



## YOUTH EMPLOYMENT TRENDS IN ALBANIA: WHAT IS THE MARKET LOOKING FOR?

Ardian Hackaj

# YOUTH EMPLOYMENT TRENDS IN ALBANIA: WHAT IS THE MARKET LOOKING FOR?

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**Author:** Ardian Hackaj

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## Foreword

**Frank Hantke** – FES Director

### Talking about the future means rethinking today

This very important study is a part of the activities of Friedrich-Ebert-Stiftung supporting the development of an Albanian education and vocational training system tailored to the country socio-economic development needs. Already in a conference held in autumn 2013 with employers, foreign investors, teachers and governmental bodies, we showed how important labor market orientated skills are for building up an efficient economy as well as for the attraction of foreign investments. And we will continue our efforts with all labor market actors in autumn 2015 when we will develop a comprehensive platform for identifying, presenting, matching and developing the labor market requirements for the most important professions and the respective qualifications needed in Albania. Additionally – and this is the context in which this study was developed – we are working together with national and local youth organizations and the National Employment Service (NES) on how to improve and adapt the information the young generation and their parents need to know about the Albanian labor market so that they are able to plan in the best way their professional career.

Albanian labor market is quite specific and not comparable with an equivalent one in developed industrial countries of Europe. The Albanian labor market seems to be divided in at least three parts: in the 4th trimester of 2014, INSTAT indicates a public administration sector which employs about 164 thousand individuals (or 17,7%), the privately-owned registered companies in the industrial sector which offer about 320 thousand workplaces (or 34,4%) and the agricultural sector for the which official data indicate more than 440 thousand individuals employed (the remaining 47,9%).

When we generally talk about a labor market of a country, we talk

about the “platform” where the job providers meet job seekers, and about the mechanism that make sure that supply and demand is matched in quantity and quality. In Albania the labor market is somehow different. This means that even the above mentioned sectors of labor market are not functioning as a real market. For example the hiring (and firing) in the public service is somehow dependent from the party membership – this is a recurrent feature appearing in the EU progress reports. And having in mind that nearly 90% of the registered companies in Albania are mostly family based with only 1 – 4 workers, we also have to admit that this sector is not part of an open labor market since mostly only family members are working there, with or without a legally-binding employment contract. Hence we can talk of an “open job market” only about the rest of registered companies, where companies of more than 80 employees represent only circa 1% of the total industrial companies (but employ 1/3 of employees).

On the other side we have to admit that Albania with its about 3 Mio inhabitants has an employable workforce (15 – 64) years of more than 68% of the population (WKA, WirtschaftskammerÖsterreich 2011) - which would be a number of 2 Mio people. From the Quarterly Labor Force Survey in 2014 there were less than 1 Mio individuals declared as employed in Albania. Hence there are more than 1 million individuals between 15 and 64 years who don't have an ordinary labor contract (including social insurances) or are really unemployed (we have to take into account those that are studying and other minor sub-groups though). The impact of large groups that are inactive, damages the social capital of the country in the long term. Especially when we focus on the young generation which - Albania being a young country - is not a small minority. If the country wants to develop the economy and keep increasing its welfare, much more must be done for the young generation always brought up as “Albania's comparative advantage” and „the future of the country“. The current employment situation doesn't give to the young generation much hope for a better future, since

they see their desolate present.

In cooperation with the National Employment Agency and CDI/ Shtetiweb.org we have researched the employment market for youngsters. In this study we present the findings and try to give some practical and useful advice for Albanian youngsters and their parents for the planning of a professional career and the respective education and / or vocational training. The findings expose many prejudices and wrong hopes of parents and their children which are leading them into less efficient career paths. The number of enrolled students and university graduates is still rising, but without any connection to the real needs of tomorrow's labor market. This bad planning risk to make those youngsters unable to find and / or to hold a meaningful job, and to complete successfully the transition from school to work. Much money and even more hopes are wasted because of wrong expectations and missing information. The findings of this study shall contribute to revise this.

For policy-makers and employers this study shows the importance of a better and closer cooperation with educational institutions in training, with the aim to develop adaptive curricula for schools, universities and – most important – to have a new conception and development framework of the vocational training system. If Albania shall get a modern and future orientated economy, able for the competition in the European market, there is needed the rethinking from all actors, very soon. Starting with the youngsters' group is an as good beginning as it gets. This study endeavours to provide some strategic building blocks for reflection and policy making.

## Foreword

**Genci Kojdheli** – General Director of National Employment Service

In a fast changing and ever evolving labor market, informing and orienting youngsters to better prepare for the integration into the labor market is a primary duty of all stakeholders, be they public or private. This is the approach in all European Union countries, and an absolute immediate need for Albania. Informing youngsters through research papers and scholarly documents is a key element which enable them understand that the integration into the labor market and the achievement of a sustainable well-being are accomplished not only through university studies (which are important for of a modern society based on knowledge and advanced research), but also through the creation of a workforce based on professional and technical skills – a workforce which makes an efficient use of the system of education and vocational training.

Data in all European Union countries, but also the tendency of Albania and other countries of the region, show that employability and entrepreneurship is more easily achieved by professionals who belong to the categories of technicians, implementation specialists, and service professionals in various sectors of economy, such as tourism, information technology, agro-processing, etc.

The study we present in cooperation with Friedrich Ebert Stiftung aims to fill this information gap that exists in the country, and hopes to pave the way for the creation of a sustainable practice in producing such guiding documents, which will serve both to policy makers in establishing long-term policies, and to pupils, students and parents in selecting the most suitable careers for their academic and professional lives.

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## I. Introduction

The survey and its subsequent analysis on the Youth Labour Market in Albania has been initiated as an answer to a perceived phenomena of mismatch of skills with the available positions in the existing youth market. The current youth unemployment rate – double the national one – is a clear indicator of this situation. The study is supported by Friedrich Ebert Stiftung – Tirana Office, in partnership with National Employment Service.

## II. Methodology

The study was based first on desk research over the European methodology of analysing the transition of youth from school to work, completed with data gathering on national level. In our work we focussed only on the labour market features of supply and demand of youth skills as perceived by the employers. The indicators to be measured were conceived so as to provide data on the:

- qualifications and diplomas that were the most in demand in order to identify the most requested youth employee profile,
- the implication of Albanian enterprises in the transition from school to work of Albanian youngsters; and
- the situation & career advancement of the youth when in enterprise.

We created sample of 800 companies out of 12,000+ already registered with the National Employment Service and established all over Albania.

The sample composition was adjusted by geographical criteria, NACE sector, number of employees and propensity to hire as indicated by the data provided by NES. On a second phase, this sample was weighted to represent the structure of companies registered in all Albania as per Statistical Business Register (SBS).

The questionnaire of 800 enterprises was handled by the NES employees all over Albania. They contacted the identified enterprise HR manager / owner, asked the questions and wrote the answers themselves. When a manager / owner refused or was otherwise unable or unwilling to reply, it was duly noted and replaced with his / her equivalent in a similar enterprise.

Given the very high number of enterprises with 1 to 4 employees, it was judged useful to create a complementary group of the 40 biggest enterprises by number of employees – not necessarily registered with NES – and to analyse it accordingly. The list of biggest employers was prepared on the base of their employment declaration numbers of 2013, as indicated by Monitor magazine<sup>1</sup>, selected on the decreasing order. When a manager / owner refused or was otherwise unable or unwilling to reply, it was duly noted and replaced with his / her equivalent in a similar enterprise. The 40 selected companies employ in total 36,900 individuals, or 7.8% of the total employment in non-agriculture sector. These questionnaires were filled from experts from Monitor magazine experts and from Chamber of Commerce & Industry Tirana.

The filled questionnaires were inputted by the Shtetiweb/CDI staff in the database. The free answers were codified as per accepted international practice where we can mention International Standard Classification of Education (ISCED 2011), fields of education page 73-75<sup>2</sup>.

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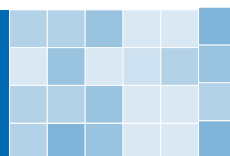
1 - <http://www.monitor.al/100-punedhenesit-me-te-medhenj-ne-vend-2/>

2 - <http://www.uis.unesco.org/Education/Documents/isced-2011-en.pdf>

The analysis of our samples was placed and developed in the context of the:

- Structural Survey of Economic Enterprises 2013<sup>3</sup> (SSEE) in order to better understand the demand for qualifications;
- Labour Force Survey Q4 2014<sup>4</sup> (AFPQ4), in order to better understand the context of the qualifications supply side.

### III. General data on the labour market in Albania



According to SSEE, in 2013 in Albania there were 84,790 active economic enterprises employing 344,528 persons. Enterprises with 1 – 4 employees constituted 89% of the total (with Trade & Accommodation & Food Services constituting roughly 60% of all Albanian registered companies).

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3 - <http://www.instat.gov.al/en/publications/books/2014/quarterly-statistical-bulletin,-4-2014.aspx>

4 - <http://www.instat.gov.al/en/themes/labour-market/publications/books/2014/quaterly-labour-force-survey-q4-2014.aspx>

## III.a. The demand side

Based on the Structural Survey of Enterprises 2013, the productive tissue in Albania can be fairly separated in three equal tranches of registered enterprises of roughly 1/3rd each as indicated below:

- enterprises with 1-4 employed that engage 34.5% of the active workforce (and realize 15.9% of total turnover);
- enterprises with 80+ employees that constitute 31.5% of the total, (and realize 38.6% of total turnover & invest 53.9% of total investments);
- enterprises with 5 to 79 employees that employ 34% of the total workforce

Tab.1 – SSEE data on Employment Structure of Productive Structure (no Agriculture)

Size class of enterprise	Enterprises		Employed		Turnover		Investments	
	no.	%	no.	%	mln ALL	%	mln ALL	%
<b>Total</b>	<b>84 790</b>	<b>100</b>	<b>344 528</b>	<b>100</b>	<b>1 637 015</b>	<b>100</b>	<b>162 899</b>	<b>100</b>
<b>1-4 employed</b>	<b>75 823</b>	<b>89</b>	<b>118 988</b>	<b>35</b>	<b>259 485</b>	<b>16</b>	<b>25 773</b>	<b>16</b>
<b>5-19 employed</b>	<b>6 957</b>	<b>8</b>	<b>58 619</b>	<b>17</b>	<b>393 137</b>	<b>24</b>	<b>28 170</b>	<b>17</b>
<b>20-79 employed</b>	<b>1 561</b>	<b>2</b>	<b>58 427</b>	<b>17</b>	<b>352 603</b>	<b>21</b>	<b>21 165</b>	<b>13</b>
<b>80+ employed</b>	<b>449</b>	<b>1</b>	<b>108 494</b>	<b>31</b>	<b>631 790</b>	<b>39</b>	<b>87 791</b>	<b>54</b>

It is important to mention the data on “investment” and “sales” per sector as both of them condition the health of the respective sector and as consequence, the rhythm of hiring. As can be noticed, it is the 80+ enterprises that invest the more with 53,9% and that have the biggest sale volume with 38,6%.

To these data it must be added the “Employment in the Agricultural private Sector which in T4 2013 employed 450,893 individuals<sup>5</sup>.”

*Tab. 2 – SSEE data Investment, Sales & Employment by Size*

	1-4 employed	5 - 19 employed	20 - 79 employed	80+ employed
<b>Investments</b>	<b>15,8</b>	<b>17,3</b>	<b>13,0</b>	<b>53,9</b>
<b>Turnover</b>	<b>15,9</b>	<b>24,0</b>	<b>21,5</b>	<b>38,6</b>
<b>Employed</b>	<b>34,5</b>	<b>17,0</b>	<b>17,0</b>	<b>31,5</b>
<b>Enterprises</b>	<b>89,4</b>	<b>8,2</b>	<b>1,8</b>	<b>0,6</b>

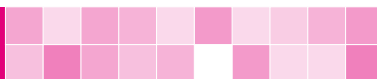
Regarding the dynamics of some sectors, we would like to point out the increase of the turnover in “Other Services” sector (which include the private health and education, administrative and professional, scientific and technical activities etc.) which has increased by 10.4% compared with previous year. This sector also had the highest increase of the total number of employed by 18.7%, and of the number of active enterprises by 5.8%. The “Transport, Information and Communication” sector has the largest percentage of increase of investments by 16.8%.

From the data above we can fairly describe the productive tissue of Albania as dominated by micro-units of 1-4 employees based on familial ties and operating mostly in Small trade, Food and Accommodation business. However a very important segment defining the demand especially in urban areas is mainly established in the Durres – Tirana metropolis area where is situated the biggest part of manufacturing companies that employ 80+ and provide the bulk of the demand for labour.

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**5 -** Employment in agricultural private sector is estimated from Labour Force Survey, revised. INSTAT, after the publication of the revised population estimates for the years 2001-2014 in May 2014, (<http://www.instat.gov.al/al/themes/popullsia.aspx>), which reflected the population changes derived by the Population and Household Census 2011, has revised the Quarterly Labour Force Survey time series. There is a significant change in the demographic information as regards to the structure of population and households, which in turn has had its impact on the change of the labour market indicators starting from the first quarter of 2012 to the first quarter of 2014.

### III.b. The Supply Side



According to AFPQ4 the unemployment rate in the 4th trimester of 2014 for youth of 15-29 yrs. is 33,9% (almost the double of the overall unemployment rate which is 18%). It has been the manufacturing sector that has provided the highest increase in employment with 9% yrs., followed by Trade.

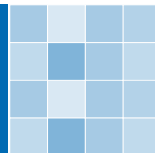
The employment data by educational level show an almost equal percentage of the profile of employees: 2/3rd of individuals that are VET-trained (65,5%) or university-educated do have a job. Those numbers are sensibly higher than the employment data of individuals having only general education high school level (45.5%). Another data that attracts attention is the high percentage of self-employed amongst the VET trained people (31.7%) while it is only 25.9% for the general schooling and 10.3% for university educated ones. From the above it appears that VET education provides skill that comparatively are more adapted and / or needed for individuals that want to start their own business.

Regarding unemployment, VET educated individual seems to suffer less than other categories. It is the persons with VET training that have the lowest unemployment rate with 13,9% (the university education unemployment rate being 19,8%). The most unemployed groups are high school general education laureates with 1 in four (or 24,3%).

From the data above it appears that those individuals having VET are facing better chances to find a job in the current job market.

However those general data indicate a fairly high unemployment rate for the youth compared to the rest of the population. Further on we will look at the precise opportunities of employment for youth, the mechanisms they use to find a job, the sectors that hold the most promising future and the qualifications that eventually will be more in demand in the future.

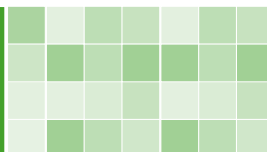
## IV. General considerations on youth transition from school to work



The consequences of a long disengagement of youth from the labour market include:

- disruption of development process of the human capital invested in them;
- an increasing risk of social exclusion and poverty affecting young individuals;
- an increased risk for un-engaged youth in pursuing dangerous lifestyles.

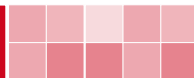
### IV.a. Long wait and low expectances for the youngsters



For these reasons, a shorter period of transition is desirable. A well-functioning youth labour market is one that absorbs most of the newly graduated within a few months of the completion of their education. At this juncture of their life, youth start their life as productive adults out to embark on a dreamt meaningful career after years of formal education. But getting the first job has never been not an easy process in a labor market non controlled by the state (which is the case of Albania after 1990). Currently it is becoming a major challenge and can prove a lengthy endeavor. Moreover, the prolonged jobs crisis also forces young people not only to wait more for their first job, but also to be less selective about the type of the first jobs they are looking and accepting.



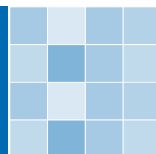
#### IV.b. Un-informed & un-prepared parents



Another category affected and disoriented by this transition are the Albanian parents. Most of them entered the work environment from the 90s onwards when the private sector was emerging and the bulk of the jobs were still offered by the public sector. As such their professional path was traced by the state and even if it may not have been fulfilling, at least it was not uncertain. Today, to their understanding and acceptance of uncertainty in the career of their children, it must be added the complexity of the new sectors and professions, the complexity of the existing labor market mechanisms compared with a centrally-organized placement system, the proliferation of the diplomas and qualifications, and the non-traditional professional parcours of youth in the post-modern economic system of today.

In general many parents (as well as many youngsters too) today are not aware of the new dynamics and needs of the labour market and how they affect their kids. From interviews with professionals of youth employment market, we have been told that many parents and youngsters, as a matter of habit, put little attention to whether their education / academic choices would translate into a job, let alone what kind of job, the time required to find and hold it, the starting salary, etc. This kind of analytical thinking seem to be missing from the decision making process in the family. Instead most of youngsters (and especially parents) are keen on getting a job in the public service, notwithstanding the practical impossibility for that sector to hire such large numbers. Hence they plan their career in function of what they wish for, not based on what the market offers.

## V. Theoretical considerations about School to Work Transition



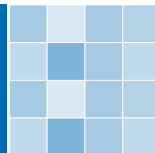
It is generally accepted that the smoothest labor market transitions for youth happen in countries that combine a dynamic economy, a functioning market, and appropriate public policies. More precisely they should have:

- a favorable demographic structure;
- a favorable macroeconomic situation;
- a great demand for youth labor;
- minimum wage rates;
- education and training systems that equip young people with needed skills and prepare them for labour market entry;
- functioning welfare regimes including active labour market programmes.

Currently youth in Albania have a relatively high risk of unemployment, as indicated by the data of AFPQ4. Due to a gloomy macroeconomic situation, of dual labour markets, and of an education and training systems that lack elements of employer involvement and hands-on work experience, Albanian youth often face a protracted period of career instability. It is widely accepted - as indicated by the German model - that the best & smoothest transitions happen where employers are involved in the design of vocational courses and where theoretical learning in schools is often combined with practical work experience in the form of apprenticeships. Hence it is not only the level of educational attainment, but also the quality of education and close links to the labour market that lead to different transition experiences.

In general countries with a higher integration of school and work, display a smoother and quicker transition from youth from school to work. They achieve that through apprenticeship programmes or through more young people effectively combining school and early labour market experiences. As a result, youth unemployment is lower in countries with a high degree of specific vocational qualifications and with employers' involvement in training provision. Countries with low levels of employment protection show similar features as well.

## VI. General features on youth labour market in Albania

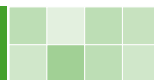


Current youth transition patterns in Albania look complex, mixed and long. Young people move frequently in and out of the labour force, they start mostly in low-qualified jobs that very often have nothing to do with their diplomas & qualifications. This practice often involves backtracking and blending of statuses employee–student - especially in the current times of education reform, economic crisis and technological turbulence – which make the analysis of the trajectories from school to work even more difficult.

The youth labour market in Albania can be defined as flexible and sequential:

- Flexible as it provides labour legislation & contracts which allow for low firing cost for companies – i.e. allows enterprises to hire and fire more easily. This in turn allows young people to get hired relatively quickly and hence develop work-related skills while on the job, even if job-position is not directly related to the level and specialisation of diplomas & qualifications;
- Sequential system of education is such as its mission is to mainly provide general education while the work experience should be made mainly after school. The very low implication of employers in the education of Albanian youngsters, sustain this hypothesis.

## VI.a. Early labour market experience



Early labour market experience is very important for young people and their transition into adulthood. In fact, regardless of the content of the job, early labour market experience can be very useful for learning the values and norms of work, for discovering and developing the work ethic and for an earlier acquisition of experience which may be useful once in the labour market. Here an important role is played by the active employment policies.

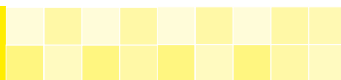
The main policy instruments need for active employment policies for the under - 25 yers are: a) Apprenticeships; b) Trainings; and c) Internships<sup>6</sup>. From our survey it is noted that the majority of companies in Albania hold their youngsters less than 12 months so they do not invest in apprenticeship practices. Also the number of polled companies that declare to have interns is very small. It is only the big employers that show signs of active involvement in the training of their potential employees.

Taking into account those facts, policy makers have prepared and it is currently in Parliament the Law on Apprenticeship. This legal act will provide the required policy and legal base for a better connection of demand and supply of skills, which is expected to improve the smooth transition from school to work of Albanian youngsters.

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<sup>6</sup> - in the Albanian version the translation for those terms have been based on the book: Technical Guidebook English – Albanian on Labour Market, Employment and VET Policy, by Neshat Zeneli, Ed. Klean ShPK. ISBN978-9928-4209-9-2, Tirana, Albania 2014.

## VI.b. School and work



The countries with a higher proportion of students who combine school and work are also those with a shorter average time gap between finishing education and starting a first job. In fact, as most of these students already combine work and education, they will get in contact with potential employers more quickly, and depending on the nature of the job, they will just continue with the job they already do.

The proportion of school-leavers who are employed one year after graduation goes together with the proportion of students combining work and education. In this regard, the countries with a higher proportion of students who work are also those with a higher proportion of school-leavers who are employed one year after finishing their education. This seems to confirm the importance of the combination of school and work in order to ensure a quicker entrance of young people to the labour market.

In our survey circa one quarter of polled enterprises declare to employ individuals that work and study at the same time. This phenomenon shoots up to more than 55% for big employers in the sector of manufacturing. For the finance & insurance it is 22%. VET based training is more required in the labor market today, so it is more successful than general education at getting individuals into work in the short and medium terms. Also as we can note from our tables, VET is twice more efficient than general education in moving youth to their first work experience.

### VI.c. Type of job

Unfortunately, holding a stable position in the labour market, and even remaining in employment, is not an easy task for young people, given the difficult macroeconomic situation. It must be noted that industrial structure and the economic crisis has resulted in a greater skills mismatch in the labour market, as there has been an increase in the proportion of university graduates taking up jobs that require only upper secondary education. This phenomenon is best illustrated in Albania by the high numbers of university-educated youth working in call centers, and the exponential rise of this sector.

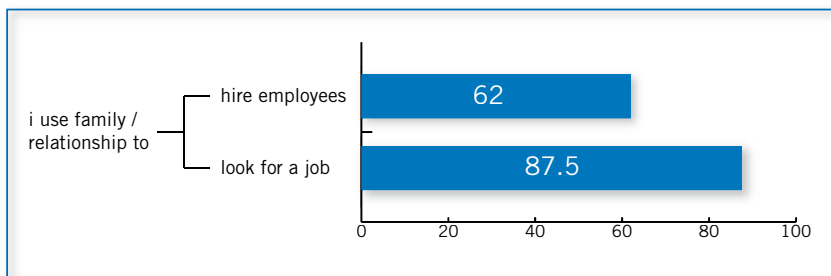
Another factor related to the industrial tissue of Albania and that impacts the youth labor market is the relative knowledge of the owners / HR managers on the needs & qualifications required by their enterprise. As we will see latter on, they look to hire manpower, and not specific skills & qualifications. It is this discrepancy that damages educated youth as compared to the modestly-educated ones.

### VI.d. Effective way to find work

Amongst the most effective way to find work for the youth is recurring to the individuals informal connections, mostly family. INSTAT data as well as the data from our survey indicate this very clearly. While 87,5% of individuals indicate to look for jobs mainly through their family relations, it is 62% of enterprises polled that

look to hire through family and friends. This causes a strong segmentation between insiders and outsiders of the labour market.

*Graph. 1. Enterprises and Individuals use of Informal Networks*

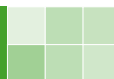


From these data we see the features of an under-developed labour market infrastructure and the need to increase the visibility and efficiency of the public and private employment agencies.

The economic crisis and the proliferation of university educated people mostly in social sciences skills, has resulted in greater skills miss-match as there have been an increase in the proportion of university graduates taking up jobs that require only upper secondary education. This phenomenon can be observed at the workforce of Call Centres sector and the Service sector ("Accommodation & Food sub-sectors) where university-educated youngsters start their work career as telephone operators or as waiters.



## VI.e.Three youth employment market components



Based on the profiling developed above one can notice three youth employment market components in Albania:

1. The 1-4 employees model: those are family-based with no special request for qualifications / diplomas. Here even if not formally observed (as not in the remit of the study) we expect a much higher number of youth to work in here as “family help” but without formal employment contracts. Also this number varies with the season, reaching its peak in the summer months;
2. The 80+ employees model where the largest number of Faxon and Call Centres are concerned. Here the demand of the labour market is mainly composed by basic jobs. No former work experience is needed but is relatively “easy to get a job” based on mostly linguistic and social skills. This group have in common with the former one (1-4 employees) the flexibility of working hours which allows the youngsters to carry on with other activities, studying being one of them;
3. The mixed-bag model consisting of selected sectors with companies from 5 to 79 employees emerging in health & elder care, bio-agriculture, renewables, informatics, audit & corporate governance. It is very important to also count the expected developments in industry as the government is investing a lot in free industrial zones and inviting many foreign investors to come.

## VII. Biggest employers' general profile

The data of INSTAT indicate 139,034 students attending higher education in the academic year 2012/2023, 80% of whom enrolled in public universities. However, these students will most likely be disappointed when they finish education, as will have to face the work market situation: the main sectors that are generating jobs are those that produce a low added value products, and display low productivity. consequently no high payments that do not justify the years spent on the acquisition of specific knowledge. Statistics show that the two main sectors that are generating jobs recent years are manufacturing industry with special focus on textile and shoe-making low-added value activities – fason, and call center, both which have as main advantage the utilization of cheap cost of the workforce, as compared with EU countries.

The sectors that are currently generating employment growth in Albania are no longer finance or telecommunications (who once were the promoters of investments in technology), but work-intensive industries. The most obvious example is the manufacturing sector (mainly textiles and shoes, working with ordering materials, or call centers), which, according to the latest survey of INSTAT, have increased employment numbers by 22% on annual basis at the end of September 2014. These are industries that as leading competitive advantage, have the cheap manpower. Some data below will give a good view:

1. In the list of 100 biggest Albanian employers, 24 are enterprises that operate in the field of shoes and textiles. Those companies work mainly with ordering materials and with a low value added in the technological process. In total, according to INSTAT, textiles and shoes employ around 31,000 people, or about 9% of the employees in total. This sector has shown positive performance in 2014.

2. There are 12 enterprises Call Center in the list of 100 major employers, employing a total of 9,500 people.
3. The third largest sector employer, in the list of the 100 majors, is Finance and Banking. In total, 16 banks in the country had 6,745 employees at the end of the 9-month period in 2014, according to the Association of Banks, with a net addition of only 37 employees compared to the end of 2013. Recent years the banking sector has seen stagnation, by not opening new jobs, unlike the period up to 2008, when he was in his flourishing period.
4. Energy is the fourth largest sector in the list of 100 major employers, with about 6,200 employees. Hydrocarbons, although have seen rapid development until 2013, have not shown significant increase of the direct employment, due to the investment in technology and delegating a part of the services to sub-contractors. The exploitation of easy reserves and the reduction of oil prices, is bound to have a negative impact in the sector though.
5. Private educational service is one of the sectors that has taken off in recent years, resulting with about 1,200 employees in the list of 100 majors, according to the employment data.

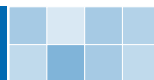
The data from INSTAT reveal the trend: as the sources of financing for Albanian business are shrinking (less loans, dwindling remittances, etc.), companies are investing less in capital-intensive sectors (so less technology), and are turning their attention to the human capital. This has caused the reduction in productivity per employee, but has caused the increase of employment numbers and of overall production. The reduction of productivity (measured as the turnover per employee) at first sight seems a negative phenomenon, because it makes Albania's economy less competitive. In fact, this trend, which is found by INSTAT for the first time, appears to reflect the efforts of the economy to change,

imposed by the reduction of funding sources and adaptation of new geo-political realities (insecurity in the Maghreb area) which is forcing companies to invest less in expensive technology and promote activities that have left war-agitated countries.

The tendency to invest in cheap labour industries is also not good news for our new-graduates as the market demand for their hard-won skills gets smaller. This is translated directly not as much in absolute employment numbers, as in the mismatch between the skills and diplomas in offer and what the enterprises need and request to hire.

Lastly career education and VET should also allow motivated individuals to bring out their best entrepreneurship abilities by creating their own enterprises. This behaviour is expected to be more pronounced in the businesses that need less starting finance capital and relatively more knowledge capital such as IT. To promote and support this trend, Albanian policy-makers are implementing best-practices borrowed from other EU countries such as Germany, Austria as well as from neighbours such as Macedonia, Montenegro, etc.

## VIII. Findings of the Survey



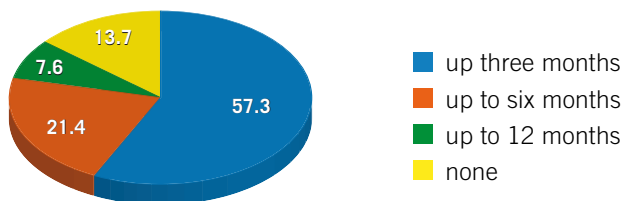
*Note. The data refer to the sample of 800 companies registered with NES and weighted according to size, NACE and geographical distribution to represent the tendency at the national level.*

*When the group of 40 biggest employers is commented, this is clearly mentioned in the description of the findings.*

*Please bear in mind those pre-conditions when reading the following results and drawing the respective conclusions.*

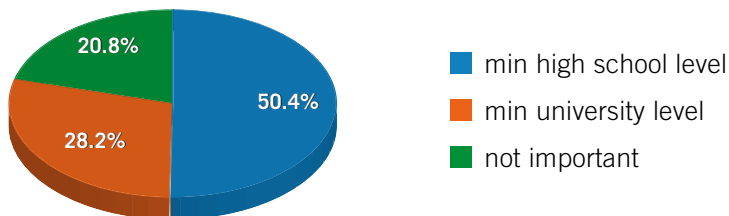
Q1. On the minimum necessary working period to acquire the needed skills, 57,3% of the polled enterprises declares that the youth they hire need no more than three months of job-practice to get proficient. This clearly indicates the very low level of complexity and of the added-value of the jobs in offer for the youngsters.

*Graph 2. Minimum required working time to acquire basic skills when hired*



Q2. On the minimum required level of qualifications / diplomas for hiring, 50.4% of polled enterprises want high school level; 28.8% want University degree and 20.8% of them declare that no qualification / diploma is necessary. When combined with the short duration of the necessary time to bring the newly hired at the required level of skill, those data point out at the low technological level of an important swathe of economy in Albania.

Graph. 3. Required minimum level of diploma / qualifications



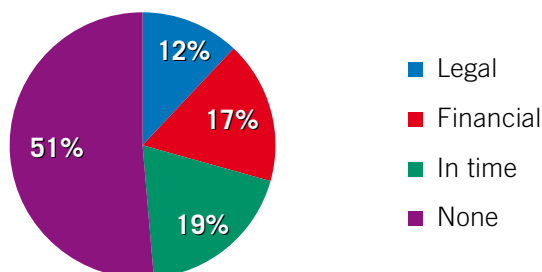
The “Manufacturing..”, and of “Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods” sectors prefer to employ VET-trained youth with respectively 22,9% and 26,5% of potential job offers. These results point at the importance of VET training for individuals looking for jobs in those sectors. Enterprises that have 1-4 employees constitute 56,2% of all those that prefer VET trained individuals.

For the strata of 40 biggest employers the “Manufacturing..” sector represents 40% of the total demand for VET trained youngsters, compared with the other sectors of activity.

While university-trained ones are requested in priority by “Finance & Insurance” companies where 46.2% of them declare to be attracted by this kind of employee profile. However in absolute numbers of to-be-employed people as mentioned before, Finance & Insurance is not among the sectors that are expected to hire the most.

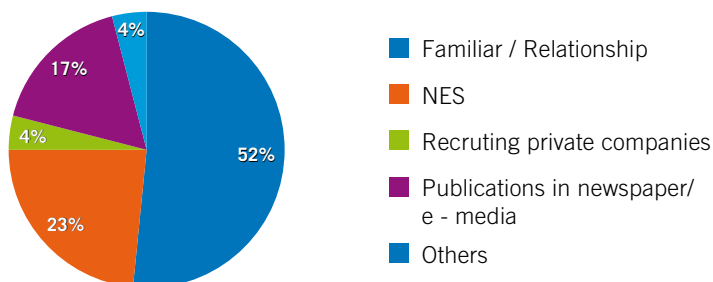
Q3. On the cost of interrupting a youth work contract, for 51,4% of polled enterprises there is no cost factor whatsoever affecting their decisions. The financial cost is mentions by 17,3% of them. This shows the flexibility of the labour market in Albania. The fact that more than the half of polled enterprises associate no cost for firing workers, indicate the role of the human resources as an adjusting factor in the production cycle of companies. Incidentally this is an important reminder for the necessity of swift reaction of the social policies in caring for those employees once they are unemployed.

Graph 4. Costs of interrupting a work contract



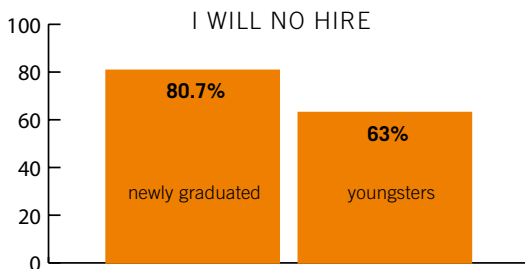
Q4. On the publication of vacancies, 51.6% of companies declare that they use family and friendship networks. Second come the NES with 23.4%, media with 17% and the private recruiting companies with 4%.

Graph 5. Role of informal networks in hiring



Q6. On the job offers available for newly graduated in the next 12 months, 80.7% of polled enterprises declare that they do not forecast any future need. This percentage goes down to 63% to the control question P27 when asked how many young people they plan to hire. This leads to believe that the HR managers / owners do not hire diplomas & qualifications but people that can “do the job”.

Graph 6. Hiring manpower, not qualifications



In the group of 40 big companies, 77.8% of enterprises operating in “Manufacturing” sector do not foresee any need for hiring qualifications / diploma. The relatively high number of negative answers, indicate the “low qualification threshold” needed to be hired in this sector. Meanwhile in the control question Q27, “ Manufacturing” is the most optimist employer with 34.8% of all the hiring intentions for the upcoming 12 months. This reflects the tendency of this sector to grow and the shift towards utilization of human resources instead of technology. So the tendency of specialization in low-skill low-added value is confirmed again.

Among big companies, “Finance & Insurance” with 24% of intentions and Administrative & Support Services with 20% are the most optimistic sectors regarding the hiring of young university graduates.

Q7. For 50% of companies the gender of youngsters is not important during the hiring process.

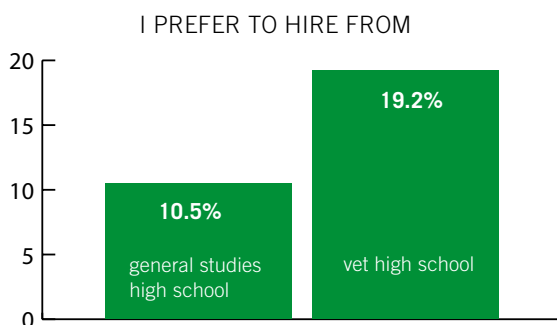
P8. On the involvement and contribution of employers in the educational system VET courses, only 5,6% say they do. In this group the large majority of enterprises offers trainings in enterprise, even if it is not clear if there is an institutional arrangement with the school / educational institution.



Q10. Regarding the preferred educational institutions where they look for new hiring, twice more employers declare preferring VET schools to general education institutions (19,2% vs. 10,5%). All by taking into account the small number of the group of biggest employers in our study, it is worthy to mention that those proportions are 12.8% and 2.6% in this group – this highlights the importance of VET background for big employers.

Overall public universities remain the favorite origin of diplomas for the polled enterprises with 27.8% of their preferences, while 41,7% of them enterprises declare to have no preference whatsoever for the origin of the diploma of their new hirings.

*Graph 7. VET is more preferred than general education*



Regarding the sectors, VET institutions are preferred sources for hiring by “Manufacturing...” and “Trade..”, while the university diplomas are relevant for working in “Professional, Science & Technical” activities.

Q11. Regarding the short term needs for diplomas / qualifications (in the upcoming 12 months), 21,6% of the employers that declare having such need, request individuals able to provide basic services (ranging from waiter, driver, guardian, call center employee, electrician, etc).

In the group of 40 biggest employers, the need for engineers goes up to 36,4% when enterprises from the “Manufacturing” sector are asked. Overall 72,7% of biggest employers plan to request Engineers and 27,3% of them forecast to hire individuals qualified for Basic Services.

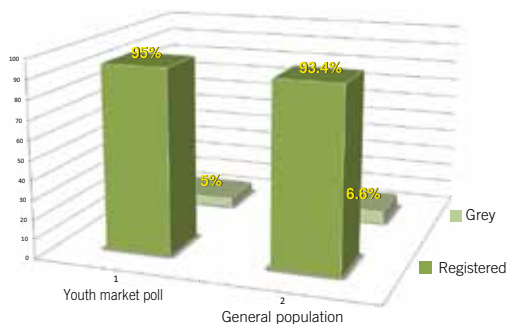
Q12. Regarding the number of employees under 25 years old that work and study at the same time,  $\frac{3}{4}$  of polled employers say they have none in their enterprise. However amongst the biggest employers, this percentage descends to 28,1%. In this group the “Manufacturing” sector declares 55,6% of employees that work and study, and 22,2% of Finance & Insurance companies do as well.

Q13. A full 95% of employers declare not to employ youngsters without a work contract. This number is consistent with the overall data produced by INSTAT as explained below.

This number compares positively with the data from “Labor Market Survey 2013<sup>7</sup>” and from the “Employment by Administrative Source and Agricultural Sector Table, Q.1.2012-Q.4.2014”<sup>8</sup>. The ground survey data - which is conducted by asking the households – results in 992,029 individuals employed. On the other side according to administrative data for 2013, employment in private (including agriculture) & public sector as registered and declared in the tax administration (so with a valid work contract) results of 930,063 individuals.

So families declare 992,029 employed and Tax Administration have data for 930,063 ones, which results in 61,339 un-visible (or un-declared) active people, or 6.6% (for our survey it was 5% for the youngsters).

*Graph 8. Declared employment vs. Grey Market*



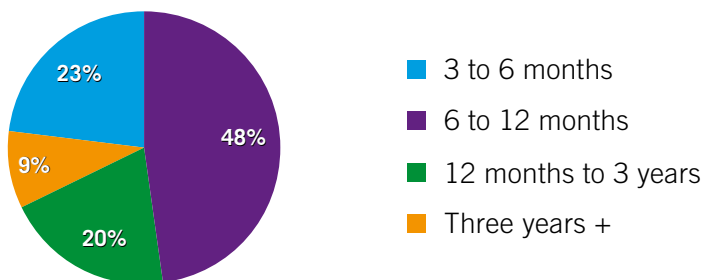
7 - [http://www.instat.gov.al/media/237073/tregu\\_i\\_punes\\_2013.pdf](http://www.instat.gov.al/media/237073/tregu_i_punes_2013.pdf)

8 - <http://www.instat.gov.al/media/231174/tabela1.xlsx>

Q14. The average length of a youth contract is declared to be from six to 12 months by 47.9% of the employers, and between three and six months by 22.9% of them. So a total of 70.8% of young employees have an estimated work duration that last less than 12 months. That percentage is the same for biggest employers - 70% of work contracts last less than one year, with 35% of them lasting less than 6 months. That is a sign of the precarious and non-linear career at least in the first year.

The phenomenon of youth job precarity is a reality and has to be taken in consideration for the design of the youth employment policies. It is a well known phenomena also in the EU countries. Good example and practices are available from them and can be taken in consideration for the short-term youth employment policy in Albania.

*Graph 9. Average duration of a youth contract*



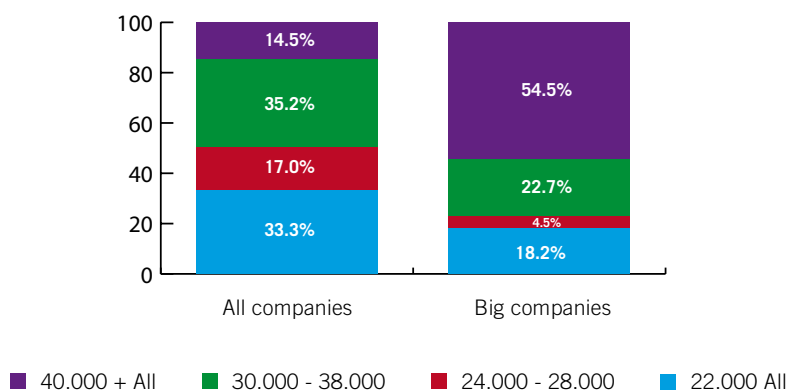
Q16. A whopping 93% of polled enterprises declare not to employ interns in their company. This percentage descends at 68.4% at the group of big employers.

Q22. A total of 72.9% of employers declares that none of their staff studies at the same time as they work (this corresponds with the answers received in the question Q12). This percentage descends at 20.6% at the group of big employers.

Q24. A third (or 33,3%) of employers will offer the legal minimum wage for newly graduates in the amount 22,000 ALL. While 35.2% of employers (mainly operating in the sectors of “Manufacturing, Trade & Financial intermediation” is willing to offer a starter salary between 30,000 and 38,000 ALL.

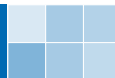
This ratio is inversed in the group of bigger employers. 54,5% of them declare to be willing to pay a salary of more than 40,000 ALL, with Manufacturing companies and (27.3%) and Financial Intermediation ones (13.6%) being by far the better paying sectors.

Graph 10. Starting Salary



Q27. Answering how many newly-graduated they forecast to hire in the next 12 months, 63.1% of polled companies reply none. This percentage is quite high, however significantly lower than the one given to the question P11 relative to the hiring forecast for diplomas & qualifications. This brings in focus the dichotomy amongst the needs for manpower and the awareness for the qualifications & diplomas required in the workplace. The second issue is the fact that the new graduates are considered inherently as not-qualified and so are hired to fill un-qualified tasks, even if the need for qualifications may exist in the enterprise. Logically the big employers are the biggest creators of demand looking for 4+ employees for more than 56,3% of them.

## IX. Temporary conclusions from the Survey



Current youth transitions from school to work in Albania are complex. The demand for young workers is conditioned by the structure of the industry & services sector and its stage of modernisation, the knowledge of the owners and / or HR managers on the manpower needs of the company, the situation & functioning of the labour market mechanisms, and the overall system of interaction of employers with the education system. As indicated by high percentage of youth unemployment, for youth the access to labour market is quite difficult and characterised with high rates of lowly-paid and precarious jobs.

We can confidently state that youth in Albania often have a long period of career instability due to:

- Difficult macro-economic situation of the country and the low growth;
- Dual labour market biased heavily in favour of insiders;
- Education & training systems that lack elements of the involvement of employers;
- Education & training systems that lack components of hands-on experience.

(i) The structure of industry & services sector is dominated by micro-enterprises – nine out of 10 registered companies employ 1 to 4 employees. This structure impacts the hiring of youngsters by preferring non-qualified individuals and by over-using family & relatives networks during the hiring process.

The labor market mechanisms in public sector seem to be “more open” than big parts of the private sector. However this may result from the structures of public companies: i.e. big employers, traditional structures and technologies, etc.

(ii) The next important batch of companies are the ones with over 80 employees. They are active in extraction, manufacturing, services (call

centres), finance & insurance and public companies. Those companies very often have foreign capital and work for foreign markets (except public services) ones). However they invest in Albania to profit from cheap labour costs, hence their hiring reflects this business model. Makes exception the Finance and Banking but this sector has reduced its pace of expansion in the last year, so the hiring have sensibly diminished.

(iii) Another factor that impacts the youth labour market is the high demand for low profile of qualifications & skills. Basically the polled employers wanted to hire manpower but were less keen on hiring qualifications. This phenomenon certainly reflects the need and low expectancies of their business model. However it is also an indicator of: a) relative ignorance / low interest of certain Albanian businessmen on the potential of their new recruits and how they can contribute to their company; b) the insufficient efforts made by the educational sector to promote the profile of their students vis-à-vis the private sector.

Recently many educational institutions are actively promoting the profile of their own students by pushing them into the labour market, and by establishing regular relationship with big enterprises. However they cater to a relatively small niche market focussed mostly on finance, economics, management & legal topics.

(iv) It is important to mention the low level of collaboration between employers and educational institutions. Recently some employers organization (Chambers of Commerce & Industry, Business Albania, Federations of Construction Companies, of Tourism, etc) are starting to get actively involved in the managing board of the VET professional Schools. These developments are actively being supported in a case-by-case base by the Ministry of Social Welfare and Youth.

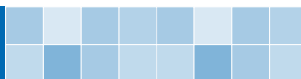
Also some of the big companies are cooperating with the educational system on an individual. For example Albpetrol has declared to support the creation of specialised schools in extraction & mechanical industries so as to create the youngster profile needed for its operations. On this optic both employers and education sector have to work together so that the internship contents/curriculum is in strong relationship with the education components.

High quality VET centres should also be considered for the career development of individuals that have already completed University studies, as per the German model.

(v) Another phenomenon is the change of generations and the approaching retirement age for an important batch of employees in certain sectors. In some public companies such as utilities, an important part of the employees are approaching the retirement age. For example OSHEE has 47% of employees over 51 yrs old and 11% over 60 yrs old. In this company it is forecasted to have an availability of circa 1,500 positions in the next 5 years in professions such as electricians, engineers, etc. Same reasoning can be done for the health service, etc.

(vi) a relatively new phenomena is the conversion of the training in Albania as an intermediary step for further studies / jobs abroad. This tendency is very visible for soft sciences and for studies in medicine. More and more nurses and medical & social staff are being solicited for working abroad.

## X. Future trends



Jobs of the future will have three major features resulting from the technological advances:

- They'll be capital intensive favouring the actors & states that have access to financial resources needed for capital investments;
- Skills-intensive, favouring those individuals who have a high degree of skills proficiency;

- Labour-saving, by reducing the component of labour in the total value of the final product or service.

When looking at those features and we see the current Albanian industrial landscape, one can conclude that the country economic development is delayed by one cycle. Albania is showing industrial features of the last century.

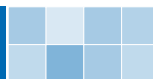
NES negotiations with multinationals willing to invest in Albania or transfer their production lines in here, indicate a growing trend of inquiries about the business climate, and the supply of trained workforce. Only for the period October 2014 – March 2015 three foreign manufacturers based respectively in Germany, USA and Japan are completing feasibility studies on establishing their operations in Albania. The sectors where they operate are electric wiring & internal accessories for auto industry, and naval docks for reparation & construction of ships. Their hiring estimations were initially put at 2,400 individuals.









The majority of the workforce profile they are looking (circa 80%) for needs to be basic technician (electrician / mechanical / etc). The remaining employees would be administrative & managerial, and even those would be brought in a large part from the mother company from abroad (so no sensible impact in Albanian work market for this segment).



However while waiting for the right industrial policies and for the post-modern Albanian entrepreneur to invest, Albanian youngsters, may be interested to read the following tips.



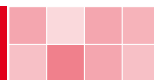
## XI. Tips to youth & parents



-  If you / your child is an excellent student that want to find a good job shortly after University, study Finance & Audit & Insurance. However due to the few openings, beware of the fierce competition and of a long period of in-house training
-  If you / your child is very good at math / exact sciences / want to work amongst people and to travel the world he should go for engineering / informatics & computing & coding/ etc. Finding a job should be comparatively easy, starting salary will be important and the career path quite stable
-  Engineering& finance seem to be the better paying professions for starters. However beware of the high competition for entry positions for the finance sector and the small number of available positions
-  If you / your child wants to work after the high school, he'd better study VET than general education. Furthermore VET can lead to professional high education as well. The majority of potential foreign investments in Albania shall require a VET related workforce
-  You / your child should do the maximum to acquire work experience while studying
-  After diploma you / your child should better work than wait for the right job – previous job experience is an asset
-  You / your child should not be afraid to change jobs
-  Versatility is yours / your child's biggest asset. Many employers will hire you / your child for simple initial tasks at a low level. It will be up to you / your child to prove your worth and go up the career path

-  Vocational Training should not be seen as an alternative to high school but to university (including the later master in non-academic skills, which in Germany is equivalent to bachelor) This also requires a higher standard of vocational schools
-  Albania is not the only country in which you can have an attractive first job. For certain profession – nurses, social care, engineers, IT, etc – there is a high demand in other European countries, or high growth countries such as the Gulf countries. You must bear this in mind when you plan your career as well

## ANNEX 1. Statistical methodology



### The population

The number of enterprises provided by NES was 12,916, which become 12,364 after the elimination of double entries. They were codified according the description & nomenclature of activity Nace Rev.1 and Nace Rev.2.

Further on nine enterprises without description of activity, and 596 ones with zero employees were cleaned off as well to reach a population size of 11,741 enterprises.

### The sample

*Territory distribution, Sectors and Size*

Area code	Region	Nr. of entses
1	Berat	3
2	Bulqizë	7
3	Delvinë	2

4	Devoll	3
5	Dibër	7
6	Durrës	62
7	Elbasan	41
8	Fier	16
9	Gramsh	13
10	Gjirokastrë	26
11	Has	1
12	Kavajë	13
14	Korçë	9
15	Krujë	6
16	Kuçovë	6
17	Kukës	3
18	Kurbin	4
19	Lezhë	15
22	Malësi e Madhe	7
23	Mallakastër	9
24	Mat	6
25	Mirditë	13
26	Peqin	9
27	Përmet	4
28	Pogradec	2
29	Pukë	5
31	Skrapar	3
32	Shkodër	11
33	Tepelenë	3
34	Tiranë	482
36	Vlorë	9
Total		800

b. Because a low level of representation Kolonje, Librazhd, Lushnje, Sarande, Tropoje have not been presented in the sample.

c. The size has followed the definition below:

<b>Nr of employees</b>	<b>Code</b>
<b>0-6</b>	<b>1</b>
<b>7-24</b>	<b>2</b>
<b>25-100</b>	<b>3</b>
<b>101-250</b>	<b>4</b>
<b>251+</b>	<b>5</b>

**NOTE**

For more information on the methodology, please refer to the Albanian version of the study.