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THE IMPACT ON EMPLOYMENT OF ACTIVE LABOUR MARKET POLICIES: AN EVALUATION OF PUBLIC EMPLOYMENT SERVICES (PES) IN KOSOVO

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Abstract

This paper evaluates the effects that Active Labour Market Programmes (ALMPs) as a component of Public Employment Services (PES) in Kosovo, have on their participants. The study focuses on the likelihood of individual employment as a result of the PES measures using microdata from the Labour Force Survey in Kosovo. Under deficiency of estimates on labour market measures effectiveness, the empirical analysis in this paper confirms the positive role of active labour market programmes in Kosovo. Assessments show that groups targeted by employment offices have increased their probability of being employed. Estimation results may suggest that it would be appropriate for the activity of the Employment Offices and in general, of active policies, to grow their influence. However, Employment Offices would need to meet with a greater number of individuals who could benefit from their increased employability and activity in the labour market. Moreover, it is recommended that the active policies are accompanied by other complementary policies while designing an economic environment that provides incentives for job creation.

Keywords: *labour market, active programmes, public employment policies, unemployment, employment, evaluations*

JEL Classification: *J21, J40, J48*

1. Introduction

The high level of unemployment in Kosovo is an indicator that unemployment is probably the most pressing problem to be addressed in terms of the nation socio-economic challenges. Although it has been decreasing, the unemployment rate remains at about 30 percent of the labour force, at an active economic rate of only 40 percent of a slightly less than 2 million population (KAS 2019). Interventions in the Kosovo formal labour market have been generally implemented through labour market programmes as part of labour market policies with the aim of increasing employment and reducing the number of the unemployed. The range of measures seems reasonably diverse, as it includes measures such as start-up incentives, direct

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job-creation, support for apprenticeships (including by placements in Germany) and various forms of training, recruitment incentives and, more recently (since 2014), job-rotation. However, as Arandarenko (2016) indicates, services seem to have absorbed a relatively large share of expenditures (about 40%), followed by institutional training (less than 30% 2015).

On the whole, expenditures in ALMPs in the Western Balkans are low, both by comparison to the EU average and by comparison to other economies from the wider region which are now member states of the EU (Bulgaria, Romania, Croatia and Slovenia) (Oruč and Bartlett 2018). In Kosovo, less than 0.6 percent of the unemployed have benefited, with a total of 14,224 women and men having been part of one of several active labour market programmes implemented in the last decade (UNDP 2019). Given the share of unskilled workers among the total unemployed (57.1 %) and high youth unemployment (57.7 %) (European Commission 2016), there is urgent need for more active labour market programmes, prequalification schemes and vocational training programmes. While estimations on the role and effectiveness of ALMPs in matching employment seekers with job vacancies in Kosovo is generally lacking, this paper tries to fill in the gap.

There exists a theoretical debate developed by some economists under the argument whether Active Labour Market Programmes (ALMPs) are needed at all in a labour market which functions based on job supply and demand mechanisms. According to this, the labour market policy should be oriented towards creating free labour market conditions and functioning rather than interfering with the ALMPs. Nevertheless, since ALMPs have been implemented in many countries, the theoretical treatment and empirical evidence from active programmes assessments is necessary. The purpose of this study is to empirically estimate microeconomic effects of active programmes, respectively assess the likelihood of being employed as a result of being registered with the Kosovo public employment offices.

This paper is organised as follows: Section Two defines and provides a classification of ALMPs. Special emphasis is placed on the measures that have been taken under active policies in the Western Balkans countries, including Kosovo. Section Three provides a review of the literature on the empirical assessment of the ALMP efficiency. A general overview of employment policies in Kosovo with a focus on the evaluation of Public Employment Services (PES) is presented in Section Four, along with the methodology, data used and empirical results. The conclusions are presented in Section Five.

2. *Definition and classification of Active Labour Market Programmes (ALMP)*

Active Labour Market Programmes (ALMPs) are labour market policy interventions used to increase the jobseekers' employability in order to reduce the level of unemployment. Therefore, the main purpose of the ALMPs is to increase employment opportunities of the participants in the program, providing active support for their reintegration into the labour market (Auer et al. 2008 quoted by Kluve 2016). According to Kluve (2016), unlike American programmes which are often focused on revenues as the main result (as ALMPs target mostly disadvantaged individuals and aim poverty reduction), in Europe, employment policies also pay more attention to the quality and work duration.

Active programmes differ according to their goals. Dar and Tzanatos (1999) state that some programmes emphasize effectiveness, for example, more information leads to better job matching. Others relate to distribution prospects, and such public programmes can target specific groups of people, especially those hit by poverty. Some other programmes can be introduced and implemented based on political considerations; for example, retraining is offered to some groups of workers who have been dismissed from work. According to Dar and Tzanatos (1999) these programmes rely on the assumption that for one reason or another, in the labour market and other markets as well there is a market failure (based on monopolies existence in product markets or/and monopsony in the labour market).

Brown and Koetl (2012) report a comprehensive classification of ALMP measures. Under this classification, ALMP measures have been classified as an intervention which aimes : (a) labour market demand (e.g. incentives for creating and keeping employment); (b) target labour market supply; and (c) improve the supply and demand match in the labour market. Further, we analyse the classified measures according to Brown and Koetll (2012), since these are primarily the measures that have been part of the active policy in the Southeast European countries.

Incentives for retaining employment are based on an employer's financial stimulus to continue current relationships with the workers as a protection on preventing employment reduction. This includes wage subsidies, reduction of working hours (which encourage employers to reduce labour costs) and workers' partial payment as well. Usually these measures are oriented towards vulnerable workplaces, special sectors with high unemployment rates and target specific workers or groups for limited time and during economic recession periods.

Incentives for creating employment are based on financial incentives for employers to create new jobs in order to increase employment. The main instruments in these programmes are wages, subsidies and costs reduction which are aimed by hiring unemployed persons, especially those who fall under the long-term unemployment category, inactive persons and informal workers. In addition, entrepreneurship and self-employment through subsidies, grants, loans and consultant services (training, consulting and mentoring) dedicated to the unemployed and inactive persons are part of job creation.

Incentives for seeking and keeping a job impact labour supply and include financial transfers and subsidies designed as income supplements (e.g. work benefits). These are put in place in order to encourage low paid workers, the unemployed, the discouraged and the inactive to seek formal employment. At the same time, such measures have a special social role through income redistribution in order to raise social welfare and reduce poverty.

Incentives for human capital enhancement are aimed at the improvement of skills and competences of employees and the unemployed. These include instruments such as: training and retraining at levels that meet the basic knowledge required for a job (e.g. languages, computer skills, etc.), and special training to develop special skills for advanced levels.

Improved labour market matching is a mediation form between vacancies and jobseekers or employers and the unemployed. These measures include job search assistance, consulting, monitoring and other mediation services such as job vacancies, preparations for increasing presentation and communication skills as well as providing other types of support for jobseekers. These measures are considered more effective and have lower costs compared to other measures.

3. *Literature review on the theoretical and empirical assessment of the ALMP efficiency*

Labour market policy assessments serve to appraise whether the policy changes and the implementation of new programmes affect labour market outcomes, such as income and employment, for those who are the targeted policy subject. In the last few years there has been an increased interest on the ALMP assessment, while researchers have attempted to explain the impact of active programmes on labour market performance. This seems to be the result of a growing interest from the side of policymakers, especially in the context of the European Employment Strategy. As a result, a large number of studies have been commissioned to evaluate these policies. Nevertheless, despite an increased application of Active Labour Market Policy Measures and many econometric tools in the assessment studies primarily in European countries, no consistent results have been yet produced with regards to the types of programmes and their effectiveness in certain groups and economic circumstances. The main effect of the ALMPs in the labour market is often illustrated by the so-called "Beveridge Curve", which can be interpreted as an effectiveness measure process between vacancies/open positions and unemployed (Numanovic et al. 2016). Based on the Beveridge Curve model, the relationship between vacancies and the unemployment rate is negative, which means a small number of vacancies are associated with high unemployment (Chen and Desiderio 2017; Fuentes 2002). However, in the case of decreased labour market efficiency, unemployment will increase despite unchanged level in vacancies. Therefore, it is often considered that the aim of the ALMPs is to increase labour market efficiency through labour force status improvements, reducing the number of jobseekers in relation to a certain number of vacancies. This ALMP model and its impact on the labour market is however limited as it only refers to unemployment, while the ALMP also deals with many other labour market issues, such as: inactivity, work risk, transition from informal employment to formal labour market, etc.

Despite the deviation and some negative effects identified (Escudero 2018; Mare 2005) the significant positive effects in the form of employment, preserving and improving skills, competitiveness, productivity and involvement in the labour market convincingly justify the use of the ALMP measures. However, there is no complete consensus or clear effectiveness evidence of the ALMP specific measures and the impact of these policies on labour market performance. Different researchers have tried to explain in their work the impact of active labour market programmes on labour market performance. As explained by Kluve (2016), the earlier econometric research on ALMP was undertaken to estimate European programmes before 1994 by Heckman et al. (1999) and to subsequent assessment programmes until 1999 by Kluve and Schmidt (2002). The literature in this field has been continuously enriched and it has culminated with the meta-analysis evidence from Card at al. (2018).

According to Heckman et al. (1999) job search assistance contributes to labour market prospect in two main aspects: (a) facilitates the rate of arrival of job offers, (b) improves wage allocation, in the sense of giving agents a stochastic dominance of wage allocation

compared to the one they face with no search. To support this opinion, job search assistance usually is estimated as a cost-effective measure for most target groups. In addition, according to some estimates, this measure is likely to produce a positive impact compared to others, especially on short-term period. According to Card et al. (2018) job search assistance programmes seem to be relatively more successful for the disadvantaged participants, while private sector training and subsidies tend to be more effective for the long-term unemployed. Regarding the role of labour market conditions in relative efficiency of ALMP they conclude that active employment programmes have greater impact in periods of slow growth and high unemployment. Noted by Krueger et al. (2014), stated by Card et al. (2018), the number of long-term unemployed increases rapidly as the recession continues. According to them, this group has a high probability of leaving the labour force, thus placing the economy at the risk of permanent losses of production capacity. Thus, training programmes and private employment subsidies in the economy cycle conditions are particularly effective for long-term unemployed in a recession situation. In support of the above conclusion by Kluve and Schmidt (2002) and Kluve (2016), private sector subsidy programmes are more effective than public sector subsidies programmes and training programmes can help improve the prospects of labour market for unemployed.

As concluded by the meta-analysis of Kluve (2016), private sector employment programmes are 40 to 50% more likely to show a positive impact as compared to traditional training programmes. Moreover, empirical results are almost exclusive of the programme taken into account and its effectiveness: while direct employment programmes in public sector appear harmful, wage subsidies and mediation services can be effective in increasing the probability of participants' employment. Similarly, (Card et al. 2018) present a meta-analysis of assessment impact about 200 latest econometric estimates on ALMP from around the world. Accordingly, the variables selected for estimation in the evaluation matters with a tendency towards more positive short-term impact assessments from studies that model the time to first job rather than studies modelling employment probability or income levels. On the other side, according to Lalive et al. (2002) ALMP does not seem to have a positive effect on job finding and do not reduce the duration of unemployment in the Swiss labour market. The exception is temporary wage subsidy programme which affects unemployment reduction. From the cost benefit point of view, temporary wage subsidies seem to be the only cost effective programme of cost benefit terms as it appears to be cheaper than just paying unemployment but also to provide unemployed workers with work experience (Van der Ende et al. 2012).

Overall, based on the existing research evidence, the effectiveness of different active policies depends on several factors. Time wise, it has been noted that some measures are able to achieve impact in the short term, while others require longer time periods to achieve the right effects. The effectiveness of the ALMP varies for different participants or target groups. According to Kluve (2016), ALMPs tend to have greater programme effects on female participants and those who have been in long-term unemployment compared to other groups. Also, ALMP programmes for youth have more positive results, while for older population they have less positive results as compared to other groups (Card et al. 2018). However, the impact of ALMP can be affected by various social and economic factors, including the overall economic structure and national institutional environment, domestic regulation, education system, labour market characteristics and policy design. Despite mixed evidence on the effectiveness of the ALMP in different socioeconomic environments, there is a broad consensus that policy measures can challenge unemployment and positively impact labour market performance. Nevertheless, based on the overall estimates and from the experience of developed countries, the effectiveness of a programme may not be directly applicable in developing countries, and the chance of being more successful in developing countries may also be lower taking into consideration the lack of administrative capacity for implementing these programmes, and for monitoring and evaluation.

Regarding the Western Balkan countries, the assessment of ALMPs is not yet a common rule. Experts in this field admit that the current practice includes limited evaluation in either of the two approaches: the macroeconometric approach that uses aggregated administrative data, and the microeconometric approach that is based on individual level data from either unemployment registers or from labour force surveys. Current evaluation of active labour market programmes provides only basic knowledge of effectiveness and programme results, without including the time-period, respectively their effectiveness over time. The ALMP culture of monitoring and evaluating in the region countries had not yet become a common rule by the beginning of the second decade of the new millennium (Blazevski 2012; Vidovic et al. 2011), so the opportunity to build adequate policies based on evidence and facts is limited.

In general, there is still a lack of evidence and data in most of the Western Balkan countries, therefore it

is difficult for researchers to assess the ALMPs. A few ALMP programme evaluations have been carried out by employment agencies and the results are largely unpublished. Still, in some of the existing findings on ALMPs evaluations, an overall positive effect on employment and income growth is emphasized. Vangjeli et al. (2012) estimate the impact of active labour market programmes in Albania at the national level for the period of 1999-2010, concluding that professional training is a programme with a positive influence on the employment level (reducing unemployment). In Macedonia, findings from ALMPs evaluations show mixed results (Blazevski and Petreski 2015; Micevska 2004; Numanovic et al. 2016). Blazevski and Petreski (2015) emphasize that some programmes (practical work, self-employment and training programmes) bring better labour market outcomes to programme participants than non-participants, which means that activating programmes are effective. Similarly, according to Numanovic et al. (2016), the ALMP in Macedonia is dominated by co-financing employment measures, mainly implemented through wage subsidy and self-employment programmes. On one hand, these programmes have demonstrated that the opportunities for overcoming the structural gaps in the labour market and for achieving long-term activation policy potentials are rare. On the other hand, although there is no evidence of the overall impact of the ALMP performance in the labour market in Bosnia and Herzegovina, the existing data show a significant positive employment effect of active measures for a short-term period. Based on the annual report of the Federal Employment Institute in Bosnia and Herzegovina (2015) interpreted by Numanovic et al. (2016), the results suggest that about 60% of participants employed through different ALMP programmes remain in employment even after the end of a specified period and program. Still, this is not evidence of long-term effects and sustainability of jobs created or supported through these programmes.

The empirical literature on ALMP assessment relies on two types of data (Martin and Grubb 2001). The first type uses microdata to measure the impact of participation in employment programmes and the individuals' income and/or employment status. The second type uses aggregate data to measure effects of employment programmes and aggregate unemployment. The advantage of microlevel studies is a large number of observations as compared to macroeconomic studies. The latter often have to bring together different training or job creation schemes and hence they can be encountered simultaneously. According to an analysis of the Organization for Economic Co-operation and Development (OECD)[1], microeconomic assessment has limitations such as exclusion of all potential purpose variables, which needs to be taken into consideration when drawing up policy conclusions and comparative analysis. Thus, when some programmes are considered as specific categories and the results are apparently unique, the question is if the situation can be attributed to the success or non-failure of specific programmes. Existing assessments shows that many studies are based on microeconomic approaches, which evaluate direct effects for participants in comparison with a non-participants control group. Moreover, taking into account microeconomic level data when these are available, the advantage of microeconometric analysis is the possibility of detailed assessment of heterogeneous effects for different groups. Microeconomic assessments are developed under assumption that non-participants are not affected by estimated program. Therefore, the ALMP microeconomic assessment can evaluate the gross effects of participants' measure, while macroeconometric assessment analyses can take into account only indirect effects and can estimate ALMPs neto impacts (Hagen 2005). Overall, microeconometric and macroeconometric approaches should be understood as complementing (Lehmann and Kluve 2010).

Further below, we provide an assessment of the labour market status of individuals registered with the public employment offices in Kosovo, starting with a brief review of the Public Employment Services in this small country of the Western Balkans.

4. An Evaluation of the Public Employment Services (PES) in Kosovo

Since the transition process in Kosovo started, the labour market has changed to adapt to new market conditions within the framework of structural adjustment. These adjustments are characterized by labour mobility and long-term consequences for sustainable employment. However, the labour market in Kosovo has some special features compared to other countries going through transition. The Kosovo Agency of Statistics (2018) indicates that one third of population is estimated to be under the age of 16, and over 50 percent of population is under the age of 24. With an average age of about 30.2 years according to the CENSUS 2011 (KAS 2018), Kosovo is faced with a significant entry of individuals into the labour market. Additionally, there is the challenge of the needed

1 For more detail see: "Active Labour Market Policies: Assessing Macroeconomic and Microeconomic Effects"; https://www.oecd.org/els/emp/2485416.pdf

investments and job creation in order to make efficient use of the ample potential labour force. However, compared to other Western Balkan countries, Kosovo lags behind in many of the macroeconomic indicators. Poor labour market outcomes also contain deep structural problems, where not only unemployment is at high rates - in double digits figures (30.5 percent in 2017), labour participation is also low, especially among young people, women and minorities. More than half of Kosovo's working age population is passive and the long-term unemployment rate has been about 70 percent for almost the two decades since after war in Kosovo in 1999 (KAS 2018). Another major problem is the high youth unemployment, at a rate of over 50 percent. It should be noted that although the unemployment rate is high, the relatively high rate of informal economy which has been rising after 1999 (Rensen 2006) may be considered to offset part of the unemployment.

Addressing the challenges faced by cyclical and youth unemployment require tailored employment policy responses. The labour market in Kosovo is facing challenges that require the development and expansion of employment services and active labour market programmes. However, ALMPs work at a very small government budget. Most financial resources available to the Ministry of Labour and Social Welfare are absorbed by the social assistance system and the ALMPs are mainly implemented with donor funds. Moreover, current active labour market programmes provided focus mainly on skills training and development programmes.

The data below from the Kosovo Labour Market Survey (LFS) are explored to identify the role of the Public Employment Service (PES) on the employment of individuals registered with their offices. Although the literature on the effectiveness and role of these services is usually based on data obtained directly from employment offices using methods of propensity score (Lechner 2002; Lalive et al. 2008; Rosholm and Svarer 2008) other studies are based on data generated by Labour Force Survey (Puhani 1998) or by family surveys (Morano 2016). The evaluation of programmes analysed by existing literature using LFS consider the probability of employment as a programme objective and as a result measure. For example, according to Caliendo et al. (2011) the overall effect of various ALMPs is quite positive in terms of improving employment probability of unemployed young people, indicating a sustained impact on employment. An individual's chance to be in employment or not is estimated by a dichotomous model of the individual participating in workforce by using a Logit or Probit approach, as described below in the empirical analysis concerning Kosovo impact of ALMPs.

Methodology

In economic terms, we would expect that ALMPs increase propensity of those in the labour force to be in formal employment. Here, we investigate how the probability of being employed will be determined by factors which make a specific worker more attractive to an employer as a result of that one being registered and intermediated by PES. Our approach to the maximum likelihood estimation emerges from the normal cumulative distribution function, meaning the use of a Probit model as in the following:

$$\mathrm{Pi} = \Pr(\mathrm{Y} = 1 | \mathrm{X}) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{\beta_1 + \beta_2 X_i} e^{-t^2/2} dt \qquad (1)$$

where $Pi=(Y=1)$ measures the probability of being employed (employment=1) relative to unemployed given the values of X representing labour market status of individual (where X is *1 x K*, β is *K x 1*), subscript *i* standing for the individual, *t* is a standardised normal variable, i.e., $t \sim N(0,\sigma 2)$ (Gujarati 2003, pp. 609), and K are the explanatory variables (Wooldridge 2002). The latter are a mix of continuous and dummy variables as presented in Table 1.

The Probit model to be applied here is a special case of the above equation (1) known as Heckman Probit. Participation in employment involves all individuals who belong to labour force and have a job. Meanwhile, there is also the category of those who are employed and who report they have found work through PES. The model's approach strategy assumes that it is first necessary to assess which is the chance to be employed, and for those involved in this grouping, which is the probability for them to have found job through PES. This suggests using the Heckman correction procedure, which is the suitable form of estimation in this case.

In this paper, the variable that represents employment attained through the labour offices assistance is binary (dichotomous) and takes value 1 if individual reports to have found work through state job office and otherwise zero. If the sample of individuals hired as a result of intermediation by employment offices (and/or has been part of ALMP measures) is systematically different from those who have not been participants, the determining coefficients of success of these policies would be suspicious. The nature of selection mechanism is such that it allows observation of the status of an individual to be employed as a

result of registration into PES only if they are already employed. Heckman Probit model is a two model equations, based on the following structure. From an analytical point of view, Heckprobit model assumes the existence of a stable relationship, so-called latent equation (as in Wooldrige, 2002):

$$Y_j^* = X_j\beta + u_{1j} \quad (2)$$

The dependent variable in the index function identifies the *propensity to be in employment as a result of PES intermediation* and participation in *ALMP* (*EPES*) ($EPES_j = X_j\beta + u_{1j}$) of individual *j*. The dependent variable in equation (2) is not always observed. Here, $EPES_j = 1$ only if $E>0$, and 0 otherwise. *E* stands for the *Employed* status and is estimated through the selection model. The unconditional model will give a downward biased estimate of the employment probability through PES for an individual selected at random from the full population. This describes a form of censoring. To be applicable to the labour force population at large, the estimated role of ALMP into employment model should condition specifically the *Employment* status. Analytically, this means that regression (2) runs if $E_j = 1$. Following equation (2) (where we set (), the structure of the Heckprobit model proceeds specifying the selection equation: $EPES_j = 1$ only if $EPES > 0$, and 0 else,

$$EPES_j = z_j\gamma_k + u_{2j} \quad (3)$$

As Wooldridge (2002) commends, the sampling rule would then be:
$E_j = 1$ only if $E > 0$ ($z_j\gamma_k + u_{2j}>0$), and 0 else.
$EPES_j$ and X_j are only observed if $E_j = 1$. E_j and z_j are observed for all the labour force population. Selectivity is detected from the degree of correlation of the two error terms:
$(u_{1j}, u_{2j}) \sim N$ [0, 0, 1, 1, ρ], meaning corr(u_1, u_2) = ρ.

When $\rho = 0$ the first regression (2) provides unbiased estimates. When $\rho \neq 0$ there is correlation between the error terms of main and Employment equations, and the standard Probit model would produce biased results. The Heckprobit model allows us to use information from non-employed to improve the estimates of the parameters in the regression model, correcting for the selection bias. This model thus provides consistent, asymptotically efficient estimates for all parameters in the model.

Data

Data for this empirical analysis were obtained from the Labour Force Survey conducted in Kosovo in 2017. The survey has been extended to 598 record locations across the country, where 3582 households were surveyed, selected based on case method, from framework of Population Census, Households and Houses in 2011. As the survey in 2017 was quarterly conducted, data of the four periods are combined, avoiding repeating of individuals who have participated in more than one survey group. The workforce addressed in following empirical estimations includes persons who are employed, unemployed, but also those who are not included in either one of these two categories and are not students and/or physically disabled or military service category. Thus, we have included in the *extended labour force* sample all inactive persons that don't fall in any of the above groups and who should be removed by definition of the labour force. This because they are thought not to have been looking for a job due to the poor perspectives to get one (and large long-term unemployment) and are discouraged. The following table 1 presents descriptive statistic and definition of each of the variables addressed in empirical analysis.

As can be observed from the above table, about 4 percent of employees have been employed by the PES, as a result of them having been registered with PES. Although the relatively small sample of observables in the category to be estimated, Fleiss (1994) observes that that is measure of choice according to several statistical criteria. According to Coe (2002), the effect size quantifies the size of the difference between two groups, here the employed by PES and others employed, and may therefore be said to be a true measure of the significance of the difference. However, according to Slavin and Smith (2009), for a given effect size, the significance level increases with the sample size, as is the case with the large number of observations in this paper (indicated in last row, Table 1).

The average age for entire workforce sample and for those who are employed seems to converge at about 41 years old. Although workforce is proportionally composed by both genders, males dominate with 80 percent of them being in employment. About 40 percent of workforce has only compulsory education, although they compound about 20 percent of those in employment. Those who have completed upper secondary school make up more than half of the employed, and tertiary educated about the quarter of the employed pool, although these categories are less represented in the workforce. This indicates importance of education for the individual status in labour market, suggesting their employability will be more likely to increase with higher education qualifications than just compulsory education. About 3

Table 1: Descriptive statistics

		All		Select = 1 (in employment)	
Variables	Description	Avarage	D.S.	Mean	D.S.
Employed by labour offices	Qualitative = 1 if a person is employed by labour office	0.015	0.122	0.04	0.197
Explanatory variables:					
Urban	Qualitative = 1 if urban area	0.40	0.489	0.39	0.489
Gender	Qualitative = 1 if male	0.50	0.500	0.80	0.399
Age	Continued	40.74	12.934	40.93	11.921
Compulsory education	Qualitative = 1 if individual has completed compulsory school	0.407	0.491	0.193	0.394
Vocational Upper Secondary school	Qualitative = 1 if individual has completed upper secondary vocational school (2/3/4/5 years)	0.273	0.446	0.338	0.473
General Upper Secondary school	Qualitative = 1 if individual has completed upper secondary general school	0.177	0.382	0.214	0.410
Tertiary school	Qualitative = 1 if individual has completed tertiary school	0.142	0.349	0.256	0.437
Registered in PES	Qualitative = 1 if registered in PES	0.031	0.172	0.005	0.072
Labour Market status last year	Qualitative = 1 if last year has been unemployed or in non-wage employment or in training/internship	0.315	0.465	0.850	0.357
Number of observations		39650		13829	

percent of individuals in the workforce are enrolled in employment offices in 2017 although only 35 percent of them are employed, a figure indicating a low level of confidence into national labour service and/or non very optimistic considerations on labour market in the country.

Results

Estimation of employment determinants by PES were provided by Heckprobit model according to above identified and described data run in STATA 12. Results are reported in Table 2. As presented earlier, the selective equation (panel B) measures effects of each of explanatory variables on the likelihood that an individual of workforce will be employed. The main equation (Panel A) measures the chances that an employed individual will have this status as a result of the intermediation of the employment office. In the Heckman a first-stage probit model predicting the likelihood of the labour force selecting into the employment condition is estimated, meaning the outcome is observed only for those for whom the sample selection holds. The selection variable to correct for the endogeneity is "*Registered at employment office*", representing the likelihood of being treated. The value of ρ (in panel B on table) means the employees from labour offices are an odd champion of their target group.

Table 2 shows that almost all variables are important in both models presented and affect the dependent variables in expected direction. It is noticed that males from urban areas with upper secondary or tertiary schooling levels are more likely to be employed, and employment likelihood increases with age. On the contrary, people who have obtained work through the intermediation of the employment office are more likely to be women, individuals those with compulsory education, and those from rural areas. These findings go in line with our main assumption that employment through PES is part of the ALMPs implementation. Specifically, in Kosovo these are related to the programmes oriented to women, vulnerable individuals and youth (EARK 2018).

In the first model, compulsory schooling is used as a benchmark category, while in the second model it is the individuals' tertiary level. Coefficients have accordingly the expected signs. Thus, in panel A it is noticed that people with compulsory education are more likely to be employed by labour offices. This trend is reconfirmed by negative signs of coefficients of higher education indicating that individuals with

Table 2 Estimated coefficients of the Heckprobit model of employment from the PES

Explanatory variables	(1)		(2)	
	Coefficient	S.E.	Coefficient	S.E.
A: Probit equation of employment from PES				
Constant	1.01	0.76	0.91***	0.21
Urban	-0.14***	0.02	-0.13***	0.02
Gender	-0.78***	0.31	-0.94***	0.12
Age	-0.01	0.01	0.00***	0.00
Compulsory education			0.45***	0.06
Vocational Upper Secondary school	-0.81***	0.15		
General Upper Secondary school	-0.17	0.27		
Tertiary school	-1.02***	0.26	-0.69***	0.21
B: Selective equation				
Constant	-1.85***	0.03	-1.26***	0.03
Urban	0.12***	0.02	0.12***	0.02
Gender	1.20***	0.02	1.20***	0.02
Age	0.01***	0.00	0.01***	0.00
Basic education			-0.59***	0.02
Vocational Upper Secondary school	0.61***	0.02		
General Upper Secondary school	0.56***	0.02		
Tertiary school	1.38***	0.02	0.78***	0.02
Registered at employment office	-1.67***	0.07	-1.66***	0.68
Likelihood ratio of independent equations [i.e.ρ=0, Prob > χ2(1)]	0.04		0.00	
Log likelihood	-20900.93		-21224.06	
Wald test, χ2(6) / (5)	1592.90		509.98	
All observations	39650		39650	
Censured observations	25821		25821	
Uncensured observations	13829		13829	

*, ** and ***, significant at 10, 5 and 1% of level of significance
S.E. is the standard error of the estimated parameters.

higher schooling level above compulsory are less likely to be employed as a result of employment office intermediation.

The results also confirm that workforce individuals that live in urban areas, are males and with higher education than just compulsory schooling are more likely to be in employment (observe panel B coefficients). These results are in line with those found earlier in the corresponding relevant literature, as well as expectations created by previous sections analysis on the topic.

5. Conclusions and policy recommendations

This paper presents a general theoretical view and empirical evidence over active labour market programmes with a particular emphasis on Kosovo. Whilst there exists a vast literature on the topic, mainly developed for the well-performing economies of the European Union, empirical evidence is limited for the Balkan countries. This relates also to the later presence of such policies in the labour markets of these Balkan countries. The ALMPs have been present in the Western Balkan countries going through transition only after 2000. Hence, there is a pressing need to estimate the impact of such ALMPs on the labour market performance in these countries in order to increase knowledge on their efficiency.

The need to measure the effects of employment programmes and evaluate their proper impact has led to macro- and microeconometric estimate analyses which, by and large, can be considered complementary. These are more limited for the Western Balkan

countries given the short history of the implementation of the ALMPs there. However, a few evaluations have been developed for some of the countries, although none of them includes Kosovo. At an individual level, the ALMP assessment has generally involved long-term observations of participants into specific labour market programmes. All the same, studies that involve Labour Force Survey data produce hints on the effectiveness of the PES over the time. In this paper we make use of similar data for Kosovo in order to observe determinants of employability through intermediation of PES as a result of the implementation of its programmes. Results indicate that the engagement of employment offices engagement for the target groups has increased the likelihood of employment for persons belonging to these groups, respectively those who come less from urban areas (or resident in rural areas), women and those with only mandatory education level. Some suggestions are made on the basis of these estimates. Employment offices could increase their activity in order to reach out to a greater number of persons from the target groups given their large share in the workforce (as presented in Table 1). However, PES could as well build efficient programmes for other target groups, for example the youth, given the existing relatively high unemployment rate among youth. Reactivating part of the working age population remains a challenge of the labour market programmes. Moreover, policymakers should consider a broader range of government policies supportive of an environment for creating and stimulating job creation.

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