



National Employment and Skills Strategy 2023-2030

29/12/2022

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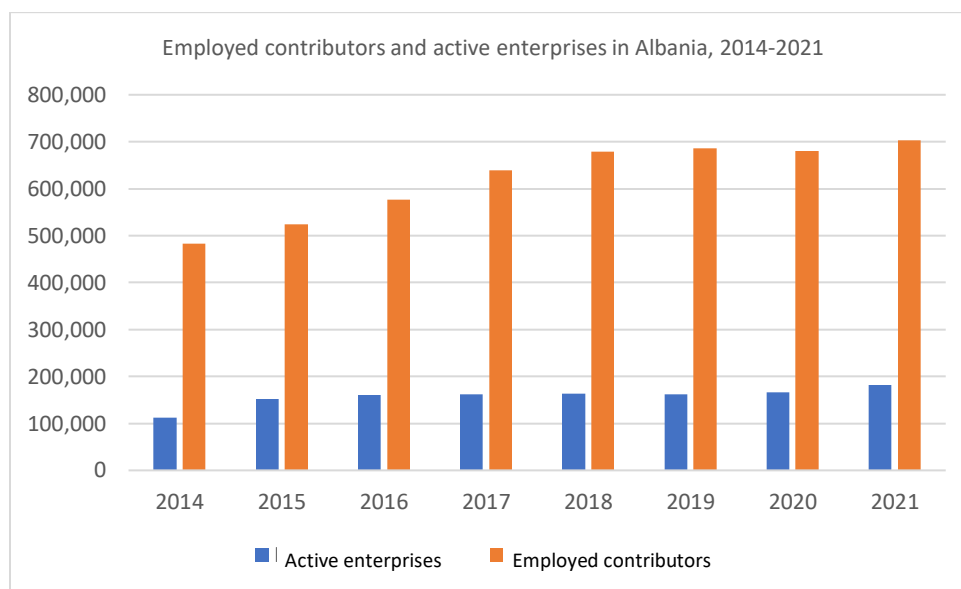
VET	Vocational Education and Training
NAVETQ	National Agency for Vocational Education and Training and Qualifications
NAES	National Agency for Employment and Skills
NYA	National Youth Agency
PEA	Private Employment Agency
WB	World Bank
EU	European Union
CEDEFOP	European Centre for the Development of Vocational Training
GDT	General Directorate of Taxation
EIP	Economic Investment Plan for the Western Balkans
ETF	European Training Foundation
IPMG	Integrated Policy Management Group
ILO	International Labour Organization
SLSSI	State Labour and Social Services Inspectorate
AQF	Albanian Qualifications Framework
EQF	European Qualifications Framework
LFS	Labour Force Survey
MoES	Ministry of Education and Sports
MoFE	Ministry of Finance and Economy
MoSYCH	Minister of State for Youth and Children
MoHSP	Ministry of Health and Social Protection
EA	Economic Aid
NEET	Youth not in Employment, Education or Training
OECD	Organisation for Economic Co-operation and Development
LMIO	Labour Market Information Observatory
SDG	Sustainable Development Goal
GDP	Gross Domestic Product
PWD	Persons with disabilities
ALMP	Active Labour Market Programs
UNDP	United Nations Development Program
OSH	Occupational Safety and Health
NSDEI	National Strategy for Development and European Integration
UNICEF	United Nations International Children's Emergency Fund
DCM	Decision of the Council of Ministers
EO	Employment Office

I. Strategic Framework

1.1. Economic background and labour market

The economic growth and increase in employment rate in the recent years are widely based upon the development of the private sector. The data show that during the last decade of 2012-2021, the number of active enterprises in the country, including farmers, has increased by 74 per cent reaching to 181.549 by the end of 2021 (INSTAT, Business Registers, 2022). In the same period, the number of medium enterprises (10-49 employees) has increased by 76 per cent reaching to 6.862, whereas the number of large enterprises which employ more than 50 persons, has more than doubled reaching to 1.959 such enterprises by the end of 2021 compared to 956 large active enterprises back in 2012. The administrative data on labour market indicate that the development of the private sector, followed by a market formalization, has been also reflected in the labour market where the number of contributors paying social insurances, with the private sector accounting for 74 per cent of the latter, has increased with an annual average of 5.6 per cent in the recent years, thus reaching to more than 703 thousand contributors in 2021 compared to 482 thousand contributors in 2014.

Figure 1: Employed contributors and active enterprises, 2014-2021



Source: INSTAT: Statistical Database - Labour Market and Business Registers

The recent estimates show that Albania's economic growth during 2021 has reached to 8.7 per cent, thus exceeding the deceleration of economy during the pandemic due to the socio-economic impacts it incurred on all the countries globally. The economic development projections at national level, based on the private sector progress as the backbone of the national economy, along with the trends in exports, public infrastructure investments and business support, foresee a stable growth by around 4 per cent annually, which will be a constant trend for 2022-2024. Such a growth also builds upon the projections of economic growth (2.7 per cent during 2022) in the European Union area, which inter alia, is also the key trading partner for Albania with around 2/3 of the country's trade and a destination for approximately 80 per cent of the Albanian exports.

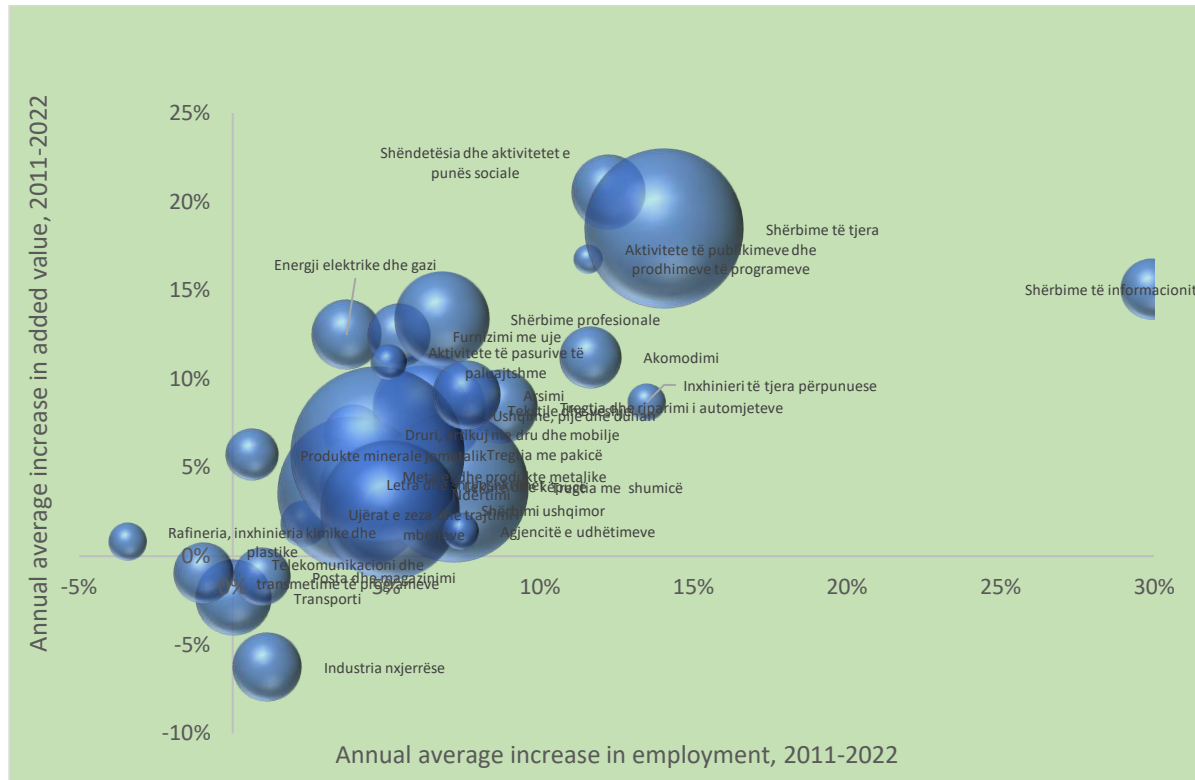
Employment indicators in the last years in Albania show a decrease of the unemployment rate from 17.5 per cent in 2014 to 11.5 per cent, or equal to the pre-pandemic rate, during 2021. The decline in unemployment during this period is a result of the creation of new jobs, development of the private sector and active measures to reduce informal economy in the country.

Agriculture is the sector that employs the majority of Albanian citizens, accounting for approximately 33.8 per cent of the employees during 2021 (INSTAT). Apart from agriculture, the other sectors that employ the majority of employees in the country are retail trade (13.2 per cent), miscellaneous services (11 per cent), construction (10.1 per cent), wholesale trade (9.8 per cent), food service (8.4 per cent), textile and garments (5.5 per cent), shoe industry (4.1 per cent), etc. Meanwhile employment in the other sectors of the economy is in lower levels. The employment progress in the recent years indicates that the sectors with the highest relative growth in the country are information services, other processing industries, health care, accommodation and tourism, computer programming, trade and repair of motor vehicles and other services.

The increase in employment during the last decade in Albania appears to be higher than the improvement in labour productivity (Employment increase is 74.7 per cent, increase in added value is 68.8 per cent, 2012-2021. INSTAT). The economic productivity of Albania, as a factor that determines competitiveness and the level of welfare for citizens, is still relatively low compared to the European Union. The data (World Development Indicators database, 2022) show that in the last decade the average productivity rate of the Albanian economy, measured in constant international dollar for PPP as a contribution to the GDP of each employed person, equalled to 31.2 per cent of the EU average in 2012 and reached to 34.7 per cent in 2021.

The activities with a high added value which count for 1/3 of employment (excluding agriculture and public administration), have had the highest increase of employment during the last decade. Besides the increase in productivity at national level, it is worth considering the significant difference that exists at productivity level per various sectors of the economic activity. The data analysis shows that during the last decade of 2011-2020, the non-agricultural sectors with the highest increase of productivity in Albania are those of health care (which accounts for 2.4 per cent of employment in the country), miscellaneous services (9 per cent of employment in the country), publishing and software (0.5 per cent of employment), professional services (7.3 per cent of employment), energy and gas (6.2 per cent of employment), etc. The level of productivity for such sectors has more than doubled compared to ten years ago. It is these economic sectors that at the same time constitute the most important benchmarks where the quality of work and welfare of citizens involved therein is considerably improving compared to the other activities in the country. Therefore, a further empowerment of such sectors and other potential ones by means of support policies to expand employment that leads to further diversification and orientation of the economy toward productive activities, provides for other opportunities to improve economic competitiveness and substantially contribute in enhancing citizens' welfare.

Figure 2: Increase in employment and productivity per sector, 2011-2021



The size of each sphere is proportional to the employment in the respective sector during 2021. This does not include the sector of agriculture. Source: INSTAT

The relatively low level of labour productivity, especially in the agricultural sector, is reflected in the level of wages in Albania. Among the main concerns reported by the businesses is the lack of qualified staff and the unbalanced ratio between wage and labour productivity¹. The pressure from lack of qualified staff will have an impact in wage growth, thus making many job positions more attractive in the market, but for the domestic businesses to be able to compete internally or within the open region, this process needs to advance along with the indispensable improvements in labour productivity.

Improving skills for jobs and innovation is one of the three pillars to strengthen competitiveness in the Albanian economy, as per the programme of the Government, along with improving business and investments climate, as well as an effective operational social protection. The Government has identified the sectors of tourism, information technology, energy and agriculture as priority ones for the country's development. Hence, along with the above-mentioned sectors that enable a higher employment for Albanians and where the productivity level provides for an increase in the welfare of citizens through investments and private sector development, it is necessary to capacitate young women and men, as well as those engaged in employment, to meet in advance the demands that these sectors will have for the labour market in the next decade, in line with their level of development. Clearly, the strategies, policies and sector-specific budgets will have an important role in this, but it is more than necessary to intertwine

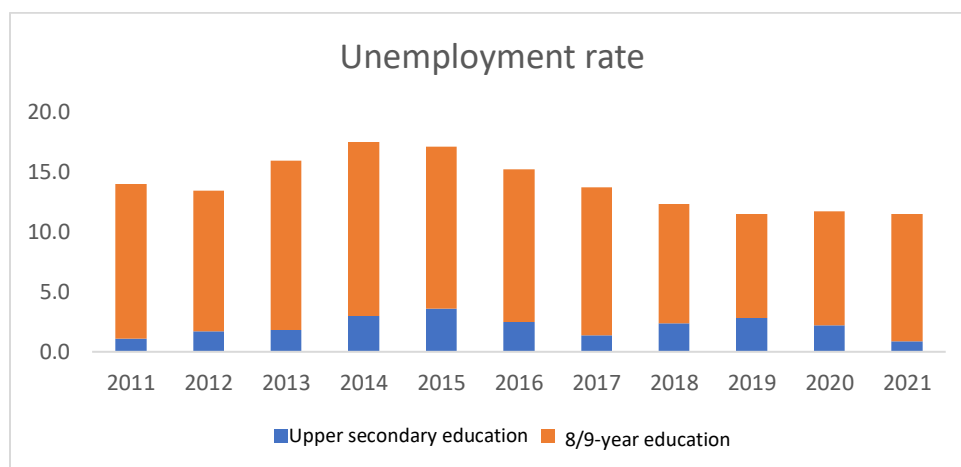
¹ The latest AmCham survey on the Business Index in Albania for 2020 indicates that 63.8 per cent of the respondents stated that it was very difficult or difficult for them to find qualified staff (<https://amcham.com.al/amcham-publikon-indeksin-e-biznesit-per-periudhen-2020-2021/>)

them with the labour market demands (e.g. the tourism sector is increasing by millions of tourists in a few years. How much labour force and what specific skills will be needed by 2030, apart from investments in infrastructure or accommodation).

Despite all the progress made in reducing unemployment, the labour market is facing with significant challenges that will still need to be supported with policies and guidelines in the future:

Unemployment rate among youth is at a relatively high level (27.1 per cent in 2021), indicating that a considerable number of young people find it difficult to find a job in the labour market which meets their expectations and consequently remain excluded from the national economic activity and dependant from the social support and assistance provided by the family, state and their migrant relatives or those employed in the country. Similarly, the share of NEET youth is still high, which accounted for 26.1 per cent of youth aged 15-29 years old during 2021, despite the gradual positive improvement of such indicator from 34.5 per cent back in 2014. Apart from the mismatch between education and jobs, there are many other relevant socio-economic factors that affect the non-participation of youth in the labour market: adequate conditions for decent jobs, appropriate training, lack of experience, access to the labour market, family care or other factors.

Figure 3: Unemployment rate, 2014-2021



Based on official statistics, unemployment rate is predominant among persons with a lower education, women, residents of the rural areas and small cities, as well as among other vulnerable groups of the population, thus affecting even more their level of poverty. Clearly, women and girls have a higher disadvantage compared to men throughout all employment indicators in the country.

Table 1: Key data on the labour market, 2021. Labour Force Survey, INSTAT, 2021

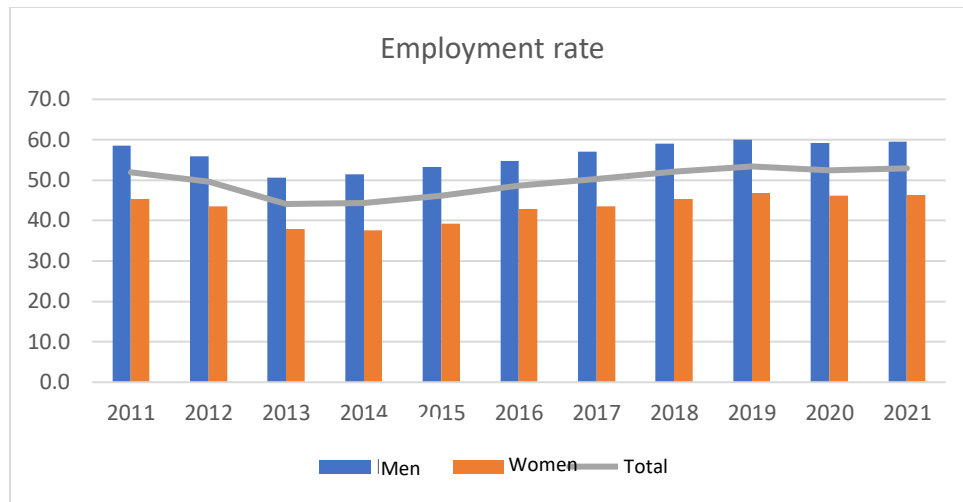
Indicator		2014	2015	2016	2017	2018	2019	2020	2021
Labour force participation rate	Men	63.5	64.3	65.0	66.8	67.6	68.0	66.9	67.2
	Women	44.4	47.2	49.9	49.8	51.4	53.0	52.3	52.6

Employment rate	Men	51.4	53.3	54.7	57.1	59.0	60.1	59.2	59.5
	Women	37.6	39.2	42.8	43.5	45.3	46.9	46.1	46.4
Unemployment rate	Men	19.2	17.1	15.9	14.6	12.7	11.6	11.5	11.3
	Women	15.2	17.1	14.4	12.6	11.9	11.4	11.9	11.8
Long-term unemployed share	Men	61.0	65.8	64.9	63.3	65.6	63.1	59.7	60.5
	Women	70.1	66.2	68.2	67.1	69.8	63.7	59.1	65.5
Long-term unemployed rate	Men	11.7	11.2	10.3	9.2	8.3	7.3	6.9	6.9
	Women	10.7	11.3	9.8	8.4	8.3	7.3	7.1	7.7
Inactivity rate	Men	36.5	35.7	35.0	33.2	32.4	32.0	33.1	32.8
	Women	55.6	52.8	50.1	50.2	48.6	47.0	47.7	47.4
NEET	Men	31.8	29.4	27.5	25.6	24.7	24.3	25.8	23.2
	Women	37.3	36.6	32.9	34.4	32.7	28.9	30.0	29.1

Despite the efforts in the recent years to activate women, there is still a lot to be done toward gender equality in employment. Since employment is closely related to other relevant factors such as gender gap, unpaid work, domestic care contribution, balancing personal and professional life, care services provided to children, the elderly or other vulnerable family members by women, conditions for decent employment, protection from sexual harassment at the workplace, etc., it is necessary for this issue to still be addressed in the future.

Employment rate in Albania is improving, but issues among vulnerable groups must be addressed. Employment rate during 2021 in the country reached to 60.9 per cent, slightly lower compared to the pre-pandemic period (61.2 per cent). But such indicator is lower than in the EU countries (69 per cent during 2021). This indicator appears to be lower for women in Albania (53.8 per cent in 2021) and even lower for youth (aged 15-24 years old) whose employment rate in 2021 was just 26.4 per cent or, put differently, only 1 in 4 young persons is employed in Albania. Given the complex socio-economic issues in the country and definition of unemployed status, in many occasions the employment rate is a better reflection of the situation in the labour market compared to other indicators, like the unemployment rate.

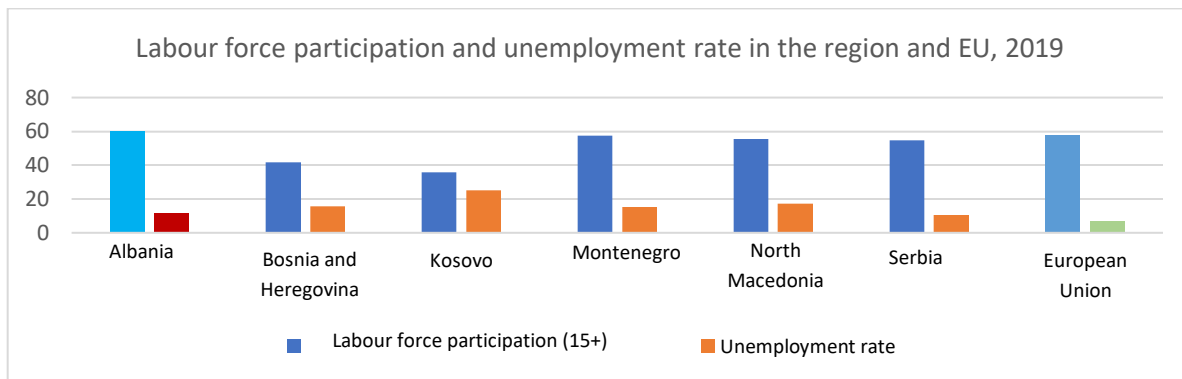
Figure 4: Employment rate, 2011-2021



Source: INSTAT

Labour market issues are not specific to the developments in Albania, but they also pose similar challenges to all countries of the region. The latest available data from the World Development Indicators belonging to 2019, indicate that Albania has the highest rate in the region regarding participation in the labour force.

Figure 5: Labour force participation and unemployment rate in the region and EU, 2019



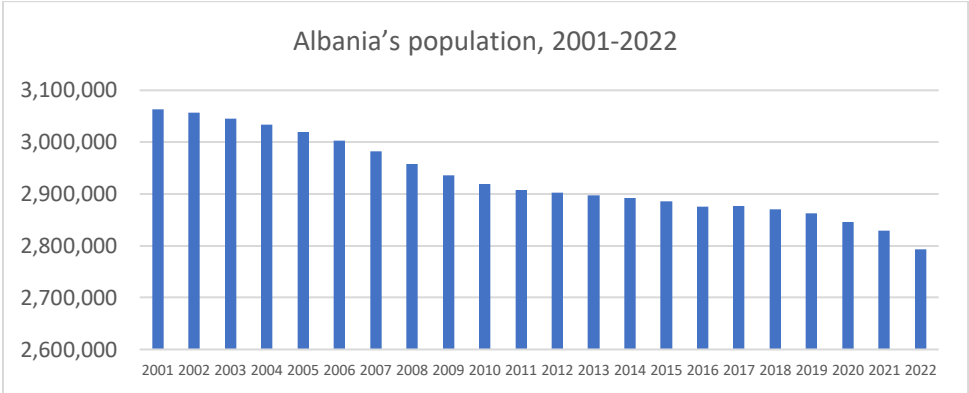
Data from the World Development Indicators, development indicators:
<https://databank.worldbank.org/source/world-development-indicators#>

Despite it being reduced considerably in the recent years, the informal economy constitutes a complex problem for the national labour market. The sector of agriculture and activities in rural areas constitute the key category where informality is still present, despite all successfully employed incentives to formalize farmers in the market. Data from INSTAT show that during 2021, quarter of a million employed persons, or 1 in every 5 persons employed in Albania, works for free in the family business and such indicator is even higher for women and girls compared to men and boys. Often informality in employment is not just because of the lack of a mindset to pay liabilities or incentives to pay such liabilities, but also to avoid declarations or exiting the social protection schemes, especially in cases of seasonal employment in the tourism sector in coastal and rural areas.

The economic development of Albania is affected by risks and challenges with potential and direct consequences for the Albanian economy. The recovery process is still on-going and the considerable improvement of Albania's profile upon the opening of negotiations for EU membership, as well as other factors, mainly external ones, can affect the progress of economy. In addition to the unavoidable coexistence with Covid-19, Albania's economy is exposed against other intertwined external risks with the most crucial ones currently being the war in Ukraine, inflation wave engulfing all countries world-wide, the energy crisis and high costs of energy products, food safety, as well as the declining trend of direct foreign investments in the context of insecurity predominating in the global markets. The mere fact that Albania is an open-market economy and highly dependant on the progress of the global economy, especially from the EU countries, in addition to benefits, it also unveils its vulnerabilities from problems and risks which are easily conveyed throughout the entire chain of economic activity in the country.

The Albanian population has shrunk and aged considerably in the recent years. Based on the demographic data published by INSTAT, the Albanian population continues with its yearly decline during the last two decades, excluding 2017, and the population median age has increased from 33.2 years in 2012 to 38.2 years in 2022. The population projections based on the medium growth scenario developed by INSTAT, indicate that the total population of Albania by 2030 will decline by approximately 86 thousand people, following the decline by more than 104 thousand people during the last decade of 2012-2021.

Figure 6: Albania's population, 2001-2022



Source: INSTAT

The ageing population and migratory movements have diminished the growth of labour force in the country. The decline of the Albanian population during the recent years is related to the on-going decline in the number of new live births over the years, and this accompanied with the migratory movements, lead to a negative balance in the natural population increase. Such process has been also affected by the full access of Albanians to other countries in the world, the free movement of Albanians mainly toward the EU countries, along with the illegal migration to those countries where entry or residence barriers still apply.

The categories of people that choose to emigrate abroad have changed over the years leading to a deficiency in the labour market for special skills which are in high demand in the international markets. Compared to the first two decades of the transition, the free movement in the last decade as well as the

demand for qualified labour force in the EU countries labour markets, are causing a shift in the nature of migratory trends.

Migration from rural areas and smaller cities toward urban areas, apart from the emigration of the population, is a phenomenon currently present in Albania, due to urbanization and better opportunities for housing and employment provided by the larger cities in the country. Based on the data from INSTAT, approximately 39 thousand persons on an average annual basis have migrated internally during 2014-2020. The data indicate for an unbalanced unemployment rate throughout the country, but they also speak for different realities from city to city. The regions with the highest unemployment rate are Lezha (22.6 per cent in 2021) and Vlora (19.5 per cent in 2021), whereas the lowest unemployment rate appears to be in Kukes (4 per cent) and Gjirokastra (4.7 per cent). Also, the unemployment rate is even more concerning for the long-term unemployed, who accounted for more than 60 per cent of the unemployed in the country in 2021, pointing to the issues that exist in exiting the unemployment deadlock and reactivating or reintegrating in the labour market.

The experience with Covid-19 has helped the domestic businesses to adapt to and promote new forms of labour, support short-term intensive employment, flexibility at work, digital solutions and bring new occupations to the spotlight. Apart from strengthening competitiveness in the private sector on how to handle these issues, it is equally necessary for the legislation on employment to better reflect the needs in this sense.

1.2. 2030 strategic background and Sustainable Development Goals

The National Employment and Skills Strategy 2023-2030 is a substantial part of the strategic long-term framework of Albania as determined by the National Strategy for Development and European Integration 2030 (NSDEI 2030) which guides and sets the priorities for the social and economic sustainable development of the country in its path toward the European Union, including the cross-cutting with the Sustainable Development Goals with the aim of meeting the 2030 Agenda by defining the vision for democracy, social and economic development of Albania during 2021-2030. The third pillar of NSDEI 2030, Social Cohesion, addresses sustainable growth of employment and skills development, which in itself intends to develop human resources as the most precious capital in the country.

The National Employment and Skills Strategy 2023-2030 is also closely related to the priorities of the country's development set in the NSDEI 2030 and included in its second pillar "the Agenda for Economic Sustainable Growth, Interconnection and Green Growth". Interconnection, the Green Agenda for the Western Balkans countries, as part of the Economic and Investment Plan of the European Union for these countries, including Albania, stand at the centre of the second pillar of NSDEI 2030. These accompanied with the long-term priorities identified for Albania in the NSDEI 2030, like tourism, energy, agriculture and digitalization, constitute at the same time the clearest direction to guide demand and develop supply in the Albanian labour market for the period till 2030. The main challenges for Albania 2030 identified in the NSDEI 2030 such as the need for a green transition, digital transformation, demographic movements and the necessity to increase productivity toward a more competitive economy in the open regional market and beyond, are all reflected in the approach that this strategy has taken toward employment and skills development.

Also, the National Single Project Pipeline approved by the Strategic Planning Committee/National Investment Committee accounts for 198 projects with an indicative investment value of EUR 16.3 billion as part of the Economic Investment Plan implementation for the Western Balkan countries, which will be a considerable incentive for the creation of new jobs. Such project pipeline aims to stimulate the long-term economic recovery of the region as well as the economic integration of the region by backing the implementation of the required reforms in its path toward the EU and in bringing the region closer to the EU single market, thus ensuring a sustainable economic growth and the creation of jobs in the Western Balkan countries. The key works that have been approved for funding include the motorways part of the Adriatic-Ionian Corridor, Llogara tunnel, Tirana by-pass, Skavica HPP, Vlora airport, railway network development, broadband network, PV plants, etc.

Meeting the objectives of the National Employment and Skills Strategy 2023-2030 is interconnected with the implementation of other relevant sectoral strategies in the country, but also delivering on such objectives depends from the progress in other areas of sectoral policies. The most important strategic plans included in this process within the NSDEI 2030 framework are the following:

- “National Strategy on Education 2021-2026”
- “Business and investment development strategy 2021-2027 and its action plan”
- “National Strategy on Gender Equality 2021-2030”
- “National Strategy on Youth 2022-2029”
- “Strategy on Agriculture, Rural Development and Fishing 2021-2027”
- “Cross-cutting Strategy “Digital Agenda of Albania 2022-2026”
- “Macroeconomic and fiscal framework”
- “National Action Plan for Persons with Disabilities 2021-2025”
- “National Action Plan for Equality, Inclusion and Participation of Roma and Egyptians 2021-2025”
- “National Action Plan on Ageing 2020-2024”
- “Policy paper on the disability assessment reform in the social protection system and the action plan 2019-2024 for its implementation”
- “National Strategy on the Sustainable Development of Tourism 2019-2023 and its action plan”
- “National Strategy on Diaspora 2021-2025”
- “National Strategy on Migration 2019-2022”
- The National Strategy on Energy 2018-2030, the National Energy and Climate Plan 2021-2030
- “South East Europe Strategy”
- The Council of Europe Resolution on the European Agenda for Adult Learning 2021-2030

as well as other documents that are currently under preparation or approval:

- “Smart Specialization Strategy”
- “Strategy on Green Economy”
- “National Strategy on Social Protection”, etc.

The vision and objectives of the National Employment and Skills Strategy 2023-2030, constitute a relevant part of Albania's engagement to implement Agenda 2030 and serve to reach the Sustainable Development Goals in the country. The strategy objectives and measures directly relate to the SDG 8 “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work

for all” and especially to meeting the specific targets of SDG 8 such as: 8.5 (decent employment), 8.3 (productivity), 8.2 (innovation), 8.6 (youth employment) and 8.8 (labour rights). But, the implementation of the strategy is simultaneously and clearly related to the achievement of other important goals for Albania under the Agenda 2030 such as SDG1 (no poverty), SDG 2 (zero hunger), SDG 4 (quality education), SDG 5 (gender equality), SDG 9 (industry, innovation and infrastructure) and SDG 10 (reduced inequalities).

II. The key sector and institutional challenges for the future development of the country and EU membership process

2.1. The skills and labour market challenges

2.1.1. Skills development

Albania is facing two challenges regarding skills. First, is the low level of skills among the working age population. Based on the Labour Force Survey (LFS) of 2021, 41.6% of the labour force and 48.3% of the working age population in Albania has basic education (8-/9-year education) or lower than that². There are also certain groups of the Albanian society that have not completed primary education, like 45.28 per cent of the unemployed Roma jobseekers and 13.9 per cent of the Egyptian unemployed jobseekers registered with the employment offices. The education level of the economic aid beneficiaries is dominated by those individuals that have completed the 9-year compulsory education.

The second challenge relates to the possession from the labour force of the skills required by the labour market, which lack can hinder the creation of more jobs or better quality jobs. Some of the main indicators of a potential mismatch of skills³ might be considered the high rate of unemployment among youth and high rate of unemployment of university graduates⁴. The high rate of youth not in employment, education or training (NEET) is another indicator that highlights the mismatch of skills⁵. The percentage of businesses that face with hiring difficulties⁶ may be also considered as an indicator for mismatch or lack of skills⁷.

A recent study of ETF on skills in the ETF partner countries⁸ tried to measure the vertical and horizontal skills mismatch. According to this study, at least one in five university graduates had a job that required a lower level of formal qualifications and this was a trend in the vast majority of ETF partner countries, including Albania. In 2019 approximately 40 per cent of employees in Albania were either overeducated or undereducated, that is similar to the situation in other Western Balkan countries. The graduates from higher education had a higher incidence of over-qualification compared to the graduates from

² The average of the Western Balkan countries was 31 per cent.

³ Skills mismatch may be defined as a result of gaps and imbalances in skills in the labour market, due to the level of qualification or skills (ETF 2022).

⁴ The youth unemployment rate is 27.1 per cent which is more than double of the overall unemployment rate (11.5 per cent in 2021). The unemployment rate and the long-term unemployment rate among the university graduates (10.5 per cent and 6.9 per cent) is almost equal to the unemployment rate among persons with basic education (10.6 per cent and 6.4 per cent). The mere fact that the unemployment rate among youth with a university degree is higher than among the youth with secondary education, reflects a mismatch between the university outcomes with the labour market demands.

⁵ In 2021 the youth aged 15-29 years old within NEET category account for 26.1 per cent of the entire youth population. 37.3 per cent are unemployed within this group. The rest are economically inactive persons, either because they are discouraged workers (15.4 per cent) or because they take care of their house and family (17.5 per cent), or due to many other reasons (29.8 per cent).

⁶ Almost 51 per cent of the enterprises that tried to hire workers in the last three years have had difficulties in hiring because the applicants lacked the job skills and experience or there were insufficient applications. Such enterprises stated the fact that the applicants lacked the technical and specific job skills, as well as the necessary soft skills to be efficient at work, especially for those occupations that require higher skills. The enterprises from the construction, industry and tourism sectors face with more restrictions when hiring individuals for low- to medium-skilled jobs, whereas the enterprises operating in agro-processing and industry are more limited when hiring high-skilled workers. As perceived by the employers as well, problems with skills affect mainly young people and those entering the labour market for the first time, thus also putting an emphasis on the quality and importance of the VET education and system.

⁷ Lack of skills is often measured in terms of vacancies not filled or difficult to be filled.

⁸ European Training Foundation (2022): Skills Mismatch Measurement in ETF Partner Countries.

secondary education. Meanwhile, the horizontal mismatch weight⁹ accounted for more than 66% in 2019 (6 per cent higher than the average rate for the Western Balkan countries).

The challenges related to the lack of skills or their mismatch are connected to the insufficient quantity, quality or weight of the education and training offer.

An indicator for the insufficient quality of the education system are the PISA scores, which show that the Albanian youth aged 15 years old score below the OECD average in three disciplines: reading, mathematics and science (PISA 2018).

Based on the results of the adult education survey conducted by INSTAT in 2017, the participation of adults (aged 25-64 years old) in formal and non-formal education and training in 2017 was 9.2 per cent¹⁰ with a considerable gap between Albania and the EU average, which for the same year reached to 43.7 per cent¹¹. As for gender, the results from the same survey indicate that 9.5 per cent of women and 8.8 per cent of men aged 25-64 years old have participated in formal and non-formal education and training. On average, less than 15 % of the businesses¹² have delivered internal trainings or on-the job training for their labour force and less than 5 per cent have delivered external trainings based on the survey conducted by the World Bank. The lack of work-based learning shows limited opportunities to develop the skills and lifelong learning of the labour force and hinders the productivity growth of the enterprises. Also, the public and private offer of vocational training and short-term trainings must respond better to the labour market needs (World Bank, 2018).

For the purposes of addressing the limitations related to skills, the quality, quantity and relevance of the vocational education and training offer must be increased, a new lifelong learning mindset must be gradually established in order to provide the labour force with the possibility to continuously improve its skills and, at the same time, a flexible and inclusive vocational education and training system must be ensured in order to provide fast solutions for effective and short-term trainings, thus responding to the urgent need for new skills and to improve the existing labour force skills¹³.

Several reforms have been undertaken in the vocational education and training system, both in the legal framework and policy development, in order to ensure an adequate system that provides opportunities for the development of the proper skills. Some of the initiatives undertaken to approve, develop and implement the Albanian Qualifications Framework, to develop the quality assurance framework and connecting the Albanian Qualifications Framework with the European Qualifications Framework¹⁴, aim to increase the quality of skills supply to the labour market in Albania, but also to increase labour force mobility between Albania and other countries.

The VET system needs a higher inclusion of the private sector, both in the content and governance of the vocational education and training supply, as well as directly through work-based learning. In addition to setting up a system for monitoring and forecasting the needs for skills (skills intelligence system) and

⁹ Mismatch between field of studies and occupation.

¹⁰ INSTAT (2018): Adult education survey

¹¹ According to the LFS 2020 conducted by INSTAT, less than 1 per cent of the adults aged 25-64 years old engaged in some type of lifelong learning activity in the last four weeks (prior to the collection of the survey results).

¹² World Bank (2018): Demand for skills in Albania: An analysis of the skills towards employment and productivity survey

¹³ Employers ask for a combination of the cognitive, social-emotional and technical skills. Cognitive skills include literacy and numeracy, but they can also include such competences as critical thinking and problem solving. Social-emotional skills mean the ability of someone to interact with others (interpersonal skills), as well as the determination and focus to carry out a task. Meanwhile, the technical skills mean the ability to carry out technical tasks that are specific to a profession.

¹⁴ <https://europa.eu/europass/en/document-library/eqf-referencing-report-albania>

for digitalizing VET supply, the VET system needs financial support, whether through innovative solutions and diversification of financial resources, but also through the revision of budget allocation tools to address deficiencies in infrastructure, use of state of the art technologies and introduction of innovative methods in teaching and learning. This would increase the interest toward VET offer not only for the beneficiaries, but also for their families and other stakeholders, including employers¹⁵.

Lastly, the VET system asks for on-going investments to develop professional qualifications, to assure quality and prior learning recognition, to increase the quality and opportunities for lifelong learning, as well as to strengthen the post-secondary VET supply and to address the needs for skills. For the purpose of increasing the opportunities for lifelong learning, it is necessary to reform the vocational education offer by means of engaging private providers, as part of the ecosystem for adult services provision, including addressing the twin transition (green and digital skills). Additionally, various alternatives must be explored to encourage the private enterprises or labour force to invest in trainings and skills development. This approach may be piloted in rapidly increasing sectors such as the sector of tourism, agro-processing or information and communication technology, before being rolled out in other sectors.

The main orientation for the development of sector policies in Albania builds upon the key directions of the EU education, training and employment policy framework, mainly determined in the European Pillar of Social Rights. The first principle of the European Pillar of Social Rights highlights that every EU citizen has the right to quality and inclusive education, training and lifelong learning in order to maintain and develop skills that enable them to participate fully in society and manage successfully transitions in the labour market. The main initiative of the European Commission to implement this principle is the EU Skills Agenda, whose implementation involves the EU member states, as well as the candidate countries through the engagement within the Osnabrück Declaration framework.¹⁶ The EU Skills Agenda asks the implementing countries to strengthen the skills intelligence development as well as to further improve the VET offer through the Pact for Skills, as attractive and high quality opportunities, to support skills development for green and digital transition, to considerably increase the participation of adults in the formal, non-formal and informal learning, and to explore innovative opportunities (like the individual learning accounts initiative as well as the European approach on micro-credentials) for the purpose of contributing in increasing access to training opportunities for adults.¹⁷

2.1.2. Labour market functioning

The labour market mechanism in Albania still needs improvements regarding the efficient and all-inclusive mediation, as well as a better match between demand and supply for jobs. Non-formal channels (personal contacts, recommendations from others) are the most important and widely used channels for hiring employees according to the Skills toward Employment and Productivity Survey of the World Bank in 2018¹⁸. Large companies and foreign-owned companies are more prone to use non-

¹⁵ For the academic year 2021-2022 the total number of students enrolled in the upper secondary education system in Albania was 103,467, of which 85,188 (82,3 per cent) were enrolled in the mainstream education system (gymnasium) and 18,279 (17.7 per cent) in the vocational education.

¹⁶ https://www.cedefop.europa.eu/files/osnabrueck_declaration_eu2020.pdf

¹⁷ Some of the important objectives set at EU level are: the share of employed graduates from VET should be at least 82 per cent by 2025; 60 per cent of recent graduates from VET benefit from exposure to work-based learning during their vocational education and training; by 2030, 60 per cent of adult participants aged 25-64 years old are engaged in learning during the last 12 months from 44 per cent back in 2019, as well as increase to 80 per cent the share of adults aged 16-74 years old that have at least basic digital skills from 54 per cent back in 2021.

¹⁸ World Bank (2018): Demand for skills in Albania: An analysis of the skills towards employment and productivity survey

formal channels to hire staff.¹⁹ The predominance of non-formal channels and offering jobs to those that are already employed in other businesses²⁰, indicate the difficulties that the employers have in identifying the employees with the proper skills, as well as in finding employees through formal channels and professional services.

Employment services must be consolidated and used more by employers. The 2018 World Bank study²¹ estimates that 7.4 per cent of the employers from the private sector used public employment services to hire employees. Similarly, the use of private employment services is also scarce (less than 10 per cent). Such findings are partly confirmed by a survey of 2022 of the Investment Committee²², according to which only 15 per cent of the 253 surveyed companies refer to the employment offices to ensure labour force.

The use of employment services by jobseekers stills remains a challenge. INSTAT estimates that approximately 25.6 per cent of youth not in employment, education or training (NEET) are registered with the employment offices (INSTAT, LFS 2021). The active labour market programs (ALMPs) total coverage is approximately 5.5 per cent of the total number of jobseekers registered with the employment offices.

The key directions from the EU employment policy framework are mainly defined in the European Pillar of Social Rights, in specific documents of the European Commission for the Effective Active Support to Employment, as well as in the “Youth Employment Support Package”²³.

The fourth principle of the European Pillar of Social Rights puts an emphasis on the fact that every EU citizen has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job search, training and re-qualification. Moreover, within the definitions of this pillar, young people have the right to continued education, apprenticeship, traineeship or a job offer of good standing within 4 months of becoming unemployed or leaving education (Youth Guarantee). People unemployed have the right to personalised, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment at the latest at 18 months of unemployment²⁴.

The analysis indicates that employment services and employment promotion programs must increase efficiency and level of coverage to address the skills mismatch between demand and supply. This goal is really achieved by investing in the development of digital products for the employer and jobseeker, but also in changing the model of service provision which must become more and more part of a wider ecosystem of employment services, similar to the EU member states and with a larger focus on skills development, on addressing the other barriers that jobseekers face to access the labour market, as well as to facilitate employment transition (from agriculture to industry and to services, including green and digital transition). This asks for the development of a skills monitoring and projection system, but also

¹⁹ Ibid

²⁰ Ibid

²¹ Ibid

²² **National Investment Committee (2022):** A survey on the availability and quality of the labour force

²³ These two policy documents highlight the importance of implementing an activation approach for the unemployed, methods to offer individualized services, case management and availability of a wide spectrum of active labour market programs to facilitate integration to the labour market. Also, having a strong monitoring and evaluation system available provides the possibility to adapt ALMPs services and offer to the jobseekers and enterprises needs.

²⁴ Some of the important objectives set at EU level are: to reduce by 2030 the rate of NEET aged 15-29 years old to 9 per cent from 13.1 per cent back in 2021; increase the share of employed population aged 20 to 64 years old to 78 per cent from 73.1 per cent back in 2021; increase the share of all adults attending education each year to 60 per cent from 44 per cent back in 2019.

for the establishment of support systems based on the cooperation of a number of other stakeholders such as: non-profit organizations, public and non-public training providers, local government units, social service providers, employers' organizations, social partners, private employment agencies, temporary employment agencies, etc. An increasing cooperation is needed with other stakeholders part of the ecosystem to deliver the necessary support to assist the integration of persons from special groups in the labour market such as: youth (by means of the youth guarantee programme), persons with disabilities (by means of the Social Employment Fund), victims of domestic violence, etc. Throughout this process, suitability and extensive flexibility must be demonstrated in drafting and providing services and employment promotion programs through an employment services network that responds to the unemployed individual needs and labour market needs with a strong monitoring and evaluation framework.

With reference to the private employment agencies and non-public employment services providers, the legal framework must be revised and support measures developed to also include those as part of the ecosystem of employment services supply.

2.1.3. Work quality

Albania must align its policies to the EU ones in the area of work quality and decent work as well. Informal employment, despite the decreasing trend, remains relatively higher among youth, under-qualified workers and in specific sectors of the economy such as: agriculture, construction and food and accommodation services. For 2021, it appears that only 47.9 per cent (from 41.2 per cent in 2016) of the employed are salaried employees²⁵, whereas the rest are non-salaried employees that work as self-employed or with their families²⁶. Informal employment in the non-agricultural sector²⁷, which also includes semi-formal employment relations²⁸, was 29.4 per cent in 2021 (from 32 per cent back in 2016) according to INSTAT.

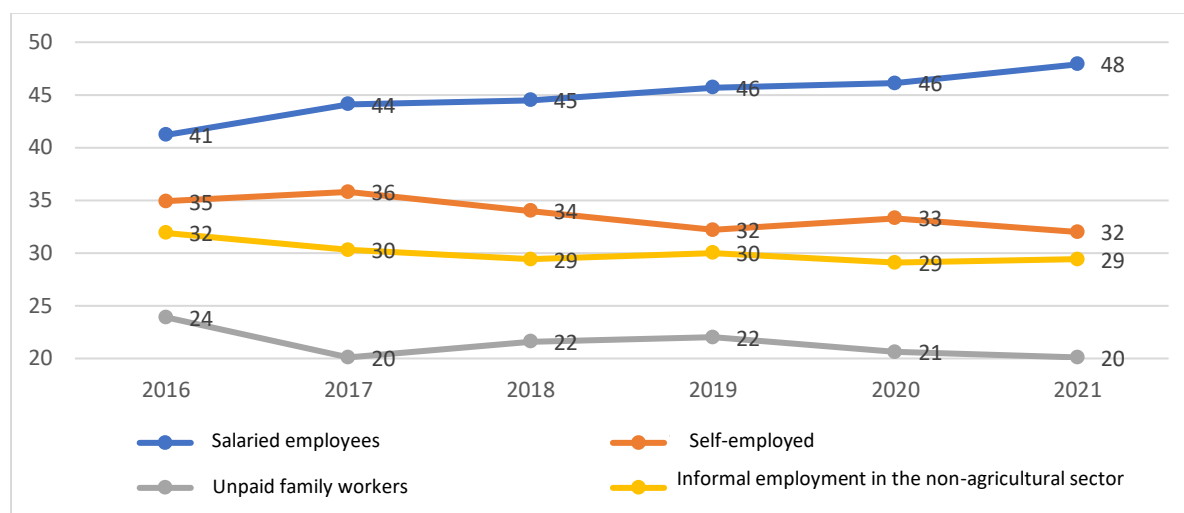
²⁵ The average rate for the Western Balkan countries was 73 per cent.

²⁶ According to the LFS, in 2021 approximately 32 per cent of the employed were self-employed (employers or self-employed with no employees) and 20.1 per cent were employees with no defined salary in the family business. From a gender perspective, it appears that women are 1.5 times more likely than men to be employed in the family business. Estimates from the LFS indicate that 27.3 per cent of employed women and 14.4 per cent of employed men are employed in the family business.

²⁷ Informal employment includes employees from the non-agricultural sectors, whose economic relations with the employers are not covered or partly covered by formal agreements, such as: employees that do not benefit from paid annual leave or sick leave, or employees that benefit from paid annual leave or sick leave, but their employers do not pay their social insurance contributions.

²⁸ Cases when a part of the salary is declared with the tax authorities and the rest is paid in cash and, therefore, not declared.

Figure 7: Different types of employment and informal employment in the non-agricultural sector



Source: INSTAT, Labour Market (2016-2021)

Based on an assessment conducted by the Regional Cooperation Council approximately one third of the employees fail to declare full income from employment and approximately half of the business representatives interviewed affirmed that employees employed with contracts which do not declare full salary (e.g. reporting only minimum wage) is a common practice²⁹.

Occupational accidents have had an increasing trend during the economic recovery in the post-pandemic period from COVID 19³⁰. Based on the inspections conducted, the observations indicate that their causes were preventable and could be eliminated by implementing already recognized and available measures on occupational safety and health (OSH). The observations carried out by the State Labour and Social Services Inspectorate (SLSSI) have confirmed many deficiencies among entities regarding meeting working conditions for occupational safety and health. Approximately 23 per cent of the inspected entities either do not take any collective or individual protection measures for their employees or such measures are not sufficient³¹. Whereas, 84 per cent of the inspected entities have developed their own risk assessment documents, but their quality is a key issue that needs to be considerably improved³².

Informal employment and without a defined salary is reflected in the high percentage of employment in agriculture: 34 per cent of all jobs in 2021 (29 per cent of all jobs for men and 40 per cent of all jobs for women) were in agriculture from 38.2% back in 2017. The economic transition from agriculture to industry and services (as well as to green and digital economy) is expected to gradually reduce informal employment and with no fixed salary. However, improving working conditions for a decent work, especially among the non-agricultural sectors, as well as occupational safety and health conditions, poses new challenges toward increasing accountability and response both from employers and employees to improve workplace premises by means of (i) raising awareness and their understanding of

²⁹ Regional Cooperation Council (2022): Regional Overview of Western Balkan Economies Regarding the European Pillar of Social Rights. Overview for Albania 2021

³⁰ Ibid. Despite improvements in monitoring and reporting occupational accidents, the reported statistics must yet be carefully used due to poor levels of reporting

³¹ Meanwhile, the share of entities that do not provide adequate protection measures to special groups has reached to 30 per cent.

³² The Labour Inspectorate (LI) has found that approximately 52 per cent of the inspected entities do not have an OSH Committee, approximately 72 per cent do not have any representatives in the OSH Committee and 70 per cent do not have a OSH coordinator.

the legal rights, responsibilities and requirements (including potential risks and direct and indirect costs from failing to abide by the legal requirements) related to workplace conditions and inspection process, as well as to the promotion of preventive and support culture for occupational safety and health, (ii) improving workplace monitoring and inspection from SLSSI and (iii) revising and completing the policy framework in order to create adequate incentives, tools and support services to improve workplace conditions³³.

Therefore, an on-going improvement of the policies that mitigate transition from agriculture to industry and services is needed (as well as to green and digital economy).

The key framework of EU policies for decent work is defined in the European Pillar of Social Rights, whose principles state that regardless of the type and duration of their employment relationship, workers have the right to a fair and equal treatment regarding working conditions, including to an adequate social protection and training. The European Pillar of Social Rights asks for a transition towards open-ended forms of employment to be fostered, but also to simultaneously ensure the necessary flexibility for employers to adapt swiftly to changes in the economic context. With regards to occupational safety and health, the rights of employees are sanctioned in special EU acquis, which have been transposed or are expected to be transposed in the domestic legislation.

³³ Especially for the fiscal burden from labour taxation for low salaries, economic aid and occupational safety and health conditions. The fiscal burden of income from labour is the difference between the gross and net salary which generates an additional cost for the employees due to the social insurances contributions and personal income tax. Based on the Regional Cooperation Council report related to a Regional Overview of Western Balkan Economies Regarding the European Pillar of Social Rights, one thirds of the Albanian businesses consider personal income tax and social insurance contributions as a heavy barrier to business growth.

2.2 Current labour market policies and institutional challenges

In the recent years Albania has taken important steps to strengthen and improve the skills and employment policies services, especially by strengthening the public sector role in providing employment services and modernizing the vocational education and training system.

The Ministry of Finance and Economy has the leadership in the area of labour market and skills policies. Also, labour market policies are part of the integrated sectoral mechanism, which in such priority area operates through the Integrated Policy Management Group (IPMG) "Employment and Skills". The IPMG plays a key role in the joint decision-making at a high political level, but it also has a leading role in the coordinated implementation of the policy goals and monitoring implementation.

The ministry has direct powers to draft strategic policies and legal frameworks, as well as to ensure an institutional coordination and cooperation among the key sector institutions, such as:

- The National Agency for Employment and Skills (NAES) - is responsible for the implementation of public policies and provision of direct employment policies, as well as management of vocational education and training providers;
- The National Agency for Vocational Education and Training and Qualifications (NAVETQ) - is responsible for the development and implementation of the Albanian Qualifications Framework and quality assurance in VET
- The State Labour and Social Services Inspectorate (SLSSI) is responsible for ensuring the implementation of the legislation on employment and employee's protection.

Apart from the responsible institutions at central level and implementing institutions, a key role in implementing employment and skills development policies is played by the cross-cutting coordination and alignment with the ministries in charge for matters related to education and social protection, their implementing agencies, as well as with the local government units.

2.2.1 Employment services

The transition towards a new three-tier client-centred service model is at the base of an organizational and substantial transformation process of the public employment services, which aims to achieve a higher impact on the labour market through services tailored to the needs of the beneficiaries and enhanced performance and efficiency in service delivery. This model is based on a service delivery oriented toward the jobseekers and their individual and socio-economic characteristics and, especially, on the risk factors that lead such jobseekers to become long-term unemployed.

The process of the new reform and service model implementation was accompanied by the development of special tools, such as the profiling and development of the individual employment plan for each registered jobseeker. Also, the employment offices infrastructure and work processes were redesigned and reorganized on such purpose during 2019-2021. In such context, the internal communication system of employment services has been strengthened and as of 2021 the said services are provided by means of an e-system. However, the provision of employment services needs to be further consolidated based on the three tier service model throughout the territory of Albania. Also the quality of delivering these services needs to be improved. The ratio between the employment offices specialists and the number of registered jobseekers at these offices is approximately 1 for 600, which is four times higher than the EU average and double the regional average.

Apart from the jobseekers, employers are also clients of the employment services. Currently, services for employers include recruitment assistance and job posting opportunities. Employers may also partner with NAES and its regional and local employment structures for the implementation of employment promotion programs. However, more can be done to improve the range of services provided by employers as well as to improve the coverage of services.

External communication with jobseekers and employers is facilitated by the approach to creating digital products and online and mobile services, in addition to traditional on-site services. The digital transformation is the topic seeping into all the processes of NAES growth and modernization, which must adapt and take advantage of technological changes to improve and increase the coverage of services, to tailor them to the clients' needs but also to improve efficiency and maintain relevance in the labour market, but guaranteeing that new forms of service delivery harmonize with traditional forms, to ensure that services are also available to those target groups that have lower understanding and/ or access to information technology tools.

Despite all efforts to reform and improve services, mediation in the labour market is still low. Approximately 50 per cent of the unemployed received services from the employment offices during 2021. Moreover, one of the key challenges within the public employment services is still the integration of vulnerable unemployed jobseekers in the labour market³⁴. Frequently, these groups consist of young people in the labour market, not in education or employment (19 per cent)³⁵; long-term jobseekers (50 per cent), people over 45 years of age (47 per cent) or those with other social disadvantages³⁶, which makes it necessary to increase the quality and efficiency of the services provided by NAES³⁷. In order to provide effective services to jobseekers from the above-mentioned groups, the employment services must expand cooperation with non-public service providers, such as non-profit organizations or private employment agencies³⁸, as well as further consolidate the provision of services in coordination with the local government units.

NAES has also endorsed another important role to collect, analyse and disseminate information on the labour market. The information is mainly collected from relevant government agencies and official statistics. The potential of developing a system to carry out real labour market analyses, to integrate data from the private sector and to identify the needs for current and future skills remains to be assessed.

³⁴ In 2021 only 6 per cent of jobseekers registered with NAES who were employed belonged to one of the specific categories identified (economic aid beneficiaries, persons with different abilities or jobseekers from the Roma and Egyptian minorities); although the latter constituted 41 per cent of the stock of registered unemployed jobseekers.

³⁵ NAES, 2022

³⁶ European Commission, 2022: 2022 Economic Reform Programmes of Albania, Montenegro, North Macedonia, Serbia, Turkey, Bosnia and Hercegovina, and Kosovo*, https://ec.europa.eu/info/sites/default/files/economy-finance/ip180_en_0.pdf

³⁸ There is an increasing number of Private Employment Agencies (PEA) present in the domain of labour market services. Some of them are highly estimated by the employers. Compared to public organizations, private bodies are considered more flexible, less bureaucratic and more service-oriented, and they can also have important information and networks with key stakeholders in the labour market. Thus, the strength of private employment agencies stands at their ability to intervene quickly and efficiently in a certain sector of the labour market by providing quality tailored services at a more flexible manner.

2.2.2 Employment Promotion Programs

Within the implementation of the Strategy on Employment 2014-2022, as well as following the focus set on employment promotion through allocation of increasing funds, the institutions undertook a reform of the employment promotion programs which aimed at ensuring an individualized implementation, addressing the specific needs of unemployed jobseekers, providing specific promotion programs, especially for those groups that face more difficulties in approaching the labour market, improving the targeting procedures, as well as expanding the employers typologies that are also implementing partners. The operational framework for the implementation of employment promotion programs got completed with programs ranging from support to subsidize employment costs, on-the-job training, professional internships, to such programs as self-employment and community work.

Despite the government's engagement and the prioritization of employment promotion programs, the implementation of reformed programs faced with obvious challenges brought about by the restructuring process of NAES and its regional and local structures, as well as the lack of capacities to handle rapid changes. Such challenges and the lack of capacities in implementing structures has led to a low level of absorption of employment programs in the last two years.³⁹ Their efficiency is still to be analysed through external assessments and more adaptation is needed for the current employment promotion programs based on the collected evidence whether from employers or from jobseekers. Additionally, the available funds have traditionally been considered as one of the key limitations to expanding the employment promotion programs. Compared to the EU countries, Albania has allocated limited funds for the promotion programs, whereas the levels of allocation were very similar compared to the countries of the region. Therefore, there is a need to explore the possibilities to increase the level of funding in the medium term, including the use of municipal and EU resources.

2.2.3 Vocational education and training

The vocational education and training system in the country boosted and received special attention with the implementation of the Employment and Skills Strategy 2014 – 2022⁴⁰, within which the formation and qualification of the future labour force and its integration in line with the needs of a developing labour market was specifically highlighted in public policies. As a result, important steps have been taken in the last years to consolidate the regulatory and institutional framework, to further develop and implement the Albanian Qualifications Framework, which was referenced with the European Qualifications Framework (EQF).⁴¹ Also, the key efforts of the responsible institutions were focused on the reorganization and optimization of the public VET providers network, a process that is expected to have a tangible impact on the expansion of VET offer in the context of life long learning.

The outcome of the efforts to increase VET quality and importance in the labour market and for adults and youth, was the development and implementation of the quality assurance framework, which is based on the interaction and comparison of the self-assessment results with the external assessment processes such as: accreditation, monitoring and inspection. The approval and initiation of the accreditation process implementation constitute an extremely important step toward the establishment

³⁹ Ministry of Finance and Economy (2021): National Employment and Skills Strategy 2019-2022, Annual Report 2020, p.23, <https://financa.gov.al/wp-content/uploads/2021/06/NESS-Annual-Progress-Report-2020.pdf>

⁴⁰ National Employment and Skills Strategy (NESS) 2014 - 2020 approved by DCM 818, dated 26/11/2014; and the NESS Action Plan 2020 - 2022 approved by DCM 659, dated 10/10/2019.

⁴¹ Law 10247 dated 04/03/2010, as amended "On the Albanian Qualifications Framework" and Order 99 of the MoFE dated 25/05/2021 "On the approval of the national catalogue of professional qualifications"

of a quality culture in the system. However, the quality assurance and development framework in VET needs to be complemented by two important functions, such as inspection and monitoring. Monitoring of public VET providers should be developed in line with quality areas, standards and criteria of self-assessment, accreditation and inspection.

A very important dimension of quality assurance in VET is also the initial qualification and continuous professional development of teachers. In this sense, the program for the initial qualification of teachers has been institutionalized, whereas the continuous professional development remains a complex challenge, whose handling will determine the success of the VET provision, that responds to the dynamic labour market and prepares the youth and adults for the dual transition.

The recognition of previous non-formal and informal learning experience, as well as the inclusion of lifelong qualifications in the AQF still remain unregulated in practice, although the Qualifications Framework can create the space for their recognition. Recognition of previous learning experience⁴² is an important instrument to promote the inclusion of employees, boost their chances of mobility in the labour market.

Apart from the efforts mentioned above, the private VET offer is still an unexploited potential, which must be made available to the overall objectives of the strategy on skills.

The key aim and the most complex challenge of the VET system still remains the updating, expansion and adaptation of the VET offer to the labour market needs in order to reduce the skills mismatch.

Developing a reliable and quality VET system in the country is a two-way process, requiring time not only for the growth and improvement of VET providers but also for the growth and consolidation of the private sector. Cooperation with the private sector in the VET provision is perhaps the most developed in the employment and skills sector, mainly thanks to the cooperation at implementation level between the VET providers and companies to conduct internships at the business premises.⁴³ The development units⁴⁴, established close to each VET provider, also aim to facilitate the relationship with the private sector, while two sectoral committees have been established. Despite these efforts, the engagement of the private sector still remains at latent stages. In the long-term plan, it is necessary to increase the reliability and appeal of the VET system, where a substantial contribution will be given by the successful models of return on investment from attending VET.

Successful models might have a positive effect on the employers' engagements growth within the VET system, as an instrument to ensure that employers' contributions increase engagement with the system and, on the other hand, ensure that the skills obtained match with their needs.

2.2.4 Labour inspection

Labour inspection aims to promote and guarantee compliance with legislation on employment, in particular to ensure observance of decent working conditions, occupational safety and health standards

⁴² DCM No. 427, dated 26/06/2019 "On the approval of criteria and procedures for the inclusion of qualifications for lifelong learning, according to the levels of the Albanian Qualifications Framework, for vocational education and training"

⁴³ Order of MoFE 220, dated 16/09/2020, "On the approval of the Regulation "On the implementation of internship at business enterprises within the VET programs in public vocational education and training institutions".

⁴⁴ Instruction of MoFE No. 14, dated 27/05/2021 "On the manner of organization and activity of vocational education and training institutions, as well as on aspects related to the management of human resources, composition of VET providers development unit and the staff continuous professional development"

and observance of working rights. The State Labour and Social Services Inspectorate (SLSSI) is the institution charged with the inspection functions in the area of labour relations.

The labour inspection system has been further consolidated in recent years, thanks to the functional analysis, the definition of decision-making and inspection functions and powers, as well as through the development of the digital system for the management of inspections, with functions and procedures that support inspection based on the risk assessment. At the same time, several practices for approaching the private sector, enhancing communication and cooperation to ensure improved legal compliance through changes in the employees' behaviour and practices have been developed.

Although inspections and sanctioning are an important element of the labour inspection, these are not always adequate or sufficient measures to ensure that violations are identified and discouraged. In this context, the promotion of a favourable ethos of working conditions and relations should be at the core of transforming the inspectorate towards a modern service, where sanctions will continue to exist, in case other forms of cooperation fail.

Also, awareness-raising, increased cooperation, communication and counselling with the private sector, employers and employees are necessary where human and financial inspection resources are insufficient to cover thousands of enterprises in various sectors with formal inspections.

The following challenges in labour inspection include, inter alia, the management of change inside the institution, to ensure the understanding and implementation of new work practices by the inspectors. On the other hand, communication and sharing of information with other key institutions, such as: the General Directorate of Taxation (GDT), the Social Insurance Institute (SII) or local government units, in addition to employers' and employees' organizations, should help to understand and monitor trends and developments in specific sectors, to obtain timely detailed information and avoid the burden of multiple inspections of business enterprises.

In order to ensure the observation of the legislation on employment, it is necessary to review the key factors that determine the employers' and employees' behaviour in the market. The recognition of these factors may clearly guide the development of policies, but also the evaluation of the legislation on employment, in cases when it is not clear or generates an administrative burden for the employer and employee.

In a setting where the trade unions' role is weak and there is a lack of good experiences, an important lead for SLSSI work should be the consolidation of the relationship with social partners for the prevention, monitoring and reporting of cases of non-observance of the rights of employees, in fulfilling the task of mitigating conflicts in the workplace.

2.2.5 Social partnership

The role and involvement of social partners in the employment and skills sector is provided for in the legislation governing labour relations, employment policies and vocational education and training, through a number of legal mechanisms. Several laws provide for the creation and operation of advisory bodies, with the participation of social partners in various aspects of policies implementation in the

areas of employment, vocational education and training and labour relations⁴⁵. In general, the engagement of the private sector in VET is supply-oriented and driven by public institutions⁴⁶.

Cooperation with the private sector and social partnership might be further consolidated, even for the purpose of strengthening the negotiating position of employees, especially in the sectors with a high employment rate. The bodies established by law, but the employers' organizations as well, must play a more active role as direct representatives of the employees' and employers' interests in general.

Based on some positive experiences of a growing interest from social partners, especially of the private sector to engage with the implementation and partly with the development of the VET offer, it is obvious the need to have an on-going communication with the social partners to enable that they get involved in the development of policies, organization, development, implementation and monitoring of employment relations, labour market and VET policies.

On the other hand it is important to strengthen the role of social partners in drafting, implementing and managing collective agreements. The regional practices and beyond, indicate that collective agreements must have a predetermined deadline, with a possibility to extend it upon partners approval. The collective agreements tools must be reviewed to strengthen the role of social partners, but also to reflect the labour market dynamics.

2.2.6 Employment protection legislation

The rules of entry and exit from a job are critical to the welfare of employees as they protect them from any type of exploitation, discrimination and unfair practices of dismissal. However, it is the same important that these rules allow companies to have the required flexibility to run their business based on the modification of conditions. When the rules of entry and exit from a job are very strict for the private sector, this might affect their employment practices. The strict workplace rules might also contribute to the higher informality that does not provide any social protection for the employees. For such reasons, it is very important to reach a balance between employee protection and labour market flexibility. The Labour Code in Albania ensures a good balance between the flexibility and safety at work (protection of employees), which positively impacts the creations of new jobs, new businesses and growth of existing businesses.⁴⁷ The estimates indicate that Albania, similar to the countries of the region, must improve some aspects of the legislation on employment⁴⁸. In order to reflect the new forms of employment in some sectors as for example in information and communication technology, it is necessary to propose simplified contractual tools for short-term or occasional jobs, as in the case of seasonal workers.

⁴⁵ The National Labour Council, National VET Council, Employment Consultative Council, Sectoral Committees, VET providers' Board of Directors are some of the bodies and platforms where social partners get involved, as per the legislation on employment, VET, Albanian Qualifications Framework and legislation on employment promotion.

⁴⁶ UNDP 2020, "Review of Albania's Vocational Education and Training System"

⁴⁷ RCC 2021, Regional Overview of Western Balkan Economies regarding the European Social Rights 2021.

⁴⁸ For example, promoting flexibility in the labour market and its potential impact on employment growth might be explored further if, agreements with a definite term for example, might be permitted even for more permanent tasks, but the maximum duration of these agreements may be limited to a definite timeframe, as is the case for a majority of countries in the region and beyond.

2.2.7 Minimum wage

The minimum wage instrument⁴⁹ has been set up to protect workers from unfair and low wages and to reduce the pay gap and job poverty. Nonetheless, when such instruments are poorly developed, might also lead to higher unemployment rates, especially among low skilled workers and youth in a labour market that is marked by competition.

The minimum wage in the country is ALL 34,000 by 2022, following several consecutive increases over the last years. The amount of minimum wage shall, in principle, reflect economic changes, living standards and growth in productivity. However, the Kaitz index that is measured as the ratio of the nominal legal minimum wage to the one adjusted for the industry-level coverage, is an indicator used to measure the limitation of the minimum wage in the labour market. This index has increased in the recent years, estimated at approximately 0.59 in 2021 from 0.42 back in 2017, and is higher than the average of European countries (from 0.33 up to 0.48). Such ratio is even higher in some sectors as: agriculture, extraction industry, constructions and trade. The same is reflected in certain groups of occupations, as shown in the table below. This analysis might also tell the gender wage gap. Wages in the private sector are also lower compared to the average wages and wages in the public sector.

Table 2: Table: Average wages and Kaitz index as per the various occupations

Group-occupations (as per ISCO-08 at 2-figure level) - Instat, 2021	Average wage			Kaitz index		
	Total	Men	Women	Total	Men	Women
Total	57,191	58,413	55,760	0.59	0.58	0.61
Legislators, senior officials of the state administration and executive directors	98,505	97,568	100,061	0.35	0.35	0.34
University degree specialists (professionals)	76,879	85,136	72,303	0.44	0.40	0.47
Technicians and implementation specialists	64,604	67,108	61,740	0.53	0.51	0.55
Officials	59,633	61,267	58,316	0.57	0.55	0.58
Services and sales workers	43,466	48,331	37,066	0.78	0.70	0.92
Agricultural, forestry and fishery qualified workers	35,826	36,450	33,659	0.95	0.93	1.01
Craft workers, artisans and related trades	39,918	42,662	34,327	0.85	0.80	0.99
Assembling, and machinery and equipment operators	40,363	43,716	35,515	0.84	0.78	0.96
Workers (elementary occupations)	35,115	35,778	34,028	0.97	0.95	1.00
Armed forces	66,698	67,095	63,673	0.51	0.51	0.53

On one hand, Albania must take into consideration the Kaitz index and its relative value compared to the countries of the region and EU and, on the other hand, the social partners and the National Labour Council must stay proactive in evaluating the labour market dynamics and lead an on-going dialogue to improve the minimum wage policy in Albania.

2.2.8 Labour market passive policies

Unemployment benefits provide a certain level of protection with income during the unemployment period, so that the unemployed can have sufficient time to look for a job and find an adequate job that matches his skills. In order to receive the unemployment benefit, the jobseekers must have contributed

⁴⁹ According to the International Labour Organization (ILO), the minimum wage is “the salary which constitutes the floor of the wage structure; its objective is to protect workers who occupy the lowest position in wage distribution”. ILO (2012): Social justice and growth: The role of the minimum wage.

to the social insurance scheme for at least 12 months, be involuntarily unemployed, be registered as unemployed in the employment office, be ready to engage in training and reskilling, and must not be entitled to other benefits from social insurances, apart from the partial disability pension.

The unemployment benefits coverage in Albania is very low. Only 680 jobseekers received the benefit in 2021, or 0.8 per cent of the total unemployed registered (or almost 0.4 per cent of the total unemployed as per the Labour Force Survey) - one of the lowest ratios of unemployment payment beneficiaries in the region and EU.

The unemployment benefit level is also low, set at a fixed rate and not connected to the level of the previous wage whatsoever. The level of unemployment benefit is set at the rate of 50 per cent of the minimum wage, paid throughout a period ranging from 3 to 12 months. The regional practice connects the benefit level to the level of wage throughout employment, which has a replacement level from 50 to 90 per cent, whereas the level recommended by ILO is 50 per cent of the previous reference wage.

Therefore, detailed analyses shall be conducted to review the possibility for a gradual increase of the unemployment benefit level to the minimum one recommended by ILO. This would ask for the development of unemployment benefits policies and their connection to the history and levels of contributions, as well as to review the duration of benefit, the minimum period of contributions payment and the contributions rate based on the fiscal deliberations, so that the unemployment insurance system can be financially sustainable.

The Economic Aid (EA) is the program that provides assistance to the poor families⁵⁰. Support with EA is limited to a five year period and during such time the beneficiaries at an active working age must register with the employment office and accept the adequate job offers or undergo a vocational training course. Limiting the reception of economic aid to 5 years, as well as the other benefits' terms and conditions from this program, highlight the need for inter-institutional mechanisms that require the provision of the EA benefit in coordination with social services and employment services in order to tackle their complex needs. Despite the improvement of cooperation between MoHSP, local structures and employment services, these institutions must expand their efforts to implement the exit strategy from EA by means of addressing the complex needs of this group in an integrated manner, which ask for a special focus and an even stronger coordination among these institutions.

2.2.9. Labour taxation

The fiscal burden from labour income expressed as a ratio between the labour costs of the employer and the net salary received by the employee, especially in cases of low wages, might encourage the employee to stay out of formal employment. The level of fiscal burden from labour income on average wages in Albania was 30 per cent in 2021,⁵¹ which is high for a mid-income country, but relatively low compared to the high income countries. Regarding Albania, the decrease in the level of fiscal burden from labour income in cases of low-income employees mainly happens due to the low rate of social insurances contributions.

Thus, to better understand the impact and effects, more detailed analyses must be conducted, as well as the fiscal impact shall be reviewed to identify various policy alternatives to reduce the taxation level of the work force, especially the social insurances contribution rates for low-wage employees.

⁵⁰ Based on the administrative data, EA reached to 9 per cent of the population in 2021.

⁵¹ If an employee receiving a minimum wage had a fiscal burden from income at 25 per cent, an employee paid 10 times more than the average wage had a fiscal burden of 26 per cent.

III. Vision, Pillars or Strategic Areas and Policy Objectives

3.1. Vision

Quality employment and lifelong training for all.

3.2. Policy goals

3.2.1. Policy goal 1: Skills development and better matching of demand with supply in the labour market for more employment

Strategic objective 1.1: Reducing skills mismatch for all occupations

Strategic objective 1.2: Upskilling for both men and women at a working age

Strategic objective 1.3: Better functioning of the labour market for all

Priority measures that will contribute to the achievement of specific/strategic objectives are:

1. Developing a VET offer that is more relevant, flexible, governed based on evidence and that ensures continuity

The information extracted from the skills intelligence system will be used to adapt and update the VET offer and to expand the post-secondary VET offer. Such process will be carried out via a methodology that combines labour market information and skills needs analysis with the development and implementation of the Albanian Qualifications Framework. In this sense, AQF/National Catalogue of Professional Qualifications will continue to be further developed and implemented by means of drafting new professional qualifications or updating the existing ones.

Special attention will be paid to the integration of work-based learning in all VET programs at all levels.

In order to adapt and make the VET system more interesting for young people and adults, within the lifelong learning ecosystem, the VET system will ensure continuity in the provision of part-time secondary vocational education programs, in hybrid forms, as well as in the delivery of post-secondary VET programs. The current VET offer will be revised in a medium-term period in order to adapt it from the point of view of duration, location, resources, organization and implementation forms. Such approaches will be used that increase the participation of adults in line with their needs.

In the first stage of the strategy implementation the VET providers' reorganization will be completed according to the network optimization plan of public VET providers and in line with the ecosystem development, as well as actions will be taken to enhance the public VET providers' autonomy. To this extent, the budget allocation and disbursement methodology will be reviewed, in order to make an optimal distribution of financial mechanisms to public VET providers, and to encourage them to seek other sources of income generation to address the lack of infrastructure, modern technology and innovative teaching and learning methods.

2. Strengthening the quality assurance and development mechanisms in the VET system

The VET importance and appeal will be achieved through the implementation and further development of the quality assurance framework and mechanisms, including (i) the development of professional qualifications based on methodologies that are built upon learning outcomes and the private sector contribution; (ii) the implementation of self-assessment as a complementary and effective tool to identify areas for improvement (including the institutional preparedness for digitalization); (iii) full implementation of the accreditation process for all public VET providers, as well as for private providers that deliver professional qualifications by levels 2-5 of the AQF, as well as the accreditation of centres for the recognition of prior non-formal and informal learning; (iv) the development of the inspection

approach and model, including inspection in VET as well as (v) the implementation of the monitoring and evaluation framework of public VET providers.

All quality assurance and development elements and mechanisms will be harmonized and based on the same principles and standards. This will significantly increase the quality and importance of VET offer. In order to increase interest among youth and adults, within the lifelong learning ecosystem, the (initial and continuous) VET system will offer suitability and ensure continuity, by providing VET programs in innovative learning settings (digital and blended) with accessible infrastructure, equipment and technologies.

A system will be set up and delivered to develop the teachers and development units capacities, with mechanisms focused on the initial qualification and continuous professional development of teachers to improve technical (professional) and digital skills to the benefit of a quality teaching. These systems will be followed by supporting policies to recruit the teaching staff. Also, mechanisms will be developed to build the capacities of the managerial and support staffs within the public VET providers.

3. Involving the private sector systemically and systematically in the VET governance, development and provision

Private sector engagement is a necessity to the VET system, in order to adequately respond to the labour market needs for skills. The private sector engagement will be considered at several levels. The first level is related to the involvement of the private sector in the VET provision and it prioritizes: a) strengthening the decision-making role of private sector representatives in public VET providers' Board of Directors; b) formalizing the cooperation structures with business enterprises for the provision of work-based learning (on-the-job-training and/or dual education); c) establishing cooperation clusters of VET providers with champion business operators in certain sectors of economy; d) building the business operators' capacities in the implementation of work-based learning; e) exposure and on-the-job training of VET teachers and f) strengthening the development units within the VET provider to enhance cooperation with the businesses.

The second level includes the engagement of the private sector in the development of the VET offer through a) Sector Skills Committees, where the contribution of business enterprises will be used in adapting the VET content and training programs, including the development and validation of professional standards in priority sectors; b) setting up new channels of communication with the private sector in support of the VET system promotion and engagement of companies in the implementation of internships. At the macro level, the tripartite statutory committees and councils will be activated to facilitate the active contribution of the business community and social partners to the VET reform. To ensure quality work-based learning opportunities for students, quality assurance mechanisms that define the minimum standards that guarantee the fulfilment of learning outcomes will be harmonized and consolidated, together with the standardization of work-based learning mechanisms, based on initial successful experiences by all stakeholders involved, as per the roles and responsibilities defined in the VET legislation.

For the purpose of achieving the private sector engagement in different levels of VET, awareness and information campaigns will be planned and implemented, as well as supporting and motivating instruments, and capacity development activities for the business, as per the specific roles that it has in delivering VET.

4. Fostering inclusive lifelong learning opportunities

This priority measure will aim at improving the delivery and use of lifelong learning opportunities. First, the level of skills among adults in Albania will be analysed in order to develop and deliver tailored

packages. The lifelong learning offer will be reformed based on these analyses and socio-economic development priorities, by diversifying the public offer of vocational training and life skills, supporting the development of the lifelong learning private offer, as well as engaging the private sector as a skills development provider. The e-learning platform for adults learning will be developed in cooperation between public and private partners. The focus of the learning offer diversification for adults and girls, with a gender-sensitive perspective, will be the development of skills for dual transition (green and digital skills), as well as increasing skills in the economic sectors with an added value. In such context, a special attention will be paid to the measures of reskilling and upskilling of employees by cooperating with businesses, as is also foreseen in the Business and Investment Development Strategy 2021-2027.

Then, for the purpose of increasing the participation in these offers, work will be focused on promoting lifelong learning among citizens, setting up career guidance to support the lifelong learning culture at an early age and increasing adults' access in training⁵², by means of implementing the micro-credentials approach, exploring funding approaches such as the individual learning accounts, modularization and involvement of lifelong learning qualifications in the AQF, including the vocational training courses.

5. Recognizing prior non-formal and informal learning

Recognizing prior non-formal and informal learning aims to give value to the know-how, skills and competences of the individual, to enable employment or participation in further learning processes. The institutions will set up the prior non-formal and informal learning recognition system based on the legal framework on vocational education and training, as well as on the Albanian Qualifications Framework. The legal framework will be completed in parallel and will serve to the organization and implementation of all the stages in a process of prior learning recognition: identification, documentation, assessment and certification of knowledge, skills and competences (learning outcomes). At the same time, the implementation process will be supported by means of defining the funding modalities while taking into consideration any opportunities to encourage private enterprises or individuals to invest, engaging the adequate human resources, building and enhancing the practitioners' capacities, as well as supporting individuals that will participate in the process of prior learning recognition.

The awareness and information on the prior non-formal and informal learning recognition will be part of the lifelong learning promotion that will be also carried out through ad hoc communication and information campaigns.

The quality assurance and development mechanisms will be built upon the framework of quality assurance in VET, having in mind the specifics of the prior learning recognition process.

6. Digital transformation of employment services and VET system

This priority measure will ensure that digital employment and VET services are available and used by jobseekers, employers, VET students/trainees and VET providers. To this end, the institutions will continue their efforts to digitalize internal processes, digital products for clients and systems interconnection, in line with the European platforms as well, such as EURES.

The institutions will support the digitalization of internal employment and VET processes and services, as well as the advancement of information systems, ensuring interconnection with the external providers of employment and VET in order to enable integration of their services into the system. This will also ask for the automation of work processes among the VET and employment services public providers, as well as of quality assurance processes.

⁵² <https://www.consilium.europa.eu/en/press/press-releases/2022/06/16/council-recommends-european-approach-to-micro-credentials/>

The institutions will support the development of a wide range of digital products for the employer and the jobseeker, such as: registration and announcement of vacancies or interests for jobs or internships, automatic matching for jobs or internships, tracking employability per employment and training services, career guidance, soft skills development including basic digital skills which can also be accessed via mobile. The institutions will develop digital profiles for the jobseekers (digital CVs), which will help to optimize the model of employment service provision.

Simultaneously, the institutions will develop and administer online interactive VET platforms and will provide targeted support to the VET providers to improve and strengthen the delivery of their educational or training offer in the combined teaching, online classes, e-internship. These digital products will be assessed and gradually expanded to be used by all providers by 2030.

Therefore, the providers of professional VET will be supported with the proper infrastructure and the required didactic skills for a combined teaching and development of digital education materials.

7. Establishing a skills intelligence system that generates information on the labour market and VET developments

This priority measure includes the creation and gradual development of the skills intelligence system, through the development and implementation of an internal system called the Labour Market Information Observatory (LMIO). LMIO will collect and analyse information from administrative data, labour market demand and supply data, and economic data from INSTAT, GDT, NAES, other institutions and private employment agencies, through sector skills analyses according to the Sector Skills Committees' requirements, national and regional analyses of skills needs, analysis related to effects of strategic investments on employment and skills, as well as through the organization, development and implementation of a skills needs projection mechanism.

LMIO will generate information on the skills (technical and soft) that are in demand in the market and the skills missing in the latter, but also the skills that will be required in the near future for many different occupations by supporting career guidance needs.

LMIO will provide information on the occupations in demand and will also provide important information on the VET systems quality and relevance in a very comprehensible, regular and relevant way not only to policy makers, in order to enable timely and evidence-based policy making, but also to VET providers and the general public. LMIO will provide analyses related to the effects of strategic investments on employment.

Finally, through LMIO and based on experiences and acknowledged models, work will focus on the development and application of a tool for long-term projection of skills needs.

8. Expanding and consolidating services for employers and jobseekers and tailoring them continuously based on monitoring and evaluation practices

In addition to expanding digital services, the employment services for face-to-face clients will be consolidated, based on the three-tier employment service delivery model and the delivery and quality of these services will be closely monitored. Institutions will provide employment services that are individually-centred, by also making available digital products, as well as by improving specialized services for unemployed jobseekers by means of using ecosystem mechanisms.

In order to expand their services, public employment service providers must enhance information mechanisms and channels as well as contacts with employers so as to register as much vacancies as possible. The institutions will expand and strengthen partnership with employers for the

implementation of different employment promotion programs and training of unemployed jobseekers, jobseekers and their staffs.

A cooperation mechanism will be developed and support actions will be undertaken with the private employment agencies to include them as part of the ecosystem in the delivery of employment services, by reviewing, when applicable, the legal framework to this end as well. The institutions will cooperate with private employment agencies to facilitate the integration of foreign workers recruited in Albania.

To support such changes, the institutions will initiate a system of continuous professional development of employees and support staff in employment offices to improve technical, soft and digital skills for the delivery of employment services and they will also implement an appealing approach in recruitment policies and staff career opportunities.

Moreover, the institutions will consolidate the performance management system by setting annual performance targets for public employment service providers, monitoring their performance and providing support to significantly improve the level and efficiency of service delivery for both employers and jobseekers.

The institutions plan to expand the use of monitoring and evaluation (M&E) capacities by improving M&E tools and building the staff capacities to track active labour market services and programs (ALMP) provided to various jobseekers and employers and improve the quality and effectiveness in order to determine what types of services and ALMP work best and for what beneficiaries.

Lastly, within the regional strategy (South East Europe Strategy) the institutions will work on identifying skills shortages at the regional level, but also promote the movement of skilled labour within the South East Europe Region to address the lack of required skills, promote regular and well-organized immigration to the South East Europe Region for those skills not met by regional or Diaspora sources.

9. Facilitating labour force mobility

This measure will focus on promoting labour force mobility domestically, to the benefit of labour market developments and skills shortages. To this extent, the labour market institutions will use the skills intelligence system analyses for labour force mobility, labour market needs and potential skills shortages or shortages potentially related to labour force mobility and guide policies with the proper measures, based on the said needs. The priority action of such measure will be the connection with other platforms for skills, mobility and employment, such as the European platform EURES.

In order to facilitate labour force mobility within the country, the labour market institutions will make all vacancies accessible by all jobseekers, employers and employment specialists that are responsible for employment mediation. Expanding jobseekers group helps with an efficient mediation for employment. In order to reduce barriers against geographical mobility of the labour force, the labour market institutions will adapt their services and will provide the unemployed with the possibility to gain soft and digital skills, as well as access in vocational training throughout the territory of Albania.

On the other hand, for the purposes of facilitating labour force mobility beyond borders in the region, within the regional strategy (South East Europe Strategy) the institutions will work on identifying skills shortages at the regional level and will also promote the movement of skilled labour within the South East Europe Region to address the lack of required skills, as well as on promoting regular and organized immigration to the South East Europe Region for those skills not met by regional or Diaspora sources. Labour mobility beyond borders will be further promoted to ensure that the legal and regulatory framework, as well as the implementing mechanisms, promote fair recruitment from other countries and from the labour market stakeholders, which complies with, protects and fulfils human rights

recognized internationally, including those set out in the international labour standards. This might ask for a revision of the legal and regulatory framework in order to approximate it to the relevant EU directives, enhancing the labour inspectorate capacities as well as raising awareness among the labour market mediators (private and public employment agencies), jobseekers and employers on the fair recruitment standards from foreign countries by sharing targeted information and providing improved services. Moreover, a constructive dialogue will be supported as well, also in cooperation with the multilateral and bilateral frameworks to promote fair, safe, regular and well-governed immigration for employment purposes.

As part of the labour force mobility and reintegration of Albanian migrants, the institutions will strengthen protocols to promote coordination among various governmental stakeholders, with the objective to improve the information available to returnees and to support the relevant services for the purpose of addressing the specific needs that this part of the Albanian society faces with. As such, apart from recognizing the skills and qualifications received formally or non-formally, the labour market institutions will adapt their employment services and employment promotion programs, the provision of language courses, etc. Thanks to these interventions, the returnees will contribute in meeting the demand for labour force, bringing at the same time the technical skills, cultural diversity, innovative thinking and other languages to this country.

Policy goal 2: Enabling decent employment for women and men through the implementation of inclusive labour market policies

Strategic objective 2.1: Mediating and delivering effective and inclusive programs supporting employment

Strategic objective 2.2: Ensuring decent work for everyone, everywhere

Priority measures that will contribute to the achievement of specific/strategic objectives are:

1. Delivering training and employment promotion programs and services through the labour market ecosystem

The strategy aims at improving the efficiency of the three-tier employment services model⁵³. The institutions will develop third level specialized case management approaches and models and will deliver services to the jobseekers in partnership with other labour market stakeholders, which will also support in handling labour market barriers in a specialized manner. Such partnership will enable the setting of experiences and capacities of various stakeholders at central and local level, such as non-governmental organizations, international organizations, public and private training providers, supporting services providers, basic and secondary vocational education for adults, chambers of commerce, industry and trade, employers organizations, private employment agencies, other formal and non-formal groups.

A special attention will be dedicated to the expansion of case assessment and referral mechanisms in cooperation with the Needs Assessment and Referral Units in the administrative units at local level and

⁵³ **First tier of employability:** The jobseeker is ready for work and has no obvious secondary and personal issues and presents a low risk to convert into a long-term unemployed. **Second tier of employability:** The jobseeker is close to the labour market, but the econometric profiling shows that there is a medium risk for him/her to convert into a long-term unemployed. **Third tier of employability:** The jobseeker is disadvantaged and more at risk to convert into a long-term unemployed. The third tier employability jobseekers constitute the category with the highest priority to engage in an intensive interaction with the NAES advisor and this group will have at its immediate disposal an inclusive range of interventions.

to strengthen the institutional coordination for the provision of social, health and educational support services that enable the conditions for employment.

In cooperation with public, non-public and private providers, employment promotion and training programs will be designed and implemented for vulnerable groups, such as the youth (as part of the Youth Guarantee Scheme), persons with disabilities (as part of the Social Employment Fund), beneficiaries at a working age from families receiving economic aid, long-term jobseekers, ethnic minorities, low-skilled and low-educated persons (as part of the social enterprises, community work programmes, engagement in public works funded by the municipalities, etc.). The programs will be gradually expanded, taking into consideration the recommendations emerging from the process of evaluating their efficiency and effectiveness.

The institutions will consider the possibility of expanding and increasing the flexibility of the offer and modalities for continuous training in the public and private VET system. The continuous training will aim at increasing the active employment measures efficiency as well as diversifying the funding resources in the training systems. The employment subsidy forms within the social “care economy” will be followed by policies for the continuous training and counselling in order to ensure a sustainable long-term integration in the labour market, as well as to encourage engagement through awareness and information.

2. Supported and inclusive school-to-work transition for young people (NEET) through the implementation of the Youth Guarantee scheme

The Albanian government and institutions relevant to employment, education and training will ensure that every young person under the age of 29 (NEET) has a decent offer of employment, training or education within a reasonable period of time from the moment of identification, in line with the European Commission recommendations. Therefore, in cooperation with line ministries, a national plan for the implementation of the Youth Guarantee⁵⁴ was designed and it provides for several reforms divided into four phases: mapping, engagement, preparation and delivery.

For the mapping phase, programs and instruments will be developed to prevent the increase in the number of NEET youth based on the information generated by the VET system; a monitoring system for early dropping-out will be established and the in-school career guidance service will be strengthened.

For the engagement phase, community-based information campaigns and campaigns applying innovative social media engagement methods will be organized in collaboration with partners and stakeholders to spread information and reach the young people in location.

⁵⁴ Preparations for the implementation of the Youth Guarantee have begun pursuant to the Economic Investment Plan for the Western Balkans. Two working groups have been set up by Order of the Prime Minister dated 24/02/2022: (i) the technical working group; and the inter-institutional working group, which includes partners of the Ministry of Finance and Economy such as: Minister of State for Youth and Children, Ministry of Health and Social Protection, Ministry of Education and Sports, Minister of State for Entrepreneurship, Ministry of Tourism and Environment, Ministry of Agriculture and Rural Development and the key implementing agencies in the area of employment, education and vocational training.

Both groups include active members from youth umbrella organizations, social partners and various experts. The scheme will be implemented by several institutions, including the National Agency of Employment and Skills and other institutions mainly related to education and youth.

Based on the tasks defined in the Order of the Prime Minister, the technical working group developed the draft National Plan of Youth Guarantee during April-August 2022. This draft got approved by the inter-institutional working group in August 2022. The National Plan of Youth Guarantee, which also includes a reflection of the suggestions from the European Commission, will be approved by the Council of Ministers as an integral part of this strategy, pursuant to Annex 3.

During the preparation phase, new registration instruments will be developed on the NAES portal, the employment offices staff capacities will increase to serve new jobseekers, and the partnerships created between individual service providers and various other public authorities and non-public organizations to deliver more specialized services for NEET youth will be used. In order to administer and monitor the Youth Guarantee, the labour market information management system will expand to track the NEET youth journey before, during and after their inclusion in the Youth Guarantee scheme.

For the delivery phase, programs to promote employment and training will be developed and tailored such as employment supporting programs, vocational secondary, post-secondary and part-time education programs, and continuous training and internship programs to enhance basic and professional skills.

3. Increasing integration of persons with disabilities into skills development and labour market systems

Increased opportunities for employment and training of persons with disabilities will be supported by a higher awareness to engage in active living; enhancing the capacities of institutional structures to provide tailored services, prepare the private sector and employers on including persons with disabilities and to make operational the Social Employment Fund. Institutions will develop new tools to assess the needs for employment and training of persons with disabilities, in coordination with other institutions. Institutions will ensure reasonable adjustment of the premises in employment services and vocational education and training institutions by making interventions in infrastructure, technology and staff capacity development. The Social Employment Fund will become effective by putting into operation the contribution collection mechanism from employers in cooperation with the agent delegated for the collection of contributions (General Directorate of Taxation).

In cooperation with partners and stakeholders, new and tailored programs will be designed to encourage the employment and development of capacities of persons with disabilities in the workplace; new tools will be designed to support the private and public sector in accommodating persons with disabilities in the workplace by providing the continuous personal equipment and services (reasonable adjustment), financed by the Social Employment Fund. Institutions will undertake information and awareness-raising campaigns for employers and the private sector in order to develop an inclusive culture in workplaces, and training and education institutions.

4. Enhancing women's inclusion in the labour market

This priority measure will focus on increasing the women's participation, especially on integrating non-active women, in the labour market by promoting gender-mainstreamed training, flexible employment and self-employment policies, as well as by providing specific support to activate them.

Therefore, mechanisms will be set up to identify the needs and profiles of non-active women through social administrators and gender officers at local level, as well as mechanisms to provide training and employment opportunities in various economic sectors, including the sector of care.

The institutions will draft and implement programs to increase the participation of women in the rural and agricultural labour market, by providing information and support to access and enable the receipt of funds for development, whether for rural development, agritourism or tourism.

The institutions will support non-active women with entrepreneurship and social economy, manufacturing of local products or green economy, online business activities, as well as with assessing the possibility for fiscal subsidies in these sectors.

5. Strengthening and improving the efficiency of labour inspection at the country level

The institutions will strengthen even further their role in implementing the legislation on employment and protection from discrimination, ensuring occupational safety and improving health conditions by focusing on the improvement of monitoring and inspection at the workplace as well as on the promotion of preventive and support culture.

In order to improve the monitoring and inspection in the workplace, the institutions will work on modernizing, strengthening and expanding the inspection capacities, coordinating their activity with other work-related institutions, further improving the inspection infrastructure and its digitalization, expanding the scope and coverage of labour inspection, organizing risk-based inspections, increasing even further compliance inspections (based on updated checklists).

In order to improve the awareness of employers and employees of their rights and responsibilities and of the legal working conditions requirements, the institutions will strengthen the information and advisory system, including services for businesses, as well as the application of administrative measures to prevent and minimize violations of the Labour Law, especially those related to employment relations and occupational safety and health.

6. Promoting social dialogue in the labour market

Supporting the role of social dialogue directly serves the reforms in the field of employment and the orientation of the country's economic policies, aiming at the full harmonization of the legislation and institutional mechanisms of the labour market with the European Union standards and especially in matters related to employment relations, occupational safety and health, equal opportunities for women and girls, persons with disabilities and other vulnerable groups of the Albanian society.

To achieve this goal, the tripartite employer-employee-institution interaction will continue to be supported and the organization of employees will be supported in all the ways provided for in the law to enable their inclusive and active participation in the social dialogue process and ensure the functioning of transparent and efficient accountability. In addition to the strengthening the social dialogue at the central level, the establishment and support of this process at the local level will be prioritized, aiming for a broad and efficient inclusion in solving the labour market challenges. The social dialogue opening to new organizations of employees and employers, especially in the new economic activities and forms of work, will be made possible through the careful review of the representation criteria in the relevant tripartite dialogue forums at the central and local levels, including the efficient operation of the National Labour Council, to guarantee productive, inclusive, accountable dialogue.

In addition to the social dialogue promotion at the central and local levels, in line with the same developments in the EU countries, priority will be given to opening and including in the dialogue other parties with an interest and contribution to the labour market, such as civil society organizations active in this sector (tripartite plus).

Part of this process will also be the strengthening of institutional structures to effectively address and mediate conflicts and reconciliation in the labour market for collective agreements and protection of employees' rights to enable a sound development of the social dialogue in the country.

7. Improving policies for decent employment

In order to improve all employees' well-being and living conditions, the strategy implementation process will focus on supporting reforms and policies aimed at decent jobs supported by an adequate protection system against unemployment, good working conditions, decent and competitive salaries through functional market mechanisms.

The strategy implementation will aim at all important aspects of a decent job, including the right to association, career development, working hours and on-going revision of minimum wage at national level with the participation of all social dialogue stakeholders, as well as addressing related matters, such as informality, opening the labour market, competition in the integrated region, gender perspective at work, occupational safety and health, etc.

In this sense, the interaction and the effects of unemployment benefits and active labour market inclusion mechanism and policies will be taken into consideration from the point of view of fairness and equality that the unemployment payment system provides and the protection this system offers, in order to assess the possibilities of reforming the latter to provide an adequate support to the unemployed and to enable their active inclusion in the labour market.

IV. Accountability, monitoring and evaluation analyses

4.1. Implementation and Coordination Mechanisms

The strategy will be implemented during 2023-2030. The Ministry of Finance and Economy (MoFE) will have a leading role in the implementation of the Strategy as the institution in charge for the area of employment and vocational education. The responsibility for the implementation of each measure and each intervention within the measure is defined in the Action Plan of the Strategy which is shown in Annex 1. The activities of each intervention will be reflected in the annual operational plan of each institution responsible for the implementation of the Strategy.

The Strategy will be an integral part of the Integrated Planning System (IPS) and National Strategy for Development and Integration 2021-2030.

4.2. Monitoring and Evaluation

Monitoring is an ongoing process of collecting and analysing information about the implementation of priority interventions and measures. Monitoring tracks actions, interventions, financial resources allocated and spent on a regular basis and compares them with the action plan to assess how the Strategy is being implemented. Performance monitoring indicates the results achieved at different levels: (i) priority measures, (ii) specific objectives and (iii) long-term goals which are defined as policy goals against specific targets. Monitoring will be based on information collected regularly through the monitoring system. However, the monitoring of the implementation of the actions and interventions within the priority measures, and the monitoring of the allocated and spent financial resources will be based on the annual work plan of the institutions responsible for the implementation of the Strategy as well as according to the action plan of the Strategy. On the other hand, performance monitoring or outcome monitoring will be based on the monitoring and evaluation framework that has been prepared for this purpose and is available in Appendix 2, where the performance indicators for priority measures, specific objectives and main policy goals have been defined and the data collection responsibility is allocated.

Monitoring of implementation of priority measures, interventions and financial resources allocated and spent, as well as performance monitoring will be carried out on an annual basis. The Ministry will have the responsibility to arrange the monitoring information and present it in the relevant monitoring report that will be submitted to the Government but also discussed with other stakeholders.

For the evaluation of the Strategy, two evaluation exercises will be performed. One exercise will be performed at the end of the first phase of the Strategy (2023-2025) and the other at the end of the Strategy (2029-2030). The first evaluation exercise will analyse the implementation of the priority measures and achieved outcomes. By comparing with the baseline situation, the mid-term evaluation will highlight changes in the general context and assess whether the objectives, priority measures and interventions remain relevant before the second phase of the Strategy implementation starts for the period 2026-2028. This evaluation will also examine whether there is still full coherence between the strategy's objectives and national priorities and policies. The mid-term evaluation will be based on the information collected from the monitoring system and from the general context and will provide instructions for the review of the Action Plan of the Strategy but also for the design of more detailed annual operational plans for the next period 2026-2028.

The final evaluation that will be performed in 2029-2030 will analyse the entire progress of the Strategy. This evaluation will report on the efficiency, importance, effectiveness and sustainability of priority measures of the Strategy.

V. Financial resources for the implementation of the Strategy

Table 3: Costs of the National Employment and Skills Strategy, by funding source

Costs of the National Employment and Skills Strategy 2023-2030		Indicative cost (in ALL)	Funding source		Financial gap	
			State budget	Foreign funding	ALL	%
Policy goal 1	SPECIFIC OBJECTIVE 1.1: Reducing skills mismatch for all occupations	29,522,288,976	26,655,432,497	106,150,000	2,760,706,479	9%
	SPECIFIC OBJECTIVE 1.2: Upskilling for both men and women at a working age	1,224,197,588	599,874,800	94,985,324	529,337,464	43%
	SPECIFIC OBJECTIVE 1.3: Better functioning of the labour market for all	3,548,552,652	2,878,967,160	155,886,160	513,699,332	14%
Policy goal 2	SPECIFIC OBJECTIVE 2.1: More inclusive employment mediation	26,211,384,015	10,227,488,066	7,011,456,000	8,972,439,949	34%
	SPECIFIC OBJECTIVE 2.2: Ensuring decent work for everyone, everywhere	15,007,443,434	10,587,653,432	23,800,000	4,395,990,002	29%
Total		75,513,866,666	50,949,415,955	7,392,277,484	17,172,173,227	23%

Table 4: Costs of the National Employment and Skills Strategy 2023-2030, without any distinction of funding source

Costs of the National Employment and Skills Strategy 2023-2030		Indicative cost (in ALL)	Funding source State budget and foreign funding	Financial gap	
				ALL	%
Policy goal 1	SPECIFIC OBJECTIVE 1.1: Reducing skills mismatch for all occupations	29,522,288,976	26,761,582,497	2,760,706,479	9%
	SPECIFIC OBJECTIVE 1.2: Upskilling for both men and women at a working age	1,224,197,588	694,860,124	529,337,464	43%
	SPECIFIC OBJECTIVE 1.3: Better functioning of the labour market for all	3,548,552,652	3,034,853,320	513,699,332	14%
Policy goal 2	SPECIFIC OBJECTIVE 2.1: More inclusive employment mediation	26,211,384,015	17,238,944,066	8,972,439,949	34%
	SPECIFIC OBJECTIVE 2.2: Ensuring decent work for everyone, everywhere	15,007,443,434	10,611,453,432	4,395,990,002	29%
Total		75,513,866,666	58,341,693,439	17,172,173,227	23%

VI. Annexes

Annex 1: Action Plan for the implementation of the National Employment and Skills Strategy 2023-2030

Annex 2: Monitored indicators

Annex 3: Youth Guarantee Plan