

YOU SEE!

PLATFORM FOR SOCIAL INNOVATIONS
IN YOUTH EMPLOYMENT



Regional CSO platform advocating social innovation under employment policies that guarantees security for youth at risks, an EU-funded project. This document has been produced by financial assistance of the EU funds of Civil Society Facility Operating Grants to IPA CSO Associations.

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SELF-EMPLOYMENT

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**“LENS”
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ACRONYMS

DLE – Department of Labor and Employment

MLSW – Ministry of Labor and Social Welfare

MTI – Ministry of Trade and Industry

SME – Small and Medium Enterprises

NGO – Non Government Organizations

VC – Vocational Centers

ICT – Information and Communication Technology

EO – Employment Office

FOREWORD

This paper is part of the project: “Regional CSO platform advocating social innovation under employment policies that guarantees security for youth at risks” supported by the European Commission Civil Society Facility funds, and implemented by a partnership of six organizations from Western Balkan and Turkey. The project was implemented through a twelve-month period in Kosovo, Montenegro, Albania, Macedonia, Serbia, Bosnia and Herzegovina and Turkey. The content of this document are the sole responsibility of YOU SEE! project partnership and can under no circumstances be regarded as reflecting the position of the EU. These data are specific for Kosovo and are collected and refined from Lens.

Information in this research is gathered through researches, statistics, and reports of different institutions, governmental and non-governmental ones. Furthermore the paper proposes a guideline which would serve as best practices to lower the unemployment rate. Similar papers like this can be found in partner countries of the project as they mutually coordinated their activities. However each paper will have flexibility to focus on specific approach based on the national problems, and as a whole, these papers will be presented as a regional report which will serve as a review of current regional state.

In conclusion this project aims to enhance the regional cooperation, representation and political participation in order to advocate effective reforms in employment policies, which articulates interests of youth groups at risk of marginalization in accordance with their socio-economic background and living place.

ABSTRACT

The active labor market measures are the most important element of a country's efforts to combat unemployment. In Kosovo these measures make up the central part of the sector strategy, which identify employment as a key objective of the common economic policy. Their priority is not only ensuring and developing vocational abilities and employment possibilities, but the long term treatment of the problem as well. The main goal of this study is the explanation of the active labor market measures, their impact in the increase of vocational abilities in the labor market, more specifically support on self-employment within the function of social entrepreneurship, with the aim of offering employment possibilities for the youth.

So, the issue is how much potential the active labor market measures has to generate new employment and self-employment possibilities for the youth and the job seekers, focusing on the combination of self-employment with social entrepreneurship.

When we say employment we mean the fundamental right of individuals to ensure sufficient life sources, in accordance with human dignity and being guaranteed provision of goods and additional services in the interest of the community. While unemployment is the part of labor force which is not employed but is actively seeking work.

Self-employed is that person which does or generates a job on their own or with a group of people, without being contracted by an employer.

The data on this study were taken from reports, researches, and statistics of various government and non-government institu-

tions. The conclusion of this study is that active labor market measures and self-employment within the function of social entrepreneurship are some of the main alternatives on youth employment growth.

Keywords: Kosovo, unemployment, social entrepreneurship, labor market, self-employment.

1. INTRODUCTION

The addressing of social problems like unemployment, social involvement, and the offering of various services for the benefit of society remains a big challenge for developing countries. In fact, Kosovo suffers from high unemployment. The general social objective is the reduction of poverty through the increase of youth engagement in jobs, with a special focus on the youth who are at risk of being marginalized. Small and medium enterprises are a developing economic reality in Kosovo. They exercise activities in various economic fields, however, they are faced with a number of barriers in business development. The barriers are of many sorts, such as cultural barriers, infrastructural, operational, regulative and internal. The main obstacles in the development of SMEs are the absence of managerial abilities, bureaucracy, lack of trust, lack of capital for new businesses, as well as in the informal economy. Social involvement is yet to become an issue that may be supported and developed within the existing business circle in Kosovo.

In Kosovo, issues related to social involvement and the offering of social services for the benefit of society is tightly connected to the activities of the Non-government Organizations (NGOs). There are about 4882 NGOs in Kosovo, however, only 500 are active. From these NGOs we find some that have been involved in economic and social activities dealing with support of employment and offering of social services. For instance, the NGO “Kosovo Women’s Network” is involved in the implementation of numerous economic activities on women’s employment or organizations that support the social sector. Another example is the organization “Hendikos” which offers services and employment for people with special needs, specifically offering social services for the special needs children.

Kosovo does not have a specific regulation for social enterprises yet and it neither has an institution dedicated for this issue. However, various sector policies which relate to job integration of disadvantaged people or policies related to offering of goods and social services for different categories have been developed continuously.

One of the interventions in the labor market that tends to increase employment, especially that of the youths, is the self-employment measure. Self-employment offers many employment possibilities for the youth, enhances the capacities for labor market, increases networking, capacities as well as the development of their activities which raises the potential for employment through development of entrepreneurship.

Stimulation of self-employment includes two steps. The first one has to do with offering of information and increase of awareness in regards with what self-employment represents, as well as what is needed to start and manage a business, in order for the individuals to really consider this as a career opportunity. In case an individual decides to further consider this career opportunity or decides to start his or her own business, the second step foresees the guaranteeing of a package of supporting measures which start with vocational abilities training in relation with the business, and end with advice before and after the opening of the business, as well as access to grants and/or loans.

Another possibility will be a workshop that aims to offer information and to increase awareness on what self-employment represents, and what needs to be invested in order to create and manage a business, in order for the persons to witness self-employment as a career opportunity on first hand. Those

candidates who have the motivation and necessary characteristics to be part of the program will be invested on individually and will draft an individual development plan.

The significant decrease in the involvement of labor force in the labor market may have different causes such as a number of people working in the non-formal sector, the others might be discouraged by the situation in the labor market and have distanced themselves from the labor force. The interest of youths in being involved with the active labor market measures has also decreased because of the inefficiency of these measures in creating regular working engagements, and the compensation they receive while they are engaged with work is low compared to the standard of living in Kosovo. The actual compensation is conceived to cover the travel and nutrition expenses, however, the cost of these expenses has increased manifold, while the compensation has not reflected in the same way. Then there have also been complaints that in some cases the employers do not treat as they should the youths that are engaged in programs and projects that support the active labor market measures.

2. THE IMPACT OF ACTIVE LABOR MARKET MEASURES IN DECREASING UNEMPLOYMENT

The active labor market measures are the main intervention by the government in the labor market which aims to offer an opportunity for able bodied workers to get jobs, increase vocational abilities for the labor market, as well as directly mediating employment in the private sector. In the places where there is accordance between the job seeker and the employer; creates direct contact opportunities between the job seeker and the employer, introduction and development of relationships which in the best case scenario result in the creation of a regular working engagement. They also increase the level of cooperation between the state institutions and the private sector.

The active employment measures play an important role in the integration of the unemployed persons in the labor market. Through the active measures a considerable number of employments of unemployed persons have been facilitated, and a number of them have been referred for vocational advancement trainings. The youth unemployment is simply a temporary state which will be followed by the youth employment in a later stage, however, this is a prolonged process which goes through a number of phases such as school, unemployment, employment, unpaid employment, low wage employment of unqualified workforce. All these phases have a low opportunistic cost.

Self-employment is one of the measures of the labor market which helps the unemployed in starting a business and offers training and counseling to the self-employed in order for them

to develop and manage a business. Active market measures also provide financial support to help the unemployed start a business activity. Self-employment continues to contribute with 21% of the general employment level and it is an alternative to a paid job when the latter one is difficult to find¹. The self-employment measure aims to address unemployment through self-employment, creating thus new work places in small companies.

Professional advancement includes two sub-measures: (i) Institutional training in Vocational Centers (VC), and (ii) Combined training from VC and the company.

(i) Institutional training is the kind of training that is offered by 8 Vocational Centers that operate under the umbrella of the Department of Labor and Employment (DLE). Vocational Centers (VC) offer free training for jobseekers in a particular occupation, focusing in applying skills and practical knowledge while using the theoretical lessons in classes and various labs. The aim of institutional trainings is to help increase or adapt professional knowledge, skills, and the necessary attitudes for an efficient performance in an occupation.

(ii) VC will identify companies to cooperate and through a mutual understanding agreement with the businesses will implement the combined training, meaning that some modules will be held at the center while other modules related to the practical part of product finalization will be held in the company's premises. In order to verify the client's progress towards the achievement of the final objective of the employment program, i.e (re)employment, it is necessary for a monitoring system to

¹ Strategjia e punësimit - http://mpms.rks-gov.net/Portals/0/Aktiviteti%20javor/Strategjia%20e%20Punesimit_Drafti%20i%20aprovuar%20nga%20Qeveria.pdf

be created which would enable performance measuring for individuals, programs and circles.

The DLE has monitored, supervised, evaluated and implemented employment and vocational policies through the Employment Division and the Vocational Division. In various economic analysis of youth labor market, turns out a determining factor for employments or unemployment is also the level of education.

Main indicators of labor market (%)	Male	Female	Total
Scale of involvement in the workforce	61.8	21.4	41.6
Inactivity scale	38.2	78.6	58.4
Report of employment against population (employment scale)	41.3	12.5	26.9
Unemployment scale	33.1	41.6	35.3
Unemployment scale for the youth (15 - 24 years)	56.2	71.7	61.0
Percentage of NEET youth in the youth population (15 - 24vjeç)	26.6	34.0	30.2
Percentage of unstable employment against general employment	26.7	18.9	24.9

Fig. 1 The main indicators or labor market (%) Source: Survey of Workforce in Kosovo 2015

2.1 YOUTH EMPLOYMENT POSSIBILITIES THROUGH THE SELF-EMPLOYMENT PROGRAM

ASAThe self-employment program supports the unemployed and jobseekers who want, and have a vision and strategy to create and build their businesses. As a result of business creation we can not only self-employ, but also generate jobs for jobseekers and other unemployed people. The youth should seek information on the self-employment program from the institutions which deal with the labor market, such as Employment Offices, Vocational Centers, youth organizations in the local level as well as partners and outside donors who organize such projects and programs. Trainings in regards with entrepreneurship and self-employment can be taken at the Vocational Centers.

The Vocational Centers Network is spread in the main regions of Kosovo and they offer trainings for the unemployed and the jobseekers who want to be trained or be retrained in the occupations that are on demand in the labor market. The Employment Offices which function within the MLSW offer counseling in regards to self-employment or entrepreneurship starting with counseling on choosing the idea for the business plan, mentoring regarding the development of the enterprise, and other relevant information in regards to self-employment.

We can say that there is a well-defined market for the youth. There is only a slight differentiation between the jobs that are appropriate for the youth or are more vigorous and the jobs that require a better qualification and more experience from the workers. Therefore, self-employment is designed to support the creation of sustainable business activities or compa-

nies which are able to be successful in competitive markets. The active labor market measures which are implemented in Kosovo are:

1. Self-employment
2. Internship
3. On job training
4. Vocational training
5. Public jobs

These active labor market measures have been implemented by the institutions and various donors in different forms and modalities. Up until now we have not had a widely accepted and implemented institutional framework on how to proceed and implement the active labor market measures. The lack of this framework has produced varying results which not only have been a function of each other, but often times they have also caused confusion. However, there is a general belief that among all the active labor market measures, self-employment has been the most successful one in youth employment up until now.

A national employment strategy would be a great opportunity for Kosovo. It would display the labor market policies which would be in harmony with the European Economic Strategy “Europe 2020”, and its aim would be to offer specific measures on decreasing structured unemployment. The strategy would contribute on the development of a workforce which is in accordance with labor market demands, and the adoption of an education and training system as well as combating of informal

economy. More specifically this strategy would aim to achieve these objectives through the following programs:

- The additional employment program through grants up to 1.500 euros for every young unemployed person, new employments for the period 2016-2020 in the companies which are registered through self-employment mechanisms.
- The program for employment preparation through trainings, re-qualifications or for additional qualifications for the unemployed in order to supply them with skills and knowledge;
- The training program for some occupations which are a deficit in the labor market.

The European strategy on employment aims to create more jobs and is based on the general strategy on development which is known as “Europe 2020”. This document contains five main objectives that have to do with employment, innovation, education, social involvement and energy, objectives which are aimed to be achieved by 2020².

The self-employment program is a competitive one in order to guarantee the biggest investment return possible. Self-employment is applied as an active labor market measure to start a business activity or an opportunity to become self-employed. It includes training/counseling, financial support and counseling services for the unemployed qualified and persons with other skills that could be applied in order for their business to be successful. The key elements of a successful self-employment program include a fair and competitive application process, trainings in basic business skills, preparation of a sustainable

² European Commission, Europe 2020: Europe’s Growth Strategy, <http://ec.europa.eu/social/main.jsp?langId=en&catId=956>

and implementable business plan, financial support (through grants) to start a business and mentoring and counseling with services for businesses. The entrepreneurship and self-employment program may be direct and indirect support, such as:

- Counseling on increasing motivation for employment, self-employment respectively;
- Support, mentoring and counseling services.

The training on offering of values and basics of starting and managing a business contains in itself the drafting of banking plan that relates to the business as well. First and foremost the support for the self-employment program consists in financial support for the implementation of the business plan which if we judge by the specific programs and projects which have been implemented in Kosovo by the various donors has changed and has never been unique or similar depending on the financial possibilities of the institutions which have implemented the projects.

Someone who had benefited from the programs and projects which have promoted self-employment or entrepreneurship in most cases have been excluded from the opportunity to re-apply for a program or project which has had self-employment as an active labor market measure as well, regardless of the fact by which donor the program has been implemented. Various state institutions have various capacities on how to support self-employment programs and projects. Vocational Centers support their self-employment programs through trainings and re-trainings in the field of entrepreneurship.

The primary and secondary education institutions may support the self-employment program by incorporating the program in

their curriculums with the aim of training the youths for the job market thus increasing their competitive skills in entrepreneurship. The Ministry of Trade and Industry can support its self-employment program by freeing the initial financial obligations for businesses which have increase of employment or self-employment as their main focus. The Employment and Self-employment offices can support the program through the counseling and mentoring services on the selection of businesses which are on demand in the market and which with little investment may generate new jobs.

In general the primary institutional focus on the self-employment program, in circumstances where the financial possibilities are limited, should be oriented towards targeting the jobseekers and the unemployed, especially those that are long term jobseekers and unemployed, with a special focus on the youth and women. Therefore it is important that state funds be oriented towards employment support for these jobseekers. Judging by the experience so far on program and project implementation in Kosovo, we can conclude that all the business ideas from every economic sector may apply in this program.

However, some business ideas which are unacceptable to apply in this program are:

- All activities within the primary agriculture and livestock sector
- Real estate and leasing activities- Financial and insurance activities and those that involve gambling
- Production of drinks which contain large quantities of alcohol
- Tobacco production
- Production and distribution of weapons

- Production of technology that lead to environment pollution (air, water, land pollution etc)
- Informal businesses
- Business activities in the trade sector

While business activities which are prioritized were in the six following sectors, selected by the Ministry of Trade and Industry (MTI), which have higher potential for economic growth in Kosovo, identified through this evaluation based on the environment of the private sector in, such as:

- Food processing and packaging industry, with a special focus on meat processing
- ICT alongside outside contracting of business processes and customer support centers sector
- Construction
- Metal processing industry
- Textile industry
- Lumber processing industry and forestry businesses

When it comes active labor market measures, the small number of beneficiaries remains a challenge. As an example in 2015 in active labor market measures 7180 beneficiaries have participated. This number if compared with the general unemployment scale is very small to address the high number of new jobseekers entries in the labor market³.

³ Puna dhe Punësimi (Raporti vjetor 2015) MPMS http://mpms.rksgov.net/Portals/0/Shpallje-Publikime/raporti_shqip_20.12.2016.pdf

2.2 SELF-EMPLOYMENT THROUGH SOCIAL ENTERPRISES

A special dimension of the self-employment programs and projects is when these programs and projects serve social entrepreneurship. Social entrepreneurs are legal subjects which regardless of the way they have been established, in their establishment act they have set social objectives, they might undertake economic activities, produce material goods and services for the general interest of society, as well as integrate people from certain groups in jobs.

The social enterprise employees are the persons who are employed and benefit from the goods and services of the social enterprise, based on a contractual relationship or by any other legal form in a timespan not shorter than a given year. Social enterprises are instruments of promotion of social economy which are considered a merger of social values promotion and free entrepreneurship. Social enterprises may have economic activities, however, they are not established with the aim of generating profit. The goal of their establishment is to fulfill social objectives which are related with integration of certain unprivileged persons in jobs, or with offering goods and services for the benefit of society.

Self-employment serving social entrepreneurship must offer profit opportunities for all the interested jobseekers and unemployed who have a business idea and which do not have the capabilities of starting a small or independent business. The aim of each of these enterprises would be to generate new sustainable jobs where the youth would be employed or they would expand new independent businesses from the initial business. Jobseekers and the unemployed must be personally involved

in all the initiating and business plan development phases, including here the training component. Furthermore, jobseekers and unemployed people who are targeted through these programs and projects of self-employment must be selected in partnership with Employment Offices, but also with the non-public providers of employment services. The non-public providers of employment services offer bigger opportunities for the young unemployed and jobseekers.

Every jobseeker and unemployed person may apply for these programs, however, they have to legalize their unemployment status through the registration and recording process at the public or non-public provider of employment services.

In order for these self-employment programs and projects to be successful there should be a prior process of public information with the aim of mobilizing and notifying the youth about these programs and projects, as well as increase competition between the business plans with which the youth will apply.

From the programs and projects of self-employment the following jobseekers and unemployed may not benefit:

1. Those who are not registered or recorded as unemployed or jobseekers at the public or non-public employment services
2. Those who are in conflict of interest with parties and other persons involved in the decision making process for the selection of successful business plans within the self-employment programs and projects
3. Those that have benefited from the self-employment programs and projects implemented by other donors

4. Those that have a registered business in the Business Registration Agency.

The following have a priority to apply for the self-employment programs and projects

1. Women and young jobseekers and unemployed
2. Long term jobseekers and unemployed (who are unemployed for 12 months or more)
3. Social assistance beneficiaries who have the potential to be transferred from the social assistance schemes to sustainable employment
4. Self-reliable women
5. Women from the deep rural areas who have limited opportunities in the labor market
6. People with special needs
7. Ethnic minorities
8. Jobseekers and unemployed who have social and family problems.

The selection process of the most successful self-employment business plans must be a leveled process in order to consider the applicant's potential, and the potentials of the business plans as well. Some of the main criteria that are required are the evaluation of the applicant's abilities to present and defend their business plan, the importance of products and services which the business will provide and evaluation of competitive-

ness, as well as the necessary human, physical and financial inputs which are available for the development of the business.

Applicants with higher potential to earn from the scheme must go through trainings on entrepreneurship, then they must have the opportunity to review their business plans and after all this the selection should be made in partnership with the employment organization for the most successful business plan.

3. RECOMMENDATIONS

The key recommendations in regards with the self-employment programs and projects are as follow:

1. The government and the respective ministries must allocate a separate budget every year for the implementation of the self-employment programs and projects. Institutions must create a fund dedicated to the support of self-employment programs and projects electing to support the most successful idea of the unemployed youth. Self-employment programs and projects have enormous potential to absorb unemployed youths.
2. Self-employment programs and projects must target the engagement of long term jobseekers and unemployed people, youths, special needs persons, minorities, as well as girls and women. These marginalized social groups are faced with bigger difficulties to integrate in the labor market, therefore the institutions, through self-employment programs and projects, must address the creation of employment opportunities.
3. Self-employment programs and projects must have all the components as active labor market measures, starting from provision of vocational and skills trainings which the jobseekers and the unemployed must have in order to get grants for start-ups, mentoring in regards with the selection of the economic activity where they want to be engaged with a business plan, then continuous mentoring in regards to the development of the business plan, as well as monitoring how the business is evolving.
4. The formal and informal education system's curriculums should contain lessons for the youths to establish the self-employment and entrepreneurship culture. The youths should be

socialized with the idea of entrepreneurship starting from the primary school. Early interventions in the primary education system decrease the possibilities of them being unemployed when they reach the age of 15, respectively 18, and enter the labor market. Therefore, the institutions should intervene from their early youth in order to assure that their career is being built in harmony with the labor market.

5. Financial and tax facilitations should be created for businesses which are products of startups and which employ young people. So, only the businesses whose primary aim is employment should be excused from tax obligations for certain periods until they stabilize in the market. Various counseling, informing and supporting schemes should be provided.

6. Practices and models from the neighboring countries and Western European countries should be adopted on how the self-employment programs and projects could serve social entrepreneurship. These practices may be spread through study visits in other countries, organizing of joint conferences and workshops, as well as the drafting of short informative summaries with successful examples which then would be distributed to the youths on how to develop their business ideas.

4. CONCLUSIONS

In this paper we have tried to illustrate that employment and unemployment are the two main features of the labor market. Employment may be done through establishing of a working engagement, through self-employment, or by joining a family business. Therefore, job creation must be the focus of policy and strategy makers in Kosovo. Unemployment devalues the human capital, especially among the youths, something that could be one of the biggest challenges in Kosovo.

The aim of the explanation of the active labor market policies include the implementation of the active labor market measures and the programs which aim to functionalize the labor market. These programs are directed towards the unemployed and unqualified individuals. Passive policies aim to guarantee a minimal living standard for the unemployed. This means the distribution of a certain amount of money which covers the living costs of people who are unemployed until they find a job. Active labor market policies may be described as every kind of intervention in the labor market which supports the creation, promotion, employment and keeping the job.

In conclusion we can say that, the key components of a successful self-employment program include a fair and competitive process of application, trainings in fundamental business skills, the preparation of a sustainable and implementable business plan, financial support (through grants) to start a business, and mentoring and counseling with business services.



