

**UNIVERSITY OF LJUBLJANA
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DIPLOMA PAPER

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**THE LABOUR MARKET AND YOUTH UNEMPLOYMENT IN
KOSOVO**

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STATEMENT

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ABBREVIATIONS

CIS	Commonwealth of Independent States
ESI	European Stability Initiative
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ILO	International Labour Organisation
IMF	International Monetary Fund
IOM	International Organization for Migration
KEDP	Kosovo Education Development Program
KFOR	NATO-led Kosovo Force
MEST	Ministry of Education, Science and Technology in Kosovo
MLSW	Ministry of Labour and Social Welfare in Kosovo
MTI	Ministry of Trade and Industry
NATO	North Atlantic Treaty Organization
NGO	Non-government Organisation
OECD	Organisation for Economic Cooperation and Development
PISG	Provisional Institutions of Self-Government
POE	Public owned enterprise
SAP	Stabilisation and Association Process
SEE	South East Europe
SME	Small and Medium Sized Enterprises
SOE	State Owned Enterprise
SOK	Statistical Office of Kosovo
SRSG	Special Representative of the United Nations-Secretary General
STM	Stabilisation and Association Process Tracking Mechanism
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNMIK	United Nations Interim Administration Mission in Kosovo
UNSCR 1244	United Nations Security Council Resolution 1244
USAID	United States Agency for International Development
WB	World Bank

1. INTRODUCTION

Youth employment-related issues became the number one problem for Kosovo and potentially a main destabilising factor. In order to overcome the problem, it would be necessary to increase the number of jobs (Kosovo Outlook 2004, 2004, p. 11). High unemployment in general and high youth unemployment in particular have been one of the most pressing problems of Kosovo's economy. The youth unemployment rate in 2005 was alarmingly high at 70.5% and the overall unemployment rate was 41.4%, with both rates being some of the highest in Europe (Labour Market Statistics 2005, 2006, p. 3). In addition the ratio of youth unemployment to adult unemployment rate was 3.1 which further reveals the seriousness of the youth unemployment problem (Kolev, Saget, 2006, p. 13).

During the presentation by Kosovo's current Prime Minister Agim Çeku at the Business Conference in Portoroz in 2006, I realised that in spite of United Nations' initiatives and others, the Kosovo economy is still very unstable. When searching for the reasons for this, the unemployment rate seemed alarmingly high. More than discovering the reasons for the present economic situation, I became interested in the reasons for the serious unemployment. Considering the many problems facing the labour market I will attempt to propose some ways to reduce unemployment there. Since youth unemployment is the most pressing problem, it will be studied more closely. The objective of the diploma paper is to outline the reasons for high unemployment in general and youth unemployment in particular and to try to evaluate whether certain further actions can help cut unemployment.

In my thesis I will use secondary sources that are mainly reports from international organisations since it is even difficult for them to acquire data. I also use information from two authentic Kosovo sources in Slovenia and one in Kosovo that have showed great deal of cooperation in both acquiring data and giving a critical view. Kosovo and especially the labour market has not yet been analysed much, therefore my diploma paper will contribute to the awareness of Kosovo's problems and propose some suggestions for solving them. I will also calculate the rigidity of employment index that has not been yet calculated by World Bank.

I start off with some facts about Kosovo, its population and the economic situation which is relevant for the further analysis of unemployment. I then analyse the labour market and the reasons underlying unemployment in Kosovo and, based on that, propose some further steps for limiting unemployment. In the conclusion I present a short outline of the situation and some related proposals.

2. WHY THE INTEREST IN KOSOVO?

Kosovo is a province of 1.1 million hectares in the southern part of Serbia, bordering Montenegro, Albania, and the Republic of Macedonia. The population of around two million is predominately Albanian with smaller populations of Serbs, Turks, Bosniaks, Romani people and other ethnic groups. Administration and economic activity is driven from the capital Prishtina.

2.1. Unique recent history

Kosovo was part of Yugoslavia when, during the 1989-1999 period, ethnic tensions emerged, resulting in an armed conflict in 1999. The international community intervened and ended the war on 10 June 1999 with the Serbian and Yugoslav governments signing the Kumanovo agreement to transfer governance of the province of Kosovo to the United Nations. Based on United Nations Security Council Resolution 1244 (UNSCR 1244) an interim civil administration was subsequently established and named the United Nations Mission in Kosovo ('UNMIK'), headed by a Special Representative of the United Nations-Secretary General ('SRSG'). In May 2001, the UNMIK announced the Constitutional Framework which established Kosovo's Provisional Institutions of Self-Government ('PISG'). Since 2001, the UNMIK has gradually been transferring ever more governing competencies to the PISG, while reserving some strategic powers (e.g., foreign affairs) (UNMIKonline, 2007).

In December 2003 'Standards for Kosovo' were published and endorsed by the UN Security Council (Standards for Kosovo, 2004, p. 2). The aim was to identify a series of standards and associated actions documented in the 'Kosovo Standards Implementation Plan' that were to be undertaken by the PISG and other institutions to realise a 'multi-ethnic, stable and democratic Kosovo, which is approaching European standards'. Progress in achieving these standards has been taken into consideration for the start of negotiations on Kosovo's final status.

In co-operation with the European Union ('EU') Kosovo participates in the Stabilisation and Association Process (SAP), the EU's policy framework regarding the Western Balkans, by following the guidelines of the European Partnership. The SAP steers Kosovo's reform process according to EU best practice and European legislation. The Partnership document outlines the main priorities that Kosovo needs to fulfil, thereby also taking into account the requirements of the Standards for Kosovo into account (Kosovo In October 2006, 2006, p.3).

An UN-led process in late 2005 initiated the determination of Kosovo's future status, namely whether the province should be independent or remain part of the state of Serbia. UNSCR 1244 did not address Kosovo's status, but did envision an eventual political process to resolve this question.

2.2. The population of Kosovo

Kosovo's population has been ethnically diverse over the years and today predominately comprises Albanians with minority communities of Serbs, Turks, Bosniaks, Romani and other ethnic groups (Kosovo Report, 2006, p. 5). Estimates of the size of its population vary from 1.8 million to 2 million. The last population census was carried out in 1981 and revealed a population of 1,584,000; however, since then much migration has followed. An International Labour Organisation ('ILO') press release from 1999 noted that while it was extremely difficult to obtain reliable data, due to many official records proving either unreliable or data having been destroyed, the population of Kosovo in 1999 was estimated at some 1.8 to 1.9 million people, down from 2.3 million in 1997 (ILO Press Release, 1999). The population has been growing since 1999 and amounted to 2,100,000 Kosovars in 2007 (Statistical Office of Kosovo, 2007). Detailed population figures are presented in Appendix 1.

During the 1990s huge distortions were observed in the demographic profile, due to the high level of migration. They reached their peak in 1997 and 1998 because of the armed conflicts that had occurred. The population in Kosovo has decreased by around 22% (see Appendix 1), while most of the emigrated people were 18 to 35 years old (ILO Press Release, 1999).

Kosovo has the youngest population in Europe. Over half of its people are under the age of 25, and about 21% of the population is between the ages of 15 and 25. UN and PISG standards consider people aged from 15 up to and including 24 as the young population.

Table 1: Structure of the population in Kosovo in 2002

Age range	Percent	Cumulative Percent
0-6	12.6%	12.6%
7-14	17.5%	30.1%
15-18	9.0%	39.1%
19-24	12.4%	51.5%
25-30	11.4%	63.0%
31-40	13.6%	76.5%
41-50	9.5%	86.0%
51-60	7.2%	93.3%
61-64	2.0%	95.3%
65 and over	4.7%	100.0%
Total	100.0%	

Source: Labour market and unemployment in Kosova, 2003, p. 18.

3.3. Macroeconomic situation

Kosovo was always the poorest part of Yugoslavia. In 1988, for example, GDP per capita in Kosovo was just 67% of the average in Yugoslavia as a whole and just 44% of the average in Slovenia, the federation's richest region, and only 74% of the average of Serbia which Kosovo then formed part of. When Yugoslavia broke apart, Kosovo became even poorer; per capita income in 1995 was just USD 400 (Domadenik, Mulaj, Redek, 2006, pp. 363-378).

With starting on the course of transition some profound institutional and structural changes associated with the economic transition – economic liberalisation, privatisation, hard budget constraints, the emergence of market competition and the disintegration of existing economic ties – led to a substantial drop in output. This gave rise to unemployment and a fall in labour force participation. After a decade of economic decay, impoverishment, the huge immigration of refugees and emigration of young qualified labour, increased investment risk as well as unfavourable economic, social and regional changes, the economy has gradually started to take off with the help of international intervention.

Kosovo has experienced a post-conflict boom, with positive economic growth being seen since 2000. The economic growth has been attributed to high levels of public and private sector investment. This has primarily been financed by official aid flows, amounting to EUR 1.96 billion during 1999-2003 alone, and remittances estimated at EUR 550 million per year. Kosovo adopted the euro as its domestic legal currency which has resulted in a stable exchange rate and low inflation levels (Kosovo Report, 2006, p. 4). However, the unresolved political status is preventing Kosovo not only from taking on any public external debt but the uncertain political situation has also been obstructing foreign investment.

In 2006 real output grew by an estimated 3.8% (see Appendix 2). Interestingly enough, consumption as one of the four components of GDP since 2001 to date is higher than GDP itself. Imports are several times greater than exports causing a very large trade deficit which is currently running at around 44%. The main source of financing this economic paradox is foreign assistance and the remittances of Kosovo's emigrants that encourage production and investment in countries that export consumption goods to Kosovo (CBAK Annual Report, 2006, p. 16).

Foreign assistance and remittances have been decreasing since 2004, while in 2006 the level of foreign assistance dropped from 21% of GDP in 2005 to 18% in 2006 and private capital transfers were substantial (around 20% of GDP in 2006). Donor-financed investment shrank by 15% and, as a consequence, its share in total investment fell to 11% in 2006, down from 14% in 2005. On the contrary, private investment continued to grow at a brisk pace – by 32% in 2006, up from 24% in 2005 (Kosovo under UNSCR 1244 2007 Progress Report, 2007, pp. 25 - 27).

Foreign direct investment ('FDI') inflows, together with the accelerated privatisation activity, rose to around 10% of GDP in 2006 after a figure of just 3.5% in 2005. The bulk of foreign direct investment inflows is financing privatisation. Privatisation proceeds are currently deposited in a special frozen account and are not being reinvested in the Kosovo economy.

Kosovo is facing a decline in donor support, weak economic growth, a fragile fiscal position, extensive poverty, environmental pollution and contamination, and pervasive governance problems. There is a clear need to develop new sources of economic growth for Kosovo and to ensure macroeconomic stability, particularly fiscal and external sustainability.

3. THE LABOUR MARKET IN KOSOVO

It seems that Kosovo has already commenced and will further accelerate the implementation of comprehensive structural reforms, including fiscal reform, financial sector reform and the faster privatisation of public enterprises. These factors have had direct and indirect implications for the labour market¹. There has been considerable interest in employment adjustment by firms during the transition in order for them to restructure from a relatively inflexible (centrally planned) mode to a more flexible (market) mode of operation which is a key element of the transition and employment adjustment (Svejnar, 1999, p. 8). The changed macroeconomic performance and household welfare highlight the need for a labour market study.

To identify the main problems and provide a broader context for the study, this chapter provides an overview of trends and outcomes in the Kosovo labour market. It describes trends in Kosovo labour market in general, analyses the education of the population, continues with migration and calculates the rigidity of employment index along with the sector-structure of supply and demand and concludes with some remarks about the labour market.

3.1. Trends and the Kosovo labour market

To obtain a dynamic, all-encompassing picture of the Kosovo labour market, one should observe trends in labour force participation, unemployment and employment rates, as well as other indicators revealing the state of the labour market.

3.1.1. Labour force participation rate

The indicator of the labour force participation rate plays a central role in the study of factors that determine the size and composition of a country's human resources and in making projections about the future supply of labour. The level and pattern of labour force participation depend on

¹ In abstract terms, a labour market may be said to be a relatively self-contained market where the factors determining the supply and demand of labour are common (Raines, 2000, p. 3). Labour markets function through the interaction of workers and employers or through labour suppliers (workers) and labour demanders (employers).

employment opportunities and the demand for income, which may differ from one category of persons to another (KILM 1: Labour force participation rate, 2007, p. 2).

Box 1: Labour force participation rate

The labour force participation rate is a measure of the proportion of a country's working-age population that engages actively in the labour market, either by working or looking for work; it provides an indication of the relative size of the supply of labour available to be engaged in the production of goods and services

Source: KILM 1: Labour force participation rate, 2007, pp. 2, 9.

Kosovo's working age population (15-64 years) accounts for 63% of the entire Kosovo population. The labour force participation rate in 2005 was 49.2% (Labour Market Statistics 2005, 2006, p. 4), which is very low compared to the world level of 65.5% and the figure of 59% for Central and South-east Europe with CIS (KILM 1: Labour force participation rate, 2007, p. 5). This shows that Kosovo is far from being a developed country because, at higher levels of development, the trend tends to reverse and labour force participation rates increase as employment opportunities for all grow. This also points to the province's scarce employment opportunities (KILM 1: Labour force participation rate, 2007, p. 10).

Occasionally low labour force participation rate indicate that large proportion of working age population is still in education and do not look for jobs. Given young population in Kosovo one would assume that this might be the reason, however later on it will be shown that is not the case.

3.1.2. Inactivity rate

Box 2: Inactivity rate

Individuals are considered to be outside the labour force, or inactive, if they are neither employed nor unemployed, that is, not actively seeking work. There is a variety of reasons why some individuals do not participate in the labour force; such people may be occupied with caring for family members; they may be retired, sick or disabled or attending school; they may believe no jobs are available; or they may simply not want to work. The inactivity rate is the proportion of the working-age population that is not in the labour force.

Source: KILM 13: Inactivity rate, 2007, p. 2.

The inactivity rate in Kosovo was 50.9% in 2005. The reason for the high inactivity rate in Kosovo might be a subgroup of the inactive labour force that comprises those known as discouraged workers, defined as persons not in the labour force who are available for work but no longer looking for work because they think they will not find any. This is typically for personal reasons associated with their perception of the lack of jobs. Regardless of their reasons for being discouraged, these potential workers are generally considered underutilised.

The informal sector also contributes to the high inactivity rate as workers engaged in informal activities usually do not register as unemployed. Therefore, the increasing unemployment

presented in the next chapter might be also due to the enforcement of laws to restrain the informal sector. In addition, while formally employed in SOEs some workers are actually working in the informal sector.

3.1.3. Unemployment rate

The unemployment rate is a key indicator of labour market conditions. The first reason for this is that the unemployment rate is an indicator of the overall health of an economy. High and persistent unemployment usually points to unresolved structural problems. Second, unemployment is very costly from both the individual and social perspectives. Job losses are associated with a loss of income and often lead to poverty. Prolonged unemployment leads to the erosion of skills and morale, and often to social marginalisation. To help the unemployed cope with joblessness the state provides income support and services intended to put the unemployed back into jobs. Such programmes are costly and raise the burden of taxation. Finally, high unemployment can be politically costly as in the opinion of voters the government is responsible for ensuring job opportunities and good employment prospects (Rutkowski, 2006, p. 19).

Box 3: Unemployment rate

The unemployment rate tells us the proportion of the labour force that does not have a job but is available and actively looking for work. The unemployment rate is mathematically defined as the quotient resulting from dividing the total number of unemployed (for a country or a specific group of workers) by the corresponding labour force, which itself is the sum of all employed and unemployed people in the group. It should be emphasised that it is the labour force or economically active portion of the population that serves as the basis for this statistic, not the total population.

Source: KILM 8: Unemployment, 2007, p. 2.

In spite of some economic growth, the unemployment rate in Kosovo was very high – 41.2% in 2005 (Labour Market Statistics 2005, 2006, p. 4) and ranked at the very top of unemployment rates in the region. The difference between males and females amounted to 28 percentage points (32.9% vs. 60.5%). In comparison, in recent years the world unemployment rate decreased from 6.6% in 2002 to 6.3% in 2006 and developed economies and the European Union also saw continuous declines in their unemployment rates over the last decade (KILM 8: Unemployment, 2007, p. 7). What is more, the trend in Kosovo runs in the opposite direction as the number of registered job-seekers continues to rise steadily. Measuring the unemployment rate is very difficult. Related figures of various organisations range from 30% to 70% as the unemployment rate depends on classifications, definitions, methodologies and others (Appendix 3: Different unemployment rates).

The latest Kosovo Progress Report issued in November 2007 stated that the number of registered unemployed persons at the end of 2006 had increased by 2.4% compared to 2005, and rose further in 2007 (Kosovo under UNSCR 1244 2007 Progress Report, 2007, p. 5). According to the labour force survey, unemployment stood at 44.9% of the active labour force in 2006. Yet a

large number of the registered unemployed may be active in the informal economy. Overall, registered unemployment remains high and has been growing steadily. However, partly due to the estimated size of the grey economy, registered unemployment does not yet systematically reflect the dynamics of the economy.

It must be said that the number of the registered unemployed is not an accurate indicator of unemployment as it is not unusual for individuals to register as unemployed in order to receive social benefits, even though they are working in the informal sector. On the other hand, according to the Ministry of Labour and Social Welfare ('MLSW') there are cases of individuals who fail to register as unemployed when jobless and looking for work. There is no estimate of the number of persons in either of the two groups (Kosovo under UNSCR 1244 2007 Progress Report, 2007, p. 5).

3.1.4. Youth unemployment

Young women and men are the world's greatest asset for the present and future, yet they also represent a group that is seriously vulnerable when it comes to employment. Youth unemployment is generally viewed as an important policy issue for many countries, regardless of their stage of development. A failure to successfully integrate young people into the labour market has broader consequences for the country at large.

Box 4: Youth unemployment

Youth unemployment indicator consists of four distinct measurements, with each representing a different aspect of the youth unemployment problem. The four measurements are: (a) the youth unemployment rate (youth unemployment as a percentage of the youth labour force); (b) the ratio of the youth unemployment rate to the adult unemployment rate; (c) youth unemployment as a proportion of total unemployment; and (d) youth unemployment as a proportion of the population of youth.

The youth unemployment rate is defined as the proportion of the unemployed young population (15 to 24 years old) divided by the labour force in the same group.

Source: KILM 9: Youth unemployment, 2007, p. 1.

The youth currently constitute a quarter of the working-age population worldwide (Kolev, Saget, 2005, p. 13). According to estimates by the ILO (Youth, training and employment, 2004), the global unemployment rate for youth increased steadily from 11.7% in 1993 to 14.4% in 2003. What is more, youth unemployment is an issue of concern for all transition countries. Unemployment rates for those below 25 years of age in Balkan countries are routinely twice or even three times higher than those of the total working-age population, and range from 18% and 20.8% in Slovenia and Romania to 68.6% in the FYR Macedonia. In recent years unemployed youth have accounted for more than 50% of all unemployed in some countries (see Appendix 4).

In Albania 58% of all registered unemployed are below 31 years of age, whereas in Croatia the rate is 53.9% of all unemployed (Labour market and unemployment in Kosova, 2003, p. 28).

When the transition process started in the early 1990s, it was thought that the high unemployment among young people was only a temporary problem since they would be able to find jobs due to their ability to adjust to the new conditions and their ability to easily acquire new skills required by the labour market. Later on, it was shown that this was related to the education, training and retraining systems at the national level, which were insufficient. Given the nature of the labour market and the time that any reform of an education and training system takes, youth unemployment became a serious problem and many young unemployed became long-term unemployed. The link between youth unemployment and social exclusion has been clearly established; an inability to find a job creates a sense of vulnerability, uselessness and idleness among young people and can heighten the attraction to get involved in illegal activities (Fares, Tiongson, 2007, p. 11).

The youth unemployment rate in Kosovo that was alarmingly high in 2005 (70.5%) can serve as a useful proxy for the health of the labour market vis-à-vis this group. Apparently youth labour market disadvantages that are defined as a lack of decent work, encompassing joblessness and the holding of low-quality jobs are strongly present in Kosovo. This is shown as the unequally distributed of unemployment with the ratio of the youth unemployment rate to the adult unemployment rate. In addition to the high youth unemployment rate, the proportion of youth unemployment in total unemployment is high. In response, employment policies might be usefully directed towards easing the entry of young people into the world of work.

Table 2: Selected indicators of youth unemployment in Kosovo

Indicator of youth unemployment	Value
Youth unemployment rate in 2005	70.5 %
Teen (aged 15-19) unemployment rate	79,8 %
Young adult (aged 20-24) unemployment rate	64,7 %
Ratio of youth unemployment to adult unemployment	2.1 (3.1*)
Youth unemployment as a proportion of total unemployment	40,6 %
Youth unemployment as a proportion of the population of youth	n.a.

* based on Living Standard Measurement Surveys ('LSMS') conducted September to December 2000 (published in Kolev, Saget, 2005, p.10).

Source: Kolev, Saget, 2005, p. 10.

Kosovo's economic reforms have not been directed enough at decreasing youth unemployment. Besides unemployment, the emergence of large pools of jobless youth who do not even look for work is a worrying trend. Table 3 (p. 11) provides some recent evidence of youth discouragement and idleness in Kosovo. The proportion of jobless youth who do not report looking for work is particularly important and indicates that the grey economy seems to be widespread.

Table 3: Selected Indicators of Youth Discouragement and Idleness

Indicator of Youth Discouragement and Idleness	Value
Share of youth neither in education nor in employment (%)	46.0
Share of teenagers aged 15-19 not in education nor in employment (%)	32.6
Share of teenagers aged 20-24 not in education nor in employment (%)	57.7
Share of youth not in education nor in the labour force	38.4

Living Standard Measurement Surveys, conducted September – December 2000 (published in Kolev, Saget, 2005, p.15).

Source: Kolev, Saget, 2005, p. 15.

What is the most worrying is the large proportion (46%) of idle youths, as measured by the share of the population of youth that is not in school nor in employment. Further, the percentage of those youth is higher in the age class 20 to 24 years, which means that youth of that age mostly do not enrol or go to university which is hindering the possibility of getting a job. What is also remarkable is that a large majority of jobless and out-of-school youth (not in school nor in employment) were not looking for a job, which shows the share of youth not in education nor in the labour force (38.4%). Those young people who are neither in education nor in employment and even not looking for a job represent a group that warrants special attention. Often they are engaged in the grey economy which means they are not covered by satisfactory working conditions, occupational safety or benefits in case of illness, a job loss or retirement. There are also some who are at risk of becoming involved in the illicit economy, including the sex and drug industry.

Perhaps the most positive way youth have responded to poor labour market conditions in the region is by staying longer in education in order to delay their entry to the labour market and to increase their chances of finding a job. This will be examined in later on.

3.1.5. Employment-to-population ratio

The employment-to-population ratio provides information about the ability of an economy to create employment.

Box 5: Employment-to-population ratio

The employment-to-population ratio is defined as the proportion of a country's working-age population that is employed.

Employment is defined in the resolution adopted by the 13th International Conference of Labour Statisticians ('ICLS') as persons above a specified age (15 years) who have performed any work at all in the reference period for pay or profit (or pay in kind), or who were temporarily absent from a job for reasons such as illness, maternity or parental leave, holiday, training or an industrial dispute.

Source: KILM 2: Employment-to-population ratio, 2007, p. 2.

The employment-to-population ratio in Kosovo in 2005 was 28.9%, which is low compared to the world's employment-to-population ratio that in 2006 amounted to 60.5%. A low ratio means that a large share of the population is not directly involved in market-related activities because they are either unemployed or (more likely) out of the labour force altogether. While almost 46% of Kosovo males of working age were actually employed in 2005, the applicable figure for females was about 12%, with the overall rate hovering around 29%. The overall data show that Kosovo has an insufficient ability to create employment (Labour Market Statistics 2005, 2006, p. 14).

3.1.6. Long-term unemployment

While short periods of joblessness are of less concern, especially when the unemployed persons involved are covered by unemployment insurance schemes or similar forms of support, prolonged periods of unemployment bring many undesirable effects, particularly a loss of income and diminishing employability. The indicator on long-term unemployment looks at the duration of unemployment, that is, the length of time an unemployed person has been without work and looking for a job.

Box 6: Long-term unemployment

Long-term unemployment covers all unemployed persons with continuous periods of unemployment extending for a year or longer (52 weeks and over). It is expressed as a percentage of the overall labour force (long-term unemployment rate) or of total unemployment (incidence of long-term unemployment).

Source: KILM 10: Long-term unemployment, p.2.

Reducing the duration of periods of unemployment is a key element of many strategies to reduce overall unemployment. Long-duration unemployment is undesirable, especially in circumstances where unemployment results from difficulties in matching supply and demand because of a demand deficiency. The longer someone is unemployed, the lower is their chance of finding a job.

Long-term unemployment as a proportion of total unemployment in Kosovo in 2005 was 87.9% (Labour Market Statistics 2005, 2006, p. 4). Almost one-third of the countries with available data show incidences of long-term unemployment of approximately 50% (KILM 10: Long-term unemployment, p. 4), in addition long-term unemployment in transition countries ranges from 50% to 70%. Moreover, the share of youth in total long-term unemployment in Kosovo is 43% (Kolev, Saget, 2005, p. 9). Usually long-term unemployment leads to poverty and social exclusion and these tend to further undermine future chances of finding work. A long duration of unemployment indicates a stagnant labour market in which chances to escape unemployment are limited. Information on the incidences of long-term unemployment among young people is urgently needed so that policy-makers can target the particularly vulnerable youth experiencing

long-term unemployment and help them re-enter productive society (Global Employment Trends for Youth, 2004, p. 16).

3.2. The education and unemployment

It can be safely stated that the high unemployment rate in Kosovo is largely attributable to the lack of opportunities and inadequate skills and education of the working-age population (Kosovo under UNSCR 1244 2007 Progress Report, 2007, p.5). Therefore, high unemployment rates can be related to the low educational enrolment rates, high drop-out rates and overall level of education. Econometric studies conducted in transition countries have revealed that less educated people have greater probabilities of being unemployed. This probability differs across and within countries but it seems that this tendency prevails in all countries and regions (Labour Market and Unemployment in Kosova, 2003, p. 23). Kosovo is not an exception; the higher the education the higher the employment rate and the lower the unemployment rate. Table 4 (p. 13) shows that the employment rate for Kosovars who have a tertiary education is 61.8 percentage points higher than the employment rate for Kosovars who possess no education or an education up to primary school level. Further, in Appendix 5 we can observe the 12-month inflow and outflow labour force numbers by skills. They indicate that less people with a high school education registered as unemployed than those people with a high school education who got a job. This clearly indicates the need for urgent education in order to decrease unemployment.

Table 4: Employment and unemployment rates in Kosovo by education

Education	Employment rate (%)	Unemployed rate (%)
< Upper secondary	14.4	50.2
Upper secondary	38.1	43.4
Tertiary	76.2	12.6

Upper secondary: no school, 1-4 grades of elementary school, 5-7 grades of elementary school, elementary school (completed); **upper secondary:** secondary school; **tertiary:** high-school, university, academy, master's and doctorate.

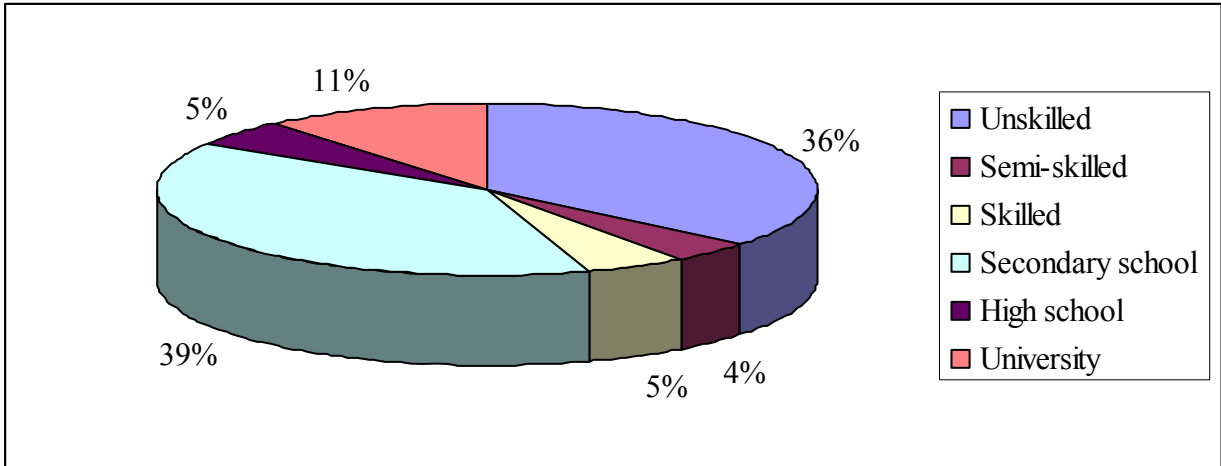
Source: Labour Market Statistics 2005, 2006, pp. 34, 35.

Enrolment levels at the compulsory level are relatively high. In 2003 more than 95% of the applicable age group population was enrolled in at least primary school (for a comparison the World Bank reported that in the EU the figure is 100%) and the number of the enrolled was increasing until school-year 2004/2005 and then dropped by 3.5% (Appendix 6) (Strategy for the Development of Preuniversity Education in Kosovo 2007-2017, 2006, p. 18). However, enrolment levels at the secondary level are much lower and especially low at the level of high education. Most European countries have secondary enrolment rates of between 85-95% but there are not enough data to calculate the secondary enrolment rate in Kosovo. Based on estimations it is between 45 to 55% (also based on the estimates of the anonymous source from Kosovo).

There are many reasons for the decline in further education after compulsory schooling, including the difficult economic situation in general, the lack of motivation to learn, substandard learning conditions, the long distances from home to school in some areas, and traditional family customs (in the case of young women). With poor education being one of the reasons for youth unemployment a well-performing education system must therefore be in place. The education system's reform in Kosovo has been hindered by numerous complications. A rapid reduction of the donor support which previously financed education was not followed by an increase in support from the Kosovo Consolidated Budget. The lion's share of expenditure in the education system goes to salaries, which helps explain why the budget is more operational than sector-developmental in nature (Kosovo Human Development Report, 2006 p. 39).

Data on vacancies by education or skills is needed to examine if the low education level is one of the reasons for the high youth unemployment. There is a high share of unemployed with a secondary school education (26.0%). However, 39% of the total demand of all new vacancies from July 2005 until June 2006, similar to previous time periods, was addressed to the unemployed on the secondary school skills-level, followed by the unskilled skills-level (Appendix 8) (Employment Promotion - Performance report 2005/2006, 2006, pp. 16, 17).

Picture 1: Proportion of vacancies offered by skills from 06/2005 to 05/2006 in Kosovo

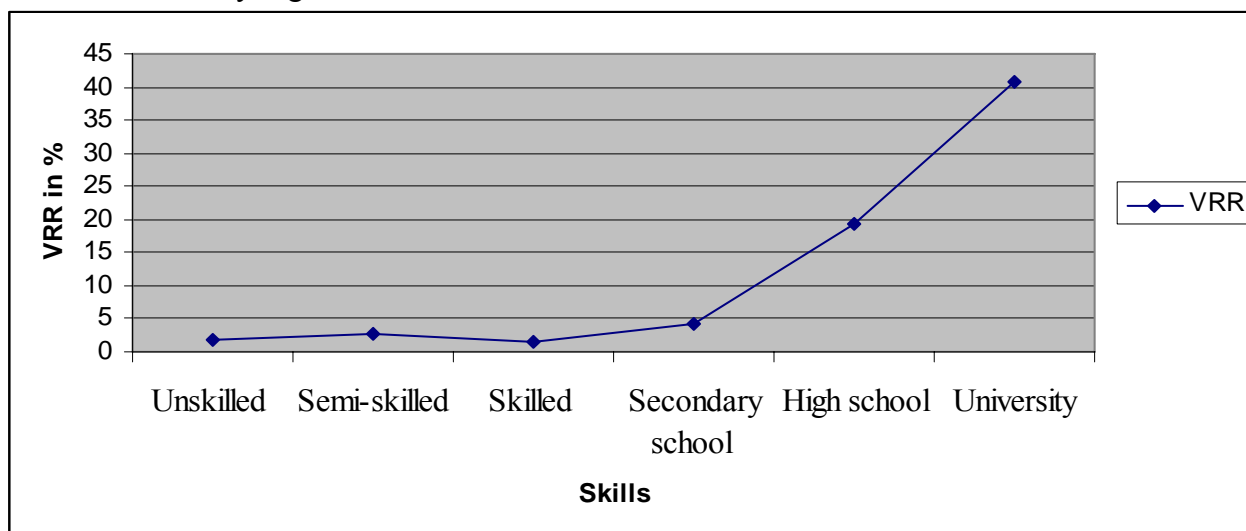


Source: Employment Promotion - Performance report 2005/2006, 2006, p. 16.

Accordingly, to gain a more realistic impression of the relationship of labour supply skills and labour demand a closer look at the vacancy-registration rate² (VRR) is required.

² VRR - The Vacancy-Registration Rate is the cumulated number of vacancies acquired by the employment services over 12 months – in relation to the average number of registered unemployed in 12 months (it is a derivative of the vacancy/unemployed ratio as the number of vacancies per registered unemployed person) is crucial (number of vacancies offered for unskilled level : number of unskilled registered unemployed persons = 3260 : 191893 = 0.017 x 100 = 1.7%)

Picture 2: Vacancy-registration rate from 06/2005 to 05/2006



Source: Employment Promotion - Performance report 2005/2006, 2006, p. 16.

Picture 2 (p. 15) shows that the 12-month vacancy-registration rate ('VRR') increases with the level of skills or education. VRR for university is 40.7%, which means that 40.7% of all the registered unemployed with a university degree from July 2005 to June 2006 got jobs, whereas only 1.7 percent of all the registered unskilled unemployed from July 2005 to June 2006 got jobs in the same period. To sum up, there is clear evidence that youth are undereducated for the jobs offered in the labour market and need to acquire a higher education to enhance their chances of being employed.

3.3. Migration and its impact on the labour market

Throughout the 20th century rural Kosovo households survived and occasionally prospered by sending their men abroad as migrant labourers. They became construction workers, agricultural labourers or ice-cream vendors. In the socialist era men mainly migrated to Zagreb or Belgrade. In the late 1960s, the migration route went further west, to serve the needs of growing European economies for 'guest workers'. The remittances sent by these guest workers helped generate the cash the rural families needed. By the mid-1990s, it was estimated that as many as half a million Kosovars (20% to 25% of the total population) were living abroad, mainly in Germany and Switzerland, with smaller percentages in Austria and Sweden (Cutting the Lifeline, Migration, Families and the Future of Kosovo, 2006, p. 6).

In March 1992 the Kosovar 'government in exile' made the first effort to estimate the total number of Kosovo Albanians abroad, arriving at a figure of 217,000. The study located the largest communities in Germany (82,348), Switzerland (72,448), Sweden (15,652) and Austria (12,300). Germany and Switzerland remained the two most popular destinations for Kosovars throughout the 1990s (Cutting the Lifeline, Migration, Families and the Future of Kosovo, 2006, p. 8). Based on Labour market and unemployment in Kosova (2003, p.15) the estimates of those who had emigrated were around 450,000 Kosovars.

With NATO's intervention in 1999 and the end of the Serbian control of Kosovo, the toleration of Kosovar refugees and guest workers came to an end. More than 200,000 Kosovars were returned from Germany alone and as much as 77% of all those who returned home were from 16 to 64 years old and represented the working population. All of a sudden, Kosovo involuntarily began to re-import migrant labourers and its migration flows went into reverse. Not only was the economic lifeline that had kept rural Kosovo afloat cut but this created huge labour inflows which were too massive for Kosovo's destroyed economy (Cutting the Lifeline, Migration, Families and the Future of Kosovo, 2006, p. 9).

The return of these migrants was supported in the Standards for Kosovo by the need to achieve freedom of movement. Further objectives were established so that returnees to Kosovo could participate in the economy and job market without discrimination and limitations based on the freedom of movement (Standards for Kosovo, 2004, p. 9). The Standards also demand that health care, social services, education and public utilities be available to returnees on a level equal to that for the rest of the population, which encouraged returnees to come back to Kosovo.

In the last couple of years the return of emigrated Kosovars has had tremendous implications for youth unemployment, also in terms of major labour inflows. In addition, remittances have declined and I therefore expect this has provided a motivation for families to search for extra income. Logically young people have needed to search for jobs. The number of registered unemployed has increased yet it is difficult to claim that this is only a result of the decline in remittances and being forced to actively search for job as a substitute for the lower remittances. From this point of view, the decline in remittances has had a positive effect of forcing youth to get a job. However, 46 % of youth is still not in education nor in employment (Table 3, p.11).

Yet it is important to recognise another consequence of the labour migration. On the economic front, while lowly qualified migrants were usually forced to return to Kosovo the most educated were allowed to stay in their adopted new countries. .

3.4. Labour market flexibility

It is generally known that the 'flexibility' of the labour market is an important feature of well-functioning market economies. In a dynamic, flexible labour market workers are able to switch between jobs relatively quickly, thus facilitating the opening of more productive jobs and the disappearance of less productive ones. It has been shown that in developed market economies, quick labour redeployment significantly contributes to aggregate productivity growth. For example, for the US manufacturing sector roughly half of productivity growth over the course of a decade can be accounted for by the reallocation of outputs and inputs away from less productive to more productive businesses. Moreover, dynamic labour markets encourage businesses to create jobs and contribute to higher employment-population ratios. In contrast, large barriers to formal employment push workers into less productive informal sector jobs –

jobs which also offer them fewer rights and expose them to undue health and safety hazards (Labor Market in the Postwar Bosnia and Herzegovina, 2000, p. 10).

Further, labour market regulation that defines the flexibility of the labour market is often identified as a factor obstructing the access of young people to employment and it thus also needs to be considered (O'Higgins, 2004, p. 24). Rutkowski (2006) noted that high youth unemployment may be associated with labour market rigidities and barriers created by stringent employment protection legislation. For example, the extremely high share of young labour market entrants among the unemployed in FYR Macedonia can be at least partly attributed to the high degree of job protection granted to incumbent workers (Rutkowski, 2006, p. 19).

The labour market in Kosovo is still taking shape in terms of the related institutions and policies. Kosovo was a vast 'grey' or 'black' economy both before and after the conflict, except for its public sector. The pre-1989 labour regulations were inapplicable because they were framed for the specific conditions of workers' self-management in Socialist Yugoslavia and did not fit with the conditions of the emerging new market economy. The absence of legal employment relationships and legal earnings arising posed an obstacle to the reconstruction or re-establishment of sustainable social and unemployment insurance systems, as well as of the taxation imposed on legal earnings which would normally provide the financial foundation of such systems (Hethy, 2007, p. 3). Having a labour law, it was thought, would help facilitate foreign investment as international employers would be reluctant to set up businesses if they could not establish a legal employment relationship with their employees. Its absence appeared to be one of the obstacles to attracting the foreign investors who were so badly needed for the reconstruction of Kosovo's damaged and failing economy, primarily in the field of past socially-owned enterprises.

In this situation, it appeared to be a major task for UNMIK to take definite measures for the establishment and enforcement of basic regulations of labour law to achieve transparency of the employment situation and the gradual lessening of the impact of grey economy employment. The legal framework was introduced as a Regulation no. 2001/27 on essential labour law in Kosovo in October 2001 by UNMIK and it appears to be very basic written on only 13 pages (UNMIK Regulation no. 2001/27 on essential labour law in Kosovo, 2001). However, an authentic source noted that the present situation in Kosovo differs somewhat from the law, especially when it comes to insurance and taxes. The two are widely ignored yet employees agree to this in order to at least have a job.

Rigidity of the employment index

The rigidity of employment index measures the rigidity of a labour market in a particular country and is the average of three sub-indices: the difficulty of hiring index, the rigidity of hours index and the difficulty of firing index. All these sub-indices have several components and take values between 0 and 100, with higher values indicating more rigid regulation.

Based on Botero et al. 2004 (pp. 1-55), Doing Business Methodology by the World Bank, UNMIK Regulation no. 2001/27 on essential labour law in Kosovo, 2001, public sector employment contracts, private sector employment contracts, the authentic Kosovo sources and my own calculations (in Tables 5, 6 and 7 described as varied sources) I have calculated the rigidity index for Kosovo. Doing Business does not calculate the rigidity of employment index for Kosovo because it is not a state.

1. The difficulty of hiring index

The difficulty of hiring index measures (1) whether fixed-term contracts are prohibited for permanent tasks; (2) the maximum cumulative duration of fixed-term contracts; and (3) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker.

Table 5: The difficulty of hiring index for Kosovo

Measures	Answer	Assigned score
1. Are fixed-term contracts prohibited for permanent tasks?	No	0
2. The maximum cumulative duration of fixed-term contracts	Not regulated by the law, up to 5 years in practice	0.25
3. The ratio of the minimum wage for a trainee or first-time employee to the average value added per worker	From 0.25 to 0.33	0.33
Total possible		100
Kosovo		19.33

Source: varied sources, described on p. 18.

The difficulty of hiring index = (0+0.25+0.33)*100/3 = 19.33

1. A country is assigned a score of 1 if fixed-term contracts are prohibited for permanent tasks and a score of 0 if they can be used for any task. In Kosovo fixed-term contracts are very common and as much as 46.7% of employed are fix-term employed (Labour Market Statistics 2005, 2006, p.4).
2. A score of 1 is assigned if the maximum cumulative duration of fixed-term contracts is less than 3 years; 0.5 if it is 3 years or more but less than 5 years; and 0 if fixed-term contracts can last 5 years or more. As fixed-term contracts are very common there is no maximum duration (they can be renewed as many times as a company wants). No information on that is written in UNMIK Regulation no. 2001/27 on essential labour law in Kosovo, however it was told by three Kosovars based on they own experience. They also noted that usually fixed-term contracts can be renewed several times also due to deductions for insurance; however, the employees are reluctant to always simply renew their contract. They decided to give 0.25 as the duration is usually up to five years.

- A score of 1 is assigned if the ratio of the minimum wage to the average value added per worker is 0.75 or more; 0.67 for a ratio of 0.50 or more but less than 0.75; 0.33 for a ratio of 0.25 or more but less than 0.50; and 0 for a ratio of less than 0.25. The statistics are still very poor in Kosovo. Therefore we need to rely on the data from the authentic Kosovars and their estimations the ratio of 0.33 (for a ratio of 0.25 or more but less than 0.50).

2. The rigidity of hours index

The rigidity of hours index has five components: (1) whether night work is unrestricted; (2) whether weekend work is unrestricted; (3) whether the workweek can consist of 5.5 days; (4) whether the workweek can extend to 50 hours (including overtime) for 2 months a year to respond to a seasonal increase in production; and (5) whether paid annual vacation is 21 working days or fewer. For each of these questions, if the answer is no the country is assigned a score of 1; otherwise a score of 0 is assigned.

Table 6: The rigidity of hours index for Kosovo

Measures	Answer	Assigned score
1. Is night work unrestricted?	No	1
2. Is weekend work unrestricted?	Yes	0
3. Can the workweek consist of 5.5 days?	Yes	0
4. Can the workweek extend to 50 hours (including overtime) for 2 months a year to respond to a seasonal increase in production?	Yes	0
5. Is the paid annual vacation 21 working days or fewer?	Yes	0
Total possible:		100
Kosovo		20

Source: varied sources, described on p. 18.

$$\text{The rigidity of hours index} = (1+0+0+0+0) * 100/5 = 20$$

- Night work is not restricted directly in UNMIK Regulation no. 2001/27 on essential labour law in Kosovo, but Section 16.13 of the same Regulation says that working hours between 10:00 p.m. and 5:00 a.m. shall be considered as night work, and paid as overtime. Section 16.14 continues: overtime may not exceed 20 hours per week and 40 hours per month is considered as overtime and overtime is restricted.
- In the private sector employment contract it says: from the employee it might be requested from time to time to work more than the official working hours, and also on weekends. For overtime work there will not be any monetary compensation, but you have the right to take a day off as a compensation for the work done in accordance with your

manager. The employee has no right to work out of working hours more than 16 hours³, or two days' work, which should be used till the end of the next month. The duration of work-free days will be decided by the manager and it is not given that it will be counted proportionally. There are exceptions when an employee works out of working hours for more than 16 hours (example – emergency cases etc).

3. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 16 – Working Time 16.5.: working hours shall not exceed 40 hours per week. However, Section 16.11. says: An employee shall be entitled to 1 day off during the working week⁴, and where it is necessary for him/her to work during this period he/she shall be entitled to 1 additional day off during the following working week. Therefore, the working week can be longer than 5.5 days if the working hours per day are less than 8 or in the case of overtime.
4. Based on UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 16 16.14: overtime may not exceed 20 hours per week and 40 hours per month, the working week can be extended to 50 hours.
5. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 17 – Annual Leave 17.2.: the period of annual leave shall be determined by the employer after consultation. Section 17.3. continues that after one year of employment an employee shall be entitled to 18 working days of paid annual leave during each calendar year. Section 17.4. says that during the first year of employment an employee shall be entitled to 12 working days of paid annual leave. In the private sector employment contract it is stated: You have the right to a yearly vacation of the duration of 18 days in one year or specified proportionally to the duration of your contract, and also the right to public vacations to a maximum of 8 days. Yearly vacations or part of your vacation should be used in accordance with your manager, and be notified a month before.

The difficulty of firing index

The difficulty of firing index has eight components: (1) whether redundancy is disallowed as a basis for terminating workers; (2) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (3) whether the employer needs to notify a third party to terminate a group of 25 redundant workers; (4) whether the employer needs approval from a third party to terminate one redundant worker; (5) whether the employer needs approval from a third party to terminate a group of 25 redundant workers; (6) whether the law requires the employer to consider reassignment or retraining options before a redundancy

³ It is outlined in the contract that overtime cannot exceed 16 hours but at the same time it means that could be a weekend.

⁴ 16.3. says: The working week shall begin on Monday at 12:01 a.m. and shall end on Sunday at midnight.

termination; (7) whether priority rules apply to redundancies; and (8) whether priority rules apply to re-employment.

Table 7: The difficulty of firing index for Kosovo

Measures	Answer	Assigned score
1. Is redundancy disallowed as a basis for terminating workers?	Yes	0
2. Does the employer need to notify a third party (such as a government agency) to terminate one redundant worker?	Yes	1
3. Does the employer need to notify a third party to terminate a group of 25 redundant workers?	Yes	1
4. Does the employer need approval from a third party to terminate one redundant worker?	No	0
5. Does the employer need approval from a third party to terminate a group of 25 redundant workers?	No	0
6. Does the law require the employer to consider reassignment or retraining options before a redundancy termination?	Yes	1
7. Do priority rules apply to redundancies?	Yes	1
8. Do priority rules apply to re-employment?	No	0
Total possible		100
Kosovo		22.22

Source: varied sources, described on p. 18.

The difficulty of firing index = $(0+1+1+0+0+1+1+0) \cdot 100/18^5 = 22.22$

1. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 12 Terminating of a Labour Contract due to Economic, Technological or Structural Changes to an enterprise 12.1. says: A labour contract may be terminated by an employer due to economic, technological, or structural changes to the enterprise. Such changes occur where the employer introduces major changes in production, programming, organisation, structure and technology that require a reduction in the number of its employees. Where a minimum of 50 employees are discharged within a 6-month period, it shall be considered a large-scale layoff.
2. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 12 Terminating of a Labour Contract due to Economic, Technological or Structural Changes to the enterprise Section 12.2 (c) says an employer shall notify the employment office in writing of the employees to be discharged in order that it may provide such

⁵ For the first question an answer ‘yes’ for workers at any income level gives a score of 10 and means that the rest of the questions do not apply. An answer of ‘yes’ to question (4) gives a score of 2. For every other question, if the answer is ‘yes’ a score of 1 is assigned; otherwise a score of 0 is given. Questions (1) and (4), as the most restrictive regulations, have greater weight in the construction of the index.

employees with assistance in seeking alternative employment. That is also applicable to measure 3.

6. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 12 Terminating of a Labour Contract due to Economic, Technological or Structural Changes to the enterprise Section 12.2 (d) says an employer shall take appropriate measures to limit the number of employees to be discharged by limiting or freezing the hiring of new employees; internal reassignment of employees; limiting overtime work; reducing working hours; providing vocational retraining; and promoting the improvement of skills.
7. According to UNMIK Regulation no. 2001/27 on essential labour law in Kosovo Section 12 Terminating of a Labour Contract due to Economic, Technological or Structural Changes to the enterprise Section 12.2 (e) says in determining the number and type of employees to be discharged, the employer shall take into account the following: an employee's performance; vocational training and skills; work experience; position; category and type of work; years of service; age; and other criteria that may be set out in a labour contract and, where applicable, collective agreement.
8. No such thing is found in UNMIK Regulation no. 2001/27 on essential labour law in Kosovo.

Just to note about the private sector employment contract, the contract can be cancelled either by the company or the worker with a written notification a minimum of two weeks before and from the public sector employment contract: in the period in which the contract is valid each party can cancel the contract by handing over a written notification 30 days before.

Rigidity of employment index = $(19.3 + 20 + 22.22) / 3 = 20.51$

I calculated that the Rigidity of Employment Index that measures labour market flexibility for Kosovo is 20.51 and it is ranked between Belgium with a rigidity of employment index of 20.33 and Haiti with 20.66. Belgium is ranked 36th out of 178 countries that Doing Business reports data for. To sum up, Kosovo has a flexible labour market and that cannot be a reason for the high youth unemployment in particular and unemployment generally.

3.5. Sector-structure supply and demand in the labour market

In this chapter I examine important labour market issues that have arisen during the transition from a centrally planned to a market economy. Economic liberalisation, privatisation, hard budget constraints, and the emergence of product market competition as well as the disintegration of existing economic ties brought major profound institutional and structural changes associated with the economic transition that led to a substantial drop in output,

especially in the early stages. This gave rise to unemployment and a fall in labour force participation. Generally, in European transition economies the burden of restructuring led to 20% to 30% lower employment than before the transition (Rutkowski, 2006, pp. 3 and 4).

3.5.1. Restructuring the economy

The removal of state subsidies and associated hardening of budget constraints as well as encountering new market-oriented principles pushed many state-owned enterprises to close down in the 1990s, including the mass shedding of labour. Based on that, large inflows of redundant workers jointly entered the labour market. In the public sector jobs were cut from 245,400 (1988) to 126,000 (2002), or by 52% (Labour market and unemployment in Kosova, 2003, p. 44). Job security was largely lost and, in addition, employers have increasingly turned to fixed-term or temporary employment contracts to facilitate their workforce adjustment. The proportion of regular secure jobs has gone down and this changing nature of jobs has been associated with growth of the informal sector, which by definition provides less protected jobs with fewer benefits. On top of this, many workers who lost (or were unable to find) employment turned to self-employment (Rutkowski, 2006, pp. 19, 20).

The extent of progress in enterprise restructuring affected labour market outcomes and explains some of the reasons for youth unemployment in most South-east European regions (Kosovo Economic Memorandum, 2004, p. 66). It is often believed that countries in the region which failed to restructure rapidly may have temporarily managed to preserve existing jobs and the welfare of senior workers, but often this may have been at the expense of young people who may find greater difficulty entering the labour market and who may thus constitute a disproportionately high share of the unemployed. In Kosovo labour restructuring problems are not of the same magnitude as those experienced elsewhere in Eastern Europe and the former Soviet Union. However, as mentioned the delays in SOE and POE restructuring mean that the issues of overstaffing in many of these remain to be addressed. At the same time, intensive restructuring is likely to generate large job reallocation and thus create structural unemployment that may affect youth and adults equally (Kosovo Economic Memorandum, 2004, p. 67).

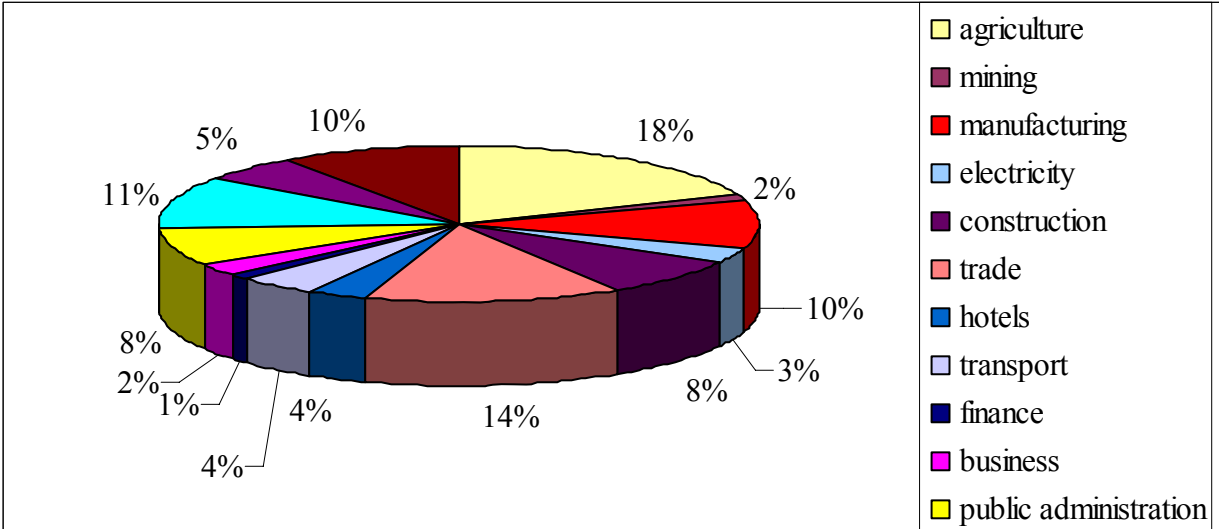
3.5.2. Labour adjustments to reflect the changed production structure

Beside employment reductions in medium and large enterprises, another reason for the high unemployment is slow adjustment of labour to the changed production structure and the lack of mobility. The extent of unemployment due to structural shifts that caused structural imbalances can be analysed by unemployment by economic activity in a given time interval. In Appendix 9 the proportion of employment in enterprises by economic activity in 2002 and 2005 can be observed. In comparison to the pre-war years employment shifted away from manufacturing. In contrast to other sectors, employment in manufacturing fell by 20.4 percentage points. Moreover, according to official data (Labour Market Statistics 2005, 2006, p. 34) show that the three sectors with the highest proportion of employment were agriculture (18.8% of all employed), followed by trade (13.8%) and education (10.8%) substituted manufacturing (35%) and electricity (22%)

from 2002. These structural shifts are also some of the reasons for the high unemployment as people were used to becoming skilled for the traditional occupations. Youth were no exception. According to an authentic Kosovar, it has been perceived that a son should continue the occupation their father was qualified for. However, the companies that once existed have closed or been sold or some have even changed their production range for which other skills are required.

Evidence of structural shifts as one reason for both general and youth unemployment is given in Picture 3 (p. 24) where it can be observed that, due to the decrease in employment in manufacturing from 35% in 2002 to 9.6% in 2005, 29% of all unemployed had their last job in the manufacturing sector.

Picture 3: Unemployment by economic activity according to last job in 2005



Source: Labour Market Statistics 2005, 2006, p. 31

Nearly 70% of those employed work in the private sector – agriculture, trade, services and construction (Labour market and unemployment in Kosova, 2003, p. 38). Private business is also providing employment for those who lost their jobs in socially-owned enterprises (‘SOEs’) in the 1990s. . This shows the aim of further developing of the private sector for which proposals will be given in chapter 5. Nevertheless, employment in SOEs and in government institutions still constitutes a significant part of total employment; together they account for 30% of total employment. What is interesting is that the UNMIK employs approximately 3,250 Kosovars and mainly young ones who are flexible and can speak a foreign language, usually English (according to an anonymous Kosovo source).

Vacancies in the labour market

Regarding the traditional classification of economic sectors, most vacancies offered in the 12 months up until June 2006 referred to the tertiary sector (services; 68%), followed by the secondary sector (production; 23%) and the primary sector (agriculture; 9%) (Employment

Promotion – Performance Report 2005/2006, p. 15). In comparison to the 12-month results for 06/2005, both the primary and secondary sector showed an increasing share of all vacancies reported, while the share of all vacancies in the tertiary sector significantly decreased (by 9%). Based on this, it can be perceived that youth needs to get qualified for the primary and secondary sector and it provides controversial evidence regarding education. In 3.2. it was shown that levels of education and unemployment are negatively correlated, which means that in the case of higher education one has fewer chances of being unemployed. However, Appendix 10 reveals that vacancies have increased in the primary and secondary sectors. Here we have to take into consideration the fact that the tertiary sector still dominates in vacancy demand and that there are less people educated to work in the tertiary sector and they have better chances of getting a job. It also needs to be mentioned that some vacancies in agriculture and production on offer might be for educated Kosovars.

A look at the sectors regarding owners reveals a tremendous increase in 12-month cumulative private sector demand for new employees in recent years. 06/2006 compared to the 12-month results for 06/2005 shows the proportional share of private sector demand grew from 42% to 60%, while the cumulative labour demand of the private sector rose by almost 74%. Vice versa, public sector demand declined to 40%, representing a decrease of about -12% in the 12-month cumulative number of vacancies offered (Employment Promotion – Performance Report 2005/2006, p. 16).

3.5.3. Has privatisation influenced the labour market conditions?

While there is growing evidence of the benefits of privatisation the unwillingness to privatise appears to be associated with a relatively negative perception of the privatisation process with respect to the labour force. A particular concern is that privatisation leads to layoffs and a worsening of labour conditions in divested firms (Ryan, 2002, p. 9). On the contrary, a survey by Brown and Earle (2006) shows the example of Hungary, Romania, Russia and Ukraine where privatisation has increased employment in all four countries and wages in three of them (Brown, Earle, 2006, pp. 13, 14). Privatisation can generate jobs.

The transition process in Kosovo resulted in mass job destruction and the low level of created new jobs despite the fact that some new owners were obliged to employ a certain amount of workers. Consequently, privatisation resulted in modest sectoral changes and insignificant employment opportunities. In 2007 so far 3,500 new vacancies have been created due to privatisation (UNMIK Kosovo under UNSCR 1244 2007 Progress Report, 2007, p. 15). In addition to external shocks and low levels of FDI, the privatisation process did not contribute to job generation. As a result, low paid, low quality jobs in the informal economy have also been created together with low-skilled private sector jobs in manufacturing and agriculture. But the question remains: where can new jobs come from?

3.5.4. The influence of Small and Medium Sized Enterprises on Labour Market Conditions

Today, the small and medium sized enterprise (SME) sector is the main source of new-job generation and income growth and is a major force for growth and transformations into market economies. In all market economies, small and medium sized enterprises (SMEs) are a dynamic and active sector where significant capital is invested. SMEs promote economic development and as a result they contribute to employment growth and productivity improvement as well as the growth of gross domestic product (GDP). SMEs are particularly crucial for Kosovo since they have a strong economic impact (Peritt, 2004, pp. 11-13).

Currently Kosovo is undergoing a transitional period in which SMEs will play a crucial role in its economic reactivation and development and will be creating jobs that are missing due to the insufficiency of the privatisation process in terms of creating them. This can be illustrated by the fact that many family businesses have experienced a rapid recent expansion (especially in the trade sector). This is not due to favourable conditions and an appropriate enabling environment but is more a result of action taken by Kosovar employers in the sector, making small investments and turning capital around quickly to realise profits (The Status and Activity of Small and Medium Enterprises in Kosovo, 2005, p. 5)

In spite of the less than optimal enabling environment during the transition period, the SME sector has shown continual growth. At the end of 2003, 27,920 businesses were registered, of which 26,399 were sole traders or single owner businesses. By the end of 2004, this figure had increased to 39,257 and at the end of 2005 there were 65,051 registered businesses (The Status and Activity of Small and Medium Enterprises in Kosovo, 2005, p. 7). 18.3% of SMEs operate in the service sector, 32.2% in manufacturing and 49.5% in trade. Micro enterprises provide jobs for 68.9% of the entire employment of registered businesses, small enterprises provide jobs for 9.4% of the total employed in registered businesses, medium enterprises provide jobs for 6.4%, while large businesses employ 15.2% of the total employed in registered businesses. Micro enterprises make the biggest contribution to employment; however it is still unsatisfactory (The Status and Activity of Small and Medium Enterprises in Kosovo, 2005, p. 21).

The largest number (98%) of private enterprises in Kosovo represent those that employ up to nine workers. Those with 10-49 workers represent 1.7% of enterprises and those with 50 to 249 workers represent just 0.2% of enterprises. This demonstrates that micro-enterprises (i.e. those that employ 1-9 workers) are the main providers of employment in Kosovo and in the entire region.

A wide consensus has been reached between Kosovo institutions, the UNMIK and the international community that the stable economic development of Kosovo should be based on private sector development. In order to achieve SME development, the conditions for effective legal and institutional structures should be created to support the private sector. Although much effort has been made in this direction much remains to be done. The self-governmental

institutions of Kosovo should pay particular attention to this. Completion of the legal system combined with institutional strengthening will encourage and contribute to the development and expansion of the SME sector (Kosovo under UNSCR 1244 2007 Progress Report, 2007, 2007, p. 14).

An important factor in the effective and efficient development of the private sector is the provision of financial resources from abroad. Currently in Kosovo there is a limited number of financial institutions and instruments. The SME financing system, in spite of huge effort, is still immature. Financing for SMEs remains a constant struggle. Currently there are seven licensed commercial banks operating in Kosovo. This has influenced the continual improvement of SME financing conditions as a result of the enhanced competition between commercial banks. Macro-economic policy is a determining factor of an effective enabling environment for SMEs' development.

Is the growth in self-employment observed in transition economies a positive phenomenon? On one hand, it is an indication of a developing entrepreneurial spirit, and a springboard to starting a small business. Self-employment can be a source of an 'entrepreneurship premium' and as such offer above-average earning opportunities. On the other hand, the growth in self-employment may be a symptom of a depressed labour market where firms create few jobs and employment opportunities are scarce (Rutkowski, 2006, p. 15), which is the case of Kosovo.

3.6. Remarks on Labour market

The labour market in Kosovo has some distinctive characteristics compared to other transition countries. The population of Kosovo is one of the youngest in Europe: one-third is under 15 years of age and about half is under 25, representing the supply of youth available in the labour market and the huge inflows entering it every year when people turn 15. However, the youth unemployment rate is the highest in transition countries and so is the national employment rate. What is even more daunting is the fact that the ratio of youth unemployment to adult unemployment is 3.1 which indicates the seriousness of the troubled employment opportunities. After the conflict and beginning of United Nations' control over Kosovo the return of emigrant Kosovars followed and had tremendous implications for the labour market in terms of major labour inflows. Youth who also entered the labour market were faced with stiff competition for the rare vacancies on offer. Inflows into Kosovo's devastated economy have therefore been too massive. In addition, the low labour participation rate and high inactivity rate indicate serious problems for the economy as a whole that has failed to create job opportunities for the unemployed. Consequently, labour inflows are leading mostly toward the unemployment pool and there are considerable labour outflows from unemployment to inactivity.

After the conflict Kosovo entered a transition process. The main goal of this transition process was the restructuring of the economy aiming to increase the efficiency of production and the level of its competitiveness in the global economy. In this process the reallocation of production

factors was mainly occurring through dislodgement from the state sector, which traditionally employ surplus labour in order to achieve certain long-run and macro-economic goals. The main negative effect of the transition process was unemployment due to the laying off of redundant workers as a consequence of economic restructuring⁶. The redundant workers ought to seek jobs in the newly emerging private sector (Bošković, Ognjanov, 2006, pp. 91 - 95).

In spite of some growth of private sector the generation of jobs is still not sufficient. In addition, the unemployed are also confronted with mismatch of the sector labour demand and their skills. For example employment shifted away from manufacturing into service sector, mainly in trade and employment in manufacturing fell from 2002 to 2005 by 20.4 percentage points.

Obviously, the emergence and persistence of unemployment cannot merely be explained by factors on the labour demand side, namely restructuring. If unemployment were indeed solely connected to the growth of private economic activities, there would have been a decrease in the unemployment level after the huge enlargement of the private sector and the overall revival of growth. Therefore, an explanation should also be sought on the labour supply side, perhaps unsatisfactory education and migration.

High unemployment rate in Kosovo is largely attributable to a lack of inadequate skills and education of the working age population and also lack of job opportunities. Moreover less educated people have higher probabilities of being unemployed which is also the case in Kosovo, where the majority (59 %) of all the unemployed are unskilled and possess no or poor education and according to the lowest vacancy-registration rate they have rare chances of getting a job. What is more, difficult economic situation in general, lack of motivation to learn, substandard learning conditions, long distances from home to school in some areas, and traditional family customs contributed to failure of the youth to recognise that education enhance their chances of getting a job. They do not continue with education after compulsory education in the sufficient range. Above all 38.4 % of youth are not in education nor in the labour force which means that they remain idle.

General feature of the Kosovo's labour market is relatively flexible labour market. By calculating the rigidity of employment index, which measures rigidity of labour market in a specific country, it can be concluded that Kosovo's labour market is flexible respectively labour market legislation does not obstruct the mobility of workers and allows employers to quickly employ more appropriate and productive labour force. On average dynamic labour market might be understood as encourages businesses to create jobs and contribute to higher employment to population ratios. Therefore active and passive labour market policies are not relevant especially due to low level of offered jobs whatsoever (Fretwell, 2004, p. 4).

⁶ Comparing the speed of disengaging redundant labour in the state sector and the speed of employment in the private sector led to the development of the well-known »optimal speed of transition« (OST) model in the transition literature (Aghion and Blanchard, 1994, pp. 283-320). But in answering the question of which factors are causing unemployment in transition and how it can be restrained more efficiently the new literature offers much more complex suggestions than the OST model did some ten years ago (Jovičić, 2006, pp. 49-51).

4. PROPOSALS

There is no other way to achieve relevant progress concerning Kosovo's employment situation than the substantial development of the Kosovo economy. In order to achieve this, Kosovo needs to economically transform from low-productivity activities to higher-productivity. This transformation can be achieved through investment, private sector development, improved education and a solid institutional framework. The government has the key role to play by ensuring that private sector development and investment not only remain on its agenda but also become the centrepiece of its programme. Many governments under the influence of the international policy community, often referred to as the Washington Consensus, have tried to boost efficiency in developing countries by pursuing a number of key reforms, including the privatisation of state-owned enterprises, stimulating the entry of new firms, encouraging foreign direct investment with the assistance of institutional development (Sabirianova, Svejnar and Terrell, 2005, p. 4). Kosovo lacks initiatives and sufficient capital to foster development. As discussed before, it is important for the development of the economy to cut unemployment. During the transition process jobs were destroyed and only limited new jobs were created, resulting in few job opportunities. In addition, Kosovo seems to lack initiatives to create new jobs so now I will make some relevant proposals.

The proposals to cut unemployment are divided into five groups. Job generation is the first group of proposals as a vital part of achieving higher employment. All other groups are correlated with job creation and a reduction of unemployment.

4.1. Job generation

Proposal 1: Establishing strategically important sectors for job creation

With the encouragement of several ministers (PISG) and under the supervision of international organisations (UNMIK) the revival of strategic sectors could create many job occupancies. Kosovo has abundant mineral deposits, low transport costs to Western European markets and fertile land, which are competitive advantages for the development of the energy, mining and agriculture sectors, which are believed to be the pillars of economic growth in Kosovo (Fuelling Kosovo's Growth Engines, 2005, p. 17). However, there is a lack of institutional capacity to attract and retain qualified, strategic investors. In addition, the revitalising of past strategically important sectors is considered not to be risky. Kosovo has a comparative advantage in both mining and energy which used to generate the majority of jobs that need to be revitalised and put back into business to generate more jobs.

Proposal 2: The encouragement of non-traditional sectors

Discovering possible non-traditional sectors that could be relevant to Kosovo, such as IT-technology, financial industry, tourism, should be one of the government's key roles. When

identifying non-traditional sectors it needs to be noted that services have the highest added value and therefore the development of the service industry should be a priority.

Proposal 3: Development of the private sector by encouraging the establishment of SMEs

The Kosovo Economic Memorandum recognised the development of the private sector in the South-east European region as the major factor contributing to job creation. Because of an apparent negative association between the share of services in total employment and youth unemployment further forms of encouragement should be introduced. Development in private sector would reduce unemployment, especially for youth, whose attitudes may be more oriented to the needs of the new private sector (Kosovo Economic Memorandum, 2004, p. 29). Small businesses are the key source of jobs, business dynamism and innovation for the European economy and they are one of the primary concerns of public policies in the context of the renewed Lisbon Strategy for Growth and Jobs. Stimulating the creation of new companies is the key to growth and job creation throughout Europe (European Charter for Small Enterprises, 2007, p. 7).

The Bologna Charter on SME Policies⁷ is the most applicable for the economic situation Kosovo and serves as a basis for further proposals. The Bologna Charter recognised that entrepreneurship and a dynamic SME sector are important for restructuring economies and for combating poverty (Bologna Charter on SME Policies, 2000). There were 65,051 SMEs registered in Kosovo in 2004 (Ministry of Trade and Industry, 2005, p. 7) and they employed 79,057 people which is not nearly sufficient for the more than 600,000 Kosovars who make up the labour force.

There is still a shortage of intermediaries who can provide business formation assistance, legal assistance and accounting services. At this point, a proposal to enhance the availability of business consulting arises. There are few places where future entrepreneurs can go for advice on how to select the type of business or how to start it. A grant from CARE Nederland and Hivos started the Kosovo SME Support Centre ('the Centre') in Gjakova, but it is now struggling to continue its operations based on fees. The United States Agency for International Development ('USAID') in 2001 established the Kosovo Business and Finance Fund ('the Fund') to aid SMEs in the manufacturing sector and to establish a bank. As a result, the Fund established the American Bank in Kosovo ('ABK'). USAID also funded the Kosovo Business Support ('KBS') in Prishtina, but has an even more limited role. The Kosovo Chamber of Commerce could perform this function; however, its organisational efforts have been low. Kosovo needs the equivalent of the American Small Business Administration with local offices, including Internet and paper publications with titles such as How to Start your Own Business (Perrit, 2004).

⁷ The Bologna Charter 2000 on SME Policies was adopted by representatives of 47 countries meeting under the sponsorship of the Organisation for Economic Co-operation and Development (OECD).

The Bologna Charter on SME Policies also recognises that for SME creation a regulatory environment that does not impose undue burdens on SMEs, education that fosters an innovative and entrepreneurial culture and effective access to financial services is essential.

Proposal 4: Fostering a favourable business environment

It is generally believed that a favourable business environment is essential for the creation of SMEs and for combating Kosovo's widespread informal sector. According to the World Bank Investment Climate Assessment, the business environment in Kosovo is considered relatively favourable for SMEs. The tax system is simple and transparent and does not put a heavy burden on enterprises with 15% VAT. In addition, basic economic legislation has been formulated and the institutional infrastructure has been created and is being maintained. Kosovo boasts relatively low red tape levels (bureaucracy), low regulatory requirements, no restrictive and costly labour rules and easy access to land (Fuelling Kosovo's Growth Engine, 2005, p. 15). In addition, during the last four years a range of new commercial laws has been promulgated, all of which are oriented to EU standards and new public and private institutions have been established to support implementation of these laws and this should be further encouraged.

Proposition 5: Encouragement Kosovars for self-employment

Particularly in circumstances where there are relatively few job opportunities, like in Kosovo, attention turns to initiatives designed to promote self-employment. ILO Recommendation no. 189 on Job Creation in Small and Medium Sized Enterprises suggests a series of measures to facilitate and improve the environment for small business start-ups to promote self-employment (Recommendation no. 189, 1998). The unemployed should be aware of the possibilities to start up a business by themselves. In order to achieve this, a special agency should provide training in business skills, consulting and matching with potential investors. Within specific countries Local Economic Development (LED) and SME promotion projects have been implemented in Bosnia & Herzegovina and Serbia & Montenegro and Kosovo should not be an exception (ILO, 1998).

4.2. Development of education

Inadequate education and skills are a crucial problem of employing Kosovo people in privatised and restructured enterprises. Even though young people are getting education, we have to take into consideration that even higher education would increase their employment opportunities.

Proposition 1: Focusing on education

Youth Employment Network's high-level panel recommendations suggest achieving employability by investing in education and vocational training for young people – and improving the impact of these investments (Global employment trends for youth, 2004, p. 5).

Kosovo's government introduced in 2005 the 'Platform of 3 Es' with Education as a key component. In 2005 the government allocated 4.3% (EUR 30.4 million) of Kosovo's budget to the Ministry of Education, Science and Technology; however, that includes expenditure on the ministry and all public workers (teachers). The governments' commitment is reflected in the 2007 budget where education funds increased by EUR 7 million. Government initiatives should be further extended (Kosovo Human Development Report 2006, 2007, p. 19).

Proposal 2: The education system should be based on labour market needs

The need to reform and improve the education systems arises so as to provide young people with skills which are useful once they leave school. The rapid industrial restructuring that ran parallel to the transition also changed the demand for workers' education levels. The slowness of the education systems caused an insufficient adaptation to the rapid industrial change.

Kosovo's education system is not producing graduates with appropriate skills (Labour market and unemployment in Kosova, 2003 p. 11) because educational programmes are based on past needs. More reforms based on demands of the labour market are a must. Further more education programmes need to be flexible to incorporate an assessment of labour market needs. There is a number of channels through which the harmonising of labour market demands and education may be achieved. On one hand, the involvement of workers' and employers' organisations on local education boards is a step in the right direction. Here I would also propose scholarships for education programmes that are strategically important for Kosovo like university engineers, programmers and electrical engineers. Later on the involvement of all social partners in the development of curricula should be ensured. As O'Higgins (2004, p. 33) also proposed, at local levels where the policies are being implemented the social partners and workers' organisations in particular should be involved in adopting policies to local needs and their implementation. Indeed, the collaboration of employers' representatives is also encouraged by the ILO.

Proposal 3: Enhancing the quality of education

In the 2002-2005 period, after the shift of responsibility to provide school infrastructure from various donors to local institutions and the local budget, the MEST financed the renovation of 39 school buildings in a total amount of EUR 1,793,001 and the construction of 28 new school facilities in the amount of EUR 8,192,425 (Strategy for the Development of Preuniversity Education in Kosovo 2007-2017, 2007, p. 15). After the education infrastructure has mainly been provided, Kosovo needs more teachers with up-to-date economics knowledge not only to be in charge of policy-making but also to create a critical mass of professors teaching in line with international standards. Based on that, resources need to be concentrated in a few of the most promising institutions in the country; these programmes could become models for other programmes throughout the country. Other important recommendations include supporting Internet access and upgrading libraries. The Open Society Institute has already greatly improved Internet connectivity in the region.

Proposal 4: Further co-operation in education with international organisations

To encourage youth to either enrol or stay in school, international organisations provided huge financial injections for Kosovo's education system. The School Development Grant ('SDG'), based on the World Bank's Transitional Support Strategy⁸ ('TSS'), was introduced to support educational institution-building, reconstruction and financing. A project worth USD 4.5 million regarding improving education participation followed that focused on increasing educational enrolments, attendances, and retention at primary and secondary education levels by grants and enhancing the access of vulnerable groups to education.

A positive effect of foreign organisations' presence has led to the strong motivation of the local education leadership and administration. They made local educators and officers highly open and receptive to the new training programmes offered by foreign organisations. This in return boosted the effectiveness of education and training programmes and, at the same time, improved efficiency and management in education institutions in general. Training programmes in education leadership were initially organised and/or co-ordinated by the Canadian Kosovo Educator Development Programme ('KEDP'). To conclude, foreign organisations bring necessary improvements to education and further co-operation is essential.

Proposal 5: Stressing the importance of MEST

Immediately after the Ministry of Education, Science, and Technology (MEST) was established in 2002 a mixed working group consisting of local and international experts and officials was set up to start the process of drafting a short-term strategic plan for development of Kosovo's education system. This group produced the first strategic plan for moving Kosovar education from its emergency phase to consolidation phase and, at the same time, for retaining the unity of the system and foreseeing measures for its integration into relevant European education processes. They focused on the development of new curricula and on drafting new school textbooks for implementing the same subject curricula. However, in 2007 the system has not functioned as it should. I propose further engagement in the process of implementing the strategies. The government did allocate EUR 30.4 million to the MEST in 2005. However, more money should be spent on implementing strategies rather than on planning them.

Proposition 6: Further harmonisation with EU educational policies

Education in Kosovo should be compliant with the Lisbon Process on education reforms in Europe until 2010, the Copenhagen Declaration on the development of vocational education and training, and the objectives set out in the Bologna Declaration together with the UNESCO

⁸ The World Bank prepared the Transitional Support Strategy (TSS) in 2002. The programme aimed to support post-conflict reconstruction, economic recovery, poverty alleviation and human development, fiscal sustainability, good governance, peace-building and stabilisation of the region as part of a broader international effort led by the United Nations' Interim Administration Mission in Kosovo.

initiative Education For All. More money and energy should be injected into the implementation of these strategies. The government needs to follow all the propositions of the EU as it is engaged in perfection of the system.

Proposal 7: Scholarships

Scholarships are vital for young talented Kosovars to them to afford continuing their education at foreign, well-established universities. For example, in September 2007 11 young people from Kosovo were awarded European Commission funded scholarships to study master's degrees in European Studies at some of Europe's most prominent universities. However, Kosovo needs to be alert to limit any brain drain which would also represent a lost investment in education. Mainly scholarships should be made available to Kosovars to keep them in Kosovo and to enable them to receive a proper education (Quarterly report to the European Parliament, 2007)

4.3. Further restructuring

The transition in Kosovo resulted in major labour shedding and a slow pace of creating new jobs. Since during the restructuring as much as 50% of all employees in SOEs and POEs lost their jobs a massive inflow into the labour market followed.

Proposal 1: Continue with the special privatisation method

In order to limit the termination of employees during the privatisation process, more SOEs should be privatised through the so-called special spin-off method which demands employment guarantees. According to this method, a new owner must employ a certain number of old and sometimes even new Kosovar people. The advantage of this method is that the ethnic structure of the region is taken into account to avoid discrimination. In addition to the generation of new jobs, this method also signals to Kosovo people that privatisation can be beneficial to them. This method was only used for 19 out of the 311 privatised SOEs because it is limited to large enterprises and strategic sectors; however, it should be noted that further encouragement of this method is necessary (Shala, 2007).

Proposal 2: Preserve and generate jobs in high-tech sectors

Although restructuring is necessary in Kosovo it needs to ensure the preserving of as many jobs as possible while at the same time generating new jobs for higher educated Kosovars. Restructuring also needs to be towards high-tech and value added enterprises that are able to compete with European ones. Doing this would also allow youth to get educated for such occupations and prevent a brain drain of those who are already educated. In 2005 there were 2,406 registered unemployed with a university education alone and 2,315 with a high school education, which indicates an adequate supply for newly privatised enterprises (Labour Market Statistics 2005, 2006, p. 31). Given that a lot of youth remains idle and many do not enrol at the

unemployment office there seems to be enough human capital in Kosovo to take steps leading towards enterprise reform.

4.4. Investment

Kosovo's low domestic savings are insufficient to finance the required investment in restructuring (Kosovo: gearing policies towards growth and development, 2005, p. 14). Since Kosovo's own resources are insufficient, foreign direct investment ('FDI') should be attracted. As factor endowments-based trade theory argues that FDI is drawn to countries with lower wages and more abundant natural resources (Barrell, Pain, 1999, pp. 925-934) this makes Kosovo an investment opportunity. Also Mauro (1995, 681-712) argued that economic growth and job creation can be achieved through greater investment and higher educational attainment. The Washington Consensus also advocated FDI as a vehicle for this (Sabirianova, Svejnar and Terrell, 2005, p. 35).

Proposal 1: Recognising the need to attract FDI

Kosovo's enterprises suffer from a lack of capital to finance investments to support a shift towards market-oriented enterprises (restructuring) and to purchase the new equipment required for high value-added production. FDI represents an alternative to Kosovo's financing of its development. In the transition economies of Central and Eastern Europe during the last ten years FDI had beneficial effects on prospects for sustainable development. The sharp growth in per-capita GDP and labour productivity seen in countries like Poland, Hungary and Estonia has been driven by the large amounts of FDI that these countries have attracted. FDI is largely acknowledged as an engine of development, progress and a job creator (Foreign Direct Investment in Transition Economies: Challenges, Policies and Good Practices, 2003). Kosovo should follow the steps of the biggest FDI receivers and provide a favourable environment to attract investors.

Proposal 2: Creating an attractive environment for FDI

Kosovo's environment has been hindering the activity of FDI mainly through its political instability. Much has already been done here and on 10 December 2007 the political status of Kosovo promises to be determined. Foreign investors, among others, face insufficient infrastructure, few opportunities for external financing, weak law enforcement, corruption, and disputes over property rights as well as problems with electricity distribution. In addition, disagreements between the PISG and UNMIK have undermined investors' confidence. Much effort needs to be channelled into removing these obstacles.

The government should promote the comparative advantages of Kosovo's economy that are attractive to FDI such as: the euro as the currency and a stable monetary policy, growth of the financial sector and the presence of foreign, well-established banks, the young population,

developing border countries, export encouragement and an unsaturated market (Fuelling Kosovo's Growth Engine, 2005, p. 15).

Proposal 3: Efficiency Spillovers from FDI

Foreign firms may bring efficiency and other 'spillover' effects that are broadly defined as the transfer of technology and managerial practices, production methods, marketing techniques or any other knowledge embodied in a product or service to local competition (horizontal spillovers) as well as to upstream and downstream domestic firms (vertical spillovers). A spillover may occur through a number of channels. Local firms may, for instance, learn to imitate a new process or improve the quality of their products or services through observation, or find better processes or marketing methods through interaction with foreign managers in business chambers or former employees. Local firms may also benefit from the entry of new professional services or suppliers. Foreign firms may act as catalysts for domestic suppliers to improve quality or time efficiency by demanding higher standards (Gorodnichenko, Svejnar, Terrell, 2007, pp. 6, 7).

Proposal 4: Prudent investment of remittances

A large part of investment flows, especially remittances, has not been channelled into productive activities such as the rebuilding of destroyed infrastructure and trade and has been used for consumption instead of investment. The suggestion is that, despite the present trend of declining remittances, they should be invested in starting up new businesses to reduce unemployment, education and training.

Proposal 5: An investment Fund for SMEs

Around two-thirds of respondents in an opinion poll identified the lack of capital as a major obstacle to the creation and development of SMEs (The Status and Activity of Small and Medium Enterprises in Kosovo, 2005, p. 24). An investment fund is necessary to encourage this. Presently the pension fund cannot invest in new SMEs or in privatised SOEs because the risk is too high. On the contrary, an Investment Fund for SMEs could manage risk through diversification. An investment fund would perform three important economic functions: providing maturity intermediation; reducing risk through diversification; and reducing the costs of searching, contracting and information-processing associated with finding attractive investments, negotiating appropriate relationships and monitoring management.

An SME investment fund would also provide outside financing because SMEs are very reluctant to obtain financing from Kosovo's banks. The main problem of the banks is that the difference between the deposit and credit interest rate is around 10% and this is obviously too high to finance SMEs (CBAK Annual Report, 2006, p. 25).

Proposal 6: Investing in manufacturing

The manufacturing sector has been identified as a strategic engine of growth (Kosovo: gearing policies towards growth and development, 2005, p. 6). The traditional manufacturing sector (such as the production of construction materials) is not particularly mobile and so has much stronger ties with the domestic economy. 28.8% of all unemployed in 2005 were qualified to work in the manufacturing sector (Labour Market Statistics 2005, 2006, p. 31) so Kosovo should promote this sector to foreign investors as there is an available labour supply.

Proposal 7: Investing in other sectors

While the manufacturing sector usually has a certain primacy in the economy, other sectors also have a role to play in national competitiveness. Manufacturing activities require many inputs from the service sector. The agricultural sector provides inputs to the food and drink sub-sectors of manufacturing. The public sector is responsible for the provision of health, education and infrastructure, while fiscal policy has an impact on domestic demand through tax gathering and expenditure programmes. Therefore, investment in other sectors is also vital. Sectors appealing to investors are telecommunications, as lately explored by Telekom Slovenia, the energy sector, transportation and tourism.

4.5. Limiting migration

The European Stability Initiative (ESI), a Berlin-based think-tank identified the hopes for a better economic future for Kosovo through emigration. It recommended that the resolution of Kosovo's political status should be seen as enabling unemployed youth to go to Western Europe and find temporary jobs like Romanians, Bulgarians and Poles (Cutting the Lifeline Migration, Families and the Future of Kosovo, 2006, p. 21). However, less educated youth usually form part of short-term and seasonal migrations, while highly qualified workers are prone to long-term or permanent migration causing the brain-drain phenomenon and a lost investment in education. The outflow of programmers, scientists, doctors, musicians and many other qualified workers has been identified as a major devastation of local labour markets and the disqualification of the labour force. To sum up, emigration should be encouraged and based on a deeper relationship with the EU which would consequently allow less educated workers to migrate to European countries where there is a lack of lowly-skilled workers who represent the biggest proportion of the unemployed but this would prevent highly-skilled experts staying in Kosovo.

5. CONCLUSION

There is a range of challenges which the post-conflict Kosovo labour market has to accommodate. The labour market has yet to absorb the systemic changes associated with the transition to a market economy. Kosovo has one of the highest unemployment rates in CEE transition countries and the highest youth unemployment rate. It can be safely stated that the high unemployment rate in Kosovo is largely attributable to the lack of job opportunities and inadequate skills and education of the working-age population. The immediate cause of the high rates of unemployment is the small and sluggishly growing private sector. However the main constraint on the growth of the private sector is the quality of education and skills of Kosovo's labour force. The vast majority of the registered unemployed (59%) are classified as unskilled, while only 1% of the unemployed has a university degree. Consequently, education and vocational training policies ought to be at the core of Kosovo's development planning (Kosovo Economic Outlook 2007, 2007, pp. 5, 6).

Despite massive reconstruction assistance and humanitarian aid, economic output still lags well behind its pre-war levels and so does employment as a large share of employment has moved into the informal sector, and unemployment has been very high. As a result, labour force participation has been very low by international standards. Given these worrying facts, a thorough analysis of the labour market and its links with the economy is increasingly important and present in this diploma paper.

As the privatisation has not created enough jobs and even though the development of private sector did some still restructuring has caused major labour shedding. Consequently youth need to compete for few vacancies offered with all that lost their job due to restructuring. In addition due to return of Kosovo's migrants the situation got worse. Concerning education, youth need to accept that the higher education the possibility of finding a job. Kosovo needs to take more steps in order to achieve the job generation so desperately needed for reconstruction of the economy as a whole. First, strategically important sectors which would be the main job generators need to be identified. Then it should continue with establishing the non-strategically important sectors so as to set the economy as a whole in motion. What is probably the most important generator in all transition economies are micro, small and medium enterprises so their establishment should be widely addressed in Kosovo. Along with promotion and setting up an encouraging institutional environment for SMEs, financing needs to be made available in order to promote self-employment among youth. Hence, if there are no jobs then young people need to generate them.

Later on privatisation must be resumed in order to generate new jobs. In addition, to drive privatisation and restructuring investments are needed and, as Kosovo does not have sufficient investment capabilities, attracting foreign investment is necessary. In doing so a favourable environment for FDI has to be created and FDI has to be wisely channelled into those sectors and

companies that hold the biggest potential for Kosovo's economy as a whole and for job generation in particular.

As enterprises are restructured privatised demand for a well-educated labour force will follow. Kosovo needs to set education in general and its quality as one of the main objectives. Chances for youth to get jobs will thereby be enhanced. Education reforms need to be in tune with the European education system and in line with the economy. Kosovo's education system needs to produce workers with applicable knowledge for the newly restructured and privatised companies.

The President of the Democratic Party Kosovo ('PDK'), Hashim Thaci, said when announcing his victory at Kosovo's parliament elections on 17 November 2007: 'My government will be addressing all the problems of Kosovo's society. My mission starts today.' (24ur, 2007).

Kosovo has an opportunity to resolve all the problems it faces however steps must be cautiously taken so that its population can ultimately become like us – citizens of the European Union.

6. POVZETEK V SLOVENŠČINI

1. UVOD

»Brezposelnost mladih je postala največji problem Kosova in predstavlja glavni faktor ekonomske in politične destabilizacije v regiji. Za rešitev tako perečega problema je nujno, da se v naslednjih petih letih število služb poveča za skoraj polovico.« (Kosovo Outlook 2004, 2004, str. 9). Visoka brezposelnost, še posebej visoka brezposelnost mladih, sta ena najbolj perečih problemov kosovskega gospodarstva. Leta 2005 je Kosovo beležilo najvišjo stopnjo brezposelnosti mladih (zaskrbljujočih 70,5 %) in nič kaj manj zaskrbljujočo splošno stopnjo brezposelnosti (41,4 %) (Labour Market Statistics 2005, 2006, str. 3). Še več, razmerje med brezposelnostjo mladih in brezposelnostjo odraslih oseb je 3,1, kar še dodatno dokazuje resnost problema (Kolev, Saget, 2006, str. 13).

Ko je na Poslovni konferenci v Portorožu leta 2006 takrat aktualni premier Agim Çeku predstavil stanje kosovskega gospodarstva sem spoznala, da je kljub misiji Združenih narodov na Kosovu gospodarstvo še vedno slabo. Med iskanjem razlogov zato, me je presenetila nenavadno visoka stopnja brezposelnosti, predvsem mladih, mlajših od petindvajset let, kar me je spodbudilo k analizi problema in razmisleku o iskanju rešitev. Zaradi težavnosti pridobivanja podatkov sem v diplomski nalogi uporabila sekundarne vire, predvsem poročila mednarodnih organizacij. Ta pa sem jih podkrepila z intervjuji dveh anonimnih prebivalcev Kosova v Sloveniji in enega na Kosovu. Diplomaska naloga *The Labour Market and Youth Unemployment in Kosovo* predstavlja eno redkih analiz kosovskega trga dela in poseben doprinos pa predstavlja izračunani indeks težavnosti zaposlovanja po metodologiji Svetovne banke, ki za Kosovo do sedaj še ni bil izračunan.

V diplomski nalogi bom za lažje razumevanje brezposelnosti podala nekaj značilnosti Kosova in kosovskega gospodarstva. Temu delu sledi opis stanja na trgu dela in izračun rigidnosti trga dela, ki kot sem omenila, do sedaj še ni bil izračunan. Glede na identificirane probleme v poglavju 3 so v poglavju 4 podani predlogi za razrešitev teh problemov in izboljšanje trga dela. Diplomsko delo bom zaključila z pregledom obstoječega in pogledom v prihodnje stanje trga dela in brezposelnosti na Kosovu.

2. ZAKAJ JE KOSOVO ZANIMIVO?

Kosovo je 1,1 milijonov hektarov velika »provinca« na južnem delu Srbije, ki meji na Črno goro, Albanijo in Republiko Makedonijo. Tam živi dobra dva milijonoma prebivalcev, večinoma Albancev. Ob razpadu Jugoslavije, katere del je bil tudi Kosovo, je sledilo desetletno obdobje etičnih konfliktov. Po oboroženem spopadu 1999. leta je mednarodna skupnost ukrepala s podpisom resolucije Varnostnega sveta Združenih narodov 1244 (UNSCR 1244) in ustanovila

Misija Združenih narodov na Kosovu (UNMIK), ki upravlja Kosovo. Leta 2001 je Misija začela s postopnim prenašanjem upravljaljskih funkcij na Začasne institucije kosovske vlade (PISG).

Kosovo je v devetdesetih letih prejšnjega stoletja beležilo rast prebivalstva, vendar se je okoli 22 odstotkov kosovskega prebivalstva v času nemirov izselilo. Medtem ko se v Evropi prebivalstvo stara, ima Kosovo najmlajše prebivalstvo v Evropi. Kar 51,5 odstotkov prebivalstva je mlajših od 25 let, od tega je 21,4 odstotkov mladih starih od 15 do 25 leta.

Kosovo je bilo vedno najrevnejši del Jugoslavije, vendar je po letu 1999 sledil nagel razvoj s pozitivno gospodarsko rastjo. Gospodarstvo je bilo večinoma financirano z mednarodno pomočjo (1,96 milijard evrov samo od leta 1999 do 2003), 550 milijonov evrov letno so predstavljali poslani prispevki kosovskih delavcev v tujini, vendar sredstva obeh iz obeh virov z leti upadajo. Gospodarstvo se še vedno sooča s strukturnimi težavami in neravnovesji. Nizka gospodarska rast, krhka fiskalna politika, visoka brezposelnost, skromne tuje investicije, nizka blaginja, onesnaževanje in seveda problemi s statusom države in vladanjem zavirajo gospodarski razvoj.

3. TRG DELA NA KOSOVU

Kosovo je v procesu tranzicije začelo s prestrukturiranjem gospodarstva, vključno z davčno reformo in reformo finančnega sektorja, ter s privatizacijo, kar je imelo neposredne in posredne učinke na sam trg dela, največji vpliv pa je zaradi uravnavanja ustreznega števila zaposlenih imelo prestrukturiranje (Svejnar, 1999, str. 8). Ustrezna analiza trga dela, torej prostora, kjer se srečujejo ponudniki in povpraševalci po delu in kjer poteka interakcija med njimi (Raines, 2000, str. 3), zahteva pregled stanja in trendov na trgu dela, analizo vpliva migracij in izobraževanja, analizo fleksibilnosti trga dela, še posebno pa analizo vplivov prestrukturiranja.

3. 1. Trendi na kosovskem trgu dela

Stopnja aktivnega prebivalstva (Labour force participation rate), ki predstavlja delež delovno sposobnega prebivalstva (zaposlenih, samozaposlenih ali pa brezposelnih) in predstavlja delež delovne sile, ki je sposobna za proizvodnjo ali storitve (KILM 1: Labour force, 2007, str. 2), je leta 2006 znašala 49,2 odstotka (Labour Market Statistics 2005, 2006, str. 4). V primerjavi z mednarodnimi standardi, 65,5 odstotno svetovno ter 59 odstotno stopnjo aktivnega prebivalstva v državah srednje in jugovzhodne Evrope, je stopnja aktivnega prebivalstva na Kosovu razmeroma nizka (KILM 1: Labour force, 2007, str. 5). To kaže na nerazvito gospodarstvo in redke možnosti za zaposlovanje, lahko pa tudi na velik delež mladih, ki se še izobražujejo, vendar pa tega za Kosovo ne moremo trditi.

Posledica je visok 50,8 odstotni delež neaktivnega prebivalstva (Inactivity rate) med delovno sposobnimi t.j. tistimi, ki niso niti zaposleni niti registrirani kot brezposelni (KILM 13: Inactivity rate, 2007, str. 2). Stopnja neaktivnega prebivalstva vključuje prebivalce, ki so zaradi

pomanjkanja služb in premajhne motivacije svoje iskanje zaposlitve opustili (Labour Market Statistics 2005, 2006, str. 12).

Kljub gospodarski rasti je stopnja brezposelnosti visoka in znaša 41,2 % (Labour Market Statistics 2005, 2006, str. 4), kar uvršča Kosovo med države z najvišjo stopnjo brezposelnosti v regiji. Razlika 28 odstotnih točk med brezposelnostjo žensk (60,5 %) in moških (32,9 %) kaže na resne probleme zaposlovanja žensk. Svetovna stopnja brezposelnosti se je znižala iz 6,6 odstotka leta 2003 na 6,3 odstotka leta 2006, podoben trend beleži tudi večina držav Evropske Unije (KILM 8: Unemployment, 2007, str. 7). Stopnja brezposelnosti je na Kosovem 6,5 krat višja od svetovne, poleg tega pa se je v zadnjih letih še povišala. Kljub težavam pri merjenju so v zadnjem poročilu o napredku Kosova napisali, da se je stopnja brezposelnosti v letu 2006 zvišala za 2,4 odstotnih točk (Kosovo under UNSCR 1244 2007 Progress Report, 2007, str. 25). Potrebno je poudariti, da se nekateri brezposelni ne registrirajo pri pristojnih organih, ker so neformalno že zaposleni, a je delež takih težko oceniti.

Brezposelnost mladih (youth unemployment) predstavlja resen problem vsake države. Izmerimo jo lahko:

- s stopnjo brezposelnosti mladih (youth unemployment rate), ki meri delež brezposelnih mladih med delovno aktivnimi mladimi,
- z razmerjem med stopnjo brezposelnosti in stopnjo brezposelnosti mladih (ration of the youth unemployment rate to the adult unemployment rate),
- z brezposelnostjo mladih kot delež v celotni brezposelnosti (youth unemployment as a proportion of total unemployment) in
- z brezposelnostjo mladih kot deležem mlade populacije (youth unemployment rate as a proportion of the youth population).

Mladi predstavljajo četrtno delovno aktivnega prebivalstva na svetu (Kolev, Saget, 2005, str. 13). Po podatkih Mednarodne organizacije dela (ILO) se je brezposelnost mladih v letih od 1993 pa do 2003 povečala z 11,7 odstotka na 14,4 odstotka. Problem brezposelnosti mladih je še posebno velik na Balkanu, kjer je stopnja brezposelnosti mladih dvakrat ali celo trikrat višja od stopnje brezposelnosti celotnega prebivalstva. Brezposelnost mladih je na začetku tranzicije v devetdesetih letih veljala kot začasen problem, ki bi ga mladi s svojo izobraženostjo in fleksibilnostjo lahko hitro odpravili. Vendar so prav zaradi slabega sistema izobraževanja in dolgega časa prilagajanja na nove zahteve trga dela mladi ostali premalo izobraženi in nepripravljeni na delo. Zato so večinoma dolgoročno brezposelni in socialno ogroženi (Fares, Tiongson, 2007, str. 11).

70,5 odstotna stopnja brezposelnosti mladih, visoko razmerje med brezposelnostjo mladih in brezposelnostjo starejših (3,1) ter 40,6 odstotni delež mladih v brezposelni populaciji (Labour Market Statistics 2005, 2006, str. 4) opozarja na resne probleme vstopa mladih na trg dela in slabega stanja gospodarstva. 57,7 odstotkov mladih od 20 do 24 leta se ne izobražuje in ne hodi v

službo, kar nadalje zmanjšuje možnost za zaposlitev. Redke priložnosti zaposlitve spodbujajo mlade, da so aktivni na črnem trgu, malo pa je tistih, ki zaradi tega podaljšajo šolanje.

Razmerje med zaposlenimi in delovno sposobnim prebivalstvom (Employment-to-population ratio), ki predstavlja populacijo od 15. do 65. leta starosti in kaže na zmožnost gospodarstva za ustvarjanje novih služb, znaša 28,9 odstotkov. To je v primerjavi s svetovnim razmerjem (60,5 odstotkov) izrazito malo in pomeni, da velik delež delovno sposobnega prebivalstva ni direktno vključenega v delovne aktivnosti. 12 odstotkov zaposlenih žensk je v primerjavi s 46 odstotki zaposlenih moških izredno nizek odstotek in prav tako opozarja na redke možnosti za zaposlitev. Na to kaže tudi 87,9 odstotni delež dolgoročno brezposelnih v letu 2005, ki so brez službe vsaj že 52 tednov (Labour Market Statistics 2005, 2006, str. 4) Od tega je kar 43 odstotkov mladih (Kolev, Saget, 2005, str. 9).

3. 2. Vpliv pomanjkljive izobrazbe na brezposelnost

Pomanjkljiva izobrazba in pomanjkanje delovnih mest na Kosovu imata največji vpliv na visoko stopnjo brezposelnosti (Kosovo under UNSCR 1244 2007 Progress Report, 2007, str. 5). Poleg tega so ekonomske študije v tranzicijskih državah razkrile, da imajo ljudje z nižjo izobrazbo in slabšo kvalifikacijo slabše možnosti za zaposlitev. Tudi Kosovo pri tem ni izjema, saj je stopnja zaposlenosti oziroma razmerje med zaposlenim in delovno sposobnim prebivalstvom, v skupini ljudi z največ zaključeno osnovno šolo 14,4 odstotkov, v razredu z zaključeno vsaj visoko šolo pa večja za 61,8 odstotnih točk. Zaradi težke splošne gospodarske situacije, pomanjkanja motivacije za učenje, slabih pogojev šolanja, običajev in ponekod velikih razdalj do šole po končani osnovni šoli manj otrok in mladostnikov nadaljuje šolanje. Še bolj zaskrbljujoče pa je dejstvo, da 46 odstotkov mladih od 15 do vključno 24 leta ni niti v izobraževalnem procesu niti nimajo službe.

Če hočemo ugotoviti vpliv izobrazbe na zaposlenost, je treba analizirati povpraševanje po različno izobraženi delovni sili. Stopnja uradno razpoložljivih delovnih mest (VRR – Vacancy-registration rate) se s stopnjo izobrazbe povečuje, kar pomeni, da sta na Kosovu stopnja izobrazbe in verjetnost zaposlitve v premem sorazmerju.

3. 3. Vpliv migracij/preseljevanja na trg dela

V dvajsetem stoletju so prebivalci Kosova iskali zaposlitev tudi izven meja. Del svojih prihodkov so gradbeniki, delavci na kmetijah in prodajalci živil pošiljali nazaj v domovino. Ocenili so, da je v devetdesetih letih izven meja države živelo okrog pol milijona ljudi, oziroma skoraj četrtina kosovskega prebivalstva. Po intervenciji NATA leta 1999 in s koncem srbskega nadzora se je končala strpnost tujcev do kosovskih emigrantov, kar je spodbudilo vračanje Kosovcev v domovino. Ne samo, da ni bilo več njihovih prihodkov iz tujine, kar je omogočalo življenje revnejšim prebivalcem, ampak je vrnitev emigrantov povzročila dodatno ponudbo in

konkurenco na trgu delovne sile. Najbolj izobraženi pa so ostali v tujini. Večina emigrantov je pripadala delovno sposobnim, kar je povzročilo dodatne pritiske na trg dela.

3. 4. Fleksibilnost trga dela

Pomembna značilnost trga dela je fleksibilnost, ta omogoča hitro prerazdelitev produkcijskih dejavnikov najbolj produktivnim podjetjem in tako spodbuja gospodarsko rast. Regulacija trga dela določa manjšo fleksibilnost trga dela in to je pogosto eden izmed razlogov za visoko brezposelnost mladih, saj otežuje njihov vstop na trg (O'Higgins, 2004, str. 24). Rutkowski pa je na primeru Makedonije dokazal povezavo med brezposelnostjo mladih in togo zakonodajo s področja trga dela, ki negativno deluje na zaposlenost mladih (Rutkowski, 2006, str. 19).

Zaradi spremenjenih gospodarskih razmer je bila pred začetkom tranzicije sprejeta delovna pravna zakonodaja neuporabna. Prav zastarela zakonodaja in odsotnost nove je povzročilo, da so bili tuji investitorji Kosovu nenaklonjeni. V želji, da bi rešili probleme, je Misija Združenih narodov začela s pisanjem in uveljavljanjem zakonov s področja delovnega prava in kot zakonski okvir postavila Regulacijo 2001/27 o bistvenih zakonih o delovnem pravu. Trg dela na Kosovu se še vedno razvija in dobiva nove ureditve in zakone, kar postopoma znižuje visoko raven sive ekonomije.

Rigidnost trga dela je eden izmed razlogov za brezposelnost v Evropi. Rigidnost izračunava Svetovna banka v vsebinskem sklopu Doing Business, vendar za Kosovo ti izračuni niso dostopni. Na podlagi Boterove metodologije (Botero et al., 2004), metodologije Doing Business, pogodb iz privatnega in javnega sektorja, podatkov Kosovcev in lastnega dela sem izračunala Indeks rigidnosti zaposlovanja (Rigidity of Employment Index), ki meri rigidnost oziroma fleksibilnost trga dela. Za Kosovo znaša 20,51 in ga s tem uvršča na 37 mesto od 178 držav. To dokazuje, da je trg dela na Kosovu fleksibilen in ni razlog za visoko brezposelnost, še posebno ne mladih.

3. 5. Prestrukturiranje gospodarstva

Institucionalne in strukturne spremembe, liberalizacija, privatizacija, ukinitve subvencij in prehod v tržno ekonomijo ter prekinitve ekonomskih vezi so prispevali k padcu proizvodnje. Prestrukturiranja gospodarstva so sledila podjetja, ki so začela zmanjševati število zaposlenih. V času tranzicije je na Kosovu delo izgubilo 52 odstotkov delavcev, zaposlenih v državnih podjetjih. Na Kosovu je povzročilo tranzicijsko prestrukturiranje gospodarstva povzročilo zaprtje pol milijona delovnih mest, proces privatizacije pa za ustvarjanje zadostnega števila novih ni bil dovolj uspešen. Poleg tega sta razmere poslabšala še nizka raven neposrednih tujih investicij (NTI) in nestabilno politično okolje.

Zaradi navedenih sprememb se je spremenilo tudi povpraševanje po različno poklicno usposobljeni delovni sili. Če primerjamo odstotek zaposlenih v različnih sektorjih v letu 2002 in letu 2005 ugotovimo, da se je delež zaposlenih samo v proizvodnji znižal za 20,4 odstotnih točk, leta 2005 pa je bilo kar 29 odstotkov vseh brezposelnih tistih, ki so bili predhodno zaposlenih v proizvodnji. Še pred desetimi leti so podjetja v lasti države zaposlovala večino delavcev, sedaj pa se je ta delež drastično zmanjšal. Danes je 70 % zaposlenih prebivalcev Kosova, tudi tisti, ki so zgubili delo v državnih podjetjih, službo v zasebnem sektorju, največ v trgovini, gradbeništvu, kmetijstvu in ostalih storitvenih podjetjih (Labour market and unemployment in Kosova, 2003, str. 38). Velika večina novih delovnih mest se odpira v zasebnem sektorju, kljub temu pa skupaj z novimi delovnimi mesti v javnem sektorju ne morejo zaposliti vsega delovno aktivnega prebivalstva.

V tržnih gospodarstvih so mala in srednja podjetja izredno pomembna, saj spodbujajo razvoj in prispevajo k rasti zaposlenosti, produktivnosti ter bruto domačega proizvoda (Peritt, 2004, str. 11, 12). Institucionalni razvoj je omogočil razvoj mikro, malih in srednje velikih podjetij, ki so od leta 2003 iz 27.920 registriranih podjetij narasla na 65.051 v letu 2005. Najbolj razširjena so mikro podjetja, ki zaposlujejo do 10 ljudi. Ta na Kosovu zaposlujejo 68,9 odstotkov vseh zaposlenih in predstavljajo 98 odstotkov vseh podjetij. Sledijo jim mala podjetja (do 50 zaposlenih), ki skupno zaposlujejo 8.796 delavcev oziroma 9,4 odstotke in predstavljajo 1,7 odstotni delež vseh registriranih podjetij. Čeprav mikro in mala podjetja zaposlujejo večino delavcev, sta njihovo število in njihova dejavnost premajhna, da bi zaposlili dovolj aktivnega prebivalstva. Razvoj zasebnega sektorja ovira nezadostna razvitost finančnega sektorja, majhno število bank in dostopnost kreditov, predvsem pa nestanovitno makroekonomsko in politično okolje, ki zavirata pritegnitev NTI.

4. PREDLOGI ZA ZMANJŠANJE BREZPOSELNOSTI

Po analizi razlogov za visoko brezposelnost na splošno in po podrobnejši analizi brezposelnosti mladih je za izboljšanje slabega stanja nujno potreben razvoj kosovskega gospodarstva. Gospodarski razvoj bi spodbudili z razvojem zasebnega sektorja, investicijsko dejavnostjo, razvojem šolstva in trdnim institucionalnim okoljem, predvsem pa z ustvarjanjem novih delovnih mest.

4.1. Ustvarjanje novih delovnih mest

Prva točka na seznamu aktivnosti za ustvarjanje delovnih mest je identifikacija strateško pomembnih sektorjev gospodarstva. Bogate zaloge rudnin, nizki transportni stroški in rodovitna zemlja so primerjalne prednosti kosovskega gospodarstva. Zato je Svetovna banka identificirala energetiko, rudarstvo in kmetijstvo kot potencialne generatorje razvoja (Fuelling Kosovo's Growth Engines, 2005, str. 17). Pri tem je potrebno opozoriti, da mora vlada začeti reševati ovire za prihod tujih investitorjev, kateri bi pripomogli k hitrejšemu razvoju strateških sektorjev. Poleg tradicionalnih sektorjev gospodarstva pa je potrebno nameniti pozornost tudi novim dejavnostim

(finančna industrija, tehnologija, morda celo turizem), katerih razvoj bi lahko pomembno vplival na ustvarjanje novih delovnih mest.

Gospodarski memorandum Svetovne banke za Kosovo je identificiral zasebni sektor kot temelj razvoja gospodarstva. Razvoj zasebnega sektorja bi ogromno prispeval k zmanjšanju brezposelnosti, še posebej mladih, ki bi se lažje prilagodili potrebam podjetij (Kosovo Economic Memorandum, 2004, str. 29).

Zasebni sektor bi se lahko razvijal, če bi spodbujali ustanavljanje podjetij, ki so glavni generatorji delovnih mest, inovacij in rasti (Bologna Charter on SME Policies, 2000). Odločilni pomen ima institucionalno okolje, v katerem podjetja delujejo, in dostopnost finančnih virov. Ocena investicijske klime je opozorila, da je pomanjkanje kapitala največja omejitev pri ustanavljanju podjetij. Nekaj več pozornosti bi bilo potrebno nameniti tudi svetovanju o ustanavljanju podjetij.

Rezultati ocene investicijske klime opozarjajo na nujnost ustanovitve investicijskega sklada za financiranje razvoja podjetij. Zaposleni z lastnimi sredstvi, zaradi nujne podpore družinskih ne morejo investirati v podjetja, zmanjšani denarni prilivi emigrantov pa ne predstavljajo ustrezne alternative. Razlika med depozitno in posojilno obrestno mero v višini 10 % (CBAK Annual Report, 2006, str. 25) je previsoka, da bi omogočala potrebne vire financiranja malih in srednje velikih podjetij. Za financiranje in nadaljnji razvoj podjetij je potrebna ustanovitev podjetniškega sklada, kar bi posredno vplivala na zmanjšanje števila brezposelnih. Investicijski sklad za mala in srednja podjetja bi z vlaganji v več podjetij razpršil tveganje ter hkrati zmanjšal stroške iskanja atraktivnih investicij za vlagatelje.

Gospodarsko okolje je ključnega pomena za razvoj privatnega sektorja in s tem povezanih dodatnih delovnih mest. Nizka davčna stopnja (15%), primerljiva zakonodaja z evropsko in osnovni institucionalni okvir predstavljajo dobro gospodarsko okolje za razvoj podjetij v privatni lasti ter hkrati dokazujejo pomembnost nadaljnjega razvoja.

Ob visoki stopnji brezposelnosti je pomembno spodbujati samostojno podjetništvo. Za informiranje in svetovanje o možnostih samostojnega podjetništva bi bilo smiselno ustanoviti agencijo.

4. 2. Razvoj šolstva

Več proračunskih sredstev je treba nameniti razvoju šolstva, saj naj bi izobraževanje na dolgi rok zmanjšalo stopnjo brezposelnosti. Reforma šolstva bi omogočila šolanje tistih profilov ljudi, ki jih trg potrebuje, s tem pa bi se izognili trenutnemu pomanjkanju delavcev z zahtevano izobrazbo. Pri reformi bi moral sodelovati ves podjetniški sektor in natančno izraziti svoje potrebe. Tudi štipendije bi lahko spodbudile šolanje tistih kadrov, ki jih podjetja potrebujejo. Dodatne

štipendije za izobraževanje v tujini bi sicer pripomogle k razvoju vrhunskih kadrov, vendar pa tu obstaja velika nevarnost bega možganov.

Za ustrezno šolanje je potrebno zvišati kvaliteto šolskega sistema. Poleg obnove in izgradnje novih šol, kar je že na programu pristojnega ministrstva, je potrebna tudi ustrezna kvaliteta profesorjev in integracija z evropskimi zahtevami šolskega sistema. Kakovost šolskega sistema bi se lahko povečala z boljšimi knjižnicami in dostopom do interneta na vseh šolah.

Mednarodne organizacije s prispevki pomembno vplivajo na razvoj šolstva. Finančna vzpodbuda Svetovne banke v višini 4,5 milijonov dolarjev je pomembno vplivala na izobraževanje mladih, ki jim je šolanje slabše dostopno. Sodelovanje s tujimi organizacijami je zvišalo kakovost šolstva, zato je nadaljnji medsebojni odnos ključnega pomena.

Ko se je ustanovilo Ministrstvo za šolstvo so začeli nastajati novi učni načrti, ki pa niso bili uspešno preneseni v šole. Za izboljšanje šolstva je nujno poenotenje obstoječih programov z novimi. Potrebno je poudariti, da morajo biti novi programi v skladu z lizbonsko in bolonjsko strategijo, kar bo izboljšalo kakovost šolskega sistema.

4. 3. Prestrukturiranje gospodarstva in vpliv na brezposelnost

Zaradi privatizacije je polovica zaposlenih v državnih podjetjih izgubila delo. Čeprav naj bi metoda privatizacije posebne prodaje podjetij od investitorjev zahteva določeno kvoto zaposlenih, je bilo odprtih premalo delovnih mest.

Pri prestrukturiranju podjetij je potrebno stremeti k ustanavljanju visokotehnološki podjetij in podjetij z visoko dodano vrednostjo. Tako prestrukturirana podjetja bi omogočila zaposlovanje visoko izobraženih delavcev, ter hkrati spodbudila mlade k šolanju.

4. 4. Investicije

Zaradi nizke stopnje domačega varčevanja Kosovo nima ustreznih pogojev za rast investicij, zato so ključnega pomena tuje investicije. Višanje deleža tujih investicij naj bi pozitivno vplivalo na ustvarjanje delovnih mest in posledično na povečanje zanimanja za izobraževanje. Kosovo bi moralo slediti primeru uspešnih držav prejemnic neposrednih tujih investicij (NTI), in ustvariti spodbudno poslovno okolje. Politična nestabilnost, slabe možnosti za zunanje investiranje, korupcija, problemi z neenakomerno oskrbo z električno energijo in lastniškimi pravicami negativno vplivajo na gospodarsko okolje, Čeprav obstajajo tudi pozitivni elementi, kot so: uvedba evra in stabilna monetarna politika, rast finančnega sektorja, mlado prebivalstvo, razvijajoče okoliške države, izvozne subvencije in nenasičen trg, obstajajo.

Neposredne tuje investicije (NTI) imajo lahko multiplikativen učinek na ostala podjetja, saj spodbujajo proizvodnjo in storitve tistih podjetij, s katerimi poslujejo. NTI pozitivno vplivajo na ustanavljanje in razvoj domačih podjetij.

Za Kosovo so še vedno pomembni prihodki migrantov, ki so velikokrat slabo uporabljeni. Denar kosovskih migrantov, bi morali investirati v razvoj podjetniškega sektorja, kar bi zmanjšalo brezposelnost ter vplivalo na izobraževanje.

Med prejemniki investicij bo gotovo industrija, saj je proizvodnja zaradi nizkih stroškov dela konkurenčna proizvodnji na evropskem trgu. Glede na to, da je bilo 28,8 odstotkov brezposelnih kvalificiranih za delo v industrijski proizvodnji, bi investicije lahko bistveno vplivale na stopnjo brezposelnosti. Med prejemniki investicij pa ne smemo zanemariti ostalih dejavnosti, ki bi lahko prav tako pozitivno vplivali na zmanjšanje brezposelnosti; omenim naj telekomunikacije, proizvodnjo elektrike ter prevoznništvo in turizem.

4. 5. Zahteve migracij

Ko se bo rešilo vprašanje o prihodnjem statusu Kosova, bo zanimanje za kosovsko delovno silo večje. Kosovska vlada bi morala sprejeti ukrepe za ohranitev visoko izobraženih, saj so ključni za napredek v gospodarstvu, hkrati pa dovoliti odhod manj kvalificiranih delavcev na delo v države Evropske unije.

5. ZAKLJUČEK

Tranzicija - liberalizacija gospodarstva, privatizacija, trdne proračunske omejitve, prehod na tržno gospodarstvo in prekinitev ekonomskih vezi - je vodilo do padca proizvodnje in padca stopnje zaposlenosti. Ker pa privatizacija ni bila usmerjena k ustvarjanju novih delovnih mest in razvoj privatnega sektorja ni dovolj hiter, je prestrukturiranje gospodarstva povzročilo masivno odpuščanje zaposlenih. To najbolj vpliva na mlade, ki se ob vstopu na trg dela soočijo s hudo konkurenco. Poleg tega je trg dela pretresla vrnitev emigrantov, ki so v skladu s Standardi za Kosovo (Standards for Kosovo) upravičeni do enakih možnosti zaposlovanja. Nizka izobraženost mladim preprečuje, da bi posegli po boljših delovnih mestih, kjer je konkurenca zmernejša in verjetnost zaposlitve mnogo večja.

Kosovo mora še naprej ustvarjati nova delavna mesta, ki so izredno pomembna za gospodarstvo in prebivalstvo. Potrebno je prepoznati paradne konje razvoja, ki bodo pripomogli k ustvarjanju novih delovnih mest, pa tudi druge sektorje, ki lahko skrivajo velik potencial. Kot v vseh tranzicijskih državah morajo biti gonilo razvoja mikro, mala in srednje velika podjetja, zato se je treba zavedati njihove pomembnosti in omogočiti njihov nadaljnji razvoj. Poleg promocije podjetništva je potrebno usmeriti energijo v zagotavljanje ustreznega institucionalnega okolja za podjetja, omogočiti različne vire financiranja in spodbujati mlade k podjetniškemu razmišljanju.

Prestrukturiranje gospodarstva je zelo odvisno od ustreznih virov financiranja, vendar Kosovo samo ni sposobno financirati vsega razvoja, ki bi bil potreben za nadaljnjo uspešno rast. Zato je potrebno spodbuditi tuje investitorje, ki pa se trenutno zaradi velikega političnega tveganja ne navdušujejo nad priložnostmi kosovskega gospodarstva. Potrebno je ustvariti privlačno okolje za tuje investitorje in izločiti čim več dejavnikov tveganja, ki preprečujejo velike pritoke kapitala.

Po končanem prestrukturiranju in privatizaciji se bo povpraševanje po izobraženi delovni sili povečalo, zato mora Kosovo že danes povišati kvaliteto izobraževanja in približati kakovost šolstva evropskim trendom.

Kosovo ima možnost rešiti gospodarske probleme, ki ga pestijo, vendar s preišljenimi izboljšavami. Kosovo ima možnost spet postati del naše – evropske družine. »Moja vlada bo odgovor na vse probleme kosovskega ljudstva. Moja misija se začne danes,« je ob zmagi na parlamentarnih volitvah 17.11.2007 dejal predsednik Demokratske stranke Kosova (PDK) Hashim Thaci.

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Appendix 1: Population in Kosovo from 1981 to 2006

Table 1: Population in Kosovo from 1981 to 2006

Year	Population
1981 (registration)	1,584,000**
1991 (estimation)	1,982,000 – 2,030,000**
1997 (estimation)	2,300,000*
1998 (estimation)	1,800,000 – 1,900,000*
2001 (estimation)	1,868,000***
2002 (estimation)	1,900,000***
2003 (estimation)	1,932,000***
2004 (estimation)	1,965,000***
2005 (estimation)	1,999,000***
2006 (estimation)	2,100,000****

Source: *ILO Press Release, 1999, **Labour market and unemployment in Kosova, 2003, p. 11., *** Kosovo Report, 2006, p. 7., ****SOK, 2007.

Appendix 2: Basic economic indicators from 2001 – 2005

Table 2: Basic economic indicators from 2001-2005

Economic indicator	2001	2002	2003	2004	2005	EU-25 (2005)
Population, total (1000)	1,868	1,900	1,932	1,965	1,999	459,488
Surface area (sq km)			11,000			3,975,043
Population density (No per sq km)	170	172	175.6	178.6	181.7	115.6
GDP (current Mio. Euro)	1,625	1,735	1,797	1,895	1,999	2,697,935
GDP per capita (current Euro)	870	913	930	964	1000	22,600
Exports of goods and services (% of GDP)	16.55%	12.51%	10.91%	10.66%	10.26%	9.3*
Real GDP development (growth rate)		1.2	3.1	3.2	1.7	1.6
Imports of goods and services (% of GDP)	75.38%	60.81%	55.82%	54.09%	52.28%	9.9*
Inflation, GDP deflator (annual %)	21.6	5.5	0.5	2.2	3.7	2.2

*2004 data

Source: Kosovo Report, 2006, p. 4.

Appendix 3: Different Unemployment Rates in Kosovo

Table 3: Different Unemployment Rates

Source	Reference Year	Unemployment Rate
IOM 05/2000	2000	50 %
SOK 03/2004	2001	57 %
UNDP 2002	2001	50-55 %
SOK 03/2004	2002	55 %
Riinvest 01/2003	2002	39-49 %
SOK 03/2004a	2003	53 %
SOK 2005	2003	50 %
UNDP 2004	2003	44 %
MLSW 03/2004	2003	43 %
SOK 2005a	2004	40 %
MLSW 03/2005	2004	42 %
MLSW 03/2006	2005	42-44 %

Source: Employment Promotion – Performance Report 2005/2006, 2006, 31 p.

Appendix 4: Youth unemployment in Kosovo and other selected transition countries

Table 4: Youth unemployment in Kosovo and other transition countries

Country	National unemployment rate	Youth unemployment rate	Ratio of youth unemployment to adult unemployment rate	Share of unemployed youth to total unemployed (%)
Kosovo	49.0	71.6	3.1*	40.2
Bulgaria	14.1	32.6	2.5	23.5
Croatia	13.5	29.8	n.a.	38.6
Romania	6.8	19.5	3.8	38.5
Czech Rep.	8.7	17.0	2.4	29.4
Hungary	7.0	12.4	2.1	27.6
Poland	12.5	30.0	2.9	26.4
Slovenia	7.4	18.2	3.1	31.1

n.a. – not available

* based on Living Standard Measurement Survey

Source: Riinvest 2003, p. 29; Kolev, Saget, 2005, p. 13

Appendix 5: Unemployment by skills in Kosovo in 2006

Table 5: Unemployment by skills in Kosovo in 2006

Skills	ISCES	Registered Unemployed	% of all unemployed	12 Months Inflow	12 Months Outflow	Inflow - Outflow
Unskilled	0-2	191893	59.3	15744	9078	6666
Semi-skilled	3	13636	4.2	1000	471	529
Skilled	3a	29229	9.0	2385	1367	1018
Secondary school	3c	83943	26.0	11196	8096	3100
High school	4	2315	0.7	378	460	-82
University	5a+	2406	0.7	921	683	238

International Standard Classification of Education (ISCED Classification)

Skill Groups (proprietary educational classification / old):

- Unskilled (ISCED 1 or 2): No school, not completed elementary school.
- Semi-skilled (ISCED 3): Elementary school completed, 3-6 months in-service training.
- Skilled (ISCED 3A): 2nd. School not completed, 3-6 months technical training.
- Secondary school (ISCED 3C): 2nd. School completed, 4 years tech. gymnasium.
- High School (ISCED 4): Not completed university, engineer graduation.
- University (ISCED 5A or 6): completed faculty, graduates, post-graduates.

Source: Employment promotion, Performance report 2005/2006, p. 10, own calculations

Appendix 6: Number of students in Kosovo in pre-university education by year

Table 6: Number of students in Kosovo in pre-university education by year

Education Level	Number of students for each school year			
	2001/2002	2002/2003	2003/2004	2004/2005
Mandatory	307.517	315.089	339.680	327.618
Secondary	93.502	86.830	72.635	70.183
Total	401.019	401.919	412.315	397.801

Source: Strategy for the Development of Preuniversity Education in Kosovo 2007-2017, 2006, p.19.

Appendix 7: Vacancies offered from July 2005 to June 2006 in Kosovo by skills

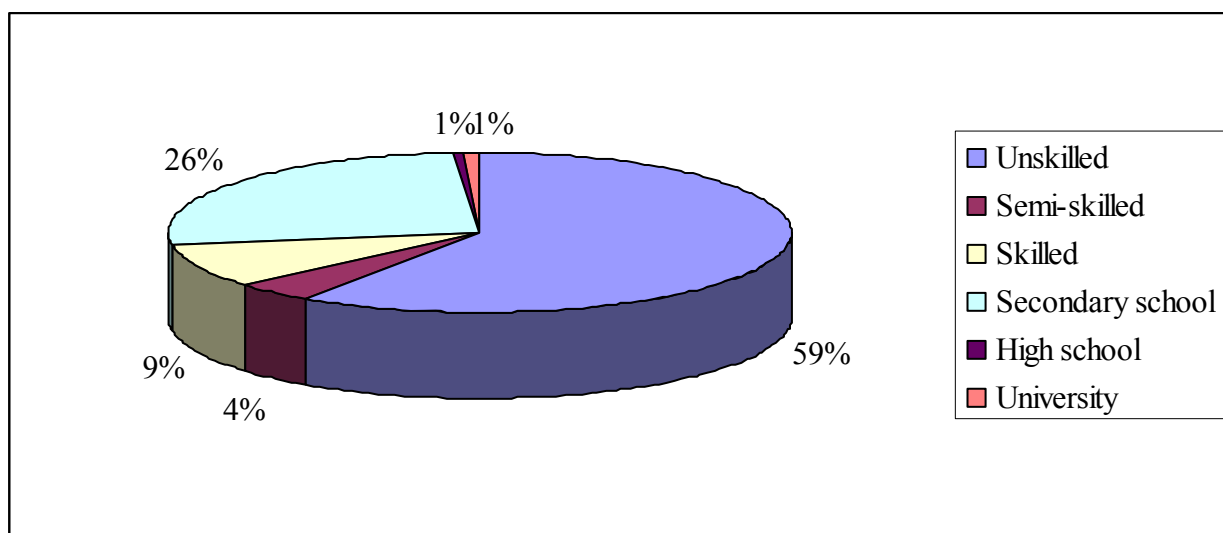
Table 7: Vacancies offered from July 2005 to July 2006

Skills	ISCED	Cumulated vacancies	% of all vacancies offered	Registered unemployed	% of all unemployed	VRR 06/2006
Unskilled	0-2	3260	36%	191893	59.3	1.7%
Semi-skilled	3	364	4%	13636	4.2	2.7%
Skilled	3a	467	5%	29229	9.0	1.6%
Secondary school	3c	3521	39%	83943	26.0	4.2%
High school	4	449	5%	2315	0.7	19.4%
University	5a+	983	11%	2406	0.7	40.8%
Total		9044	100%	323422		2.8%

Source: Performance report 2005/2006, 2006, p. 15.

Appendix 8: Proportion of registered unemployed from 06/2005 to 06/2006

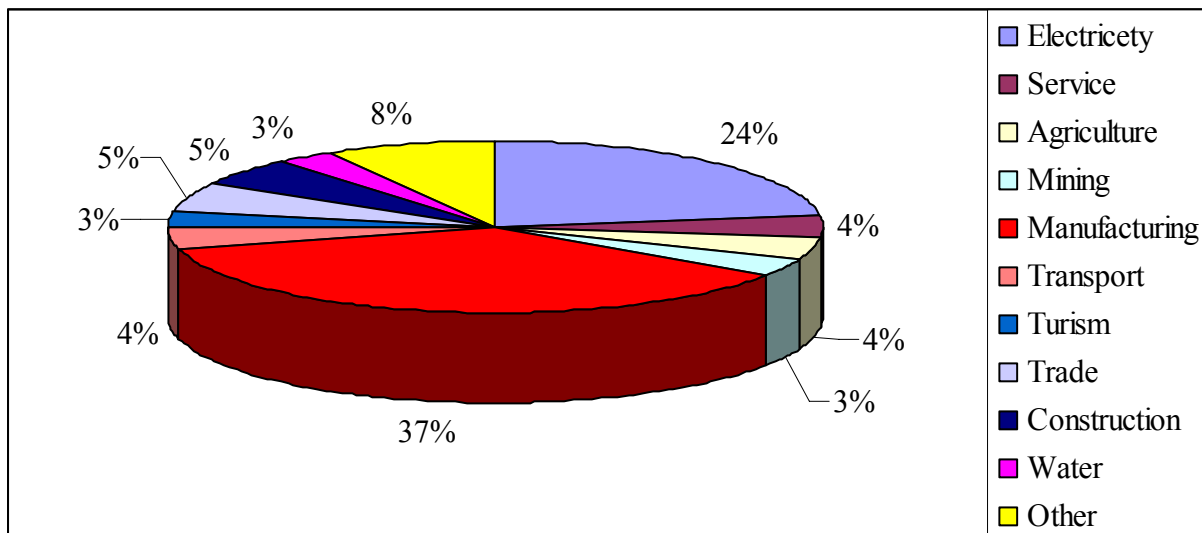
Picture 1: Proportion of registered unemployed from 06/2005 to 06/2006



Source: Employment promotion - Performance report 2005/2006, 2006, p. 10, own calculations

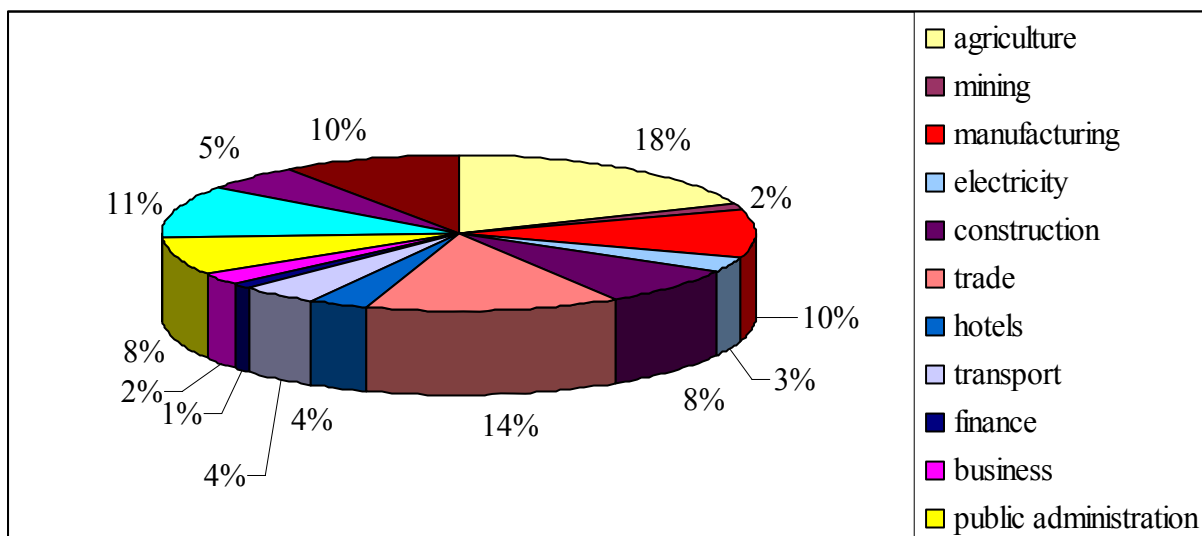
Appendix 9: Employment in enterprises by economic activity in 2002 and 2005

Picture 2: Employment in enterprises by economic activity in 2002



Source: Research on the General Data for Socially Owned Enterprises, 2002, p. 10.

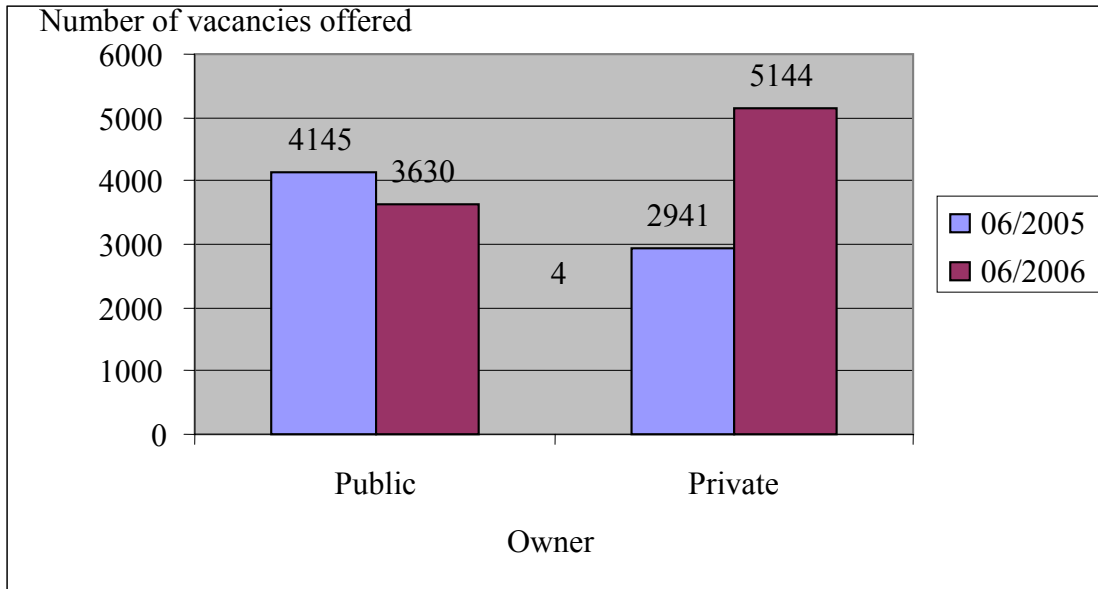
Picture 3: Employment in enterprises by economic activity in 2005



Source: Labour Market Statistics 2005, 2006, p. 30.

Appendix 10: Months cumulated vacancies by owner in 2005 and 2006

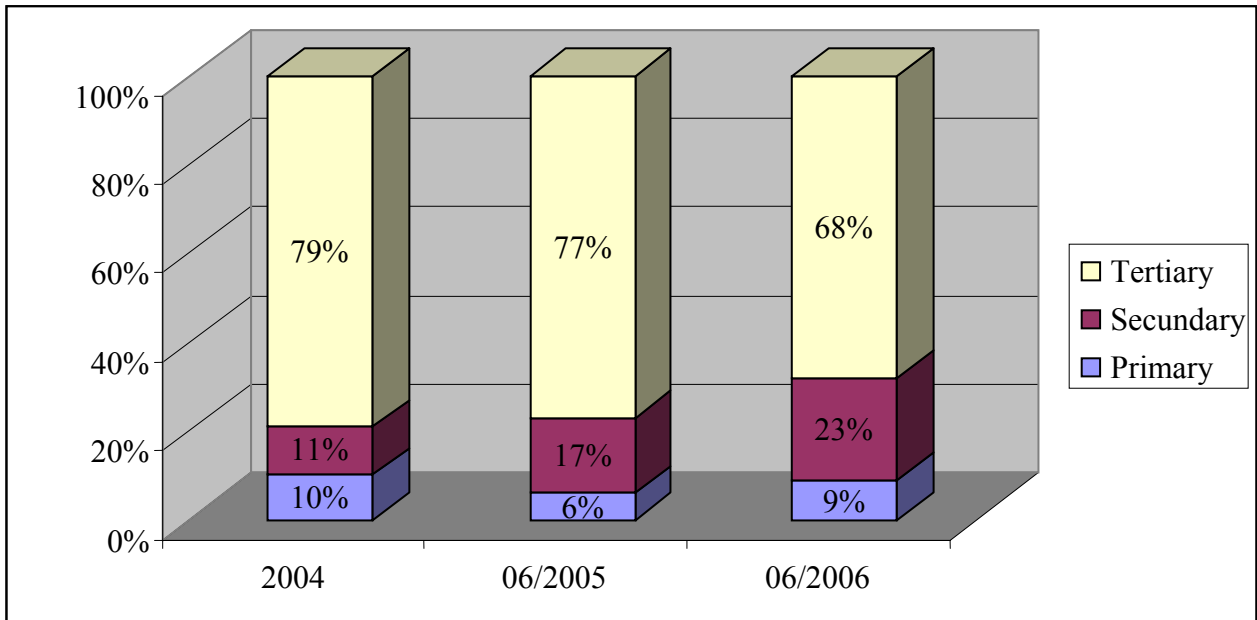
Picture 4: Number of vacancies offered in public and private sector in 2005 and 2006



Source: Employment Promotion – Performance Report 2005/2006, p. 16.

Appendix 11: Vacancies offered by sector in 2004, 2005 and 2006

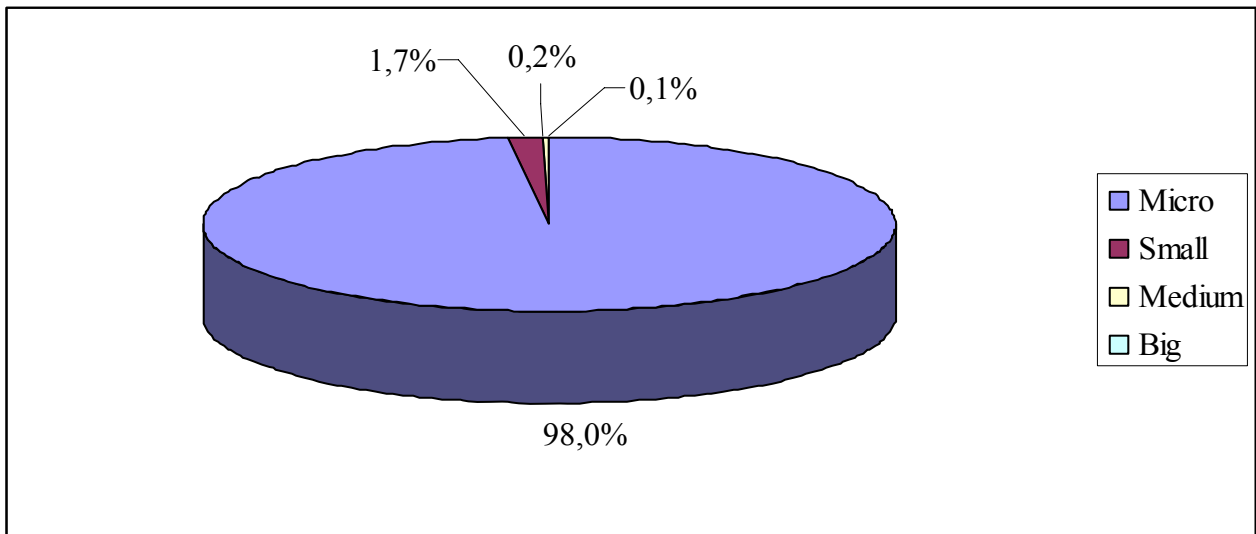
Picture 5: Vacancies offered by sector in 2004, 2005 and 2006



Source: Employment Promotion – Performance Report 2005/2006, p. 15.

Appendix 12: Enterprise structure according to their size in Kosovo in 2004

Picture 6: Enterprise structure according to their size in Kosovo in 2004



Source: Observatory of SME-s: The Status and Activity of Small and Medium Enterprises in Kosovo, 2005, p. 11.