Socioeconomic conditions

This section uses statistical data to look at some key aspects of socio-economic conditions in 2002 and 2003. The main point of interest is to update the poverty profile. Evidence on education, health, the labour market and utilities is also presented. The main source of information is the Living Standards Measurement Survey (LSMS) carried out by INSTAT.

# Labour market

### Labour force participation

The labour force in Albania was calculated to be 1.3 million in the 2001 Census or lower by 15% since 1989. The workforce lost more than a quarter of women and 5% of men. In 1989, there were only slight differences in labour force participation between men and women. By 2001, gender equality had disappeared, as only half of the adult women were active in the labour market and the proportion of inactive women had doubled. Labour force participation among men remained roughly the same but its composition changed as the share of the employed fell (61% relative to 71% in 1989) and the share of unemployed rose (14% relative to 6%). The size of the male labour force was reduced in absolute numbers as a result of emigration.

Labour force participation according to the 1989 and 2001 Census

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | 1989 |  |  |  | 2001 |  |
|  | Male | Female | Total |  | Male | Female | Total |
| In thousand |  |  |  |  |  |  |  |
| Employed | 779 | 664 | 1443 |  | 650 | 392 | 1042 |
| Unemployed | 62 | 94 | 157 |  | 150 | 155 | 306 |
| Total active | 842 | 758 | 1600 |  | 800 | 548 | 1347 |
| Inactive | 249 | 283 | 532 |  | 269 | 554 | 823 |
| Total (aged 15 years or more) | 1090 | 1041 | 2132 |  | 1069 | 1101 | 2170 |
| As percentage |  |  |  |  |  |  |  |
| Employed | 71.5 | 63.8 | 67.7 |  | 60.8 | 35.6 | 48.0 |
| Unemployed | 5.7 | 9.0 | 7.3 |  | 14.0 | 14.1 | 14.1 |
| Total active | 77.2 | 72.8 | 75.0 |  | 74.8 | 49.7 | 62.1 |
| Inactive | 22.8 | 27.2 | 25.0 |  | 25.2 | 50.3 | 37.9 |
| Total (aged 15 years or more) | 100 | 100 | 100 |  | 100 | 100 | 100 |

Source: People and work in Albania, Population and Housing Census Research Publication, INSTAT, 2004

It is important to keep in mind that the notions of employment and unemployment have changed since 1989 and are not easily comparable. However, some changes are unambiguous, such as the drop in the female participation rate. Despite the high emigration rate of men, it appears that women have not substituted them in the domestic economy, not even in rural areas or agricultural activities. Female employment decreased mostly in urban areas for several reasons: the closure of factories, the increasing significance of male-oriented activities, such as trade and construction, and internal migration to urban areas, as women face more problems entering the urban labour market in the current economic environment.

### Employment

Measuring employment is fraught with difficulties in the context of a Census. Many people do not consider activity in the informal sector as equivalent to being employed. Respondents have sometimes an incentive not to report their real employment status. For example, according to the Census, the employment rate of 46-year-old women jumps by 20 percentage points relative to the rate of 45-year-old women. One of the likely explanations relates to social insurance rules for former employees of agricultural enterprises and members of their families. To enjoy a pension starting at age 55, women must have been employed for at least 10 years. Many women believed that claiming to be employed would be useful to earn a pension.

The direct and probing interviews used in the LSMS were designed to capture the employment status of the population better than the Census. shows that men are more likely than women to be in employment (55% of the employed were men). At the same time, women are more likely than men to be inactive (69%) or unemployed (53%). Of those aged 15–34 years, 54% were in employment, while of those aged 35–54 years 52% were in employment. The unemployed were most likely to be aged 15–34 years (36.6%) and those who were inactive were more likely to be in the younger age group of 15–34 year olds.

Employment status of working age individuals, 2002

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Employed | Unemployed | Inactive | Total number of observations |
| Gender |  |  |  |  |
| Male | 54.9 | 46.8 | 30.9 | 1997 |
| Female | 45.1 | 53.2 | 69.1 | 2176 |
| Age |  |  |  |  |
| 15-34 | 54.0 | 13.2 | 32.8 | 1901 |
| 35-54 | 52.4 | 36.6 | 27.3 | 1874 |
| 55-over | 9.1 | 2.8 | 19.6 | 398 |
| Highest qualification |  |  |  |  |
| Up to 8 years | 57.6 | 58.6 | 69.5 | 2179 |
| Secondary / Vocational | 31.5 | 36.8 | 26.7 | 1170 |
| University | 10.9 | 4.6 | 3.8 | 309 |
| Total | 61.7 | 16.0 | 22.3 |  |

Note: Working age is defined as 15-64 years for men and 15-59 years for women.

Of those who were in employment, the majority (58%) had up to 8 years education, 31% had a secondary or vocational education and 11% had a university qualification. This reflects the relatively low levels of educational qualifications in the population as a whole and is in line with the fact that most people work in agriculture (53%) and construction (10%). According to the 2001 Census, about a third of all jobs held were temporary, seasonal or occasional.

### Unemployment

One of the key differences between the Census and the LSMS assessments of the labour market is the fact that it resulted in a lower unemployment rate for women, as many women were not systematically searching for a job. The LSMS is better placed to distinguish the boundaries between discouraged unemployment and inactivity.

The trend in unemployment has been downward between 2002 and 2003 according to the LSMS. INSTAT uses 2 definitions. The standard definition of unemployment requires that the individual has actively engaged in some type of job search. The relaxed definition of unemployment also includes seasonal workers or discouraged job seekers, who may be considered as unemployed even though their attachment to the labour force is marginal. Under both definitions, the unemployment rate appears to have fallen by 2 percentage points between the 2 years, which is a substantial achievement. This improvement in employment indicators ties in with the current rates of economic growth.

Unemployment rate according to the standard and relaxed definitions



Source: INSTAT calculations with the 2002 and 2003 LSMS data

The LSMS design, which interviews the same individuals each year, allows a comparison of the employment status across years for the same respondents. shows the employment status for individuals of working age interviewed in 2002 and 2003 and shows that there is a quite a lot of movement between employment states. The percent highlighted in bold on the diagonal shows those who were in the same employment status at each year of the survey. The percentage off the diagonal shows those who had changed their employment status by 2003.

The data suggest that for those who are in employment their status is relatively secure: 87.5% of these people were in employment at both years of the survey. Those who were unemployed in 2002 were the least stable category with just 39.5% giving the same response at both years. On the contrary, 39.6% had moved into employment by 2003 while 21.1% had become inactive, providing some positive evidence that over one third of the unemployed had found employment within a year.

Employment status of working age individuals, 2002 and 2003 (%)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | 2002 |  |  |
|  |  | Employed | Unemployed | Inactive |  |
|  | Employed | 87.5 | 39.6 | 20.6 |  |
| 2003 | Unemployed | 4.8 | 39.3 | 11.2 |  |
|  | Inactive | 7.7 | 21.1 | 68.2 |  |
|  |  | 100 | 100 | 100 |  |

Those who were not working were asked about their job search behaviour and how they had gone about looking for work. When people were asked in 2002 about their efforts to find a job, 64% of them said that they had looked for work through friends or a relative, 26% through a labour office and 4% through contacting the employer. The length of time people spend looking for work varies but for many people it is a long process. On average, 32% of respondents who were not in work in 2002 had been looking for work from between 12 to 23 months and at 2003, 42% of respondents had spent up to 2 years looking for work. With relatively long periods of unemployment, there is a danger that some people may stop trying to find work.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Investing the earnings from international migrationThe decision to migrate is considered the result of a joint decision by members of a household and assumes that the household members share the costs and benefits of this decision. This explains the motivation of migrants to remit earnings to household members.Earnings from migration do not only return to Albania in the form of remittances by household members who reside permanently abroad but is also brought back by temporary migrants who spend limited parts of the year outside the country. Short-term migration is a less well known phenomenon. Evidence on it is provided by the 2002 LSMS. The survey included information on the migration history of individuals who had been abroad for at least 3 months at any time between 1997 and 2001 but were in Albania at the time of the survey. A fifth of households have members who have been temporary migrants, whereas a third of households have members who are permanent migrants. A study based on these data1 shows that households with temporary migrants are larger than the average Albanian household. Households whose members migrate temporarily to Greece tend to live in rural areas of the central and mountain zones, are poorer and less educated. Households whose members migrate temporarily to Italy tend to originate from the rural areas of the coastal zones, are better off and more educated than the average household.

|  |  |  |  |
| --- | --- | --- | --- |
| Characteristics of households with temporary migrant members | No migrants | Migrantsto Greece | Migrants to Italy |
| Household size (members) | 4.2 | 4.7 | 4.5 |
| Average education (years) | 8.6 | 8.4 | 9.4 |
| Monthly consumption per capita (Lek) | 7841 | 7019 | 9205 |
| Living in rural areas of the coastal zone (%) | 80 | 13 | 7 |
| Living in rural areas of the central zone (%) | 77 | 20 | 3 |
| Living in rural areas of the mountain zone (%) | 76 | 19 | 5 |
| Proportion of households (%) | 82 | 13 | 5 |

An important policy question is how to steer the income that migrants, whether temporary or permanent, bring back to the country. If income from migration is invested in productive activities, then it could help create jobs in these rural areas and perhaps reduce the flow of migration. A study that used the results of a specific survey in the Korca region2 examined the effects of migration and remittance income on the productivity of agricultural households. The results showed that households without migrant members were less efficient in farming. A potential explanation is that the recipients of assistance lower their effort in the knowledge that remittance income guarantees a certain level of welfare. Although remittances may well be used for investment outside agriculture, complementary evidence from the LSMS confirms that they are most commonly used to pay for basic necessities and durable goods. The government has been formulating a migration strategy with support from the International Organisation of Migration, which will also include actions to facilitate the flow of remittances into business activity. Building confidence and increasing the efficiency of the banking sector is considered a necessary step3.Sources: 1 G Carletto et al. (2004) Internal mobility and international migration in Albania, ESA Working Paper No. 04-13, Food and Agriculture Organisation; 2 E Germenji and J Swinnen (2004) Impact of remittances on household-based farms in rural Albania, Paper presented at the conference on ‘New perspectives on Albanian migration and development’, Korca, September 2004; 3 E Uruçi and I Gedeshi (2003) Remittances management in Albania, Centro Studi di Politica Internazionale Working Paper 5/2003 |