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.

# Poverty

Last year’s Progress Report presented the evidence on the level of poverty in Albania using the data of the 2002 LSMS, which surveyed a nationally representative sample of 3600 households. The headcount rate of poverty was calculated as the proportion of individuals who were consuming below the amount necessary to cover the need for basic food and non-food items. Poverty measures based on consumption are preferred to measures based on income for two reasons. First, households are less likely to report their income accurately. Second, income may vary a lot between different years, while consumption is more stable over time and therefore describes the welfare of households better. The resulting poverty headcount in 2002 for Albania was 25.4%.

However, obtaining consumption data on an annual basis is very costly and INSTAT is only collecting consumption information again in 2005. Instead, the Albanian poverty monitoring system has been designed on the assumption that poverty can be monitored using fewer data but applying statistical techniques to substitute for the lack of full information. A second round of the LSMS was conducted in 2003. About half of the households that were interviewed in 2002 were re-visited in 2003. The 2003 questionnaire included most of the questions that were asked in 2002 but did not include detailed questions on consumption. In order to assess whether the level of poverty changed between the two years, a research team from the Food and Agriculture Organisation used a methodology consisting of three steps. In the first step, all variables that were collected in both years were identified.

In the second step, the researchers assessed which variables were most closely associated with the level of household consumption in 2002. A number of variables were found to be correlated with consumption to a statistically significant degree. For example, controlling for all other characteristics, if a household possessed a washing machine then it was less likely to have low consumption. This statistical analysis estimated how strong the association of each household characteristic was with the level of consumption and the likelihood of poverty. These characteristics may change for any household from one year to another. For example, a household may have purchased a washing machine between 2002 and 2003. It may be therefore inferred that their living conditions had changed to the better.

The third step involved the use of these coefficients of correlation between consumption and household characteristics from the 2002 LSMS to predict the level of consumption using the 2003 LSMS data on household characteristics. This analysis was carried out for the national sample, as well as for the urban and rural sub-samples separately. shows the results of this analysis. The first column reports the actual level of poverty calculated by the 2002 LSMS data. As mentioned above, the headcount rate of poverty in 2002 was 25.4%. The second column reports the predicted level of poverty for 2002 using the statistical model described above. This is not identical to the actual level of poverty because a prediction can only be approximate. The important comparison is between the second and the third column, which shows the predicted level of consumption in 2003 using the results of the statistical model. The estimated poverty level appears to have fallen by about 16% or three percentage points between the two years. The fall has been much smaller in rural areas.

Headcount poverty changes between 2002 and 2003

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| --- | --- | --- | --- | --- |
|  | 2002  Actual | 2002  Estimated  (panel sub-sample) | 2003  Estimated  (panel sub-sample) | Percentage change between 2002 and 2003  (%) |
| Total | 25.4 | 20.4 | 17.1 | -16.2 |
| Urban | 19.5 | 13.2 | 10.7 | -18.9 |
| Rural | 29.6 | 24.3 | 22.9 | -5.8 |

Source: C Azzarri et al. (2005) Monitoring poverty without consumption data: an application using the Albania panel survey, ESA Working Paper No. 05-01, Food and Agriculture Organisation

It is very important to stress that these are not the actual levels of poverty. A precise estimate has to wait for the results of the 2005 LSMS, which has solicited consumption information. However, the evidence in can be used to argue that the poverty situation has been improving and that the benefits are more visible in urban areas. translates the results of the model in terms of the predicted change in monthly per capita consumption. Compared to 2002, when the calculated average per capita consumption was Lek 7679, consumption in 2003 is estimated to have increased to Lek 8116 or by 5.7%. This is consistent with the observed rates of economic growth at the level of 6% in recent years.

Changes in estimated per capita consumption between 2002 and 2003

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| --- | --- | --- | --- |
|  | Urban | Rural | Total |
| Per capita consumption in 2002 (Lek per month) | 8,311 | 7,072 | 7,679 |
| Per capita consumption in 2003 (Lek per month) | 8,844 | 7,249 | 8,116 |
| Difference in consumption (Lek per month) | 533 | 177 | 437 |
| Difference in consumption (%) | 6.4 | 2.5 | 5.7 |

Source: C Azzarri et al. (2005) Monitoring poverty without consumption data: an application using the Albania panel survey, ESA Working Paper No. 05-01, Food and Agriculture Organisation

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| Subjective poverty The LSMS also asks households to assess their financial situation. Respondents are asked to imagine a ladder where the poorest stand on the lowest step and the richest on the highest step and report where they would place themselves. Such subjective measures of poverty are not perfectly correlated with objective measures of poverty. The reasons for differences vary:  People may not equate their poverty with income or expenditure alone. While objective measures relate to consumption poverty, subjective measures may also be capturing factors such as risk exposure, vulnerability, and other non-monetary dimensions of deprivation.  Quantitative measures of poverty are based on absolute poverty lines, but the way people feel about their welfare depends on their position relative to people with whom they like to compare themselves.  A recent study 1 using the 2002 LSMS found that although the objective poverty status helps explain the subjective assessment to a large extent, there were substantial differences between objective and subjective welfare across households of different size. In particular, among households composed by one person, the incidence of subjective poverty is highest, while the incidence of objective poverty per capita is lowest. Households with one member are in large part (75%) old pensioners living alone: the mean age of the respondents in this group is 63 years as opposed to an average age for the total sample of 48 years. Households headed by women are also disproportionately represented in this group: 69% against an average 12% in the total sample. Also, 54% of the respondents in this group are single female pensioners; 56% are female widows; 64% suffer from chronic illnesses against an average of 28% in the total sample.  The analysis supports the argument that people’s perception of own welfare can be used to complement traditional poverty analysis. If one trusts subjective rankings, subjective poverty measurements can be a source of information for policy purposes. This makes it also interesting to observe trends. Both the 2002 and 2003 waves of the LSMS contain the same question on subjective welfare. As the following graph suggests 2, perceptions have improved between 2002 and 2003. A higher proportion of respondents placed themselves among the better off in 2003.    Sources: 1 G Carletto and A Zezza (2004) Being poor, feeling poorer: Combining objective and subjective measures of welfare in Albania, ESA Working Paper No. 04-12, Food and Agriculture Organisation; 2 INSTAT |

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| Protection of children’s rights In Albania, a third of children live below the poverty line. This is a higher proportion than the average for the national population because poorer households tend to have more children. Poverty leads to poor nutrition. According to the 2000 Multiple Indicator Cluster Survey, among children under the age of 5:   * 14% was characterised by moderate and 4.4% by significant underweight * 31.7% had minor and 17.3% had significant shortcomings in development * 11% had minor and 3.6% had significant shortcomings in nourishment   Children of mothers with secondary or higher education were less likely to be underweight. An analysis of the 3 indicators showed that the problems were more common among children aged 6-11 months and among boys. An issue of concern remains the growth of anaemia or iron deficiency. By 2002, though, the LSMS had found that rates of malnutrition were slightly on the decrease.  Another problem that affects children’s lives is the retreat of early childhood education. In 1990, enrolment in preschool education among 3-6 year olds was 44%. This fell sharply to 28% in 1992 and has since been increasing but not recovered to the original levels (34% in 2001)1. Enrolment of children in poor families is about half that of children from well-off households. A leading reason has been the closure of public preschools, as shown below. Compared to 1990, the number of kindergartens had fallen by 60% in urban areas and by 49% in rural areas in 2004.    Poverty denies children some of their fundamental human rights. The risk to go through poverty during childhood is high in Albania. Long-term unemployment has had a negative impact on the economic and social status of families. Households headed by women are at a higher risk from poverty. About 32.8% or 293,000 children in Albania live below minimum standards2 (less than $2 per day). Furthermore, Albanian children are facing other dangers emerging during transition, such as dropouts, violence, blood-feud, trafficking, exploitation, criminality, etc.  In spite of continuous improvements in child health, infant mortality, mortality under five years of age and maternal mortality are among the highest in the region, though a decrease has been noticed in the last decade. Infant mortality has decreased from 30.8 per 1,000 live births in 1989 to 16 deaths in 20033. The rate of infant mortality and the number of underweight births indicate a deterioration of mothers’ health and nutrition. Another indicator in this respect is the increase of anaemia as result of iron deficiency.  According to a number of official documents3, a pronounced decrease of children attending pre-school education has been observed in recent years. This is a result of migratory movements inside and outside the country, irregular urbanisation in some areas of the country, destruction of infrastructure and lack of security. Only 5% of the total budget of education is allocated to pre-school education4.  The inheritance of a completely destroyed environment will have serious and long-term effects on children, who are particularly at risk to the effects of air, earth and water pollution. An increase in the number of deaths in children under five years of age related to conditions of the environment, such as high level of pollution and deteriorated sanitation, has been noticed, which highlights a direct link between children diseases and air pollution.  Considering some of the serious problems related to children rights and policies to be undertaken in protecting such rights, the National Strategy for Children was approved in June 2005. It is expected that the Action Plan will be approved later in June. As envisaged by the strategy, a State Committee for Children will be established to monitor and coordinate the activities of units operating in the field of children rights at the national and local levels.  The National Strategy for Children aims at establishing institutional structures and ensuring sufficient financial and human resources to accomplish obligations deriving from the Convention On the Rights of the Child. The fundamental principle in designing social policies to implement the strategy will be to ensure equal opportunities to all children, regardless of their age, sex, ethnicity, ability, status of birth etc. Priority will be given to marginalised social groups lacking parental care, exploited or ill-treated children or children with disabilities, street children and children from poor families.  To this end, a system of institutions will be created and social policy reforms will be carried out, in order to protect children from all forms of violence, exploitation and ill-treatment; to ensure living conditions for children in a family environment and, where it is not possible, to offer alternative care, giving priority to care in social families; to offer equal opportunities to children with limited abilities; to improve health care and service for mother and child; to build a modern educational system, ensuring appropriate conditions to all children to complete their obligatory education; and to establish a system of services that protect working children.  With the view of measuring the progress in implementing policies, a system of indicators and a database will be created, in harmony with the national system of monitoring the NSSED and the Millennium Development Goals. Reports will be prepared every year on the progress in implementing the strategy and the Action Plan.  Sources: 1 Innocenti Social Monitor, Economic growth and child poverty in the CEE/CIS and the Baltic States, October 2004; 2 Social Indicators 2004, UNICEF; 3 Common Country Assessment: Albania 2004; 4 Ministry of Education and Science, 2003 |