American Chamber of Commerce in Kosovo

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Education and Labor Market in Kosovo and European Union

Under the project “Private Sector Development through SAA implementation”

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Introduction
A skilled labor force which is able to meet the needs of the market is a key factor impacting private sector competitiveness. Kosovo has been promoted as a good investment destination due to low labor costs it offers, enabling interested companies to reduce operational costs and increase their competitive edge in the market. However, recent years in developed countries and particularly in European Union states, companies are giving more emphasis to having a qualified labor force which has the necessary skills and qualifications to meet their needs.

Despite the high unemployment rate, which can vary from 27 to 40 percent depending on the source of information one relies on, companies in Kosovo often complain on difficulties they encounter in finding employees with the needed qualifications for particular profiles needed in key business operations. A study conducted by AmCham in 2017 aimed at exploring these difficulties, and showed that the biggest gaps are found in the manufacturing sector, in terms of technical skills that are usually acquired in vocational education and training institutions.

This publication which is issued as part of "Private Sector Development through SAA implementation" project, aims at looking where Kosovo stands for the moment in terms of having a flexible education sector and labor force, which enables Kosovo companies to be competitive in the European market. Additionally, the document provides a summary of some of the key priorities at European Level vis-à-vis vocational education and higher education, by focusing on European New Skills Agenda.

1. Background on labor market in Kosovo
Reviewing the labor market in Kosovo requires a detailed analysis, given that a number of factors have a significant impact on the validity and accuracy of data available in this field. As a starting point, it is worth looking at data supplied by Kosovo Agency of Statistics for the 2nd quarter of 2018:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>EU</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>341,600</td>
<td>28.5%</td>
<td>68.6%</td>
<td>44.8%</td>
</tr>
<tr>
<td>Labor force participation rate</td>
<td>484,200</td>
<td>40.4%</td>
<td>73.8%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Inactivity rate</td>
<td>714,314</td>
<td>59.6%</td>
<td>26.2%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>142,500</td>
<td>29.4%</td>
<td>6.8%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Unemployment (15-24 years old)</td>
<td>40,400</td>
<td>55.0%</td>
<td>15.0%</td>
<td>51.8%</td>
</tr>
</tbody>
</table>

Figure 1 Key Labor Market Indicators in Kosovo

Based on the data, the overall number of employees in Kosovo for the second quarter of 2018 reached 341.6 thousand, out of which 270 thousand are men and 72 thousand are women. The unemployment rate has marked 29.4%, a substantial drop from previous years. However, such a finding should not be seen in a very positive light for the following reasons:

- Labor force participation rate in Kosovo for this period marked 40.4% in general, and only 17.4% among women. In simplified terms, this means that 59.6% of the labor force aged 15-64 years old are not active in the labor market or 714 thousand individuals in nominal terms. On the other hand, Eurostat data show that labor force participation rate in EU countries is 73.8%.
- If we are to add to the group of the people who are inactive in the labor market those who are officially unemployed (142,150 people), this suggests that 856,814 individuals or 71.5% of the potential labor force is not engaged in the market, resulting in a huge potential loss for the country.
- Labor force participation rate is particularly concerning among women, given that only 17.4% of them are active in the labor market, whereas 490 thousand are inactive.
- Another indicator which is particularly worrisome is the very high youth unemployment rate (aged 15-24 years), whereby 55% of them are officially unemployed. This can be seen as an indicator of the weak

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1 Kosovo Agency of Statistics, Labor Force Survey Q2 2018, 2018
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links existing between the labor market and education institutions, a concern raised by many in the business community.

However, the picture above represents only one side of the medal. It is fair to acknowledge that a significant number of factors can affect data accuracy largely. The high labor informality and the hesitation of individuals to reveal their employment status when the labor force survey is conducted, means that one needs to be careful when analyzing the results of the survey to draw conclusions. Different sectors of the economy, including construction, agriculture, manufacturing, trade and others, are believed to experience high labor informality rates. However, this is barely reflected in the data supplied by Kosovo Agency of Statistics.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td># of employees</td>
<td>357,100</td>
<td>331,800</td>
</tr>
<tr>
<td>% of active contributors</td>
<td>352,849</td>
<td>312,672</td>
</tr>
<tr>
<td>Suggested informality rate</td>
<td>1.18%</td>
<td>5.76%</td>
</tr>
</tbody>
</table>

Figure 2 Number of employees and active contributors in the mandatory pension savings trust

Based on the data provided by this institution, the overall number of employees in Kosovo marked 357,100 people. On the other hand, Kosovo Pension Savings Trust reports that in the same period, the number of people actively contributing to the pension saving trust is 352,849. Given that KPST reports based on actual and easily trackable data, this suggests that labor informality rate is 1.19% only. This would be a performance to be envied by the most developed countries in the world, but unfortunately it is not an accurate reflection of the reality.

Another finding which suggests a different situation compared to that portrayed by official KAS data, is by looking at data concerning labor force productivity:

By comparing the data published by the World Bank on gross domestic product in the Western Balkans, with employment data supplied by respective statistical office in these countries, it is possible to calculate the contribution a single worker brings in the economy. The cross-referenced data suggests that GDP contribution per worker in Kosovo is 20,000 current USD or around 18,000 EUR with current prices. This is comparable to Serbia and considerably higher than Macedonia and Albania. This finding is paradoxical, especially contrasting it with the high unemployment rate and the continuous complaints raised by the domestic industry for difficulties.

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2 Kosovo Pension Savings Trust, 2017 Annual Report, 2018
in finding skilled labor, which should result in a lower productivity rate. However, results in figure 3 do not account for the impact of the informal economy (high labor informality rate).

1.1. Summary of labor legislation in Kosovo

The labor legislation in Kosovo, and particularly the Law on Labor has often been a topic of debate, with many arguing for the need to amend it, be it for bringing it in line with new International Labor Organization (ILO) standards, or to simply make it more realistic for the economic situation in Kosovo. While the law should be a safeguard for employer and employee rights throughout the country, in many cases there have been complaints on the lack or difficulties in implementation. On the other hand, businesses have continuously requested the law to be amended, in order to make it more implementable and to enable the creation of a flexible and dynamic labor market, and to address provisions that have proven to stimulate discriminatory practices in the market.

Maternity leave provisions have been a central theme in such debates. In addition to the burden the existing law places on the private sector in this area, whereby they are liable to cover 6 months of the maternity leave by compensation 70% of the base salary of the employee\(^3\), it was also reported that the law has produced discriminatory practices among businesses in recruitment processes.\(^4\) Now, there are initiatives under way to regulate the issue through a law on Maternity Leave and Parental Leave, and it remains to be seen how this initiative will develop. However, in addition to this provision, there are also other provisions which in the past were difficult to implement, including hiring and firing procedures, lunch break and others.

The labor inspectorate is also responsible for overseeing the implementation of other laws as well, including the Law on Safety and Health at Work. However, similarly to the basic law on health, many concerns were raised across years by labor unions and CSOs regarding the lack of proper implementation of the law.

In addition to the legislation outlined above, another law which falls under the framework of labor legislation is the Law on Social Economic Council, a mechanism for dialogue between employer and employee organizations. As a formal mechanism, the council is entrusted a number of responsibilities with substantial impact on the labor market and the economy. However, there were numerous complaints regarding the representation at the council itself, given that the law contains very strict and difficult to achieve provisions, which makes it impossible for the vast majority of organizations to participate. In 2014, the council signed the collective agreement, which was never implemented in the private sector, and a major portion of the blame was attributed to the fact that businesses were not represented fully in the council and were not consulted on the content of the agreement.\(^5\)

1.2. Skills Gap Analysis

This is a trending topic among businesses and policy makers, and it refers to the fact that private sector employers encounter significant difficulties in finding skilled and qualified labor for particular operations within their companies. At first sight, this concern seems paradoxical, not lease due to the fact that the unemployment rate in the country is at staggering levels, whereas the number of people enrolling in higher education institutions is double of that of the European Union. In normal circumstances, such figures on higher education enrollment should be an indicator of the talent and skill abundance in the labor market, an element that would make domestic companies much more competitive in regional and broader terms.

However, this is not the case in Kosovo at present. The country has structural challenges in terms of being able to prepare a skilled labor force in line with private sector needs and demands. This inability of education institutions to build a workforce in line with what the private sector needs has been elaborated in detail at AmCham’s Skills Gap Analysis, which focused on manufacturing, trade and professional services. For illustration purposes, the

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\(^3\) Assembly of the Republic of Kosova, Law No. 03/L-212 on Labor, 2010
\(^4\) Morina, A.L, Delibashzade Rr., Women inactivity in the labor market: Which are the factors that keep women inactive in the labor market?, 2017
\(^5\) Electronic source, Telegrafi.com, “Minister Abrashi suspends the collective agreement”,
The graph below depicts the existing gap between what businesses need and what they are able to find in terms of skilled labor in the manufacturing sector.

![Skills Gap in the Manufacturing Sector](image)

**Figure 4 Skills Gap in the manufacturing sector in Kosovo**

While the responsibility for the situation may be multidimensional, results of the survey with businesses suggest that many of existing gaps in the market should naturally be solved through vocational education and training. From all listed skills, the biggest gaps are found in such profiles, and this calls for a greater role to be given to vocational education institutions in the country. At present, companies spend substantial amount of time and financial resources in preparing their workers, after they have been recruited, in order for them to be fully competent in their roles and responsibilities.

In addition to the lack of a clear vision and comprehensive strategy, respondents also claim that the lack of consultations with businesses when education curricula and programs are drafted, is to be blamed for the existing mismatch. It goes without saying that the burden of responsibility in this case is to be shared between education institutions and businesses, who in many cases hesitate to give a proper contribution to this cause.

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6 American Chamber of Commerce in Kosovo. *Skills Gap Analysis, 2017*
2. Education System in Kosovo

The education system in Kosovo has undergone various reform processes, in order to keep pace with developments in European Union member states. These reforms were not always successful or implementable for Kosovo circumstances. Consequently, now we are faced with an education system which is unable to prepare future generations for the labor market, where there is a discrepancy between the demand and supply of skilled labor. Recently, PISA test results, and the exclusion of Kosovo Qualifications Agency from the European Quality Assurance Register for Higher Education, are a clear and powerful evidence for the bad situation in the education system in Kosovo.

The development of the education system with the aim of creating a labor force that is able to meet market demand is key to enhancing productivity. Considering that Kosovo has set joining the European Union as a national priority, it is of paramount importance that the labor force becomes competitive in the European market. On the other hand, European Commission’s 2018 country report for Kosovo states that no significant improvements were noted in the education sector in the country, despite the fact that the budget for education equals 4.7% of GDP. Some of the recommendations contained within this report emphasizes the need to adopt a new law on higher education, to enhance the curricula of pre-university programs, and to improve access to education for disadvantaged groups.\(^7\)

The structure of the education system in Kosovo is presented below, whereby the main goal is to create a link and to offer a qualified labor force for the market.

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Kosovo Education Strategic Plan 2017-2021 (KESP): Objectives

\(^8\) Ministry of Education Science and Technology. Kosovo Education Strategic Plan 2017-2021, 2016
The Ministry of Education, Science and Technology conducted a SWOT analysis on challenges and opportunities in the education system in Kosovo, as a starting point for setting objectives for the education plan 2017-2021. These objectives are focused on creating equal access to education for Kosovo citizens and improving the quality of education. The objectives also reflect the scope of the Stabilization and Association Agreement, whereby the strategic plan will be regularly consulted with the European Union and will be benchmarked against progress report findings. Objectives are broken down through action plans for specific sectors and the foreseen budget is €176.94 million. Strategic Objectives include:

- **Strategic Objective 1**: Participation and Inclusion - guaranteeing equal access to education for all groups in Kosovo,
- **Strategic Objective 2**: Management of the Education System
- **Strategic Objective 3**: Quality Assurance - for a functional system in line with European standards
- **Strategic Objective 4**: Teacher development
- **Strategic Objective 5**: Teaching and Learning - curricula based and efficient learning
- **Strategic Objective 6**: Vocational Education and Training and Adult Education
- **Strategic Objective 7**: Higher education

### 2.1. Relevant laws in higher education and vocational education and training

#### 2.1.1. Law on higher education

The law on higher education provides the legal framework for "regulating, functioning, financing, providing the quality in higher education in compliance with European standards as well as the role of state and society in development of higher education in the Republic of Kosovo". The credits that a student must achieve for obtaining a diploma is based on European Credit Transfer and Accumulation System as well as European Qualifications Framework. The law provides that the Ministry of Education is responsible for the development of plans and policies in the field of higher education. Additionally, the Accreditation Agency is identified as the main institution responsible for accreditation of institutions and programs of higher education in the country.

#### 2.1.2. Law on pre-university education

Law on pre-university education regulates levels 0 through 4 of ISCED (International Standard Classification of Education) in Kosovo. In this period of one’s development, the pre-university education aims at developing the personality, talent as well as the mental and physical abilities of a student, to create basic scientific knowledge, to enhance communication, observation and analytical skills, to develop creativity, independence and other skills related to learning etc. (Article 1). Principles and provisions for equal access to education are also included in the law, whereby a substantial emphasis is placed on the inclusion of all groups and communities in the pre-university education system. The law also provides for roles and competencies of the Ministry and identifies competencies of other relevant bodies in the field. As a summary, the pre-university education is organized based on ISCED levels and in line with main phases of the National Curriculum Framework.

#### 2.1.3. Law for vocational education and training

Article 1 of the law states that “the Purpose of this Law is to regulate the national vocational education and training system in accordance with the needs of the economic and social development of the Republic of Kosovo, including economic and technological changes, demands of the labor market and the needs of individuals during the transition towards a market human and infrastructure resources”. The law provides for roles and competencies of relevant bodies in the field.

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9 Id.
10 Id.
11 Assembly of the Republic of Kosovo. Law No. 04/L-037 on Higher Education in the Republic of Kosovo, 2011
13 Assembly of the Republic of Kosovo, Law No. 04/L-138 on Vocational Education and Training, 2013
responsibilities of relevant institutions, be they public or private, which are part of the vocational education and training framework in the country. The structure of institutions and the provisions for vocational education and training is a reflection of the basic purpose of VET which is to develop competencies depending on the profession and market needs.

2.1.4. Law on adults education and training in the Republic of Kosovo

This law aims “to regulate entirety of processes for adults’ education as an integral part of the education system in Kosovo”. The law contains provisions related to curricula development, accreditation of qualification agencies, and provides for the roles and responsibilities of different education institutions in Kosovo in the field of adult education and training.\textsuperscript{14}

2.1.5. Law on national qualifications

The main aim of this law is to create a Qualifications System. This system is based on the National Qualifications Framework, given that the law establishes the framework at a national level based on criteria and requirements in line with the European Qualifications Framework. Objectives of the law include to “improve the recognition of qualifications at all levels of formal and non-formal education and training; ensure that qualifications meet the needs of the labor market, economy and society; regulate qualifications, assessment and certification, based on quality and standards; improve access to assessment, including the recognition of prior learning; make the qualifications system flexible and transparent; and improve opportunities for improvement and transfer for all”\textsuperscript{15}

2.1.6. Law on education in municipalities of the Republic of Kosovo

The law provides for responsibilities and competencies given to municipalities in terms of education. Based on article 4, “Municipalities shall have full and exclusive powers, insofar as they concern the local interest, while respecting the standards set forth in applicable legislation with respect to the provisions of public preprimary, primary and secondary education, including registration and licensing of educational institutions, recruitment, payment of salaries and training of education instructors and administrators.” In addition to competencies, the law also regulates licensing of the personnel who will be teaching in education institutions.\textsuperscript{16}

2.2. Summary of challenges in higher education and VET

Kosovo Education Strategic Plan 2017-2021 has identified a number of challenges for the education system:

<table>
<thead>
<tr>
<th>Challenges in higher education</th>
<th>Challenges in vocational education and training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance with the quality standards in higher education institutions</td>
<td>Weak linkage of VET with the labor market</td>
</tr>
<tr>
<td>Non-alignment of study programs with labor market requirements</td>
<td>Underdeveloped quality assurance mechanisms</td>
</tr>
<tr>
<td>Insufficient scientific research work in higher education institutions</td>
<td>Weak career orientation and counseling</td>
</tr>
<tr>
<td>Incomplete legal framework in higher education</td>
<td>Incomplete occupational standards framework</td>
</tr>
<tr>
<td>Inefficient international cooperation in higher education</td>
<td>Serious budgetary insufficiencies (especially in public IVETs)</td>
</tr>
<tr>
<td>Unsatisfactory staff-to-student ratio</td>
<td>Low number of internships</td>
</tr>
<tr>
<td>Weak administration capacities and inadequate infrastructure</td>
<td>Teaching staff with inadequate trainings</td>
</tr>
<tr>
<td>Lack of a funding plan based on efficiency and accountability</td>
<td>Difficulties in provision of materials for VET</td>
</tr>
<tr>
<td></td>
<td>Lack of VET core curriculum</td>
</tr>
<tr>
<td></td>
<td>Problem of sustainability of Centers of Competence and their further development</td>
</tr>
<tr>
<td></td>
<td>Lack of an efficient and quality adult education system</td>
</tr>
</tbody>
</table>

Figure 6 Main challenges of education in Kosovo

\textsuperscript{14} Assembly of the Republic of Kosovo. Law No. 04/L-143 on Adults Education and Training in the Republic of Kosovo, 2013:

\textsuperscript{15} Assembly of the Republic of Kosovo. Law No. 03/L-060 on National Qualifications, 2008

\textsuperscript{16} Assembly of the Republic of Kosovo. Law No. 03/L-068 on Education in Municipalities of the Republic of Kosovo, 2008
3. Labor market in the European Union

Similarly to the education system which will find its way into later parts of this document, the labor market in the European Union is highly diversified, whereby member states develop and implement different policies to stimulate employment and increase productivity of the domestic industry. On a European Union level, ever since the end of the global financial crisis, main employment indicators have shown a positive trend, whereby at the second quarter of 2018, the unemployment rate reached 6.8%, a significant improvement compared to 2012 and 2013, when the unemployment rate reached 12% at the union level.\footnote{Data extracted from Eurostat}

Overall, expenditures made by European Union member states on labor market policies (both active and passive), are around 1.34% of GDP, fluctuating between 0.128% in Romania up to 3.091% of GDP in Denmark. Some of the labor market policies employed by different EU countries include:

- Employment services
- Trainings
- Employment incentives
- Supporting employment and rehabilitation
- Direct job creation
- Incentives for stimulating start-ups
- Social support for the unemployed
- Early retirement policies\footnote{EC Directorate General on Employment, Social Affairs and Inclusion}

Denmark is a country that has continuously shown a good performance in key labor market indicators, be it in terms of labor force participation rate as well as the low unemployment rate. The entire labor market in Denmark is closely linked to the \textit{Flexicurity} system, which is a central theme of the next section of this document.
3.1. Labor market in Denmark

Flexicurity (combination of Flexibility and Security) is a strategy implemented in Denmark for creating a flexible labor market with policies for an active labor force as well as benefits and responsibilities for the unemployed. Under this system, employees will be entitled to unemployment compensations and are guaranteed a fast track to employment in case they are fired. On the other hand, they pay a certain contribution to be able to enjoy this benefit. The emphasis under this system is not to ask for policies that would deter hiring and firing, but rather create a system which is flexible and empowers employees through trainings and education. Under flexicurity, unemployment in Denmark reached a new low of 4.5%, which is the lowest rate in the last 30 years.¹⁹

A cornerstone of this system is social dialogue and public-private dialogue, whereby different stakeholders give their contribution to creating a labor market which is both flexible for businesses and attractive to employees. While employers benefit by advocating for policies that facilitate hiring and firing procedures, on the other hand employees benefit from the social security and the opportunities to enroll in trainings and programs that enable them to update their skills at a regular basis.

The Danish Flexicurity system aims to satisfy employee needs, by ensuring the welfare of the workforce. The education system in the country is financed through taxes, and students are not asked to pay for their education. As a result, individuals are stimulated to enroll in education institutions, and this has led to the creation of a qualified labor force.²⁰ Flexicurity is based on three main pillars:

1) Employers can hire and fire as long as there are no unreasonable costs for firing (and hiring) employees
2) Employees who pay a membership fee in the unemployment security fund can receive unemployment compensation up to two years after they lose a job.
3) The state offers retraining and consultation programs for unemployed people, in order for them to have skills and abilities to get rehired as soon as possible.²¹

Flexicurity also refers to the wider cooperation that the government builds with labor unions and business organizations, as a starting point to a healthy social dialogue. Additionally, flexicurity has been used as a benchmark for the implementation of EU-wide strategic objectives in the field of employment and labor market. The European Union assessed that flexicurity policies are key to modernizing labor market and to achieving the employment target of 75%, which is part of European Strategy for 2020. As a result of the analysis that the

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¹⁹ The Economist. *Flexicurity: A model that works*, 2006
²⁰ Government of Denmark. *Danish labor market*
²¹ Id.
European Commission made on the integration of flexicurity in economic development policies, they have made a decision to implement 4 components of the system:

1) Trustworthy contracts which offer flexibility and safety to employers and employees  
2) Efficient and high quality education system, as well as the adoption of a lifelong learning approach  
3) Effective labor market policies  
4) Modern and sustainable programs for social security

Active labor market policies in Denmark - In order to reduce structural unemployment, Denmark has implemented a number of measures for building a competitive labor force. Some of these measures which targeted the private sector include:

- On-the-job trainings in the private sector: the unemployed are given the opportunity to work and get trained for a 9-month period in the private sector. In this period, their wages are subsidized by public funds. After this “incubation” period, these persons are deemed as ready to compete in the labor market.
- Internship and traineeship programs offered for programs that address areas with a bigger skills gap in the private sector.
- Subsidies for adult education and trainings, whereby unemployed individuals are given social assistance that is conditioned on the fact that they need to follow retraining and training programs. If they do not enroll in these programs, they do not get their monthly assistance. Thus, in order for them not to become a burden to society, they enroll in specialized trainings that equip them with skills they need in the market.
- Other active programs for matching the talent and skills of jobseekers with the needs in the private sector. There are a number of such programs which enable companies to find employees with specific skill sets, particularly in vocational profiles.

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22 Id.  
23 Guillaume Blache. *Active labor market policies in Denmark: A comparative analysis of Post-Program Effects*, 2011
4. Education System in the European Union

The European Union gives a lot of importance to the education system, as a key factor affecting global competitiveness. On average, education expenditures as a portion of public expenditures in 2014 on a European Union level market 10.6% (or 5.1% of GDP). In a comparative note, during 2011-2014, expenditures in education as a portion of total expenditures fluctuated between 15 and 16%. This means that European Union countries should serve as a benchmark of what can be achieved in the education sector with a comparatively smaller budget allocation. This part of the document briefly looks at the education system in EU in the framework of the Bologna process, before going into detail with some best practices in vocational education.

Stabilization and Association Agreement between Kosovo and European Union

Article 107
Education and training

The Parties shall cooperate with the aim of raising the level of general education and vocational education and training as well as youth policy and youth work in Kosovo, as means to promote skills development, employability, social inclusion and economic development in Kosovo. A priority for higher education systems shall be the achievement of adequate quality standards of its institutions and programmes consistent with the objectives of the Bologna process and Declaration.

The Parties shall also cooperate with the aim of ensuring that access to all levels of education and training in Kosovo is free of discrimination on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. Cooperation shall seek to address the needs of students with disabilities in Kosovo.

Cooperation shall also aim to develop capacities in research and innovation, notably through joint projects on research and innovation involving all stakeholders and ensuring the transfer of know-how.

The relevant EU programmes and instruments shall contribute to the upgrading of educational, training, research and innovation structures and activities in Kosovo.

Cooperation shall take due account of priority areas related to the EU acquis in this field.

4.1. New Skills Agenda for Europe

New Skills Agenda for Europe is an initiative launched by European Commission for enhancing skills of the population and supporting jobs and growth. Despite the fact that skills are seen as a tool to growth and prosperity, the skills gap is an issue for EU member countries as well. Up to 40% of employers in the European Union face significant challenges in finding personnel who can contribute to growth and innovation. With the New Skills Agenda for Europe, the Commission aims to: improve the quality and relevance of training and skills, make skills more visible and improve information and understanding of trends and patterns in demands for skills and jobs (skills intelligence).±

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24 Stabilization and Association Agreement between Kosovo and European Union, 2015
The Commission is now working with EU countries and other interested parties, helping low-skilled adults acquire a minimum level of literacy, numeracy and digital skills to support better understanding of qualifications and make better use of all available skills in the European labour market.

Support cooperation among education, employment and industry stakeholders was launched in December 2016 with the goal of improving the digital skills of the wider population, not just IT professionals.

Blueprint for sectoral cooperation on skills was launched in January 2017.

Vocational education and training

- Key competencies
- EU skills profile toolkit for third-country nationals

Graduate tracking

- Europass
- The Europass framework can offer people better and easier-to-use tools to present their skills and obtain useful real-time information on skills needs and trends which can help with career and learning choices.

Analysis and sharing of best practice on brain flows

- to improve understanding of graduates’ performance after their education and training experiences
- to help more people acquire the core set of skills necessary to work and live in the 21st century

New opportunities for adults

- Digital skills and job coalition
- to support early identification of skills of asylum seekers, refugees and other migrants
- set of measures to support the modernisation of vocational education and training (VET), in line with the policy priorities defined in the 2015 Riga Conclusions

Work on analysing and sharing of best practice to manage the movement of highly skilled or qualified people between countries

Support cooperation among education, employment and industry stakeholders was launched in December 2016 with the goal of improving the digital skills of the wider population, not just IT professionals to improve skills intelligence and address skills shortages in specific economic sectors - automotive; defence; maritime technology; space/geo information; textile, leather clothing & footwear; and tourism – was launched in January 2017.

To support cooperation among education, employment and industry stakeholders was launched in December 2016 with the goal of improving the digital skills of the wider population, not just IT professionals to improve skills intelligence and address skills shortages in specific economic sectors - automotive; defence; maritime technology; space/geo information; textile, leather clothing & footwear; and tourism – was launched in January 2017.
4.2. Higher education

European Union considers the development of education under the framework of an individual’s need for lifelong learning. This concept is seen as “driver of economic growth, societal union, research and innovation” (European Commission). **Bologna Process** has been an integral part of higher education in the European Union since 1999, an initiative launched for harmonizing education and quality standards across European Union. Among key objectives that countries worked on through the implementation of the Bologna Process is a joint system on the recognition of diplomas, a European credit system, student and staff mobility, lifelong learning and quality assurance.26

In total 48 countries implement the Bologna system in Europe, and they make up what is known as European Higher Education Area. Thus, member states can have different policies on higher education systems in a national level, but they have adopted a number of principles through being a member of the European Higher Education Area. Furthermore, skills resulting from higher education in EU should be in line with a joint framework which enables skills recognition across countries: European Qualifications Framework.27

![Bologna Process Diagram](image-url)

**Figure 7 Bologna process**

4.3. Vocational Education and Training

Vocational Education and Training (VET) within European Union is considered a driver of innovation and growth. The need for skill development across European Union member states is emphasized not only in technical and/or mechanical skills. Developed economies are increasingly incorporating vocational education and training in their strategies for stimulating innovation and restructuring their economies, by allocating funds towards VET sector at an increasing proportion.29

4.3.1. The success story of the German dual system: Overall structure

The dual education system in Germany is a result of a centuries old tradition that the country has implemented initially with different trades and technical professions during medieval times. These traineeships were based on specific goals/results that the trainee is supposed to meet by the end of the program. This sort of vocational

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26 European Commission. “How is higher education structured in Europe?”
27 Id.
28 Id.
29 European Commission. *Vocational education and training for better skills, growth and jobs*, 2012
training continued in later parts with industrial jobs as well. This is the time when the need emerged for candidates to be equipped with some theoretical skills as well. As a result, the term ‘dual education’ was born, which basically implies the cooperation of enterprises and vocational schools for the professional development of an individual. Nowadays, 2/3 of the workforce in Germany begin their career through vocational education and training institutions.³⁰

### 4.3.2. The success story of the German dual system: Occupational standards

Occupational standards are created based on professional results achieved by particular profiles in the job place. This means that these standards arise as a result of the work context and are “dual” because every profession has a standard for training regulation and a standard based on education curricula framework. By focusing on standards in accordance with training regulations, they provide for the name of the standard, the duration of the training, competencies to be gained by individuals, the training plan and examination requirements.³² These regulations are a result of a consensus reached by businesses, the society and the government, and is a reflection of the approach and willingness of the private sector (employers) to partner with vocational education and training institutions. In general, there are three main types of occupational standards in Germany, whereby different institutions have different roles:

- **a) National Occupational Standards** - trainings in accordance with these standards are intended to guarantee that individuals are able to plan and control their responsibilities autonomously. These standards are issued by the respective line ministry and the Ministry of Education and Science, but the main input for the development of the standards comes from social partners, namely employer and employee organizations. Until 1995, national occupational standards were structured in three categories:
  - mono-structured NOS – a three year training without specialization, typical for business administration
  - profile-structured NOS – a training program with a clear specialization, such as car mechanic.
  - two-leveled structured NOS – first level of qualification after two years, and a second level after three, usually in the construction industry.

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³⁰ Maehler, J. *Occupational Standards in Germany: Icon institute*
³¹ Federal Institute for Vocational Education and Training, *Training regulations and how they come about*, 2014
³² Maehler, J. *Occupational Standards in Germany: Icon institute*
After 1995, the standardization process brought many structuring opportunities, e.g. compulsory and optional competency modules, and further development modules such as foreign languages. 

b) **Regional standards**- issued by chambers of commerce based on the Vocational Training Act, based on labor market demand.

c) **State Vocational School Standards**- applicable for qualifications under vocational schools, which are issued and monitored by the ministry of education.

### 4.3.3. The success story of the German dual system: role of institutions

**Federal Government** - the Federal Government in terms of developing policies for national occupational standards encompasses line ministries (mainly the Ministry of Economy), which are responsible for issuing 90% of these standards. The Ministry of Education and Science is responsible for administrative instructions on VET policies, for the provision of the legal basis for the issuance of occupational standards. Other relevant ministries include the Ministry of Agriculture, Ministry of Labor, Ministry of Interior etc.

**Social partners** - the term social partners encompasses employers and labor unions, two key partners for the functioning of the dual system. Occupational standards are a result of the requests initiated through social partners. Additionally, they are a very important source and are consulted on all VET policies, considering the expertise they bring to the table. Social partners contribute to the process through experts, whereby one or two of them decide for every occupational standard and the Federal VET Institute for developing, assessing and modernizing existing standards can delegate them. Consequently, companies themselves cover the costs of this process, whereas the Institute covers only transportation costs.

**Federal Institute for Vocational Education** - some activities undertaken by the institute include research on VET, development of occupational standards in line with industry needs, preparation of the annual VET report, provision of statistical data on VET, promoting VET to private sector companies, particularly among small and medium enterprises etc. The board that governs the institute is composed of employers, trade unions, federal government representatives and federal states representatives.

### 4.3.4. Education policies in the European Union

European Union member states generally apply similar structures regarding higher education in their national programs. Some of the common structures on higher education that these countries apply include the dual education system, a responsibility shared by traditional universities with academic curricula and vocational institutions in terms of skills. The table below provides a comparison of policies employed by different EU countries on higher education as well as VET.
<table>
<thead>
<tr>
<th>Education policies</th>
<th>Integration of VET</th>
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<tbody>
<tr>
<td><strong>Austria</strong></td>
<td></td>
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</table>
| - Traditional universities.  
- Tertiary Fachhochschul programs, which have been modified to Applied Science Universities specializing in different technical fields  
- 5 year programs on Vocational Education and Training are considered as an equivalent to a first degree. | 5 year programs on Vocational Education and Training |
| **Germany**       |                   |
| A dual education system, addressing both the academic side of higher education as well as the practical side. Higher education institutions are part of tertiary programs, including universities and equivalent institutions, as well as vocational education centers. | Companies and other employers are required to contribute to vocational education for the students, by offering them internship and traineeship opportunities. |
| **Denmark**       |                   |
| Dual system:  
- Traditional higher education  
- Vocational and technical education. | - National level vocational education, subsidized by the government and offered by VET institutions  
- Around 10 institutions offering post-secondary vocational education programs with specialized tracks |
| **Greece**        |                   |
| Two sector system:  
Universities (social sciences, polytechnic, art etc.), and Technological Institutions (Technological Institutions for Education) | - Technological sector of the education system:  
- Non-university institutions offering VET courses in a technical level. |
| **Italy**         |                   |
| - Traditional universities.  
- Technical institutions of higher education (cooperation between the state and private sector)  
- Institutions for advanced technical education and training | - Higher technical education institutions (cooperation between the state and private sector)  
- Institutions for advanced technical education and training (considered as level 5 education) |
| **Belgium**       |                   |
| - Traditional universities  
- Hautes Écoles non-university institutions for higher education  
- Art schools | Higher education institutions offer Technological Specialization Courses which aim to increase the employability of students. |
| **Finland**       |                   |
| - Dual system: Traditional universities and polytechnic  
- No short-cycle higher education is available. | - VET system through polytechnic institutions  
- Professionally oriented education is available at higher education level (Polytechnic degree - Master level). |
| **France**        |                   |
| - Traditional universities  
- Grand écolés (prestigious university institutions)  
- Vocational education | Vocational education is offered in a variety of diplomas:  
- DUT diplôme universitaire de technologie (university technology diploma)  
- DMA Diplôme des métiers d'art (vocational trade diploma), etc. |
| **Norway**        |                   |
| Dual higher education system:  
- Traditional higher education  
- Technical higher education. | Professional programs or “short cycle programs” are incorporated in university programs, lasting two years. |
| **Netherlands**   |                   |
| Dual system of higher education:  
- Traditional higher education  
- Vocational higher education. | Vocational programs are offered as programs leading to associate degrees within the Bachelor format, meaning that they are offered at a university level. |

Figure 9 Higher education and VET policies in Europe

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39 European Commission. [Vocational education and training for better skills, growth and jobs, 2012](#)
5. Road ahead for Kosovo

While the need to give more importance to vocational education and training has been emphasized frequently in recent times, the situation in this sector continues to be worrisome. In order to prioritize VET and to create a dynamic labor force which is much needed in the private sector, the government needs to undertake a set of targeted reforms, which will help in steering the sector in the right track:

- The budget provided for vocational education and training institutions needs to be increased significantly in order for this sector to be truly prioritized. Vocational schools encounter several difficulties in their operations, starting from difficult work conditions, the lack of equipment needed in laboratories and classrooms, up to the lack of qualified personnel to actually deliver vocational programs. Thus, a key step in this regard is to increase the budget for vocational education and training institutions.
- Another recommendation, which also features in UNESCO reports, is the need to encourage and create preconditions for diversifying financing methods for VET institutions, by encouraging private sector investments. Private sector investments in vocational education in Kosovo are currently lacking; however, the development of proper policies to stimulate investments in the sector can generate new financing opportunities.
- The government needs to develop policies for encouraging companies to get involved in dual education programs. Such policies are used in developed countries in Europe, which have a long-standing tradition of vocational education, by offering incentives to companies for engaging in such programs. For example, companies might be encouraged to participate in this program if there is a policy to exempt students engaged in these companies from personal income taxes for a period until they finish their studies.
- Vocational education should be promoted as a career choice to young people in Kosovo, having in consideration the tendency to prioritize higher education at the expense of vocational education. Such a promotion should target students in the 9th grade of their studies, as well as their parents, given that this is the period when the first decision on the course of the career is made, based on the scheme explained above. Such initiatives are already underway by different donor organizations, but a more structured approach is need to increase awareness on the importance of the vocational track, and employment advantages it encompasses.
- VET institutions, be them public or private, need to increase their efforts for registering their programs at respective accreditation authorities, in order for the qualifications earned by students to be valid and recognized in an international framework. This would not only increase the worth of vocational education in the country, but would make programs at these institutions more attractive for students.
- Institutions need to develop post-secondary and tertiary vocational education programs, in order to provide students engaged in these programs a chance to further develop professionally in their respective fields. The lack of alternatives after finishing their studies in VET institutions can be a deterring factor for students to enroll in such programs.
- Institutions should encourage a bigger participation of the private sector in the development of programs and education curricula in the country, in order for such programs to be a reflection of what the private sector in the country truly needs in terms of qualified labor. Until now, education institutions have been unable to encourage sufficient participation of businesses in their industrial boards, mechanisms which would enable businesses to give a meaningful contribution for their sectors. In this case the responsibility falls on businesses as well, given that they should adopt a more proactive approach in building bridges of cooperation with education institutions.
- Occupational standards should serve as a letter of guarantee for qualifications earned by individuals in different fields. Such standards that should be developed in line with European Qualifications Standard, aim to prove that an individual that has earned an occupational standard is fully competent in performing
a given task/role in the organization. The process for the development of such standards need to be accelerated in the future.

- The labor legislation in Kosovo should be amended with a view of creating a more dynamic labor market which encourages competition and labor force productivity. Additionally, institutions should work in removing all potential barriers coming either from the primary or secondary legislation, which may result in discriminatory practices in the labor market. As argued in this document, maternity leave provisions have been identified as being a source of discrimination and informal economy.

- Institutions should prioritize the need to undertake steps for addressing structural problems in employment, particularly in key labor market indicators such as the labor inactivity rate. Kosovo performs very poorly in this indicator, be it compared to European Union level, or simply compared to other countries in the region.

- Kosovo should also work towards empowering social dialogue, as a very important link to ensuring the harmonization of education and labor policies with the needs in the private sector. Social Economic Council should be comprehensive in its composition, and should serve as a mechanism for addressing many challenges in these sectors in the country. The Danish Flexicurity system is the best example of how a proper public-private dialogue can help achieve tremendous results in the labor market.
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