

## EMPLOYMENT AND SOCIAL WELFARE ISSUES IN ALBANIA

Valbona Sakollari<sup>1</sup>

Marsida Ismaili<sup>2</sup>

### ABSTRACT

The paper tends to explore the relationship between the employment, the policies that promote it and their consequences in Albania, in the last years. The main objective is analyses of the situation of employment in Albania, focused on what the internal labor market offers, the temptations from external (abroad), the function of the state in this situation, the policies followed to balance the internal demand, and the necessities to protect our economy from the famous “brain leak”. Based on the high importance to direct the country towards a sustainable development, the paper analyses the impact of policies on increasing the productivity in the country as an important factor, that stimulates the increase of domestic production, because the domestic production affects not only the employment growth, but at the same time creates an inner need for professionals at all levels of the chain of production. Actually, the Albanian economy shows as its principal competitive advantage, the high level of unemployment and the low level of the average salaries. In this situation, the main labor offers are mostly directed to the unspecialized job and to sectors related with these characteristics, which are not stable due to the low level of capital invested in them and the facility to relocation business (such as call-center and façon). This mean, that their impact in the long term growth of the country will be non-significant.

Research of the applied policies to stimulate the employment and the evaluation of them, is the main method of the paper.

**Keywords:** *employment, employment policies, productivity, domestic production, unspecialized job, competitive advantage*

**JEL Classification:** *D82, E24, J21, J24*

### 1. Employment Promotion Program and its Issues

The economic growth of a country is closely linked to the number of factors owned by the country and the amount of each of these factors. Human capital as an important factor of economic development assessed and treated with the care it deserves from every government that seeks economic growth. Of course, it is the market of the factors of production that determines the balance between supply and demand for these factors, enabling more efficient and effective use of each source. The labor market does not make exception to this rule, but due to the specific nature of the human factor, the debate is longstanding between the supremacy of the free market economy or the necessity of state intervention in the economy and further defining the extent of this interference, is always a delicate subject. The manipulation by the politicians of this social argument wins in the most cases against economic logic. Not

---

<sup>1</sup> Msc, UAMD/FSHPJ, Public Administration Department, [valbonasakollari@gmail.com](mailto:valbonasakollari@gmail.com)

<sup>2</sup> Dr, UAMD/FSHPJ, Political Science Department, [marsidaismaili@gmail.com](mailto:marsidaismaili@gmail.com)

surprisingly, in every election eve politicians of all stripes promise policies that promote and stimulate the labor market, policies that would focus on the protection of labor rights, increasing wages, reducing tax on income from work, etc. Generally these electoral promises gather around them a large number of supporters.

Labor markets are different from most of the other markets. It is known that the demand for labor is a derivative one. The different types of jobs are usually inputs for the production of other goods than the final output that end up in the hands of the consumer<sup>3</sup>. Employment in itself is a complex challenge and the creation of new jobs is a multi-dimensional phenomenon, which includes the favorable macroeconomic policies for business development, policies directed to education, social policies, etc. The objectives of the policy for increasing the employment are ambitious. Opening of new jobs accomplished primarily through economic development. Reforms in the tax system, improve the business environment, investment in infrastructure and in the use of energy resources, mining and environmental priorities for the development of tourism, agriculture and agro-industry, as well as foreign investment promotion, are the main factors contribute to economic growth and, consequently, the creation of new jobs. The Government Program provides that over 90% of new jobs will be created by these factors. Programs aimed at the creation of facilities and enhancing employment opportunities are exactly the Labor Market Programs otherwise known as the Employment Promotion Programs. Encouraging employment is among active programs which through the provision of temporary employment or long-term impact on demand for labor will be directly reflected in lower unemployment. Through this program The Employment Offices aim to intervene to promote and support the creation of new jobs by partnering with employers and through their subsidy.

These programs are part of government policies focused in active measures to reduce unemployment. Current programs are applied based on Law no. 7995, dated 20.09.1995, "On employment promotion" (as amended by Law no. 8444, dated 21.0.1.1999, Law no. 8862 dated 7.03.2002 and the Law 9570 dated 3.7.2006). In the service of achieving the goal of these programs, there are several, different Decisions of Council of Ministers, where we can mention DCM. 27 "On the program of promoting employment of women and girls from special groups" Decision No. 48 "On the amount and the criteria to benefit from the employment promotion programs for unemployed workers from the specific groups" Decision No.47 "on the Program of promoting employment through vocational training" DCM No.873, "to the extent of funding, criteria and procedures for the implementation of the apprenticeship programs for unemployed jobseekers who have completed higher education within or abroad, "DCM No.199, "To the extent of funding, criteria and procedures for the implementation of the promotion of employment of young jobseekers Program".

This program is implemented through the National Employment Service, which is an independent public service, with the status of a central state administration. It operates through regional and local employment offices and regional directorates of vocational training. The main structures and competences are regulated by the Statute of the National Employment Service. NES conducts activities that aim: Meeting of all citizens the right Albanian residents to be treated with the services to be financially supported in their efforts to find a lucrative job suitable for individual and professional skills qualities, and efficient implementation of programs management and state projects, which is charged with the special laws and bylaws, development in general of the country's workforce through investments to increase working and self-working ability, flexibility, mobility, competitiveness etc.

---

<sup>3</sup>Mankiw,N.G., Taylor,P.M, Economics, pg 521, UET Press 2012

Employment and Migration Services are provided through employment services and migration services. Employment services offered by the National Employment Service are public services provided by the Employment Offices throughout the Republic of Albania as jobseekers as well as for employers. These services include the activity of information for vacancies, employment mediation or counseling and guidance to employment and occupation.

Migration services are offered in two main directions in the field of Immigration and field of Emigration. Services in the field of immigration regulate the entry, residence, employment, treatment and exit of foreigners from the Republic of Albania. These are directed to all foreign nationals who intend to enter the territory of the Republic of Albania for purpose of transit, employment, study or readmission. These foreigners are treated in accordance with human rights and fundamental freedoms and international agreements ratified by the Republic of Albania. In the field of migration, applicable law Nr.9668, dated 18.12.2006 "On emigration of Albanian citizens for employment purposes", as amended by Law 10 389, dated 03.03.2011, as well as the Strategy for the Reintegration of Returned Albanian Citizens 2010- 2015 and its action Plan as part of the national policy on migration. The objective is to ensure a sustainable return of migrants through the support of the reintegration process irrespective of the form of return. Establishment and functioning of the Immigration counters network is an important part of the mechanism of reintegration support.

Are these employment policy effective enough and do they really impact in reducing unemployment?

The National Statistics Agency in March 2017 shows<sup>4</sup>:

Employers registered at NES: 35,354 vacancies registered at NES: 38 519

Employers registered online: 557 Vacancies registered online: 4115

Given the great importance of information, the existence of such structure, naturally favors the orientation of demand and supply in the same market, increasing bilateral chances of finding what they want at minimum cost. On the other hand it helps to formalize the labor market, which is characterized by a high degree of informality in Albania.

## 2. The structure of the Labor Market in Albania

The labor market in Albania is a very special and incomparable with any market of the same type in developed industrial countries of Europe. Based on data published by INSTAT (Table 1), seems that this market in Albania is divided in three parts: Employees in the public sector, employees in non-agricultural private sector, employees in agricultural private sector. For the last quarter of 2016, INSTAT figures inform us that the total number of employees is 1,051,546, divided as follow: in public administration are employed 165 thousands individuals, who constitute 16% of all employees; in the private sector, non-Agricultural employs 423 thousand (40%); and the highest number of employees is in the private agricultural sector, approximately 464 thousand or 44% of all employees (this number should be approached cautiously, because of the fact whether these people are really employed and operating in this sector).

---

<sup>4</sup>National Employment Register

Table 1

Description	Employed
Employment in public sector	165.000
Employment in non-agriculture private sector	422.619
Employment in agriculture private sector	463.827

Source: Instat

Considering that in 2016, Albania registers 1 million 970 thousand people involved in the group 15-64 years of age, that is the active working population, and the employment rate for this group is 56.2%, registering only 35 354 persons against nearly 918 000 unemployed persons shows that there is still too much to do, in order that system can work more efficiently. Another important fact is that the number of vacancies registered is greater than the number of job seekers (approximately 3,200 free seats more than the demand for labor by registering with the National Employment Service). This fact raises two questions: Is it true that the number of jobseekers is as far as enrollments? If not, how can stimulate the influx of job seekers and employers in order to streamline their demand and offer through this system?

The National Employment Service is a positive project, ambitious, contemporary project, which needs to be driven in the most efficient and effective way. The following analysis helps us in to find answers and solution in some way. If we analyze the structural side of economic activity in Albania, according to data published by INSTAT, entities are divided into four main groups based on the number of employees per entity (Table 2). More specifically: entities with 1-4 employees, 5-9 employees, 10-49 employees and over 50 employees. So, at the end of 2015, in a total of 152.288 entities, 90% of them are family businesses (1-4 employees), 5.4% have 5-9 employees and only 4.6% of entities have over 10 employees. The structure of the manufacturing sector and services is dominated by micro-enterprises, nine out of 10 listed companies, employ 1 to 4 individuals.

Table 2

Economic activity	Total	Sort by number of employees			
		1-4	5-9	10-49	50+
Total	152,288	136,470	8,172	5,994	1,652
Producer of goods	37,950	33,255	2,080	1,971	644
Producer of services	114,338	103,215	6,092	4,023	1,008

Source: Instat

On the other hand, analyzing companies based on their ownership, according data published by INSTAT, we see that 96% of the entities are wholly owned by Albanian citizens. (Table3). The great number of family business and the ownership of entities, both, affect employment. According a study of Cooperation and Development Institute, the respondents confirm that in Albania the entrepreneurs prefer to employ individuals on the basis of family ties, on the basis of recognition and this explains, to some extent, the small number of people registered in the register of the National Agency for Employment. People doubt in the functioning of merit system. Also, it often happens that the individual skills and abilities achieved by trainings do not match with the job or the position where individuals operate, as far as, these attributes do not pass any tested filter. The risk is that the correspondence between the position and individuals skills could be low, impacting directly on labor productivity. It is not easy to be included in the market of labor in Albania, if you have not connection or contacts,

because of several reasons: first, the prevalence of small family businesses, second, the foreign companies that primarily aim to recruit personnel based on meritocracy, are a small number (less than 4% of entities registered in 2015).

Table 3

Ownership	Year					
	2010	2011	2012	2013	2014	2015
Total	103,038	109,039	106,837	111,083	112,537	152,288
100% Albanian	99,897	105,241	102,806	106,429	107,292	146,349
Joint *	3,141	3,798	4,031	4,654	5,245	5,939

Source: Instat (\*Albanian + Foreigner)

### 3. The impact of FDI on labor productivity

Foreign companies that conduct their economic activity in our country, are operating mainly in the call center sector and inward processing (façon), sectors such exploiting cheap labor and do not require specialized labor. Although, the contribution of foreign investment to our GDP occupies one of the highest percentages in the region, it is not enough to enhance or promote the productivity of the country. Usually, there is a positive correlation between foreign investment and productivity, which implies that the high level of productivity of a country can bring higher inflow of foreign investment, but the reverse is not always true. In other words, the foreign investments which would have more impact on the socio-economic development of the country will be the ones that will help to further increase productivity in it. Those types of investments can be attracted only by previously owned high productivity in the country, so the increase of foreign investments will further increase the productivity and intended access to a consumer market bigger than the local one. While the method of serving high unemployment and low wage workforce as some of the competitive advantages of Albania can only attract the foreign investments in the sector as call center, inward processing, etc., that have limited impact on economic and social development and the increase of domestic productivity. Currently the main sectors that feed the market of labor are those that produce products with a low added value and low productivity. Sectors that are providing increasing employment in Albania are no longer finance or telecommunications (which were once the investment incentives in technology), but the industries based on intensive use of the work, such as those mentioned above. Based on INSTAT data, we can see the trend: as sources of funding for the Albanian business are reduced (fewer loans, remittances are decreasing, etc.), and as a result companies are investing less on sectors that are intensive in capital, directing the attention to the use of human capital. This has resulted in low productivity, but on the other hand has increased the number of employees and total production, as well. However it must be said, that the increase driven by sectors such as call centers or other similar, is still in its infancy. The call center boom in Albania is expected to be after the country's EU integration. This political change, without the necessity of private investment, will increase the supply on the market, because Albania will join the list of countries where services could be outsourced to a third party account. Such is the case of Romania. It means an increase of the number of employees and of course has its positive effects. But, in addition to cheap labor are the Albanian equally competitive in know-how? Despite that we have all the opportunities to be competitive in respect of professional services and / or technology or know-how, the answer is no. Albania's geographical position enables

access to the market of Western Europe, which represents a competitive advantage in the region for export of Albanian products (agriculture, light industry, professional and technological services, etc.), for the development of sea and mountain tourism and "importation" of knowledge, experience and know-how that are lacking in most industries that should be developed. Given the experience of countries with similar characteristics, such as Estonia (Skype was developed in Estonia and its sale to e-bay in 2015 provided income of 2.6 billion dollars) as a good example of exploitation of professional and technological services, this can be achieved through incentive reforms, easing fiscal policy, privatization and a concrete strategy relating to economic and social development. The whole mechanism should work towards the recovery of the deficit that is creating from migration, too. The tendency of leaving the country is not a phenomenon that attracts only unskilled workers. The great number of the applicants who want to work in Western Europe (the highest number of doctors applying in Germany) or Canada (favoring applicants with engineering training, telecommunications, technology, etc.) shows that skilled workers are leaving. Those who leave are young, ambitious, and aimed at achieving good positions. It means that the migration is not only because of low wages, but perhaps the non-stimulating climate in the country can feed the phenomenon. The phenomenon of the migration of skilled labor and professionals, or otherwise known as "brain leak" affects more the reduction of productivity in the country.

A very important part of the strategy should be the education of generations and focus on developing sector technology. In our country the youth has a big confusion idea regarding their professional future and the fields to direct their studies. As a result of this confusion and lack of a specific impulse of the Albanian government towards specific sectors, who can contribute to the development of the country, the majority of young Albanians continue their higher education without any clear idea about their professional future. The biggest participation of Albanian students is mainly in the Faculty of Law and Faculty of Economics (23.6%), (Table 4), despite the fact that these two areas do not have any special developments or guarantee places of work and developing vocational recent graduate. Education, in general, needs to motivate young people to develop their skills and their entrepreneurship motivating even the initiative of opening their private business. This phenomenon is expected to be more pronounced in sectors that require specialized knowledge and small investments in capital, such as in information technology. The government can help in this regard by encouraging growth in the number of students in fields which are expected to have a greater development and for which there is a limited supply of human capital, such as Information and Communications Technology, Agriculture Veterinary Science Natural, Statistics and Mathematics, this not only at the level of higher education, but also by encouraging vocational oriented education in these fields. In the future it will translate into greater opportunities on employment for this group of population and thus, an increase in the number of employees and increase of productivity.

Tabela 4

	<b>Field of study</b>	<b>Percentage</b>
1	Education	9.2%
2	Arts & Humanities	13.8%
3	Social Sciences, Journalism & Information	11.4%
4	Business, Administration & Law	23.6%
5	Natural Sciences, Mathematics & Statistics	6.8%
6	Information & Communication Technologies	5.1%
7	Engineering, Manufacturing & Construction	8.0%

8	Agriculture, Forestry, Fisheries & Veterinary	3.5%
9	Health & Welfare	12.2%
10	Services	6.3%

Source: HEI provision database.

#### 4. Conclusions

The creation of structures and programs that promote employment must be a functional, efficient and effective process, in order to direct the supply and the demand to the same channels.

Increasing the productivity in those sectors where we really have a comparative advantages and where there are resources still untapped efficiently, such as agriculture, tourism and why not the know-how. It will have a positive impact in two directions: stimulation of growth in employment and it will lead the country towards sustainable development.

The necessity of formulating and implementing attractive policies for direct foreign investments not only in sectors that necessity unskilled labor but also in sectors that necessity skilled labor and capital investment, in order to increase productivity as a key factor for the long-term growth of the economy.

#### References

1. Mankiw, N.G., Taylor, M.P., *Economics*, South-Western, Cengage Learning 2011
2. Dinan, D., *Ever Closer Union*, Institute of International Studies, AIIS, 2015
3. Monitor Magazine, Shehu, O., N.675, 2015, "On productive investments"
4. Institute of Statistics, Labor Market, <http://www.instat.gov.al/al/themes/tregu-i-pun%C3%ABs.aspx?tab=tabs-5>
5. Hackaj, A., *Youth Employment trends in Albania: What the market demands?* Friedrich-Ebert-Stiftung / CDI, 2015
6. Bartlett, W., Uvalić, M., Durazzi, N., Monastiriotis, V., Sene, T., *From University to Employment: Higher Education Provision and Labor Market Needs In the Western Balkans Synthesis Report* Publications Office of the European Union, 2016
7. Ministry of Social Welfare and Youth, Employment Program, <http://www.sociale.gov.al/al/program/punesimi>
8. National Employment Service, Labor Market Program (2017) <http://www.kerkojpune.gov.al/sherbimet/programet-e-tregut-te-punes/>