



# ALBANIA

## YOUTH EMPLOYMENT ACTION PLAN 2010-2013



MINISTRIA E PUNES  
CESHTIJEVE SOCIALE DHE SHPANDIET TE BARABARTA

MDG **IF**  
MDG ACHIEVEMENT FUND



United Nations  
ALBANIA

UN Joint Programme on YOUTH EMPLOYMENT and MIGRATION

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ALBANIA:

YOUTH EMPLOYMENT  
ACTION PLAN

2010-2013

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Special thanks go to the representatives of the Ministry of Labour, Social Affairs and Equal Opportunities that provided comments and feedback on earlier drafts.

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## ■ Foreword

Since 2009, the Joint Programme *Youth migration: Reaping the benefits, mitigating the risks*, supported by the Millennium Development Goals Achievement Fund financed by the Government of Spain, has been providing technical assistance to the labour market institutions of Albania to integrate the youth employment and migration policy priorities of the *National Strategy for Development and Integration* (NSDI) and the strategies on youth development, migration, employment and vocational training.

The *Youth Employment Action Plan* presented forthwith is the result of the work of the policy-makers at the ministries of Education and Science; Tourism, Youth and Sports; Economy, Trade and Energy; Agriculture, Food and Consumer Protection; Foreign Affairs; the National Employment Service of Albania, the National Statistical Institute and employers' and workers' of Albania. The development process was coordinated by the Employment Policy Department of Ministry of Labour, Social Affairs and Equal Opportunities and it is based on the framework proposed by the *ILO Guide for the preparation of national action plans on youth employment*.

The *Youth Employment Action Plan* was developed during a year-long capacity building programme that comprised the review of key labour market indicators, policies and institutions for youth employment; the identification of key problems for policy prioritization; the development of a framework to ensure a comprehensive and coherent approach to youth employment policy development; the design of objectives, targets and outcomes as well as the respective responsibilities of lead institutions; and the setting of costs, timeframe, coordination mechanism and monitoring and evaluation arrangements. Prior to approval, the youth employment policy space was reviewed once more to take account of the impact of the global economic crisis on the Albanian labour market.

The *Youth Employment Action Plan* is divided into three parts. The first section reviews the situation of the youth labour market in Albania. The second part elaborates on the policy options identified to address youth employment challenges. The last part describes the operational aspects relating to the implementation of the action plan. Finally, the annexes provide the matrix and plan of work, plus a portfolio of projects that are instrumental to the Action Plan implementation.



## ■ Introduction

Over the last several years, growing political attention has been given to youth employment in Albania, where the difficulties young people face in entering and remaining in the labour market are compounded by the additional burden of large numbers of young people who are engaged in the informal economy. Youth unemployment, under-employment and informality impose heavy costs on Albania. Long unemployment spells early in life and extended periods in the informal economy affect the prospects of young people to secure a career job and a decent wage. High percentages of unemployed youth mean that investments in education and training are wasted, that there is a reduced taxation base and higher welfare costs.

The extent of the youth employment challenge in Albania calls for preventive and curative approaches that address at the same time labour supply and demand and require the sustained involvement of governmental agencies, labour market institutions, including employers' and workers' organizations, and civil society.

Against this backdrop, the Government of Albania and its social partners developed an *Action Plan on Youth Employment* that outlines four strategic objectives and a number of key outcomes to be pursued for the promotion of full, productive and freely chosen employment for young people, namely:

1. **Strengthen the governance of the (youth) labour market** (strengthening the capacity of the Employment Policy Department of MoLSAEO to manage the employment policy cycle, mainstreaming the reform of the National Employment Services in all local employment offices, and establishing local partnerships for youth employment)
2. **Promote labour market prospects of young people by enhancing their employability** (aligning the education system to labour market requirements; increasing access of young people to adult training to remedy the skills gap, developing a system of recognition of prior learning system; and providing

access to career development services to young people)

3. **Foster the role of the private sector in creating decent jobs for young people** (promoting investments with high youth employment impact; providing incentives for human resources development and youth employment growth; introducing work-training programs to ease the transition from school to work of young people; establishing a system of incentives for upgrading enterprises and individuals to the formal economy; and increasing awareness of their rights at work among young people)
4. **Promote labour market inclusion of disadvantaged youth through targeted labour market measures** (reform of the design, targeting and financing of active labour market policies to address the needs of the most disadvantaged groups of the population).

The time frame of the *Action Plan on Youth Employment* is three years (2010-2013), to allow its alignment to the mid-term budgetary planning framework as well as to the objectives of the *Employment Strategy* and of the *National Strategy for Development and Integration* (NSDI).

The total cost of the *Action Plan on Youth Employment* is estimated at US\$ 17,550,000 for the three-year period. Approximately US\$ 11 million has already been pledged and/or made available either through the measures envisaged by the Government of Albania (and already budgeted) or donor-funded technical cooperation programmes. The remaining US\$ 6.5 million required (e.g. approximately US\$ 2.2 million per year) will need to be raised through multi- and bi-lateral technical cooperation assistance.

The total number of young people directly benefiting from the interventions introduced by the *Action Plan on Youth Employment* is around 65,000 youth, slightly over 10 per cent of the total youth population aged 15 to 29, with 70 per cent (approximately 47,800 young people) expected to be in decent work at the end of the period.

# PART I

## SITUATION ANALYSIS

### 1. Overview of the economic and social context

Albania's economic growth since the fall of the communist regime in 1990 has been among the highest of all transition economies. Economic activity, measured by real gross domestic product (GDP), grew in the period between 1996 and 2010 at an average annual rate of 5.6 per cent (see figure 1.1), despite the 1997 shock caused by the collapse of the pyramid schemes and the 2008-2009 contraction of GDP growth due to the impact of the economic and financial crisis.<sup>1</sup> Such high growth rates were driven by economic and structural reforms and the expansion of the service and construction sectors fuelled by the earnings stemming from workers' remittances and informal activities<sup>2</sup>.

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1 The relatively limited impact of the global economic crisis on the country is due to the relatively low level of openness of the Albanian economy on the one hand, and to the structural reforms carried out by the Government since 2007, on the other.

2 World Bank, *Albania: Sustaining Growth beyond the Transition. Country Economic Memorandum*, Washington D.C., 2004; World Bank, 2005.

**Figure 1.1: Real GDP and employment trends in Albania 1996-2010**



Source: Bank of Albania, *Statistical Report*, Tirana, March 2011; Institute of Statistics (INSTAT), *Employment trends*, downloadable at <http://www.instat.gov.al/>.

NB: Data on employment for the years 1996 to 2009 are derived from administrative sources. Data on GDP for the years 2009 and 2010 are estimates.

Strong economic growth did not result in employment creation: Throughout the period, employment growth remained sluggish – with strong negative peaks in 2001 and 2009. The unemployment rate topped at 18.4 per cent in 1999 and remained in the two digits throughout the period 2000-2008. In 2009, it accounted for 13.8 per cent of the labour force, a further decline from 13.0 per cent in 2008<sup>3</sup>.

<sup>3</sup> INSTAT, *Figures on unemployment (Labour Force Survey)*, Tirana, 2009. From 1991 to 1999, the employment intensity of growth in Albania, deteriorated from 0 to -0.65. In the period 1999-2003 it recorded a positive value (0.66). The youth employment elasticity in Albania had its negative peak in the period 1995-1999 (-1.83) to increase in the period 1999-2003 to 1.15. S. Kapsos, *The employment intensity of growth: Trends and macroeconomic determinants*, ILO, Employment Strategy Papers No. 12, 2005.

In 2010, remittances totalled around 7 per cent of GDP (US\$ 915 million), down by approximately 12 per cent compared to the prior year and a further 17 per cent compared to 2008.<sup>4</sup> Export growth increased from 5.9 per cent in 2002 to 25.5 per cent in 2007 to decline slightly in 2008 (15.6 per cent) and further in 2009. The growth of imports followed the same pace, increasing from 9 per cent in 2002 to 27.1 per cent in 2007, and subsequently declining to 14.8 per cent in 2008.<sup>5</sup> The current account deficit increased from 10.8 per cent of GDP in 2007 to 15.5 per cent in 2009, reflecting a deterioration of the trade deficit (which increased from 27.1 to 27.4 per cent of GDP) and a decline of remittances.<sup>6</sup> In the same years, net capital inflows tended to cover the current account deficit and contributed to the foreign reserves' increase. Net Foreign Direct Investments (FDI) increased steadily in the period 2009-10, reaching the level of 8 per cent of GDP, up from 5.9 per cent in 2007, with an increasing share of greenfield investment.

Inflation decreased from its peak of 42.1 per cent in 1997 to 2.5 per cent in 2006. It accelerated slightly in 2008 and 2010 (3.3 and 3.5 per cent, respectively). Mainly driven by increasing food prices, it remained nonetheless within the inflation targets established by the Central Bank of Albania (2 to 4 per cent) throughout the entire period<sup>7</sup>.

The tax administration has strived to improve both general revenue collection and administrative reforms. After an increase to 24.3 per cent of GDP in 2008, driven by progresses in revenue collection, tax administration, and the introduction of a 10 per cent flat rate personal income tax, revenues declined both in 2009 and 2010 (23.6 and 21.3 per cent of GDP, respectively). Revenue collection at local

<sup>4</sup> Bank of Albania, *Annual Report 2009*, Tirana, 2010. Bank of Albania, Statistical Bulletin, March 2011. In the period 1998-2008 remittances are estimated to have contributed to 15 per cent of GDP and 58.8 per cent to the trade balance. Calculations made using GDP data for 2010 are based on estimates.

<sup>5</sup> Republic of Albania, Council of Ministers, *National Strategy for Development and Integration. Progress report 2008*, Tirana, 2009.

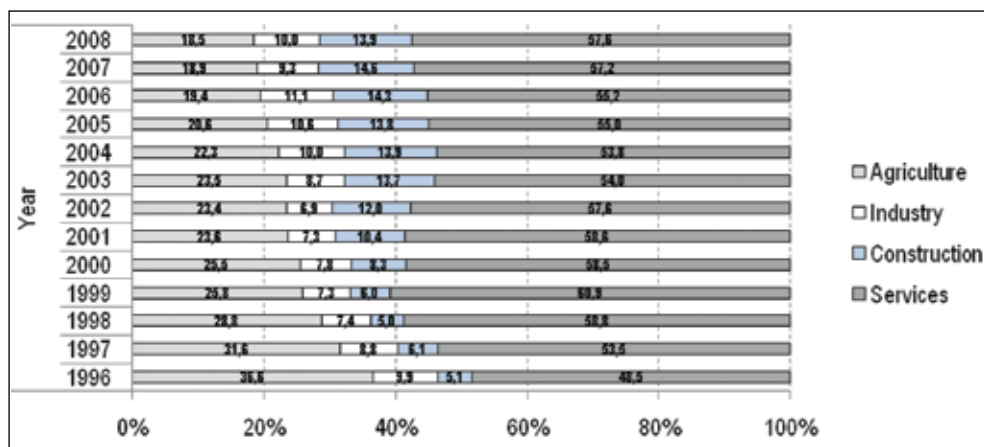
<sup>6</sup> Bank of Albania, Statistical Bulletin, March 2011.

<sup>7</sup> INSTAT, *Consumer Price Index*, Tirana, May 2011.

government level has remained limited. Public expenditures decreased to 26.7 per cent of GDP in 2010, after two subsequent years of sustained growth (32.3 per cent in 2008 and 33.2 per cent of GDP in 2009). This was due to accelerating capital expenditures (8.6 and 8.3 per cent of GDP in 2008 and 2009, respectively, compared to 5.8 per cent in 2007), mainly reflecting a trend in public investment projects<sup>8</sup>.

The structure of GDP changed significantly since the early 1990s (see figure 1.2). The private sector now contributes about 80 per cent of GDP, while its contribution to employment increased from 81.9 per cent in 2006 to 82.1 per cent in 2007. In the period 1996-2008 the contribution of the industrial sector to GDP remained stable at around 10 per cent, whereas agriculture halved its share (from 36.6 per cent in 1996 to 18.5 per cent in 2008). In 1999, the service sector reached its highest GDP contribution, 60.9 per cent, to decline thereafter to 53.2 per cent in 2004 and stabilizing at around 57 per cent in 2007 and 2008.

**Figure 1.2: Structure of gross domestic product (GDP), 1996-2008**



Source: Republic of Albania, National Institute of Statistics (INSTAT), *Economic indicators*, Tirana, 1996-2009.

<sup>8</sup> EU Commission, *Albania 2009 Progress Report*, Brussels, 2009.

Measured in terms of number of workers, the overwhelming majority of Albanian enterprises belong to the size class of small and medium-sized enterprises (SMEs), as it occurs in the EU 27<sup>9</sup>. Approximately 47 per cent of all workers are employed in enterprises with less than twenty workers. Approximately 91.5 per cent of all Albanian enterprises are micro enterprises (1-9 persons employed); 6.2 per cent are small enterprises (10-49 workers); 1.7 per cent are medium-sized enterprises (50 to 249 workers), whereas the share of large enterprises (250 employees and more) is 0.5 per cent of the total. The overwhelming majority of enterprises (90 per cent) are concentrated in the areas of Tirana (51.1 per cent of all enterprises) and Durres (39 per cent).

The upward trend in economic growth accompanied by increasing wages and pensions resulted in a decline of poverty from 25.4 per cent in 2002 to 12.4 per cent in 2008. The poverty depth also declined over the same period from 5.7 per cent to 2.3 per cent and severity from 1.9 per cent in 2002 to 0.7 per cent in 2008<sup>10</sup>.

Data on poverty indicate that the categories of the population facing higher risk of poverty are the unemployed, the less educated, members of large households and people living in rural areas and engaged in own account farming. Women-headed household do not show a higher risk of falling into poverty than male-headed ones<sup>11</sup>. The positive trend in poverty reduction has been greatly affected by migrant remittances. The rural Northern areas of the country experienced the strongest pace of poverty reduction partly because of the ongoing outflow of new permanent migrants<sup>12</sup>.

<sup>9</sup> In the EU 27, micro-enterprises account for 91.8 per cent, small enterprises for 6.9 per cent, medium-size enterprises for 1.1 per cent, whereas large enterprises account for only 0.2 per cent. EUROSTAT, *Enterprises by size class. Overview of SMEs in the EU*, Statistics in focus 21/2008.

<sup>10</sup> The poverty depth is defined as the ratio of income to poverty threshold. INSTAT, UNDP and World Bank, *Albania: Trends in Poverty 2002, 2005 and 2008*, Tirana, 2009.

<sup>11</sup> This is partly due to the fact that their households include migrant workers who boost income through remittances.

<sup>12</sup> World Bank, *Albania: Urban Growth, Migration and Poverty Reduction. A Poverty Assessment*, Washington D.C., 2007.

Compared to the positive impact of migrant remittances on living conditions, their effect on productive investments has been rather negligible. This holds particularly true for the agriculture sector.

The Albanian economy has pulled through the global economic crisis reasonably well. Despite the economic downturns in much of the advanced economies – and the associated drops in Albanian exports and remittances – GDP registered a 3.3 per cent growth in 2009<sup>13</sup>. The stimulus package of the Government of Albania leveraged on the automatic stabilizers. Monetary policy contributed through interest rate cuts and liquidity injections, while the exchange rate functioned as a shock absorber<sup>14</sup>. The stimulus package, however, increased the fiscal deficit (from 3 per cent in 2007 to 7 per cent of GDP) as government expenditure growth in large infrastructure projects (amounting to 70 per cent of total public investment) outpaced revenues. This increased public debt to 60 per cent of GDP, whereas the current account deficit reached 15 per cent of GDP in 2009, a level that exceeds projected future financing sources. To counteract these trends, the basic objectives of the monetary and fiscal policies of Albania for the period 2010-2012 are: i) ensuring macroeconomic stability, ii) keeping the inflation rate around 3 per cent, iii) decreasing the public debt to 54 per cent of GDP by 2013, and iv) reducing the current account deficit<sup>15</sup>.

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<sup>13</sup> INSTAT, *Economic indicators*, Tirana, 2009.

<sup>14</sup> International Monetary Fund (IMF), *Albania 2010 Article IV Consultation, Preliminary Conclusions of the Mission*, March 10, 2010.

<sup>15</sup> Republic of Albania, *Economic and Fiscal Programme 2010-2012*, Tirana, January 2010.

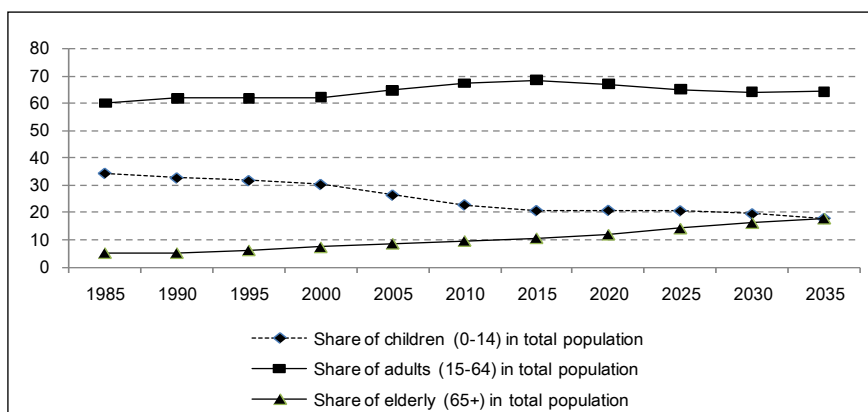


## 2. Analysis of the labour market

### 2.1. Demographic trends

The demographic profile of Albania is characterised by large internal and external migratory waves, declining mortality and fertility rates. The 2001 population Census estimates the resident population of Albania at 3.1 million, with women accounting for 50.1 per cent of the population. The Albanian Institute of Statistics estimates that in the span of a decade, more than one-fifth of the Albanian population (around 700,000 persons) left the country to find better opportunities abroad, mainly to Greece and Italy. In the last few years Albania has started to experience return migration flows. The Ministry of Interior estimates that in 2009 more

**Figure 2.1: Projections of children, adult and elderly people in the total population**



Source: United Nations' projections for Albania, downloadable at <http://esa.un.org/unpp>.

than 47,000 migrants returned to Albania<sup>16</sup>.

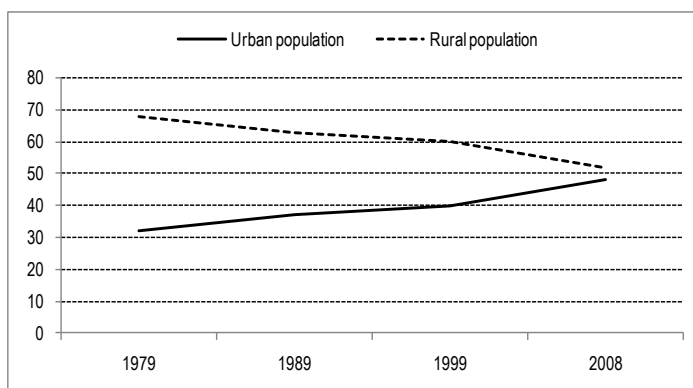
The age structure has changed significantly in the past decade, although Albania remains one of the youngest countries in Europe (figure 2.1). Around 65 per cent of household members are in the economically active population (age 15-64). This proportion is somewhat higher in urban areas (67 per cent) than in rural areas (63 per cent). The disparity is at least partially explained by rural to urban migration of youth in search of higher education and better job prospects in the city<sup>17</sup>. The share of children below 15 years of age (23 per cent of the population), which has been declining since the 1990s, will continue to shrink at a significant rate both in absolute terms and as a share of overall population. The population over 65 years is growing faster than the rest of the adult population. The share of elderly people in the total population will increase by 50 per cent by 2035 (from 11.9 to 17.8). The share of young people 15 to 24 years old is also projected to decrease from its current 19.1 per cent to 13.3 per cent in 2035. The lower child (34 in 2010 compared to 53 in 1990) and higher old age dependency ratios (14.4 in 2010 compared to 8.6 in 1990) will start affecting labour supply by the year 2050. The effect of out-migration, which is selective of young people in their reproductive years, serves to speed the aging process of the overall population still further.

The Albanian population remains predominantly rural, with 55 per cent of the population still residing in rural areas (figure 2.2).

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<sup>16</sup> Ministry of Labour, Social Affairs and Equal Opportunities (MoLSAEO), *Strategy on reintegration of returned Albanian citizens*, Tirana, June 2010.

<sup>17</sup> Institute of Statistics, Institute of Public Health [Albania] and ICF Macro. 2010. *Albania Demographic and Health Survey 2008-09*. Tirana, Albania: Institute of Statistics, Institute of Public Health and ICF Macro.

**Figure 2.2: Changes in urban and rural population 1979-2008 (percentage)**

Source: INSTAT, *Albania in figures*, 2008.

In parallel with the transformation of the economy, Albania experienced high migration flows, particularly from the North to the capital and to the coastal areas. There are three main patterns of migration that emerge from the census data. The first one comprises internal migration that mostly affects the poor and remote North-East areas (Tropoje, Kukes, Mirdite, Puke and Diber). Internal migrants are usually young unemployed or underemployed workers in agriculture. The second pattern affects districts that have both substantial internal migration and, at the same time, face high rates of international migration (Tirana, Durrës, Vlorë, Fier, Shkodra and Korça). Finally, international migration and negligible internal migration is the pattern in the districts of Southern Albania (Saranda, Delvine and Devoll). These patterns depicted a possible two-step scenario with migrants from Northern Albania moving first to the richer coastal area or to Tirana to accumulate enough resources to allow them to undertake international migration<sup>18</sup>.

The spatial mapping of poverty confirms that the main motivation for people to migrate is directly related to their working and living conditions, with both level and severity of poverty being the main determinants<sup>19</sup>. Although regional difference in poverty

<sup>18</sup> A. Zezza, G. Carletto, B. Davis. *Moving away from Poverty: A Spatial Analysis of Poverty and Migration in Albania*, ESA Working Paper No. 05-02, March 2005.

<sup>19</sup> World Bank, *Albania: Urban growth, migration and poverty reduction. A poverty*

rates have narrowed substantially in the period 2002-2008, the North-East part of the country remains the one with the highest incidence of poverty with a headcount of 26.6 per cent compared to 10.7 per cent of the central and 13 per cent of the coastal regions (Table 2.1). About 21 per cent of the Albanian poor are concentrated in the North-East part of the country although the latter accounts only for 11 per cent of the country's population. Data from the LSMS indicate that even if rural poverty has significantly declined, the reduction has been negligible in the rural areas of mountain region, where the poor may be experiencing a poverty trap<sup>20</sup>.

**Table 2.1: Trends in absolute poverty 2002-2008**

Stratum	Poverty measure	2002			2005			2008		
		Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
<b>Coast</b>	Headcount	20.2	20.9	20.6	11.6	19.7	16.2	10.7	15.0	13.0
	Depth	5.4	3.6	4.4	2.0	4.1	3.2	2.7	2.5	0.2
	Severity	2.1	1.0	1.5	0.6	1.3	1.0	1.0	0.6	0.7
<b>Central</b>	Headcount	19.3	28.5	26.6	12.5	25.9	21.2	10.3	10.9	10.7
	Depth	3.8	6.5	5.7	3.0	6.0	5.0	1.9	1.9	1.9
	Severity	1.2	2.1	1.8	1.2	2.1	1.8	0.6	0.4	0.5
<b>Mountain</b>	Headcount	24.7	49.5	44.5	17.1	27.7	25.6	14.7	29.8	26.6
	Depth	6.5	12.3	11.1	3.6	5.5	5.1	3.2	6.2	5.6
	Severity	2.6	4.4	4.2	2.2	2.7	2.5	1.2	1.8	1.7
<b>Tirana</b>	Headcount	17.8	...	17.8	8.1	...	8.1	8.7	...	8.7
	Depth	3.8	...	3.8	1.6	...	1.6	1.2	...	1.2
	Severity	1.3	...	1.3	0.5	...	0.5	0.2	...	0.2
<b>Total</b>	Headcount	19.5	29.6	25.4	11.2	24.2	18.5	10.1	14.6	12.4
	Depth	4.5	6.6	5.7	2.3	5.3	4.0	1.9	2.6	2.3
	Severity	1.6	2.1	1.9	0.8	1.8	1.3	0.6	0.7	0.7

Source: INSTAT, UNDP and World Bank, Albania: *Trends in poverty and Inequality 2002-2005-2008, Tirana, 2009.*

assessment, Washington D.C. 2007. See also International Organization for Migration (IOM), *The Republic of Albania migration profile*, Ljubljana, September 2007; J. Vullnetari, *Albanian migration and development: state of the art review*, IMISCOE Working Paper No 18, September 2007.

<sup>20</sup> Source: INSTAT, UNDP and World Bank, Albania: *Trends in poverty and Inequality 2002-2005-2008, Tirana, 2009.*

## 2.2. Trends in education

In the period 2003-2008 the literacy rate for the Albanian population aged 15 and over was 99 per cent. In the same period, the youth literacy rate was 99.5 per cent (99 per cent for young men and 100 per cent for young women)<sup>21</sup>. In the period 2003-2008, the net enrolment ratio in primary education was 93.5 per cent (94 per cent for boys and 93 per cent for girls). School drop-out rate in basic education (grades from 1 to 4) in the academic year 2007-2008 was 0.89 per cent and 0.94 per cent for the 9-year compulsory education<sup>22</sup>.

The net enrolment rate in secondary education increased from 50 per cent in the academic year 2003-2004 to 58.6 per cent in 2007-2008, while the rate of transfer from primary education (grade 8) to secondary education (grade 9) increased in the same period by 4.3 percentage points. Despite these progresses, however, as much as 13.5 per cent of teenagers (15 to 19 years old) were not in education or training in 2009<sup>23</sup>. Approximately 83.7 per cent of students enrol in the four-year general secondary education (51.2 per cent girls), whereas only 16.3 per cent enrol in vocational school (35 per cent girls)<sup>24</sup>.

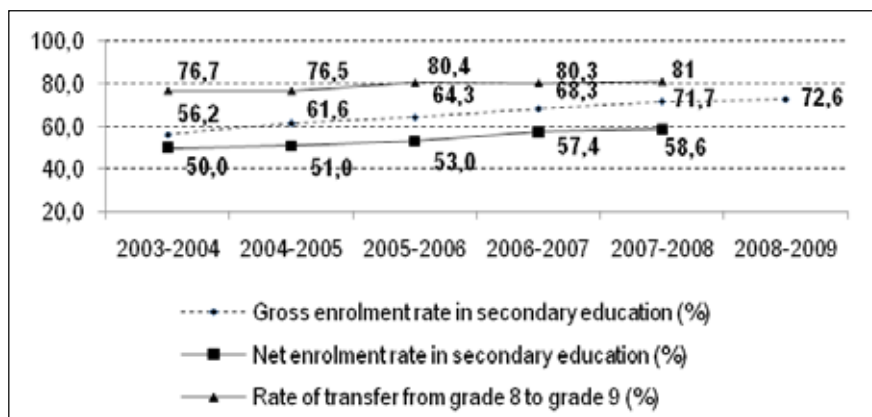
<sup>21</sup> United Nations Children Fund, *Albania: Statistics*, downloadable at: [http://www.unicef.org/infobycountry/albania\\_statistics.html#67](http://www.unicef.org/infobycountry/albania_statistics.html#67)

<sup>22</sup> INSTAT, *Education statistics*, Tirana, 2009.

<sup>23</sup> INSTAT, *Millennium Development Goals (MDG) Indicators*, Tirana, 2010.

<sup>24</sup> Ministry of Education and Science (MES), *National Education Strategy, 2004-2015*, Tirana, 2005. In Albania there are 40 vocational schools disseminated in 22 districts offering education in 35 occupational profiles. Only three vocational schools are oriented toward agriculture and agro-business streams.

**Figure 2.3: Gross and net enrolment rates in secondary education (2003-2009)**



Source: Republic of Albania, Council of Ministers, *National Strategy for Development and Integration. Progress report 2008*, op. cit.

In the academic year 2007-2008 the number of students attending tertiary education increased by 4.6 per cent. Of the total number of students enrolling in tertiary education, 57.5 per cent are young women. The rate of university graduation, however, dropped slightly, from 11.9 per cent of students enrolled in the academic year 2002-2003 to 10.1 per cent in 2006-2007.

The inflow of educated labour into the workforce has contracted throughout the 1990s. In 2009, a little over one third (36.9 per cent) of youth 15 to 29 had completed secondary education. Tertiary completion rates have remained broadly flat across age-groups. In 2009, the majority of the working age population (56.4 per cent) had primary education; over one third (34.4 per cent) had secondary educational attainment and 9.2 per cent had tertiary education (Table 2.2). To a large extent these statistics reflect the fact that Albania closed 85 per cent of its secondary agricultural vocational schools following the demise of communism. As a result, vocational/technical enrollment rates plummeted from almost 70 per cent of total upper secondary enrollments in 1989 to 16 per cent in 2008<sup>25</sup>.

<sup>25</sup> World Bank, *Albania: Restructuring Public Expenditure to Sustain Growth. A Public Expenditure and Institutional Review*, Volume II: Main Report, World Bank, Washington D.C., 2006. INSTAT, *Education statistics*, op. cit.

**Table 2.2: Working age population by educational attainment, sex and age-group (percentage)**

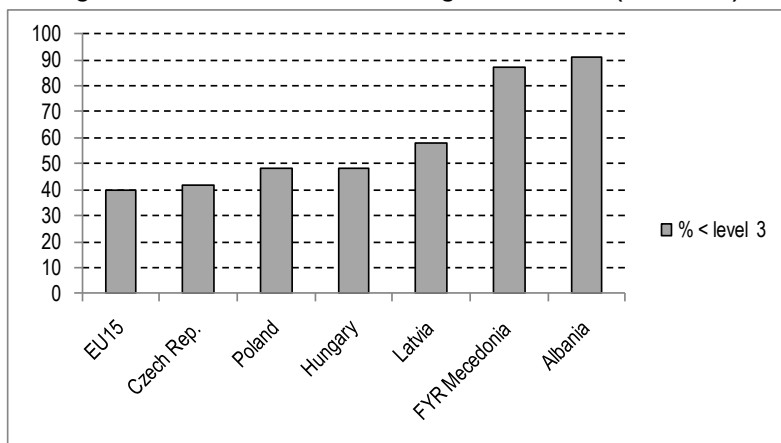
	Primary	Secondary	Tertiary	Total
<b>Total</b>				
Young (15-29)	23.8	13.1	3.7	40.6
Adults (30-64)	32.7	21.3	5.5	59.4
Total	56.4	34.4	9.2	100.0
<b>Men</b>				
Young (15-29)	23.4	13.6	2.7	39.7
Adults (30-64)	29.6	24.4	6.3	60.3
Total	53.0	38.0	9.0	100.0
<b>Women</b>				
Young (15-29)	24.1	12.7	4.7	41.5
Adults (30-64)	35.4	18.4	4.7	58.5
Total	59.5	31.1	9.4	100.0

Source: INSTAT, *Labour Force Survey (LFS)*, 2009.

In 2000, Albanian students received the second lowest score among the participating countries in the OECD's Programme for International Student Assessment (PISA)<sup>26</sup>. Around 91 per cent of Albania's 15 year olds scored below level 3 on the reading literacy scale, in contrast to 40 per cent for the EU-15 and less than 50 per cent for the new EU member states (Figure 2.4).

<sup>26</sup> In 2000, 32 countries participated in the first round of PISA while others, including Albania and Macedonia, participated in a "PISA Plus" round, but the two rounds are otherwise completely comparable. Albania dropped out of PISA after its first participation in 2000. In 2009, Albania participated in the fourth round of PISA (results were published on 7th December 2010).

**Figure 2.4: Share of students testing below Level 3 (PISA 2000)**



Source: World Bank, *Albania: Restructuring Public Expenditure to Sustain Growth. A Public Expenditure and Institutional Review*, op.cit.

**Table 2.3: PISA 2009: Comparing countries' and economies' performance**

	Reading Scale	Mathematics Scale	Science Scale
OECD Average	493	496	501
Albania (2009)	385	377	391
Albania (2000)*	349	381	376
Serbia	442	442	443
Czech Republic	478	493	500
Latvia	484	482	494

Source: OECD, *PISA 2009 Database*.

\* Note: Data concerning Albania's performance in the year 2000 are extracted from the PISA plus (2000) database.

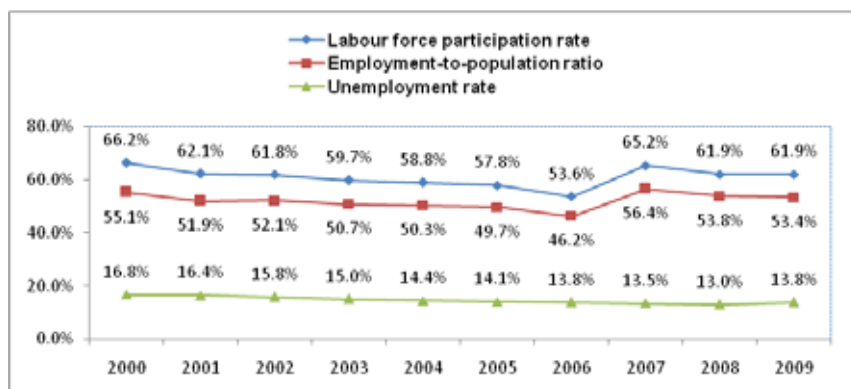


## 2.3. Labour market<sup>27</sup>

Since 2007, the main source of labour market statistics in Albania is the Labour Force Survey (LFS). For the years preceding 2007, labour market data are derived either by the Living Standard Measurement Survey (LSMS) or from administrative sources<sup>28</sup>.

Notwithstanding robust GDP growth in real terms throughout the 1990s, the unemployment rate remained in the two digits throughout the period, with declining participation and employment rates until 2006 and then again in 2008-09. In 2009, the unemployment rate for the working age population (15 to 64 years old) was 13.8 per cent. Figure 2.5 below shows the aggregate labour market figures for the period 2001-2009.

**Figure 2.5: Key labour market indicators (2001-2009)**



Source: INSTAT, *Social indicators*, Tirana, 2001-2009.

There is a striking difference between men's and women's performance in the labour market. The labour force participation of women – despite an upward trend since 2001 – is decreasing and over 20 percentage points

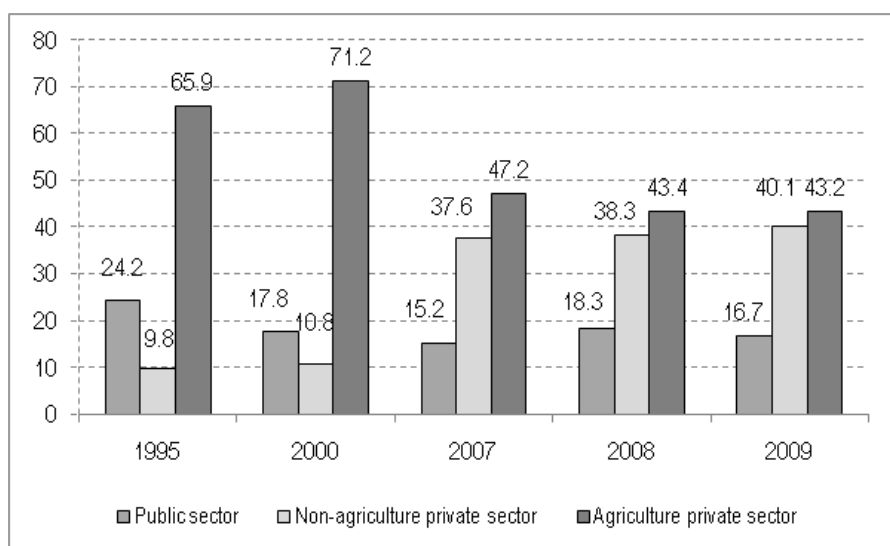
<sup>27</sup> The analysis of the overall and youth labour market provided in the following chapters is based on data derived from the Labour Force Survey, unless otherwise indicated.

<sup>28</sup> The LSMS was conducted in 2002, 2005 and 2008.

lower than men (51.8 per cent for women in 2009 and 73.3 per cent for men). Women's employment rate is also declining (from 49.3 per cent in 2007 to 43.6 percent in 2009) and considerably lower than men's (63.5 per cent in 2009). Another key feature of the Albanian labour market is the high share of discouraged workers, which in 2009 accounted for 16.1 per cent of all inactive people. In the same year, roughly 74.3 per cent of all discouraged workers were women<sup>29</sup>.

The employment structure reveals that work in the private agricultural sector peaked in 2002 at 71.2 per cent of total employment to decrease to 43.2 per cent in 2009, with the share of women well above that of men (56.2 per cent and 43.8 per cent, respectively). The data show decreasing employment in the public sector (more than one and a half percentage point) and an increase in the private, non-agricultural sector.

**Figure 2.6: Structure of employment (1995-2009) (percentage)**



Source: INSTAT, *Labour Force Survey (LFS) 2008-2009*, Tirana, 2009.

The employment structure by economic activity shows that 10.8 per cent of workers are employed in the trade sector, 10 per cent in manufacturing, and 44.1 per cent in the agriculture, forestry and fishing sector. The construction sector registers an increase to 9.8 per cent, compared to 8.4 percent in 2008.

29 INSTAT, *Labour Force Survey 2009*, Tirana, 2011.

## 2.3.1. Youth labour force participation

The youth labour market is characterized by relatively low participation and employment rates and high unemployment rates. In 2009, young people in the labour force represented 45.6 per cent of the population aged 15 to 29 years old, compared to a national average of 62.2 per cent. The low rate of participation for young people is mostly due to school attendance (around 34 per cent of the youth population is in education and training) and to the low labour market participation of young women (39.7 per cent). Table 2.3 below provides the main labour market indicators of Albania by age group and sex.

**Table 2.3: Key labour market indicators of Albania by age group and sex, 2009 (percentage)**

Age groups	Participation rate	Unemployment rate (ILO definition)	Employment rate
<b>All</b>			
15 to 64	61.9	13.8	53.4
15 to 29	45.6	21.9	35.6
30 to 64	73.2	10.4	65.6
<b>Men</b>			
15 to 64	73.3	12.2	64.3
15 to 29	52.4	21.6	41.1
30 to 64	87.2	8.5	79.8
<b>Women</b>			
15-64	51.8	15.9	43.6
15-29	39.7	22.2	30.9
30-64	60.3	12.9	52.5

Source: INSTAT, Labour Force Survey (LFS), 2009.

## 2.3.2. Employment

Despite the strong economic growth experienced throughout the decade 1998-2008, employment growth remained negative throughout the period. The employment-to-population ratio declined from 57 per cent in 1998 to 48.7 per cent in 2006. The first Labour Force Survey (2007) recorded an employment-to-population ratio of 56.7 per cent, which declined to 53.4 per cent in 2009. This rate compares unfavourably with the average EU27 employment rate of 65.4 per cent. In the period 1996-2008 both the labour force and employment have been rising at a slower pace than the working-age population. Job creation in the private sector – despite doubling in the 1996-2008 period – has not been strong enough to compensate for the losses in public-sector (30 per cent) and agricultural employment (28 per cent).

While in 2008, the employment rate of young people 15 to 29 was 31.3 per cent (almost six percentage point lower than the 37.2 per cent employment rate recorded in the EU27 for youth 15-24), it increased to 35.6 per cent in 2009, thus almost paralleling the 35.2 per cent of the EU27. The relative labour market disadvantage of young Albanian women compared to men mirrors that of prime-age workers: 30.9 per cent of young women were employed in 2009 (41.1 per cent for young men) compared to 52.5 per cent of adult women (79.8 per cent for adult men). The lower employment rates of women point to limited opportunities to reconcile work with family responsibilities, but also raise a concern about discriminatory practices in the labour market.

In 2009, approximately 38.4 per cent of young workers were employed in the private non-agricultural sector, young men significantly more compared to young women (41.6 per cent and 24.7 per cent, respectively). However, most young people are employed in the private agricultural sector (49 per cent of all youth employment), young women more than young men (59.1 per cent and 40.1 per cent, respectively). In 2009, over 56 per cent of all young workers had low education attainment (compulsory education or lower), about

28 per cent had upper secondary education and 16 per cent tertiary education and over (Table 2.4). Young workers with low educational attainment dominate in the agricultural sector, while young people with upper secondary and tertiary education work mainly in the service sector.

**Table 2.4: Youth employed by economic sector and educational attainment (percentage)**

	<b>Agriculture</b>	<b>Industry</b>	<b>Service</b>	<b>Total</b>
No school	0.2	0.3	0.2	0.7
Primary (1-4)	1.4	0.8	0.3	2.5
8/9 years school	35.4	10.1	7.5	53.1
Secondary (vocational)	1.3	1.3	1.6	4.1
Secondary (general)	9.2	5.4	9.0	23.6
Tertiary / University	1.6	1.3	13.0	16.0
<b>Total</b>	<b>49.2</b>	<b>19.1</b>	<b>31.7</b>	<b>100.00</b>

*Source: INSTAT, Labour Force Survey (LFS), 2009.*

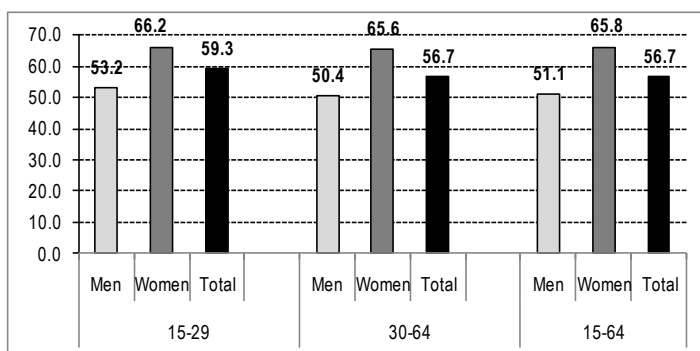
Around 40.4 per cent of young workers are wage earners (35.1 per cent for women and 61.1 per cent for men). The share of self-employed in overall youth employment is 14.4 per cent (5.7 per cent women and 8.7 per cent men) compared to around 35 per cent for adults. Contributing family members represent 45.2 per cent (56.1 per cent for women and 32.1 per cent for men) compared to 23 per cent for adults (9.0 per cent for men and 42.5 per cent for women). Table 2.5 below shows the relation between young workers' status and educational attainment. Youth with lower educational attainment are more likely to be working as contributing family members, whereas those with secondary school and over are more likely to be wage employees.

**Table 2.5: Youth employed by status and educational attainment (percentage)**

	Employees	Self-employed	Contributing family members	Total
No school	0.4	0.1	0.3	0.8
Primary (1-4)	0.8	0.6	1.1	2.5
8/9 years school	13.0	9.1	30.9	53.0
Secondary (vocational)	2.7	0.3	1.1	4.1
Secondary (general)	10.0	3.8	9.9	23.6
Tertiary / University	13.5	0.5	1.9	16.0
<b>Total</b>	<b>40.4</b>	<b>14.4</b>	<b>45.2</b>	<b>100.0</b>

Source: INSTAT, Labour Force Survey (LFS), 2009.

Workers in vulnerable employment amount to 57.4 per cent, with over 40 per cent of them having low educational attainment. Women are much more at risk of being in vulnerable employment compared to their male peers (65.8 per cent and 51.1 per cent, respectively)<sup>30</sup>. The youth labour market mirrors the same situation: over 59 per cent of all young workers are in vulnerable employment (66.2 per cent for women and 53.2 per cent for men).

**Figure 2.7: Vulnerable employment by sex and age group, 2009 (percentage)**

Source: INSTAT, Labour Force Survey (LFS), 2009.

<sup>30</sup> Vulnerable employment is the share of self-employed (without employees) and contributing family members in total employment.

Nearly 49 per cent of young people are employed as agricultural workers (40.7 per cent for adults), 12.4 per cent are employed in elementary occupations (12.5 per cent for adults), and 10.4 per cent as craft and related trade workers (the same percentage as for adults).

Compared to young men, young women dominate in agriculture jobs (59.3 per cent and 39.8 per cent, respectively), while the opposite occurs for craft and related trade jobs (14.7 per cent for young men and 5.5 per cent for young women). Young women, however, are more likely to be employed in professional jobs compared to their male peers (16.2 per cent for women and 6.0 per cent for young men).

**Table 2.6: Distribution of youth and adult employment by major occupational group and sex (percentage)**

Occupational Group	15-29			30-64		
	Men	Women	Total	Men	Women	Total
Managers	3.1	1.4	2.3	6.8	2.6	5.0
Professionals	6.0	16.2	10.8	7.1	12.9	9.5
Technicians and associate professionals	1.2	2.1	1.6	2.8	1.7	2.3
Clerical support workers	1.7	1.5	1.6	1.8	2.0	1.9
Service and sales workers	12.1	7.0	9.7	11.1	12.2	11.6
Skilled agricultural, forestry and fishery workers	39.8	59.3	49.0	30.4	55.2	40.7
Craft and related trades workers	14.7	5.5	10.4	14.7	4.4	10.4
Plant and machine operators, and assemblers	4.1	0.0	2.2	10.1	0.2	6.0
Elementary occupations	17.2	7.0	12.4	15.2	8.8	12.5

Source: INSTAT, *Labour Force Survey (LFS)*, 2009.

In 2009, part-time employment represented 23.6 per cent of total employment, with women twice as likely to be employed part-time compared to men (33.5 per cent and 15.7 per cent, respectively). In the same year, the share of young part-time workers was 23.2 per cent (62.1 per cent for women and 37.9 per cent for men). Young workers with secondary education and over are more likely to be employed full-time. Among young part-timers, approximately 18 per cent worked part-time because they could not find a full-time job (compared to 10.4 per cent of adult workers). Young women were more

likely to be working part-time involuntarily compared to men (19.7 per cent and 16.5 per cent, respectively) similarly to what is found in the adult labour market (11.3 per cent for women and 9.7 per cent for men).

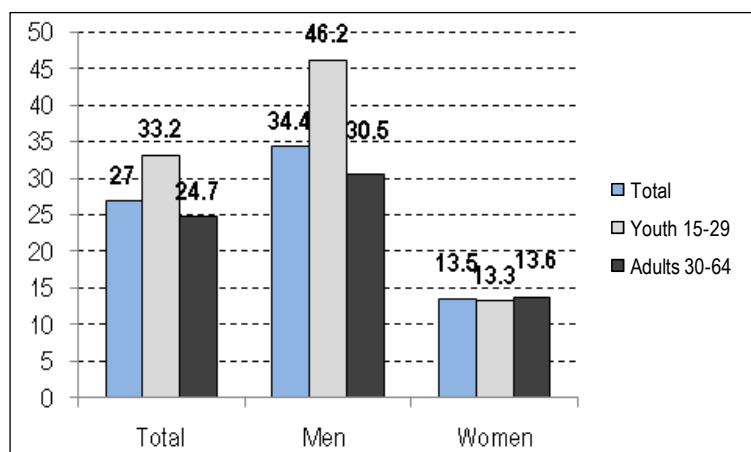
The share of temporary employment in 2009 was 15.2 per cent, with women almost three times less likely than men to be temporary workers (7.3 per cent and 19.6 per cent, respectively). Nearly 15.2 per cent of all employed were involuntary temporary workers, with men nearly three times more likely to be in involuntary temporary work compared to women (16.5 per cent and 5.8 per cent, respectively). In the same year, approximately 17.3 per cent of all young workers were employed with temporary contracts and as much as 14.4 per cent of these involuntarily so. The share of young men in temporary employment was three times that of young women (23.5 per cent and 7.5 per cent, respectively). Similarly, young men are over three times more likely than women to be involuntarily working with temporary contracts (19.9 per cent and 5.9 per cent, respectively). There is a strong relation between educational attainment and temporary employment: Young people with compulsory education or less are twice as likely to be employed in temporary work compared to young people with secondary education and over.

### 2.3.3. Informal employment

Engagement in the informal economy in Albania is associated with low earnings, poverty and vulnerability. The data of the LFS of 2009 indicate that approximately 55.8 per cent of all employment was in informal economy. Such figure includes all persons working as contributing family members, all wage-employees for whom social security contribution went unpaid and all the self-employed (in the private, non agricultural sector) with less than five employees. Employees for whom social security contribution went unpaid represented 27 per cent of total employment. Young employees are more exposed to informality than adults (Figure 2.8), and men more than women. In 2009, 46.2 per cent of all young male employees were informal workers.



**Figure 2.8: Employees with no social security contribution paid, by sex and age group (percentage)**



Source: INSTAT, Labour Force Survey (LFS), 2009.

The majority of contributing family members are in the age group 30 to 54 (over 61 per cent), whereas youth represent around 27 per cent, and workers 55 and over 11 per cent. The share of young employees with no social security contribution paid, contributing family members and young self-employed with no employees – used as a proxy for informal employment – amounts to approximately 66 per cent of all youth employment.

## 2.3.4. Wages and other conditions of work

In 2008, wages increased by 8.8 per cent in the public sector and by 15.1 per cent in the private sector. A further 16 per cent increase in public sector wages took place in 2009, while the minimum wage increased by 6 per cent<sup>31</sup>. The Living Standards Measurement Survey (LSMS) conducted in

<sup>31</sup> Republic of Albania, *Economic and Fiscal Programme 2010-2012*, Tirana, 2009.

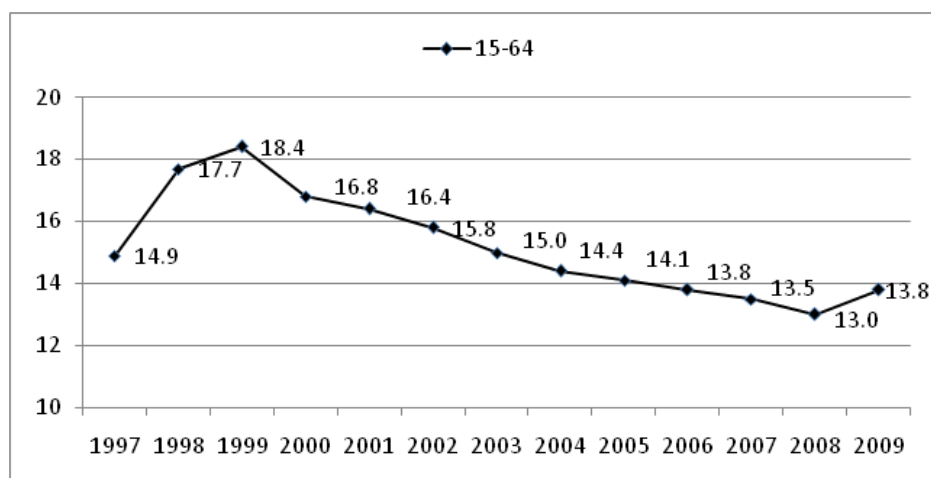
2008 records a wage gap between women and men workers of 17.5 per cent, whereas, on average, young people earn 7.6 per cent less compared to adult workers. Workers with higher educational attainment earn on average 39 per cent more than workers with only secondary education, while young workers with secondary education have a wage premium of 9 per cent compared to workers with primary education only.

Young people work on average 40 hours per week, slightly less than the average hours worked by adults (43 hours per week).

## 2.3.5. Unemployment

Despite positive economic growth and the clear increase of the private sector share in GDP, employment creation in the formal economy has not been sufficient to reduce unemployment below the double digit. The unemployment rate in Albania declined from 16.4 per cent in 2001 to 13.8 per cent in 2009 (see Figure 2.9). Such unemployment rate is nearly twice that recorded in the EU27 in 2007 (7.1 per cent).

**Figure 2.9: Unemployment rate in Albania 1997-2009 (percentage)**



Source: INSTAT, *Unemployment trends, 1997-2008*, Tirana, 2009.

NB: Unemployment data from 1997 to 2007 are derived from administrative sources. From 2007 onward, reference is made to the Labour Force Survey.

Youth unemployment remains a challenge, as nearly 21.9 per cent of the youth labour force was unemployed in 2009 (compared to the 15.3 per cent unemployment rate recorded for youth in the EU in 2007). In 2009 the ratio youth-to-adult unemployment rate was 2.1, indicating that young people were two times more likely to be unemployed compared to adults. Young women are slightly more likely to be unemployed compared to young men (22.2 per cent and 21.6 per cent, respectively).

Also, young people are more likely than adults to be long-term unemployed (12.5 per cent vs. 7.6 per cent). Contrary to what occurs in the adult labour market – where women are more exposed to long term unemployment than men (10 per cent and 5.8 per cent, respectively) – young men are slightly more likely to be long-term unemployed compared to their female peers (13.1 per cent and 11.9 per cent, respectively).

The highest incidence of unemployment is found among young people with low educational attainment. Among unemployed youth, over 49.2 per cent have compulsory education (56.7 per cent men and 39.3 per cent women), 32.2 per cent have secondary education (33.9 per cent men and 30 per cent women) and 18.5 per cent are university graduates (9.3 per cent young men and 30.7 per cent young women)<sup>32</sup>. Among young people with upper secondary attainment, general secondary school graduates are more likely to be unemployed compared to graduates of vocational schools.

The data collected by the National Employment Service (NES) confirm the link between educational attainment and labour market performance: Over 53 per cent of all unemployed registered have only compulsory education, 31 per cent have general secondary education, 12.7 per cent are vocational education graduates and 2.7 per cent are university graduates. In 2009, the highest unemployment peaks were recorded in the district of Lezha (24.3), Shkoder (23.9) and Kukes (23.3 per cent) and the lowest in Tirana (8.3 per cent). Over 64 per cent of the registered unemployed had been looking for work for more than one year and over 61 per cent were benefiting from social assistance (Table 2.7).

**Table 2.7: Registered unemployed by type, sex, age group and level of education (percentage)**

	<b>Total</b>	<b>Receiving unemployment benefit</b>	<b>Receiving social assistance</b>	<b>Long-term unemployed</b>
<b>Sex</b>				
Men	51.1	6.5	63.6	68.0
Women	49.2	7.6	58.5	61.0
<b>Age group</b>				
15-24	19.9	0.8	12.7	12.1
25-34	22.7	1.6	14.7	15.0
35-44	26.8	2.0	17.7	18.0
45+	30.6	2.8	15.9	19.4
<b>Education</b>				
Primary	53.5	2.8	36.0	35.3
Secondary	31.1	2.5	18.3	19.9
VET	12.7	1.2	6.3	8.4
Tertiary	2.7	0.5	0.4	0.9

*Source: National Employment Service (NES), Labour market trends 2009, Tirana, 2010.*

## 2.3.6. Inactivity

In 2009, approximately 54.4 per cent of the youth population was inactive (60.3 per cent young women and 47.6 per cent young men). Around 34 per cent, however, were inactive due to school attendance (41 per cent men and 39.5 per cent women). The share of discouraged workers – i.e. those young people willing to work but not actually searching for a job because they have lost all hopes – represented 9.6 per cent of the youth population. There is a striking sex difference with regard the reasons of inactivity. Young women are more likely to be discouraged workers compared to men (11.3 and 7.5 per cent, respectively) and to be inactive for other reasons (24.8 per cent and 11.4 per cent respectively), whereas for young men the primary reason of inactivity is related to school attendance (79 per cent of all inactive young men are in school). Youth with lower education attainment are nearly four times more likely to be discouraged workers and three times more likely to be inactive for other reasons compared to youth with secondary education and over (Table 2.8).

**Table 2.8: Inactive youth (15-29) by educational attainment (percentage)**

Educational Attainment	In school	Discouraged	Other inactive	Total
No school	0.00	0.28	2.56	2.85
Primary	3.13	0.86	1.32	5.31
8/9 years school	32.39	7.97	14.58	54.94
Secondary (vocational)	1.13	0.1	0.47	1.70
Secondary (general)	24.44	2.41	6.14	32.99
Tertiary / University	0.92	0.04	1.26	2.21
<b>Total</b>	<b>62.01</b>	<b>11.66</b>	<b>26.32</b>	<b>100.00</b>

Source: INSTAT, *Labour Force Survey (LFS)*, 2009.

**Table 2.9: Youth not in Education, Employment, or Training (percentage)**

	2008	2009
Age group		
<b>15-19 years</b>		
Male	21.8	20.5
Female	23.0	28.0
<b>Total</b>	<b>22.4</b>	<b>24.3</b>
<b>20-24 years</b>		
Male	27.7	29.0
Female	42.0	43.2
<b>Total</b>	<b>35.2</b>	<b>36.8</b>
<b>25-29 years</b>		
Male	30.2	25.0
Female	48.0	44.9
<b>Total</b>	<b>40.2</b>	<b>36.2</b>

Source: INSTAT, *Labour Force Survey (LFS)*, 2009.

## 2.3.7. Transition from school to work

Traditional youth labour market indicators are often inadequate to reflect the multi-faceted difficulties young people face in their transition to decent work (such as employment in intermittent and insecure work arrangements or discouragement). Transition indicators help to measure the degree of ease or difficulty experienced by young people in their search for decent work, i.e. work that is productive, generates adequate income and guarantees rights at work and social protection. Hence, a successful transition to decent work would comprise all young people employed in a “career” or permanent job that allows them to enjoy decent working conditions. The school-to-work framework distinguishes between three stages of transition, based on young people who: have “not yet started” their

transition; are “in transition”; or have “transited” to a decent job.

Young people in the “transition-not-started” stage includes all youth who are at school and those who are out of the labour force for reasons other than discouragement. The “in-transition” indicator comprises all youth who are unemployed, discouraged, in involuntary temporary or part-time work and those in vulnerable employment. Due to the lack of data, young workers who have “transited” to decent work are measured by default. This latter data is likely to be over-estimated as it does not account for those young workers likely to work under some sort of informal arrangement.

Table 2.10: Traditional and transition indicators for young people 15 to 29 (percentage)

Traditional labour market indicators			Transition indicators					
	2008	2009		2008	2009		2008	2009
Inactivity rate	58.0	54.5	Transition not started	51.4	51.7	In school	40.2	34.0
						Inactive	11.2	17.7
						Unemployed	10.3	10.0
Unemployment rate Unemployment ratio	24.7 10.2	21.9 9.9	In-transition	42.9	46.3	Involuntary part-time	5.6	3.7
						Involuntary temporary work	2.8	2.1
						Discouraged workers	7.0	9.6
Employment rate	31.3	35.6	Transition completed	5.7	2.0	Vulnerable employment	17.3	20.9
						Employed	5.7	2.0

Source: INSTAT, *Labour Force Survey (LFS)*, 2008 and 2009.

In 2009, over half of all young people had not started their transition yet. Young women were more likely to be in this stage of transition compared to men (56.8 per cent and 46 per cent). This is due to higher inactivity levels for reasons other than education. Women were also less likely to be in-transition, even though they were more exposed to discouragement. From the elaboration of the data it also appears that young women find it also increasingly more difficult to transition to the world of work compared to men (Table 2.11).

**Table 2.11: Transition stages by sex (percentage)**

Stage of transition	2008		2009	
	Men	Women	Men	Women
<b>Transition not started</b>	46.8	56.5	46.0	56.8
In school	41.0	39.5	36.0	32.4
Other inactive	5.8	17.0	10.0	24.4
<b>In-transition</b>	<b>46.5</b>	<b>42.8</b>	<b>48.8</b>	<b>44.0</b>
Unemployed	12.3	8.5	11.3	8.8
Involuntary part-time	5.9	5.3	4.7	2.9
Involuntary temporary work	5.1	0.7	3.8	0.6
Discouraged workers	4.9	10.7	7.5	11.3
Vulnerable employment	16.8	17.6	21.5	20.4
<b>Transition completed</b>	<b>6.7</b>	<b>0.7</b>	<b>5.2</b>	<b>0.0</b>

*Source: INSTAT, Labour Force Survey (LFS), 2008 and 2009.*

## 3. Review of policies affecting youth employment

The labour market data presented in the previous sections indicates that Albania faces quantitative and qualitative challenges in youth employment. The institutional framework governing the youth labour market, and the way in which government policies are formulated and implemented, have an impact on the effectiveness of the measures taken to facilitate young people's transition to decent work. The data of the Albanian labour market points to three key policy areas that have an impact on youth employment: i) macroeconomic and sectoral policies and their impact on job creation; ii) education and training policies and their relevance to labour market requirements; and iii) labour market policies that bridge the gap between labour supply and demand and ensure workers' protection.

### 3.1. Macroeconomic and sectoral policies

Since 2000, Albania has recorded significant macroeconomic progress in terms of economic growth, stable inflation and inflow of investment. In 2007, the fiscal reform eliminated progressive tax rates and introduced a flat 10 per cent income tax. Similarly, the profit tax was reduced in 2008 from 20 to 10 per cent (flat rate), taxation on small business was halved and social insurance contribution rates decreased by 30 per cent. Since 2007, the tax wedge in Albania has been 29 per cent, considerably lower than the average recorded in the Western Balkans (over 36 per cent), in OECD countries (37.3 per cent) and in the EU15 (42.1 per cent)<sup>33</sup>.

Despite these reductions, public revenues increased from 24.8 per cent in 2005 to nearly 27 per cent in 2007 as a result of improved tax collection<sup>34</sup>. Public expenditures increased in 2008 to 32.4 per cent of GDP (from an average of 29 per cent in prior years) mainly driven by increasing capital expenditures (from an average of 6 per cent of GDP in prior years to 8.6 per cent in 2008).

<sup>33</sup> Some OECD countries have focussed their tax wedge reductions on lower paid workers, as this is the group that often experiences particularly high unemployment rates. The reductions in the tax wedge for single workers earning two-thirds of the average wage have fallen particularly sharply since 2000 in France (47.4 to 41.4 per cent), Hungary (48.5 to 42.9 per cent) and the Slovak Republic (40.6 to 35.3 per cent). See Organization for Economic Cooperation and Development (OECD), *Taxing wages 2006/2007*, OECD Paris 2008; World Bank, *Western Balkan Integration and the EU*. Ed. S Kathuria, Washington D.C. 2008.

<sup>34</sup> Republic of Albania, *National Development and Integration Strategy*, op.cit.



In October 2007, the government of Albania launched the National Strategy for Development and Integration (NSDI). The NSDI provides a long-term integrated planning system that sets a number of national goals to be achieved by 2013. These goals are mainly related to economic and social development as well as to the promotion of Albania's regional and international integration. The Strategy is the resultant of 33 sectoral and crosscutting strategies that have been developed by a wide array of central and local institutions. It is also the basis for the mid-term budgetary process that links human and financial resources with the implementation of policy objectives. With the adoption of the NSDI, the government of Albania has committed itself to achieve a number of policy objectives that contribute to the attainment of the following four main development goals: i) achieve rapid, balanced and sustainable economic, social and human development, ii) develop and consolidate a democratic state, iii) establish the rule of law and fight corruption, and iv) integrate Albania in the European Union and NATO. It assigns high priority to policies giving a stronger role to young people in the economy<sup>35</sup>. This priority is spelt out by the crosscutting strategy on youth development and unfolded by the strategy on migration (2004) and the employment strategy and vocational training, approved in 2007.

The National Strategy on Migration provides policy guidance on areas that are key for the management of migration. It pays particular attention to addressing the root causes of emigration and to linking emigration to economic development. For the first, it proposes that migration issues cut across line ministries and strategies, including rural development, employment and vocational training. It suggests the promotion of public investments leading to the establishment of enterprises and the creation of jobs in areas more affected by migration. For the second, it highlights a number of measures to improve the image of Albanian migrants and to mobilize Albanian communities abroad so they can participate in the development of Albania, including through the more productive use of their remittances.

The National Youth Strategy (2007-2013) is centred on five pillars: participation and representation, youth employment,

<sup>35</sup> The average age of the Albanian population is 31.7 years. See ILO, Analysis of the youth labour market in Albania (forthcoming).

health and social protection, recreation and free time, and civic education and democracy. The youth employment pillar provides general guidance on how to make youth employment central to national policy-making by recommending that employment-related sectoral and other crosscutting strategies assign priority to youth employment.

One of Albania's features is the development divide between urban and rural areas and between northern and coastal regions. Regional disparities have been exacerbated by economic transition, with industrial areas now facing serious economic and social development challenges. The gap between urban and rural areas is evidenced by the GDP and Human Development Indexes: in 2008 the GDP index in Tirana was 0.772 compared to 0.252 in rural areas and the Human Development Index was 0.830 against 0.632 in rural areas. Regional labour markets also present appreciable differences, with unemployment rates by regions exceeding the 1 to 3 ratio.

In 2007 the Government drafted the Strategy for Regional Development (2007-2012), which set out the main priorities of regional development and the means for its implementation in the mid-term, and the Agricultural and Rural Development Strategy. The latter provides a road map for growth, backstopped by institutional reforms, improved planning, reorientation of expenditures and increased budget allocation. It recognizes the challenge to transform agriculture from subsistence-oriented production into a modern, commercial and competitive sector, while fostering alternative income opportunities for rural workers leaving the sector. To achieve the objectives set in this area, the government set up the Agency for Agriculture and Rural Development to manage direct support to agriculture and rural areas.

Recent trends suggest that the country has the potential for a modern and competitive agricultural sector, provided there is the right policy environment to leverage sufficient private investment<sup>36</sup>. Nevertheless, as other sectors continue

36 World Bank, *Albania: Strategic Policies for a More Competitive Agriculture Sector*, World Bank, Washington D.C., 2007.

to grow, agriculture's relative contribution to GDP is likely to fall from its current level of 36.6 per cent. Consequently, the share of workers employed in agriculture will also decrease. As agriculture's share of GDP shrink, the sector will have to shed labour in order to improve labour productivity and income levels. Off-farm employment and remittances are already an important source of income for agricultural households and have contributed to changing production choices. Agro-processing has expanded significantly. However, much of the raw material for agro-processing is still being imported. Currently, only a small volume of farm production is sold to agro-processors, since many enterprises in the sector prefer to use inexpensive, higher quality imported raw materials with reliable supply chains and a sufficient volume of products. This evidence suggests that future growth in agriculture will probably come from further intensification of production through commercialization of farms, and a focus on high-value products.

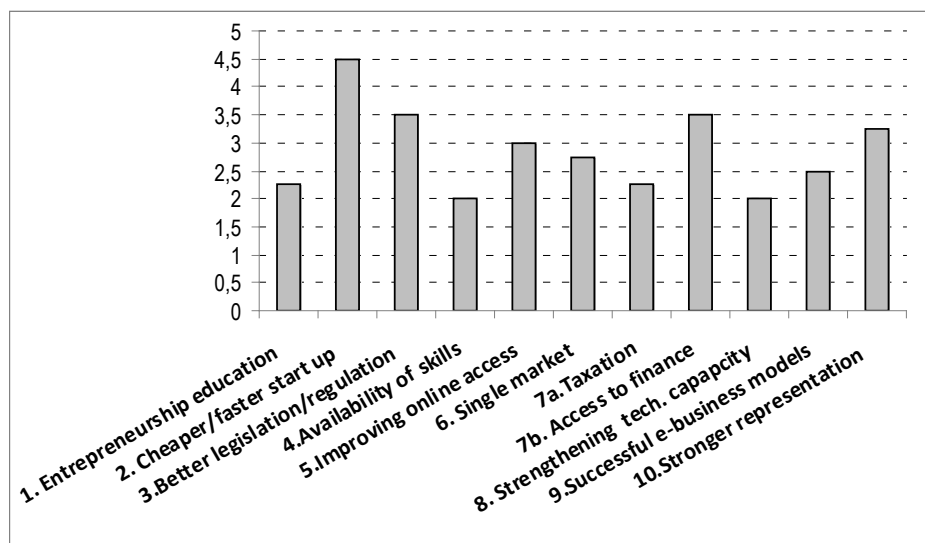
Albania created its strategic framework for small and medium size enterprises (SMEs) development in 2007, when it adopted the Business and Investment Development Strategy (2007-2013) and a medium-term programme for the SME development (SME Development Strategic Programme, 2007-2009). The priorities stated by this policy framework revolve around the regulatory reform in the field of business registration, licensing, customs, taxation, land construction and inspections. Over the last two years, the country has radically reformed its company registration process. The starting point of the reform was the 2007 Law on National Registration Centre (NRC) that transferred the competence of company registration from the Tirana court to a new dedicated public agency. In the year after the establishment of the NRC, company registration increased by 29 percentage points.

The development of SMEs in Albania is below the average recorded in other Western Balkan countries<sup>37</sup>. Poor law enforcement, weak corporate governance (both at the macro and at the enterprise levels), lack of management skills and poor infrastructure constitute the major impediments to

<sup>37</sup> OECD, *Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans: 2009 SME Policy Index*, Paris, 2009.

SME development. Micro companies dominate the sector in number, turnover and total value added. More than half of SMEs are operating on the Tirana-Durres corridor, whereas in the northern part of the country business activity is weak. Despite the progress made in the last few years, the SME Policy Index continues to score lower in the two human capital dimensions – lifelong entrepreneurship education and training and skills availability (Figure 3.1).

**Figure 3.1: SME Policy Index scores for Albania per EU SME Charter dimensions (2009)**



Source: OECD, *Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans: 2009 SME Policy Index*, Paris, 2009.

The reliance on the small business sector as one of the engines of growth is an important strategy for Albania. Whereas inadequate levels of start-up capital and technical know-how hinders the development of microenterprises, returns from international migration possesses the potential to eliminate these constraints through overseas savings, skill development and the establishment of transnational social networks. Recent analyses confirm a positive, strong relation between past (return) migration and business ownership<sup>38</sup>.

<sup>38</sup> World Bank, *Investing Back Home: Return Migration and Business Ownership in Albania*, Policy Research Working Paper 4366, Washington D.C., 2007.

The propensity of being involved in small family businesses is highest among households with migration experience. It is becoming increasingly evident how the initial flood of migrants to neighboring countries is slowly generating a stream of returnees who, often after multiple moves back and forth, have decided to settle back in Albania. The importance of return migrants, particularly the financial and human capital that they bring back, is recognized in the newly adopted Strategy on Reintegration of Returned Albanian Citizens (2010-2015). The strategy proposes actions to improve the information available to return migrants (prior to departure and on arrival) as well as enhance their access to the education, business and employment services that already exist.

Reducing the incidence of the informal economy is a recognized priority of the Government of Albania, expressed in the Social Inclusion Cross-cutting Strategy 2007-2013. The measures taken recently in this area focused on: i) improving the capacity to identify enterprises operating in the informal economy, and ii) reducing the tax and administrative costs for business start-up and expansion. In 2009 the law on taxation procedures was amended, whereby the registration, payment and write off of social security contributions for self-employed workers were assigned to the tax authority. The fines for failure to register new employees were increased for all classes of enterprises. Tax compliance has been simplified and a number of taxes and contributions can now be paid electronically (VAT, annual profit tax, social and health insurance, tax on employment income, monthly instalments of profit tax and annual tax on personal income). Such measures, however, seem to have had a little impact on reducing informal employment arrangements, especially for young workers.

## 3.2. Education and training policy

One of the key findings of the youth labour market analysis revolves around the relationship between young people's education and skills level and labour market outcomes. Education faces both quantitative (a lower stock of highly educated people compared to other countries in the region) and qualitative challenges. Despite the improvement in enrollment rates over the past years, educational attainment levels at secondary and tertiary levels remain low, inequality in enrollment is relatively high (marked by a deep urban/rural divide) and the quality of education is inadequate to equip students with the required skills to meet labour market demands. Measures of educational quality in Albania are scant, but available data gives rise to concern. Formal education appears to be the most important predictor of employment. Interestingly, vocational education appears to have a sensible positive impact on the prospects of finding a job. This finding provides support for the current education reform in Albania that aims to boost vocational education.

Overall, the education system is underfunded, but relatively efficient in the use of inputs. Official education spending is around 3.7 per cent of GDP – lower than most high growth emerging economies<sup>39</sup>. The relatively large capital investment programme and wage bill have left little room for spending on other teaching inputs that can affect quality. Emerging demographic changes may provide some savings that can be reallocated toward priority objectives, but there is a need to raise the level of financing for the sector and to develop a more effective system for spending at the local level that will address regional disparities and inequalities.

In 2005, the Ministry of Education and Science (MES) started the implementation of the National Education Strategy (2004-2015). This strategy builds on five pillars: i) reforming and strengthening the education governance system (decentralization, school autonomy, and a new information management system); ii) improving the quality of the teaching and learning process (development of a National

<sup>39</sup> EU27 public expenditure on education as percentage of GDP is around 5 per cent for 2007 (EUROSTAT estimates).

Curriculum Framework, teachers' development, design of new learning materials and a new performance monitoring system); iii) new financing mechanisms to improve cost-efficiency; iv) focus on human resource development; and v) design of a new vocational education and training (VET) system. Subsequently, in 2009, the National Strategy on Pre-University Education (2009-2013) (NSPEU) stipulated short-term and mid-term objectives and goals for the system and introduced policies on strategic priorities until 2013. This strategy covers pre-school education, primary and secondary education, general secondary education and professional education, and underpins the Ministry's Integrated Plan for 2010.

These strategies spell out the rationale for the systemic reform of vocational education. First, vocational education remains a school-based system with most learning occurring in school facilities. The ratio among general education, theory and practice is still biased towards general education and learning of theoretical concepts. Learning is still teacher-centred and teachers have limited opportunities to keep abreast of technological developments. Second, the linkages between the VET system and the labour market are weak and school curricula – despite the efforts at modularization and decentralization – remain far from the needs of enterprises. Third, the final assessment, administered directly by vocational schools, lacks reliability and fails to evaluate the competences acquired by students. Finally, the funds earmarked annually from the State budget are insufficient to cover the basic needs of vocational schools (teaching materials, workshop equipment and so on).

The key features of the education reform set forth by the National Education Strategy are summarized in Box 3.1. It envisages: i) the extension of compulsory education from 8 to 9 years (5 years of primary education and 4 years of lower secondary education); ii) the reduction of secondary general education (ISCED 3A) from four to three years, ending with the State Matura that gives access to tertiary education; iii) the introduction of a new post-secondary cycle for vocational education linked to the draft Albanian Qualifications

Framework (AQF) that started to be implemented in the 2009-2010 academic year. The law on the Albanian Qualification Framework (AQF)<sup>40</sup> was approved by the Parliament in March 2010 and a new law on vocational education and training was adopted in the second quarter of 2011. The main changes to the Law no. 8872, “On Education and Training in Albania”, as amended, can be grouped as follows: i) a new structure of the VET System; ii) the role of social partners in the development of VET; iii) autonomy of VET schools and centers; iv) the required institutional changes and structures of implementation.

### **Box 3.1: Reform of the vocational education system in Albania**

As of the academic year 2009-2010, the VET system comprises:

- Basic Vocational Education (level I): this level – corresponding to ISCED 2C and providing access to employment – lasts 2 years, it is oriented towards 22 broad occupational families and provides a certificate of basic knowledge for an occupation (semi-qualified worker);
- Secondary Vocational Education (level II): it corresponds to ISCED 3C, lasts one year and it is oriented towards a profile of each occupational family. Accessible after completion of the first level to level III of the VE system, but does not provide access to the State Matura.
- Technical Secondary Education: it corresponds to ISCED 3A, lasts one or two years after the second level of vocational education and it is oriented toward occupational families. It is equivalent to level IV in the EQF and AQF. It provides certificate of a qualified technician in the given field and also gives access to the State Matura and, hence, to tertiary education.
- Technical Secondary Education /Managerial: corresponding to ISCED 3A, it is a full cycle after compulsory education that lasts 4 years. It is available in a selected number of profiles (i.e. economics, veterinary, forestry and so on) and requires a relatively high academic background for enrolment. It provides certificates of technician/manager on the given occupation and it also gives access to the State Matura and hence to university.

Source: National VET Agency, Bulletin no 2, November 2008.



The gaps of the formal education system are compounded by a lack of adult training opportunities that put those population groups with low or outdated skills at a disadvantage.

Adult vocational training is offered through a network of nine public vocational training centres, operating under the aegis of the Ministry of Labour, Social Affairs and Equal Opportunity (MoLSAEO), established in the largest cities of Albania, except for the North-East part of the country where a mobile VET centre is operating. Data of the National Employment Service (NES) report that in 2009 approximately 66 per cent of participants were young people less than 25 years of age. With regard the level of education at enrolment, 39.5 per cent of vocational training beneficiaries had secondary education, 28 per cent had primary education only, 7 per cent were vocational school graduates and 25 per cent were university graduates. Most trainees attended foreign languages and computer courses (28 and 23 per cent, respectively)<sup>41</sup>. The analysis of NES indicates that the training courses offered by the public training centres are not aligned to labour market needs and that a limited percentage of participants get employment after training (24 per cent)<sup>42</sup>. Enterprise-based training is not subject to any external assessment on the achievement of training objectives, quality of training or competencies acquired by individuals<sup>43</sup>. In a situation where most of the unemployed registered have little or no qualifications and the level of educational attainment provides strong signals to employers, the design, monitoring and evaluation of labour market training is of the essence. Some progress has been made recently. The National VET Agency – operational from early 2007 – is expected to guide the work on the national qualifications framework

41 NES, *Annual Report 2009*, Tirana, 2010.

42 These data need to be read with caution, since it is not possible for NES to measure precisely the impact of training, as no tracer study is conducted and registered unemployed generally do not return to the employment office at the end of the course. The number of individuals who do get employment – albeit in the informal economy – also goes unreported.

43 The qualifications attained by an individual are recorded in the worker's booklet and they do signal to other enterprises that the person has certain skills. However, enterprise-based training, if not properly designed, may result in the acquisition of narrow skills, firm-specific and of difficult adaptation.

and on the development of occupational standards<sup>44</sup>. One of the priorities of the Agency is the systematization of VET curricula into a unified model, which would encompass both the education and the adult training systems, presently under the respective responsibility of the Ministry of Education and the Ministry of Labour<sup>45</sup>. However, such systematization will have a measurable impact on skills formation only in the mid-to long-term.

Private training providers have mushroomed since the end of the 1990s. Further to a change in the legislation<sup>46</sup>, since May 2009 the National Centre for Licensing is responsible for licensing training providers, after the screening of the employment services. In 2010, there were around 150 licensed private institutions (of which 24 were non-profit organizations) scattered throughout the Albanian territory. The licensing criteria were revised to include also quality criteria such as: qualification of trainers; minimum duration of training; minimum number of work-practice stations necessary for activating a training course; availability of curricula and training material. Such criteria, however, do not encompass evidencing the impact of their courses on the labour market prospects of trainees, the offering of courses in occupations that are most demanded, nor the organization of programmes based on job competencies.

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44 On 24 April 2011, a Decision of the Council of Ministers changed the name of NVETA into National Agency for Vocational Education and Training, and Qualifications (NAVETQ), with the responsibility to lead the implementation of the AQF and serve as a Secretariat of the National VET Council.

45 The vocational education system in Albania is a responsibility of the Ministry of Education and Science, while adult training is a responsibility of the Ministry of Labour which administers all public vocational training centres in the country.

46 Law 10 081, dated 23.2.2009 and the relevant Decision of the Council of Ministers Nr. 538, dated 26.5.2009.

### 3.3. Labour market policies

The Employment Strategy (2007-2013) builds on the goals of the European Employment Strategy – full employment, improving quality and productivity of labour and strengthening social cohesion – and covers the period 2007-2013. The Employment Strategy is centred on the promotion of an active policy on employment through the establishment of a modern system of employment services, the development of employment promotion programmes, the improvement of the vocational education and training system, the reduction of informal employment, the improvement of conditions of work and the support of social dialogue<sup>47</sup>. The improvement of the employment services and of the vocational training system is at the core of the strategy. Specifically, the establishment of a modern and unique system of employment services includes the improvement of staff competencies in treating clients, better allocation of human resources, the improvement of contacts with enterprises and the review of the geographical coverage and extension of employment services<sup>48</sup>. The introduction of a new Information Technology (IT) system for the registration of the unemployed and of enterprises is also expected to provide the means to monitor performance.

To modernize the vocational education and training system, the strategy foresees the alignment of adult training provision to vocational standards and the design of new VET curricula that respond to labour market needs. It also envisages the enhancement of training and management competencies and the upgrading of premises, equipment and learning material.

The Employment Strategy also envisages the establishment of a monitoring and evaluation system to

<sup>47</sup> See Ministry of Labour, Social Affairs and Equal Opportunities, *Sectoral Strategy on Employment and Vocational Training (2007-2013)*, Tirana, 2007.

<sup>48</sup> Currently the employment offices do not cover rural areas.

improve the design of employment promotion programmes and details the actions needed to improve employment opportunities for youth, potential and returning migrants, persons with disabilities, women and Roma population groups. The measure set forth to reduce the informal economy include better inter-institutional coordination, the increase in the number of tax and labour inspections and the reduction of administrative barriers for businesses.

Although the actions described above contain some features of an active policy on employment, the targets envisaged and the resources to be deployed are below those required for the attainment of the stated policy objectives. In addition, the interventions designed fall short of the measures necessary to modernize the employment and training service system and to establish a comprehensive package of services designed to overcome both the disadvantages faced by the unemployed and respond to requirements stemming from the labour market.

### 3.3.1 Employment protection legislation

Compared to 2005, income from direct contributions in all social insurance categories grew by around 26 per cent. The reduction of the social insurance contribution rate (from 38.5 per cent in 2005 to 24.5 per cent in 2008) was geared at promoting business development and encouraging the payment of arrears. In the period 2005-2008 the business contribution rate was reduced by almost 50 per cent (from 29 per cent of salary in 2005 to 15 per cent in 2009).

**Table 3.1: EPL indices, youth unemployment and temporary employment in the Western Balkans, OECD and EU countries**

Country	Year	Component Indices			EPL Summary Index	Youth unemployment rate (*)
		Regular Contracts	Temporary Contracts	Collective Dismissals		
<b>Albania</b>	2008	1.8	1.9	3.4	2.1	24.7
<b>Bosnia and Herzegovina</b>	2008	2.0	2.9	3.3	2.6	49.1
<b>Croatia</b>	2003	2.7	2.8	2.5	2.7	22.0
<b>FYR Macedonia</b>	2008	2.1	3.8	3.8	3.1	56.4
<b>Greece</b>	2008	2.3	3.5	3.3	3.0	22.1
<b>Hungary</b>	2008	1.8	2.1	2.9	2.1	19.9
<b>Italy</b>	2008	1.7	2.5	4.9	2.6	21.2
<b>Montenegro</b>	2008	2.6	1.1	3.8	2.2	30.5
<b>Serbia</b>	2008	2.0	1.9	3.6	2.2	37.4
<b>Slovak Republic</b>	2008	2.5	1.2	3.8	2.1	19.0
<b>OECD Average</b>	2008	2.0	2.0	2.9	2.2	13.2

*Note:* The EPL index measures the degree of strictness of employment protection legislation. The index ranges from 0 (very liberal) to 6 (very restrictive).

(\*) the youth unemployment rate refers to the age group 15 to 24 for all countries except Albania (15 to 29 years of age). Data are LFS figures published by the national statistical offices.

*Source:* ILO, OECD, EUROSTAT database.

In 2008 the Employment Protection Legislation (EPL) for Albania was 2.1, lower than all other Western Balkan countries as well as OECD countries (Table 3.1). Such low EPL index, however, did not appear to have had an impact on job creation, as the unemployment rate has remained in the two digits since the beginning of the decade.

### 3.3.2. Active labour market policies

The National Employment Service (NES) of Albania is mandated to carry out all the functions of a modern public employment service – e.g. job mediation, labour market information, administration of active and passive employment policies<sup>49</sup>. However, many local offices – due to limited resources – are able to offer only registration and payment of cash benefits<sup>50</sup>.

The functions that are most in need of attention are individualized assistance to the unemployed to find suitable employment; the referral of applicants and vacancies from one employment office to another; the facilitation of occupational mobility; the collection and analysis of information on the situation of the labour market and its probable evolution, both in the country as a whole and in the different industries and occupations; the canvassing of vacancies and the effective design, monitoring and evaluation of programmes aimed at facilitating the (re)entry into employment of jobseekers at risk of labour market exclusion.

Employment promotion programmes were first introduced in Albania in 1999. Currently the NES offers three types of active labour market programmes, summarized in Box 3.2; employment subsidies for the recruitment of unemployed at risk of labour market exclusion, labour market training (off- and on-the job training, as well as apprenticeship) and employment subsidies to promote the employment of disadvantaged women<sup>51</sup>.

49 The NES is organized around one central office in Tirana and a network of twelve regional and twenty-four local employment offices.

50 In short, the NES is currently unable to offer employment services aligned to the principles established in the ILO *Employment Service Convention* (Convention No. 88), 1948 recently ratified by the Government of Albania.

51 The types of programmes named “apprenticeship” (or professional

### Box 3.2: Employment promotion programmes (EPP) in Albania

**Programmes for unemployed women:** The programme started in 2004. It aims to integrate disadvantaged women (victims of trafficking, older women and women with disabilities) into the labour market. It lasts from one to three years. During the first year, the employer can benefit from 75% financing of compulsory social insurance contribution and 4 minimum wages. During the second year, the employer receives 85% of social security contributions and 6 minimum wages, and during the third year the employer receives 100% of social security contributions and 4 minimum wages.

**Enterprise-based training:** The programme started in early 2008. It supports employers who provide training for beneficiaries on the job and who employ at least 50% of them for a period of at least 6 months. The employers are rebated 70% (for Small and Medium-Size Enterprises) or 50% (for large enterprises) of the cost of the training courses and reimbursed 50% of the minimum wage and social security contributions for the 6 months of training.

**Employment subsidies:** As of 2008, employers who employ hard-to-place unemployed for a minimum period of 12 months with a regular contract can receive financing of 100 per cent of the minimum wage for 4 months (as from the 9<sup>th</sup> month of employment) and the reimbursement of the employers' share of social security contributions for 1 year.

Limited financial resources do not allow the targeting of all the unemployed who belong to one of the fifteen vulnerable categories listed in the Employment Promotion Law<sup>52</sup>. In addition, the current geographical concentration and funding modalities limit both range and scope. In 2009, only

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practice) in Albania refer to practice periods organized in an enterprise or public institution to fulfil the requirement of the law for completing a degree and obtaining access to certain occupations. As such these measures target mostly highly educated unemployed. Employers receive 100 per cent of the base unemployment benefit per each month of practice. Job seekers receive 100 per cent of the base unemployment benefit up to a maximum of 6 months, and a contribution for insurance against accidents equal to 0.5 per cent of the minimum wage (to be paid directly to the Social Insurance Institute) (Decision of the Council of Ministers Nr. 873, dated 27.12.2006).

52 The *Employment Promotion Law* identifies as "vulnerable": women with many children; unemployed individuals over 50 years of age; young people; long-term unemployed; unemployed living in poor households; victims of trafficking; beneficiaries of social assistance; redundant employees; single mothers; divorced women with "social problem"; individuals returning after a period of emigration; newly graduates; ex-detainees, persons with disabilities and Roma people.

8,885<sup>53</sup> persons participated in active labour market measures (ALMPs), e.g. only 6.1 per cent of all persons registered as unemployed<sup>54</sup>.

The overall budget of NES for the years 2008 and 2009 is summarized in Table 3.2. Approximately 23 per cent of the budget is earmarked for administration (including investments) and 20 per cent is allocated to ALMPs (public vocational training and other active programmes). Roughly 57 per cent of the overall budget is spent for the unemployment benefit. Notwithstanding the increases experienced in the last few years, the overall budget of NES still represents 0.14 per cent of the Albanian GDP. In 2009 the funds available for employment promotion programmes equalled 0,016 per cent of GDP.<sup>55</sup>

**Table 3.2: NES Budget 2008-2009 (in USD\*)**

	2008	2009
Central administration	526,170	526,170
Local Administration	2,328,000	2,313,000
ALMPs	1,893,460	1,698,130
Vocational Training	1,058,880	1,161,680
Unemployment benefit	7,705,600	8,114,020
Investment	974,770	455,140
<b>TOTAL</b>	<b>14,486,880</b>	<b>14,268,140</b>

Source: NES, Annual Report (2007-2009). \* 1US\$= 107 Leke.

53 This includes 6,611 participants in vocational training courses in the public centres and 2,274 participants in the employment promotion programmes established through the relevant decisions of the Council of Ministers.

54 NES, *Annual Report, 2009*, Tirana 2010. The *NSDI Progress Report*, (op.cit., page 46.) states that in 2008 approximately 6,235 jobseekers found employment through ALMPs, whereas 35,000 jobseekers found employment through the assistance of the employment offices.



Most of the funding available for employment promotion programmes in 2008 was invested in employment subsidies (63.7 per cent of available funding), whereas on-the-job training and work practice schemes received 18.3 per cent and 17.8 per cent respectively. In 2009, on-the job training received approximately 64 per cent of the ALMP allocation, while employment subsidies and work experience programmes received 24 per cent and 11 per cent of the total allocation.

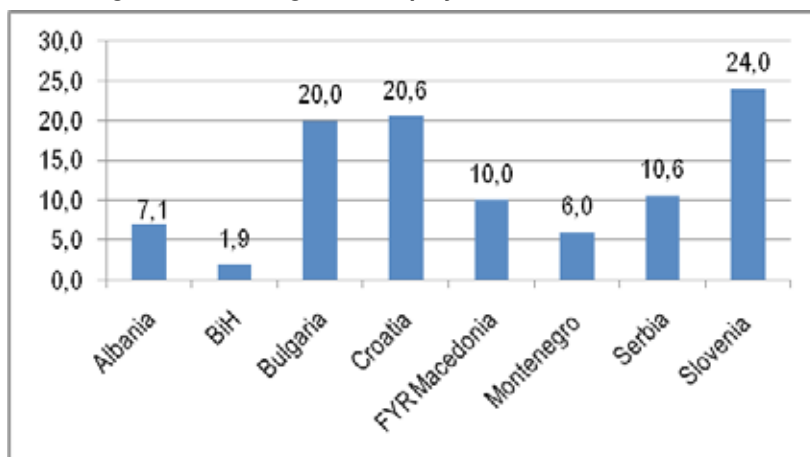
### 3.3.3. Passive labour market policies

The two main passive policies in Albania are cash unemployment and social assistance benefits. The unemployment benefit – which is unrelated to the number of years of service and to the total contributions paid<sup>56</sup> – includes additional entitlements, such as discounts on the energy bills, public transportation and school books for dependent children. These entitlements amount to 40 per cent of the overall disbursements of the unemployment budget. The unemployment benefit was increased in 2008 by 14.2 per cent and is now equal to 40 per cent of the minimum wage<sup>57</sup>.

<sup>56</sup> Access to the unemployment benefit requires one year of social contributions (art. 53, law nr. 7703, dated 11;05.1995 and subsequent amendments).

<sup>57</sup> The minimum wage is currently equal to 18,000 leke per month. The current objective of the Government is to increase the unemployment benefit to 50 per cent of the minimum wage.

**Figure 3.2: Coverage of unemployment benefits, SEE countries**



Source: ILO, *Country Review of Employment Policy*, various years. The figures for Albania are for 2009; while for other countries are as follows: Bosnia and Herzegovina 2007; Bulgaria 2004; Croatia 2004; FYR Macedonia 2006; Serbia 2008; Montenegro 2006; Slovenia 2004.

Only 7 per cent of registered unemployed are entitled to the unemployment benefit, while more than 60 per cent are beneficiaries of social assistance. In addition, the unemployment benefit hardly reaches young people due to absence of coverage for first time job seekers. Given its level, the eligibility criteria and the 12 month maximum duration, it is unlikely that the unemployment benefit constitutes a disincentive to active job search. However, the low coverage and level of the benefit may constitute an incentive for individuals to supplement income through work in the informal economy.

In 1993, in response to persistent unemployment and rising poverty the government introduced an anti-poverty programme, Ndihma Ekonomike (NE). Although originally designed to support urban families without income and rural households with small landholdings, the programme was extended to all poor households in 1995. A further reform was enacted in March 2011. It modified the criteria for the assignment of the Ndihma Ekonomike as well as other elements of the programme.

The Albanian social protection system is composed of multiple programmes that provide coverage against the risks of poverty, old-age, disability, unemployment, short term

illness and maternity. With the exception of social assistance transfers provided by the Ndihma Ekonomike programme, all social protection benefits are financed through payroll contributions of both employers and employees. However, the post-transition surge in informality has led to inadequate revenue generation via payroll contributions, while the increasingly elderly population, mostly with full pension rights, has limited the government's ability to provide comprehensive social protection. The country avoided a fiscal crisis in the social protection system mainly by compressing benefit levels. This has, in turn, prompted individuals to declare lower earnings and spend more of their work life in the informal economy since benefits are low regardless of the level of contributions.

No specific measure has been taken to date to tackle the issue of persons working as contributing family members, which represent 43.7 per cent of youth employment (15 to 29) and 26.3 per cent of adult employment. The overwhelming majority of contributing family members work in agriculture (90 per cent), while the remaining 10 per cent work in the retail trade and in the hospitality sector. The social security contribution losses that the Government faces for such high proportions of young contributing family workers ranges from a minimum of US\$ 1.1 billion to a maximum of US\$ 5.2 billion<sup>58</sup>. If the minimum pension is factored in for all contributing family workers (amounting to US\$ 5.6 billion), the losses for the Government peak at US\$ 10.9 billion<sup>59</sup>.

In 2008, the social assistance programme spent 0.32 per cent of GDP, with an increase in overall allocation of 34 per cent. This is much more than the amount invested in ALMPs. In 2008, the households benefiting from the social assistance programme numbered 93,000, with an average cash entitlement per household of 3,091 Leke (roughly 23€).

58 The upper range has been calculated on the current taxation base for employees working at the minimum wage and on the presumption that all young contributing family workers continue in this employment status for all their working life (40 years). The lower range builds on the scenario that at least 21 per cent of young contributing family members move to paid employment as adults.

59 The total pension has been calculated on the basis of the current pensionable age for women and men and their different life expectancy. The minimum number of years of contribution is also factored in. If, as above, at least 21 per cent of all young contributing family members move to wage employment, the amount decreases to US\$ 1.2 billion.

Considering that the absolute poverty line is set at 4,981 Leke per capita (in 2002 prices), even the maximum amount of benefit (which cannot exceed 7,000 Leke monthly) is inadequate to provide to the basic needs of beneficiaries.

### 3.4. Institutional framework and coordination on youth employment

Within the Government of the Republic of Albania, there are a number of institutions deputed to deal with youth employment issue, including the Ministry of Labour, Social Policy and Equal Opportunities (MoLSAEO); the Ministry of Education and Science (MES); the Ministry of Economy, Trade and Energy (METE); and the Ministry of Tourism, Culture, Youth and Sports.

The macroeconomic and fiscal guidelines are set for the mid-term by the Economic and Fiscal Programme 2010-2012 updated every year. The institutions responsible for coordinating and implementing economic, fiscal and monetary policies are the Ministry of Finance, the Ministry of Economy and the National Bank of Albania.

MoLSAEO is responsible for employment, labour, migration and equal opportunities policies. It supervises the operation of the Labour Inspectorate, the Social Insurance Institute, and the National Employment Service. The Department for Employment Policies of MoLSAEO is responsible for designing and planning both employment and adult training policy, while the National Employment Service (NES) is responsible for their implementation. NES also runs a network of ten public regional vocational training centres that implement training as part of active labour market measures.

The Ministry of Economy, Trade and Energy is responsible for economic, energy, trade and industrial policy, as well as business promotion. It designs, monitors and evaluates policies for the development of the private sector and small and medium size enterprises. The Albanian Investment Development Agency (AIDA) is mandated by the Government

to pursue three strategic goals<sup>60</sup>: i) assisting and accelerating the inflow of foreign investment into the Albanian economy, ii) improving the competitiveness of Albanian exporters, and iii) providing professional and financial services to assist the growth of Albanian SMEs, iv) facilitate innovation and technology transfer.

The organizational framework of the Ministry of Education and Science comprises eleven Directorates. Two directorates (pre-university and higher education) are responsible to design, monitor and evaluate education policies. The National Agency for VET (NVETA) was established in 2006 as a subordinate institution of the MES. The main functions of NVETA include the preparation of the national list of qualifications, the Albanian Qualifications Framework (AQF) and framework curricula, the accreditation of VET providers, the establishment of standards for the initial and continuing training of teachers and trainers.

The Directorate for Youth Policies of the Ministry of Tourism, Culture, Youth and Sports, is the national coordination mechanism for the development and implementation of youth policies.

### 3.5. Development cooperation and youth employment

In 2008, the Millennium Development Goals Fund, financed by the Government of Spain, approved a joint programme of the ILO, IOM, UNDP and UNICEF to support the Albanian government to integrate the youth employment and migration policy priorities of the NSDI and the strategies on youth development, migration, employment and vocational training. The US\$ 3.3 million programme – *Youth migration: Reaping the benefits and mitigating the risks* – is aimed at: i) strengthening the capacity of labour market institutions to operationalize national policy priorities through a *National Action Plan on Youth Employment*, ii) devising strategies that minimize the risks of migration of disadvantaged youth from rural areas, and iii) increasing the positive impact of migration through the mobilization of resources for youth employment. Demonstration employment programmes are being piloted in the districts of Kukes and Shkodra that are highly affected

<sup>60</sup> Inaugurated on 4 January 2011 by the Prime Minister, AIDA assumed and expanded the functions of the AlInvest, which was dissolved.

by informal employment and migration of young people.

Since 2004 the European Union has been financing initiatives to reform the VET system. The CARDSVET project (which came to an end in April 2010) aimed at modernizing the VET system by: i) supporting the implementation of the reform strategy, ii) establishing a National Qualification Framework, including the enhancement of curricula and the expansion of teachers' training, and iii) improving facilities<sup>61</sup>.

Other initiatives, which have a bearing on youth employment, are listed hereunder.

- The EU Instrument of Pre-Accession is financing with €3.4 million a project to strengthen the capacity of METE and ALB-INVEST to develop, implement and monitor the SME policy. Concurrently, the Turn Around Management (TAM) programme is expected to bring industry-specific management expertise to SMEs, assisting them to operate successfully and develop new skills at the senior management level. In addition, IPA 2008 was financing with €7 million the “Strengthening the Vocational Education and Training (VET) in Albania” with the overall objective to support the implementation of Albania’s National Education Strategy with special focus on Pre-University Vocational Education and Training, supporting national socio-economic development and cohesion through development of a coherent VET system and a well skilled labour force. IPA 2010 is also covering with €3 million support to VET reform, employment services and State Labour Inspectorate.
- The Albania Vocational Education and Training Delivery Support Program (ALBVET) - supported by SDC, the agency for development and cooperation of the government of Switzerland- has committed around US\$ 3.1 million to the development,

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61 The first phase of EC-funded interventions in VET took place between 2004 and 2006 and was associated with the activities of the CARDS 2002 programme (€1,5 million). The second phase, which run from 2006 until end of 2007, comprises the activities of CARDS 2003 and CARDS 2004 programmes (respectively €2 million and €3 million). The latter CARDSVET project (€1,3 million) has been financed through the CARDS 2006 programme (€2 million).

improvement, and diversification of VET curricula. The current phase of implementation will continue until 2013.

- IPSIA and Caritas are implementing - with funds of the Italian government - a project targeting returning migrants from Italy in the districts of Lezha and Shkodra. The project aims at providing: i) information on employment and investment opportunities, and ii) training for business start-up, including a small grant system.
- USAID/Albania and Raiffeisen Bank signed a US\$ 12 million Loan Portfolio Guarantee Agreement (Development Credit Assistance) to increase lending to micro, small and medium sized enterprises for business expansion and diversification. At the same time, the US\$ 9.7 million Competitive Enterprise Development (CED) project aims to strengthen the competitiveness and productivity of Albanian enterprises in ten Albanian cities.
- The Swedish Labour Market Board (AMS), funded by the Swedish International Development Cooperation Agency (SIDA) with US\$ 1.7 million – has been providing technical assistance to the NES to improve the quality and the effectiveness of employment services as well as set up an IT-based labour market information system.

## PART II

# PRIORITY POLICIES

### 1. Problem identification

The strong and sustained economic growth experienced by Albania in the last decade led to an expansion of the private sector, an increase in domestic demand and foreign direct investment. Despite these progress, employment remains a pressing challenge. The data on the youth labour market, in particular, indicates that:

- Educational attainment is a strong determinant of both labour market performance and poverty risk. Young people with low educational attainment experience higher inactivity and unemployment rates and lower employment rates, which in turns has an impact on the probability of being poor. Also, young people are more likely than adults to be employed as contributing family members in the agricultural sector, in low quality and low-paid jobs, under precarious working conditions – often in the informal economy.
- A striking feature of the Albanian youth labour market is the men/women and rural/urban divide: young women are more exposed than their male peers to inactivity, unemployment and vulnerable employment , whereas youth living in rural areas are



more likely than urban youth to be unemployed or to be working in precarious conditions and to be poor. Although regional difference in poverty rates have narrowed in the period 2002-2008, the North-East part of the country remains the one where most of the poor are concentrated.

- Employment in the informal economy remains pervasive, with approximately 70 per cent of all young workers exposed to it. Work in the informal economy appears to be the only opportunity to earn a living for many young people both in rural and urban areas.
- Most young people in Albania face a troublesome transition from education to work due to the mismatch between education outcomes and labour market requirements and lack of decent work opportunities. Only a limited number will, eventually, make it into a permanent job. A significant number remain trapped in vulnerable forms of employment from which they find it difficult to exit.
- The economic and social policies pursued to date had little impact on youth employment. Little attention was paid to addressing the constraints enterprises faced in creating more and better jobs. Administrative barriers to business start-up and expansion, limited financial and non-financial support and poor law enforcement still hinder the employment potential of many enterprises in the private sector.

The policy mix pursued to date considered employment as being a derivative of sound macro-economic policy, rather than an objective in itself. The fiscal policies adopted since 2003 have succeeded in stabilizing the balance of payments and in reducing inflation, but failed to promote employment growth in the formal economy. The enterprise development strategies enacted to improve the legal framework and access to financial and non-financial services had a positive impact on the business climate. However, enterprises still face a number of constraints to productivity, both endogenous (i.e. management capacities, technology and equipment; skills base of the workforce and access to resources) and exogenous (i.e. effective state institutions and policies, an enabling business environment and a properly functioning judicial system) that

will need to be addressed in the medium to long term.

Actions to address the informal economy have been sporadic, mainly focused on reducing the corporate tax and social security contribution burden on enterprises, with little attention paid to the determinants of informality and to issues related to the enforcement of employment protection legislation. As a consequence, these measures yielded limited results in terms of moving workers and enterprises to the formal economy. Little attention has been paid to date to the costs associated to large number of workers engaged as contributing family members. The social security contribution losses that the Government faces just for young contributing family workers are in the range of US\$ 1.1 to 5.2 billion. Factoring also social pension costs would increase the upper range to US\$ 10.9 billion.

The education and training system is currently unable to address the employability challenges faced by young Albanians. The increase in the overall quantity of education was not matched by an increase in quality and relevance. Lifelong learning opportunities and the possibility for early school leavers and low-skilled youth to increase their job competencies are still limited both in terms of quantity and quality. The relations between the VET system and industry are weak, most curricula are still focused on narrow occupations and learning methods are still teacher-centred. The lack of vocational standards that reflects the new competencies required by the labour market, and labour market information gaps, complicates matters further.

The design of employment services and programmes need to be reformed – in terms of scope, sequencing, targeting and financing – to allow the achievement of the policy objectives set forth by the Employment Strategy. To ensure an efficient use of resources, employment programmes should be better targeted and be part of a comprehensive package of services geared to overcome the disadvantages faced by individuals and respond to labour market requirements. The funds available for labour market integration programmes, despite the increases experienced in the last few years, are still insufficient to cover the needs of the most vulnerable groups among the unemployed.

The table below provides a summary of the main problems identified, while the main cause/effect relation is illustrated in the following graph.

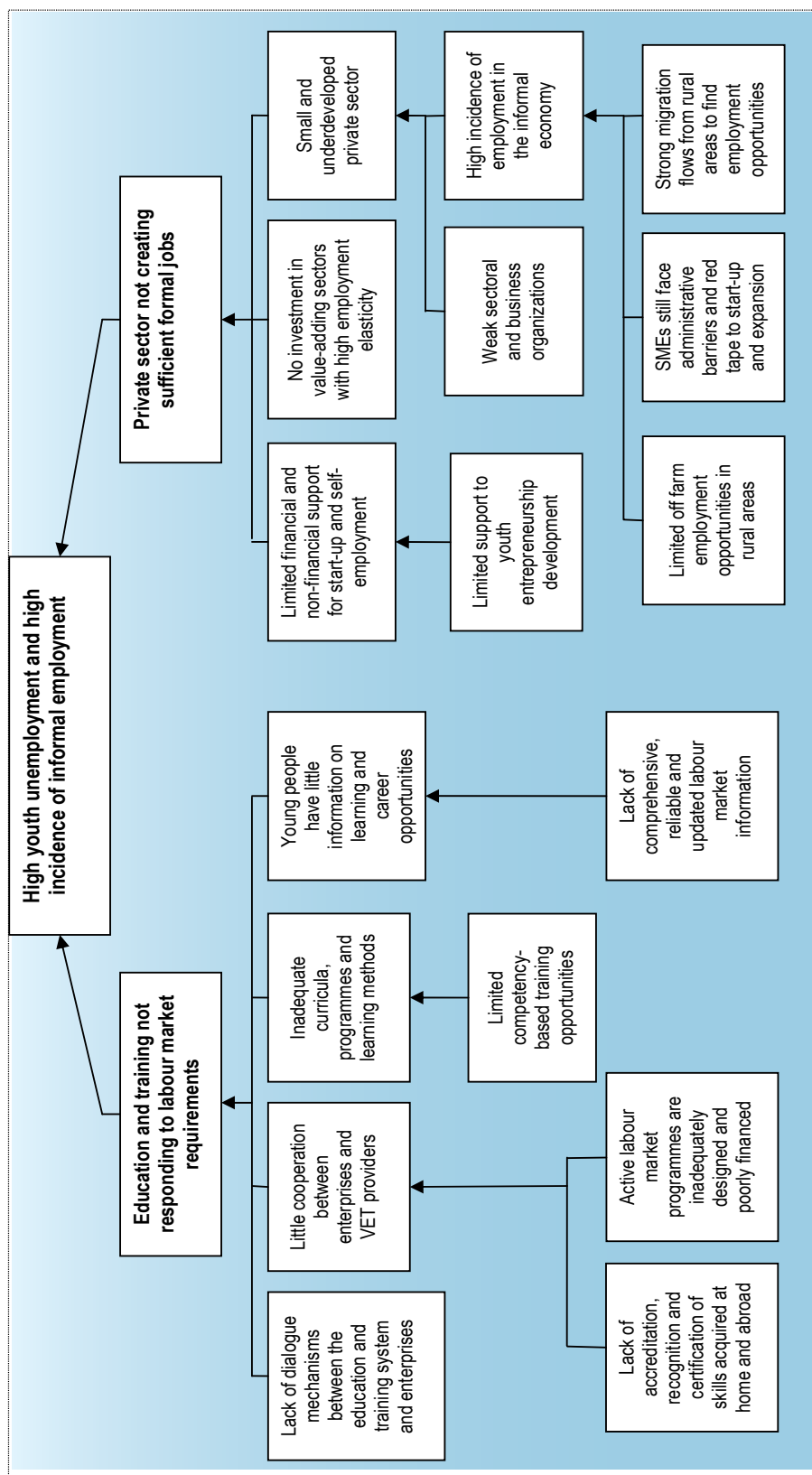
### Main youth employment determinants

<b>Macroeconomic framework</b>	<ul style="list-style-type: none"> <li>• Low youth employment elasticity to GDP growth; domestic investment levels still insufficient to boost employment-rich growth; low capacity of the formal economy to create jobs; the reform of fiscal policy had little impact on employment creation and the reduction of the informal economy</li> <li>• Employment considered as a derivative of macro-economic policies and not an objective in itself;</li> <li>• Labour market status affects poverty: the highest poverty risk is experienced by households whose members are inactive, unemployed or working as contributing family members;</li> <li>• Little attention to realising the employment creation potential of sectoral policies (SME development, agricultural policy, rural and infrastructure development).</li> </ul>
<b>Education and training</b>	<ul style="list-style-type: none"> <li>• Lower enrolment rates in secondary and tertiary education with respect to EU-average; unequal access to education; rural/urban divide.</li> <li>• Inadequate education inputs leading to poor quality of education outcomes; lack of relevance of education outcomes to labour market needs; poor linkages with industry and the world of work; lack of entrepreneurship and career education.</li> <li>• Low level (quantity and quality) of adult training provision, no competency-based system linked to the world of work; few lifelong learning opportunities.</li> <li>• Qualification and certification system as well as recognition of prior learning still not available.</li> </ul>

<b>Enterprise development</b>	<ul style="list-style-type: none"> <li>• Low job creation capacity of enterprises in the formal economy, endogenous and exogenous productivity constraints.</li> <li>• Framework for the promotion of SME in place; administrative barriers (red tape) still hindering micro enterprise start-up and expansion;</li> <li>• Funds for the promotion of SMEs, local development, infrastructure and agriculture poorly coordinated; lack of start-up credit especially in rural areas,</li> <li>• Insufficient youth entrepreneurship initiatives, limited access of young people to credit facilities, advisory services and networks; no entrepreneurship education in school curricula and limited training on business start-up;</li> </ul>
<b>Labour market</b>	<ul style="list-style-type: none"> <li>• Informal economy is pressuring the already weak social protection system and hinders competition, with severe tax revenue losses due to poor enforcement of labour and social security legislation;</li> <li>• Low participation of women and young people in the labour market, slow increase in employment rates and high percentage of long term unemployed among the working age population;</li> <li>• High rates of vulnerable employment and employment in the informal economy; high shares of young people working as contributing family members in agriculture with poor prospects for off-farm employment;</li> <li>• The overwhelming majority of young workers are employed with no social protection, despite the reduction of social security contribution costs;</li> </ul>

	<ul style="list-style-type: none"> <li>• Difficulties in enforcing labour protection legislation, especially in rural areas;</li> <li>• Inadequate coverage of employment services and programme, especially for young people; little attention paid to young unemployed with low levels of education;</li> <li>• Poor design and targeting of active labour market policies (ALMPs), lack of linkages between passive and active measures; no impact evaluation of ALMPs; limited and ineffective instruments to overcome lack of work experience of young people;</li> <li>• Lack of policy coordination to deal with the youth employment challenge and limited involvement of social partners in policy design, implementation, monitoring and evaluation.</li> </ul>
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**Chart 1: Cause/effect relation of youth unemployment rates and incidence of the informal economy**



## 2. Policy priorities

The guiding scenario (policy space available) for the identification and evaluation of youth employment policy options is provided by the Economic and Fiscal Programme 2010-2012 as well as the short- and medium-term priorities set for each policy area in the National Development and Integration Strategy (NSDI). The macroeconomic projections were reviewed to account for the consequences of the global financial crisis on the country's economic prospects, as well as on neighbouring countries and the European Union, which are Albania's main trading partners. Growth is projected to increase in the period 2010-2013 from 5.5 per cent (2010) to 6.7 per cent (2013). Agricultural production is forecasted to grow by an average of 3.5-4 per cent a year. Industrial production will grow by 8.9 per cent in real terms, construction by 6 per cent, and services by 7.1 per cent. The main contribution to this growth is expected to be made by trade, hotel and restaurant, transport and telecommunication services. The inflation rate is projected to remain stable throughout 2010-2013 at 3 per cent, in line with the main monetary policy objectives.

The trade deficit as a share of GDP is forecast to shrink from 26.1 per cent in 2010 to 22.7 per cent in 2013. The current account deficit will also decreased (from 17.2 per cent of GDP in 2009 to 8.9 per cent in 2013). Foreign Direct Investments (FDI), mainly greenfield, will average 5-6 per cent of GDP per year, with a slightly decreasing trends as of 2013. Total revenues will increase from 26.6 per cent in 2010 to 26.9 per cent in 2012. Such growth is projected to be driven by improvements in the tax collection administration system. Capital expenditures for the period 2009 – 2011 will be stabilized at around 6.3-6.4 per cent of GDP to support priority sectors like education, health and infrastructure development.

The fiscal policy outlined by the Programme is centred on establishing an encouraging climate for investments,

simplifying the taxation system and the regulatory and administrative framework for doing business (registration, licensing, e-taxes and so on) and lowering the tax burden on business income. To finance public expenditures and preserving macro-economic stability, the priority of the government is to broaden the tax base. Another crucial objective of the fiscal policy is the approximation of the direct and indirect taxation legislation to the EU *acquis communautaire*.

For the period 2011-2013, the expenses for unemployment benefits, economic assistance and disability benefits are foreseen to increase to an average 1.3 per cent of GDP per year. Due to legal and administrative improvements, disbursements for the social assistance programme will decrease in relative terms. Most of the envisaged increase in social policy allocation will be invested in the disability allowance (as a consequence of its indexing), in expanding the number of beneficiaries and in the improvement of procedures.

Based on the previous analysis and given the available policy space, the policy priorities to improve youth employment touch upon education and training, private sector development and labour market policies. Their interaction with macroeconomic and social policies, as well as their medium-term impact on youth employment, is assessed according to desirability, affordability and feasibility criteria in the following paragraphs. For each policy area, the analysis and evaluation of options builds upon the existing policy context and elaborates on expansions, additions and adjustments that are necessary to maximize the outcomes in terms of youth employment. The policy approach is centred on accelerating the on-going reform process and leveraging on the policy outcomes envisaged by the NSDI and sectoral strategies.



## 2.1 Education and training

The National Education Strategy (2005) and the National Strategy on Pre-University Education (2009-2013) (NSPEU) provide a framework for improving the quantity and quality of education outcomes as well as strengthening the cost-effectiveness and efficiency of the VET system. The performance indicators of the educational system (as stated in the NSPEU) envisage a progressive increase of the expenditures for public education (as % of GDP) up to 5.7 in 2013. Human capital development is also at the core of the NSDI and the Employment Strategy. Such policy frameworks envisage: i) raising the quantity and quality of education to respond to labour market needs; ii) increasing the flexibility of educational offers and ensuring vertical and horizontal mobility among lower/higher and general/vocational education; iii) providing easier access to education and training for all and iv) improving teaching and learning resources. These strategic actions are focused mainly on preventive policy options – e.g. reform of all levels of the education system, which will mostly benefit the next generation of young Albanians – while little attention has been paid to curative policy options – e.g. addressing the current skills deficits affecting many young people that attempt to enter the labour market with low educational attainment. In addition, the high percentage of young people with general secondary education attainment who are unemployed points to the fact that higher levels of education are not per se sufficient for gaining a foothold in the labour market. Not taking remedial action, pending the unfolding of the reform of the education system, would only aggravate the situation. The causes and effects of the current shortcomings of the education and training system call for a more balanced mix of preventive and curative policy options touching upon the drivers of vocational education reform and the establishment of a system for adult training.

To redress labour market disadvantages and social exclusion that are strongly correlated to a poor skills base, it is of the utmost urgency to introduce a system's approach

to adult training based on competencies. This would allow both enterprises and employment offices to train people for occupations leading to sustainable jobs.

The following policy options are deemed affordable and feasible in the short- to medium-term to increase the relevance of education and training and facilitate the labour market integration of young people:

- Reform the vocational education system – as already set forth in the Strategies of the Ministry of Education – to: a) align education outcomes to labour market needs; b) make VET complementary to basic education, focused on broad occupational areas and providing work-experience as part of the curriculum; c) introduce a recognition of prior learning system based on established vocational standards to allow the recognition of skills acquired in non-formal settings either at home or abroad.
- Increase the availability of adult training programmes to: a) provide young people with skills leading to employment; and b) increase the coverage and scope of adult vocational training provision to remedy the lack of employment-related qualifications.
- Strengthen the link between schools and work by: a) providing timely career information, education and guidance for young people; b) introducing entrepreneurship education in the school curriculum; and c) providing work experience opportunities to ease the transition from school to work (combining school-based education with enterprise-based training).

## 2.2. Private sector development

Albania needs high capital investment to encourage economic and employment growth. The opportunity to advance such investments is provided by the extent of the infrastructural development projects initiated by the Government in 2009 as a means to counter-act the effects of the global economic crisis. The introduction of criteria for infrastructural project selection that prioritize youth employment will help Albania move forward on the achievement of the employment targets set by national strategies.

The enabling framework for private sector development is largely in place. Measures are already in the pipeline – as set forth by the Business and Investment Development Strategy (2007-2013) and accompanying SME Development Strategic Programme – to address the remaining ambiguity in the enterprise regulatory regime, eliminate administrative barriers to micro-, small- and medium-sized enterprise development, improving the quantity and quality of financial and non-financial services and improving the tax administration system to ease business operations.

A number of initiatives exists for improving the access of SME to quality advisory services and credit. The Government established in 2007 a Credit Guarantee Fund amounting to 200 million Leke. The Fund mainly targets export-oriented small and medium-size enterprises. In 2007, the Government set up the Albanian Competitiveness Fund (€ 200,000). The scheme is designed to help the Albanian SMEs enhance competitiveness through improving their product and management quality, deliver high standard products compatible to the market, and integrate into the regional and European markets. Since September 2008, a programme for SMEs' support has been in place, financed by the government of Italy. It includes a soft credit line of - 25 million and guarantee fund of - 2.5 million.

The priorities established by the agriculture and rural development policies aim at addressing the key challenges that hamper the development of the agricultural sector and results in low productivity and incomes (land fragmentation, uncertainties about property rights, poor infrastructure and marketing systems, lack of cooperation between producers and business sectors and insufficient knowledge about food quality and safety standards). To support priority farming activities and to increase access to credit, the Government established in 2009 an agricultural fund totaling 1,5 billion Leke. The fund subsidizes up to 70 per cent of the interest rate for a period of three years and guarantees 50 per cent of credits up to 15 million Leke.

Actions to contrast the informal economy are of the essence as informality deters investment and hampers productivity growth. Breaking the cycle requires a careful approach that induces both individuals and enterprises to comply with their obligations. This can be done by: a) tackling the root causes leading workers and enterprises toward the informal economy, b) strengthening the enforcement of the labour law and enacting stiffer penalties for non-compliance, especially in those sectors that most employ youth, and c) establishing provisional measures to encourage enterprises and workers to move to the formal economy.

But the policy actions that address agricultural development, enterprise growth, youth employment and the fight against informality need to be better linked and coordinated. Thus, the policy options which are deemed relevant to improve decent work opportunities for young people relate to agriculture and enterprise development, reducing the informal economy and promoting young people's rights at work. Such policy options are designed to complement those envisaged by the Business and Investment Development Strategy and Employment Strategy.

The following policy options are deemed feasible in the short- to medium-term to complement on-going investment and private sector development measures and improve their youth employment impact:

- Foster employment intensive growth by: a) prioritizing youth employment in infrastructure development initiatives, and b) fostering enterprise promotion policies that enhance investment in human capital and increase youth employment;
- Reduce informality by: a) developing promotional measures to move workers and firms to the formal economy, and d) raising the awareness of young people on their rights at work.

## 2.3. Labour market policies

The formulation and implementation of an active policy on employment is of the essence to address the youth employment challenge. Policies aimed at improving the employment prospects of youth should have a wider scope, while programmes need to be targeted to those who are more disadvantaged in the labour market, especially youth with low educational and training levels and young people living in rural areas. A new employment promotion framework will be designed for the implementation of an active policy on employment, to ensure the delivery of more effective and better resourced active labour market policies.

Employment measures need to take into consideration that labour market interventions aimed at addressing the multiple disadvantages faced by many young people need to be offered as a comprehensive package of employment services that include components of functional literacy, motivation and career orientation training, and a combination of institution- and enterprise-based training and job-placement schemes. The major issues that need to be addressed relate to providing access of young people living in urban and rural areas to the employment services and programmes provided by NES. To improve cost-effectiveness it is necessary to establish a periodic system of internal and external efficiency checks to verify impact. To improve efficiency, it is necessary to decentralize a number of responsibilities and tasks to local authorities, especially in the administration of labour market programmes. This requires the establishment of a well-defined

and reliable performance monitoring system. The availability of timely and reliable labour market information is a sine qua non for implementing such a system. It is also important to put in place a follow-up mechanism providing information on the quality and the quantity of placements, together with a management system where each decentralized employment office identifies measurable outcomes to be achieved based on current endowments.

The active labour market programmes implemented by NES to date have paid limited attention to addressing the disadvantages that many young people, especially young women and youth living in rural areas, face in the labour market. Hence, the most affordable and desirable policy option is to improve the design of active labour market policies to: a) target both individual characteristics (e.g. sex, educational level, socio-cultural background, geographical location) and the labour market disadvantages faced by young people; b) link them more closely to the world of work; and c) make them more responsive to the demands of the labour market. To improve such initiatives, adequate financial resources need to be made available and employers' and workers' organizations need to be more closely involved in their design, monitoring and evaluation.

The policy options that are necessary to complement the existing mix of labour market measures to promote labour market inclusion are:

- Strengthen the governance system of the labour market by: a) strengthening the capacity of the Employment Policy Department of MoLSAEO to manage the employment policy cycle; and b) mainstreaming NES service and programme reform in all local employment offices;
- Improve the design and targeting of ALMPs by: a) amending the regulatory framework governing employment promotion programmes; b) designing and offering sequenced programmes integrating components targeting both labour demand and supply, c) increasing the funds available to implement employment promotion programmes, and c) establishing an appropriate monitoring and evaluation system to measure the net impact of programmes on young beneficiaries.

## PART III

# ACTION PLANNING

### 1. Goal

The overarching goal of the *Action Plan on Youth Employment* of the Republic of Albania is to contribute to the promotion of full and productive employment for young people.

### 2. Specific youth employment objectives and targets

The Government is in the process of implementing the policy and institutional changes that are envisaged by the National Development and Integration Strategy. Although the national employment strategy contains some elements of an active policy on employment, its objectives have few links with other economic and social policies. Hence, and in order to achieve the objectives of the youth employment policy, an effective labour market governance system at both central and local level, based on partnership and social dialogue, is required. The first priority objective of the Action Plan, therefore, is cross-cutting and geared to:

#### **1. Strengthen the governance of the (youth) labour market.**

The main target of this objective is the promotion at central and local level of the principles of the active policy on employment aligned to EU and international standards.

Improving the quantity and quality of education provides the highest rate of return in promoting youth employability. Hence, the second policy objective of the *Youth Employment Action Plan* is to:

**2. Promote labour market prospects of young people by enhancing their employability**

This objective has two targets: a 25 per cent increase in the number of secondary education graduates employed in a career job and a 20 per cent increase in the number of early school leavers and low skilled youth acquiring competencies leading to a job.

The impact of the education reform will yield results only on the medium to long term. In order to remedy education and training failures, lifelong learning opportunities will be fostered to address the employability needs of those young people who will not be able to benefit from improved education outcomes. Conversely, increasing the employability of young people without addressing the capacity of the economy to create decent work opportunities will erode the benefits generated by a more educated youth workforce. Quality of employment and decent work need to be actively promoted and informality reduced. To this end, the third objective is to:

**3. Foster the role of the private sector in creating decent jobs for young people**

The target is a 4 per cent increase in the employment rate of young people and a 5 per cent decrease in the informality rate of young workers.

Increasing the employability of young people, fostering the capacity of the private sector to create decent jobs and addressing informality will not, in themselves, be sufficient to address the needs of those young people who face multiple barriers in the labour market. Equity concerns demand that specific measures be enacted. Thus, the fourth and final objective of the Action Plan is to:



**4. Promote labour market inclusion of disadvantaged youth through targeted labour market measures.**

The target is a 40 per cent increase of disadvantaged youth participating in ALMPs and employed in a career job; and 5 percentage points decrease of young people in vulnerable employment.

The time frame of the *Action Plan on Youth Employment* is three years, from 2010 to 2013. This timeframe allows the alignment of the Action Plan to the mid-term budgetary planning framework and the objectives of the Employment Strategy.

Chapter 3 highlights the operational outcomes that will lead to the attainment of the above-mentioned objectives. The indicators designed to measure performance and progress over time are summarized in the matrix appended in Annex 1.

## 3. Key outcomes and indicators

### 3.1. Strengthening the (youth) labour market governance system

The strategy to improve the (youth) governance of the labour market is based on a three-pronged approach that includes:

1) strengthening the capacity of the Employment Policy Department of MoLSAEO to manage the employment policy cycle (i.e. analysis, planning, formulation, monitoring and evaluation of employment policy) and the decentralization of the active policy on employment; 2) the reform of the National Employment Services to cover all functions of a modern employment service, and 3) the establishment of local partnerships for youth employment to coordinate implementation and promote job creation at local level.

Such work will strengthen MoLSAEO's labour administration functions and improve its interactions with other ministries in charge of other economic and social policies, whereas the NES reform will improve its capacity to match the needs of the unemployed with labour market requirements.

The outputs of the joint UN Programme "*Youth migration: Reaping the benefits and mitigating the risks*" (i.e knowledge base on youth employment, migration and informal employment; capacity building to improve the delivery of integrated employment services and programmes at national and local level) and of the technical assistance projects targeting NES, financed by the Government of Italy and Sweden, constitute an integral part of this outcome and are not repeated here. Such outputs are detailed in the respective project documents and are implemented under the lead of MoLSAEO and NES. Starting from 2011, additional technical capacity assistance to MoLSAEO and NES is envisaged within the framework of the IPA 2010 project.

#### ■ Outcome 1.1

*The Employment Policy Department of MoLSAEO is re-organized for managing the (youth) employment policy cycle more effectively*

- The employment promotion framework is aligned to the principles enshrined in ILO Convention No 122 (Employment Policy) and Convention No 88 (Public Employment Services) as well as the EU *acquis communautaire*;
- The Employment Policy Department of MoLSAEO is able to formulate, monitor and evaluate evidence-based employment policies;
- Social pacts on youth employment are implemented in disadvantaged regions.

**Baseline:** The Employment Strategy contains some elements of an active policy on employment. However, the capacity to design, monitor and evaluate evidence-based employment policies and programmes is still limited.

Effective labour market policies call for improved labour administration, efficient use of financial resources and the formulation of evidence-based policies. Thus, INSTAT's support to the production, dissemination and analysis of labour market data is a key factor in the realization of this outcome. The government will move forward with the reform of labour administration, which includes the capacity building of the Employment Department to formulate, monitor and evaluate the employment policy and the strengthening of local labour market institutions to deliver on the active policy on employment.

Local government institutions are increasingly required to take responsibility for a number of policy areas, to find the necessary financial resources, and to monitor and evaluate the effectiveness and efficiency of the interventions administered. The capacity of local administrations to address the youth employment challenge requires a major effort in both policy and programme implementation. In this respect, coordination between the central and local government agencies responsible for addressing youth employment issues will have to be strengthened. The capacity of local labour market institutions will be built to design, monitor and evaluate youth employment interventions targeted to local circumstances.

### ■ Output 1.1.1

Labour market indicators are regularly collected and analyzed to inform the formulation of evidence-based (youth) employment policies;

### ■ Output 1.1.2

The capacity of the Employment Department to manage the whole employment policy cycle is strengthened;

### ■ Output 1.1.3

Monitoring and evaluation cycles of the active policy on employment regularly conducted;

### ■ Output 1.1.4

The capacity of local labour market institutions – including the social partners – to prioritize youth employment interventions based on evidence, strengthened;

### ■ Output 1.1.5

Social pacts on youth employment are piloted in regions with a high incidence of youth at risk of labour market exclusion.

## ■ Outcome 1.2

*NES reform mainstreamed in all local employment offices*

- Number of unemployed receiving basic employment services (labour market information, counselling and guidance and job placement) within three months from registration (by sex, age group, rural/urban areas and individual characteristics);
- Increase in the number of youth (less than 30 years old) profiled by NES for priority intervention;
- Number of young returning migrants receiving individualized employment services leading to employment;
- A system to allocate human and financial resources based on local labour market conditions designed and used in NES.

**Baseline:** At the end of 2009, the total number of unemployed registered was 144,766 (50.8 per cent women)<sup>62</sup>. Young people 15 to 24 represented 19.8 per cent of the total number of

62 INSTAT website, access 20th July 2010.

unemployed. At the end of 2009, the share of young unemployed belonging to vulnerable groups (Roma people, women trafficked, persons with disabilities and others) was 4.8 per cent of all youth registered. Data on the provision of employment services to returning migrants are not available.

The organization and delivery on the key functions of NES (labour market information, counselling and guidance, job brokering and administration of active labour market programmes) needs to be reformed and sufficient resources deployed to ensure that: i) all employment offices achieve a reasonable level of service delivery both in urban and rural areas, ii) the sequence of available services and programmes effectively address the labour market needs of the most disadvantaged groups of the population. The employment service functions that are most in need of attention are individualized assistance to the unemployed to find suitable employment; a profiling systems to identify at-risk jobseekers early in their period of unemployment; the facilitation of occupational mobility; the collection and analysis of information on the situation of the labour market and its probable evolution, both in the country as a whole and in the different industries and occupations; and the effective design, monitoring and evaluation of programmes aimed at facilitating the (re)entry in employment of jobseekers at risk of labour market exclusion. The newly adopted Strategy on Reintegration of Returned Albanian Citizens (2010-2015) offers a blueprint for strengthening the capacity of the migration service centres established at NES to provide information and give access to the existing employment services and programmes to returning migrants.

All of the above will contribute to the alignment of the performance of the employment services to the provisions of the Employment Service Convention (C88) and to the objectives of the Employment Strategy.

### ■ Output 1.2.1

Access to basic employment services (labour market information, employment counselling and guidance and job placement) is guaranteed to all jobseekers and specific services are designed to target the needs of specific groups (ethnic minorities, persons with disabilities, returning migrants);

### ■ Output 1.2.2

A human resource development plan implemented to improve the skills of NES staff to deliver employment services that are tailored to the needs of the unemployed clients;

### ■ Output 1.2.3

An early profiling system developed and used in all local offices of NES to segment young clients at risk of exclusion for priority intervention;

### ■ Output 1.2.4

More and better services are offered by NES to enterprises to increase market penetration and the notification of vacancies;

### ■ Output 1.2.5

A performance monitoring system is used to verify the impact of employment services on the (re)employment prospects of young unemployed to inform the annual performance agreement to be signed with MoLSAEO.

## 3.2. Increasing the employability of young people

The achievement of this objective builds on four interlinked outcomes: 1) the alignment of the education system to labour market requirements, as emphasized by the Ministry of Education's reforms; 2) the increase of adult training delivery to remedy the skills gaps of young people, including early school leavers; 3) the development of a recognition of prior learning system; and 4) providing access to career development services to young people.

## ■ Outcome 2.1

*The education system is aligned to labour market requirements*

- At least 20 per cent of secondary school graduates (6,200 young people) are employed in a career job 12 months after graduation;
- At least 25 basic education schools and 50 secondary schools have entrepreneurship learning programmes;
- 10 per cent of vocational schools' students (2,165 young people) participate in work-based learning and/or in school-to-work transition initiatives.

**Baseline:** The total number of youth enrolled in secondary education institutions in Albania in the year 2008/2009 was 132,803 (56,942 girls) of which 16.3 per cent in vocational schools and 83.7 per cent in general secondary schools. Approximately 30,000 young people graduate every year from secondary education (84 per cent with a general secondary education diploma and 16 per cent with a vocational education diploma). There are 1,490 (public) basic education and 388 upper secondary schools in Albania (of which 40 are vocational education schools). Currently, entrepreneurship and career education are not part of school curricula.

Increasing young people's employability involves making sure that they acquire the skills, knowledge and attitudes that will allow them to find work and cope with unpredictable labour market changes throughout their working lives. Completion of basic education alone is not sufficient to ensure employability, but is a sine qua non for building those foundation skills that lead to employability. Vocational education needs to become more diverse, flexible and attractive to meet the interests of a wider range of young people. The linkages between general and vocational education will be broadened and include enterprise-based learning opportunities, while entrepreneurship education will be introduced in school streams.

Improving the labour market relevance of education outcomes cannot be successfully implemented without public-private partnership between education and training providers, higher education institutions and industries. Occupational standards, based on the competencies identified with industry will be instrumental for the development of VET curricula and training plans that are relevant for the labour market. Entrepreneurship learning is envisaged by both the

SME development and education strategies. Since the school year 2008-2009 a new curriculum has been introduced at secondary level, which includes entrepreneurship learning. Learning material on entrepreneurial skills for young people is already available. The adaptation of such material to the needs of the Albanian school system will allow the timely introduction of entrepreneurship programmes into the curricula. The specific outputs leading to outcome 2.1, therefore, are:

#### ■ Output 2.1.1

Public-private partnership established for the development of vocational curricula based on competencies;

#### ■ Output 2.1.2

Secondary school VET curricula modernized to include work-based learning;

#### ■ Output 2.1.3

Entrepreneurship education is mainstreamed at all levels of the education system.

#### ■ Outcome 2.2

*Young jobseekers, including school drop-outs and early school-leavers, have access to adult training programmes based on competencies and acquire skills leading to employment.*

- Establishment survey conducted annually by NES to detect occupations and skills most required by the labour market;
- 40 per cent of early school leavers (8,000 young people) who are unemployed participate in the training programmes organized by NES which are relevant to the labour market needs;
- 60 per cent of young trainees (4,800 individuals) are employed in decent work 6 months after completion of the training programme.



**Baseline:** The estimated number of young people who leave school early<sup>63</sup> is 20,000 per year. Of these, roughly 40 per cent (8,000 young people) end up in open unemployment. In 2009, the number of people who participated to the training programmes organized by NES was approximately 6,600 at a cost of roughly US\$ 200 per person trained.

The public vocational training centres and NES will develop competency-based training programmes for those occupations most demanded by the labour market, as identified by the annual skills needs survey implemented by NES. These training programmes – firmly based on jobs, tasks and skills analysis – will aim to redress low educational outcomes and lack of qualifications that are strong determinants of labour market disadvantage and the social exclusion of young people. Particular emphasis will be given to the development of training programmes that facilitate the transferability of skills and include core competencies to support life-long learning skills. The five outputs that will lead to outcome 2.2 are:

#### ■ Output 2.2.1

A national skills' needs survey to align training programmes to labour market requirements conducted on an annual basis;

#### ■ Output 2.2.2

Sectoral skills development plans prepared in collaboration with employers' organizations and professional associations;

#### ■ Output 2.2.3

Teaching staff of VET centres and other training providers trained to deliver competency-based training programmes;

#### ■ Output 2.2.4

Training programmes and packages for 4 priority occupations in demand developed by NES in collaboration with NaVETA and used to increased the employability of young people;

63 The term "early school-leavers" here refers to young people who leave upper secondary education (general or vocational) without obtaining a qualification.

### ■ Output 2.2.5

Competency-based training programmes for young jobseekers, including school dropout, systematically delivered by training providers and leading to productive jobs.

### ■ Outcome 2.3

*A system to recognize the skills acquired in non-formal settings is established.*

- The legal framework for national qualifications, inclusive of recognition and certification of formal, non-formal and informal learning – either at home or abroad – is implemented;
- 40 per cent of early school leavers (8,000 young people) achieve a recognized qualification leading to employment;
- At least 15 public and private adult education and training courses accredited.

**Baseline:** In 2008, a third of the young population 15-29, i.e. 199,000 young Albanians, were neither in employment nor in education or training. In the academic year 2008-2009 the graduation rate in general secondary education was 72 per cent and in vocational education was 74 per cent. This means that more than 8,000 young people every year leave secondary school without a qualification. Overall the estimated number of youth that leave school early is 20,000 annually.

In March 2010, Law Nr 10 247 established the Albanian Qualification Framework (AQF) and called for the creation of the AQF Council and Secretariat within the two subsequent months. In August 2010, the Council of Ministers adopted the National List of Professions of May 2010. Based on the occupational standards currently being developed, the AQF Council and the other implementing agencies (according to Article 10 of the Law) will establish accreditation and certification arrangements across the education and training system as envisaged by the Ministry of Education's reform and the Law on the Albanian Qualification Framework.

The accreditation and certification system will expand public and private provision of adult education and training. Such a system will motivate individuals to enter and re-enter the education and training system by accrediting their work experience or prior learning, whether acquired in Albania or abroad. In the medium term, an efficient qualification system will help human resource planning and investment and may act as a signalling mechanism for investors. This outcome envisages two key outputs:

### ■ Output 2.3.1

Standards and procedures for the recognition and accreditation of training programmes and training providers established;

### ■ Output 2.3.2

A system for recognition of prior learning developed and used to assess the competencies acquired by young people either in Albania or abroad.

## ■ Outcome 2.4

*Young people have access to career development services*

- 10 per cent of students enrolled in secondary and tertiary education (21,300 young people) have access career information and guidance services;
- 20 per cent of youth registered in the employment service (5,740 young people) receive individualized career guidance and employment counselling;
- Number of youth having access to labour market information (LMI) through the youth information points established at NES.

**Baseline:** In the academic year 2008/2009 there were 132,803 students enrolled in secondary education (48.6 per cent young women) and 80,696 young people enrolled in higher education institutions (57.5 per cent young women). In 2009, approximately 28,790 young people 15 to 24 years of age were registered as unemployed in NES.

Well designed career education curricula help prepare students for a changing world of work. During the academic year 2010-11, a pilot career guidance curriculum was introduced for students of the 11<sup>th</sup> grade. While the systematic delivery of career education within regular school programmes will take time, as a curative measure NES will be tasked with the delivery of career information to students. Instrumental to this will be the design, production and dissemination - in and out of schools - of information material on career paths, industries, jobs and their requirements, as well as job navigations and Curriculum Vitae writing skills. The establishment of Youth Employment Services (YES) in local employment offices<sup>64</sup> will improve the access of young people to updated and reliable labour market information as well as assistance in job search. This Outcome encompasses three outputs:

#### ■ Output 2.4.1

Information on the labour market, industries, occupations and career paths collected by NES, analyzed and systematically made available to a wide range of users (individuals, institutions, community-based organizations, schools);

#### ■ Output 2.4.2

Career education and guidance mainstreamed in secondary and tertiary education systems;

#### ■ Output 2.4.3

Career development services provided to youth (both in and out of school) by local employment offices (Youth Employment Service).

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<sup>64</sup> In 2010, two Youth Employment Service (YES) centres were inaugurated. They are attached to the respective Regional Employment Office in the regions of Shkodra and Kukes. Other YES centres are currently planned in collaboration with MoLSAEO and the National Employment Service.

The achievement of this objective builds on the following outcomes: 1) investment policies prioritize interventions on the basis of their impact on youth employment; 2) enterprise development policies promote human resources development and youth employment growth; 3) work-training contracts are introduced to ease the transition to the labour market of first time job seekers; 4) a system of incentives is in place to promote the move of enterprises and individuals from the informal to the formal economy; and 5) young people are aware of their rights at work.

### ■ Outcome 3.1

*Investment policies and plans prioritize funding measures on the basis of youth employment impact*

- At least 30 per cent of the workers employed through infrastructural projects financed by the government are less than 30 years old , and 30 per cent of these are registered with NES;
- Number of jobs created for youth by infrastructural development projects in less developed regions.

**Baseline:** There is no data on the number of people employed through the implementation of infrastructure development project. The total amount of funds allocated to infrastructural development in 2010 is US\$ 1.5 billion.

The recognition of the importance of capital investment in the country's economic capacity and infrastructure is at the core of the NSDI. The impact on job creation of the public investment carried out to date, however, is unknown. This is why the infrastructure development planning process should be refined and interventions that have high (youth) employment impact should have priority, especially those to be implemented in rural areas. The coordination between infrastructural development projects and employment promotion programmes aimed at increasing human capital will maximize the investment and contribute to local development initiatives. Against this backdrop, this outcome encompasses three outputs:

## 3.3 Fostering the role of the private sector in creating decent jobs for young people

### ■ Output 3.1.1

The selection criteria of infrastructural projects refined to comply with the objectives of rural development, employment, enterprise promotion and poverty reduction strategies;

### ■ Output 3.1.2

Bidding procedures revised to favour initiatives that create jobs for young people, especially in rural areas;

### ■ Output 3.1.3

Infrastructural projects funded or co-funded by the government aligned to the human resource development programmes of NES local offices.

### ■ Outcome 3.2

*A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development*

- 1,700 young people employed in priority economic sectors/occupations (by type of contract, tenure and career prospects);
- Percentage increase in investments in priority economic sectors/occupations;
- 3 per cent decrease of young people working as contributing family members in the agriculture sector (2,400 individuals) who move to wage employment and 1.5 percentage increase (1,600) in youth wage employment in rural areas.

**Baseline:** The Economic and Fiscal Programme 2010-2012 identifies trade, transport, telecommunications and construction as the economic sectors expected to increase

their contribution to GDP in the medium term. To construct the baseline for the above mentioned indicators it will be necessary to analyze the micro-data of the most recent Labour Force Survey, as the number of young people employed in the sectors mentioned above is unknown, nor is the share of young people employed therein with full-time, permanent contracts. Young people working as contributing family members in the agricultural sector amount roughly to 80,000 individuals.

This outcome proposes to complement the measures set forth by the Business and Investment Development and Agriculture and Rural Development strategies as well as leverage on financial and non-financial services that are already available (guarantee funds for export-oriented SME and competitiveness, and agricultural and rural development fund). For instance, the Ministry of Labour has successfully negotiated with the Ministry of Agriculture that all beneficiaries of grants under the Programme for Agriculture and Rural Development (PARD) shall prove to be registered and up to date with the social security contributions. It is expected that this measure may lead to the formalization of up to 6,000 jobs in the first year of implementation. Subsequent interventions may foresee the registration also of the contributing family members that are indicates as participating in the implementation of PARD-financed projects.

The growing gap between demand and supply of skilled employees is one of the main obstacles to increasing investment and developing new branches of the economy. Companies are reluctant to offer personal/professional development and training to new recruits due to the cost of the investment. These constraints may be addressed by providing incentives and training grants to enterprises in sectors that have high youth employment elasticity and to enterprises creating employment opportunities in regions lagging behind.

In addition, an incentive package targeting enterprises operating in specific economic sectors and/or employing young people in less developed, rural districts and/or in priority economic sectors/occupations, will be established.

The instruments that already exist for fostering SME development (credit guarantees, fund for competitiveness, micro-credit schemes co-funded by the government and donors) will be made available to enterprises investing in priority sectors with high youth employment elasticity, as well as to enterprises recruiting young workers in rural areas. Such incentive packages will also be made available to business set up by returning migrants. To this end, new means to provide business information and services to returning migrants will be made available, both in Albania and abroad.

### ■ Output 3.2.1

A analysis (survey) to measure the youth and adult employment elasticity of the various economic sectors conducted to identify priority sectors of intervention;

### ■ Output 3.2.2

Existing credit opportunities and other enterprise development services made available to enterprises investing in priority sectors with high youth employment elasticity both in urban and rural areas;

### ■ Output 3.2.3

Information on investment and enterprise development opportunities available to individuals returning to Albania regularly collected and made available through a variety of means (Albanian diplomatic missions abroad; chambers of commerce, NES, regional development agencies);

### ■ Output 3.2.4

A system of incentives, including rebates to social security contributions and the provision of training grants, is available to enterprises to recruit low-skilled young workers – especially those working as contributing family members in the agricultural sector.



### Outcome 3.3

*Work training contracts to promote first-time employment in the private sector are introduced*

- 30 per cent of young first-time jobseekers (1,250 youth) registered with NES participate to work-training contracts and 70 per cent employed 6 months after programme completion;
- 1,500 secondary education students participate in work-based learning schemes and 60 per cent are employed 6 months after graduation compared to non-participants.
- 2.5 per cent of young contributing family workers in the agricultural sector (1,500 young people) participate to work-training contracts and 60 per cent are employed in decent work 6 months after programme completion.

**Baseline:** The number of young first-time jobseekers registered with NES at the end of 2009 was 4,280 individuals. According to the 2008 LFS, the number of young people (15-29) working as contributing family members in the agricultural sector is approximately 80,000. The net present value of the annual social contribution losses that the government faces for youth working as contributing family member is approximately US\$ 38.1 million. Currently neither work-training contracts for jobseekers nor work-based learning schemes for students are available.

This outcome is geared to facilitate the entry of young people into the labour market by institutionalizing school-to-work transition programmes. It addresses the lack of work experience of newly graduated youth and the low skill base of young contributing family workers in the agricultural sector by offering enterprises the option of using, for a limited time, alternative forms of employment contracts that mix learning and work and whose social contribution payment is subsidized by the State. Such a school-to-work transition system will be complemented by work-based learning and practice opportunities for young people still at school. Young people participating in work-based learning will not

be regarded as members of the enterprise, but as students under the jurisdiction and supervision of the schools. The organization of work-based learning for students will be based on partnership agreements between school and enterprise and is to be facilitated and monitored by NES, through by-laws establishing a transparent governance system. School authorities, enterprises and NES will decide on the general purposes and content of work-based learning, create or select training materials, establish routines for placing and supervising students and evaluate students' performance.

### ■ Output 3.3.1

Work and learning contracts for first entrants in the labour market and young contributing family workers introduced in the employment promotion regulatory framework;

### ■ Output 3.3.2

A new system for enterprise-based learning opportunities (practice periods, work experience schemes, work-based arrangements) provided to students and newly graduates to ease their transition to the world of work;

### ■ Output 3.3.3

Young people first entrants in the labour market and young contributing family workers have access to work-training contracts.

### ■ Outcome 3.4

*Promotional measures to move young workers and enterprises to the formal economy are available*

- Approximately 2 per cent of informal young workers (3,000 youth) moved to the formal economy and still formal after 12 months.

**Baseline:** The available data on informal employment show that approximately 70 per cent of young workers (143,800 young people) are employed informally.

The Government of Albania is already undertaking measures – with the support of IPA funding – to increase the effectiveness of the various inspection systems (labour, tax and health) and to establish a system of data exchange.

Breaking the cycle of informality requires a careful approach that induces enterprises and individuals to comply with the legal obligations in force. To accompany the stricter penalty system already being pursued by the government of Albania, a system of incentives will be established whereby enterprises and individuals moving from the informal economy will be given access to a variety of services (quality business advisory services, training incentives/grants, credit opportunities, subsidized employment). A similar approach is already under implementation in the Kukes Region through the implementation of the Territorial Employment Pact for Youth. All these actions will be subject to strict monitoring and evaluation to minimize abuses and maximize impact.

#### ■ Output 3.4.1

A system established to provide skill training grants targeting young informal workers, contributing family members and enterprises employing youth informally;

#### ■ Outputs 3.4.2

Existing enterprise development services are made available to enterprises employing (young) workers informally to shift them to the formal economy;

#### ■ Outputs 3.4.3

Social security contribution incentives extended, on a temporary basis, to enterprises and workers moving from the informal to the formal economy.

#### ■ Outcome 3.5

*Young people are informed and aware of their rights at work*

- One annual survey carried out on business sectors, the informal economy and youth employment;

- One national awareness and information campaign organised by MoLSAEO and the social partners on the negative impact of the informal economy on workers and enterprise productivity;
- Number of young people sensitized on fundamental rights at work.

**Baseline:** None.

The government will support the running of surveys to better understand the factors shaping the informal economy and the magnitude of decent work deficits. The questionnaire of the LSF will be upgraded to allow a more exact measurement of the number of young people engaged in the informal economy and ad-hoc surveys will be designed to identify the root causes of informality. The analysis of the legal framework and practices leading businesses to and keeping them in the informal economy will be a core area of such research. Such researches will provide inputs for: i) improving and/or reforming fiscal governance and labour administration; ii) raising awareness on the negative impact of the informal economy on worker's well-being, enterprises' development and domestic revenues; and iii) reviewing the structures and practices of employers' and workers' organizations to facilitate their participation and give a voice to workers and entrepreneurs in the informal economy.

MoLSAEO, in collaboration with the social partners will organize a nation-wide information and awareness raising campaign on the negative impact of the informal economy. This will be complemented by the development of information and training material to raise the awareness of young people on their rights at work, to be distributed through schools, employment offices and the local networks of the social partners.

### ■ Output 3.5.1

Questions to measure the extent of informal employment included in the annual Labour Force Survey (LFS) and ad hoc surveys conducted on a regular basis;

### ■ Output 3.5.2

Information and training material on rights at work for young people prepared and disseminated through the network of NES, trade unions and employers' organizations and included in career development services in schools;

### ■ Output 3.5.3

An awareness and information campaign organised by MoLSAEO and the social partners on the negative impact of the informal economy.

## 3.4. Promoting inclusion through targeted measures

An enhanced labour market governance system – as envisaged under Outcome 1.1 – will be instrumental to improve the design, monitoring and evaluation of active labour market policies. The employment measures adopted in Albania over the recent past have largely neglected the specific labour market needs of the most disadvantaged groups of the population. Labour market institutions are now facing the challenge of developing strategies and measures to “treat” hard-to-place jobseekers and to design measures targeting social assistance beneficiaries. Evidence from evaluation of labour market programmes carried out in many countries shows that these interventions work when they are well designed and targeted at disadvantaged people, so as to place them in private sector jobs through a combination of measures. The Strategy on Reintegration of Returned Albanian Citizens underlines this point, by emphasizing the need to build on and expand the services and programmes already on offer.

Against this backdrop, the promotion of labour market inclusion for disadvantaged young people builds on the reform of the design, targeting and financing of active labour

market policies to address the needs of the most disadvantaged groups of the population.

## ■ Outcome 4.1

*The design, targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people*

- 40 per cent increase in the number of disadvantaged youth (900 persons) participating to employment promotion programmes;
- Percentage increase of funds available for employment promotion programmes;
- 35 percentage increase of disadvantaged youth in ALMPs and employed in decent work 6 months after programme conclusion.

**Baseline:** In 2009, the number of young people registered as unemployed in NES was 28,790. Of these, it is estimated that at least 20 per cent have a low qualification level and 64 per cent are recipients of social assistance benefit. In 2009, the number of beneficiaries of employment promotion programmes was 2,274, whereas 6,600 persons were trained in the public vocational training centres.

The evaluations of active labour market policies (ALMPs) carried out in EU countries suggests that these are more effective if they are well targeted to the needs of individual jobseekers and the labour market and that treatment should start as early as possible in the period of unemployment. Early profiling, however, is not in itself sufficient to guarantee appropriate responses– e.g. service provision and programmes – that match both individual needs and labour market requirements. That is why the design and targeting system currently used for ALMPs needs to be revisited and constantly monitored and evaluated to ensure that this matching actually occurs in the most cost-effective manner. This work will therefore include: i) the amendment of the current regulatory framework governing the design of employment promotion programmes; ii) the design and

implementation of new, sequenced employment services and programmes; iii) the running of rigorous monitoring and evaluation exercises of programmes targeting young people to inform future programme development, and iii) the pilot-testing of activation measures to target the most vulnerable categories of young people. NES will also design and use decent work measures to assess the impact of employment promotion programmes on beneficiaries.

#### ■ Output 4.1.1

The regulatory framework governing the design of active labour market programmes is amended to better respond to the needs of young people at risk of exclusion and local labour market requirements;

#### ■ Output 4.1.2

New employment promotion programmes – including self-employment measures – designed, targeted and sequenced to address the needs of young people at risk of labour market exclusion, including young workers in the informal economy, contributing family workers, young people on social assistance and young returning migrants;

#### ■ Output 4.1.3

The funds available for the implementation of employment promotion programmes and vocational training increased annually to match the needs of the most vulnerable groups of the young unemployed;

#### ■ Output 4.1.4

Active labour market programmes targeting youth systematically monitored and evaluated to measure impact on employment and income;

#### ■ Output 4.1.5

A system to activate the most disadvantaged categories of young unemployed pilot-tested in NES local offices and the results mainstreamed throughout the country.

## 4. Resources

The total cost of the *Action Plan on Youth Employment* is estimated at US\$ 17,550,000 for the three year period. Approximately US\$ 11 million has already been pledged and/or made available either through the measures envisaged by the Government of Albania (and already budgeted) or donor-funded technical cooperation programmes. The remaining US\$ 6,5 million required (e.g. approximately US\$ 2.2 million per year) will be raised through multi- and bi-lateral technical cooperation assistance. Among the most concrete options, there is the long-term intervention in the area of youth employment by the Swiss Development Cooperation, scheduled to start at the beginning of 2012. Moreover, as soon as Albania is granted candidate status, the country has the possibility to access the European Social Funds through component four of IPA. Table 4.1 at the end of this chapter summarizes the cost envisaged under each outcome and its source of financing.

The total number of young people directly benefiting from the interventions introduced by the *Action Plan on Youth Employment* is around 65,000 youth, slightly over 10 per cent of the total youth population aged 15 to 29, with 70 per cent (approximately 47,800 young people) expected to be in decent work at the end of the period.

The part that follows provides a detailed analysis of the costs envisaged for each outcome.

### ■ Outcome 1.1

*The Employment Policy Department of MoLSAEO manages the (youth) employment policy cycle more effectively (US\$ 1,200,000).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Labour, Social Affairs and Equal Opportunities (MoLSAEO) and with INSTAT. The work on the improvement of labour market indicators is already on-going and budgeted within the general allocation of the statistical institute. Part of the total costs of this outcome (US\$ 600,000)



has already been pledged by the ILO through its technical assistance to MoLSAEO, by the MDG-F joint programme Youth migration: Reaping the benefits, mitigating the risks (capacity building at local level to prioritize youth employment interventions), and by the EU Delegation in Albania through the IPA 2010 funding. The remaining US\$ 600,000 – monitoring and evaluation of the employment policy and the implementation of social pacts on youth employment– will be raised through technical cooperation projects.

### ■ Outcome 1.2

*NES reform mainstreamed in all local employment offices (US\$ 1,500,000).* The responsibility of this outcome falls primarily under the mandate of the National Employment Service of Albania (NES). It is estimated that costs under this outcome, including staff development programmes, will be US\$ 1 million, excluding the funds already allocated by the AMS Project financed by SIDA for the IT-based registration system. Part of the amount that will be necessary has already been allocated to NES by the state budget (US\$ 500,000). The remaining amount is linked to the implementation of the IPA 2010 Financing Agreement, which foresees a component in support of the National Employment Service.

### ■ Outcome 2.1

*The education system is aligned to labour market requirements (US\$ 5,000,0000).* This outcome will be under the primary responsibility of the Ministry of Education and Science (MES). The amount necessary to pursue the objectives of the education reform has already been pledged by the Government of Albania, with the costs for the modernization of the VET curricula and its alignment to labour market requirements estimated at US\$ 3 million. It is expected that the allocation for the MES will remain constant for the period 2011-2013. The costs for mainstreaming entrepreneurship education have already been budgeted by the Business Development Strategy (US\$ 2 million).

## ■ Outcome 2.2

*Young jobseekers, including school drop-outs and early school-leavers, have access to adult training programmes based on competencies and acquire skills leading to employment (US\$ 2,380,000).* The responsibility of this outcome falls primarily under the mandate of MoLSAEO and of the NES. The cost of conducting annual skills needs surveys among enterprises is estimated at US\$50,000. The training of practitioners of adult VET centres and NES training providers will amount to approximately US\$150,000. The development of training packages for 4 priority occupations will cost US\$180,000. The delivery cost of training programmes will depend on the overall number of individuals and the occupations identified as priority. The design and establishment of an assessment mechanism within NES and NAVETQ for the recognition of job competencies acquired by youth in informal settings (in Albania or abroad) (see Outcome 2.3) will amount to around US\$ 300,000. It is estimated that these costs will approximate US\$ 2 million for the period (for 8,000 youth). Part of the funds required under this outcome (US\$ 800,000) will be made available by the Government through the yearly allocation to the public VET centres for the training of the unemployed. The remaining amount required (US\$ 1,580,000) for the development of training packages and delivery of the programmes will be raised through technical cooperation projects.

## ■ Outcome 2.3

*A system to recognize the skills acquired in non-formal settings is established. (US\$ 500,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Education, MoLSAO and NES. The costs for the MES for accreditation are estimated at US\$ 500,000 and have already been pledged for the implementation of the AQF. The costs of the activities to be undertaken by MoLSAEO and NES targeting young unemployed are already been accounted for under Outcome 2.2.

## ■ Outcome 2.4

*Young people have access to career development services (US\$ 590,000).* The responsibility for this outcome falls primarily under the mandate of MES, MoLSAEO and of NES. The costs to be borne by MES are already included in the budget for the reform of the education system (see Outcome 2.1). The costs envisaged to provide counselling and guidance services to 5,740 young people is US\$ 290,000 (already available in the yearly allocation of NES as administrative costs). The upgrading of the labour market information system will amount to US\$300,000 for the period, and is linked to the implementation of the IPA 2010 Financing Agreement, which foresees a component in support of the National Employment Service.

## ■ Outcome 3.1

*Investment policies and plans prioritize funding measures on the basis of youth employment impact (US\$ 80,000).* The responsibility for this outcome falls primarily under the mandate of the Ministry of Economy, the Ministry of Public Works and the Ministry of Finance. The introduction of an ex ante cost-benefit analysis to allocate funds and prioritize projects and plans with a high youth employment impact and the alignment of infrastructure development planning with local human capital strategies will require approximately US\$ 80,000 for the period (mainly human resources and administrative costs). This amount can be made available through the funds allocated to the Ministries involved. This will allow to leverage on the US\$ 1.5 billion of capital investment envisaged in the next three years for youth employment purposes.

## ■ Outcome 3.2

*A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development (US\$ 1,700,000).* The responsibility of this outcome falls primarily under the mandate of the Ministry of Economy, MoLSAEO, NES and the Ministry of Finance. The analysis on youth employment elasticities will cost approximately US\$ 50,000. The incentives granted to enterprises for training

low skilled workers will cost approximately US\$ 850,000 (for 1,700 individuals). The waiving of social security contributions will cost approximately US\$ 800,000 (for 4,000 young worker). Hence, the cost envisaged for granting incentives to enterprises for the employment of 5,700 young people will amount to US\$ 1,650,000. Part of the amount necessary for training grants and employment subsidies (US\$ 1,200,000) will have to be raised through technical cooperation projects, whereas US\$ 500,000 will be allocated through the amount made available annually to NES for employment promotion projects.

### Outcome 3.3

*Work training contracts to promote first-time employment in the private sector are introduced (US\$ 1,305,000).* The responsibility of this outcome falls primarily under the mandate of MoLSAEO, the Ministry of Education and NES. The drafting of amendments to the current employment framework has no costs, while the running of enterprise-based training programmes for youth will cost US\$ 1,305,000 (for 4,350 young people). The amount necessary to operationalize work-training contracts will be raised through technical cooperation projects.

### Outcome 3.4

*Promotional measures to move young workers and enterprises to the formal economy are available (US\$ 1,725,000).* The responsibility for this outcome falls under the mandate of MoLSAEO and NES. The system of training grants will cost approximately US\$ 375,000 (for 1,500 young workers). Another 1,500 youth will be included in the waiving of social security contributions (estimated cost US\$ 350,000). Credit opportunities and advisory services will amount to roughly US\$ 1 million (already available through the programmes for the promotion of SMEs). The funds for establishing the incentive scheme to move workers to the formal economy (US\$ 725,000) will be raised through multi- and bilateral cooperation projects, whereas the costs associated with the administration of such incentive will be made available

through the yearly allocation of NES (not accounted for here). It is estimated that the entry into decent work of 70 per cent of the 3,000 informal workers targeted by this outcome, will bring to the Government of Albania US\$ 1,350,000 in social security contribution revenues.

### ■ Outcome 3.5

*Young people are aware of their rights at work (US\$ 120,000).* The responsibility for this outcome rests with MoLSAEO, INSTAT and employers' and workers' organizations. There is no additional cost for the introduction of questions to better map informality through the annual Labour Force Survey. The information and awareness material on young people's rights at work will cost US\$ 30,000 (already pledged by MDG-F joint programme Youth migration: Reaping the benefits, mitigating the risks). The amount required for carrying out nationwide information and awareness raising campaigns will be approximately US\$ 50,000, while the sensitization activities of employers' and workers' organizations will cost US\$ 40,000. A total of US\$ 90,000 will be raised through technical cooperation assistance.

### ■ Outcome 4.1

*The design, targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people (US\$ 1,150,000).* The responsibility for this outcome falls primarily under the mandate of MoLSAEO, NES and the Ministry of Finance. The review of the employment regulatory framework and the design of new employment promotion programmes will be carried out with the resources already available at NES and MoLSAEO. It is estimated that the setting up of the monitoring and evaluation system for employment promotion programmes will cost approximately US\$ 150,000 for the period, while the investment necessary to implement new employment promotion programmes for vulnerable groups of young people as well as activation measures will require an additional investment of US\$ 1,000,000 for the three years of NAP. Part of this amount will be leveraged through the

existing allocation for employment promotion programmes. Approximately US\$ 750,000 will have to be raised through technical cooperation projects.

**Table 4.1: Summary of costs and sources of financing the Action Plan on Youth Employment of Albania (in US\$)**

Outcome	Overall cost	Pledged
1.1. The Employment Policy Department of the MOLSAEO manages the (youth) employment policy cycle more effectively	1,200,000	600,000
1.2 The NES reform mainstreamed in all local employment offices	1,500,000	1,500,000
2.1. The education system is aligned to labour market requirements	5,000,000	5,000,000
2.2. Young jobseekers, including school drop-outs and early school leavers, have access to adult training programmes based on competencies and acquire skills leading to employment	2,680,000	800,000
2.3. A system to recognize the skills acquired in non-formal settings is established	500,000	500,000
2.4. Young people have access to career development services	590,000	590,000
3.1. Investment policies and plans prioritize funding measures on the basis of youth employment impact	80,000	80,000
3.2. A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development	1,700,000	500,000
3.3. Work training contracts to promote first-time employment in the private sector are introduced	1,305,000	0
3.4. Promotional measures to move young workers and enterprises to the formal economy are available	1,725,000	1,000,000
3.5. Young people are aware of their rights at work	120,000	30,000
4.1. The design, targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people	1,150,000	400,000
<b>TOTAL</b>	<b>17,550,000</b>	<b>11,000,000</b>

Source of pledged funds	Amount to be raised	Direct Beneficiaries	Responsibilities/ action needed
ILO Technical Assistance YEM joint programme	600,000		MoLSAEO INSTAT
NES, IPA 2010	0		NES
MES (Education Strategy) METE (SME Dev. Str)	0	6,200 school graduates + 2,165 vocational schools' students = 8,365	MES METE
MOLSAEO (VET centres)	1,880,000	8,000 registered unemployed early school leavers	MoLSAEO NES
MES (AQF)	0	8,000 early school leavers seeking recognition of prior learning	MES, MoLSAEO, NES, NAVETA
NES (administrative costs), IPA 2010	0	21,300 young people enrolled in secondary and tertiary education + 5,740 young people registered in the employment service = 27,040	MES, MoLSAEO, NES
METE, Ministry of Public Works, Ministry of Finance (admin. costs)	0		METE Public Works MoF, NES
NES (employment promotion programmes)	1,200,000	1,700 young people employed in priority economic sectors + 2,400 young CFW in agriculture moving to wage employment + 1,600 youth in rural areas = 5,700	MoLSAEO, METE, NES, MoF
	1,305,000	1,250 registered youth first-time job seekers in WTP + 1,500 secondary education students in work-based learning schemes + 2000 young CFW in agriculture in WTP = 4,750	MoLSAEO, MES, NES
Ministry of Economy, na- tional funds for the promotion of SMEs	725,000	3,000 informal young workers	MoLSAEO, METE, NES
YEM programme	90,000		MoLSAEO INSTAT
NES (employment promotion programmes)	750,000	900 disadvantaged youth in ALMPs	MoLSAEO, NES, MoF
	<b>6,550,000</b>	<b>65,755</b>	

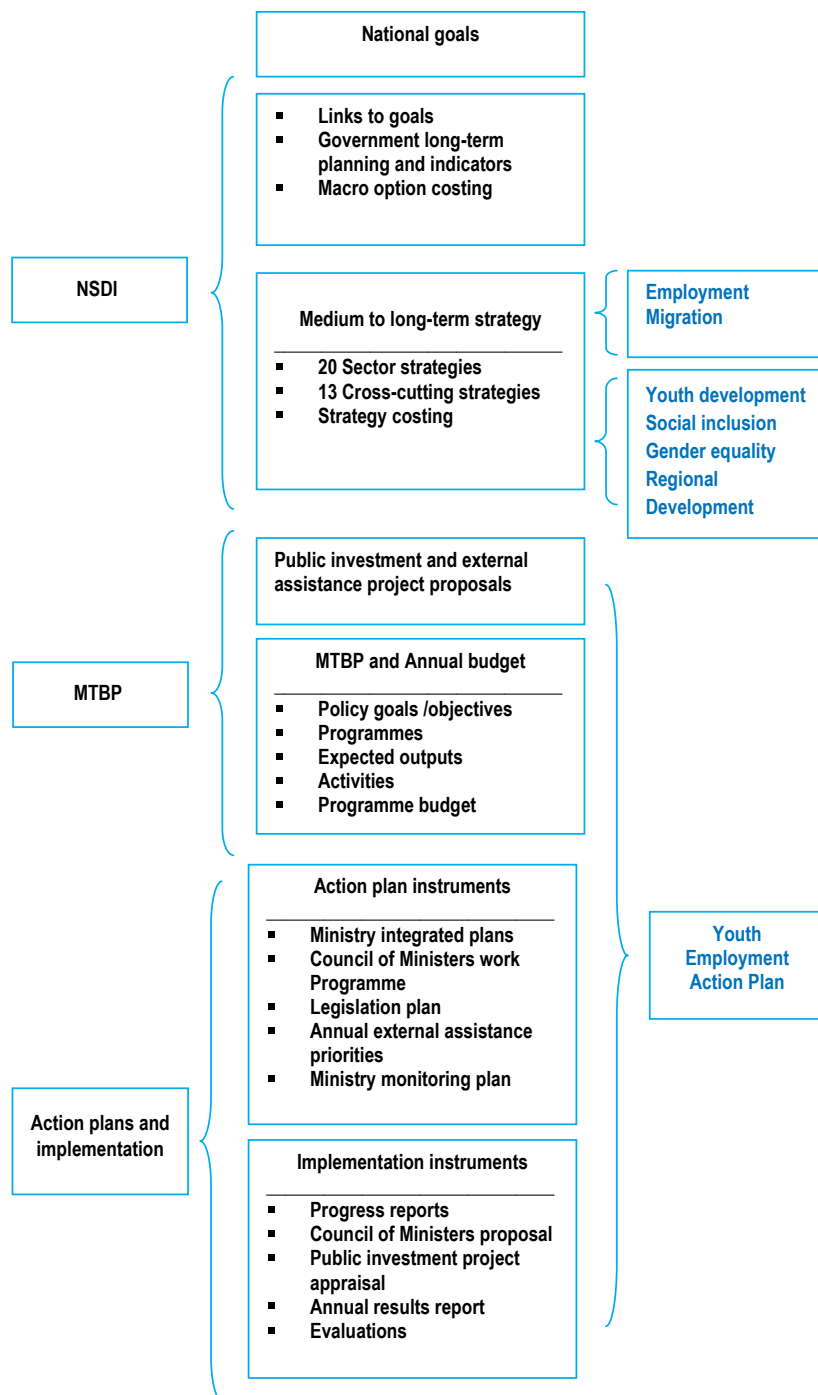


## 5. Implementation and monitoring mechanism

The National *Action Plan on Youth Employment* – with its list of youth employment indicators – will become an integral part of the Employment Strategy 2007-2013. As such, the Integrated Planning System (IPS) and Mid-Term Budget Programme (MTBP) mechanisms established by the NSDI will guide the Action Plan implementation and monitoring. The Ministry of Labour, Social Affairs and Equal Opportunity (MoLSAEO) will include the outcomes of the Youth Employment Action Plan in its annual Ministry Integrated Plan and coordinate with other ministerial partners for the implementation and monitoring of outcomes under their responsibility. The monitoring the implementation of the Action Plan will become part of the overall budget reporting system, as part of the Employment Strategy 2007-2013.

The monitoring of the Action Plan will comprise the regular examination of the resources, outputs and results of policy interventions. It will be based on a system of information gathering and analysis of performance indicators. MoLSAEO will have the responsibility to systematize the monitoring information generated for presentation to the Government. This will describe in detail the delivery of inputs, the activities conducted and the expected results achieved. The Figure below highlights the links between the NSDI and the Youth Employment Action Plan.

Figure 5.1: Integrated planning framework and its relation to the YE Action Plan



# Annexes

1. Youth Employment Action Plan Matrix

2. Portfolio of Youth Employment projects

(to be submitted to the donors' community)

exes

Objective 1: Strengthen the governance of the (youth) labour market						
Target	Active policy on employment is promoted at central and local level			TIMEFRAME		
OUTCOMES AND OUTPUTS	INDICATORS	RESPON-SIBLE UNIT	FINANCIAL INPUT		Start	End
			Not pledged/ fund- raising	Pledged		
<p>Outcome 1.1 – The Employment Policy Department of MoLSAEO manages the (youth) employment policy cycle more effectively</p> <p>Baseline</p> <ul style="list-style-type: none"><li>• The Employment Strategy contains some elements of an active policy on employment.</li><li>• Institutional capacity to design, monitor and evaluate evidence-based employment policies and programmes still limited.</li></ul> <p><b>Outputs</b></p> <p>1.1.1. Labour market indicators are regularly collected and analyzed to inform the formulation of evidence-based (youth) employment policies;</p> <p>1.1.2. The capacity of the Employment Department to manage the whole employment policy cycle is strengthened;</p> <p>1.1.3. Monitoring and evaluation cycles of the active policy on employment regularly conducted;</p> <p>1.1.4. The capacity of local labour market institutions – including the social partners – to prioritize youth employment interventions based on evidence, strengthened;</p> <p>1.1.5. Social pacts on youth employment are piloted in regions with a high incidence of youth at risk of labour market exclusion.</p>	<ul style="list-style-type: none"><li>• The employment promotion framework is aligned to the principles of ILO Convention No 122 (Employment Policy) and Convention No 88 (Public Employment Services) as well as the EU acquis communautaire;</li><li>• The Employment Policy Department of MoLSAEO is able to formulate, monitor and evaluate evidence-based employment policies;</li><li>• Social pacts on youth employment are implemented in disadvantaged regions.</li></ul>	MoLSAEO INSTAT	US\$600,000	US\$600,000 (ILO technical assistance, MDG-F YEM)	2010	2013

Outcome 1.2 –NES reform mainstreamed in all local employment offices	2013	2010	US\$500,000 (NES) US\$1,000,000 (IPA 2010)	NES	
<b>Baseline</b> <ul style="list-style-type: none"> <li>144,766 unemployed registered (50.8 per cent women) with NES.</li> <li>Youth 15 to 24 represent 19.8 per cent of registered unemployment.</li> <li>4.8 per cent of all youth registered belong to vulnerable groups.</li> <li>No data on the provision of employment services to returning migrants.</li> </ul>					<ul style="list-style-type: none"> <li>Number of unemployed receiving basic employment services within three months from registration;</li> <li>Increase in the number of youth profiled by NES for priority intervention;</li> <li>Number of young returning migrants receiving individualized employment services leading to employment;</li> <li>A system to allocate human and financial resources based on local labour market conditions used by NES.</li> </ul>
<b>Outputs</b> <p>1.2.1. Access to basic employment services (labour market information, employment counselling and guidance and job placement) is guaranteed to all jobseekers and specific services are designed to target the needs of specific groups (ethnic minorities, persons with disabilities, returning migrants);</p> <p>1.2.2. A human resource development plan implemented to improve the skills of NES staff to deliver employment services that are tailored to the needs of the unemployed clients;</p> <p>1.2.3. An early profiling system developed and used in all local offices of NES to segment young clients at risk of exclusion for priority intervention;</p> <p>1.2.4. More and better services are offered by NES to enterprises to increase market penetration and the notification of vacancies;</p> <p>1.2.5. A performance monitoring system is used to verify the impact of employment services on the (re)employment prospects of young unemployed to inform the annual performance agreement to be signed with MoLSAEO.</p>					

Objective 2: Promote labour market prospects of young people by enhancing their employability						
Target	25 per cent increase in the number of upper secondary education graduates employed in a career job 20 per cent increase in the number of early school leavers and low skilled youth acquiring competencies leading to a job					
	OUTCOMES AND OUTPUTS	INDICATORS	RESPON- SIBLE UNIT	FINANCIAL INPUT		TIME- FRAME
				Not pledged/ fund- raising	Pledged	Start
	<b>Outcome 2.1. The education system is aligned to labour market requirements</b> <b>Baseline</b> <ul style="list-style-type: none"><li>132,803 (56,942 girls) students enrolled in secondary education</li><li>16.3 per cent of these (21,646) are enrolled in vocational schools and 83.7 per cent in general secondary schools.</li><li>30,000 young people graduate every year from secondary education (84 per cent from general and 16 per cent from vocational education).</li><li>There are 1,490 (public) basic education and 388 secondary schools in Albania.</li><li>Entrepreneurship and career education not included in school curricula.</li></ul> <b>Outputs</b> 2.1.1. Public-private partnership established for the development of vocational curricula based on competencies. 2.1.2. Secondary school VET curricula modernized to include work-based learning. 2.1.3. Entrepreneurship education is mainstreamed at all levels of the education system.	<ul style="list-style-type: none"><li>At least 20 per cent of secondary school graduates (6,200 young people) are employed in a career job 12 months after graduation;</li><li>At least 25 basic education schools and 50 upper secondary schools have entrepreneurship learning programmes;</li><li>10 per cent of vocational schools' students (2,165 young people) participate in work-based learning and/or in school-to-work transition initiatives.</li></ul>	<b>MES</b> <b>METE</b>	US\$5,000,000 MES (Education Strategy)  METE  Business Development Strategy	2010	2013

<p><b>Outcome 2.2. Young jobseekers, including school drop-outs and early school-leavers, have access to adult training programmes based on competencies and acquire skills leading to employment</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>• The estimated number of young people who leave school early is 20,000 per year.</li> <li>• Roughly 40 per cent (8,000 young people) end up in open unemployment.</li> <li>• In 2009 the number of people who participated to the training programmes organized by the NES was approximately 6,600</li> </ul> <p><b>Outputs</b></p> <p>2.2.1. A national skills' needs survey to align training programmes to labour market requirements conducted on an annual basis;</p> <p>2.2.2. Sectoral skills development plans prepared in collaboration with employers' organizations and professional associations;</p> <p>2.2.3. Teaching staff of VET centres and other training providers trained to deliver competency-based training programmes;</p> <p>2.2.4. Training programmes and packages for 4 priority occupations in demand developed by NES in collaboration with NaVETA and used to increased the employability of young people;</p> <p>2.2.5. Competency-based training programmes for young jobseekers, including school dropout, systematically delivered by training providers and leading to productive jobs.</p>	<ul style="list-style-type: none"> <li>• Establishment survey conducted annually by the NES to detect occupations and skills most required by the labour market;</li> <li>• 40 per cent of early school leavers (8,000 young people) who are unemployed participate in the training programmes organized by the NES;</li> <li>• 60 percent of young trainees (4,800 individuals) are employed in decent work 6 months after completion of the training programme.</li> </ul>	<p><b>MoLSAEO NES</b></p>	<p><b>US\$1,880,000</b></p>	<p><b>US\$800,000</b> <b>MoLSAEO</b> <b>(VET centres)</b></p>	<p><b>2010</b></p>	<p><b>2013</b></p>
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Outcome 2.3– A system to recognize the skills acquired in non-formal settings is established.	<ul style="list-style-type: none"> <li>• The legal framework for national qualifications, inclusive of recognition and certification of formal, non-formal and informal learning – either at home or abroad – is implemented;</li> <li>• 40 per cent of early school leavers (8,000 young people) achieve a recognized qualification leading to employment;</li> <li>• At least 15 public and private adult education and training courses accredited.</li> </ul>	MES MoLSAEO NES	US\$500,000 MES (AQF)	2010	2013
<p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>• In 2008, a third of the young population (199,000 young Albanians), were neither in employment nor in education or training.</li> <li>• More than 8,000 young people every year leave secondary school without a qualification.</li> <li>• 20,000 youth leave school early each year.</li> </ul> <p><b>Outputs</b></p> <p>2.3.1. Standards and procedures for the recognition and accreditation of training programmes and training providers established;</p> <p>2.3.2. A recognition of a prior learning system developed and used to assess the competencies acquired by young people either in Albania or abroad.</p>					

<p><b>Outcome 2.4 – Young people have access to career development services</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>132,803 youth enrolled in secondary education and 80,696 in higher education.</li> <li>In 2009, approximately 28,790 young people were registered as unemployed in NES.</li> </ul> <p><b>Outputs</b></p> <p>2.4.1. Information on the labour market, industries, occupations and career paths collected by NES, analyzed and systematically made available to a wide range of users;</p> <p>2.4.2. Career education and guidance mainstreamed in secondary and tertiary education systems;</p> <p>2.4.3. Career development services provided to youth (both in and out of school) by local employment offices (Youth Employment Service)</p>	<ul style="list-style-type: none"> <li>10 per cent of students enrolled in secondary and tertiary education (21,300 young people) have access career information and guidance services;</li> <li>20 per cent of youth registered in the employment service (5,740 young people) receive individualized career guidance and employment counselling;</li> <li>Number of youth having access to labour market information (LMI) through the youth information points established at NES.</li> </ul>	<p><b>MES MoLSAEO NES</b></p>	<p>US\$ 290,000 NES (administrative costs)</p> <p>US\$ 300,000 (IPA 2010)</p>	<p>2010</p>	<p>2013</p>
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**Objective 3: Foster the role of the private sector in creating decent jobs for young people**
**Target** 4 per cent increase in the employment rate of young people

5 per cent decrease in the informality rate of young workers

OUTCOMES AND OUTPUTS	INDICATORS	RESPONSIBLE UNIT	FINANCIAL INPUT		TIMEFRAME	
			Not pledged/ fund- raising	Pledged	Start	End
<b>Outcome 3.1 - Investment policies and plans prioritize funding measures on the basis of youth employment impact</b>  <b>Baseline</b> <ul style="list-style-type: none"> <li>The funds allocated to infrastructural development in 2010 is US\$ 1.5 billion.</li> </ul> <b>Outputs</b> <p>3.1.1. The selection criteria of infrastructural projects refined to comply with the objectives of rural development, employment, enterprise promotion and poverty reduction strategies;</p> <p>3.1.2. Bidding procedures revised to favour initiatives that create jobs for young people, especially in rural areas;</p> <p>3.1.3. Infrastructural projects funded by the government aligned to the human resource development programmes of NES local offices.</p>	<ul style="list-style-type: none"> <li>At least 30 percent of the workers employed through infrastructural projects are less than 30 years old;</li> <li>30 percent of these are registered with NES;</li> <li>Number of jobs created for youth by infrastructural development projects in less developed regions.</li> </ul>	<b>METE</b>  <b>Min. Public Works</b>  <b>Min. Finance NES</b>		US\$80,000	2010	2013

<p><b>Outcome 3.2 - A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>Young people working as contributing family members in the agricultural sector are roughly 80,000.</li> </ul> <p><b>Outputs</b></p> <p>3.2.1. A survey to measure the youth employment elasticity of the various economic sectors conducted to identify priority sectors of intervention;</p> <p>3.2.2. Existing credit opportunities and other enterprise development services made available to enterprises investing in priority sectors with high youth employment elasticity both in urban and rural areas;</p> <p>3.2.3. Information on investment and enterprise development opportunities available to individuals returning to Albania regularly collected and made available through a variety of means (Albanian diplomatic missions abroad; chambers of commerce, NES, regional development agencies);</p> <p>3.2.4. A system of incentives, including rebates to social security contributions and the provision of training grants, is available to enterprises to recruit low-skilled young workers – especially those working as contributing family members in the agricultural sector.</p>	<ul style="list-style-type: none"> <li>1,700 young people employed in priority sectors/occupations;</li> <li>Percentage increase in investments in priority economic sectors and occupations;</li> <li>3 per cent decrease of young people working as contributing family members in the agriculture sector (2,400 individuals);</li> <li>1.5 percentage increase in youth wage employment in rural areas.</li> </ul>	<p><b>METE</b> <b>MoLSAEO</b> <b>NES</b> <b>Min. Finance</b></p>	<p>US\$1,200,000</p>	<p>US\$500,000 <b>NES</b> (employment promotion programmes)</p>	<p>2010</p>	<p>2013</p>
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<p><b>Outcome 3.3 – Work training contracts to promote first-time employment in the private sector are introduced</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>The number of young first-time jobseekers registered with NES is 4,280 individuals in 2009.</li> <li>80,237 youth work as contributing family members in the agricultural sector.</li> <li>The annual social contribution losses for youth working as contributing family member is US\$ 38.1 million per year.</li> <li>No work-training contracts or work-based learning schemes are available.</li> </ul>	<ul style="list-style-type: none"> <li>30 per cent of young first-time jobseekers (1,250 youth) registered with NES participate to work-training contracts and 70 percent employed 6 months after programme completion;</li> <li>1,500 secondary education students participate in work-based learning schemes and 60 percent are employed 6 months after graduation compared to non-participants;</li> <li>2.5 per cent of young contributing family workers in the agricultural sector (1,500 young people) participate to work-training contracts and 60 per cent are employed in decent work 6 months after programme completion.</li> </ul>	<p><b>MoLSAEO</b> <b>MES</b> <b>NES</b></p>	<p>US\$1,305,000</p>		<p>2010</p>	<p>2013</p>
<p><b>Outputs</b></p> <p>3.3.1. Work and learning contracts for first entrants in the labour market and young contributing family workers introduced in the employment promotion regulatory framework;</p> <p>3.3.2. A new system for enterprise-based learning opportunities provided to students and newly graduates to ease their transition to the world of work;</p> <p>3.3.3. Young people first entrants in the labour market and young contributing family workers have access to work-training contracts.</p>		<p><b>MoLSAEO</b> <b>METE</b> <b>NES</b></p>	<p>US\$725,000</p>	<p>US\$1,000,000 <b>METE</b> <b>National funds for SME development</b></p>	<p>2010</p>	<p>2013</p>
<p><b>Outcome 3.4 – Promotional measures to move young workers and enterprises to the formal economy are available</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>Approximately 70 per cent of young workers (143,800 young people) are employed informally.</li> </ul>	<ul style="list-style-type: none"> <li>Approximately 2 per cent of informal young workers (3,000 youth) moved to the formal economy and still formal after 12 months.</li> </ul>	<p><b>MoLSAEO</b> <b>METE</b> <b>NES</b></p>	<p>US\$725,000</p>	<p>US\$1,000,000 <b>METE</b> <b>National funds for SME development</b></p>	<p>2010</p>	<p>2013</p>

<p><b>Outputs</b></p> <p>3.4.1. A system established to provide skill training grants targeting young informal workers, contributing family members and enterprises employing youth informally;</p> <p>3.4.2. Existing enterprise development services are made available to enterprises employing (young) workers informally to shift them to the formal economy;</p> <p>3.4.3. Social security contribution incentives extended, on a temporary basis, to enterprises and workers moving from the informal to the formal economy.</p>					
<p><b>Outcome 3.5 – Young people are informed and aware of their rights at work</b></p> <p><b>Baseline</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul> <p><b>Outputs</b></p> <p>3.5.1. Questions to measure the extent of informal employment included in the annual Labour Force Survey (LFS) and ad hoc surveys conducted on a regular basis;</p> <p>3.5.2. Information and training material on rights at work for young people prepared and disseminated through the network of NES, trade unions and employers' organizations and included in career development services in schools;</p> <p>3.5.3. An awareness and information campaign organised by the MoLSAEO and the social partners on the negative impact of the informal economy.</p>	<ul style="list-style-type: none"> <li>• One annual survey carried out on business sectors, the informal economy and youth employment;</li> <li>• One national awareness and information campaign organised by the MoLSAEO and the social partners on the negative impact of the informal economy on workers and enterprise productivity;</li> <li>• Number of young people sensitized on fundamental rights at work.</li> </ul>	<p><b>MoLSAEO INSTAT Employers' and Workers' Organizations</b></p>	<p><b>US\$90,000</b></p>	<p><b>US\$30,000</b> <b>MDG-F Youth employment and migration</b></p>	<p><b>2010</b></p>
					<p><b>2011</b></p>

Objective 4: Promote labour market inclusion of disadvantaged youth through targeted labour market measures.							
Target		40 per cent increase of disadvantaged youth participating in ALMPs and employed in a career job					
5 percentage points decrease of young people in vulnerable employment							
OUTCOMES AND OUTPUTS		INDICATORS	RESPON- SIBLE UNIT	FINANCIAL INPUT		TIMEFRAME	
				Not pledged/ fund- raising	Pledged	Start	End
Outcome 4.1 – The design, targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young people		<ul style="list-style-type: none"><li>40 per cent increase in the number of disadvantaged youth (900 persons) participating to employment promotion programmes;</li><li>Percentage increase of funds available for employment promotion programmes;</li><li>35 percentage increase of disadvantaged youth in ALMPs and employed in decent work 6 months after programme conclusion.</li></ul>	MOLSAEO NES Min. Fi- nance	US\$750,000	US\$400,000 NES (Employment Promotion programmes	2010	2013
Baseline							
<ul style="list-style-type: none"><li>The number of young people registered as unemployed was 28,790 in 2009.</li><li>At least 20 per cent have a low qualification level and 64 per cent are recipients of social assistance.</li><li>2,274 unemployed participate to employment promotion programmes and 6,600 persons are trained by the public vocational training centres.</li></ul>							
Outputs							
4.1.1. The regulatory framework governing the design of active labour market programmes is amended to better respond to the needs of young people at risk of exclusion and local labour market requirements.							

<p>4.1.2. New employment promotion programmes – including self-employment measures – designed, targeted and sequenced to address the needs of young people at risk of labour market exclusion, including young workers in the informal economy, contributing family workers, young people on social assistance and young returning migrants;</p> <p>4.1.3. The funds available for the implementation of employment promotion programmes and vocational training increased annually to match the needs of the most vulnerable groups of the young unemployed;</p> <p>4.1.4. Active labour market programmes targeting youth systematically monitored and evaluated to measure impact;</p> <p>4.1.5. A system to activate the most disadvantaged categories of young unemployed pilot-tested in NES local offices and the results mainstreamed throughout the country.</p>						
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<b>Project outline (01)</b> <b>Improving the governance of the (youth) labour market</b>	
<b>Project Description</b>	<p>The Employment and Vocational Training Strategy (2007-13) contains some elements of an active policy on employment. The tasks of the Employment Department of MoLSAEO include the formulation, monitoring and evaluation of the employment policy and related national action plans. However, the capacities of the labour institutions to carry out analysis of labour market trends (especially with regard to people at risk of labour market exclusion) and use this information for policies and programmes, is still limited.</p> <p>Moreover, local administrations are increasingly required to take responsibility for a number of policy areas, to find the necessary financial resources, and to monitor and evaluate the effectiveness and efficiency of the interventions administered. The capacity of local administrations to address the youth employment challenge requires a major effort in both policy and programme implementation.</p> <p>This project aims at strengthening the capacity of the Employment Department to regularly monitor and evaluate the impact of employment policy on youth. Such work is expected to foster the Department's labour administration functions and the interactions with NES, INSTAT, and the local government institutions. The capacity of local labour market institutions will also be built to design, monitor and evaluate youth employment interventions targeted to local circumstances (such as local employment pacts for youth employment).</p>
<b>Link to Action Plan</b>	<p><u>NAP Objective 1</u>: Strengthening the governance system of (youth) labour market</p> <p><u>Output 1.1.3</u>: Monitoring and evaluation cycles of the active policy on employment regularly conducted</p> <p><u>Output 1.1.5</u>: Social pacts on youth employment are piloted in regions with a high incidence of youth at risk of labour market exclusion</p>
<b>Project immediate objective(s)</b>	<ul style="list-style-type: none"> <li>• To enhance the capacity of the Employment Department of MoLSAEO to manage, monitor, and evaluate the employment policies and accompanying action plans</li> <li>• To strengthen the capacity of local administrations to pilot social pacts on employment in the most disadvantaged regions of Albania</li> </ul>

<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• The Employment Policy Department of MoLSAEO is able to formulate, monitor and evaluate evidence-based employment policies</li> <li>• Number of territorial employment pacts on youth employment implemented in disadvantaged regions</li> </ul>
<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• An assessment of the achievement of the employment policy objectives (including the NAP on youth employment) carried out and used for the formulation of the next NSDI</li> <li>• Social pacts on youth employment are piloted in regions with a high incidence of youth at risk of labour market exclusion</li> </ul>
<b>Budget</b>	US\$ 600,000 (co-financing)
<b>Contact</b>	Employment Policy Department of MoLSAEO

<b>Project outline (02)</b> <b>Promote labour market prospects of young people by enhancing their employability</b>	
<b>Project Description</b>	<p>This project aims at supporting MoLSAEO to establish, together with NES, employment-oriented, competency-based training programmes for young jobseekers and school dropouts. The estimated number of youth who leave school early is 20,000 per year, while the ones who end up in open unemployment are approximately 40 per cent (8,000).</p> <p>Actions will comprise: i) trainings to deliver competency-based programmes to teaching staff of VET centres and other training providers; ii) the design of training curricula and packages for 4 priority occupations in demand developed by NES in collaboration with NVETAQ with the aim to increased the employability of young people; and iii) the introduction of competency-based training programmes (based on labour market requirements) for young jobseekers, including school dropout and early school-leavers, systematically delivered by training providers and leading to productive jobs; iv) the design of a system, managed by NES and NAVETQ, for the recognition/ certification and accreditation of job competencies (including those acquired in non-formal settings in Albania or abroad).</p>
<b>Link to Action Plan</b>	<p><u>Objective 2</u>: Increasing the employability of young people</p> <p><u>Outcome 2.2</u>: Young jobseekers, including school drop-outs, have access to adult training programmes based on competencies and acquire skills leading to employment</p> <p><u>Output 2.3.2</u>: A system for the recognition of prior learning developed and used to assess the competencies acquired by young people either in Albania or abroad</p>
<b>Project immediate objective(s)</b>	<ul style="list-style-type: none"> <li>• To introduce competency-based training programmes based on labour market requirements that will provide youth with skills leading to gainful employment</li> <li>• To establish an assessment centre within the NES system to recognise job competencies acquired by youth in informal settings</li> </ul>
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• 40 per cent of early school leavers (8,000 young people) who are unemployed participate in the training programmes organized by NES which are relevant to the labour market needs</li> <li>• 60 per cent of young trainees (4,800 individuals) are employed in decent work 6 months after completion of the training programme</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• 1 annual survey on occupations and skills most demanded by the labour market conducted</li> <li>• 4 competency-based training programmes and packages in 4 priority occupations developed</li> <li>• Training providers and teaching staff of VET centres trained to deliver competency based training programmes in priority occupations</li> <li>• 8,000 unemployed youth training in occupations and skills demanded by the labour market</li> <li>• NES offers a range of services geared to recognise job competencies to unemployed or out of the labour force youth</li> </ul>
<b>Budget</b>	US\$ 1,880,000 (co-financing)
<b>Contact</b>	Employment Policy Department of MoLSAEO, National Employment Service, NaVETQ

<b>Project outline (03)</b> <b>Supporting enterprises in creation of jobs for young people</b>	
<b>Project Description</b>	<p>The growing gap between demand and supply of skilled employees is one of the main obstacles to increasing investment and developing new branches of the economy.</p> <p>This project aims at supporting the identification of economic sectors that have high youth employment elasticity in view of supporting enterprises (particularly SMEs). The project will provide incentives and training grants to enterprises in sectors that have high youth employment elasticity and to enterprises creating employment opportunities in regions lagging behind. In addition, an incentive package targeting enterprises operating in specific economic sectors and/or employing young people in less developed rural districts and/or in priority economic sectors/occupations, will be established.</p> <p>The instruments that already exist for fostering SME development (credit guarantees, fund for competitiveness, micro-credit schemes co-funded by the government and donors) will be made available to enterprises investing in priority sectors with high youth employment elasticity, as well as to enterprises recruiting young workers in rural areas. Such incentive packages will also be made available to business set up by returning migrants. To this end, new means to provide business information and services to returning migrants will be made available, both in Albania and abroad.</p>
<b>Link to Action Plan</b>	<p><u>Objective 3</u>: Fostering the role of the private sector in creating decent jobs for young people</p> <p><u>Outcome 3.2</u>: A package of incentives is in place as part of enterprise development strategies to foster youth employment and human resource development</p>
<b>Project immediate objective(s)</b>	To identify and provide supports to economic sectors and enterprises with high youth employment elasticity
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• Percentage increase in investments in priority economic sectors/occupations</li> <li>• 1,700 young people employed in priority economic sectors/occupation</li> <li>• 3 per cent decrease of young people working as contributing family members in the agriculture sector (2,400 individuals)</li> <li>• 1.5 percentage increase in youth wage employment in rural areas</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• 1 survey to measure the youth employment elasticity of the various economic sectors conducted on an annual basis to identify priority sectors of intervention</li> <li>• Existing credit opportunities and other enterprise development services made available to enterprises investing in priority sectors with high youth employment elasticity both in urban and rural areas</li> <li>• Information on investment and enterprise development opportunities available to individuals returning to Albania regularly collected and made available through a variety of means (Albanian diplomatic missions abroad; chambers of commerce, NES, regional development agencies)</li> <li>• A system of incentives, including rebates to social security contributions and the provision of training grants, is available to enterprises to recruit low-skilled young workers – especially those working as contributing family members in the agricultural sector</li> </ul>
<b>Budget</b>	US\$ 1,200,000
<b>Contact</b>	MoLSAEO, NES, Ministry of Economy, Trade and Energy, Ministry of Finance

<b>Project outline (04)</b>	
<b>Work-training contracts to promote first-time employment in private sector</b>	
<b>Project Description</b>	<p>This project is geared to facilitate the entry of young people into the labour market by institutionalizing school-to-work transition programmes. It addresses the lack of work experience of newly graduated youth and the low skill base of young contributing family workers in the agricultural sector by offering enterprises the option of using, for a limited time, alternative forms of employment contracts that mix learning and work and whose social contribution payment is subsidized by the State. Such a school-to-work transition system will be complemented by work-based learning and practice opportunities for young people still at school. Young people participating in work-based learning will not be regarded as members of the enterprise, but as students under the jurisdiction and supervision of the schools.</p> <p>The organization of work-based learning for students will be based on partnership agreements between school and enterprise and is to be facilitated and monitored by NES, through by-laws establishing a transparent governance system. School authorities, enterprises and NES will decide on the general purposes and content of work-based learning, create or select training materials, establish routines for placing and supervising students and evaluate students' performance.</p>
<b>Link to Action Plan</b>	<p><u>Objective 3</u>: Fostering the role of the private sector in creating decent jobs for young people</p> <p><u>Outcome 3.3</u>: Work training contracts to promote first-time employment in the private sector are introduced</p>
<b>Project immediate objective(s)</b>	To introduce work-training contracts for young first entrants into the labour market.
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• 30 per cent of young first-time jobseekers (1,250 youth) registered with NES participate to work-training contracts and 70 percent employed 6 months after programme completion</li> <li>• 1,500 secondary education students participate in work-based learning schemes and 60 percent are employed 6 months after graduation compared to non-participants</li> <li>• 2.5 per cent of young contributing family workers in the agricultural sector (1,500 young people) participate to work-training contracts and 60 per cent are employed in decent work 6 months after programme completion</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• Work and learning contracts for first entrants in the labour market and young contributing family workers introduced in the employment promotion regulatory framework</li> <li>• A new system for enterprise-based learning opportunities (practice periods, work experience schemes, work-based arrangements) provided to students and newly graduates to ease their transition to the world of work</li> <li>• Young people first entrants in the labour market and young contributing family workers have access to work-training contracts</li> </ul>
<b>Budget</b>	US\$ 1,305,000
<b>Contact</b>	NES, Ministry of Economy, Trade and Energy



<b>Project outline (05)</b> <b>Promotional measures to move workers and enterprises to the formal economy</b>	
<b>Project Description</b>	<p>The available data on informal employment show that approximately 70 per cent of young workers (143,800 young people) are employed informally.</p> <p>This project aims at providing technical assistance to MoLSAEO, the Ministry of Economy, Trade and Energy and to NES to develop a skills training grant system to improve the productivity of young, informal workers and move them into the formal economy.</p> <p>Breaking the cycle of informality requires a careful approach that induces enterprises and individuals to comply with the legal obligations in force. To accompany the stricter penalty system already being pursued by the government of Albania, a system of incentives will be established whereby enterprises and individuals moving from the informal economy will be given access to a variety of services (quality business advisory services, training incentives/grants, credit opportunities, subsidized employment). A similar approach is already under implementation in the Kukes Region through the implementation of the Territorial Employment Pact for Youth. All these actions will be subject to strict monitoring and evaluation to minimize abuses and maximize impact.</p>
<b>Link to Action Plan</b>	<p><u>Objective 3</u>: Fostering the role of the private sector in creating decent jobs for young people</p> <p><u>Outcome 3.4</u>: Promotional measures to move young workers and enterprises to the formal economy are available</p>
<b>Project immediate objective(s)</b>	<p>To introduce skills training grants to increase the productivity of informal workers and shift them to the formal economy</p>
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>Approximately 2 per cent of informal young workers (3,000 youth) moved to the formal economy and still formal after 12 months</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• A system of skill training grants will be made available to young informal workers, contributing family members. and enterprises employing youth informally</li> </ul>
<b>Budget</b>	US\$ 725,000
<b>Contact</b>	MoLSAEO, Ministry of Economy, Trade and Energy, NES

<b>Project outline (06)</b> <b>Awareness raising among youth on their rights at work</b>	
<b>Project Description</b>	<p>Productive and rewarding work is the most deeply felt aspiration of young people entering the labour market. Young Albanians face a considerable lack of knowledge about their rights and responsibilities at work. This compromises their success in entering the labour market and makes them particularly vulnerable, also contributing to increase the number of people treading the forgotten meanders of the informal economy.</p> <p>Increasing the employability of young people and fostering the capacity of the private sector to create decent jobs will not, in themselves, be sufficient to address the needs of those young people who face multiple barriers in the labour market.</p> <p>The nation-wide information and awareness raising campaigns organized by the MoLSAEO and the social partners will be complemented by the development of information and training material to raise youth awareness about their rights at work. These materials will be distributed to young people through schools, employment offices and the local networks of the social partners.</p> <p>The project aims at providing technical assistance to workers' and employers' organizations to develop sensitization activities among their members on the informal economy and contribute to the awareness campaigns to be launched by MoLSAEO, in collaboration with the social partners.</p>
<b>Link to Action Plan</b>	<p><u>Objective 3</u>: Foster the role of the private sector in creating decent jobs for young people</p> <p><u>Outcome 3.5</u>: Young people are informed and aware of their rights at work</p>
<b>Project immediate objective(s)</b>	<ul style="list-style-type: none"> <li>• To raise the awareness among worker and employer organizations' members about the informal economy</li> <li>• To develop and disseminate information and awareness materials on the informal economy</li> </ul>
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• One national awareness and information campaign organised by the MoLSAEO and the social partners on the negative impact of the informal economy on workers and enterprise productivity</li> <li>• Number of young people sensitized on fundamental rights at work</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• Information and training material on rights at work for young people prepared and disseminated through the network of NES, trade unions and employers' organizations and included in career development services in schools</li> <li>• An awareness and information campaign, organized by MoLSAEO and the social partners, on the negative impact of the informal economy</li> </ul>
<b>Budget</b>	US\$ 90,000 (co-financing)
<b>Contact</b>	Employers' and Workers' Organizations of Albania, NES, MoLSAEO

Project outline (07)	
Promoting inclusion of disadvantaged youth through targeted measures	
<b>Project Description</b>	<p>The employment measures adopted in Albania over the recent past have not been able to address the specific labour market needs of the most disadvantaged groups of the population. Active labour market policies (ALMPs) are more effective if they are well targeted to the needs of individual jobseekers and the labour market. Moreover, that treatment should start as early as possible in the period of unemployment. Early profiling, however, is not in itself sufficient to guarantee appropriate responses – e.g. service provision and programmes – that match both individual needs and labour market requirements. That is why the design and targeting system currently used for ALMPs needs to be revisited and constantly monitored and evaluated to ensure that this matching actually occurs in the most cost-effective manner.</p>
<b>Link to Action Plan</b>	<p><u>Objective 4</u>: Promote labour market inclusion of disadvantaged youth through targeted labour market measures</p> <p><u>Outcome 4.1</u>: The design, targeting and financing of active labour market policies is reformed to address the needs of the most vulnerable categories of young</p>
<b>Project immediate objective(s)</b>	<p>Reform of the design, targeting and financing of active labour market policies to address the needs of the most disadvantaged groups of the population</p>
<b>Project performance Indicators</b>	<ul style="list-style-type: none"> <li>• 40 per cent increase in the number of disadvantaged youth (900 persons) participating to employment promotion programmes</li> <li>• Percentage increase of funds available for employment promotion programmes</li> <li>• 35 percentage increase of disadvantaged youth in ALMPs and employed in decent work 6 months after programme conclusion</li> </ul>

<b>Project Outputs</b>	<ul style="list-style-type: none"> <li>• Amendment of the regulatory framework governing the design of active labour market programmes in order to better respond to the needs of young people at risk of exclusion and local labour market requirements</li> <li>• New employment promotion programmes – including self-employment measures – designed, targeted and sequenced to address the needs of young people at risk of labour market exclusion</li> <li>• Increase of the implementation funds for employment promotion programmes and vocational training</li> <li>• Systematic monitoring and evaluation of the active labour market programmes in order to measure impact on employment and income; pilot tested in NES local offices and mainstream of the results throughout the country</li> </ul>
<b>Budget</b>	US\$ 750,000 (co-financing)
<b>Contact</b>	MoLSAEO, Ministry of Finance, NES

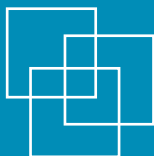
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# ALBANIA

## YOUTH EMPLOYMENT ACTION PLAN 2010-2013



MINISTRIA E PUNËS  
ÇESHTJEVE SOCIALE DHE SHANSËVE TË BARABARTA

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