

ON THE AVAILABILITY OF THE WORKING FORCE AND QUALITY OF SKILLS

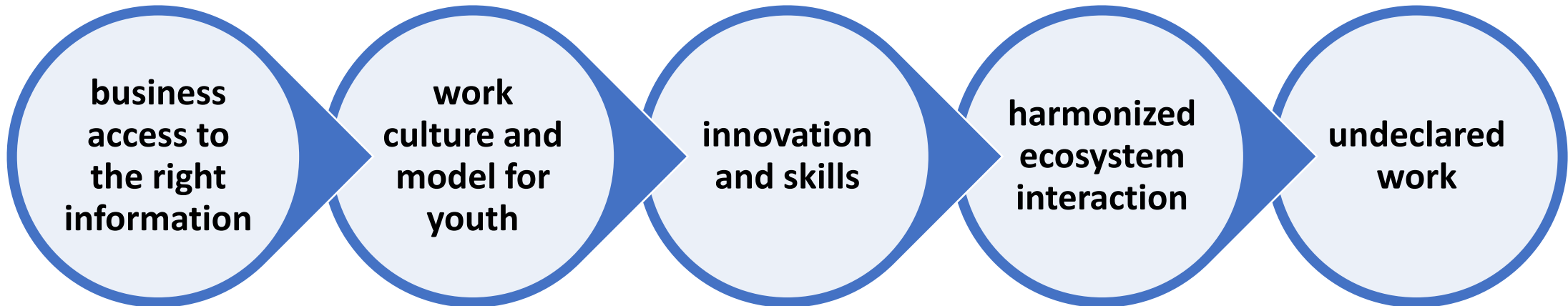
Investment Council Meeting
26 October, 2022

CONTENT

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- ❑ CONTEXT
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OBJECTIVE

**Prioritization of interventions, as per MSMEs perspective,
on the possible options for minimizing the effects of
the "crisis of workforce"
focusing on:**



METHODOLOGY

DESK-RESEARCH



- **National and international reports**, laws/bylaws, strategy, government vision
- Official **data analyses**
- **Synthesis** of up to date findings and recommendations
- **To date work** of the Secretariat on labor market issues

CONSULTATIONS



- **29 direct and virtual consultations with 37 individuals** from public institutions/experts/associations/business chambers/professional schools/young people
- **1 focus group with youth** and experts in the field (10 participants)
- **Regional meetings** in Tirana, Shkodër, Durrës, Gjirokastër, Sarandë and Berat

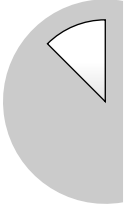
2 QUESTIONNAIRE



- 1 questionnaire for entrepreneurship** with a focus on identifying problems they encounter in finding, retaining, and training workforce (*total 253 answers*)
- 1 questionnaire for youth** with a focus on identifying their challenges in the labor market (*a total of 262 answers; in cooperation with the Faculty of Economics UT and YPN*)

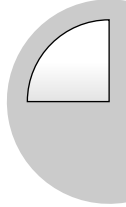
CONTEXT

**EU PROGRESS REPORT ON ALBANIA
(2021/2022)**



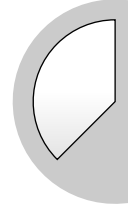
Albania's competitiveness is hampered by a lack of entrepreneurial and technological know-how, significant levels of informality, unmet needs for investment in human and physical capital, and low research and development spending.

WORLD BANK (2021)



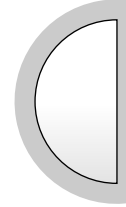
The labor market in Albania continues to be characterized by a highly informal workforce, family incomes remain low, with a higher prevalence of poverty among the self-employed and unemployed than wage workers.

SELDI (2020)



In Albania, almost half (46%) of all respondents engaged in a main job report either not having a contract at all, or received a part of their salary unofficially (in cash or in an envelope)".

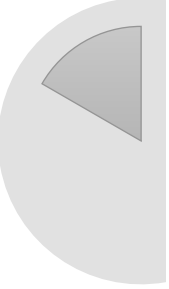
BALKAN BAROMETER (2022)



In Albania, structural problems continue to challenge labor markets: in particular, the lack of appropriate skills and labor migration intensified their pressure on the available labor force.

CONTEXT


POPULATION



In 2020, at the county level, **only** Tirana and Durrës had positive internal migration

According to the IOM, in 2019 there were approximately **169 million migrant workers worldwide** (62%) of the global stock of international migrants.

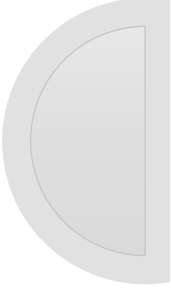
COMPANIES



In 2020, **99.8%** of active enterprises were SMEs, as in 2019

SMEs employed **81.9%** of the total number of employees from 81.6% in 2019

GOVERNANCE



Government Program 2021 - 2025 in accordance with the requirements of EU integration and the **National Strategy for Employment and Skills** (2014-2022)

In 2021, MFE completed the analytical work for the **development of the Youth Guarantee Scheme** with the aim of supporting the access of young people to the labor market.

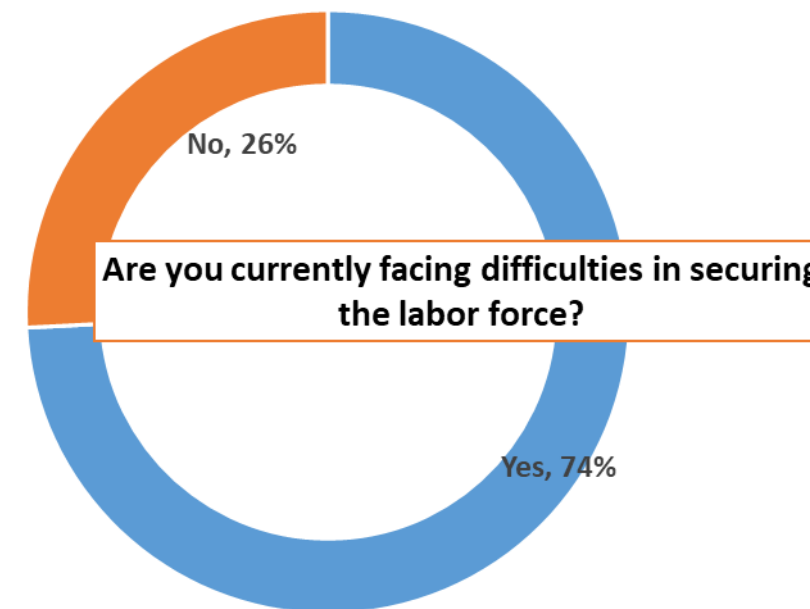
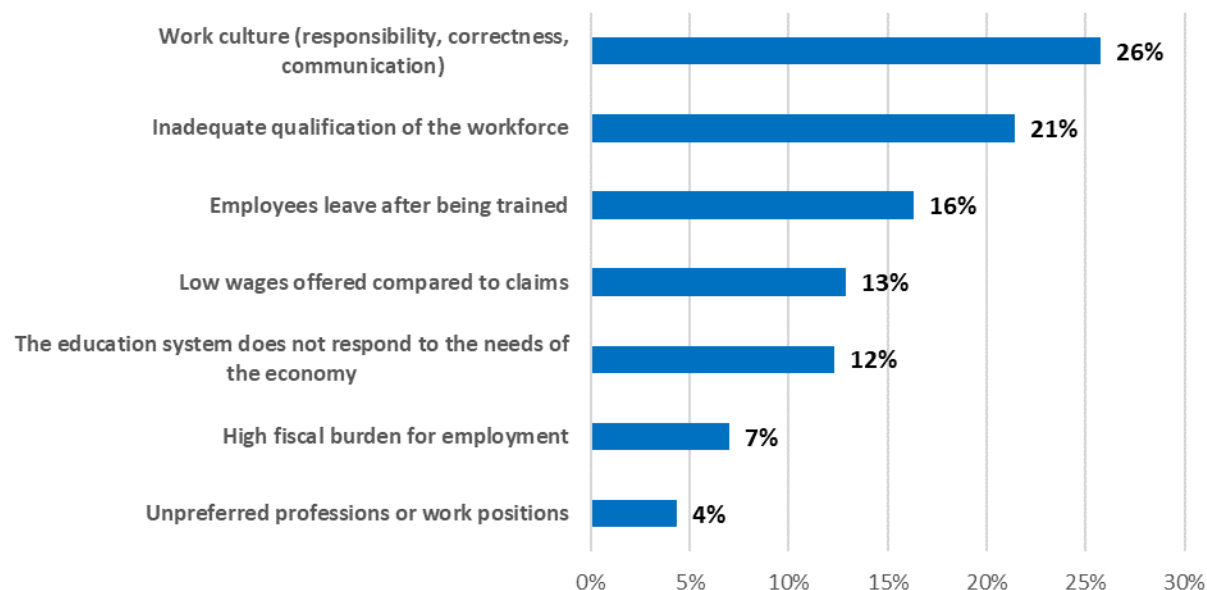
The Osnabrück 2020 Declaration **emphasizes that a strong partnership** with the social partners is vital to achieving the objectives and results for sustainable competitiveness, social justice and flexibility

THE INSTITUTIONAL ECOSYSTEM



ENTREPRENEURIAL PERSPECTIVE – CHALLENGES

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

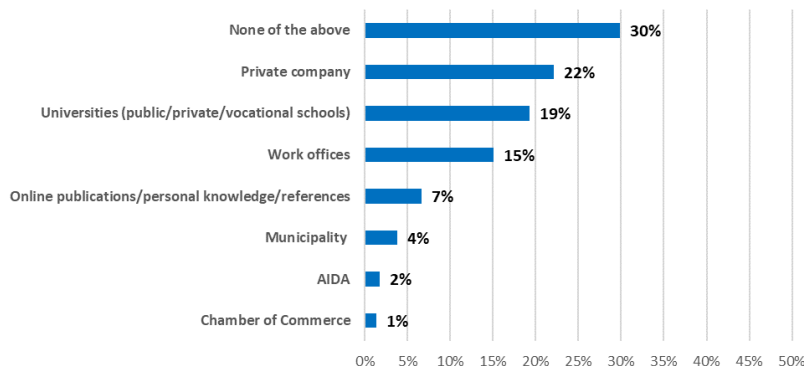


According to employers, the problems in employment are:

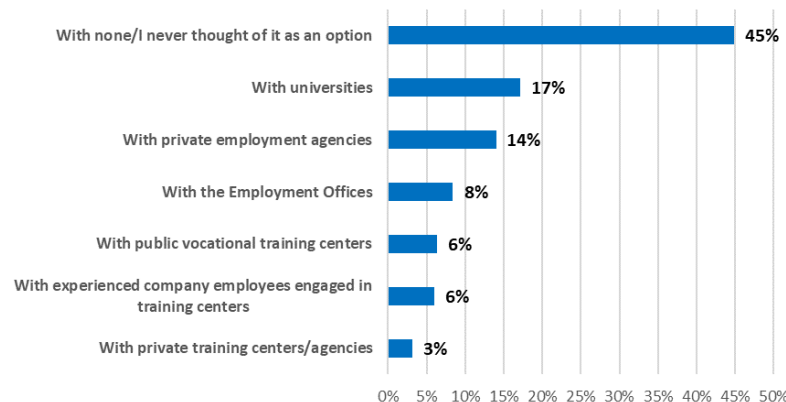
- 1-Work Culture*
- 2- Inappropriate qualification*
- 3-Employees leave after trained*

ENTREPRENEURIAL PERSPECTIVE – CHALLENGES

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



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



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



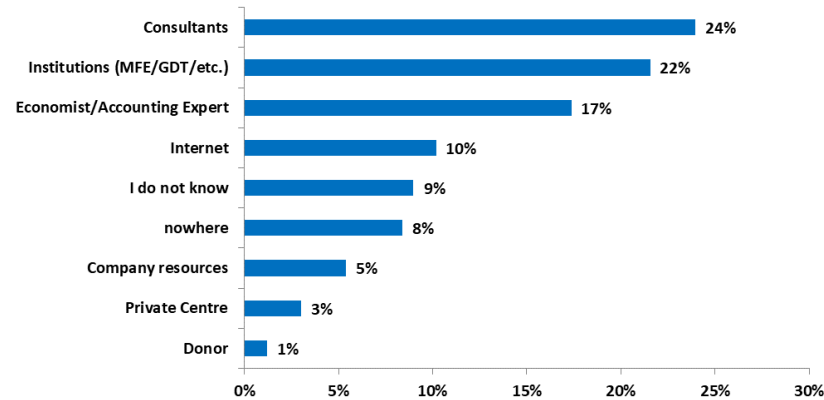
- ✓ 1/3 of businesses have not contacted anyone to provide employees;
- ✓ Others mainly contact:
 - ✓ Private company
 - ✓ Universities/schools
 - ✓ Official work offices

- ✓ The most positive cooperation in finding employees is with:
 - ✓ Universities
 - ✓ Private Employment agencies
 - ✓ Official Work offices

- ✓ Skills shortage is mainly solved by companies through:
 - ✓ Training within the company
 - ✓ Personnel reorganizations

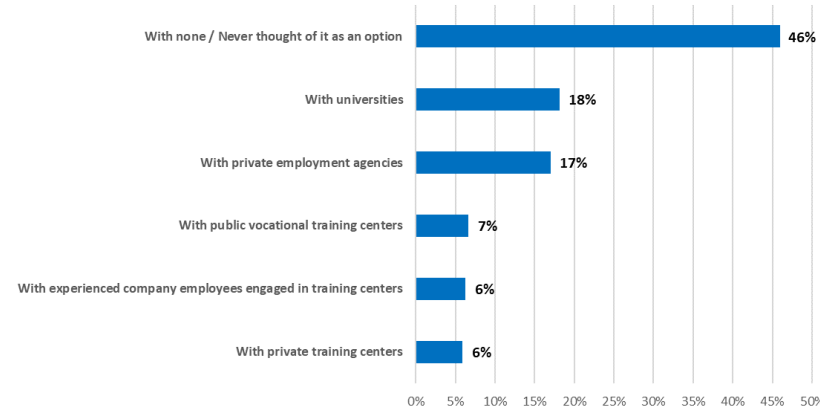
ENTREPRENEURIAL PERSPECTIVE – CHALLENGES

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



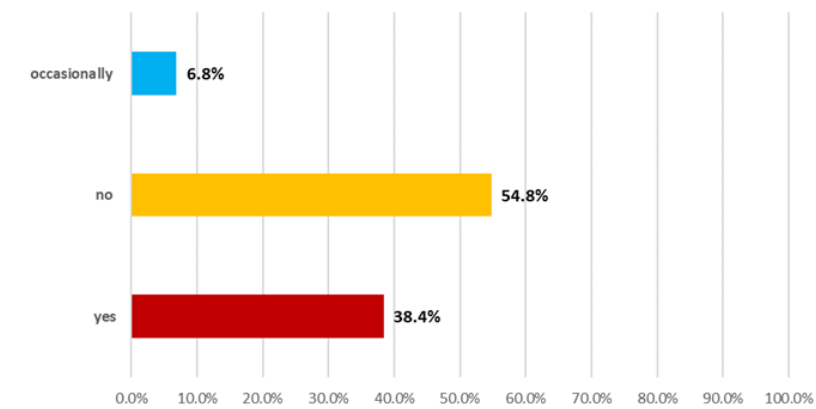
- ✓ Companies seek information about training mainly from:
 - ✓ Consultants
 - ✓ Institutions (MFE/DPT/etc.)
 - ✓ Their economists

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



- ✓ Public institutions have begun to gain the trust of companies
- ✓ Companies have the most positive cooperation in staff training with:
 - ✓ Universities
 - ✓ Private Employment agencies
 - ✓ Vocational training centers

Does your company have a dedicated fund for employee training?



- ✓ More than ½ of companies declare that they do not budget for training their employees (*Innovation Survey, 2021*)

IC FINDINGS

AVAILABILITY OF THE WORKFORCE

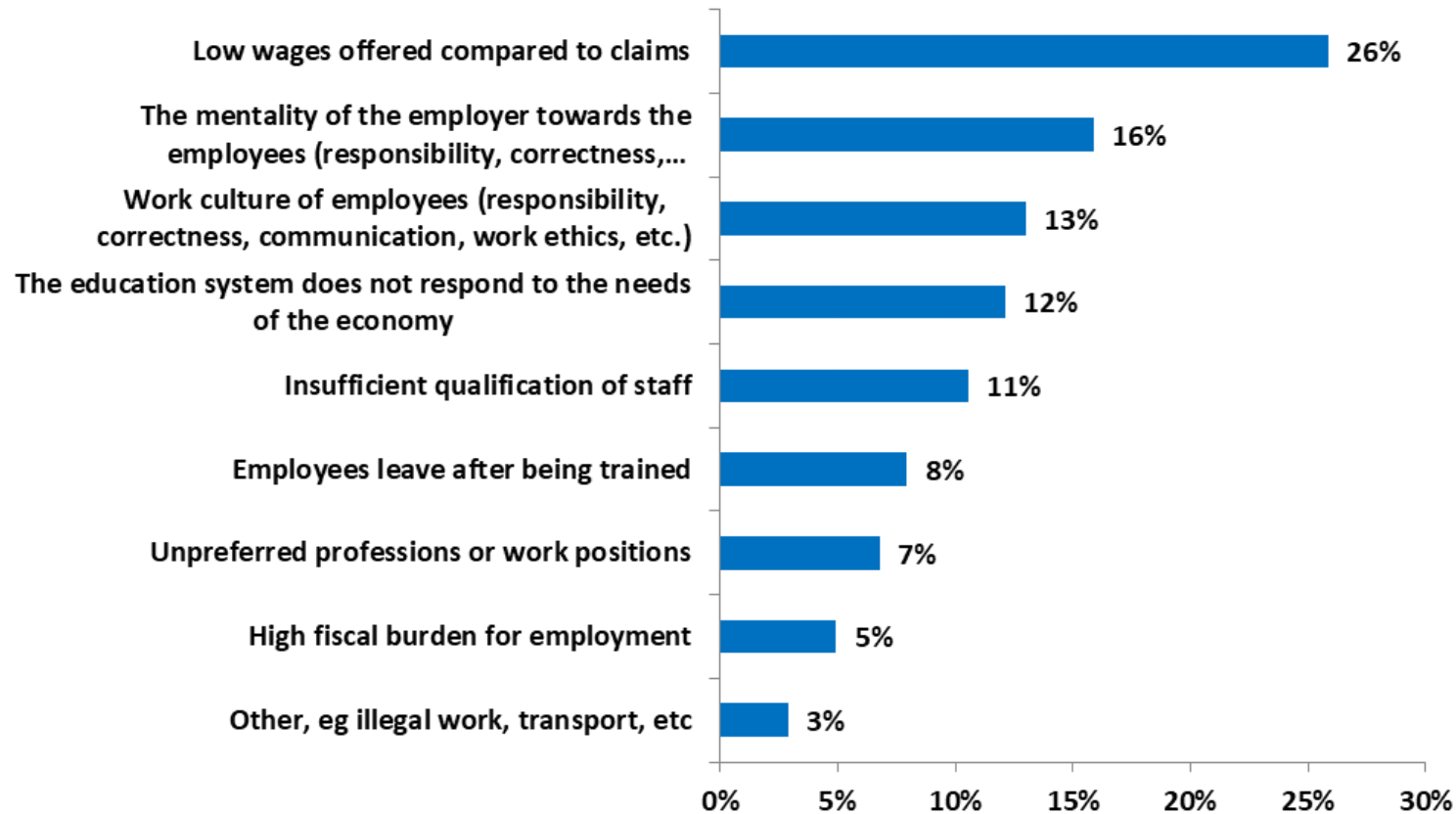
- The **lack of workforce** in the country has become a **fundamental challenge**
- The **trade, construction and industry sectors seem to suffer** the most from labor shortages

EFFECTIVENESS OF WORKFORCE IDENTIFICATION CHANNELS

- **Private agencies and the educational system** (universities/ public/ private/ vocational schools) are perceived as the most used channels in finding power, while **official employment offices** are the least used.
- The **most positive cooperation in finding employees** is noted with **universities** (mainly through individual contacts with professors) and **private employment agencies**.

YOUTH PERSPECTIVE – CHALLENGES

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



- ✓ Financial security the main challenge in the current labor market
- ✓ Employer mentality versus employee culture
- ✓ Work culture

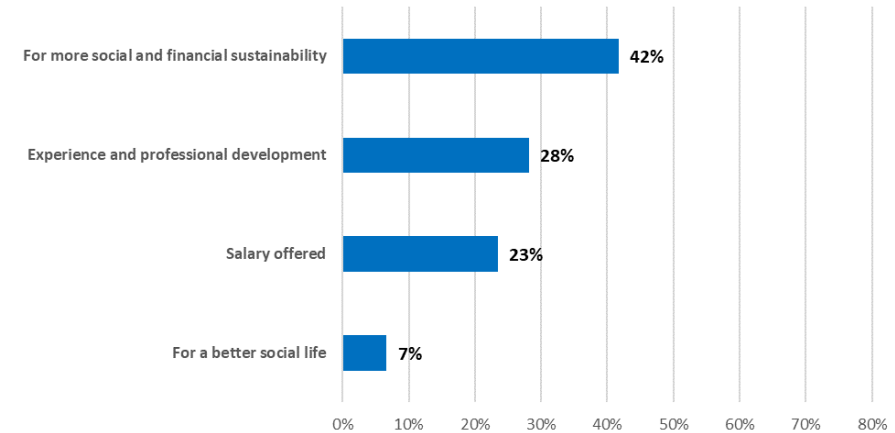
YOUTH PERSPECTIVE – CHALLENGES

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



- ✓ Salary
- ✓ Work culture, environment and perspective, including:
 - ✓ Recognition
 - ✓ Work conditions
 - ✓ Professional growth
 - ✓ Clarity of procedures

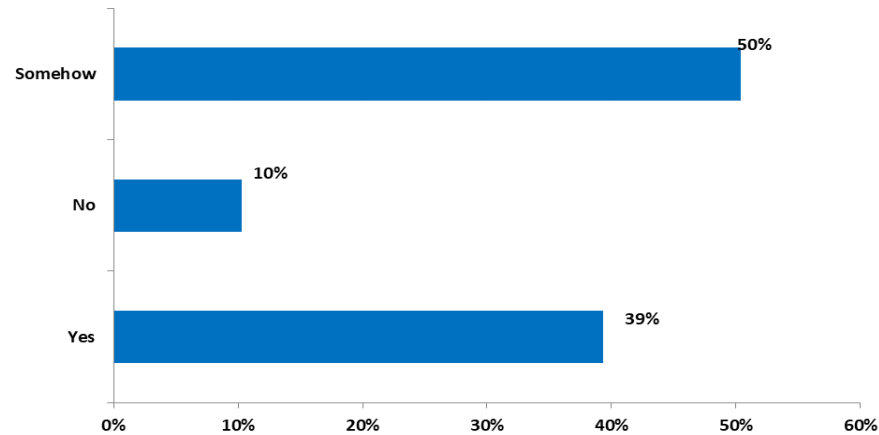
5. If you were to consider employment outside Albania, what would be the primary reason:



- ✓ Young people seek a stable social, financial and professional perspective

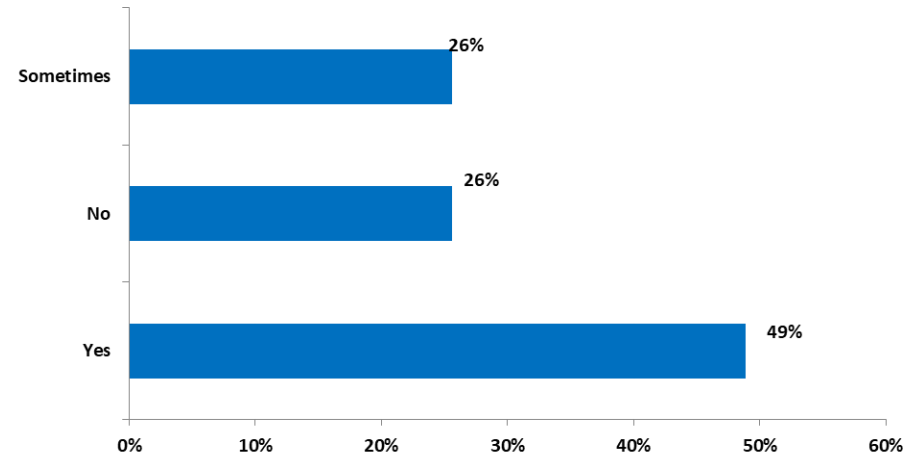
YOUTH PERSPECTIVE – CHALLENGES

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



- ✓ Less than half of young people declare that the knowledge gained at university has served them in their current job; while about ½ of them declare somehow

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



- ✓ About ½ of young people have received training/counseling from employers on soft skills

IC FINDINGS

LOW WAGES AND WORK CULTURE

- **Low wages are perceived as a dominant factor** of dissatisfaction and discouragement for employees/job seekers in the local labor market in the private sector, at a time when low wages are the main factor in attracting FDI to the country.
- **Young people** stated that they **are looking for a stable perspective** both in social, financial and professional terms.
- **Work culture appears to remain a strong factor** negatively affecting the labor market from both the employers' and employees'/jobseekers' point of view.
- **The mentality and leadership practices** of entrepreneurs seem to "scare" many job seekers, especially the younger generation.
- **A lack of soft skills has been identified** as a persistent issue among both younger and older employees.

SKILLS SUPPLY AND DEMAND MISMATCH

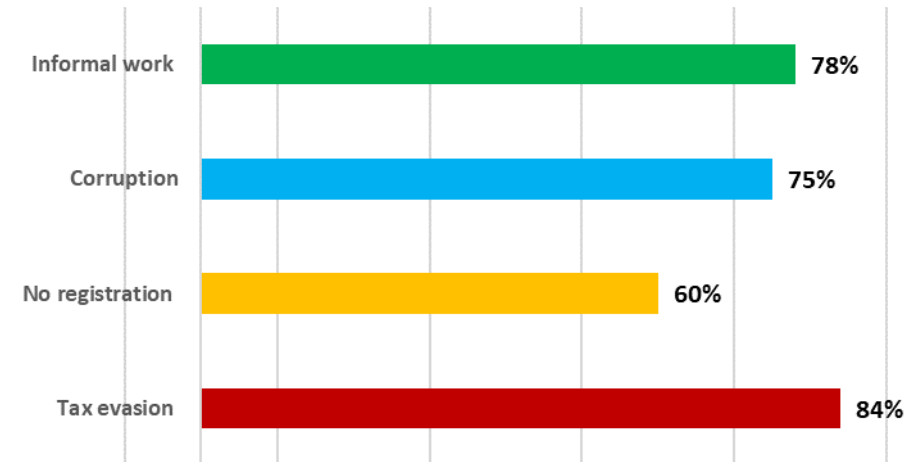
- The **mismatch of the education system with the needs of the private sector** remains in the three main issues in terms of expectations of workforce qualification.
- Although skills mismatch is acknowledged as a systemic issue, most **companies confirm that they do not have a dedicated fund for training their employees.**
- Companies **use their internal resources** to train their employees without considering providing professional training using outsourcing.
- **Although employees are trained, they often leave.**

INFORMALITY - BUSINESS PERCEPTION

Please rate the nature of informality in your sector, 2022



Please rate the nature of informality in your sector, 2019



Please rate the nature of informality in your sector, 2018



It is confirmed that informal work continues to be the most widespread form of informality even for 2022, although with decreasing trends

IC FINDINGS

OTHER

- Despite the existence of employment promotion programs (0.02% of GDP), **companies report a lack of information about the possibility of benefiting from them.**
- The **lack of desire to work** because of other "options", the desire to earn a lot and quickly as well as the loss of the value of knowledge are creating a "model" among the youth in the country
- **Improving the governance of the ecosystem** by clearly linking the vision, coordination and support as well as the institutional cooperation of all actors involved - *remains an essential tool for the possibility of matching the demands of the private sector and the supply in the labor market.*
- **Internship programs are not seen by companies as an effective means** of acquiring future employees, and as a result, **students do not value these opportunities** due to the lack of integration into "real work" and the lack of pay.

UNDECLARED WORK

- Informality, in particular, **informal work (more in construction, industry, IT) is perceived as a risk** that undermines the profit and livelihood of employees in the long term
- **Under-declaration of wages** received by employees remains the most common type of hidden employment
- **Unfair competition from unlicensed operators** in different segments and sectors eg tour operators and travel agencies

RECOMMENDATION — IMPROVING WORK CULTURE AND PERSPECTIVES OF EMPLOYMENT SUSTAINABILITY

Business Chambers/Associations should consider the creation of specific trainings/workshops/informational packages focusing on the mindset of MSME owners (CEOs), in order to improve their mindset towards creating the value of human capital.

Entrepreneurs should invest in staff sustainability – focus budgeting on improving remuneration packages, health and well-being for employees, retraining (including soft skills) and structuring career opportunities, revaluation of student internships.

From the MSME business community, **additional investments in technology and automation** are necessary to increase productivity, remain competitive and encourage knowledge towards new employee skills.

LABOR LEGISLATION - Education of employees and potential employers with labor legislation and employment contracts - rights and obligations

RECOMMENDATION - INCREASING ACCESS TO EMPLOYMENT

NAES should consider increasing the promotion at the national and local level of the centralized platform puna.gov.al.

NAES to expand its focus and purpose to attract and serve a wider range of employers and job seekers.

NAES to strengthen the capacities (budgets, staff) of its offices at the local level to increase its role in identifying jobs from local businesses.

Chambers of commerce to become more proactive in directly connecting their members' vacancies with job seekers.

RECOMMENDATION – COOPERATION AND COORDINATION BETWEEN ACTORS IN SUPPORT OF THE LABOR MARKET

MFE to consider innovative instruments for MSME awareness of the existing mechanisms that support employment through a sustainable cooperation at the local level between business chambers of commerce - employment offices - vocational schools - vocational training centers - local government-universities .

Referring to the reduction of informality, beyond the strengthening of control and formalization of business, the **MFE can consider the involvement of the media** as an important actor for informing citizens about the negative consequences of involvement in the informal economy.

Facilitating the **re-entry of retired professionals into the workforce** as a means of addressing shortages in some occupations.

Discussions

Global competition

In a "global workforce crisis", how can Albania compete strategically to retain the workforce, especially the youth?

Institutional challenges

How to optimize local (public and private) and international efforts to address private sector issues related to labor availability and skills quality?

Awareness raising

Although skills mismatch is a real challenge of MSMEs, local entrepreneurs still budget little to train their own employees or to outsource vocational training. How can it be afforded? Should chambers of commerce and business associations take a more proactive role in supporting reskilling and upskilling initiatives, e.g. in the green or digital economy?! What about the support of public institutions/programs?

THANK YOU!
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