliverables for sustainable competitiveness, social fairness, and resilience.

In line with the above, we notice that despite some positive trends of continuous local improvements in participation employment and unemployment rates, all labour market indicators deteriorated in 2020 but remained better than the 2018 levels². Rising labour force participation (from 64.2% in 2015 to 69.6% in 2019 for the age group 15-64) has driven growth in labour supply, despite a decreasing working-age popu-

lation due to lower fertility rates and emigration³. The Government of Albania has been proactive to approach local employment challenges through the endorsement of strategic documents such as the government program 2021 - 2025⁴ aligned⁵ with the EU integration requirements for the country, the National Strategy on Employment and Skills (2014-2020) has been extended reconfirming policy goals and priorities or enabling even specific instruments tailored to relieve the measures for access of foreigners to the internal market⁶. In 2021, the Ministry of Finance and Economy (MFE) completed analytical work on the development of the Youth Guarantee Scheme (YGS)⁷, also aiming to support youth access to the labour market. Also, regarding VET qualifications, progress has been made with the Albanian

³ But during 2021, the unemployment rate returned to levels of 2019, marking 11.2% for the age 15+ and 12% for the age 15-64, as per official data published by INSTAT.

⁴ <https://www.kryeministria.al/wp-content/uploads/2021/10/Government-Program-2021-2025.pdf>

⁵ Re-confirmed the focus to advance with labour market policies and social welfare reforms that foster equal opportunities, decent work and well-being of the population,

⁶ Law No.79/2021 "On Aliens"

⁷ With support from the EU IPA 2015 SREPVET project

¹ https://www.cedefop.europa.eu/files/osnabrueck_declaration_eu2020.pdf

² More specifically, solid employment growth averaging 3.7% in the 2015-2019 period helped lower the unemployment rate (15-64) from 17.5% to a record-low 12%.

Qualifications Framework (AQF) adopted by the European Qualifications Framework (EQF) Advisory Group.

But the pace of reforms is impacted by the many challenges ahead, such as improving the capacities of NAES⁸ (at the central, regional, and local level), improving the quality and diversity of VET offer in line with labour market demands or *engaging the private sector in VET and employment services*⁹. According to a recent ETF report, *“unemployment rates remain at two-digit levels, wages are low, the share of unskilled jobs particularly in the informal sector is high, and vulnerability at work is also high”*¹⁰. While the importance of human capital and its role in the economy is also highlighted by the Word Bank in June 2021 *“Albania needs to refocus attention on the pre-crisis (ref. Covid-19) reform agenda and accelerate*

*its long-term economic growth rate, including by spurring productivity growth, building human capital, and supporting investment”*¹¹. *On the labour supply side, this means investing in people and supporting workers in their transitions towards better employment.”*

The topic was voted by IC business members as a key private sector concern in January 2022, while Secretariat has come across the skills issues since 2015 (Informality 2015, Tourism 2018, BPO 2018, etc.). The current document aims to prioritise some interventions relying upon the private sector’s perception on *how to tackle the unavailability of skills from an MSME perspective – with a focus on information on recruitment channels and training; simplify business access to the right information? How to change the model for young people? What about labour informality?*

⁸ To expand the scale, quality and reach of employment services and ALMMs

⁹ <https://financa.gov.al/wp-content/uploads/2021/06/NESS-Annual-Progress-Report-2020.pdf>

¹⁰ “How Migration, Human Capital and The Labour Market Interact in Albania”- European Training Foundation, 2021

¹¹ WB Albania Country Economic Memorandum- September 2021 <https://openknowledge.worldbank.org/bitstream/handle/10986/36926/P1752090acdb7604a0918d0aa310774d0ea.pdf?sequence=1&isAllowed=y>

METHODOLOGY

The analysis is based on an all-inclusive methodology which consists in:

1. *Desk Research* - Consultation of strategies, documents, laws and bylaws, and national and international reports on workforce challenges in Albania
2. *Analysis of official information* from secondary sources (INSTAT, WB, Eurostat, etc.) and key information/data related to direct interviews with labour force ecosystem stakeholders.
3. *Synthesis* of the findings and recommendations to date, presented in national and international reports from several actors on the labour force and components related to it.
4. *Skills Need Analyses* (2015, 2017)
5. *Evidence on business perception* on challenges faced on the availability and quality of labour force and suggestions on how to tackle this immediate issue based on a Questionnaire conducted through Google Form. The link was sent by email through our Management Information System to a total of 10000 businesses in all 12 regions. We received a total of 253 anonymous responses. To analyse the data, the method of simple random sampling¹² was chosen. The data gathered

from the survey were analysed in detail, also focusing on the gender perspective, and the concrete results are presented in the findings section of this report.

6. *Evidence on young age perception* of challenges faced during their work experience was based on an online questionnaire conducted in collaboration with the Young Professionals Network and the Economic Faculty of the University of Tirana; The questionnaire was conducted through Google Form, and the link was also published on our social media platforms. We received a total of 262 anonymous responses. To analyse the data, the method of simple random sampling was chosen.
7. *29 consultation meetings with 37 public & private sector representatives* during September – October 2022 in Tirana, Shkodra, Durrës, Gjirokastra, Saranda and Berat.
8. *Organisation of a focus group meeting* with youth representatives to validate the findings of the questionnaire and receive possible recommendations and suggestions on how to tackle job seekers’ main challenges in the labour market.

¹² Random sampling is the purest form of probability where

each member of the population has an equal and known chance of being selected.

CONTEXT

A. A snapshot of Albanian firm's structure and employment rate

Albania's economic structure is dominated by MSMEs and is oriented mainly towards the trade sector, which has the highest percentage of the total number of enterprises, 39.2%. The number of active economic enterprises in 2020 was 102,574, which decreased by 1.5 % compared to 2019. According to the latest data published by INSTAT in 2020, 99.8 % of active enterprises were MSMEs, the same percentage as in 2019. MSMEs have employed 81.9 % of the total

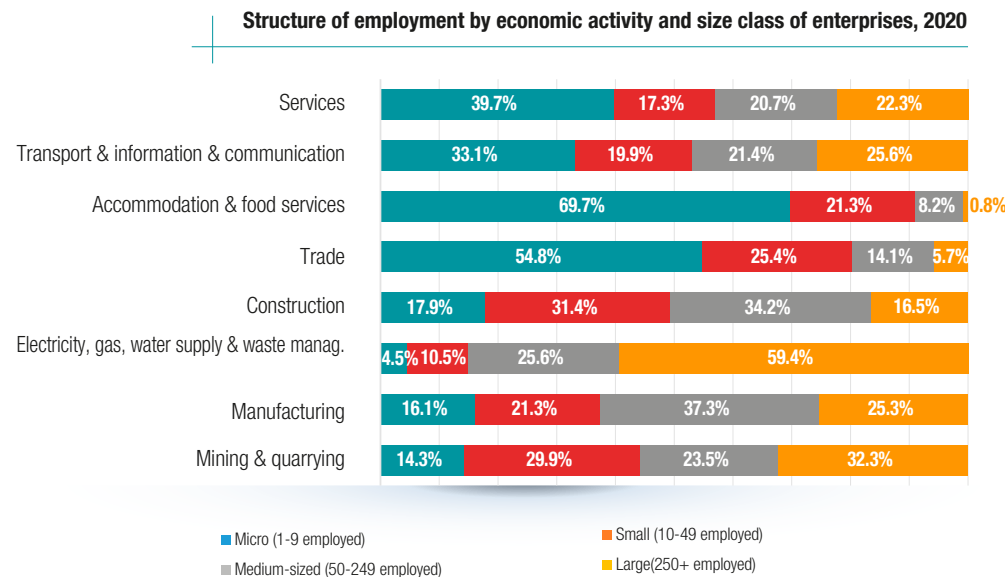
number of employees from 81.6 % in 2019 and realised 79.7 % of turnover compared with 78.9 % in 2019. 74.0 % of total investments came from MSMEs, compared to 68.2 % in 2019. By sector, in terms of employment, micro-enterprises have the highest percentage of employment rate in the accommodation and food services sector. Meanwhile, small enterprises have the highest employment rate in the construction sector at 31.4 %. Medium-sized enterprises have the highest employment share in the manufacturing industry sector at 37.3 %.

Figure 1. Number of employees as per company size

number of employees	2016	2016 in % of total	2017	2017 in % of total	2018	2018 in % of total	2019	2019 in % of total	2020	2020 in % of total
Micro (1-9 employed)	194,015	41%	192,817	39%	194,867	38%	196,403	37%	186,400	37%
Small (10-49 employed)	87,796	19%	95,574	19%	102,950	20%	114,451	22%	111,347	22%
Medium-sized (50-249 employed)	98,491	21%	107,171	22%	113,911	22%	122,330	23%	114,767	23%
SMEs (1-249 employed)	380,302	81%	395,563	80%	411,727	80%	433,184	82%	412,514	82%
Large(250+ employed)	89,363	19%	97,350	20%	103,979	20%	97,669	18%	91,472	18%
Total	469,665	100%	492,913	100%	515,706	100%	530,853	100%	503,986	100%

Source: INSTAT

Figure 2. Structure of employment by economic activity and size class of enterprises, 2020



Source: INSTAT, Statistics on Small and Medium Enterprises, 2020

Considering that the MSMEs are the backbone of the local economy, we focused our analysis mainly on them. We mainly relied on published documents and the in-house Secretariat's records of business concerns on the availability and quality of the workforce (2015-2022). In this regard, we initiated our analysis focusing more on the private sector's approach, such as (1) access to labour-market information, (2) work culture, (3) innovation & skills, and (4) undeclared labour. The Secretariat consulted the following mentioned international and national reports¹³. They capture the issue from different perspectives and help to create the context for debate for the mixed audience of IC.

B. Current employment promotion programs

The employment promotion programs were approved in 2020, aiming to foster the correlation between the employees' needs and qualifications and employers' demand, incentivising more work integration and sustainable employment rather than wage subsidy. Additionally, the programs were designed to create opportunities for a larger pool of employees and employers, benefiting from them in the following pillars: (1) Employment Program¹⁴; (2) Self-Employment Program¹⁵; (3)

¹⁴ Wage-subsidy, which is a one-year subsidized employment contract, where the needs of the jobseekers are matched to the profile of the employers, the wage is defined based on the market salary rate, and the duration of the subsidy is defined based on the vulnerabilities of the jobseeker - (DCM No. 17, dated 15.01.2020)

¹⁵ Self-Employment Programme, which is a start your

¹³ Secretariat has summarised herein, findings and recommendations only from the main reports and does not claim to have consulted all the reports covering issues related to the labour force.

On-the-job training Program¹⁶; (4) Internship Program¹⁷; (5) Community Employment Program¹⁸. In addition to the above, employment promotion programs to support the market reintegration of workers laid off during the Covid-19 crisis were introduced¹⁹. The following data could be extrapolated in the EU Progress Report 2022. *In 2021, Albania continued the implementation of the reformed Employment Promotion Programmes (EPPs) packages in all regions with a focus on the most vulnerable ones. A total of 4835 jobseekers benefited from the EPPs during 2021 (60.2 % women and 39.8 % men). During 2021, 326 former beneficiaries of social assistance benefited from the employment promotional programmes. Close monitoring of this programme alongside employment promotional measures will be crucial to ensure a long-*

business programmes that provides financial grant and support for unemployed jobseekers, who have a proven, viable and marketable business idea and plan; - (DCM No. 348, dated 29.04.2020)

16 On-the-job training, which targets jobseekers who do not have any qualifications, and trains them at the workplace, providing a subsidy for the duration of 4 months period for all types of professions, based on an approved training plan, and supervised by a trainer of the employer - (DCM No. 17, dated 15.01.2020)

17 Internship program, which ensures quick transition to the labour market of the recent graduates, in the same of similar

18 Community employment, which is a programme with a clear focus on workforce training and is designed to place the work experience offered near the labour market, and in line with the local employment opportunities, implemented in partnership with community and NGO/voluntary organizations - (DCM No. 535, dated 08.07.2020)

19 Active labour market program to support the labour market reintegration of workers that self-declare to have been informally employed and laid-off as result of the COVID-19 pandemic. This program subsidizes 12 months of social and health insurance contributions of workers and employers - (DCM no. 608, dated 29.7.2020) Active labour market program to support the labour market reintegration of formal workers laid-off as result of the COVID-19 pandemic until June 23, 2020. Wage subsidies (aligned to the minimum wage) for 2-4 months and social insurance contributions for 4-8 months are provided to employers willing to hire recently laid-off workers - (DCM no. 608, dated 29.7.2020)

term solution for beneficiaries of the economic aid scheme. More data are provided in Key Finding Section, part 5.

C. Local workforce - Migration and Emigration impacts

The workforce is diminishing, probably mainly due to emigration and migration within the country. According to data published by INSTAT²⁰, in January 2022, the population in Albania decreased by 1.3% compared to the previous year. During 2021 the natural population increase (births-deaths) was -3,296 inhabitants, marking for the first time a negative natural increase. The number of immigrants in 2021 was 9,195, and the number of emigrants was 42,048. Net migration (the difference between immigrants and emigrants) experienced an increase in absolute value, compared to the previous year: from -16,684 to -32,853 inhabitants in 2021. To better argument the decreasing of the labour force a further analyses is needed.

Comparing data from the year 2017 to January 2022, it is noticed that the most significant decrease in population is recorded in the age group of 10-14, 15-19, 20-24 and 45-49, respectively, with 16.8%, 17.1%, 20% and 12.1%. Meanwhile, there is an increase in population in the age group 60-64, 65-69, 70-74 and 80-84. The decrease of contributors to the social and health system due to the shrinking of the young workforce and the increase of pension age in the country will, in turn, create structural issues in the Social and Health System in the long run. According to the Pension Policy Document drawn up by the government, in 2030, there will be as

20 <http://instat.gov.al/en/themes/demography-and-social-indicators/population/publication/2022/population-of-albania-1-january-2022/>

many individuals paying contributions as pensioners.

Migration within the country also has a significant impact on the population of the administrative units of Albania and, consequently, on the working force availability by region. In 2020, at the district level, only Tirana and Durres had a positive internal migration, respectively, with 6112 and 2499 (more arrivals than departures). All other counties had negative net internal migration during 2020, in particular the counties of Dibra and Elbasani, with -1845 and -1289. If we refer to unemployment data, the counties of Lezha and Vlora recorded the highest unemployment rate during the year 2021, while Kukës and Gjirokastra recorded the lowest unemployment rate in 2021, respectively, 4% and 4.7%. Emigration is a general trend, and the United Nations' global estimate is that there were around 281 million international emigrants in the world in 2020 (which equals 3.6% of the total global population, with an increase of 0.2 p.p from the year 2015) and Europe being the largest destination, 87 million migrants²¹. According to IOM data, the latest available estimates indicate that there were roughly 169 million migrant workers around the world in 2019, accounting for nearly two-thirds (62%) of the global stock of international migrants. As this general trend continues, countries are initiating policies to protect and increase their working force to deal with the consequences of living people. There is also noted an increasing trend of foreign workers, mainly from East and Asia, that choose Albania as a place for work through employment agencies.

21 IOM - <https://publications.iom.int/books/world-migration-report-2022>

D. National Employment and skills strategy (NESS 2014-2020)²²

NESS 2014-2020 and its action plan were launched in November 2014 with the overall goal of promoting quality jobs and skills opportunities for all Albanian women and men through their lifecycles. In 2019, following the midterm review of the strategy, its implementation time-frame was extended until 2022²³. Composed of four main strategic pillars, the NESS aimed to address these main challenges in the labour market:

1. Ineffective employment promotion measures, not fully in line with the needs of the registered unemployed; limited offering of employment services; poor monitoring of employment relations; limited involvement of social partners.
2. A highly centralised system with low responsiveness to local needs; a dichotomy between vocational education and vocational training; and inadequate monitoring and evaluation approaches that can measure the quality, as well as quantity of vocational education, training, and lifelong learning.
3. Disparities between urban and rural areas in terms of employment and education; limited economic diversification in rural areas; low levels of economic activity and rural off-farm employment; the

22 In this Section are listed only the Strategy and acts that are directly related to the employment. IC Secretariat acknowledges that the approval of Business and Investment Development Strategy (BIDS), 2021-2027 although its horizontal approach, has a crosscutting impact in the employment challenges.

23 New Strategy on NESS is expected to be approved within 2022.

life-long cycle of working poverty and social exclusion.

4. Fragmented and uncoordinated governance in the field of employment and VET; skills mismatch in two forms: over-qualification and under skilling resulting in a skills shortage.

NESS was subject to review by the *Annual Progress Report 2020*, which evidenced the implementation of strategy and made a scan of it in the frame of the Covid-19 crisis. Summarising its findings *“Labour market support in terms of re-skilling and upskilling, strengthened ALMPs, better targeting of those at the margins of the labour market, review of labour market regulations, and ensuring the adequacy of social protection measures will remain particularly relevant in the medium term as Albania enters the recovery period”*. New Strategy *“On Employment and Skills for period 2023-2030”* is under discussion and shall be approved in the upcoming months.

E. INTERNATIONAL REPORTS

1. **EU Progress Reports for Albania, respectively, 2021²⁴ and 2022**, provide the following important insights²⁵:

- a. *Access to the labour market dimension*²⁶:
 - » Albania's competitiveness is hindered by a lack of entrepreneurial and technological know-how, significant levels of informality, unmet investment needs

²⁴ EU Progress Report for Albania, October 2021

²⁵ For purposes of our analysis references are made on both Reports, considering the timing of their launch.

²⁶ EU Progress Report for Albania, October 2021- pages 56-57

in human and physical capital, and low spending on R&D. The significant pre-existing gaps in skills and education have probably widened due to the COVID-19 related lockdowns and distance learning.

- c. *Education and innovation dimension*²⁷:
 - » The number of higher education graduates increased, but progress on vocational training is limited, and funding for education and research remained low. The share of university graduates among the 25-29 age group increased hugely over the last decade, to 40.8 % in 2019, but the labour market transition remains challenging... Although medium and large enterprises ranked an inadequately educated workforce as the third of their top three business obstacles, they are not able to absorb the increasing number of graduates.
 - » Work-based learning has been highly impacted by the effects of the pandemic and the difficulties encountered by the private sector, and the ongoing crisis is disclosing the urge for reskilling and upskilling. Qualification standards and framework curricula for most VET programs are being modernised, even though some Albanian schools still lack the teaching skills and adequate equipment to put them into practice.
 - » Efforts to improve the labour market relevance of education and vocational training progressed, but skill mismatches and high unemployment of young people persist. The share of young people

²⁷ EU Progress Report for Albania, October 2021- pages 58, 101

ple in tertiary education among the 20-24 age group gradually increased, from 12.3% in 2016 to 14.9% in 2021. Still, the shares of young people in vocational training or upper secondary education hardly changed²⁸.

- c. *Informal labour - undeclared work dimension*²⁹:
 - » The informal economy remains significant, with the share of informal employment at 29,1% in the non-agricultural sector (LFS 2020). The highest percentage of informal employment was reported in trade activities, including hotel bar and restaurant (4.2%), manufacturing (3.2%) and construction (7.6%), according to the ILO (2020).

2. **Albania Country Economic Memorandum (CEM) - “WB Background note on supporting an adaptive and resilient labour force - September 2021”**. This background note is one of several analytical contributions to the 2021 Albania Country Economic Memorandum (CEM). It emphasises that: *“Until the early 2020s, Albania's labour market was trending in a positive direction, evidenced by increased employment and female labour force participation. Despite these gains in employment, however, labour productivity in Albania is low and has stagnated in recent years. In fact, Albania's labour market continues to be characterised by a highly informal workforce, a large share of which is active in the agricultural sector. At the same time, household incomes remain low, with a higher prevalence of*

²⁸ EU Progress Report for Albania, October 2022, page 59.

²⁹ EU Progress Report for Albania, October 2021- pages 90, 91

poverty among self-employed and unemployed than wage employees. While the contribution of labour earnings to poverty reduction is limited, employment status is closely associated with income level, suggesting that wage employment is still central to securing a household's wellbeing”.

3. **ILO, in its 2021 report “Overview of the Informal Economy in Albania”³⁰**, announced that informal employment in Albania is 56.7% of the total number of employees reported by the Labour Force Survey conducted by INSTAT in 2019. Of the total informal workers, 63.9 per cent belong to the agricultural sector, 12.6 per cent to the trade sector, 7.6 per cent to construction, and 4.2 per cent to restaurants and hotels.
4. **Hidden Economy in the Western Balkans 2020: Trends and Policy Options-November 2020³¹** calculates the *Hidden Employment Index* in the Balkan region. It reflects the existence of any of five practices common in the hidden economy: (1) Working without a written contract with the employer; (2) The “official” remuneration written in the contract is lower than the wage actually paid to the employee, as agreed upon verbally between the two parties; (3) The employee has no social security coverage; (4) The base for the social security contributions paid is the amount written in the contract, and not the higher amount actually received; (5) There is no health insurance on the main job. As relates to Albania, it gives a relevant finding: “...In Albania, nearly half (46%) of all respondents engaged in a main job reporting either

³⁰ Overview of the informal economy in Albania

³¹ <https://seldi.net/wp-content/uploads/2020/11/Hidden-economy-in-the-Western-Balkans-2020-brif.pdf>

having no contract at all or receiving some part of their salary unofficially (cash in hand or in an envelope).

5. **Balkan Barometer 2022**³² provides important insights into the business owners, managers and senior executives in WB economies across socio-economic-environmental topics. It identifies that at the regional level, *structural problems continue to exert challenges for the labour markets; in particular, the lack of appropriate skills and labour force emigration intensified the pressure on the available labour, affecting the increase of wages*. Additionally, it identifies some regional labour market challenges; for example, *67% of WB youth are thinking about leaving and working abroad*³³.

F. RELEVANT NATIONAL REPORTS ON LABOUR INFORMALITY

1. **Study of the VET system in Albania- 2020**³⁴ states that *“despite the reform efforts, there is still a pronounced lack of skills and skill shortages in the labour market in Albania, which is mainly due to insufficient cooperation between the world of school and the world of work”*.
2. **Recommendations for Tackling Undeclared Work in Albania- 2018**³⁵ focuses on the informal labour dimension describing the extent, character and drivers of the undeclared economy in Albania and providing a set of recommendations for tackling the phenomenon.

³² This document is prepared and developed in cooperation between Regional Cooperation Council and the ACIT Centre & Finance Think.

³³ BalkanBarometer2022- pocket edition

³⁴ Page 9

³⁵ Brunilda Kosta with Colin C Williams

C. ALIGNMENT OF INSTITUTIONAL MEASURES TACKLING SEVERAL COMPONENTS RELATED TO THE LABOUR FORCE

The main institutions responsible for the implementation of employment and skills policies are:

1. **National Agency for Employment and Skills (NAES)**

NAES are the administrative institutions and providers of employment services, self-employment education and professional training, an integral part of MFE. NAES's subordinates are the Regional Directorate and Local Employment Offices, the Regional Directorate of Vocational Training and Vocational Education Secondary Schools.

2. **National Agency for Vocational Education and Training and Qualifications (NAVETQ)**

The agency was established as a public budgetary legal entity under the MFE. NAVETQ exercises its activity in the:

- » - creation and continuous evaluation of the unified system of professional qualifications;
- » - the qualification and continuous training of the teaching staff in education and professional training.

Currently, the Albanian Qualifications Framework is approved in line with the European Qualifications Framework while the Agency is developing frame curricula for different professions.

3. **State Labour Inspectorate and Social Services (SILSS)**

The mission of the State Inspectorate that covers the field of work is control, monitoring, counselling, notification, formation, mitigating conflicts, prevention and sanc-

tioning. The Inspectorate has the following tasks:

- a. ensure the implementation of legal provisions on working conditions and the protection of employees in the exercise of their profession, on the duration of work, wages, insurance, hygiene and welfare, the employment of children, minors and women, as well as on other issues closely related to them, to the extent that labour inspectors are tasked with ensuring the

implementation of these provisions;

- b. provide data and technical advice to the employer and the employee on the most efficient means of reviewing the legal provisions;
- c. notify the responsible authority of deficiencies and abuses which are not specifically covered by the legal provisions in force, as well as propose the necessary tools and instruments to improve the situation.

KEY FINDINGS

The findings in this working document are the result of an analysis based on a defined methodology with the objective of bringing into a twofold perspective the immediate challenge of the availability and quality of the workforce in the country: (1) the perspective of the private sector and (2) the perspective of young jobseekers to balance expectations and facts.

As mentioned above, important resources in identifying the main findings include (a) analysis of the relevant legal, regulatory and institutional framework; (b) business perceptions evidenced in questionnaires filled out by 253 companies (25% female owner) and 29 meetings held during period September – October 2022 with public bodies at different levels of government, associations and business chambers, companies with activity in different sectors, various experts

in the field, projects of donors working in the field of working force (c) questionnaire filled out by 262 young people as well as (d) the organisation of two focus groups with youth 10 attendees and experts in the field.

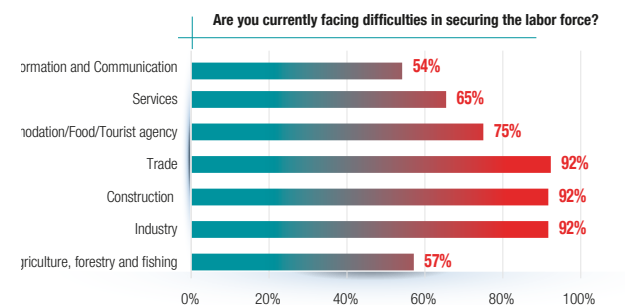
A. AVAILABILITY OF WORKFORCE

1. **The unavailability of the labour force³⁶ in the country has become a crucial challenge for almost 3 out of 4 companies (74%).** The high migration of the population, especially among young generations, and current global workforce demand have probably³⁷ significantly contributed to reduced labour force availability in the country.

³⁶ Quantity and quality

³⁷ A further analysis could be initiated on direct impact of emigration of young people and relevant labour market.

Figure 5. Labour Force Availability as per Sectors



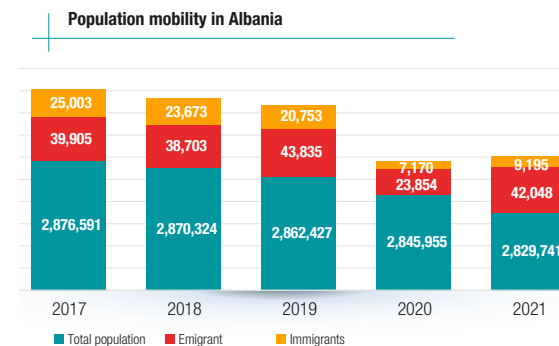
Source: Secretariat Survey, September 2022

From a gender perspective, 71% of male entrepreneurs declared to face difficulties in finding a workforce versus 67% of female ones. Meanwhile, 67% of companies say women are more willing to work than men.

C. EFFECTIVENESS OF CHANNELS FOR IDENTIFYING WORKFORCE

1. **Private agencies and universities (public/private/Vocational schools) are perceived as the most used channels in finding a workforce (although by only about one-fifth of the respondent companies), while official employment offices are less used (only by 15% of companies).** In the meantime, 30% of companies (70% of which are male entrepreneurs) that responded to the questionnaire state that they never thought to address their need for workers with institutions that work in this direction.
2. **While the overall effectiveness of the channels used by companies for identifying the workforce generally remains relatively low, the most positive collaboration/channel in finding employ-**

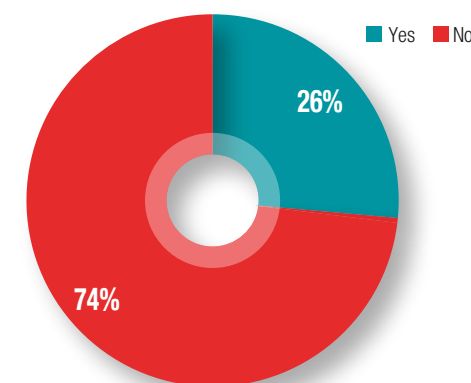
Figure 3. Mobility of population



Source: INSTAT

Figure 4. Labour Force availability

Are you currently facing difficulties in securing the labor force?



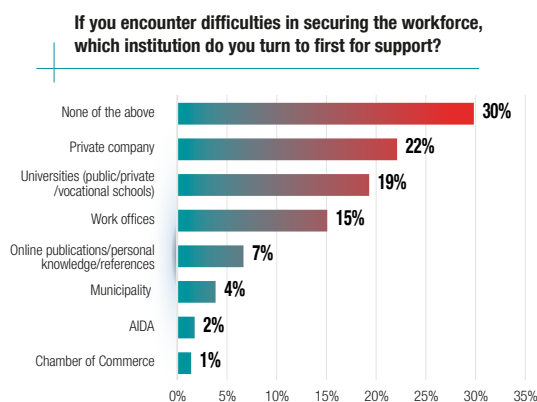
Source: Secretariat Survey, September 2022

2. **Whereas all sectors of the economy face difficulties securing the labour force, the trade, construction and industry sectors seem to suffer the most³⁸** (more than 90% of companies), while Information and Communication and agriculture sectors declare to face fewer difficulties in finding a workforce.

³⁸ A further analysis by sector would be advisable to identify the reasons behind

ees is marked with universities (mainly through individual contacts with professors) and private employment agencies. Based on consultations held with companies, employment offices were not considered by them as effective channels for searching qualified workforce due to their

Figure 6. Where do companies find their employees



Source: Secretariat Survey, September 2022

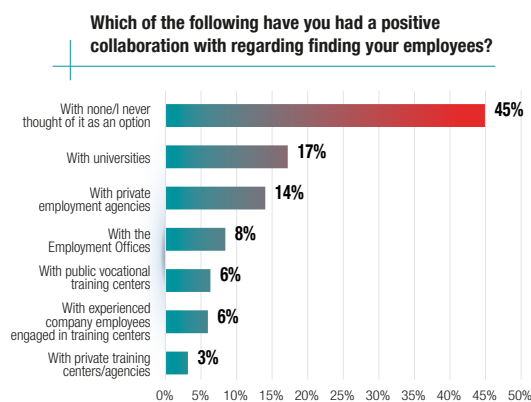
C. LOW WAGES AND WORK CULTURE³⁹ - PERTINENT ISSUES IN THE ALBANIAN LABOUR MARKET

1. **Low wages are perceived as a dominant factor of dissatisfaction and discouragement for employees/job seekers in the local private sector labour market**, according to the data collected by the Secretariat on a questionnaire with 262 young people, with about one-

³⁹ Defined as a cumulative effect of practices, employer and employee attitudes, beliefs and behaviors, organisational policies, leadership practices and workplace amenities, that make up the regular atmosphere in a work environment. Several projects and initiatives are cooperating with schools to improve the situation <https://skillsforjobs.al/sq/publications/afitesite-e-buta-tani-pjese-e-ofertes-mesimore-ne-shkollat-e-mesme-profesionale/>; <https://skillsforjobs.al/sq/publications/perfshirja-e-afesive-digjitale-dhe-te-buta-ne-planifikimin-lendor/>; <https://skillsforjobs.al/sq/integrimi-i-afesive-te-buta-plaformen-online-ne-planet-mesimore/>;

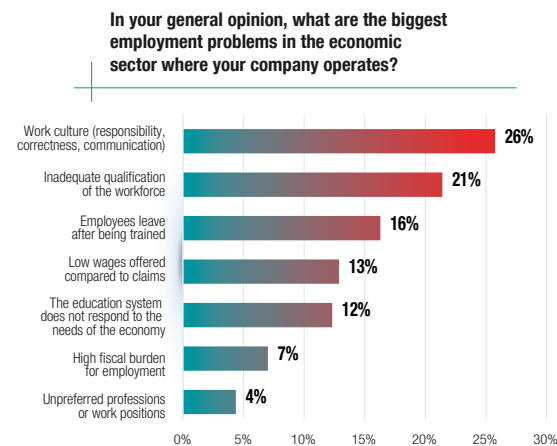
reputation of dealing only with marginalised and low-skilled persons and not having access to the qualified job seekers they need. *From a gender perspective, male and female entrepreneurs had the same pattern, considering universities as the most positive collaboration.*

Figure 7. Positive experience in finding employees



fifth of the employees/job seekers mentioning it as main labour market challenge.

Figure 8. Main challenges in the labour market



Source: Secretariat survey with young people, September 2022

Figure 9. Motivation in employment



Source: Secretariat survey with young people, September 2022

Referring to data published by INSTAT⁴⁰, for the economic activities of industry, construction and services, **the average hourly labour cost per employee in full-time units in Albania is lower than in EU⁴¹ member and candidate countries.** The average hourly labour cost⁴² per employee in full-time units in our country is 3.1 euros. Then there are countries such as Serbia and Bulgaria with an average labour hourly cost per employee in full-time units of 6.2 and 6.5 euros, respectively⁴³.

But, while still low wages remain one of the main attractions of foreign investment in the country, we evidence it as a major obstacle to the current labour market issues even by the private sector itself. So, in

⁴⁰ <http://instat.gov.al/al/publikime/librat/2022/anketa-e-kostos-s-C3%AB-pun%C3%ABs-2020/>

⁴¹ Subject to further analyses including productivity impact

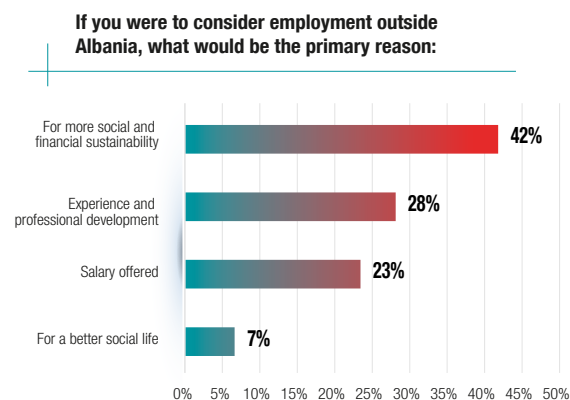
⁴² Labour costs consist of expenses for salaries and bonuses, plus other costs such as costs for social insurance contributions and other costs paid by the employer. The largest part of the labour cost is represented by the costs for wages and bonuses, followed by the costs for insurance contributions. In 2020, the share of non-salary costs was highest in France (32.1%), Sweden (31.6%), while lower in Lithuania (2.9%), Romania (4.9%).

⁴³ Norway and Denmark have the highest average hourly labour cost of 47.3 and 45.3 Euro respectively

our survey, only 13% of responders (companies) (65% male entrepreneurs) consider low wages as the fourth problem in line (see below figure 11). *Probably, it is a moment to further reflect on what kind of foreign direct investment should be targeted in the country?!*

When asked about emigration, young generations are not attracted merely by a job or a salary – they look for a sustainable perspective in social, financial and professional terms as well. When asked why they want to leave the country, young people do not prioritize anymore the salary offered but the quest for more social, financial sustainability and professional development prospects.

Figure 10. Motivation of youth to emigration

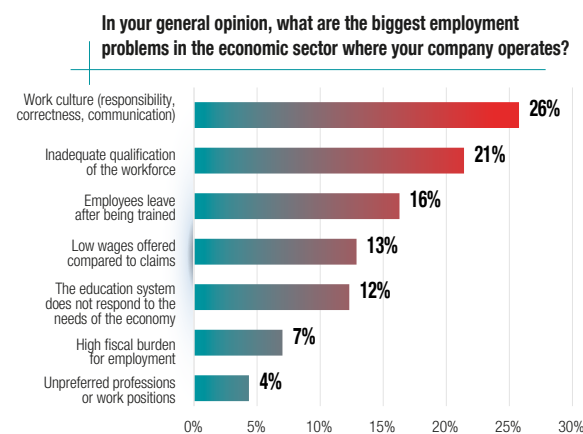


Source: Secretariat survey with young people, September 2022

1. **Work culture seems to remain a strong factor negatively impacting the labour market both from the employers' and the employees'/job seekers' point of view.** When asked about their motivation, in addition to salary, youth identified the work environment and clear procedures for career growth as the three most motivating points. All three are linked to the organisation's work culture.

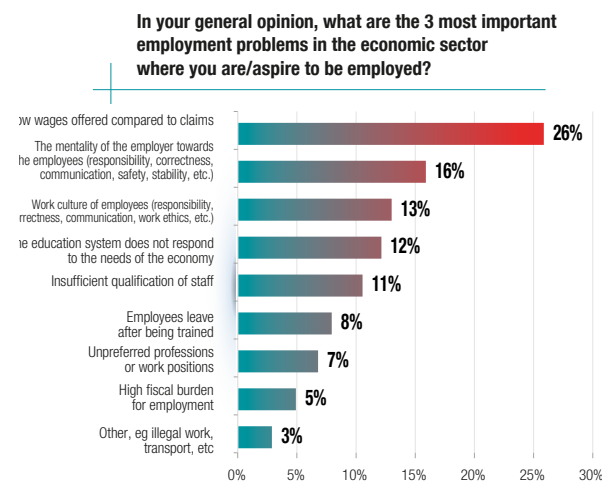
2. Entrepreneurs' mentality and leadership practices seem to scare away many job seekers, especially the young generation, from the local labour market. While the availability of the labour force remains crucial, *it is still evidenced an inappropriate attention/mentality of the private sector with regard to the labour market*, probably impacting the motivation and satisfaction of employees in the respective companies. **As per the young generation (16-29 years) perception, the main problems faced in the labour market as per their experience are low wages, the mentality of employers in terms of responsibility, correctness, communication, etc.** Therefore, work culture and unsuitable qualifications among job seekers remain the most recurring concerns for employers. This is also highlighted both in the Skills Need Analysis (SNA) 2017 and the SNA 2014. While companies list work culture as the first factor that hampers labour productivity and company growth, job seekers consider it as the third factor after low wages and company owners' mentality.

Figure 11. Employment problems – private sector



Source: Secretariat survey, September 2022

Figure 12. Employment problems – youth perspective



Source: Secretariat survey with young people, September 2022

From a gender perspective, the top 3 most significant employment issues for female entrepreneurs are work culture, inadequate qualification of the workforce and low wage, while for male entrepreneurs top 3 main issues are work culture, inadequate qualification of the workforce and employee leaving after being trained.

3. Lack of soft skills⁴⁴ is identified as a permanent issue in young and older employees during our consultation meetings and supported by survey data.⁴⁵ The World Economic Forum suggested in its Future of Jobs Report that by 2025, complex problem-solving, critical thinking, creativity, people management and emotional intelligence would be among the most important skills required

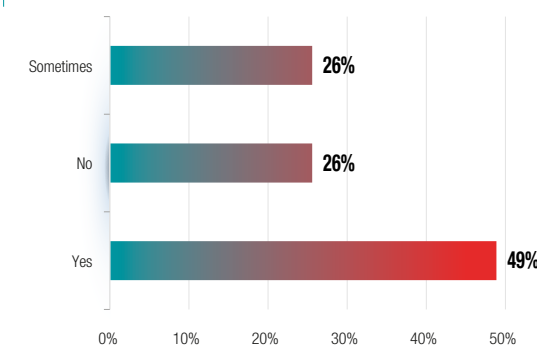
⁴⁴ Soft skills refer to both character traits and interpersonal skills that will influence how well a person can work or interact with others and covers a wide range of skills as diverse as teamwork, time management, empathy and delegation

⁴⁵ <https://www.weforum.org/agenda/2016/01/the-10-skills-you-need-to-thrive-in-the-fourth-industrial-revolution/>

in the workplace. The importance of these soft skills is often undervalued, and there is far less training provided for them than hard skills such as coding. **Consultation meetings with companies and survey with young job seekers confirm this challenge.** Survey data show that 49% of the workforces have received some soft skills training in their job. *The risk of not receiving the right training is present probably due to the fact that training is often directed by the company's managers themselves, who in turn may not have the right training.*

Figure 13. Soft Skills Training

Was part of the training provided by your employer also training for soft skills (communication/customer service/time management/group work/respect/etc)?



Source: Secretariat survey, September 2022

Data from the NAES⁴⁶ confirm that in 2019 under the support of GIZ, the Start Smart package for the development of soft skills of unemployed job seekers began implementation in all Vocational Training Centres, which is expected to influence the development of employability skills. During year 2021, 1503 registered jobseekers participated in this training.

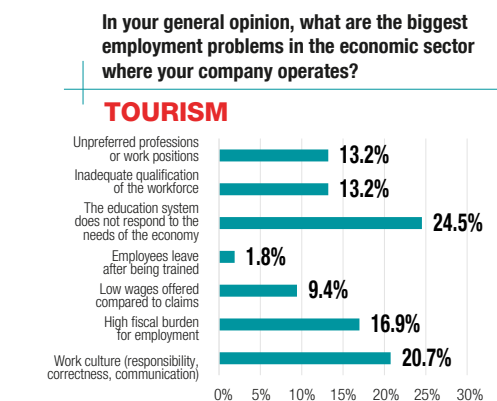
⁴⁶ <https://akpa.gov.al/wp-content/uploads/2021/09/BULETINI-STATISTIKOR-2020.pdf>

Apart from including soft skills in the curricula, another issue to consider is linked to the identification of the importance of these skills in the process of teaching and communication in school (teacher-student, student-student, student-leader, parent-teacher relationships). Programme Skills4Jobs which supports 10⁴⁷ Vocational Education and Training institutions (VET) is working in this direction⁴⁸.

D. MISMATCH OF SUPPLY AND DEMAND ON SKILLS

1. From the supply side, we evidence that the education system, although perceived as a source of qualification and culture of the labour force, its mismatch with the needs of the private sector remains on the top three issues as relates to the expectations in terms of the qualification of the workforce. This is more present to sectors of tourism, industry and services.

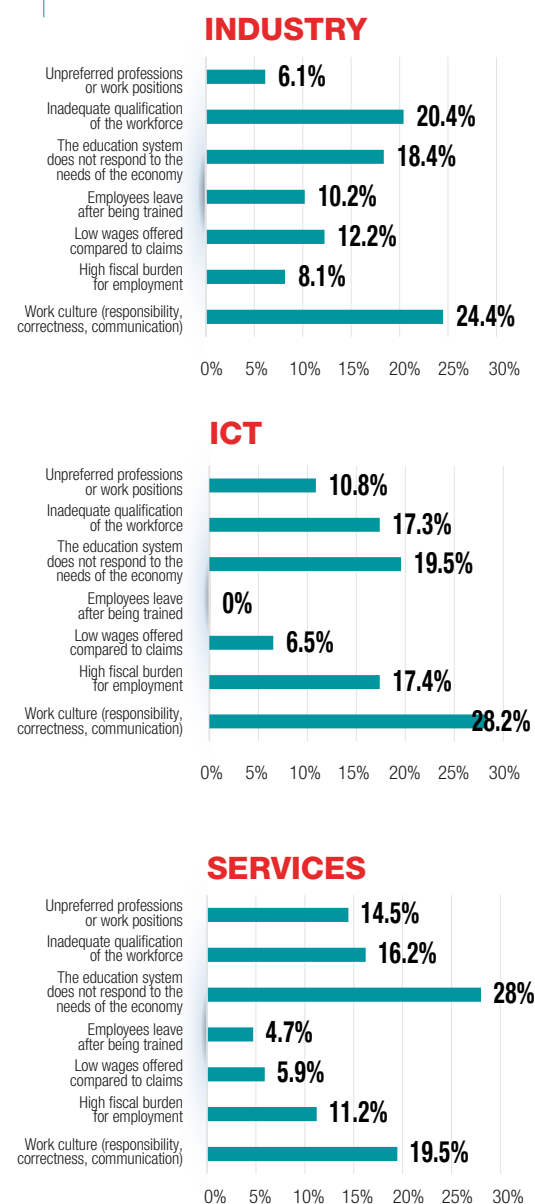
Figure 14. Challenges faced by different sectors of the economy – Private Sector



⁴⁷ [What We Do - Skills For Jobs](#)

⁴⁸ [Soft Skills: Now Part of Vocational Schools' Teaching Program - Skills For Jobs](#)

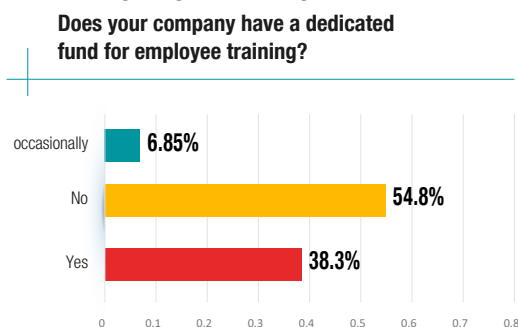
In your general opinion, what are the biggest employment problems in the economic sector where your company operates?



Source: Secretariat Survey, September 2022

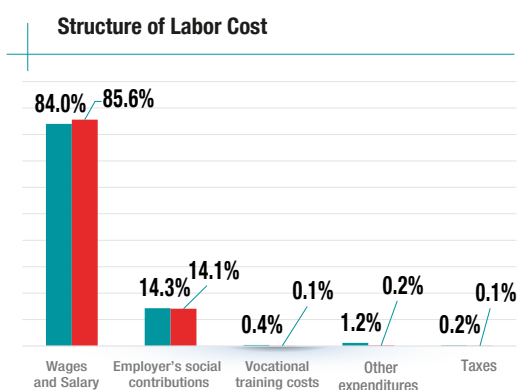
2. Although skills incompatibility is accepted as a systematic issue, most of the companies confirm that they do not have a dedicated fund for the training of their employees. According to data published by INSTAT, in 2020,4 only 0.1% of labour costs was dedicated to vocational training of personnel, with a decline of 0.3 p.p.⁴⁹ compared to 2016. In EU countries, this indicator was 1.08% during year 2016⁵⁰.

Figure 15. Budgeting for trainings



Source: Secretariat Survey on Innovation, 2021

Figure 16. Structure of Labour Cost in Albania



Source: Labour Cost Survey 2016, 2020

⁴⁹ COVID19 may have influenced this trend

⁵⁰ Latest data published by EUROSTAT

We also notice that in 2016, Information and Communication, as well as Financial and Insurance companies had the highest budget share dedicated to vocational training. While 2020 figures show a decline in this share in all sectors of the economy.

Figure 17. Vocational Training Costs as per sectors

Vocational training costs	2016	2020
B Mining and quarrying	0.21	0.02
C Manufacturing	0.74	0.22
D Electricity, gas, steam, and air conditioning	0.01	0.52
E Water supply; sewerage, waste management and remediation activities	0.18	0.14
F Construction	0.07	0.09
G Wholesale and retail trade; repair of motor vehicles and motorcycles	0.38	0.17
H Transportation and storage	0.02	0.05
I Accommodation and food service activities	0.22	0.14
J Information and communication	1.40	0.11
K Financial and insurance activities	1.45	0.03
L Real estate activities	0.05	0.00
M Professional, scientific and technical activities	0.27	0.11
N Administrative and support service activities	0.63	0.09
P Education	0.05	0.05
Q Human health and social work activities	0.21	0.12
R Arts, entertainment and recreation	0.01	0.08
S Other service activities	0.11	0.09

Figure 18. Vocational training cost as per company size

Vocational training costs	2016	2020
up to 10	0.42	0.13
10-49 employees	0.3	0.08
50-249 employees	0.49	0.14
250-499 employees	0.3	0.21
500-999 employees	0.19	0.23
1000 or more employees	0.73	0.01

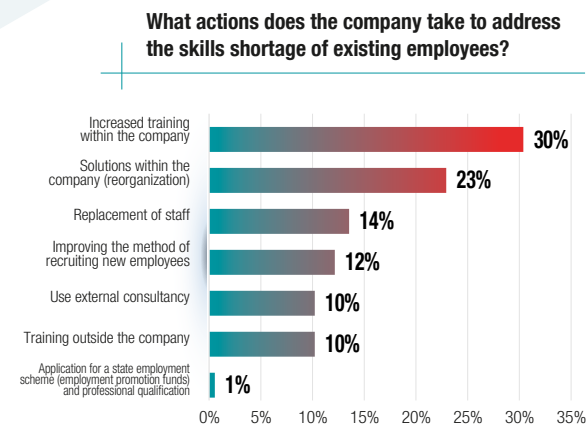
Source: INSTAT, Labour Cost Survey, 2020

According to INSTAT, in LCS 2020 compared to LCS 2016, due to the pandemic period, through the decisions taken by the Albanian government to prevent the spread of Covid-19 and provide economic assistance to businesses, expenses for professional training, labour taxes and other expenses were reduced, but the subsidies received by enterprises increased.

3. Our survey data show that companies generally use their internal resources to train their employees without considering the deliverance of professional training through outsourcing. Consultation meetings also confirmed that companies train their staff using their experienced employees as trainers and/or reorganising and/or replacing staff. Companies do consult with experts about training need advice, but they solve the training problem within their company. When using external resources for training their staff, they generally refer to universities and private employment agencies.

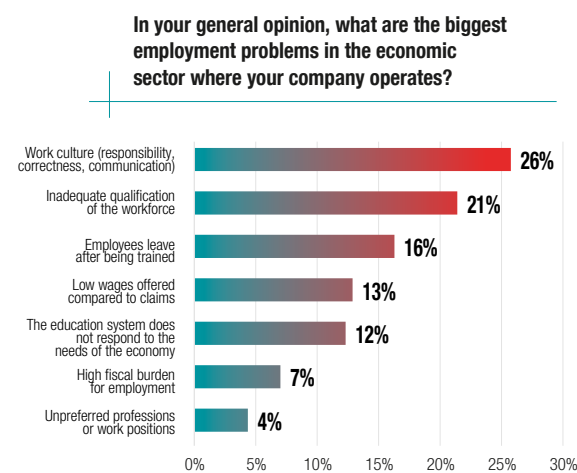
Figure 19. Where do you seek information about training needs



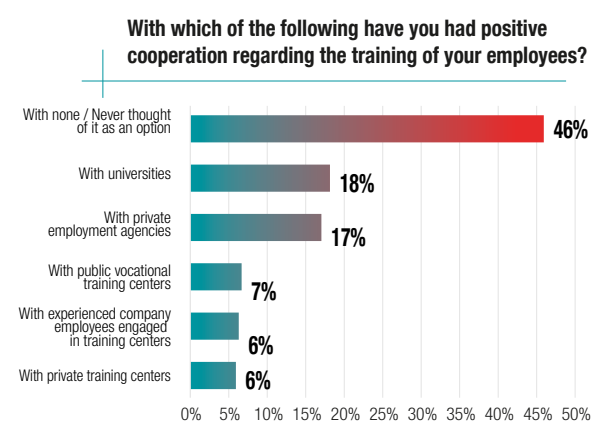
Figure 20. Actions to address the skills shortage

Sources: Secretariat Survey, September 2022

4. **Despite being trained, employees often leave. This is highlighted as a main challenge by companies, third in line and confirmed during the Secretariat's consultations with companies operating in different economic sectors (16% of companies confirm this).** The leaving of trained employees is also exacerbated by the increasing demand for qualified workforce in the European countries (Italy, Germany, etc.).

Figure 22. Turnover of employees

Source: Secretariat Survey, September 2022

Figure 21. Where do you train your employees

E. OTHER

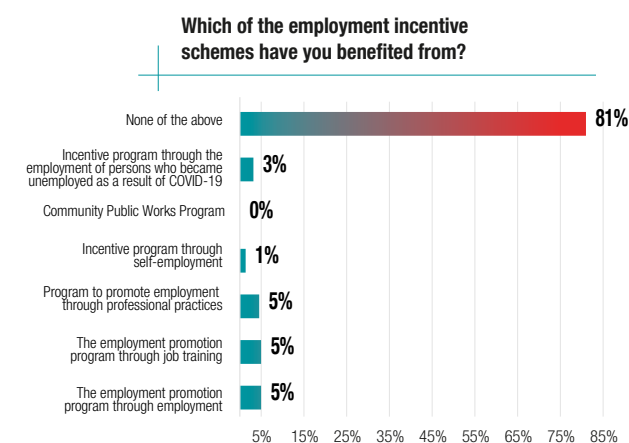
1. **Regardless of employment promotion programs (0.02% of GDP⁵¹), companies report a lack of information about the possibility of benefiting from them.** 81% of the companies have not benefited from the Incentives Schemes presented by the government to boost employment. This probably may be related to the lack of information on these schemes, or they consider them to entail too much bureaucracy.

Referring to official data published by NAES⁵², a total of 751 entities have benefited from the implementation of the 2020 programs, of which 171 are last year's applications (which continue to be funded this year), and 580 are new projects this year. Of the total beneficiary entities, 29% exercise their activity in the processing industry, 13% in accommodation and food service and 12% in wholesale and retail trade, and vehicle repair. From the implementation of the employment promotion programs

51 Figure reported by NAES during our consultation meetings

52 <https://akpa.gov.al/wp-content/uploads/2021/09/BULETINI-STATISTIKOR-2020.pdf>

for 2020, about 4146 unemployed jobseekers have been employed, trained through work and completed professional internships.

Figure 23. Benefits from Incentive schemes

Source: Secretariat Survey, September 2022

2. **During our consultation with companies and professional schools in the field, we received comments such as the lack of desire to work due to other “options”, the desire to earn a lot and quickly as well as the loss of the value of knowledge creating a “model” among young people in the country. This was not within the core scope of our study and probably needs another analysis since it influences the well-functioning of the labour market.**
3. **Improving the governance of the ecosystem by clearly linking vision, coordination and institutional support and cooperation of all actors involved – remains an essential tool for the possibility of matching the demands of the private sector and the offer in the labour market.**
4. **Companies do not see internship programs as an effective means to gain fu-**

ture employees and students, and as a result, they do not appreciate these opportunities due to a lack of integration into “real work” and a lack of payment. Internships are considered just a piece of paper for most students, especially in universities. A different perspective was noticed in internships at vocational schools, where students/professors claimed that the internship was very useful and, in several cases, resulted in the direct employment of the student. Also, positive internship models run at foreign or local companies are appreciated by young people as a benchmark model for other companies. The reference is made to Antea Cement, Easy Pay, Vodafone, Banka Kombëtare Tregtare, Procredit Bank or others, which have a clear corporate governance policy that supports young people's access to the labour market. However, the problem remains for the micro and small companies that prevail in Albania and face several competition issues.

5. **As regards access to the labour market, EU citizens are eligible to work in Albania without a work permit, in line with the law on foreigners under which nationals of an EU Member State or Schengen country legally residing in Albania do not need a work permit or business registration certificate. Immigration admission policies do not present obstacles to the permanent settlement of EU workers' family members. The law also addresses one of the shortcomings of the previous legislation on aliens (relevant mostly for non-EU citizens), integrating the unique permission, which guarantees a single application procedure**

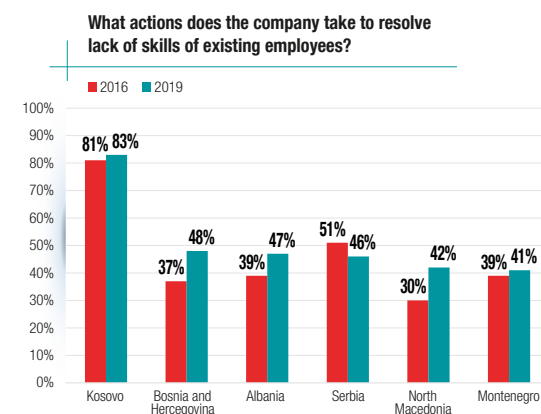
for foreigners who intend to work and stay in the territory of the Republic of Albania. Also, it improves and clarifies the deadlines, time and procedures for getting the unique permit by reducing administrative obstacles.

F. UNDECLARED LABOUR - A PERSISTENT FORM OF INFORMALITY IN THE ECONOMY

1. Despite consecutive efforts undertaken since 2015, still as of October 2022 – Informality, in particular, informal work (more in construction, industry, IT) is perceived as a threat hampering employees' earnings and life insurance in the long run⁵³.

The Hidden Employment Index⁵⁴ between 2016 and 2019 has increased in five of the six Western Balkans countries by a factor of between 2.4% and 12.4%. Albania ranks third in the region, with a hidden employment index of 47%, after Kosovo and Bosnia and Hercegovina.

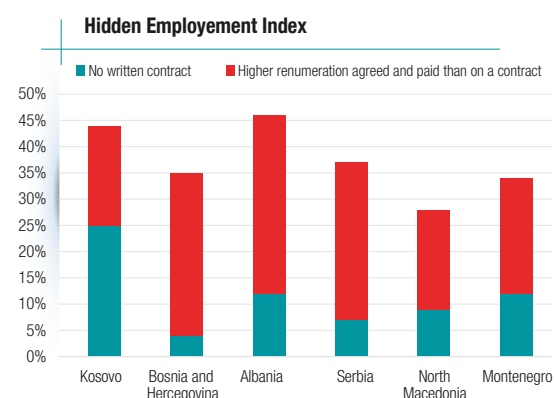
Figure 24. Hidden employment index 2016-2019



53 Figures remain proxy in spite of relevant publications of donors and local media.

54 SELDI estimation

Figure 25. Workers without written contract on the main job or receiving higher than the declared remuneration (2019, in %)



Source: SELDI

2. Data show that under-declaration of received employee remuneration remains the most common type of hidden employment. This fact is also confirmed on the Secretariat's survey during September 2022, with 253 companies working in different sectors of the economy in the country.

Figure 26. Nature of Informality

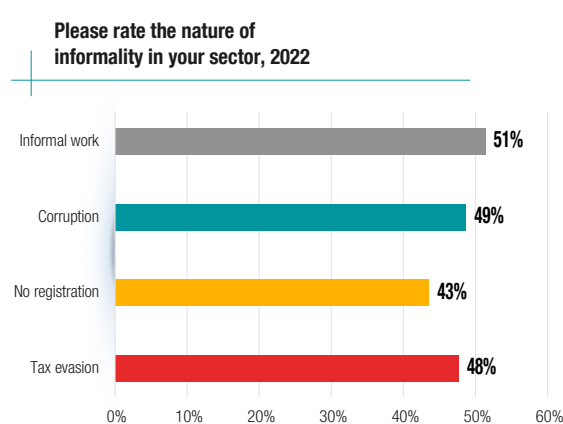
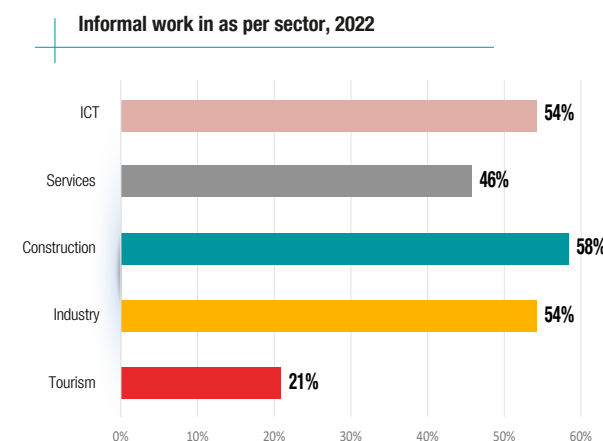


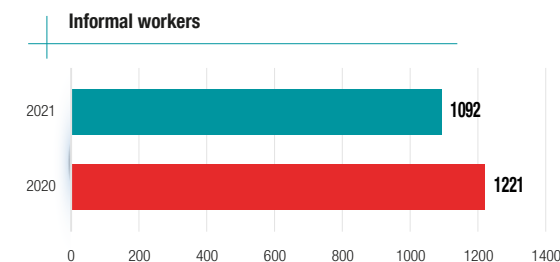
Figure 27. Informal work in different sectors of the economy



Source: Secretariat Survey, September 2022

During 2021⁵⁵, the State Inspectorate of Labour and Social Services conducted 7039 inspections in private and public subjects. These inspections covered 184206 working places, 9.5% more than the previous year. During these inspections, 1570 workers were found without an individual contract, 1.4% more than in 2020. *According to data published by the Inspectorate, there is a decrease in informal workers identified during 2021.*

Figure 28. Number of Informal Workers identified during Inspections



Source: State Inspectorate of Labour and Social Services

55 <https://inspektoriaipunes.gov.al/wp-content/uploads/2022/03/Analize-vjetore-2021-ISHPSSH-per-web-23032022.pdf>

3. Another issue identified by businesses as a factor leading to undeclared employment is the unfair competition of non-licensed operators in different segments and sectors e.g., travel tour operators and tourism agencies which are subject to different licensing systems and regulatory requirements but in practice, compete in the same market. According to many businesses, this is due to the non-adequate enforcement of regulatory standards. Some entrepreneurs state that the high number of businesses operating in small markets and areas leads to informality and unfair competition.

Fragmentation jeopardises employment issues as well, creating room for lower/undeclared wages. Meanwhile, **standardisation of services, for example in the tourism sector, is difficult to achieve due to informality.** Informal companies do hamper proper market functionality in terms of prices, wages, and standards.

RECOMMENDATIONS⁵⁶

IMPROVE WORK CULTURE AND EMPLOYMENT SUSTAINABILITY PROSPECTS.

RECOMMENDATION 1

Business Chambers/Associations to consider specific training/workshops/information packages with MSMEs' owners (CEOs) on shifting their mindset toward human capital value creation, therefore seeing their employees as their main asset and not as an operational cost. Training their experienced staff on how to mentor/coach new interns/staff is also very important and an issue identified by labour offices and VET schools while training their practitioners in different businesses.

⁵⁶ The recommendations in this working document are based on the above findings and try not to repeat the ones approved in the previous IC meetings. The key issues are: How to tackle human capital in an MSME ecosystem which includes recruitment and training; How to simplify the access to information for MSMEs? How to create a systemic labour market information system? How to change the model for young people? What about informality?

RECOMMENDATION 2

To address the labour shortage in short and medium – terms as well as productivity increase, **MSMEs' owners should strive to make work more sustainable by increasing remuneration, health and well-being packages for employees, clear career paths and salary structure.** Business Chambers/Associations should be a crucial factor in transmitting to their members that they should be proactive rather than reactive while approaching the challenges of recruiting a qualified workforce by planning well ahead their needs and increasing the expenditures for their staff qualifications⁵⁷.

RECOMMENDATION 3

From the business community, additional investment in technology and automation is a must to keep up with the new business trends.

⁵⁷ Responding somehow also to competition from the public sector jobs and conditions.

In this direction, it is necessary to strengthen the cooperation and involvement of the chambers of commerce and vocational training centres in ongoing reskilling and upskilling through professional training of middle-aged job seekers and new-entry staff. This should be considered not as a cost but as an investment and a solution to ongoing labour shortages. Business leaders must look ahead and consider how their operations will change to get ahead of the talent shortage.

RECOMMENDATION 4

Education of prospective employees and employers about labour legislation and employment contracts - rights and obligations. Employment offices and recruiting companies should be responsible for consulting them, and centres of professional education should cascade short training to the candidates on the main issues of employment that could include (a) Job description and responsibilities; (b) Remuneration and applicable tax and social and health charges; (c) notice period and cause for termination; (d) Holiday pay and sick leave; (e) working hours, organisation rights; (e) how to resolve grievances and where to report the employers' breach of labour legislation.

INCREASE THE ACCESS TO JOB OPPORTUNITIES

RECOMMENDATION 5

To empower the role of the recruitment and intermediary employment platforms, NAES should consider increasing the promotion at the national and local level of the

centralised platform puna.gov.al. Wider scale promotion of this platform can create synergy and share information among several factors such as businesses, business associations and chambers of commerce, employment offices and job seekers.

RECOMMENDATION 6

The NAES should widen its focus and scope to attract and serve a wider range of employers and job seekers. This would include revising types of content published for each job vacancy and using a wider range of distribution channels for job announcements (including webpage, social media, radio/TV, etc.).

RECOMMENDATION 7

NAES should strengthen the capacities of its local level offices to play an increasing role in the identification of job openings from local businesses, increasing promotion to local job seekers through various local channels, attracting job seekers, as well in intermediation and facilitation of local labour market, going beyond marginalised groups.

RECOMMENDATION 8

Chambers of commerce to become more proactive in the direct connection between the vacancies of their members and job seekers through publication, promotion, employment fairs and by endorsing at industry level regulatory compliance with labour legislation and improvement of working conditions, especially in labour-intensive industries and discouraging informality practices of undeclared work.

STRENGTHEN COOPERATION AND COORDINATION AMONG LABOUR MARKET SUPPORT ACTORS

RECOMMENDATION 9

MFE should consider different tools to increase awareness of the current mechanisms in place that support employment through sustainable cooperation at the local level among business chambers of commerce – employment offices – vocational schools – vocational training centres – Municipalities:

- » Increasing awareness campaigns regarding employment promotion programs at the local level;
- » Increasing awareness campaigns about its ability to gather job seekers of different professions and skills.

RECOMMENDATION 10

To reduce the informality, in addition to reinforcing the control and business formalisation efforts, MFE can consider including media as an important player to inform citizens about the negative consequences of engaging in the informal economy and the benefits of reported work or also encourage the presentation of cases of undeclared work to the public (it could positively affect companies and their decision not to engage in such activities).⁵⁸

RECOMMENDATION 5

Facilitating re-entry to the labour force of retired professionals as a means to address shortages in professions like doctors, nurses,

engineers, etc., especially in regions other than Tirana. This can create opportunities to transfer knowledge in both directions.

For consistency, still relevant recommendations approved in the IC meetings during 2015-2022, are:

RECOMMENDATION 1

Systematic engagement of the private sector in skills development (VET, Higher Education and Employment)

- » Structuring the relationship and format of University - Business cooperation by the responsible institution as clearly identified in the new Smart Specialization Strategy being drafted. Some possible forms of cooperation are (1) the creation of an online platform where business issues are collected and shared with universities based on their area of specialisation, and based on these issues, graduation/master's or PhD topics are oriented based on practical issues/problems/data needs - raised by the private sector (2) open hours with innovative businessmen - former students, who have proven to be successful in their professional life invited by universities to share their experience, challenges and success in an open discussion with students (3) improving the curriculum by adapting it to the skills required by the market starting from high schools and universities by expanding practical skills together with theory (4) Regular orientation of students towards the market work, through periodic consultations with business associations.
- » Structuring links between academia /businesses and financial institutions to find ways to finance students' start-up ideas based on the identified needs of SMEs. An example of

mediating agents could be the Local Economic Development structures (e.g., Auleda-Vlora or Teuleda-Shkodra) that can simplify mediation and monitoring/follow-up processes.

- » Creation of a web platform: AIDA, Business Community, Universities, etc., to support the Business in personnel requests, diploma topics/project proposals to be implemented by the business sector.
- » To help businesses in the BPO sector not to look for qualified staff themselves through all the means, with a huge waste of time, but to conclude cooperation agreements with the relevant institutions. A great help in finding staff would be to create a database that contains candidates with the skills required by the BPO.

RECOMMENDATION 1

Ensuring sound evidence-based governance of labour market and VET policies

- » Creation of concrete incentive policies on the professional education with a focus on IT and digital skills.
- » Assessment of possible connections between supply chain firms (SMEs/Corporations/FDI) in certain sectors, considering a “holistic” approach to the framework of policies and standards (macro level) with the aim that even the support functions that facilitate compliance financing (traceability) with international standards to be determined in coherence with the roles, rules, and interaction of the actors. In this process, the addressing of the problems related to the “gap” between the “skill supply” and the needs of the industry that wants to be integrated into the global chain should also be considered. It should be

clearly defined in which direction the human capital will be oriented in certain areas of the economy that have different requirements for the type and quality of the workforce e.g., tourism requires other skills than transport.

- » Sectoral approach on adapting employment policies and improving the workforce's skills in the direction of priority sectors for sustainable economic development. This should be done through:
 - A clear regulatory framework, but also through the establishment of standards and criteria for implementation, as well as through incentive instruments.
 - Creation of a systematic cooperation format (platform) between schools and businesses in order to create consortia with actors: businesses-providers of professional services-civil society, employment offices, career offices, etc., operating in priority.
- » Considering that the integration of MSME in the international value chain is not only related to cost or technology but also to the change of business models and organisational culture (MFE/AIDA in cooperation with business associations and chambers of commerce) should accelerate institutional support in the implementation of programs to improve the management of Micro, Small and Medium Enterprises in training on internationalisation, through partnerships between the government/AKPA/industries/professional schools/universities/donors:
 - Targeted training for specific groups of managers, such as young entrepreneurs and exporters, to invest more in corporate management and research and development structures.

⁵⁸ Considering the 33 Dissecting the illicit practice of wage underreporting: some evidence from Croatia, Josip Franic © International Labour Organization 2021 10 interests of society.

- Dedicated training for start-up businesses
- Training for managers of SMEs even outside urban areas, encouragement of entrepreneurship through the general education system and improvement of the “holistic” approach to the culture of entrepreneurship.
- » The government should enable the leasing of state buildings in support of the creation of training centres for resizing the training of the workforce as per market requirements.
- » Referring to informality in the form of unregistered employment in the tourism sector, it is possible to support businesses through schemes for subsidising social and health contributions for employees on a minimum 1-year contract for the low season period.
- » For the BPO sector, set up a working group (INSTAT, AIDA, BPO Association, MAS, etc.) to enable scanning of the sector, the accuracy of data, cooperation model within the framework of vocational education and training-VET and business.
- » Capacity building and monitoring of Employment Offices should correspond with employment and qualification programs fitting to the needs of BPO businesses.

RECOMMENDATION 1

Supporting and promoting lifelong quality and inclusive education

- » Accelerating the structuring of modern and industry-focused education to provide quality and highly skilled jobs, thus contributing to greater, sustainable, and faster growth of companies. As a broad issue, it should help to better connect academic faculties, science and technology instruments (e.g. parks,

science centres, etc.) through their collaboration with industry, as it aims to create a highly skilled workforce and develop basic knowledge of society.

- » Encouraging cooperation between universities by creating a consortium based on the specific areas of specialisation of the member universities. Based on several pieces of expertise, this consortium serves as a practical training centre for enterprises and enables the sustainability of knowledge transferred from projects that support innovation in different sectors of the economy.
- » The legal framework for interns and seasonal workers should be adapted to the nature of this employment scheme. Claims for this employment scheme are treated similarly to that of full-time employees, “imposing” unnecessary costs of employing staff for seasonal employment schemes or as trainees. At the national level, there is a discussion regarding improving the engagement conditions of apprentices to acquire knowledge during the education cycle.
- » In the BPO sector, consider integrating basic knowledge at certain levels of education, focusing on analytical skills (problem-solving), foreign languages, Microsoft skills, and communication skills. Practices should be standardised and become part of the curriculum - business model project - faculty - teaching practice. Accreditation of universities should consider monitoring state-business relations to effectively implement internships as part of the curricula.
- » Adapting university curricula for specific industries by implementing projects and teaching subjects at the local business prem-

ises. Flexibility in the provision of knowledge by public universities through innovative short-term programs in partnership with business: Business Academy (1-3-day intensive programs in a specific field such as management and operations consulting, taxes, drafting business plans, feasibility studies, etc.) Certificates obtained after successful completion are accredited by the Ministry of Education as an added value for access to the labour market.

- » Discussion with actors on establishing a BPO Academy for workforce retraining, by licensed trainers, under the support of the central or local government in the public-private partnership model (Protik) or TEDA model.

RECOMMENDATION 1

Digital transformation of VET and employment services

- » To improve skills in the ICT sector, free online training packages and respective certifications in digital skills, entrepreneurship, financial education, youth, women, etc., are needed. A form of stimulation could also be the creation of an online government platform (e.g. Albania Digital Solidarity) where companies that offer such online services at reduced or free prices are listed.
- » Initiative for creating a “pool of talents” in the IT sector identified through competitions or other activities that can be organised in cooperation with IT professional schools and universities or high schools.

ANNEX I

FINDINGS OF THE LABOR AVAILABILITY AND QUALITY SURVEY

1. OBJECTIVE & METHODOLOGY

SURVEY OBJECTIVE

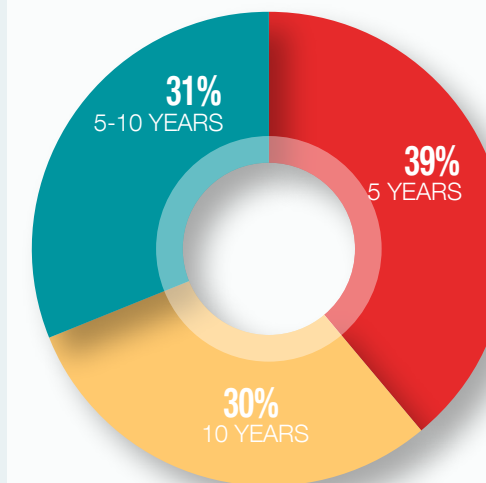
1. Labor shortage
2. Workforce finding channels
3. Workforce training
4. Problems in the labor market
5. Informality

METHODO- LOGY

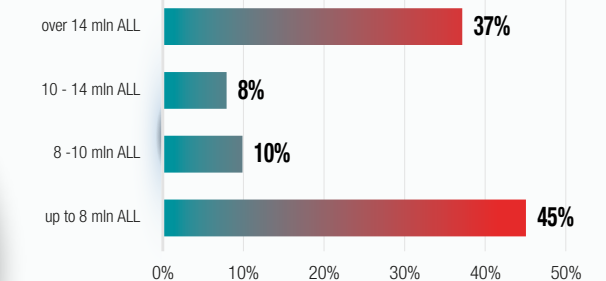
1. Structured questionnaire
2. Emailed to about 10,000 companies
3. Questionnaires completed anonymously online by 253 businesses
4. The survey includes data reported during the period July - September 2022

a. SAMPLE PROFILE – 253 COMPANIES

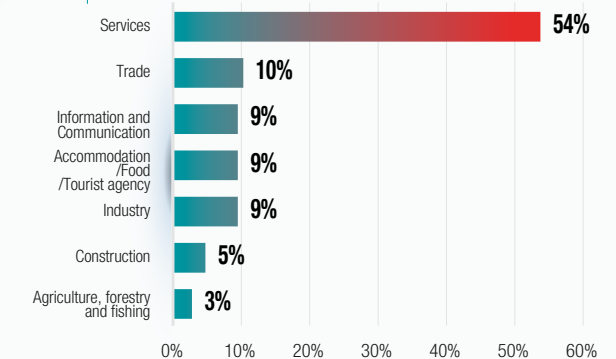
Company age



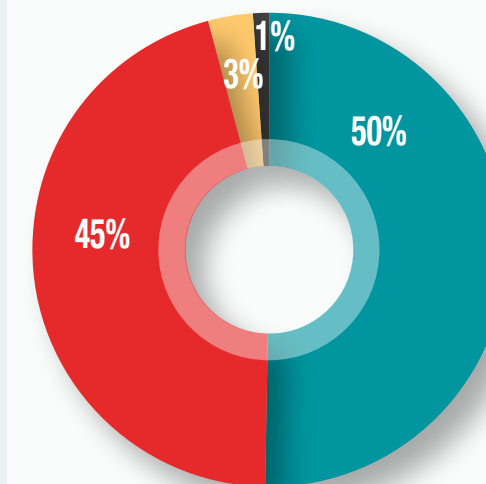
Size of your business according to last year's turnover



Main activity

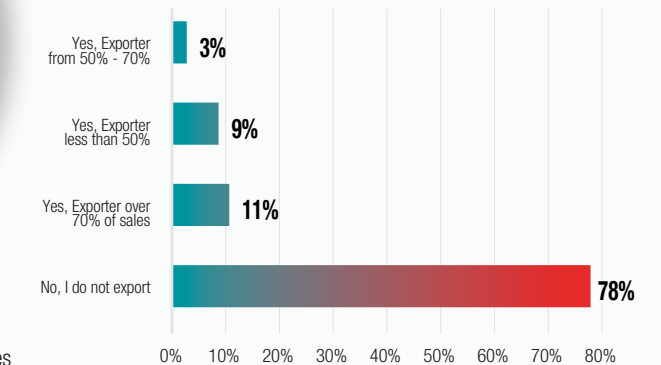


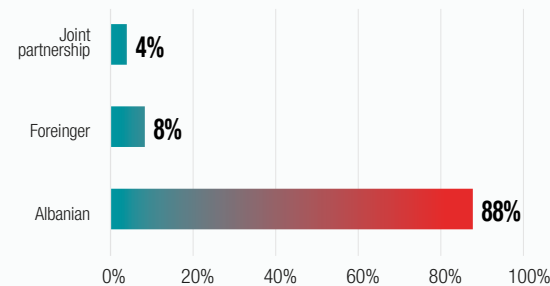
The form of organization of your business



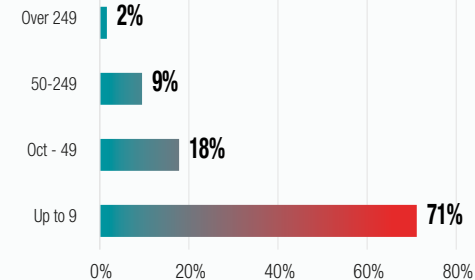
■ Sole trader
 ■ Limited liability company
 ■ Joint stock company
 ■ Branch of foreign companies

Are you an Exporter?

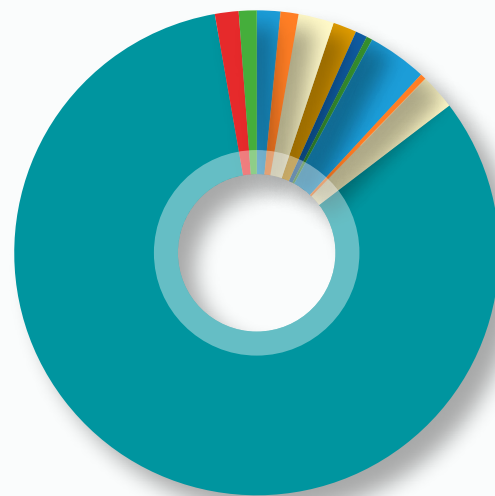


The largest shareholders/Partners (with
over 50% of shares) of your business are:

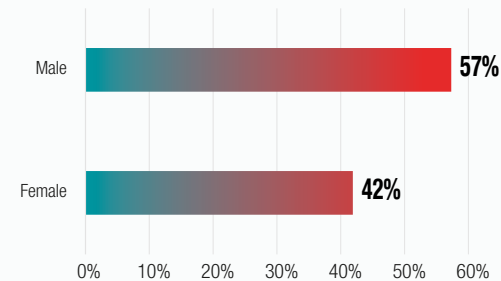
What is the average number of employees in your business?



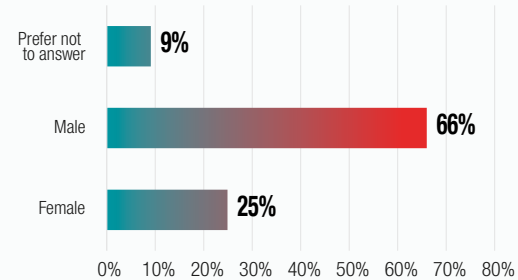
Where you carry out your activity?



The largest number of your employees is

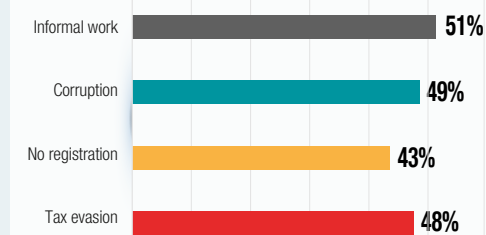
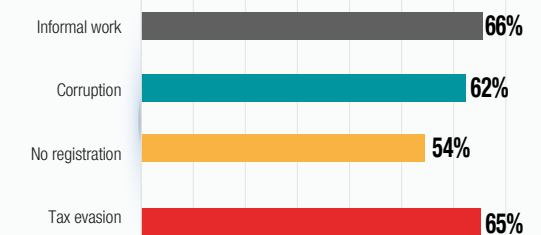


The largest shareholder/Partner/Owner of your business is



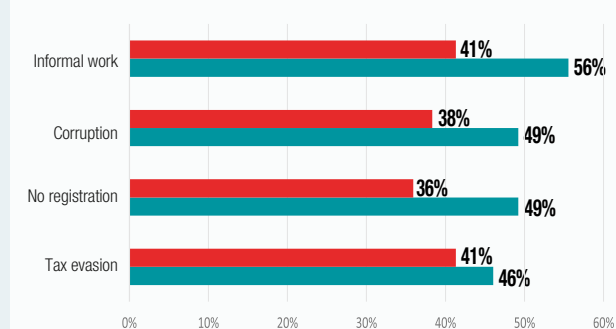
Berat Elbasan Durrës Tirane Fier
 Kukes Shkoder Vlore Korçe Lezhë

b. INFORMALITY - BUSINESS PERCEPTION

Please rate the nature of
informality in your sector, 2022Please rate the nature of
informality in your sector, 2018Please rate the nature of
informality in your sector, 2019

It is confirmed that **tax avoidance and Informal work** are the two most widespread forms of informality for 2022 as well, although with decreasing trends year after year

Please rate the nature of informality in your sector, 2022

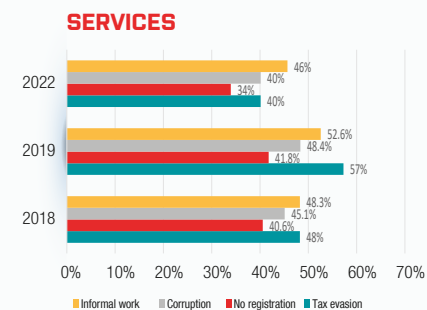
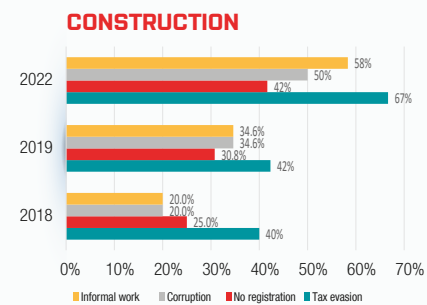
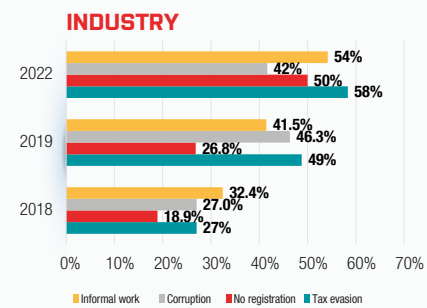


According to gender perception, **female entrepreneurs perceive more informality** than male entrepreneurs.

The most widespread form of informality for female entrepreneurs is undeclared work, while for male entrepreneurs undeclared work and tax evasion are valued equally.

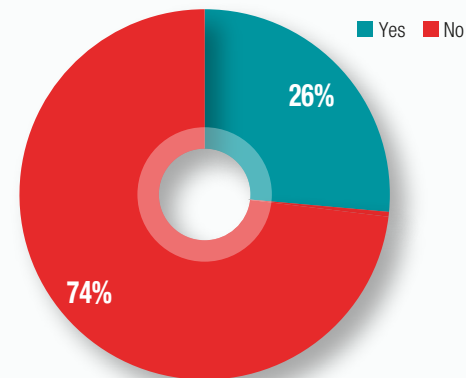
c. INFORMALITY – AS PER SECTORS

Please estimate the nature of informality in your sector, 2022



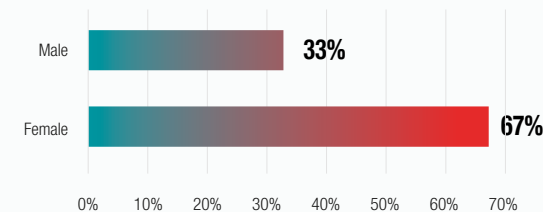
d. AVAILABILITY OF WORKFORCE

Are you currently facing difficulties in securing the labor force?



Companies are experiencing difficulties in finding labor and 74% of them declare that they have a shortage of labor

In your opinion, the most interested in employment are:

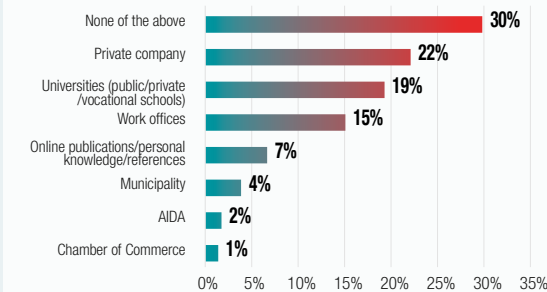


As per gender perception, 67% of female entrepreneurs declare that they face difficulties in securing workforce and 71% of male entrepreneurs. 36% of respondents say that women are more interested in employment than men (82% of female and 62% of male respondents)

ON THE AVAILABILITY OF THE WORKING FORCE AND QUALITY OF SKILLS

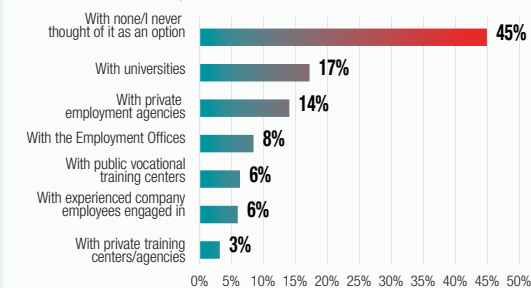
e. CHANNELS OF FINDING WORKFORCE

If you encounter difficulties in securing the workforce, which institution do you turn to first for support?



30% of the respondents declare that they do not use any specific channel for securing the labor force; Private employment companies and Universities/Vocational Schools are the Institutions most used by companies in finding a workforce, for male and female entrepreneurs.

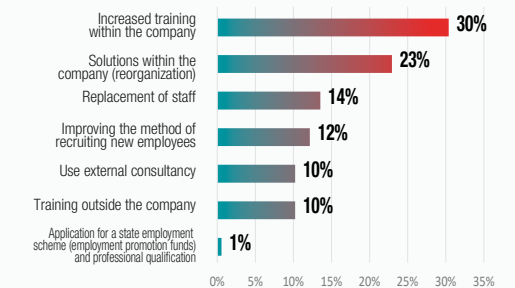
Which of the following have you had a positive collaboration with regarding finding your employees?



Meanwhile, the most positive cooperation in finding the workforce turns out to be with Universities/Professional Schools; Behavior is the same, for male and female entrepreneurs. **The cooperation is mainly realized through personal contacts with teachers/school leaders as well as through internships.**

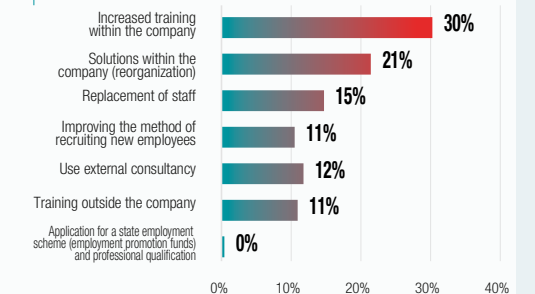
f. PROFESSIONAL SKILLS

What actions does the company take to address the skills shortage of existing employees?



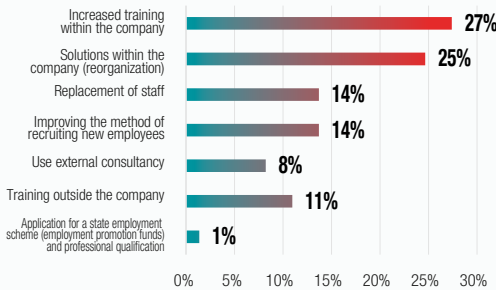
In general, companies do not budget for training their employees; They try to find solutions to the lack of professional skills within their companies; the same behavior is observed in all companies, regardless of the number of employees or gender;

What actions does the company take to address the skills shortage of existing employees? (up to 9 employees)



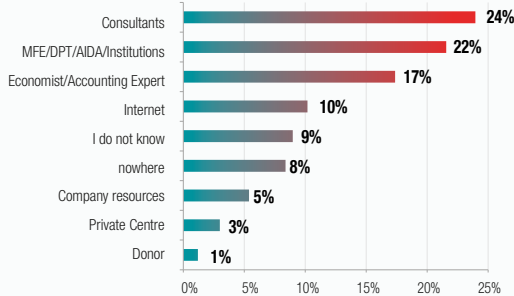
f. PROFESSIONAL SKILLS

What actions does the company take to address the skills shortage of existing employees? (10 - 49 employees)

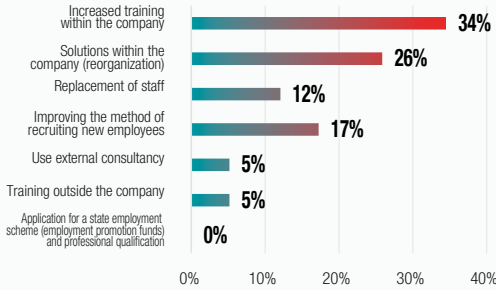


g. COUNSELING ON TRAINING

Where (institution/expert/other) do you first seek information about training need advice?



What actions does the company take to address the skills shortage of existing employees? (over 50 employees)

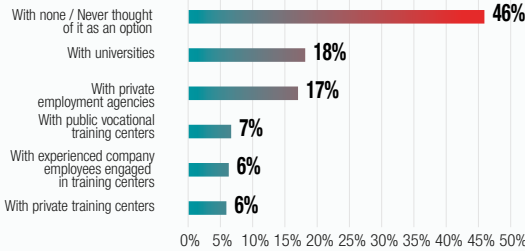


f. LABOR MARKET PROBLEMS

In your general opinion, what are the biggest employment problems in the economic sector where your company operates?



With which of the following have you had positive cooperation regarding the training of your employees?



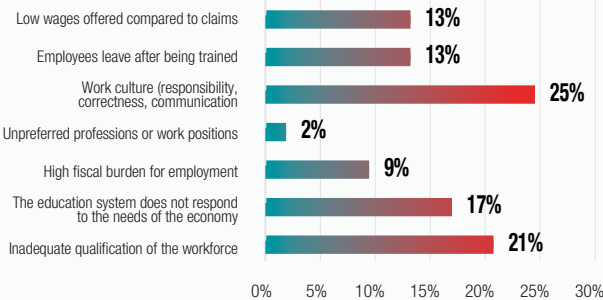
According to employers, the problems in labor market are:
1-Culture towards work
2- Inappropriate qualification
3-Employees leave after being trained
Low wages are more important for female entrepreneurs.
They ranked it 3rd biggest problem

Universities are considered the best way to train employees by companies by both female and male entrepreneurs; Public/private training centers are very little used by companies in the country

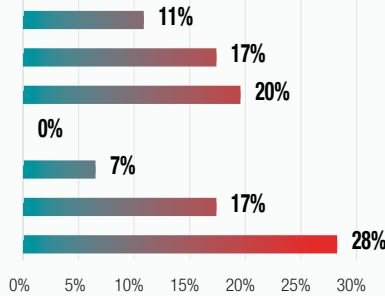
h. LABOR MARKET PROBLEMS

In your general opinion, what are the biggest employment problems in the economic sector where your company operates?

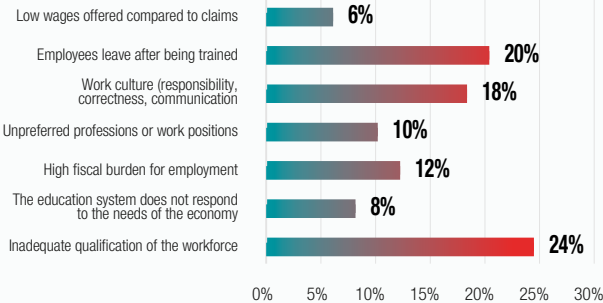
TOURISM



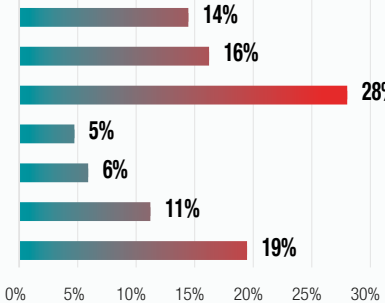
ICT



INDUSTRY

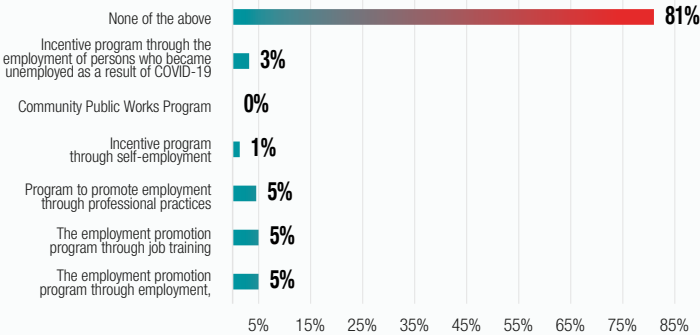


SERVICES



g. EMPLOYMENT PROMOTION SCHEMES

Which of the employment incentive schemes have you benefited from?



Companies believe that the boost to employment will come from:

- Reducing Informality
- Reduction of Corruption
- Creation of a serious and modern database of interaction between the employer and the employee, and its promotion;
- Added control in public/private Universities for degrees awarded
- Increasing training in secondary schools on education and work culture
- The rise of real Trade Unions
- Payment of internships
- Registration of employees with a special status during training periods of several months
- Reduction of insurance for employees under 25 years

CONCLUSIONS

- » The next epidemic in the country “the departure of the labor force“
- » Companies do not have clear channels for finding manpower, Universities and private employment companies are the most used channels; Employment offices are thought of as offices that mainly help the marginalized population and are not seen as a source of labor force provision;
- » Companies do not budget for the training of their employees, but try to fill the gaps with internal resources;
- » Work culture (more pronounced in the service sector), Lack of qualifications (more pronounced in ICT) and leaving employees after training (more pronounced in Industry) are the 3 primary problems in employment.
- » The tourism and ICT sectors also consider inconsistencies between the needs of the market and what the education system offers in the country as primary problems.
- » Employment incentive packages have not been utilized by business

ANNEX II

FINDINGS OF THE SECRETARIAT'S SURVEY "ON THE WORKFORCE CHALLENGES"

a. OBJECTIVE & METHODOLOGY

WHY?

The topic was voted by KI members as an emergency challenge

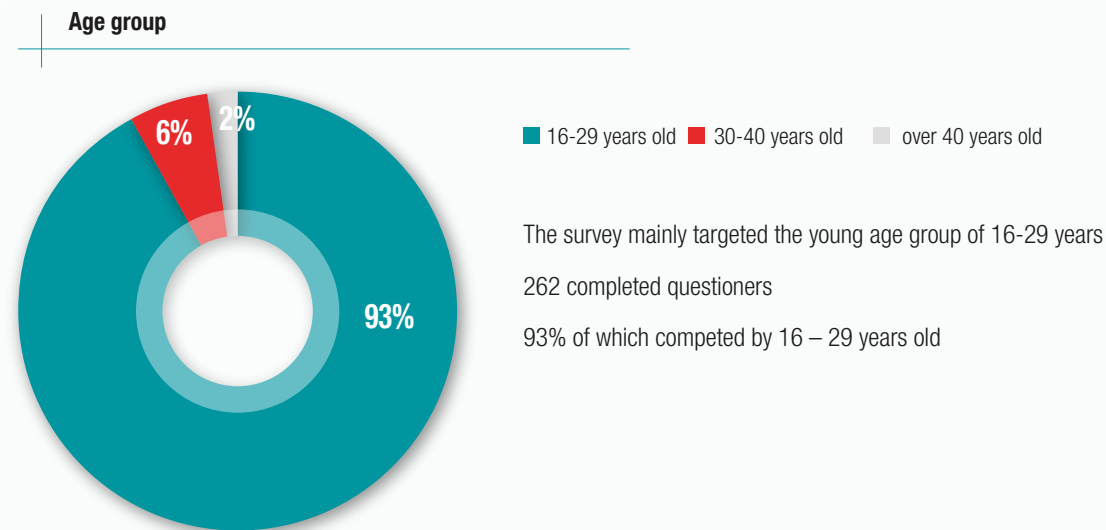
SURVEY OBJECTIVE

The mini-survey with young people was undertaken to compare the findings from the survey with the business and to obtain the perception of the youth regarding this current challenge of the country

METHODO- LOGY

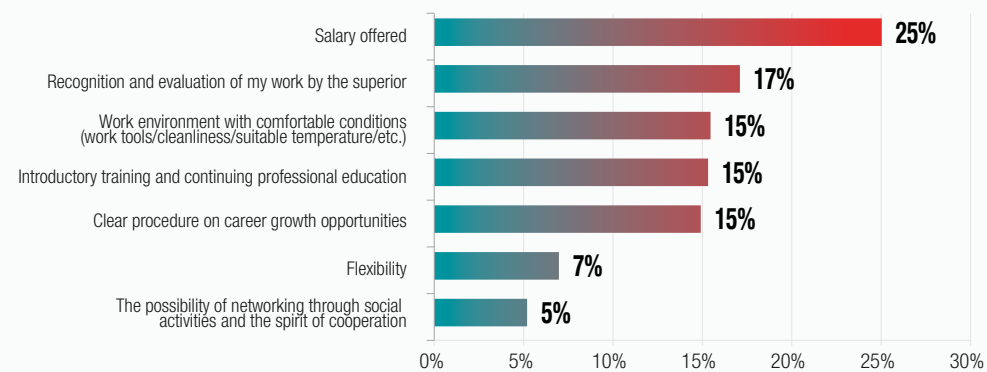
- » Structured questioner
- » Sent by email Economic Faculty, UT & Young Professionals Network
- » Facebook – Target age 16-29 years;
- » 262 anonymous questioners completed online from during September - October 2022

b. SAMPLE – 262 QUESTIONERS



c. MOTIVATION IN WORK

Based on your experience, what do you consider to be the 3 most motivating points in employment?

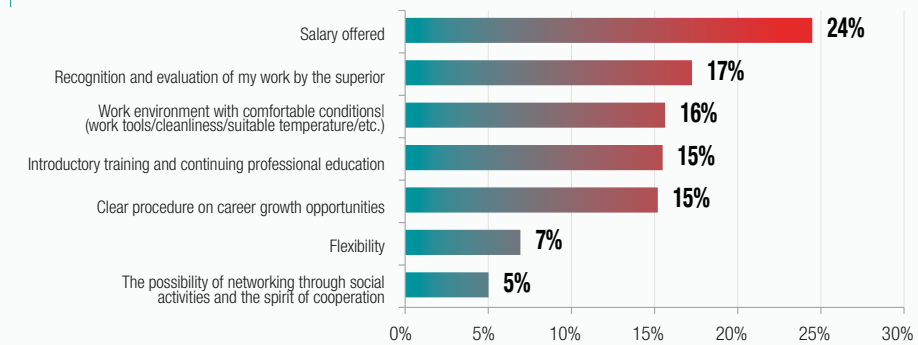


- » **Salary**
- » **Recognition and evaluation of work**
- » **Work environment**

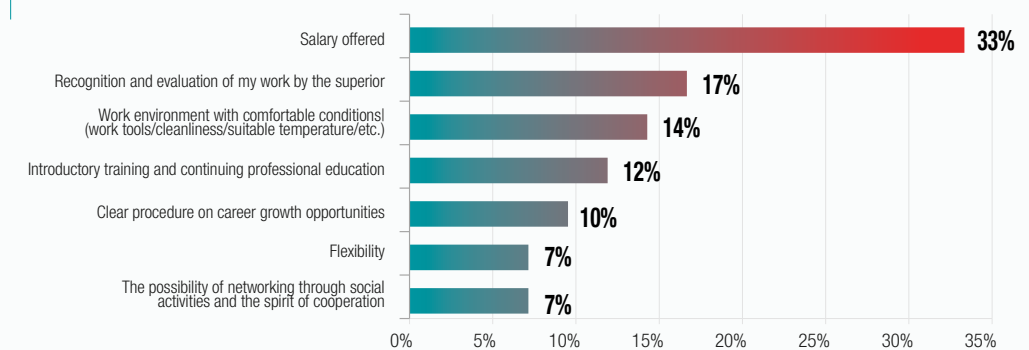
In contrast to the above, the age of 30-40 years old evaluates Introductory training and continuing professional education to 3rd place

ON THE AVAILABILITY OF THE WORKING FORCE AND QUALITY OF SKILLS

Based on your experience, what do you consider to be the 3 most motivating points in employment? 16 - 29 years old

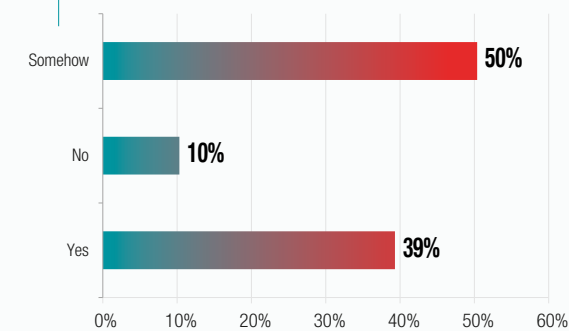


Based on your experience, what do you consider to be the 3 most motivating points in employment? 30 - 40 years old



d. EDUCATION AND WORK

Did the knowledge gained during your education (professional/ University/Post-University training) serve you in your current job:



» **Link University/Vocational School – Labor market**

» **39% agree that education is necessary**

Context:

The entrepreneur appreciates education, although in many cases they emphasize that the education system and the skills required in the labor market, especially soft skills, do not match; - (Survey and consultation with businesses)

In particular, this year business cooperation with universities/vocational schools/employment offices has increased (Consultations with businesses)

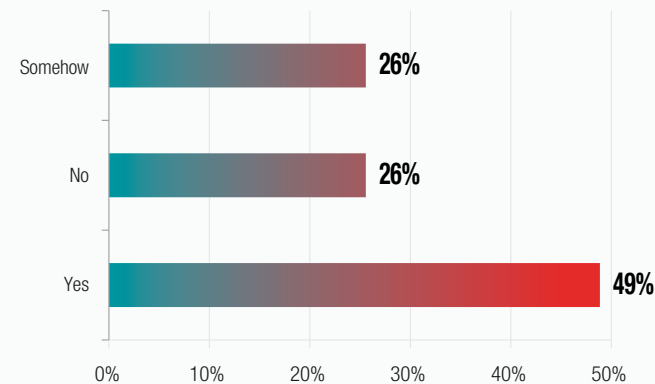
e. TRAINING IN THE WORKPLACE

Was part of the training provided by your employer also training for soft skills (communication/customer service/time management/group work/respect/etc)?

- » Soft skills are being valued more than technical skills in the labor market
- » They are considered very important in all professions
- » 49% admit to being trained in soft skills

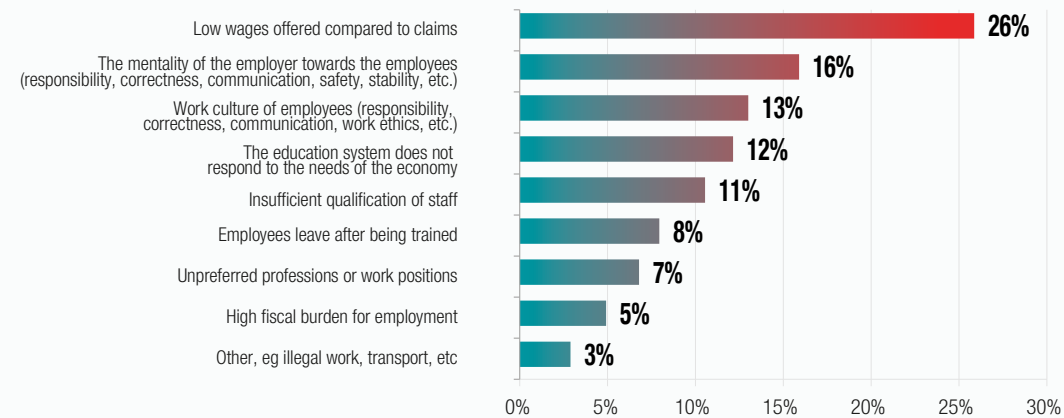
Context:

- Work culture and soft skills are considered insufficient by the private sector valuing the workforce, not only among young people.
- Willingness to learn/career growth – lacking among young people (business perception)



f. CHALLENGES IN THE LABOR MARKET

In your general opinion, what are the 3 most important employment problems in the economic sector where you are/aspire to be employed?



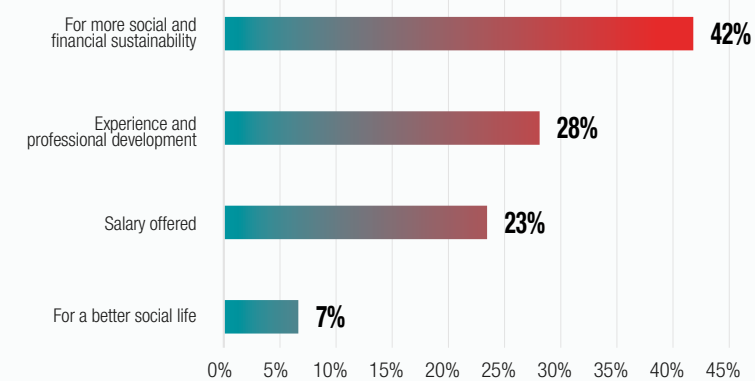
g. EMPLOYMENT CHALLENGES – EMPLOYER VERSUS EMPLOYEE

In your general opinion, what are the biggest employment problems in the economic sector where your company operates?



h. EMIGRATION – WHY?

If you were to consider employment outside Albania, what would be the primary reason:



» Why do young people want to leave the country?

Context:

The private sector is looking for new ways to secure the labor force, mainly from abroad, for which they state that they have cultivated the culture of work which seems to be missing in the labor force in the country

TOPICS FOR DISCUSSION

1. HOW DO YOU GET INFORMATION REGARDING JOB OFFERS?
2. IS SALARY THE MAIN REASON FOR LEAVING?
3. WHAT SHOULD BE CHANGED IN THE EMPLOYER'S MENTALITY?
4. DO YOU THINK WORK CULTURE IS MISSING AMONG YOUNG PEOPLE?
5. WHAT SHOULD CHANGE IN THE RELATIONSHIP: UNIVERSITY/VOCATIONAL SCHOOLS/PRIVATE SECTOR/INTERNSHIPS?
6. INFORMALITY – DO YOU ACCEPT IT, OR ARE YOU AGAINST IT?

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ABOUT INVESTMENT COUNCIL IN ALBANIA

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

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