Report No: AUS0000220

Western Balkans

Demand for Skills in Albania
An analysis of the Skills Towards Employment and Productivity Survey

May 2018

Education Global Practice (GED03)
Social Protection and Jobs Global Practice (GSP03)
EUROPE AND CENTRAL ASIA

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Acknowledgments

This report was written by Maddalena Honorati and Sara Johansson de Silva with excellent research assistance from Olga Kupets. Keiko Inoue, Flora Kelmendi, Koji Miyamoto, Ana María Santillana Farakos, and Alexandra Valerio provided valuable inputs, intellectual support, and practical advice throughout the development of this study.

The team wishes to acknowledge the leadership of Cristian Aedo (Practice Manager), Cem Mete (Practice Manager), Maryam Salim (Country Manager-Albania), and Timothy Johnson (Program Leader). The team is grateful to Victoria Levin, Victoria Strokova and Matteo Morgandi who kindly peer reviewed the study at various stages.

The firm survey data were collected by Ipsos following the data collection protocol of the Skills Toward Employment and Productivity (STEP) Surveys under the guidance of Maria Laura Sanchez-Puerta, Valerie Evans, David J. Megill, and Anam Rizvi.

The team is grateful to the Government of Albania for sharing feedback and views on findings at an early stage of the study. In particular, the team is extremely grateful to Deputy Minister of Finance and Economy Dajna Sorensen for her insights and guidance throughout the process. The team is indebted to Delina Ibrahimaj, Head of INSTAT, for the openness to access the most recent firm registry data and to the staff at INSTAT for their continuous collaboration to work together on a sampling methodology for the STEP employer survey. The team would like to also thank representatives of the National Employment Services, the National Vocational Education and Training Qualification agency, RisiAlbania, Swiss Contact, the European Union, the United Nations Development Programme, and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), and all participants at the workshop discussing the preliminary findings of the analysis (held in Tirana on November 6, 2017) for their valuable suggestions and comments.

The team is grateful for the administrative support provided by Patrick A. Biribonwa and Dung Ngoc Tran in Washington, D.C., and Elda Hafizi in Albania. This study benefited from the excellent editorial work of Amy Gautam.

The study was made possible by financial support provided by the Korea World Bank Partnership Facility.

Abbreviations

ECA	Europe and Central Asia
EU	European Union
INSTAT	Institute of Statistics in Albania
ISCO	International Standard Classification of Occupations
LFS	Labor Force Survey
LMIS	Labor market information system
NES	National Employment Services
PISA	Program for International Student Assessment
STEP	Skills Towards Employment and Productivity
TVET	Technical and vocational education and training
UNDP	United Nations Development Programme
VET	Vocational education and training

Overview

Labor market prospects in Albania have recently started to improve. Economic growth began to pick up and employment increased, while at the same time more jobs and workers moved out of agriculture and into sectors with higher productivity (World Bank 2018 forthcoming; INSTAT 2017).

Many challenges remain, however. First, there are still not enough jobs to go around: almost 1 million adult Albanians are jobless, either unemployed or inactive. Second, labor productivity is low, even by regional standards, partly driven by the slow transition of employment out of agriculture and unpaid jobs into higher-productivity sectors. Young people are less likely to be employed, as are low-skilled adults. Women are also more likely to be excluded from good job opportunities compared to men.

An improved business climate, including better access to finance and a flexible labor regulatory environment, is critical to help private firms grow and hire workers. Similarly, labor laws, minimum wages, social security provision, and labor taxation directly affect firms' human resource management decisions. Albania has the highest minimum wage in the region, which may hinder job creation for low-skilled workers. The regulatory environment should be flexible enough to encourage hiring and to promote an incentive structure that protects workers. Business climate reforms are currently underway, as well as a reform of the social assistance system, which includes addressing the disincentives to engage in formal jobs that were inherent in the system's design.

Beyond the general business climate, skills development plays an important role. A large body of recent empirical work documents the importance of skills, rather than formal educational attainment, in fostering employment and raising productivity. Developing skills increases individuals' employability and enables workers to carry out their jobs more efficiently, use new technology, and innovate. Hiring people with better skills allows firms to increase their productivity. A better understanding of the characteristics and causes of these skills gaps is needed.

The "Skills Towards Employment and Productivity Employer Survey" (or STEP Employer Survey) provides new and important insights into measuring the transversal skill sets valued by employers. The STEP Employer Survey is part of a multicountry research program launched by the World Bank to provide comparable measures of cognitive, noncognitive, and technical skills and assess how different skill sets affect individuals' labor market opportunities. This report presents findings from the Albania STEP Employer Survey, a nationally representative survey conducted between April and October 2017 on a sample of 600 registered firms drawn on the 2016 business register in Albania. The STEP Employer Survey provides new and important insights into the mix of cognitive, socioemotional, and technical skills valued by employers, the extent of skills gaps among employers, the skills constraints among job applicants, the extent to which skills gaps affect firms' hiring decisions, and what firms are doing to address possible skills gaps; it also examines the functioning of the education and training systems based on employers' perceptions.

This report aims to provide policy makers in Albania with new evidence to inform the design and implementation of public policies on postsecondary education, vocational education and training (VET) system labor market information and intermediation, and labor policies. The STEP Employer Survey adds value to other ongoing efforts in Albania (e.g., by the Institute of Statistics in Albania [INSTAT], United

Nations Development Programme [UNDP], and the National Employment Services [NES]) aimed at assessing occupational demand by focusing on: (i) the labor demand side – employers – which often tends to be disconnected from formal skills development systems; (ii) actual skills, rather than education levels, diplomas, or years of schooling as proxies for skills; and (iii) the broader set of skills, not just job-technical skills associated with one occupation or another. The findings of the report are expected to be relevant to inform public policies looking to narrow skills gaps, but also for firms, private and public education providers, and youth and adult jobseekers looking to develop and reinforce labor market-relevant skills.

Five key messages emerge from the analysis:

First, a mix of socioemotional, advanced cognitive, and technical skills are needed in the workplace. Job-specific technical skills as well as socioemotional skills that are necessary to be successful in managing and working in teams are particularly valued by employers across sectors and occupations, particularly conscientiousness and the ability to work under duress (stress resistance). Sectoral analysis suggests that firms differ in their skills needs and skills gaps depending on the sector in which they operate: the ICT sector has difficulty finding workers with advanced technical skills, and business services need language skills that are lacking.

Second, employers are generally satisfied with the skills levels of their current workforce but face problems related to skills when trying to recruit. The majority of firms consider their staff to have an appropriate balance of skills and that consequently, no skills gap exists. By contrast, many firms that tried to hire workers in the past three years (51 percent of all firms) met with difficulties in recruitment because job applicants lacked skills and work experience, and because there were no or few applicants. These "skills-constrained" firms, representing about one-third of all firms in the survey, find that job applicants lack the job-specific technical skills as well as the interpersonal skills necessary to be effective on the job, especially for higher-skilled occupations. At least as perceived by employers, hence, skills problems mostly affect young people and first-time labor market entrants.

Third, although many factors beyond skills hold back firms' potential in Albania, skills constraints may be holding back job creation in firms that could provide more productive employment opportunities. The analysis shows that more "dynamic" firms, in terms of engaging in international trade and introducing new products or technologies, are more likely to be skills-constrained than other firms. Foreign-owned firms, larger firms, and firms in most economic sectors outside of trade and repair are very likely to be skills-constrained. However, it is not clear that skills gaps are hampering productivity levels.[1]

Fourth, women are not seen as less capable than men per se, but family responsibilities appear to affect their labor market opportunities. Women face significant obstacles to participating in the labor market and they have worse employment outcomes than men in Albania, although they have the same access to schooling – in fact, Albanian women are more likely than men to be enrolled in tertiary education (World Bank 2018 forthcoming). Consistently, skills gaps are not reported by employers as the key issue for hiring women; other factors condition employers' decisions to hire women, such as female workers' higher competing time due to family responsibilities, higher hiring costs (maternity leave provisions), and female workers' higher expected benefits.

[1] The STEP Employer Survey does not allow measurement of firm productivity levels. Data on firm revenues are not available for one-third of the sample.

Fifth, skills constraints likely result from insufficient quality and relevance of training. While access to education has increased in Albania, there is evidence of quality problems even in foundational skills such as literacy. Employers are generally content with the outcomes of the VET system but find that young graduates from the general education system (typically those who qualify for higher-skilled jobs) lack up-to-date knowledge and practical skills. And employers and education systems are isolated from one another, an impediment to increasing the relevance of training. Employers do not partner with educational institutions on the content of training. As for their recruitment processes, firms tend to rely on informal channels (friends, family, network), which in itself can be a sign of distrust in the education system and the value of a diploma.

What can Albania do to improve skills development systems so that employers find the workers they need and young people can find a job after graduating? The analysis points to five important areas of action:

- Fostering more job-relevant technical skills in the education and training system, by increasing information and monitoring and evaluation, and by strengthening the links between students and firms (through, for example, apprenticeships and internships) as well as the links between firms and education institutions.
- Placing sufficient emphasis on socioemotional skills, both in developing them throughout education systems and in informing students and jobseekers about the payoff to these skills.
- Upgrading the capacity of the NES to link employers with jobseekers, provide suitable matching with respect to skills supply and demand, and help jobseekers develop workplace skills.
- Helping firms build capacity to identify their own skills needs. This is particularly important for smaller firms that have no or limited human resources management units. Stronger coordination around these skills needs, through industry associations or other collaboration mechanisms, would help firms identify, articulate, and upgrade the skills of their own workforce.
- Adjusting labor regulations (maternity and paternity leave, flexible work schedule for parents) to promote gender equality in hiring decisions and increasing funding for affordable, quality child and elder care.

1. Jobs and skills challenges in Albania

Albania currently faces significant challenges both in improving access to jobs and in raising productivity. Four out of ten male adults, and five out of ten female adults, are jobless (Figure 1). Although Albania has slightly higher levels of employment than other Western Balkan countries (and, in fact, Greece), access to employment is much lower than in European Union (EU) countries on average. Moreover, aggregate labor productivity – here approximated by gross domestic product (GDP) per person employed – is lower than in other Balkan countries and much below European levels (Figure 2). Low productivity of employment reflects the structure of the workforce, which is predominantly engaged in agriculture and trade services. Agriculture remains the most important employer in Albania (accounting for 43 percent of all jobs), despite the decline of the employment share in agriculture in recent years. Agriculture is also the least productive sector, engaging mostly unpaid workers and the informal self-employed. Employment in services is dominated by low-productivity employment in the private trade sector (11 percent) and by public sector employment (15 percent). Stimulating job creation in the private sector, especially in firms that can offer more productive jobs, is a priority.

Albania's labor market is characterized by high youth unemployment, informality, and low participation of women. Today's young people (aged 15–29), who generally have more education than previous generations, find it especially difficult to enter labor markets: at 28 percent, their unemployment rate is twice as high as that of the working-age population (aged 15–64).[2] While women's labor force participation increased in the past three years to 56 percent in 2016, this increase represented a near-recovery to past levels, and women's labor participation rates are still 15 percentage points lower than men's. Informality in agriculture and trade services is high, though informality[3] fell in non-agriculture sectors from 30 percent in 2014 to 21 percent in 2016 (LFS 2016). In short, signs exist that workers are shifting into jobs that, on average, provide higher and more secure income and better working conditions.

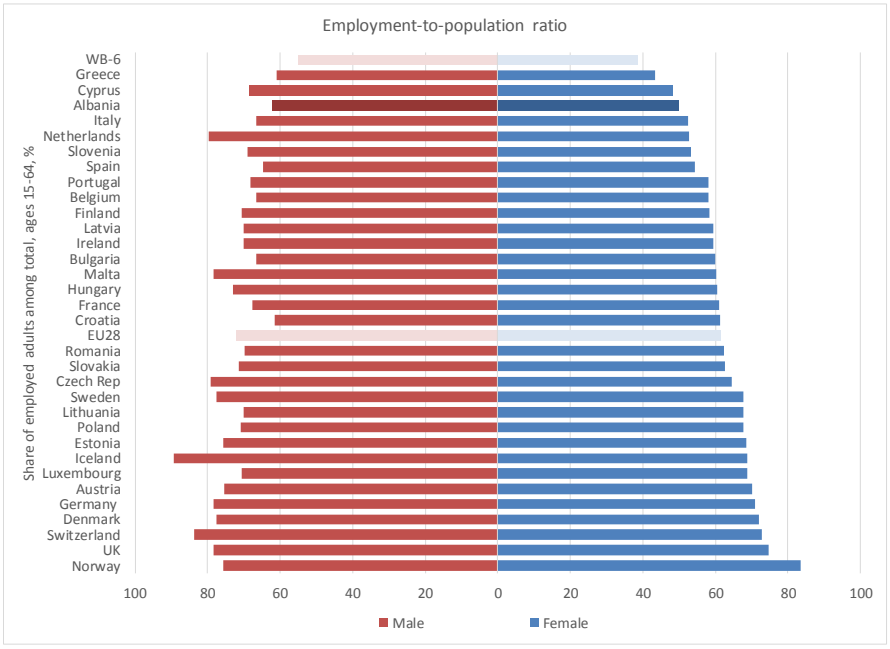
While skills are central to raising the productivity of employment, there is evidence that education in Albania is not actually paying off. Unemployment rates for those with tertiary levels of education are higher than for those with lower secondary levels of education. In addition, about one in four youth are inactive and not in any form of education and training (23 percent of the age group 15–29). Inactivity due to school enrolment is potentially an investment in future productivity and job prospects, and hence a good thing. In Albania, low labor force participation, even among youth, is not the result of high enrolment in schooling, however, at least not beyond age 20. The group of jobless youth who are either unemployed or inactive but not in school (NEETs) makes up 34 percent of the age group 15–29 in Albania (32 percent among men and 36 percent among women), the highest level among European countries and more than twice the EU average of 14.8 percent.[4]

[2] Estimates from the Labor Force Survey 2016.

[3] Measured as the share of wage workers not benefiting from social security, paid annual leave, or paid sick leave.

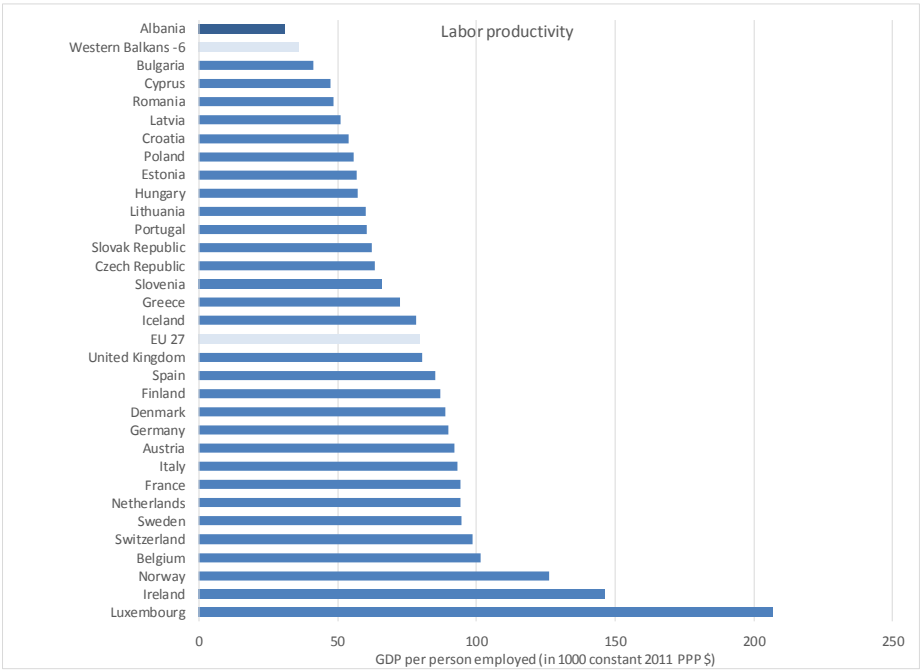
[4] When youth are defined as being between 15–24 years old, the share of inactive out of school and education is 23 percent, whereas the share of NEETs is 31 percent, almost three times the average share of NEETs in the European Union (12 percent) for the same age group (15–24).

Figure 1: Access to jobs is limited



Source: Estimates based on Eurostat (EU countries), Jobs Gateway (Western Balkans), and Albania LFS.

Figure 2: Labor productivity is low



Source: Estimates based on World Development Indicators.

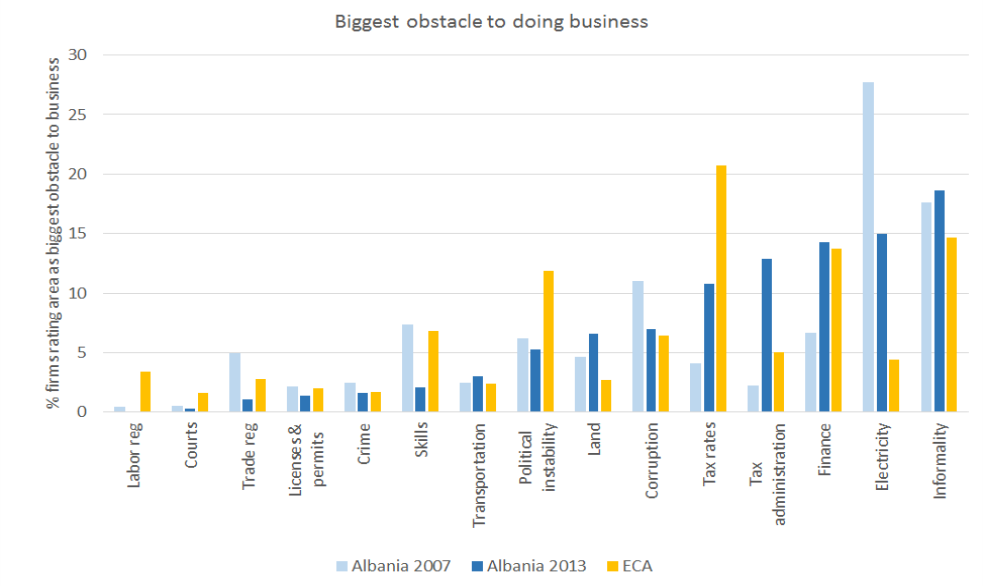
Albanian firms do not report skills as the major obstacle for doing business, though skills constraints are more binding for larger and foreign-owned firms. As in many middle-income countries, a plentitude

of factors hold back business growth and job creation. Skills is part of a much broader set of constraints, so by merely addressing skills constraints, Albania will clearly not foster either productivity or job growth. According to the World Bank Enterprise Survey 2013, skills are not rated as the biggest obstacle to doing business: only 2 percent of firms stated that poorly educated workers were the biggest obstacle in 2013 (compared to 7.3 percent in 2007 and to the Europe and Central Asia (ECA) average of 7 percent), and 6 percent of firms identified the inadequately educated workforce as one of the major constraints, the lowest share among Eastern European and Central Asian countries[5] (Figure 3). Nonetheless, there is heterogeneity in how skills constraints are perceived across firms. The WB Albania 2013 Enterprise Survey shows that 19.0 percent of large firms (100+ employees) and 12.0 percent of foreign-owned firms in Albania feel constrained by an inadequately educated workforce (compared to the ECA averages of, respectively, 17.0 percent and 11.6 percent). Exporting firms are also more likely to experience skills constraints (9 percent) compared to nonexporting firms in Albania, although not more than the ECA average of 19 percent.

However, skills constraints can become binding for firms once basic business conditions are in place. Skills do need to be part of a reform agenda aimed at fostering inclusive growth. Even where businesses see significant potential for expansion, job creation will be held back unless firms can find the workforce. In fact, in many of the more advanced reformers in Eastern Europe and Central Asia, including Latvia, the Czech Republic, and the Slovak Republic, skills are becoming a much more important constraint to address (Figure 4). This is also true when comparing firms: as will be seen in the analysis below, more dynamic firms that could provide "better" jobs are more likely to be skills-constrained than others in Albania.

[5] Enterprise Survey data for 2013 are available for Belarus, the Czech Republic, Kosovo, Kyrgyz Republic, Latvia, Lithuania, Moldova, Romania, Russia, and Slovakia. See http://www.enterprisesurveys.org.

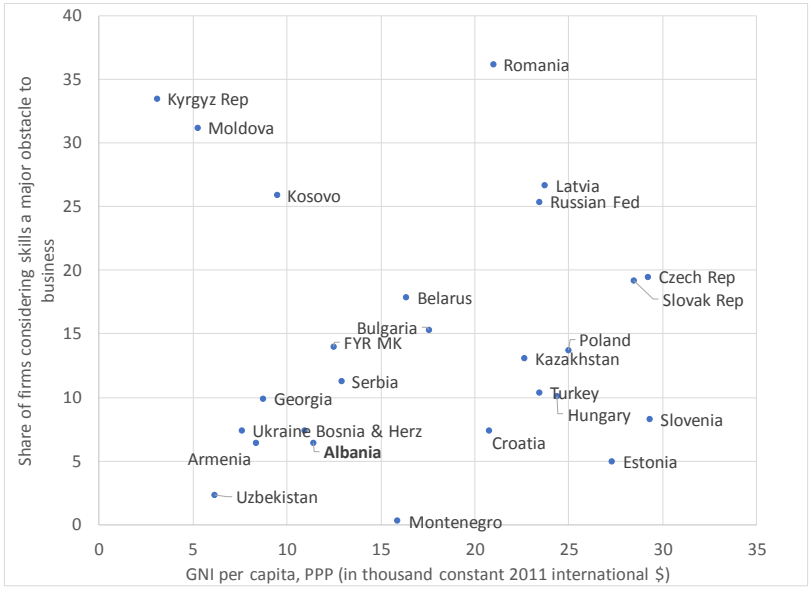
Figure 3: Skills are not the main binding constraint in Albania



Source: World Bank Enterprise Survey for Albania (2013).

Note: Ranking of the Top Business Environment Obstacle for Albanian Firms.

Figure 4: In many advanced economies, skills are a more significant problem



Source: Enterprise Surveys and World Development Indicators.

Digitalization and workplace automation have shifted the nature of work in each occupation, with an increasing premium on nonroutine and cognitive tasks over routine and manual tasks. Evidence suggests that globally, the skills content of jobs is changing, with a decline in routine manual skills (which can be automated), and an increased use of skills that require problem solving, interaction, collaboration, and

creativity.[6] These processes are also observed in European countries, especially in jobs held by younger workers.[7] As a consequence, education systems need to equip all students with the necessary basic cognitive and socioemotional skills that form the basis for acquiring job-specific skills and that help workers adapt to changes in tasks over time, making them resilient to technological change.

In the age of accelerating technological change, investing in foundational skills development starting in children's early years is a necessary policy for improving employment outcomes and fostering firm productivity. Technological change makes technical skills redundant at a faster pace than before, so investing in foundational (cognitive and socioemotional) skills for continuous and lifelong learning becomes a priority policy to equip the future workforce with the adaptable skills employers look for. Skills development starts at birth and skills take a long time to build through early childhood development, primary and secondary education, and postsecondary skills development. Albania had the highest share of 15-year-old students scoring no higher than level 1 on the Program for International Student Assessment (PISA) Reading Section in 2015, and 70 percent of the workforce has finished secondary school at the most. The low quality and levels of education are an obstacle for acquiring job-relevant skills and limit job prospects among youth. It would be prudent to begin addressing fallacies in the skills development system early on, rather than when skills become the most binding constraint. This is illustrated in the Skills Towards Productivity and Employment (STEP) Framework, developed by the World Bank (Table 1).

[6] See Autor, Levy, and Murnane (2003); Autor (2015); and Frey and Osborne (2017).
[7] See Ridao and Bodewig (2018); and Arias and Sánchez-Páramo (2014).

Table 1: Skills Towards Employment and Productivity: The five STEPs

STEPS	Preschool age	School age	Youth	Working age
5. Facilitating labor mobility and job matching			Apprenticeships, skills certification, counselling	Intermediation services, labor regulation, social security portability
4. Encouraging entrepreneurship and innovation		Fostering inquiry	Universities, innovation clusters, basic entrepreneurship training, risk management systems	
3. Building job-relevant skills		Basic vocational training, behavioral skills	Vocational training, higher education, apprenticeships, targeted programs	Firm-provided training, recertification, reskilling
2. Ensuring that all students learn		Cognitive skills, socialization, behavioral skills	Second chance education, behavioral skills	
1. Getting children off to the right start	Nutrition, psychological and cognitive stimulation, basic cognitive and social skills	School health and remedial education		

Source: Banerji et al. 2010.

The demand for skills, and existing skills gaps, need to be well understood, both to improve labor market matching and to foster productivity growth. Information on skills that are in demand and skills that are in short supply form part of a well-functioning labor market information system (LMIS). LMISs provide important feedback on the quality and relevance of education and training systems and their ability to produce both transversal skills, which are used across many different occupations, and occupation-specific skills for occupations in demand. This information can also provide important input to students and their parents as they decide on educational and professional career paths. Skills gaps may be undervalued as firms may lack capacity to identify their own skills levels and skills needs, especially to succeed in more competitive international markets.

2. The STEP Survey in Albania

This report provides new and unique information on the level of skills in Albania's labor market, as viewed by employers. It is based on a STEP Employer Survey administered to 600 registered firms in Albania between March and October 2017. The STEP Employer Surveys were developed by the World Bank to provide concrete measures of workforce competencies and to assess the nature of skills demanded by employers. Labor market-relevant skills – the ability to do a job, and do it well – are critical to more inclusive jobs and economic growth. The STEP Employer Surveys provide new and important information on skills gaps and to LMISs as they: (i) provide detailed information on skills as viewed from the demand side: what skills employers consider are important, and what skills are lacking, for high- and medium-skilled workers; (ii) focus on labor market-relevant skills, rather than on diplomas, certificates, or levels of education; and (iii) focus on generic cognitive, socioemotional, and job-specific skills, not just job-technical skills associated with one occupation or another (Box 1). STEP Employer Surveys are not designed to provide short- to medium-term forecasts for specific occupations (manpower planning); rather, they focus on the kinds of generic skills needed across many different occupations that form the basis for further development of job-specific skills and that can help the workforce adapt to new challenges as they arise.

However, it must be recognized that firms are a crucial, but not sufficient, source of information on skills needs. First, firms may not have the capacity to identify well their own skills needs. Second, specific technical skills needs may change over time as some technologies die and others are born, or as the economic structure of a country changes. In these situations, a flexible workforce with the "skills to reskill" will be important over and above what current firms are looking for.

Box 1: Skills in the STEP Employer Surveys

The STEP Employer Surveys focus on a broad set of skills that are grouped according to the following framework and three types of skills (see Annex 1 for a detailed overview):

- *Cognitive skills are analytical skills. These include foundational skills such as literacy, numeracy, and in some settings, basic proficiency with computers (ITC literacy). Higher-order cognitive skills include logical, intuitive, and creative thinking and problem solving.*
- *Socioemotional skills and personality traits (in different contexts referred to as behavioral skills or characteristics, soft skills, life skills, workplace skills) include skills that have proven to be important to long-term labor market success, including perseverance/grit, conscientiousness (the ability to get things done, and do them well), flexibility/openness, communication skills, interpersonal skills, working in teams, autonomy, and others.*
- *Job-technical skills (sometimes overlapping with jobs characteristics) include transferrable cognitive and socioemotional skills (as above) related to jobs, such as making presentations or task-specific, job-technical skills, such as operating machinery and driving, which are less transferrable across occupations.*

"New economy" skills are cross-cutting nonroutine cognitive, socioemotional, and job-technical skills, for which demand has been increasing in the past decades. As opposed to "traditional" skills that tend to be

more routine and in some cases involve manual work, "new economy skills" include those such as flexibility, creativity, generalized problem solving, and complex communications.

Source: Authors.

The STEP analysis complements other existing skills needs assessments in Albania. Since 2008 a short-term Skills Needs Analysis has been periodically conducted by the NES (mandated by law) in cooperation with INSTAT with about 2,000 firms. The objective is to monitor the necessary information to improve skills according to labor market needs. Different from the STEP Employer Survey, which measures the broader set of *skills*, the Skills Needs Analysis focuses on *occupations* to identify: occupations for which current employees lack the necessary profile; occupations for which recruitment of new employees is found to be difficult; the nature of training needs by occupation; and the extent of proper relations between enterprises and the relevant state institutions.[8] Other efforts include the RisiAlbania employers study to understand skills mismatch causes and personal skills needs in three sectors (tourism, ICT, and agroprocessing) and the ongoing UNDP study to assess medium-term skills needs based on the Cedefop tool.

Findings from the 2014 Skills Need Analysis indicate that the major concerns of firms vis-à-vis their employees are their work culture and unsuitable qualifications (ILO 2014). The inadequate qualification level of the labor force is a particularly stronger concern across firms of all sizes operating in the mining, electricity, gas, and real estate sectors. Low-skilled sewing machine operators and call center operators were identified as the most common (and in demand) occupations in the Albanian labor market, while unmet demand was related to professions in production, mining, and construction industries (north region), the service sector (central region), and services and construction (south region). Different actions are taken to address skills shortages among existing employees: staff replacement is the most common among micro firms while training is offered by a few large-sized firms; vocational training schools or centers are rarely considered by firms, consistent with the Albania STEP Employer Survey findings presented herein.

The Albania STEP Employer Survey was rolled out during April–September 2017 and thus provides very recent information on the state of skills as viewed by Albanian employers. The survey was administered at 600 establishments, of which 15 percent were subsidiaries of larger firms. For simplicity, in what follows the term "firms" is used to describe the sample, although "establishments" would be a more correct technical term. The survey is representative at a national level (Annex 2).

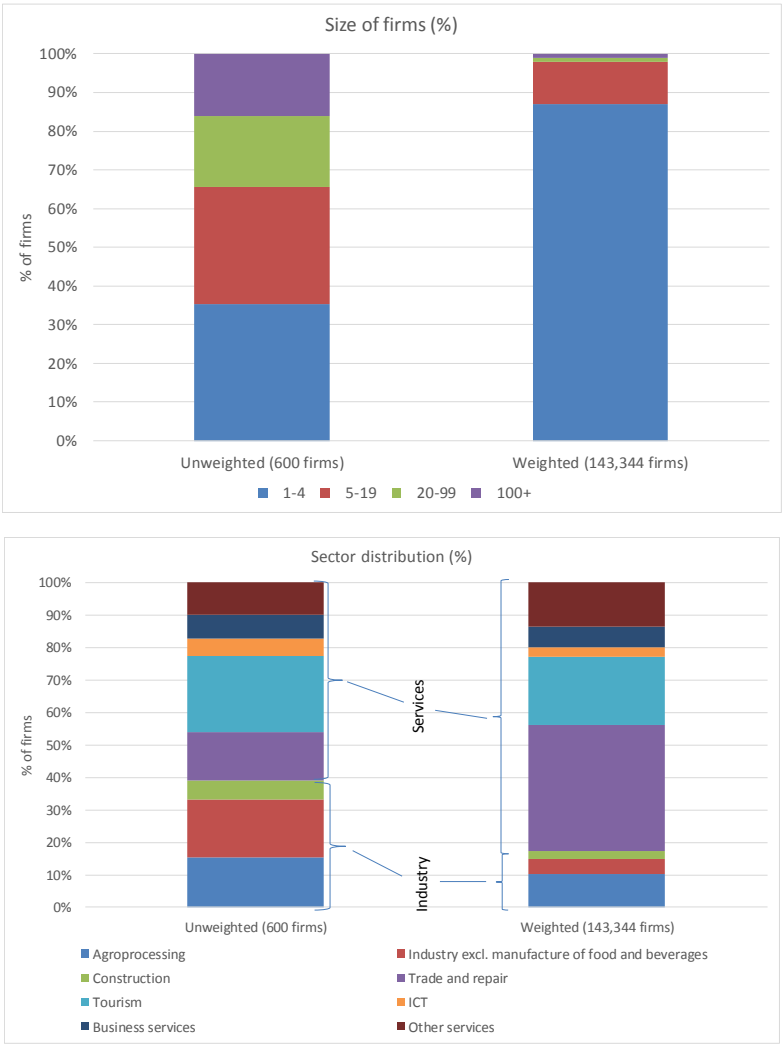
The analysis is based on the population-weighted results (referring to over 140,000 firms), which results in different characteristics compared to the unweighted sample (Figure 5). While one-third of the survey sample firms had more than 20 employees, in the weighted sample nearly 90 percent of firms were very small firms with fewer than 5 employees. Weighting also increases the share of services because of an increase in the trade sector. Additionally, weighting increases the share of firms from the central region compared to the north and south regions of Albania.

A standardized questionnaire was designed to measure different types of skills among applicants and the current workforce. Information was collected, *inter alia,* on firms' hiring practices and skills constraints among job applicants; cognitive, socioemotional, and technical skills used by establishments'

[8] A Council of Ministers decision revised the ISCO occupation standards (September 2017).

current workforce; employers' ranking of skills and firms' identification of skills gaps where they exist; and firms' views of quality of the education systems and the extent of interaction and type of links with these systems. The Albania STEP Employer Survey was augmented with some questions specifically intended to reveal employers' views on differences in skills between men and women and firms' participation in employment promotion programs administered by the NES.

Figure 5: Key characteristics of sample (unweighted, weighted)

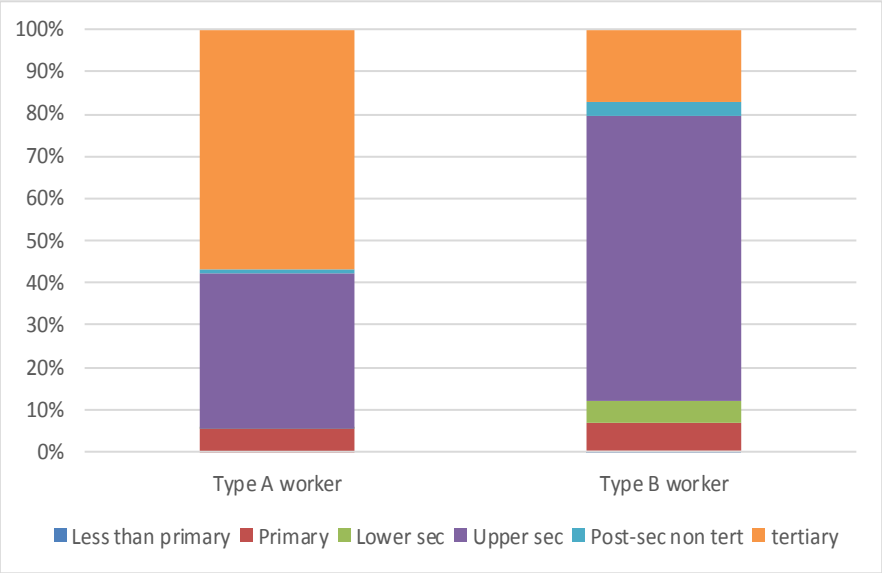


Source: Estimates based on Albania STEP Employer Survey.

The STEP Employer Survey provides analysis differentiated by two types of occupation, following the ISCO (International Standard Classification of Occupations) classification. "Type A" occupations include managers, professionals, technicians, and associate professionals. "Type B" occupations encompass clerical support, service workers, sales workers, skilled agricultural workers, construction, crafts and related trades workers, drivers, plant and machine operators and assemblers, and elementary occupations. Many survey questions are asked in relation to a typical Type A or B worker. Type A occupations typically require a higher share of new economy skills: nonroutine, nonmanual skills. Type B

occupations include a mix of routine and nonroutine, manual and nonmanual skills. In Albania, the majority of Type A workers have a tertiary education, whereas the majority of Type B workers have a secondary education (Figure 6). Distinguishing between these two occupation types allows for a more nuanced understanding of different skills gaps as they pertain to practical/manual, lower-medium, or higher-end skills. In what follows in the report, "Type A" refers to "higher-skilled" occupations and Type B to "lower-medium-skilled" occupations.[9]

Figure 6: Education levels vary between typical Type A and Type B workers



Source: Estimates based on Albania STEP Employer Survey.

The analysis that follows also differentiates firms by characteristics, with particular attention to "dynamic" firms and firms with skills constraints. Some firms may have significantly more potential for creating productive jobs than others – in many economies, a relatively small share of firms experiences much faster growth and contributes disproportionately to both job and productivity growth.[10] In this report, dynamic firms are considered those that undertook an innovation in technology in the past three years and had international contacts in their business. In the Albania STEP Employer Survey, these dynamic firms are also more likely than other firms to expect to hire higher-skill occupations in the future.[11] The analysis also pays more attention to firms that experienced skills constraints when attempting to hire new workers, and firms that project employment growth in the next year.

The remainder of the report summarizes key findings from the Albania STEP Employer Survey. It is organized around the following questions: To what extent do skills gaps affect hiring in Albania (section 3)? What skills are most highly valued by employers (section 4)? Are these skills missing, and if so, for

[9] Clearly this denomination is not perfect since Type B workers also use many skills but of a different kind – manual, routine, etc.
[10] See Nichter and Goldmark (2009); for a literature review of high-income countries, see Henrekson and Johansson (2010).
[11] "Next year" is the reference period.

whom (section 5)? What are the possible causes of any existing gaps (section 6)? And finally, what are the policy implications from these findings (section 7)?

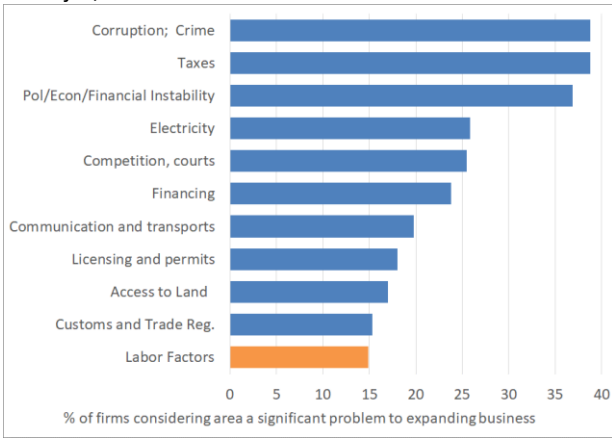
3. Do skills gaps affect hiring in Albania's labor market?

Yes: Firms find that job applicants have skills gaps to such an extent that hiring new workers poses difficulties. These skills constraints affect dynamic firms more than others.

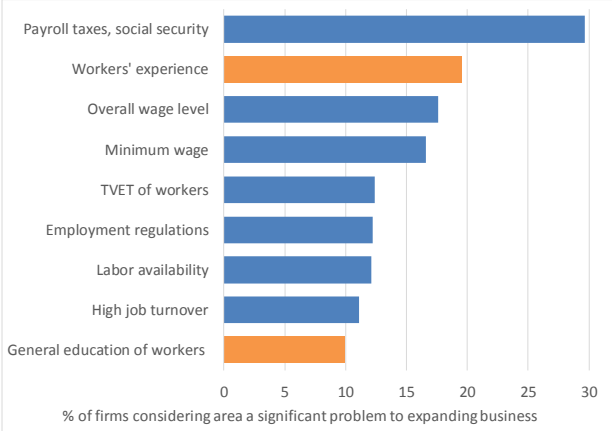
First, it is important to recognize that a number of factors, not only skills, affect firm growth and employment creation. In Albania, firms perceive that the level of corruption, risk for crime, high political, economic, and financial uncertainty, and a high level of taxes are more important constraints to firm growth than any labor-related factors, including skills. Among labor constraints, the additional cost of labor imposed by payroll and social security contributions is ranked more important than workers' experience or the general education of workers, both of which are related to skills (Figure 7a and b). One-third of Albanian firms consider payroll taxes and social security contributions as a severe obstacle to business growth. This confirms the message coming from the World Bank Albania Enterprise Survey 2013, according to which less than 2 percent of Albanian firms surveyed consider skills the biggest obstacle to growth.[12]

Figure 7: Firms face a host of constraints – but skills are not among the most important

a. Major/severe constraints to business



b. Major/severe labor-related constraints to business



Source: Estimates based on Albania STEP Employer Survey.

Overall, labor demand is higher for medium- and lower-skilled occupations. In the past three years, 51 percent of firms tried to hire at least once, for either a higher-skill or lower-medium-skilled occupation, or both. Nearly one-half of all firms tried to hire workers in Type B occupations. Demand for Type A workers was lower: 17 percent of firms reported having tried to hire managers, professionals, and/or technicians. The remaining half of the firms (about 49 percent) did not try to hire at all. The reasons cited for not hiring were more related to the lack of need of specific occupations/workers than to the fiscal burden of taxes and employees' costs. When it comes to projected employment growth, only 15 percent of firms expect to hire in the next year. Most of the demand is again for lower-medium-skilled occupations

[12] http://www.enterprisesurveys.org/data/exploreeconomies/2013/albania.

(in 13 percent of firms), while only a handful of firms expect to hire for higher-skilled occupations (2.3 percent).

In fact, the annual average employment growth[13] between 2016–2017 was higher for lower-medium-skilled than higher-skilled workers. Jobs for sales workers and workers in elementary occupations grew by 5 percent between 2016 and 2017 compared to professional occupations requiring higher skills, which grew by 3 percent. Only a minor employment change was registered for construction workers and other lower-medium-skilled occupations. The annual employment growth is consistent with the business structural survey (INSTAT 2018) for the same period and occupations, reflecting both a higher demand for these lower-medium-skilled occupations but also higher constraints for higher-skilled occupations.

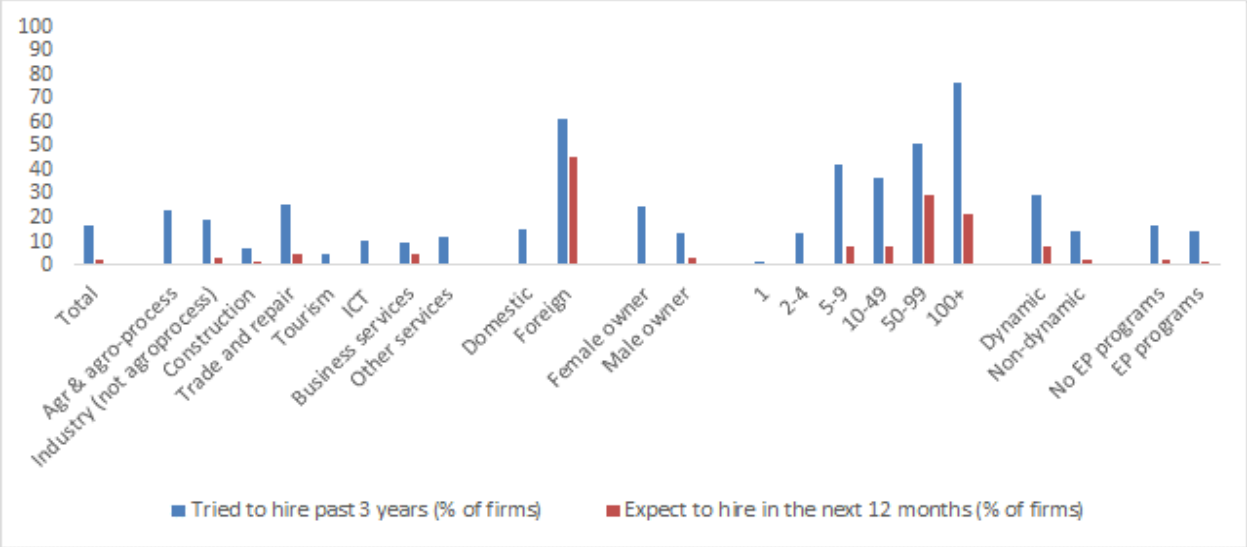
However, labor demand differs significantly across firm type. Hiring firms[14] are more likely to be foreign-owned, have larger numbers of employees, and are dynamic, per the above definition. For example, over 60 percent of foreign-owned firms, nearly 30 percent of dynamic firms, and a substantial share of larger firms (with more than 50 employees) tried to hire higher-skilled workers (Figure 8). There is no difference in hiring intentions between firms that participate in the Employment Promotion Programs implemented by the NES (mostly wage subsidy programs) and those that do not, however. The same patterns apply to the probability of hiring Type B workers, which is higher among larger, dynamic, and foreign-owned firms, supporting the notion that dynamic firms have a larger potential for job creation. Sectoral differences are more evident regarding the demand for lower-skilled occupations, which is higher in firms operating in the industry, tourism, and construction sectors. When looking at firms that plan to hire in the near future (in the next 12 months), firm patterns are similar across occupations: foreign, dynamic, and larger firms are more likely to hire compared to others. The projected demand for higher-skilled workers is higher in the business services sector, while demand for lower-medium-skilled occupations is higher in the agroprocessing, trade, and repair sectors.

Figure 8: Firms tried to hire across occupations, but demand is higher for Type B workers

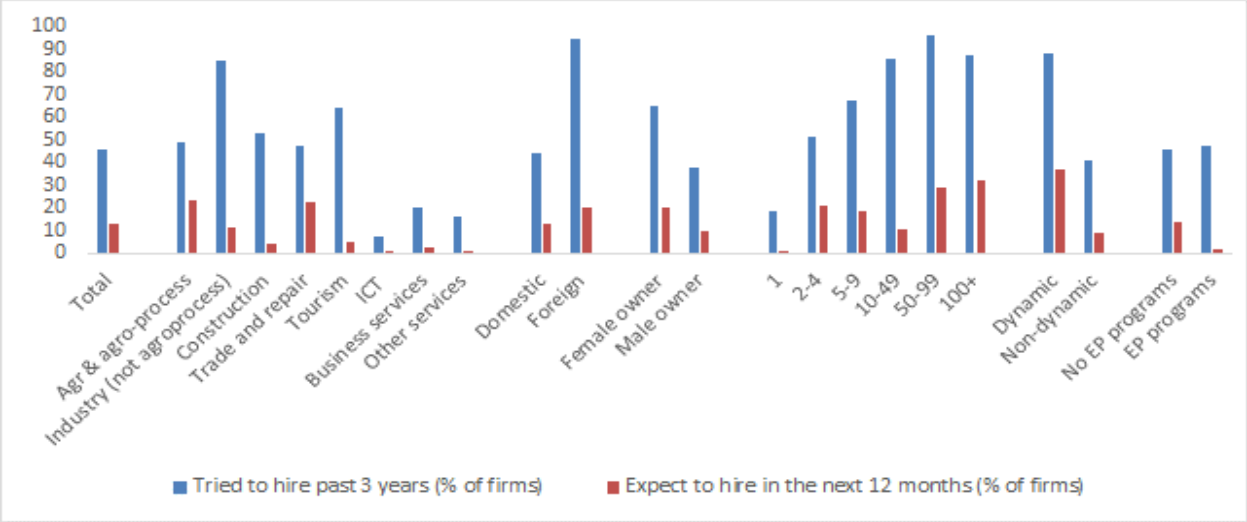
a. Share of firms that tried to and expect to hire for higher-skilled occupations (Type A)

[13] Firm-level employment growth between 2016–2017 is calculated when both current and 2016 employment are reported.

[14] Firms that tried to hire either Type A or Type B workers in the past year, according to the questionnaire.



b. Share of firms that tried to and expect to hire for lower-medium-skilled occupations (Type B)



Source: Estimates based on Albania STEP Employer Survey. Note: "Dynamic" firms are innovative and firms with international contacts.

Hiring problems are more pronounced for occupations requiring higher skills. More than 90 percent of hiring firms report at least one problem hiring for Type A and service worker occupations, which have more intense needs for certain types of socioemotional skills, such as the interpersonal skills needed to work with clients. Hiring is reportedly much easier for lower- to medium-skilled occupations, such as construction workers, crafts and related trades workers, drivers, plant and machine operators and assemblers, and skilled agriculture, forestry, and fishery workers.

The limited number of applicants was reported as the main obstacle to hiring. Several factors may explain difficulties in hiring, including the lack of required skills, limited work experience, and limited number of applicants or factors related to applicants' rejections due to too high reservation wages and dissatisfaction with offered working conditions. The lack of applicants (especially for managerial positions) was reported as the main difficulty for hiring both higher-skilled and medium-lower-skilled workers. For

more than 80 percent of firms trying to hire managers, the lack of applicants was the constraint rather than the lack of skills and work experience. And lack of applicants was the most common reason reported by 60 percent of firms trying to hire professionals, service workers, and elementary occupations, pointing to important information asymmetries in the LMIS.

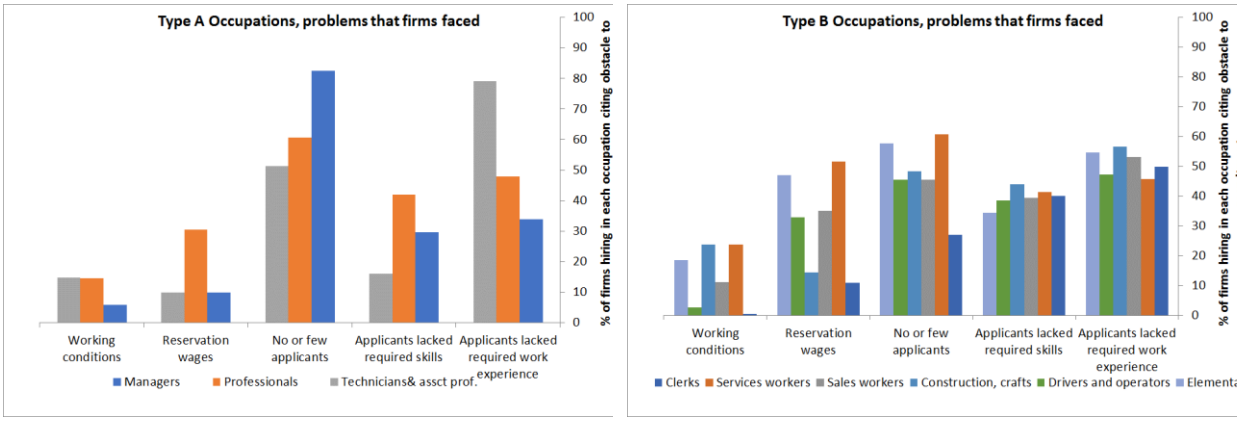
A majority of hiring firms are skills-constrained – they experience difficulties in hiring because of job applicants' lack of skills and work experience. More than half of the hiring firms reported the lack of work experience as the main problem encountered when hiring technicians and lower-skilled workers (with the exception of service workers and elementary occupations for whom the lack of applicants was reported as the main problem by the majority of the firms). The lack of required skills, often perceived by employers similarly to the lack of work experience, is also reported as a problem most firms encounter when trying to hire professional workers but also when hiring for Type B occupations. The following refers to firms that experienced problems in hiring because of the lack of required skills and work experience among applicants as "skills-constrained" firms.

Other factors, including high reservation wages (the lowest wage at which a worker is prepared to take a job) also contribute to limit hiring (Figure 9). Applicants' complaints of the working conditions represented problems for some firms. For medium-skilled workers, at least for service workers, high reservation wages also played a role. To these workers, wage levels (including payroll taxes and social security contributions) matter more than they do to higher-skilled workers, whose productivity is likely to be higher.

Informal hiring practices may explain the lack of applicants (or vice versa). Most firms (60 percent) rely on informal channels for recruitment (personal contacts, people recommended by others) rather than on public and private employment service providers, education institutions, or job fairs. It is not clear whether the lack of (skilled) applicants represents a hiring constraint (and hence the lack of skilled labor supply), or if it is a consequences of informal recruitment practices, an explanation that would be consistent with the higher unemployment rates among tertiary-educated graduates.

When hiring, age and gender matter for employers, especially for some medium-lower-skilled occupations (Type B). Lower-medium-skilled jobs have a higher content of routine tasks. As such, work experience may be more valued as workers are more likely to build their skills on-the-job than through theoretical training. This could explain the emphasis that employers put on age – it serves as a proxy for work experience. Medium-skilled jobs tend also to be more occupationally segregated by gender. For the firms that do consider gender an important factor, the preference is generally for male workers. In fact, additional analysis shows that male-dominated firms place more emphasis on workers' gender than women-dominated firms do.

Figure 9: Lack of applicants and skills constraints are the most important obstacles to hiring

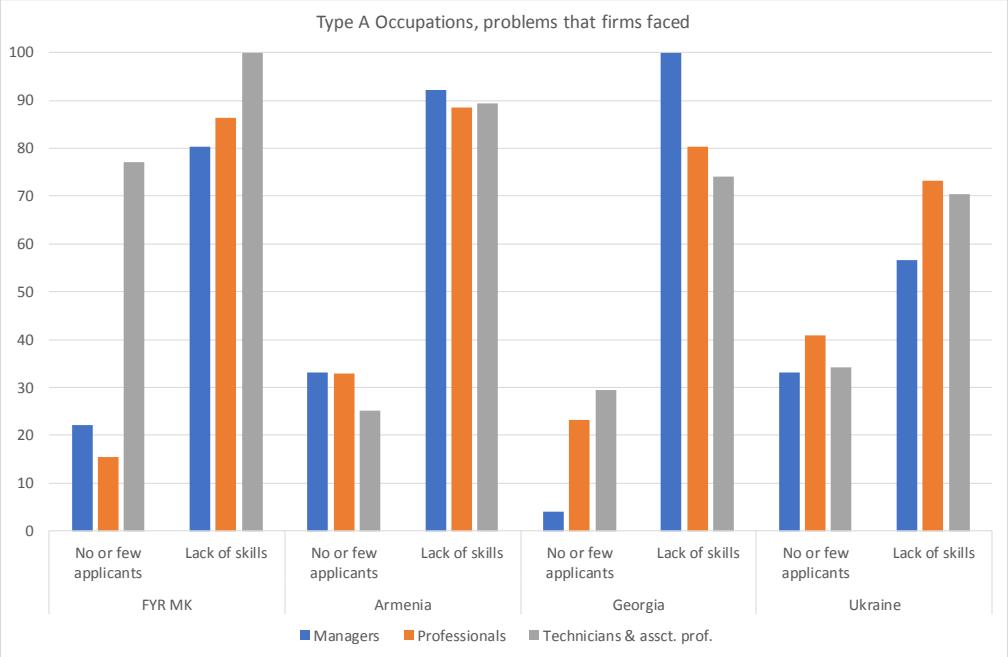


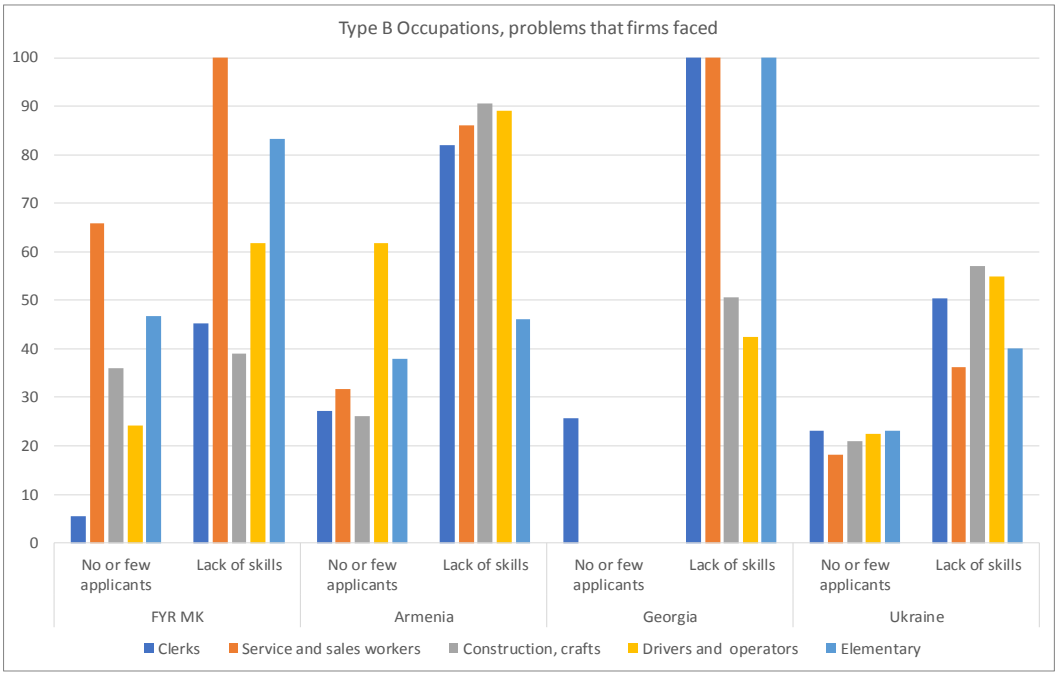
Source: Estimates based on Albania STEP Employer Survey.
Note: the chart refers to the percentage of firms with hiring experience (tried to hire in the past 3 years) reporting each problem by occupation.

Set against other countries, skills constraints appear to be somewhat less severe in Albania, especially for high-skilled workers. In Armenia and Georgia in particular, over 70 percent of hiring firms stated skills problems as a major constraint in hiring. Similarly, most firms in Ukraine and FYR Macedonia reported applicants' lack of required skills as the main hiring problem across different occupations (Figure 10). Conversely, the lack of applicants is a comparatively more severe constraint in Albania, possibly speaking to the small size of the economy and the significant impact of outmigration of skilled labor. Caution is needed, however, in comparing across STEP Employer Surveys due to differences in sample design, questionnaires, timing, and national/cultural contexts. As more evidence on labor demand and skills in neighboring Western Balkan countries comes forward, more significant benchmarking could be undertaken.[15]

[15] Analysis of the STEP Employer Surveys in Serbia, Bosnia-Herzegovina, and Kosovo is forthcoming in 2018. The STEP Employer Survey was also implemented in FYR Macedonia in 2015, but comparison is difficult as: (i) the sample in Macedonia is limited to four potential high-growth sectors where skills constraints are likely higher than the average for the economy; and (ii) a different methodological approach was used to measure the skills gaps of Macedonia's current workforce.

Figure 10: Skills constraints related to recruitment appear more severe in comparator countries than in Albania





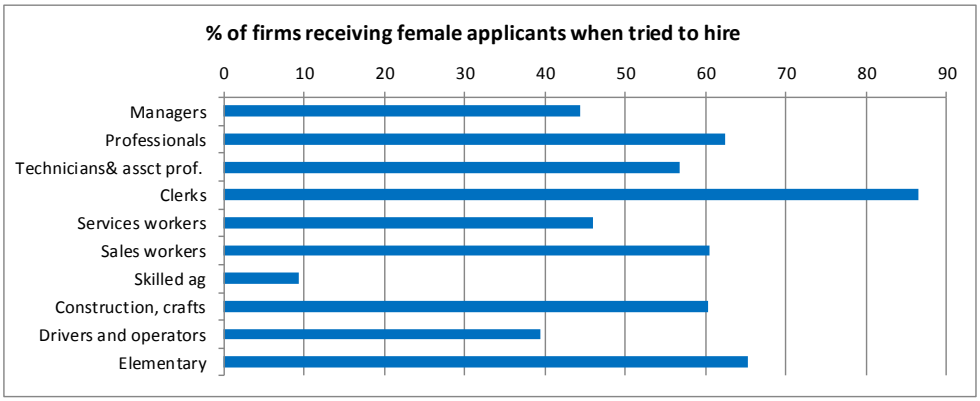
Source: Estimates based on STEP Employer Surveys in Armenia, Georgia, FYR Macedonia, and Ukraine.

Employers do not view female applicants as less skilled; however, social norms and expectations regarding women's multiple responsibilities may play a role in determining women's labor market outcomes. Firms that tried to hire generally received applications from women for the post, with the exception of (the few) firms that tried to hire skilled agricultural workers (Figure 11). From employers'

perspective, there is no gender skills gap: only a few firms (less than 20 percent) agreed with the statement that women's lack of required skills or experience was an issue in terms of recruitment. However, one-third of firms think that women are costlier to hire because of regulations, and over 40 percent believe that the recruitment of women is affected by their multiple obligations (Figure 12). Male respondents report stronger skills perceptions toward men than female respondents with respect to all skills, but at the same time, a larger share of male respondents consider women to be better equipped in English/other foreign languages, basic computer skills, flexibility, and grit. Strikingly, the gendered skills perceptions tend to be more severe in gender-balanced firms (where women represent 40–60 percent of the workforce) compared to men-dominated and women-dominated firms (i.e., those where more than 60 percent of the workforce comprises men and women, respectively). Such preconceived notions can clearly affect women's job opportunities, especially in sectors and occupations dominated by men.

By contrast, no significant evidence exists that women-dominated and women-owned firms experience more skills constraints in hiring. Women-dominated firms are fewer and smaller in size compared to men-dominated firms (World Bank 2018 forthcoming). There is no evidence that those women-dominated firms and women-owned firms experience more significant skills (or other) gaps than men-dominated firms.

Figure 11: Women apply for jobs across different occupational categories



Source: Estimates based on Albania STEP Employer Survey.

Figure 12: Skills gaps among women are not a major issue for firms when hiring – but social norms are

Source: Estimates based on Albania STEP Employer Survey.

4. What skills matter?

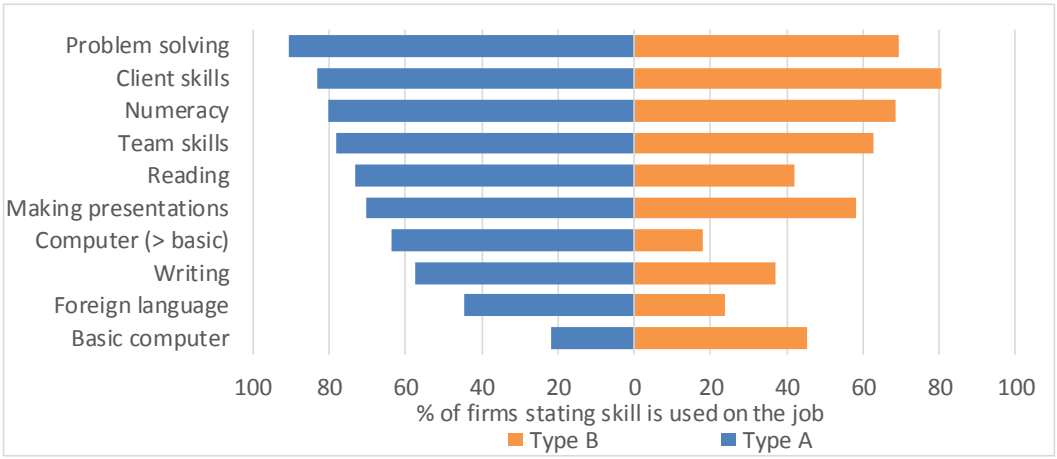
A broad mix: A mix of socioemotional and cognitive skills are needed and required by employers on the job, focusing on technical skills but also on problem solving, team work, and reliability.

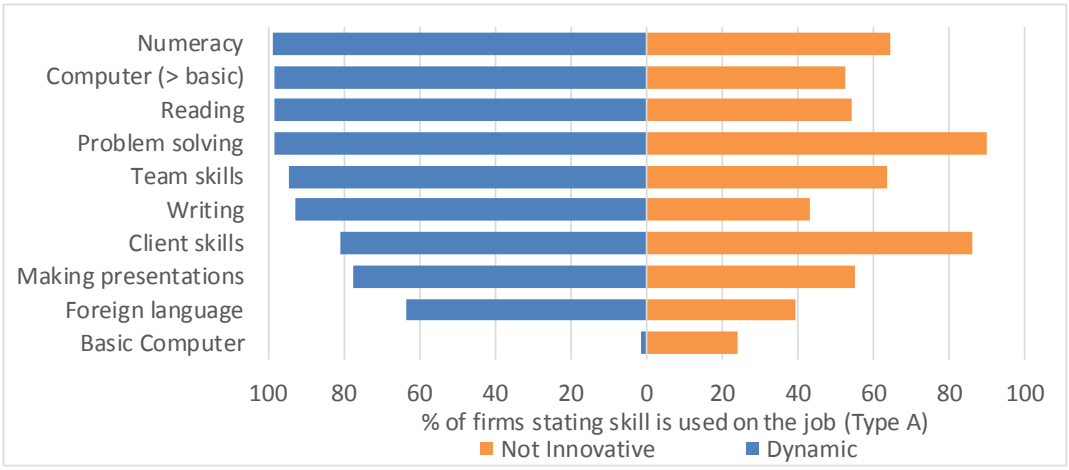
The STEP Employer Surveys provide two key sources on skills needs: (i) information on what kind of skills are used on the job by "a typical" high-skilled and lower-medium-skilled worker; and (ii) information on how employers rank the importance of different skills for jobs when recruiting.

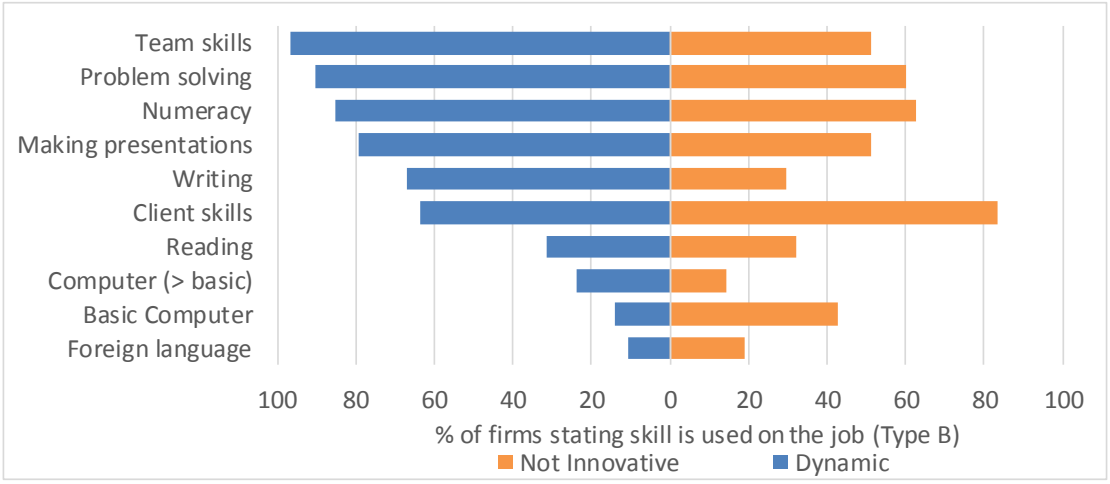
A mix of cognitive and socioemotional skills, especially interpersonal skills, are used by workers on their jobs. Consistent with the global skills shift toward higher-order cognitive and socioemotional skills, more than 75 percent of firms in Albania state that workers in higher-skilled occupations use more new economy skills, such as communication, and problem-solving skills (tasks that require spending more than 30 minutes consecutively thinking and working on resolving an issue), client skills, and team skills, as well as reading and numeracy. As expected, workers in lower-medium-skilled occupations are somewhat less likely to use each skill intensively than higher-skilled workers. Nonetheless, a majority of lower-medium-skilled workers use all of these skills on the job (Figure 13 a).

Dynamic firms demand significantly more skills-intensive jobs. Dynamic firms, defined as innovative firms with international contacts, are more skills-intensive than other firms. Even foreign language skills are used by the typical higher-skilled worker in a majority of these firms (this is not surprising, given that they have international contacts). The most significant difference between dynamic and non-innovative firms is in the use of cognitive skills; the relative importance of interpersonal skills is less. Importantly, these firms also have higher requirements for lower-medium-skilled workers in terms of nonroutine skills (team skills, making presentations, problem solving) (Figure 13b and c).

Figure 13: Cognitive and interpersonal skills are used in most firms







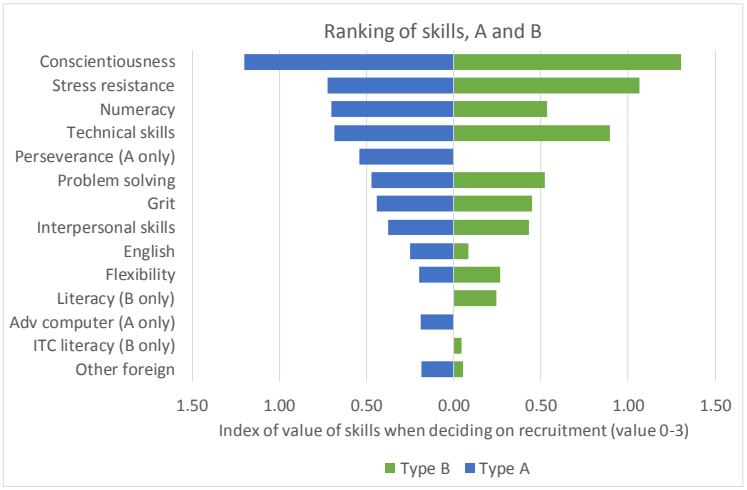
Source: Estimates based on Albania STEP Employer Survey.

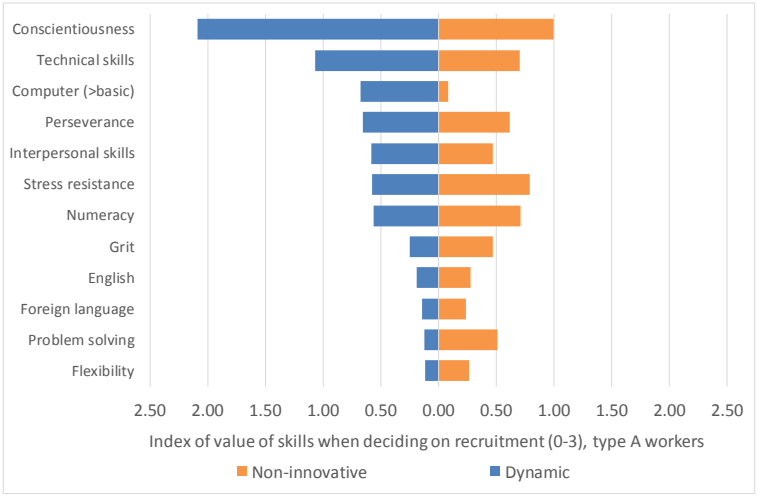
When recruiting, firms rate highly a set of socioemotional characteristics that affect workers' performance (Figure 14a). In particular, employers highly value whether a worker is conscientious (can be relied on to get things done), whether s/he can work under duress, and whether s/he has the job-

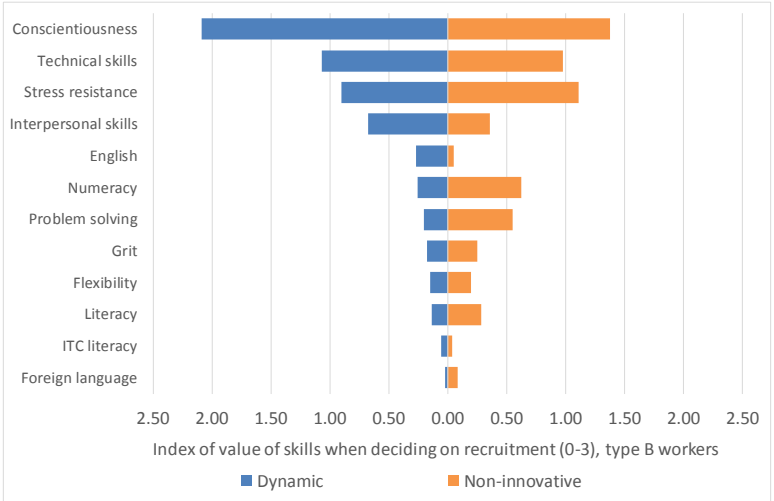
specific technical skills needed. On average, firms generally place very little emphasis on computer aptitude or ability to speak a foreign language. This can be a signal of the small-scale, low technology, and possibly inward-oriented nature of Albanian firms. But not all firms are the same. In fact, the business services sector and the ICT sector value languages among the top four skills when making hiring decisions.

Dynamic firms again differ significantly from other firms in the skills they look for in job applicants. Conscientiousness, job-relevant technical skills, and advanced computer knowledge are rated twice as important for higher-skilled occupations in dynamic firms than in non-dynamic firms. For lower-medium-skilled occupations, conscientiousness again, but also interpersonal skills, are rated much more highly by dynamic firms (Figure 14b and c).

Figure 14: Being able to get things done, under pressure, is highly valued by firms





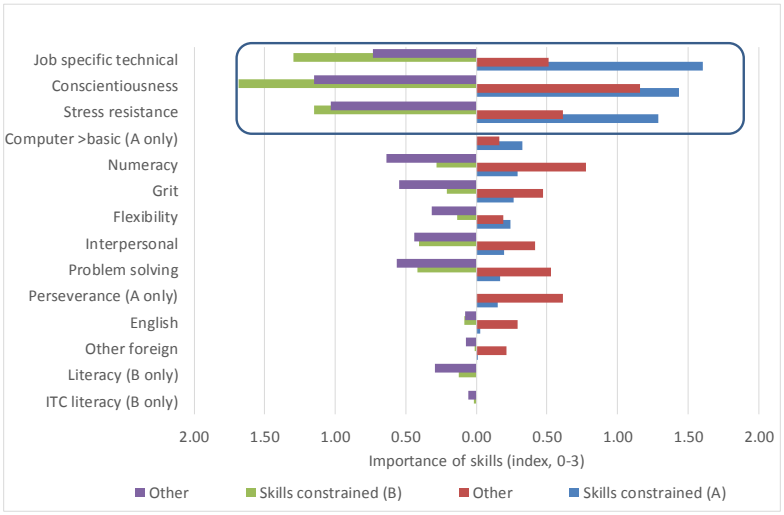


Source: Estimates based on Albania STEP Employer Survey.
Note: Firms were asked to identify and rank the three most important skills. "Dynamic" firms are defined as innovative and outward-oriented.

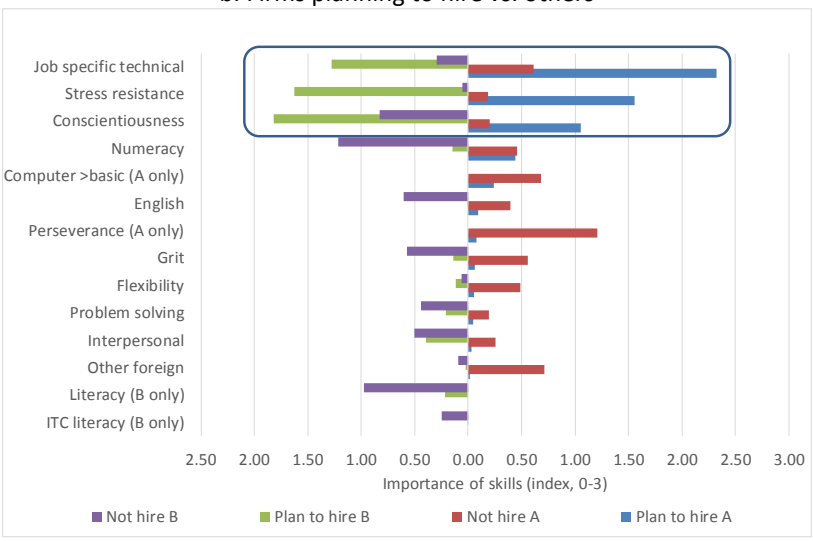
Similarly, skills-constrained firms value skills somewhat differently from other firms. Firms that found difficulties in hiring because of applicants' lack of skills value job-specific technical skills, but also conscientiousness and stress resistance much more than other skills (Figure 15), although the ranking is similar. This is also true in general for firms that expect to hire in the coming year. Hence, it is important that education and training systems provide technical skills needed for new graduates to at least begin to undertake the job.

Figure 15: Ranking of skills is different depending on skills constraints and job creation plans

a. Skills-constrained firms vs. others



b. Firms planning to hire vs. others



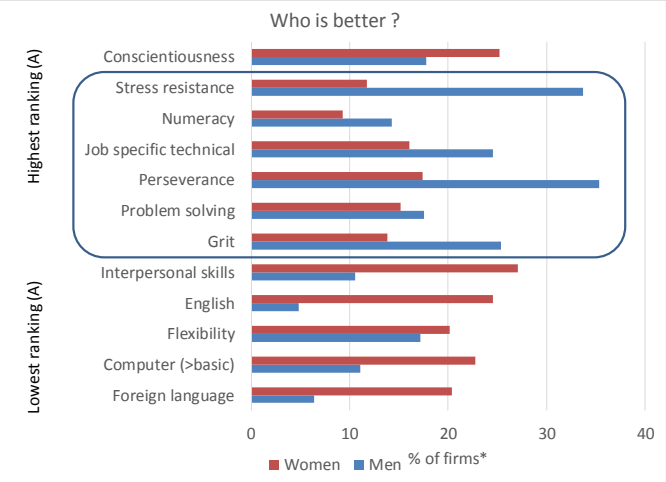
Source: Estimates based on Albania STEP Employer Survey.
Note: Skills-constrained firms are those that tried to hire but found it difficult because applicants lacked experience or skills.

There are some differences in the ranking of skills by economic sectors. Unsurprisingly, foreign languages (the ability to write and speak) as well as the capacity to work well in very busy or difficult situations (stress resistance) are valued much higher in business and other services than in other sectors, while advanced

computer programming skills are more valued in the ICT sector. As shown above, conscientiousness is the transversal skill most in demand (for all types of workers) by employers and in particular dynamic employers; sectoral analysis reveals that the finding is particularly true for firms operating in manufacturing, tourism, and trade services.

Employers generally do not find differences in skills levels between women and men, but they perceive men as more capable of handling stress and focusing on difficult tasks. Most firms do not report that women are less skilled than men, in any of the skills. However, for higher-ranking skills (except conscientiousness), the share of firms responding that men are better is considerably higher. The perceived differences are particularly high for stress resistance, job-specific technical skills, perseverance, and grit. One-third of employers think that men are better at handling stress and staying on a long and difficult task until it is finished. Such preconceived notions can clearly affect women's job opportunities.

Figure 16: Men are considered more resilient than women



Source: Estimates based on Albania STEP Employer Survey.
*Note: *Figure does not present the third option, "there is no difference." Ordered by average skills ranking for higher-skilled workers (Type A).*

5. Are these important skills lacking, and if so, for whom?

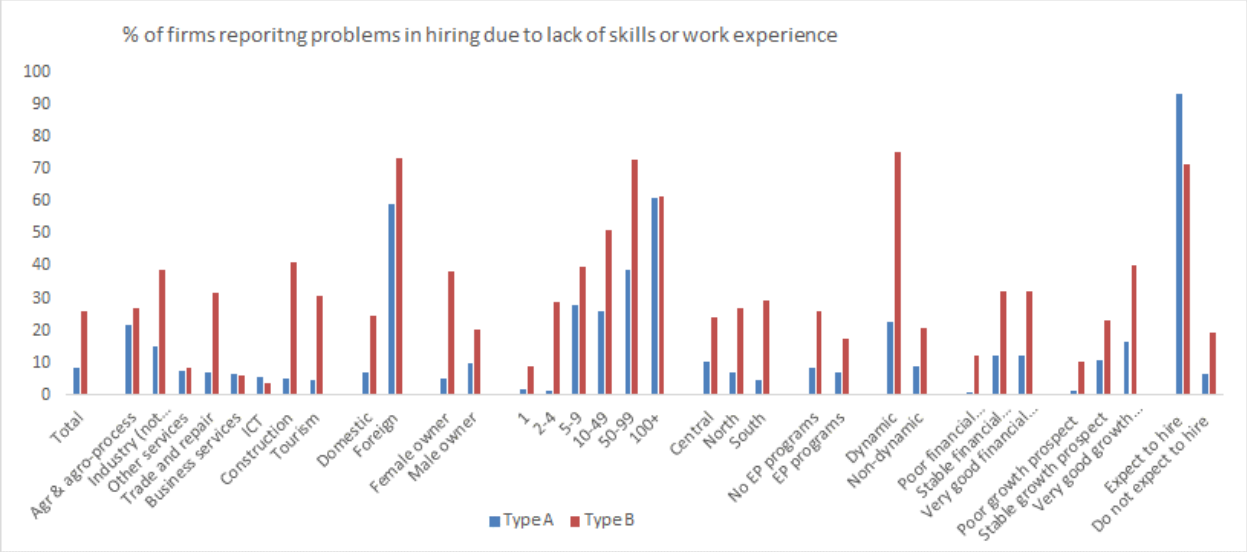
No strong evidence exists of a skills gap in the current employed workforce. This may suggest a specific problem with new labor market entrants in Albania (recalling that skills constraints limit hiring), and may help explain high unemployment rates among Albanian youth.

Employers perceive skills gaps (in technical and socioemotional skills in particular) in their pool of applicants. As seen above, a vast majority of employers that tried to hire in the past three years do indeed find skills gaps among jobseekers (section 3). When firms that experienced skills constraints in hiring were asked what key skills were lacking among applicants for higher-skilled occupations, they cited first, job-specific technical skills, and second, interpersonal skills (communication skills, team skills). This may suggest a disconnect with the skills imparted in universities and VET schools, but also provides evidence that first-time labor market entrants are particularly vulnerable as a group, suffering from a lack of workplace experience. This finding may help explain the high unemployment rates among Albanian youth.

Skills constraints in hiring are more binding for high-performing firms and less for subsidized firms. Importantly, reported skills gaps among job applicants are more binding in firms that could provide more productive and higher-quality jobs – larger firms, innovative firms, outward-oriented firms, foreign-owned firms, and firms that report better financial performance, very good growth prospects, and plans to hire in the next 12 months. On the other hand, only a few of the firms that participate in public Employment Promotion (EP) programs administered by the NES (mostly in the form of wage subsidies) face difficulties when hiring workers for lower-medium-skilled occupations compared to firms that did not benefit from such programs. This may be the result of successful NES intermediation services or, conversely, a signal that EP programs could be better targeted to firms that are really experiencing difficulties in finding "Type B" workers (Figure 17).

Skills constraints in hiring also vary by sector and region. Some differences arise between sectors, as firms in the construction, industry, and tourism sectors are much more constrained when hiring for lower-medium-skilled occupations, while firms in agroprocessing and industry are more constrained by skills in hiring higher-skilled workers. Skills problems to hire Type B workers are more pronounced in the south region, while the lack of qualified Type A workers is more a problem in the central region.

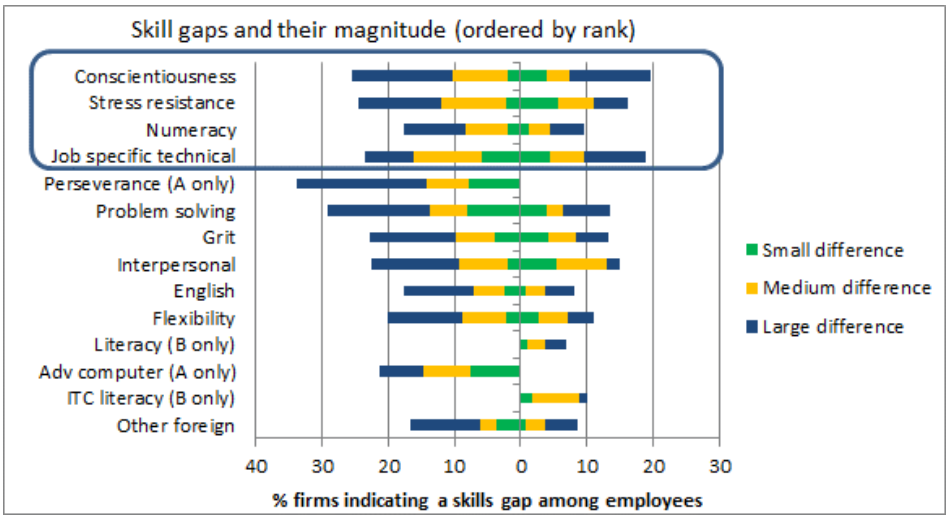
Figure 17: Firms that find it difficult to recruit because applicants lack skills are more likely to be foreign-owned, innovative, large, and operating in certain growth sectors



Source: *Estimates based on Albania STEP Employer Survey.*
Note: The figure refers to share of firms that experienced hiring problems and stated that applicants lacked required skills or work experience (referred to as "skills-constrained" firms). The size categories refer to the number of employees. "Dynamic" firms are those innovative and with international contacts. "Expect to hire" is planned employment growth in the next 12 months.

In general, however, firms are satisfied with the skills levels of their current workers. Skills gaps arise when certain skills are (i) in demand *and* (ii) not sufficiently available. A majority of firms do not consider that there is a gap in skills among their current employees, whether for highly ranked skills or for less important ones. Only about one out of four firms report skills gaps for managerial and higher-skilled occupations in their current workforce, and an even lower share of firms report skills gaps for lower-medium-skilled occupations (Figure 18). The reported skills gaps among current employees include job-specific technical skills for lower-medium-skilled occupations, and socioemotional skills such as perseverance, problem solving, and consciousness for higher-skilled occupations for which these skills are more in demand. For almost every skills gap identified, the majority of firms indicated a large difference between what is required for the job and the current level of this skill in the typical worker. The magnitude of the skill gaps is less severe for well-defined and certified advanced computer solving and ICT literacy skills.

Figure 18: Only about one out of four firms find problems with the skills level of the current workforce



Source: Estimates based on Albania STEP Employer Survey.

Note: For each skill, respondents were asked whether there is a gap (reported above), there is no gap, or skills are not needed. Skills are ordered by how employers rank them in importance (Figure 15). Left axis - Type A workers; right axis - Type B workers.

The discrepancy of the perceived skill gap among job applicants and current employees may be the result of employers' lack of capacity to identify skills needs and manage human resources. The opposite findings for skills gaps among applicants versus the current workforce support the value that employers place on skills learned and acquired by working in the establishment. Nonetheless, the discrepancy may also reflect employers' weaker capacity to assess and identify skills needs, possibly linked to weaker business management practices and personnel career development planning. The STEP survey does not allow to test this hypothesis, but international evidence from the World Management Surveys[16] shows that better-managed firms (measured as firms supporting long-term goals with achievable short-term target settings, rewarding high-performing workers and retraining underperformers, and managing human resources development through regular performance monitoring) are more productive. Lastly, the puzzling result could stem from the STEP Employer Survey design. The STEP employer questionnaire asks the firm respondent to think of the difference between what is needed on the job and the current level of the skill (this is how "skill gaps" are measured) and relies on random selection of the occupation category (Type A and Type B), which may not be representative of the average employee in the firm.

Hiring firms and firms that expect to hire in the next year are less likely to report skills gaps among their higher-skilled workforce. Firms with hiring experience in the past three years report various skills gaps less often than non-hiring firms. The same is true for firms that plan to hire in the near future. In other

[16] The World Management Survey (WMS) is the first cross-country, cross-industry dataset built to measure the quality of management practices in establishments. The WMS was established by Nicholas Bloom (Professor in Economics at Stanford University) and John Van Reenen (Professor in the MIT Sloan Management School). The objective of the organization is to collect data on management using the rigor and care that goes into creating high-quality data. It is implemented nowadays in 35 countries, covering both developed and developing countries. The WMS objective is to open the black box of productivity of the firm by conducting systematized surveys that identify specific aspects related to production and management practices.[17] Skills gaps among the current workforce in the STEP survey are measured through the following question "For each of the skills indicate if there is a difference between what is required for the job and the current level of this skill in a typical worker".

words, skills gaps in the current workforce are more pronounced among non-hiring firms and among firms that do not expect to hire in the future. One explanation could be that hiring firms have a more dynamic workforce and, on average, have a better skill set among all employees (due to better skills among entrants and positive spillover effects from them) than non-hiring firms, which have a more stagnant workforce. The result does not hold for low- and medium-skilled occupations for which hiring firms are more likely to report skills gaps (Figure 19).

Also, hiring firms that reported skills constraints when trying to recruit high-skilled workers are more likely to be satisfied with the skills levels of their type A workforce. The same puzzling result is found when focusing the analysis on skills-constrained firms. Firms that reported skills constraints when trying to recruit high-skilled workers are more likely to be satisfied with the skills levels of their workforce**.** Hence, the gap between how firms perceive skills among new entrants and current workers are much more pronounced for these "skills-constrained" firms than for other firms. In other words, those firms that found most difficulties in hiring because of lack of skills are also least likely to find skills gaps among their employees. For no single skill do more than 20 percent of this category of firms report skills gaps among the "typical Type A worker." Firms with hiring constraints for lower-medium-skilled workers are somewhat more likely to find problems with their workforce for highly ranked skills, particularly job-specific technical skills, stress resistance, and reliability to get the job done.

Firms owned by women are less likely to perceive skills gaps in their workforce but more likely to report inadequate education as a severe obstacle compared to men-owned firms. Male-owned firms are more likely to report skill gaps, especially among type A workers than female-owned firms[17]. However, a relatively larger share of female-owned firms reports that the education of workers (both general and TVET) as a severe obstacle to the operation and growth of their business, compared to male-owned firms[18]. The result is consistent with the Enterprise Survey 2013, according to which women-headed firms are twice as likely to report inadequate education of the workforce as a major constraint (10.6 percent).

[17] Skills gaps among the current workforce in the STEP survey are measured through the following question "For each of the skills indicate if there is a difference between what is required for the job and the current level of this skill in a typical worker".
[18] In the STEP survey, this refers to the general question "Are you satisfied with the education level of this worker?".

Figure 19: Hiring firms generally find fewer problems with their current high-skilled workers

Source: Estimates based on Albania STEP Employer Survey.

Note: Left axis - Type A workers; right axis - Type B workers. The definition of "hiring" firm here rests on data collected in module 2 of STEP (hiring typical workers of Type A/B as opposed to hiring typical workers of the 10 ISCO occupational groups that is in module 1 of STEP), consistent with the questions about skills gaps asked in module 3.

6. What causes perceived or real skills gaps?

Several potential causes exist: General education systems do not deliver the practical skills needed for jobs; firms do not provide training to their staff, especially for professional and technical occupations; and little interaction occurs between firms and education institutions to improve outcomes.

What could undermine skills development and cause skills gaps in Albania? Some of the usual causes would include poor quality of the education and training system; information asymmetries and lack of reliable means of signaling competencies for first-time labor market entrants and, related to this, firms' recruitment practices; limited input from the demand side (employers) into training and education curricula and training modalities; firms not providing enough on-the-job training or skills development through the adult working life; and – though this cannot be assessed through the STEP Employer Survey data – poor ability among firms to identify their own skills needs and status quo bias in how business is done and what skills are needed.

Are levels or quality of education a problem?

Firms are generally happy with the levels of education of the typical worker. According to Labor Force Survey (LFS) data, almost one-half of the working-age population in Albania has at most finished primary school. However, those with secondary or tertiary education are more likely to be working – i.e., the share of post-primary education among the employed is higher than in the overall working-age population. And when asked directly, firms are almost universally content with the level of education of their workers, whether higher- or lower-medium-skilled.

The low quality and levels of education are an obstacle for accessing jobs and limit job prospects among youth. Quality problems clearly prevent education systems from building foundational skills, even among the young generation, which has more access to education than older generations. In fact, the most recent PISA survey shows that one-half of Albania's 15-year-olds are not functionally literate: over one-half do not meet basic levels of reading literacy. Albania had one of the highest shares of 15-year-old students scoring no higher than level 1 on the PISA Reading Section in 2015 (Figure 20). Skills are also enhanced through VET and enterprise training.

Figure 20: Functional literacy is low in Albania compared to other European countries

Source: Estimates based on PISA.

Note: Depicts the share of students scoring below level 1 of 5, where 5 implies critically evaluating texts, and 1 implies locating a simple piece of information.

A majority of firms believe that education and training systems deliver the skills needed. When asked whether education and training systems deliver soft skills, practical skills, up-to-date skills, or skills that the business needs and/or ranks highly, most firms agree that they do. Overall, the VET system is considered to deliver the practical experience necessary to perform the tasks needed, whereas 30 percent of firms find that the general education system does not deliver these skills. Further, about one-third of firms find that the VET system does not deliver sufficient socioemotional skills.

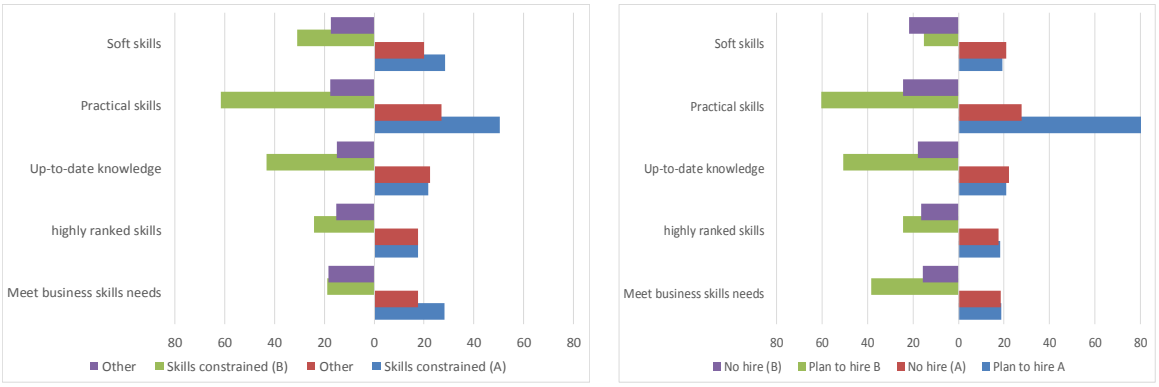
Firms that experience skills constraints when trying to recruit, and those expecting to hire workers, are more critical of education systems, however. Again, averages conceal differences among firms. Consistent with previous patterns, those firms with difficulties in hiring because of lack of skills, and those firms expecting to grow, are more likely to find that the general education system is not delivering the practical skills needed for the job, nor sufficiently up-to-date knowledge, nor the personal skills needed in the workplace such as time-management, reliability, ability to work with others, etc. By contrast, skills-constrained and growing firms are generally more content with the VET system.

Beyond the insufficient relevance of training (curricula), the current delivery modality of vocational training (class-based) does not promote work-based learning. One of the reason why some employers are critical of the VET system is that it does not equip trainees with practical skills. The current adult training programs are limited in scale and diversity and do not respond to the needs of the labor market. The provision is mainly public, through 10 Vocational Training Centers (VTCs). An assessment of training providers (World Bank 2017) shows that in general, the quality of training by private providers is hampered by similar challenges of low quality and relevance. Beyond the quality and relevance of training, the class-based delivery modality does allow trainees to build the work experience skills demanded by employers. With the exception of a pilot apprenticeship program supported by Swiss Contact, VET schools and the general education system in Albania offer school-based learning only and do not promote

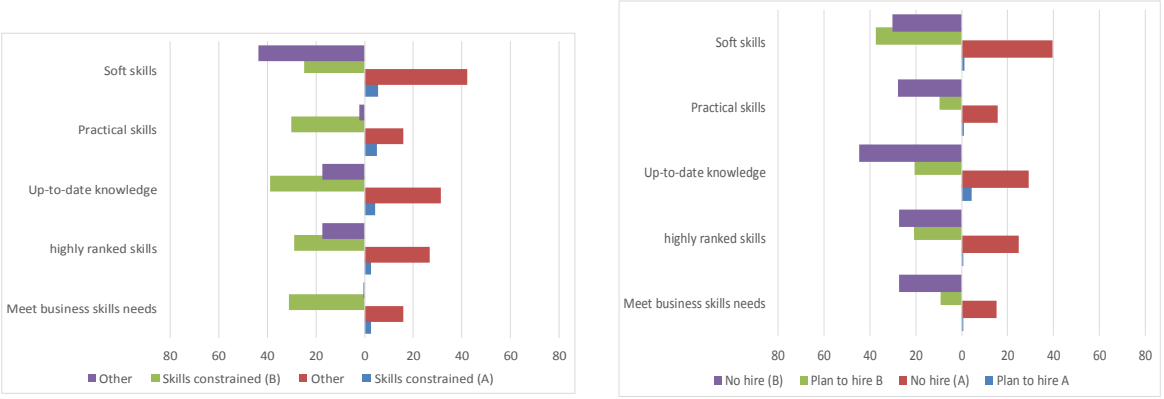
trainees' exposure to work experience. At the same time, private sector associations are weak in Albania and not well organized to partner with VET providers to promote work-based learning.

Figure 21: Skills-constrained firms and firms expecting to grow are more critical of general education and VET systems

a. Views of general education system (% of firms disagreeing)



b. Views of VET system (% of firms disagreeing)



Source: Estimates based on Albania STEP Employer Survey.

What can firms do about skills gaps?

Provide training to their staff

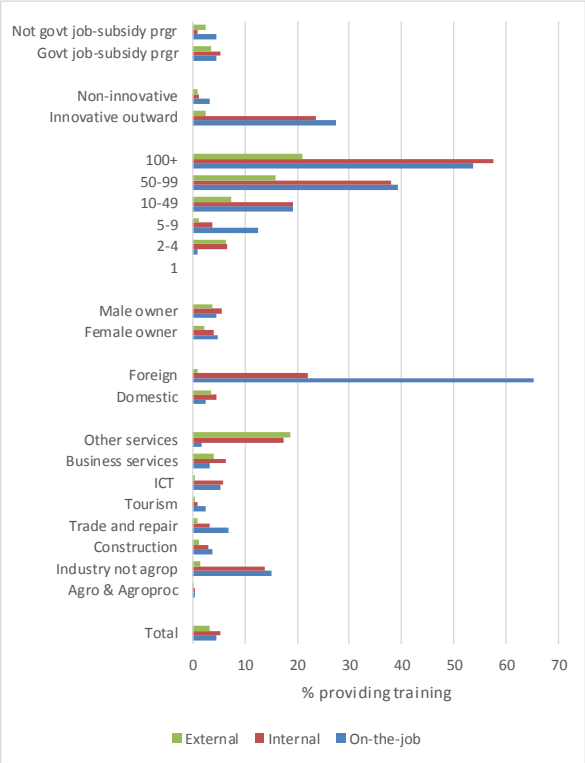
Firms can provide different forms of skills upgrading to their staff to increase productivity. Workers can be trained on the job, by learning by working, by rotating staff between different posts, or by forming specific teams. They can also be trained through internal-to-the-firm or externally provided classroom-based training.

In practice, few firms provide training to their employees. Although the STEP Employer Survey shows that firms have some issues with the practical content of the education system, they generally do not involve their staff in further training. In particular, they are not likely to provide their staff with external training that could lead to general skills upgrading through exposure to new processes, ideas, and technology that firm owners/managers themselves may not hold. Lack of firm-based training implies

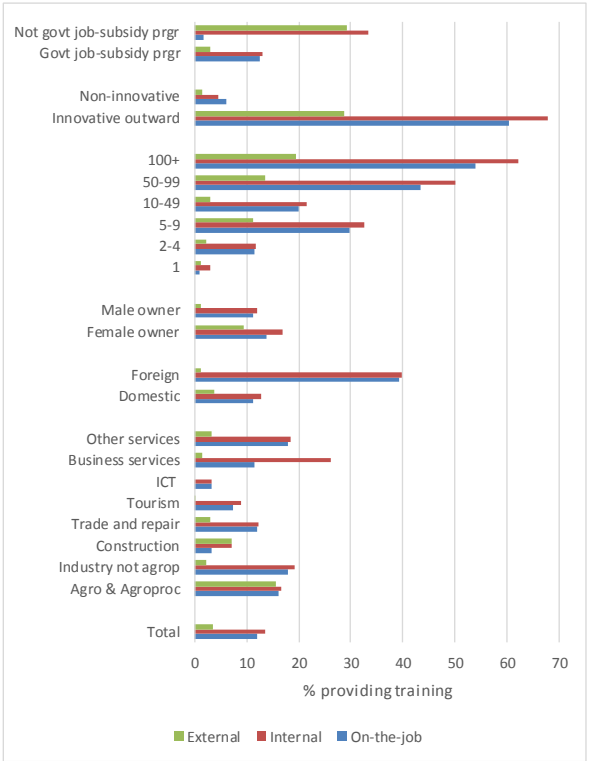
limited opportunities for skills development and lifelong learning of individuals, and is likely to hold back productivity growth of firms. On average, less than 15 percent of firms provide internal or on-the-job training to their workforce; and less than 5 percent provide external training. This likely reflects the weight of smaller firms in the sample; these firms may have less overhead to pay for training or to allow staff time off for skills training, a higher need for multitasking among staff, and a lower ability to identify skills needs. Indeed, foreign-owned firms, larger firms, and innovative/dynamic firms are much more likely to provide training (Figure 22).

Figure 22: Few firms provide training (larger, foreign, and more dynamic firms do)

Training for higher-skilled workers (Type A)



Training for lower-medium-skilled workers (Type B)



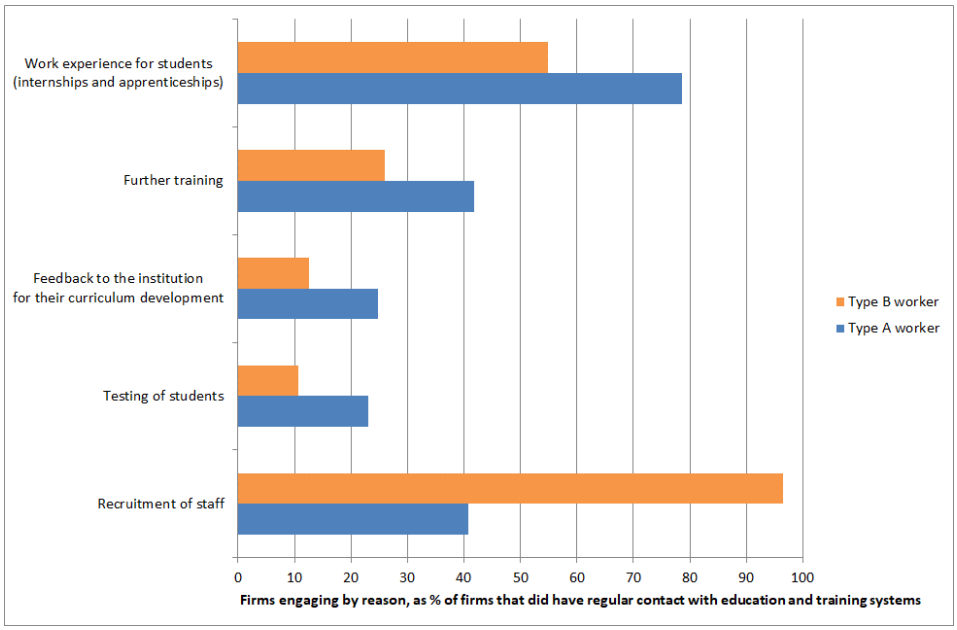
Source: Estimates based on Albania STEP Employer Survey.

Influence labor market relevance of education and training

Firms do not generally engage with education systems to address the lack of practical content or the provision of up-to-date knowledge. These areas were identified, at least by some firms, as problems concerning the education system. Firms are not dissatisfied with the level of skills of the current workforce – but have some issues with practical content and up-to-date knowledge of the education system. Fewer than 1 in 25 firms (less than 4 percent) are regularly in contact with education or training systems.

Very few firms engage with education and training systems at a strategic level. Out of the few firms that are in contact with the education system, most provide work experience for students or recruit new workers from students. There is virtually no contact to provide feedback to the institution on its curriculum, or to help test students (Figure 23).

Figure 23: Firms are not engaged with education and training systems at a strategic/systemic level



Source: Estimates based on Albania STEP Employer Survey.

Reform hiring practices

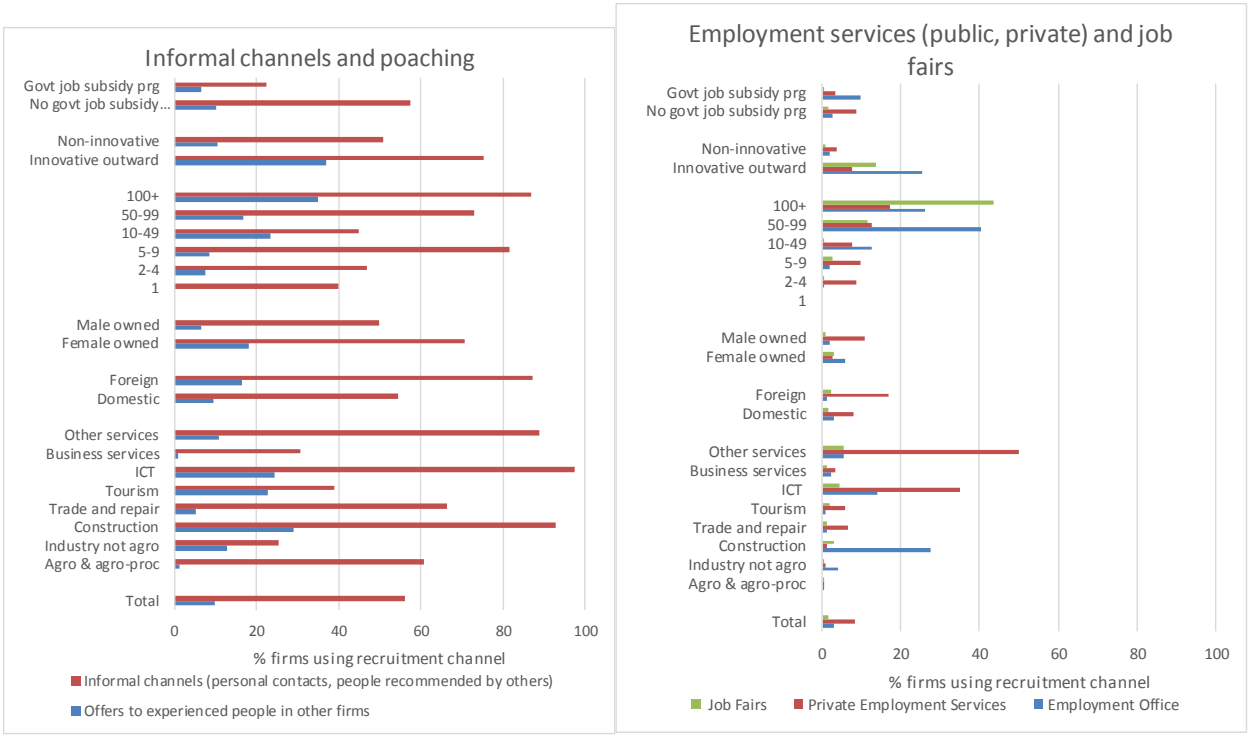
The skills that matter to employers – conscientiousness, stress resistance, some interpersonal skills – can be difficult to evaluate in an interview, at least for small firms not able to apply modern testing techniques, or from a resume. These kinds of skills require recommendations and references, which in turn require some form of work experience.

Informal channels are – by far – the most important channel for recruitment. More than one-half of firms use informal channels for recruitment and, perhaps surprisingly, dynamic firms, large firms, and foreign-owned firms are even more likely to do so (Figure 24). The extreme dominance of informal channels (first) and poaching (second, referring to the practice of offering jobs to those already employed in other firms) suggests that there may be problems in identifying skills through means other than personal recommendations. Diplomas or interviews are not enough. It may also reflect a lack of openness among employers.

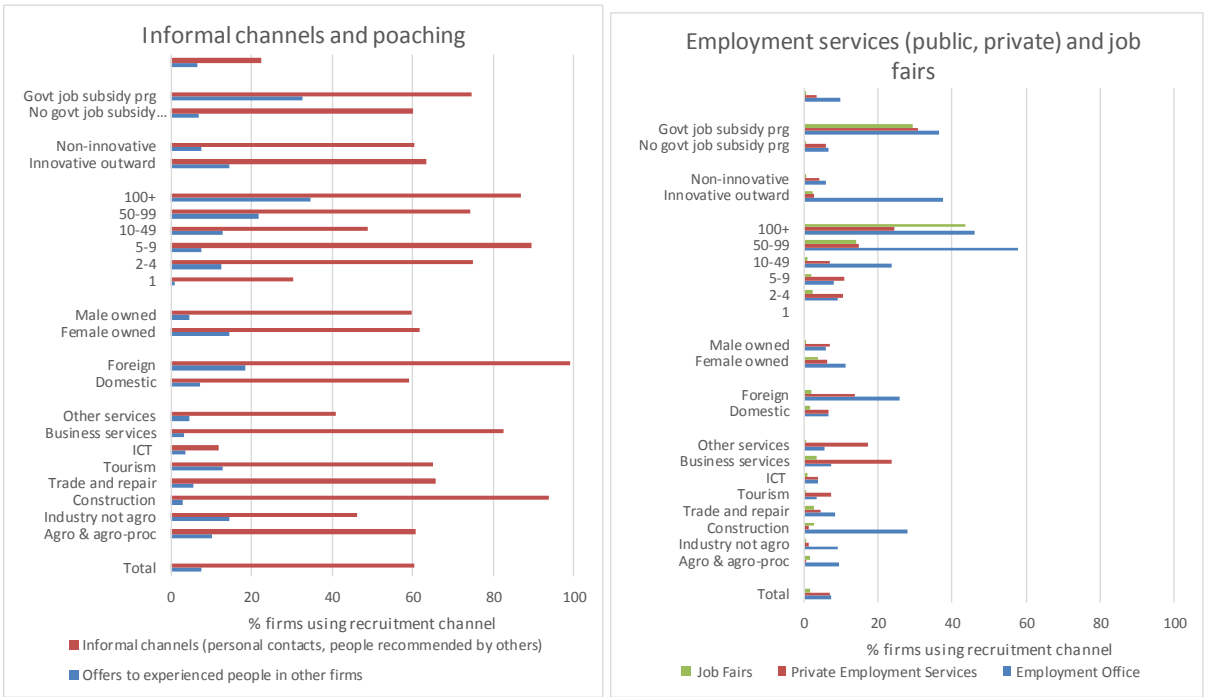
Public employment services are rarely used by firms for hiring managers and higher-skilled professional workers. Only firms in the construction sector, larger firms, and dynamic firms use these services to some extent, but their use is still below one-third of firms. Private employment offices are slightly more likely to be used, but the intensity of use is limited. For Type B workers, a slightly higher share of firms use public employment offices rather than private offices.

Figure 24: Recruitment channels are mostly informal

a. Higher-skilled workers (Type A)



b. Lower-medium-skilled workers (Type B)



Source: Estimates based on Albania STEP Employer Survey.

7. Conclusions and recommendations

This report presents findings from the Albania STEP Employer Survey undertaken in 2017. The STEP Employer Survey adds significant value as it: (i) focuses on the demand side of the labor market; (ii) looks at actual skills, rather than education levels, diplomas, or years of schooling as proxies for skills; and (iii) looks at generic skills and is not limited to job-technical skills associated with one occupation or another.

The analysis of the STEP Employer Survey provides important insights into skills gaps as Albanian employers perceive them. First, one-half of those firms that had tried to hire workers for jobs met with difficulties in hiring because applicants lacked skills and experience. Critically, more dynamic firms (innovative and with international contacts), which have more job creation potential, were also more likely to experience such difficulties in the past three years. In all, this suggests that skills constraints may be holding back job creation in Albania, especially in firms that could potentially provide more productive employment. However, whereas employers complain about lack of skills among applicants, they are generally satisfied with those already in their employ. This suggests that, at least as perceived by employers, skills problems are affecting mostly young people and first-time labor market entrants.

Firms' hiring problems are more pronounced for high-skilled occupations, pointing to critical issues in employment matching services. Generally, firms face higher constraints to hire qualified workers not just because of the lack of required skills but also because of limited number of applicants (or lack of applicants). In this respect, Albania differs from comparator countries in the region. Coupled with the high number of university graduates unable to find a job, this finding points to severe information asymmetries and bottlenecks in employment intermediation services (both public and private), in addition to outdated and inflexible tertiary education.

In Albania, employers value a broad set of skills that are needed to be effective on the job. Socioemotional skills that are necessary to be efficient in the workplace, including in teams, are particularly valued: conscientiousness, the ability to work under duress (stress resistance), and job-specific technical skills. However, a majority of firms consider their staff to have these skills and consequently perceive no gap. By contrast, they find that job applicants lack the technical skills needed for the job, as well as the interpersonal skills necessary to be effective. Women, whose employment outcomes lag behind those of men in Albania, are not seen as less capable in general. However, in Albania, social norms appear to affect hiring, as many employers believe it is more difficult to hire women because they have competing demands on their time in the form of family obligations.

Skills constraints likely result from insufficient quality of the general education system and relevance of vocational training. While Albania has taken important steps toward adjusting the VET system with European requirements, it is still far from having an efficient system. The current adult training programs are small in scale and diversity and do not respond to the needs of the labor market in terms of providing both the transversal set of skills and specific technical skills needed, as well as the work-based practical experience needed in respective occupational areas. Access to education has increased in Albania, but there is evidence of quality problems even in foundational cognitive skills such as numeracy. Employers are generally content with the outcomes of the VET system but find that young graduates from the general education system (typically those that qualify for higher-skilled jobs) lack up-to-date knowledge and practical skills.

The limited demand-responsiveness of the VET system is the result of the lack of partnerships between employers' associations and VET providers (and, more broadly with formal education institutions).Employers and the education system are isolated from one another, an impediment to increasing the relevance of training. Employers do not collaborate with educational institutions on the content of training (curricula) and do not play a role in the delivery of training, which is school-based. Employers much prefer informal channels (friends, family, network) when recruiting, which in itself may be a sign of distrust in the education system and the value of a diploma.

What can Albania do to improve skills development systems so that employers find the workers they need and young people can find a job after graduating? The analysis points to five important areas of action: (i) strengthening the role of employers in the provision of vocational training and in the formal education system through work-based learning; (ii) fostering more labor market-relevant skills in education and training systems, including foundational and socioemotional skills relevant to the workplace; (iii) addressing information asymmetries between employers and jobseekers and strengthening matching services; (iv) building the management capacity in firms to assess and identify their skills needs; and (v) adjusting labor market regulations to reduce employers' gender bias in hiring decisions.

Strengthening the role of employers in training provision

One way to strengthen the role of employers in skills development is through work-based learning in the form of apprenticeships and temporary internships. The skills acquired through exposure to and participation in productive work in real workplaces can contribute substantially to developing both the technical and nontechnical skills that are highly ranked by employers. Efforts to reach out to industry associations have apparently not met with success in Albania so far and a discussion on how to best involve the private sector is needed. More specifically, employers' request for more practical or job-specific technical skills will require much closer collaboration between education institutions, training providers, and the private sector.

These technical skills can be taught by hands-on casework in classrooms and by workplace training, both during secondary and post-secondary training and after graduation through subsidized employment, although this may be costly. Some European countries have introduced a certain number of workplace learning programs into the formal secondary education system. Stronger emphasis on workplace training has the benefits of bringing the private sector and the education system closer, of exposing trainees to a host of workplace skills (not only technical, but also socioemotional and generic skills), of providing trainees with concrete references from the private sector that can be used during job search, and of directly building contacts between youth and the private sector for future job opportunities.

Effective work-based training requires strong institutions, sectoral training funds, key contacts in economic chambers, and an accreditation system for apprenticeships, among other things. There is a need to strengthen employer associations, which are not well organized in Albania, or to target a reach-out strategy to specific employers. With the exception of a small apprenticeship pilot supported by Swiss Contact, VET schools and the general education system in Albania offer school-based learning only, hence failing to equip workers. International experiences form Latvia and Poland show that moving from school-based to work-based training is a gradual transition process. Based on an analytical framework developed by the European Commission, key aspects that constrain effective work-based learning have been identified. They relate to elements of the national governance and financing framework; stakeholder

consultation and coordination mechanisms; incentives and capacity of employers and VET schools; quality and assurance mechanisms; and the role of the Center for Practical Training.

Fostering more labor market-relevant skills in education and training systems, including socioemotional skills relevant in the workplace

Fostering labor market-relevant skills is a broad agenda that calls for the development of foundational and socioemotional skills starting early on during early childhood as well as upgrading and diversifying job-specific technical trainings.

Ensuring that workers and future labor market entrants are equipped with transversal cognitive and socioemotional skills is necessary, especially in the age of accelerating technological change and increasing demand for such skills and lifelong learning. It will be important for Albania to achieve universal proficiency on national and international student assessments in mathematics, reading, and science (PISA). Individuals differ in aptitude, cognitive ability, and socioemotional characteristics. However, strong evidence shows that whereas personalities cannot be fundamentally altered, workplace skills such as self-regulation, stress resistance, and communication skills can be honed throughout education and training systems. As discussed above, workplace training as part of education is also an opportunity to be exposed to, develop, and get rated on workplace skills. In addition, there is likely value in providing young people with information on the importance of timeliness, discipline, and teamwork skills in most jobs. Information sessions or short courses could be imparted to unemployed youth as part of job search assistance through employment offices.

Enhancing the quality and demand-responsiveness of technical skills calls for: introducing new competency-based courses to meet skills demand in specific occupations as well as modernizing the curricula and infrastructure of existing courses; strengthening the quality assurance framework of instructors; and establishing the licensing policies and procedures to stimulate private sector provision of training. As discussed above, a critical aspect would be to foster a close connection between schools/training providers and employers to ensure that the technical skills that students learn are not already outdated when they graduate and to emphasize workplace-based learning.

Addressing information constraints by strengthening the NES's capacity to serve (and match) employers and jobseekers, and enhance the labor market information system

The Albania STEP Employer Survey points to the value of upgrading the NES's role to facilitate recruitment, which currently takes place through informal channels. In other countries, national public employment services have shown to pay off significantly in terms of placing unemployed youth. The NES can help reduce information constraints by improving job intermediation services and increasing the capacity for performance management. To improve the quality of job intermediation services—matching, but also referral to training and employment promotion programs – NES employees should take on more specialized functions such as careful profiling of jobseekers and vacancies for better case management (assessment of job readiness). The NES should also strengthen its referral function (referral to different types of employment promotion programs, adult vocational training, and or second chance education courses). Outreach to employers needs to be intensified, as only a handful of firms rely on the NES for recruitment. The NES should expand the pool of employers to small and medium firms that may be more constrained in hiring (as they often lack a proper human resources unit and screening mechanisms). Better targeting of firms is also needed for public Employment Promotion programs, as the evidence from the

STEP Employer Survey suggests that firms with lower hiring problems currently benefit from wage subsidies.

In the context of high labor mobility (emigration) and the government's efforts to minimize the brain drain, the role of the NES to help employers fill high-skilled occupations and address the information gaps among jobseekers becomes even more important. Complementary, private employment services could be contracted to bridge the gap between the unmet demand and supply of higher-educated workers, as the STEP Employer Survey points to higher difficulties in hiring higher-skilled workers due to lack of applicants.

To improve the NES's performance management, upgrading the online labor market information system (LMIS) is a priority. The LMIS should: provide information to help students identify careers for which they have aptitude and for which demand exists in the labor market; provide information on the broad skills needed and valued (the STEP Employer Survey, hence, provides input to the LMIS); help jobseekers and hiring firms find each other; and help education systems and other government institutions monitor, evaluate, and adapt their education and labor market policies. Moreover, a platform is needed for interaction between education systems and employers to collaborate on curriculum development, testing of students, internships/apprenticeships opportunities, and so on.

Building capacity in firms to identify and assess their skills needs

The STEP Employer Survey reflects employers' perspectives and perceptions. Firms, especially smaller firms with no human resources units, often lack the ability to identify their own skills needs and skills gaps. Smaller firms are also less likely to use modern recruitment techniques such as personality tests. The dichotomy between firms' perception of applicants' skills levels versus those of their own workforce may partly reflect these capacity constraints and, more broadly, weaknesses in management practices, which are a constraint for both productivity growth and job creation (international evidence from the World Management Surveys shows that better-managed firms are more productive). Some smaller and medium firms hold back job creation as they are not educated to identify skills needs and they lack long-term vision and adequate management skills. In other cases, hiring decisions are undertaken as the search costs are too high.

Special training tailored to specific types of firm managers would help them better manage their workforce and business by: supporting them to conduct regular performance monitoring of employees; rewarding high-performing workers with bonus and retraining underperformers; understanding skills needs and vacancies; and sensitizing them on the existence and costs of recruitment services (both public and private) to be outsourced. In addition, stronger coordination around these skills needs, through industry associations or other collaboration mechanisms, would help firms identify, articulate, and upgrade the skills of their own workforce.

Adjusting labor market regulation to reduce employers' gender bias in hiring decisions

Finally, the findings point to some gender disparities in employers' perceptions about female workers, not so much related to their skills but to their capacity to focus long term on a task and on the competing time demand stemming from household duties. Labor regulations (maternity and paternity leave, flexible work schedules for parents) could be adjusted to promote more gender equality in hiring decisions. Complementary measures such as increased funding/provision of affordable, quality child and elder care should accompany reforms of the labor code.

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Annex 1: Skills in the Albania STEP Employer Survey

	STEP Employer Survey in Albania	
Type of skills *(New economy skills in cursive)*	Degree to which skill is important for job (and whether there are gaps)	Degree to which skill is used by typical worker
Foundational and higher-order cognitive skills	Literacy (Read and write in Serbian) Numeracy *Problem solving (can find new and better ways to do things)* *ITC literacy (basic computer use)* *Advanced computer use* *English* *Foreign language (not English)*	Reading Writing Numeracy *Problem solving* *Use of computer* *Foreign language*
Socioemotional ("soft") skills	Conscientiousness Can be relied on to get things done Grit Can continue in the face of challenging situations at work Perseverance Can finish long and difficult tasks Stress resistance Can work well in very busy times or difficult situations *Flexibility* *Can easily adapt to new tasks or changes in the workplace* *Interpersonal skills* *Can work well with others and listens to others' views*	Client skills *Interacting with a team*
Job technical skills (including cognitive, soft)	Technical skills	*Making presentations*

Annex 2: Sample Design and Weighting Procedures for the Albania STEP Employer Survey

Sample Design for Albania STEP Employer Survey

The sampling frame for the Albania STEP Employer Survey was based on the business register of all enterprises in Albania with 1 or more employees, which includes information on the geographic location, the economic activity, the gender of the owner, and the number of employees. This register is maintained by Institute of Statistics in Albania (INSTAT), which selected the sample firms and replacements for the Albania STEP Employer Survey based on the sampling specifications. The sample design is described in the "STEP Albania Employer Survey Implementation Report." A summary of the sampling plan is described here since the weighting procedures are based on this design.

The firms in the sampling frame were stratified by region, economic activity (based on the NACE[19] code), gender of the owner, and size (in terms of number of employees). The following three regions were defined:

(1) North
(2) Central
(3) South

Four categories were used for the stratification by size:

(1) 1–4 employees
(2) 5–19 employees
(3) 20–99 employees
(4) 100+ employees

In addition to the main sample covering the different economic activities, there was a special interest in particular economic activity groups, which were oversampled to ensure sufficient coverage in the survey; this is referred to as the "booster" sample. The following activity groups (with their corresponding activity codes) were identified for this special stratification:

Activities
55 Accommodation
62 Computer programming, consultancy and related activities
79 Travel agency, tour operator reservation service and related activities
1041 Manufacture of oils and fats
1051 Operation of dairies and cheese making
5610 Restaurants and mobile food service activities

[19] The Statistical Classification of Economic Activities in the European Community, abbreviated as NACE, is the classification of economic activities in the European Union (EU).

The firms in these activities were separated into special strata for the sample allocation and selection.

A stratified two-stage sample design was used for the Albania STEP Employer Survey, with a sample of firms (enterprises) selected at the first stage, and branches selected at the second stage. It was necessary to first allocate the sample by stratum (region, activity, gender, and employment size) based on the distribution of the frame and the sample size needed for each domain. The total sample size was 600 firms selected at the first stage, with one sample branch selected in each firm at the second stage. This sample was divided into 400 sample firms for the main strata and 200 sample firms for the oversampled economic activities of special interest (the "booster" sample). This sample size was almost tripled to select a reserve of potential replacement firms at the same time. The original sample of 600 firms was selected from this larger first phase sample, and the remaining firms were used as a reserve for selecting replacements for nonresponding firms in the same strata. In the case of strata that did not have triple the sample size in the frame, all of the sample enterprises were selected in the first phase. Table A2.1 shows the distribution of the firms and total employment in the full frame as well as the final distribution of the sample of 600 responding firms.

Within each stratum the allocated number of sample firms was selected with probability proportional to size (PPS), where the measure of size for each firm was based on the total number of employees in the frame. There were 4 large firms with a measure of size larger than the sampling interval for the corresponding strata, so these self-representing (SR) firms were selected with a probability of 1 prior to the systematic PPS selection of the remaining non-self-representing (NSR) firms in the stratum. There were also some strata with fewer firms in the frame, where all of the firms were selected during the first phase. In some of these strata there was not a sufficient number of firms for replacement, so it was necessary to select a replacement firm from the next size stratum. In Table A2.1 the distribution of the final sample of firms with completed interviews is based on the actual stratum from which the sample firms were selected.

When each sample firm was contacted, it was determined how many branches (establishments) the firm had. If a sample firm had more than one branch, one branch was selected at random with equal probability to be interviewed. Most of the sample firms only had one branch, but there were many cases of multibranch sample firms where two-stage sampling was used.

Weighting Procedures for Albania STEP Employer Survey

For the sample estimates from the Albania STEP Employer Survey data to be representative of the population of firms and branches, it was necessary to multiply the data by a sampling weight, or expansion factor. The basic weight for each sample branch would be equal to the inverse of its overall probability of selection, taking into account each sampling stage.

As described above, a stratified two-stage sample design was used for the Albania STEP Employer Survey. At the first stage a sample of firms was selected in each stratum systematically with PPS, based on the number of employees. At this stage there were 4 large sample firms with a measure of size greater than the initial sampling interval, so they were selected with a probability of 1 because of their size; these are referred to as self-representing (SR) firms. Although it was possible to select more than one branch in a firm with a measure of size that was a multiple of the sampling interval, during the sampling implementation it was only necessary to select one sample branch in each SR firm. Since one branch was selected in each NSR branch, a sample of 600 branches was interviewed in the final sample of 600 firms.

There were also cases of strata with few firms in the frame, for which all the firms were selected at the first phase, including the additional firms for replacement. In this case the original sample firms were selected at the second stage with equal probability.

The weights are specified separately here for the SR and NSR sample firms, and for the strata where all the firms were selected at the first phase.

Since one branch was selected in each SR firm, the probability of selection for the sample branch in each SR firm can be expressed as follows:

$$p_{Shi} = \frac{1}{B_{hi}},$$

where:

p_{Shi} = probability of selection for the sample branch in the i-th SR firm in stratum h

B_{hi} = total number of branches identified in the frame for the i-th SR firm in stratum h

In this case the first-stage probability of selection is 1, so it does not appear in the formula for the overall probability of selection. The basic weight for the SR sample firms is the inverse of this probability of selection, and can be expressed as follows:

$$W_{Shi} = B_{hi},$$

where:

W_{Shi} = basic weight for the sample branch in the i-th SR firm in stratum h

For each stratum where all of the firms were selected at the first phase, the original sample firms were selected with equal probability, as were the replacements that were used. Therefore, the probability of selection for the sample firms in these strata can be expressed as follows:

$$p_{Ahi} = \frac{n_{Ah}}{N_{Ah}} \times \frac{1}{B_{hi}},$$

where:

p_{Ahi} = probability of selection for the sample branch in the i-th sample firm in stratum h where all firms in the frame were included in the first phase sample

n_{Ah} = number of completed interviews in stratum h where all firms in the frame were included in first phase sample

N_{Ah} = total number of firms in the frame for stratum h where all firms were included in

the first phase sample

B_{hi} = total number of branches identified in the i-th sample firm in stratum h where all firms were included in the first phase sample

This probability includes components from the two stages of selection. In the case of sample firms with only one branch, the second component of this probability would be equal to 1. The weight for these sample firms would be the inverse of this overall probability of selection, and can be expressed as follows:

$$W_{Ahi} = \frac{N_{Ah}}{n_{Ah}} \times B_{hi},$$

where:

W_{Ahi} = weight for the sample branch in the i-th sample firm in stratum h where all firms in the frame were included in first phase sample

The NSR sample firms in each stratum were selected with PPS based on the number of employees in the frame, so the overall probability can be expressed as follows:

$$p_{Nhi} = \frac{n_h \times E_{hi}}{E_{Nh}} \times \frac{1}{B_{hi}},$$

where:

p_{Nhi} = probability of selection for the sample branch in the i-th sample NSR firm in stratum h

n_h = number of NSR sample firms selected in stratum h

E_{hi} = number of employees in the frame for the i-th sample NSR firm in stratum h

E_{Nh} = total number of employees in the frame for all the NSR firms in stratum h (that is, the cumulated measure of size)

B_{hi} = total number of branches identified in the frame for the i-th sample NSR firm in stratum h

The two components of this probability correspond to the individual sampling stages. In the case of sample firms with only one branch, the second-stage probability is equal to 1.

The basic weight for the NSR sample establishments is the inverse of this probability of selection, and can be expressed as follows:

$$W_{Nhi} = \frac{E_{Nh} \times B_{hi}}{n_h \times E_{hi}},$$

where:

W_{Nhi} = basic weight for the sample branch in the i-th NSR sample firm in stratum h

Table A2.1: Distribution of firms and total employment in the sampling frame for the Albania STEP Employer Survey by stratum, and distribution of the final sample of completed firm/branch interviews

Stratum	Part of frame	Activity (NACE code)	Gender	Region	Employment size	Number of firms	Total number of employees	Completed sample firm/branch interviews
1	2 Main		1 Male	Central	1 1-4	39,287	60,995	20
2	2 Main		1 Male	Central	2 5-49	5,908	70,876	20
3	2 Main		1 Male	Central	3 50-99	351	24,381	20
4	2 Main		1 Male	Central	4 100+	319	99,413	20
5	2 Main		1 Male	North	1 1-4	9,500	13,734	20
6	2 Main		1 Male	North	2 5-49	1,095	14,288	20
7	2 Main		1 Male	North	3 50-99	46	3,209	20
8	2 Main		1 Male	North	4 100+	39	7,214	20
9	2 Main		1 Male	South	1 1-4	21,881	31,028	20
10	2 Main		1 Male	South	2 5-49	2,037	25,113	20
11	2 Main		1 Male	South	3 50-99	94	6,122	20
12	2 Main		1 Male	South	4 100+	66	17,693	20
13	2 Main		2 Female	Central	1 1-4	20,181	29,851	13
14	2 Main		2 Female	Central	2 5-49	1,625	17,706	13
15	2 Main		2 Female	Central	3 50-99	90	6,550	14
16	2 Main		2 Female	Central	4 100+	82	22,245	14
17	2 Main		2 Female	North	1 1-4	4,165	5,468	19
18	2 Main		2 Female	North	2 5-49	185	2,572	20
19	2 Main		2 Female	North	3 50-99	10	653	8
20	2 Main		2 Female	North	4 100+	8	1,785	7
21	2 Main		2 Female	South	1 1-4	10,331	13,264	16
22	2 Main		2 Female	South	2 5-49	393	4,752	16
23	2 Main		2 Female	South	3 50-99	16	1,124	10
24	2 Main		2 Female	South	4 100+	9	1,608	9

Table A2.1: Distribution of firms and total employment in the sampling frame for the Albania STEP Employer Survey by stratum, and distribution of the final sample of completed firm/branch interviews (continued)

Stratum	Part of frame	Activity (NACE code)	Gender	Region	Employment size	Number of firms	Total number of employed	Completed sample firm/branch interviews
25	1 Boost	55	1 Male	Central	1 1-4	192	388	4
26	1 Boost	55	1 Male	Central	2 5-49	118	1,412	3
27	1 Boost	55	1 Male	Central	3 50-99	3	240	2
28	1 Boost	55	1 Male	Central	4 100+	3	496	2
29	1 Boost	55	1 Male	North	1 1-4	289	355	3
30	1 Boost	55	1 Male	North	2 5-49	18	257	3
31	1 Boost	55	1 Male	South	1 1-4	243	374	3
32	1 Boost	55	1 Male	South	2 5-49	63	721	3
33	1 Boost	55	2 Female	Central	1 1-4	79	169	2
34	1 Boost	55	2 Female	Central	2 5-49	40	407	4
35	1 Boost	55	2 Female	Central	3 50-99	1	55	1
36	1 Boost	55	2 Female	Central	4 100+	3	627	2
37	1 Boost	55	2 Female	North	1 1-4	96	121	4
38	1 Boost	55	2 Female	North	2 5-49	8	102	2
39	1 Boost	55	2 Female	South	1 1-4	117	178	3
40	1 Boost	55	2 Female	South	2 5-49	22	201	3
41	1 Boost	55	2 Female	South	3 50-99	1	53	1
42	1 Boost	62	1 Male	Central	1 1-4	484	655	2
43	1 Boost	62	1 Male	Central	2 5-49	66	839	2
44	1 Boost	62	1 Male	Central	3 50-99	5	331	2
45	1 Boost	62	1 Male	Central	4 100+	1	105	
46	1 Boost	62	1 Male	North	1 1-4	52	63	3
47	1 Boost	62	1 Male	North	2 5-49	2	11	1
48	1 Boost	62	1 Male	South	1 1-4	90	116	4
49	1 Boost	62	1 Male	South	2 5-49	2	44	1
50	1 Boost	62	2 Female	Central	1 1-4	120	171	2
51	1 Boost	62	2 Female	Central	2 5-49	11	121	2
52	1 Boost	62	2 Female	North	1 1-4	12	14	3
53	1 Boost	62	2 Female	North	2 5-49	2	25	2
54	1 Boost	62	2 Female	South	1 1-4	21	25	4
55	1 Boost	62	2 Female	South	2 5-49	2	43	
56	1 Boost	79	1 Male	Central	1 1-4	365	598	3
57	1 Boost	79	1 Male	Central	2 5-49	36	466	3
58	1 Boost	79	1 Male	Central	3 50-99	4	248	2

Table A2.1: Distribution of firms and total employment in the sampling frame for the Albania STEP Employer Survey by stratum, and distribution of the final sample of completed firm/branch interviews (continued)

Stratum	Part of frame	Activity (NACE code)	Gender	Region	Employment size	Number of firms	Total number of employed	Completed sample firm/branch interviews
59	1 Boost	79	1 Male	North	1 1-4	79	122	2
60	1 Boost	79	1 Male	North	2 5-49	3	25	2
61	1 Boost	79	1 Male	South	1 1-4	91	122	2
62	1 Boost	79	1 Male	South	2 5-49	7	61	2
63	1 Boost	79	2 Female	Central	1 1-4	281	498	3
64	1 Boost	79	2 Female	Central	2 5-49	28	266	3
65	1 Boost	79	2 Female	North	1 1-4	44	71	3
66	1 Boost	79	2 Female	North	2 5-49	1	22	1
67	1 Boost	79	2 Female	South	1 1-4	42	56	3
68	1 Boost	79	2 Female	South	2 5-49	2	19	2
69	1 Boost	1041	1 Male	Central	1 1-4	43	62	4
70	1 Boost	1041	1 Male	Central	2 5-49	3	23	3
71	1 Boost	1041	1 Male	Central	3 50-99	2	132	1
72	1 Boost	1041	1 Male	North	1 1-4	2	2	1
73	1 Boost	1041	1 Male	South	1 1-4	87	131	4
74	1 Boost	1041	1 Male	South	2 5-49	7	53	4
75	1 Boost	1041	2 Female	Central	1 1-4	7	11	4
76	1 Boost	1041	2 Female	South	1 1-4	16	23	5
77	1 Boost	1041	2 Female	South	3 50-99	1	54	1
78	1 Boost	1051	1 Male	Central	1 1-4	36	65	2
79	1 Boost	1051	1 Male	Central	2 5-49	17	216	3
80	1 Boost	1051	1 Male	North	1 1-4	37	68	2
81	1 Boost	1051	1 Male	North	2 5-49	5	56	2
82	1 Boost	1051	1 Male	North	3 50-99	1	59	1
83	1 Boost	1051	1 Male	South	1 1-4	141	224	3
84	1 Boost	1051	1 Male	South	2 5-49	18	234	3
85	1 Boost	1051	1 Male	South	3 50-99	1	52	1
86	1 Boost	1051	1 Male	South	4 100+	2	333	2
87	1 Boost	1051	2 Female	Central	1 1-4	20	36	4
88	1 Boost	1051	2 Female	Central	2 5-49	4	86	2
89	1 Boost	1051	2 Female	North	1 1-4	6	8	3
90	1 Boost	1051	2 Female	North	2 5-49	1	5	1
91	1 Boost	1051	2 Female	South	1 1-4	22	35	3
92	1 Boost	1051	2 Female	South	2 5-49	2	30	2

Table A2.1: Distribution of firms and total employment in the sampling frame for the Albania STEP Employer Survey by stratum, and distribution of the final sample of completed firm/branch interviews (continued)

Stratum	Part of frame	Activity (NACE code)	Gender	Region	Employment size	Number of firms	Total number of employed	Completed sample firm/branch interviews
93	1 Boost	5610	1 Male	Central	1 1-4	1,001	1,978	3
94	1 Boost	5610	1 Male	Central	2 5-49	374	3,840	2
95	1 Boost	5610	1 Male	Central	3 50-99	5	363	2
96	1 Boost	5610	1 Male	Central	4 100+	4	762	2
97	1 Boost	5610	1 Male	North	1 1-4	387	702	2
98	1 Boost	5610	1 Male	North	2 5-49	66	588	3
99	1 Boost	5610	1 Male	South	1 1-4	640	1,128	3
100	1 Boost	5610	1 Male	South	2 5-49	128	1,028	3
101	1 Boost	5610	2 Female	Central	1 1-4	389	716	3
102	1 Boost	5610	2 Female	Central	2 5-49	99	916	2
103	1 Boost	5610	2 Female	Central	3 50-99	4	298	2
104	1 Boost	5610	2 Female	North	1 1-4	166	252	3
105	1 Boost	5610	2 Female	North	2 5-49	15	164	2
106	1 Boost	5610	2 Female	South	1 1-4	280	456	2
107	1 Boost	5610	2 Female	South	2 5-49	28	206	2