

# LABOR MARKET POLICIES AND EFFECTIVENESS.

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## Abstract

*In this paper will be examined some important issues of the labor market policies in Albania. As well, the analysis of labor market institutions such as the Social Insurances or the Syndicates on the efficiency of employing active labor forces. Which are the policies on the protection of the labor forces and the criteria of definition of the minimum salary? Furthermore, it continues with the importance of reforms in the labor market policies, to be examined in the labor market aspect as a production factor and as a regulator of the internal market. Fast globalization is causing continuous risk and movement for the active labor forces. The increase and development of technology puts out of the market many employees, decreasing the number of unqualified employees and increases the demand for the qualified ones. Does the globalization really affect the labor market, efficiency and as a consequence increase production, or the latter are benefits only for the developed economic countries? At the same time, we shall examine the movement of the labor forces from one country to another and the fluctuation of the relevant salaries.*

*In general, the analysis of this paper faces two key issues: the first being raised on discussion of the kinds of programs on the active labor forces, such as programs of direct employment or consideration of employment in public sector, and the second regarding the methodology of evaluating these programs. How effective are them on the domestic market?*

*The paper ends with conclusions and recommendations on the efficiency of policies for the labor market forces.*

**Keywords:** *efficiency, policies, labor market forces, program, migration.*

## Introduction

Unemployment and employment of active labor forces is a major concern for each society. In 1991 Albania was unprepared to face this reality. The shift from a dictatorial system with centralized economy where the employment was guaranteed to a democratic system with capitalist economy and an individualistic employment model on basis of personal skills, made the Albanian society fall into chaos in terms of employment and opportunities offered by the labor market.

From the entire transition period to present time, the labor market situation in Albania was associated with several issues such as informal employment, migration, limited involvement of women in the labor market compared to men, lack of guidance of the young people to labor market needs and professional education, difference of salaries between women and men etc.

The improvement of living standards and consequently the economic growth have been the main challenges of Albania for a period of almost 20 years. The Foreign Direct Investment Report in Albania qualifies the domestic economy for 2010 with a 6 % average increase of GDP. However, according to the equality of purchasing power, the GDP per capita is only 25% of the EU-27 average, lower than the one of Bulgaria which is an EU member country with lower incomes.<sup>1</sup>

Accordingly, this paper will introduce a survey of the labor market situation in Albania on the effects it will have after the integration of the market to the European Union, identification of problems encountered in the course of implementation of labor market programs and their effectiveness as well as the internal migration of the population.

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<sup>1</sup> UNCTAD, Foreign Direct Investment Report for Albania (Tirana: 2011), 20-25.

The importance of this scientific paper lies in the sensibilization of the main stakeholders, either be policymakers, implementers, employers or employees, that although the program and policy implementation is a challenging phase, the importance of this phase is vital. On the other hand, we wish to emphasize that unemployment and poverty cannot be reduced only by drafting qualitative laws and policies but their practical implementation is essential.

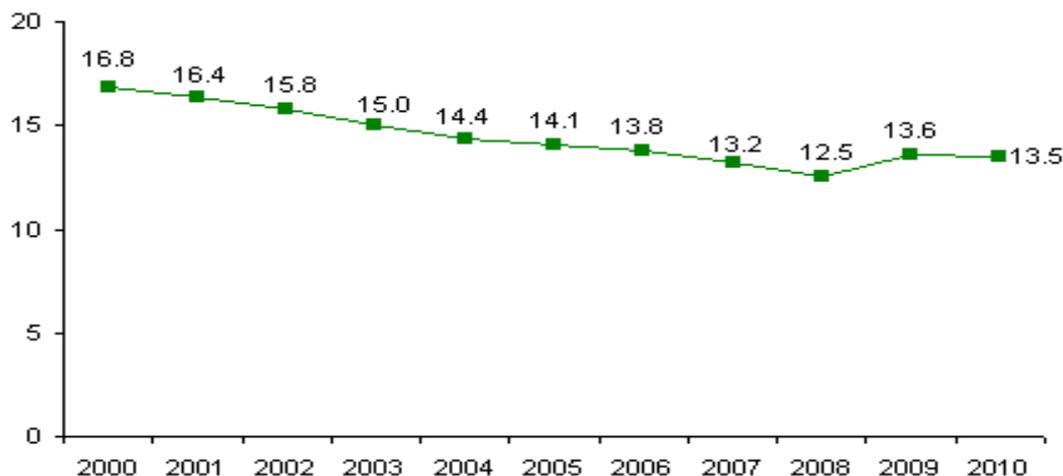
We have endeavored to make a realistic overview of the labor market in Albania, of the existing labor market policies and programs and the obstacles for their implementation. Alternatively, we offer various recommendations for overcoming the obstacles encountered with the view of improving the current situation.

The paper introduces an in-depth analysis of the labor market policies and programs in Albania. On the other hand, we draw a comparison of these policies with the evaluation reports of international organizations covering the Albanian labor market. Some of the main sources used in this paper are the Albanian legislation on labor market, reports of the World Bank, UNDP, ILO and statistics from INSTAT. The paper will be closed with some conclusions and recommendations of the authors.

#### **Labor market policies and programs in Albania.**

The labor market in Albania has experienced and still has a low level of employment of active labor force. A characteristic of the transition period Albania has already passed is naturally both unemployment and lack of labor market policies. The first ten years of the transition period showed high rates of unemployment in the country. Hence, “the number of employed people in the public sector is reduced from 850.000 in 1991 to 189.000 in 2001, and further on in 176.000 people in 2004”<sup>2</sup>. In the meantime, according to INSTAT, the average figure of unemployed people in the country for the first 9- month period of 2011 is 142.082.”<sup>3</sup>

**Scheme:** The Registered Unemployment Level, 2000 - 2010



Source: INSTAT, Data from Professional Education and Training (PET), published in 2011.

<sup>2</sup> Ministry of Labor, Social Affairs and Equal Opportunities , Sectorial Strategy of Employment 2007-2013(Tirana: 2007), 5.

<sup>3</sup> “Results from the Labor Market Questionnaire, Labor Market in Albania”, INSTAT, accessed January 10,2012, [http:// www.instat.gov.al](http://www.instat.gov.al)

Unemployment still has not good indications, while the labor force is growing and may become a major source of future economic growth. If Albania is not able to improve the new job generation climate, this “potential demographic gift” could further aggravate the unemployment issue. “During this decade, the working age population will grow approximately by 5% every year and by 2015 it will constitute two third of the total population.”<sup>4</sup> Under these conditions, the labor market situation in Albania requires the engagement of many stakeholders in order to enable the required changes and further social and economic development.

In Albania, the Law “On Promotion of Employment” was drafted in 1995 and approved by the Law No. 7995, dated 20.09.1995<sup>5</sup>. This Law placed special focus to the “employment, information and professional training, National Employment Service and adoption of general active policies in support of full, productive and free choice employment by the individuals”<sup>5</sup> This law has been subject to key amendments in 2005, which draft was approved later in July 2006, bringing other improvements in several issues such as: 1) improvement of its definitions and introduction of other adapted definitions, 2) introduction of the orientation and advisory concept for new jobs creation and employment, 3) new provisions related to modifications in the procedures of management of financial funds of professional training, which entered into force as a result of the Law No. 8872 dated 19.03.2002, “On professional education and training in the Republic of Albania”.<sup>6</sup>

**Articles 3 and 4** of this Law clearly specify its main goals. Respectively, the **Article 3** emphasizes that every individual looking for a job shall be addressed for registration as an unemployed person to the National Employment Offices which gives appropriate advice and orientation for the labor market. Foreign citizens, without Albanian citizenship, coming from countries which have or do not have bilateral agreements with Albania can also benefit from this Law. This Law is also beneficial to the foreign citizens married to Albanian citizens who are residents in the Republic of Albania.

**The Article 4**, in its paragraphs 1 and 2, emphasizes the measures of national employment policies in support of both the promotion of employment and provision of related financial support. Economic development, employment and development of active state policies for employment are primarily focused on the concept that every citizen looking for a job has the right job, the job has a fruitful performance and the individual can choose the job in accordance with his skills and capabilities.

In Albania, there are also several programs in support of those looking for a job and the market labor offers in the country. Let’s have a look ahead on the specifics of these programs which have a common ground in the reduction of the registered unemployed people in the National Employment Offices, and the shift of these individuals from the passive financial support scheme, such as the unemployment financial support and economic support.

The programs currently being applied in Albania are as follows<sup>7</sup>:

**1) Employment promotion program of unemployed people**; the employers providing temporary employment for unemployed people (3-6 months) shall benefit financial support of their monthly wages up to 100 % of the minimum wage and the expenses for the social security of the beneficiary employed people. If the beneficiary employed people are employed for a period up to 1 year and with regular contracts, the employer shall benefit a financial support equal to a minimum monthly wage and the obligatory contribution to social security for a period up to 5 months. If the

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<sup>4</sup> World Bank, Albania: Market Labor Assessment, Report No. 34597-AL,(Tirana:May 2006), 4-6.

Note\*: Law 7995 on “Promotion of Employment” was amended by Law No. 8444, dated 21.01.1999, with the Law No. 8862 dated 07.03.2002, and the Law No. 9570 dated 03.07.2006

<sup>5</sup> Official Journal, “On Promotion of Employment”, Law No. 7995, dated 20.09.1995, 3-4.

<sup>6</sup> Ministry of Labor, Social Affairs and Equal Opportunities , Sectorial Strategy of Employment, 30-32.

<sup>7</sup> Ministry of Labor, Social Affairs and Equal Opportunities , Sectorial Strategy of Employment, 22.

beneficiary employed people do not have related professional training skills for the job to be performed, and the employees have the possibility to offer that training, then he can benefit an increase of 10-20 percent of the total fund for each individual employed.<sup>8</sup>

2) *Employment promotion program through on-the-job-training practices*; this option support the employers conducting specific training programs with the beneficiary unemployed people followed by the creations of jobs for a number of the trained individuals. In this case, employers shall be supported with the wages and social security expenses for the trained unemployed people they employ, provided that the employers offering these training sessions shall at least employ 40% of the trained individuals.

3) *Employment promotion program through institutional training and education*; the employment offices shall assign and provide appropriate training for the beneficiary unemployed individuals of those companies which: a) guarantee the employment of individuals after the training, or b) show through studies and investigation of the labor market that the training shall be useful for the participants. The beneficiary individuals refusing the participation in these training courses are checked out from the list of unemployed people and their unemployment wage is interrupted.<sup>9</sup>

4) *Employment promotion program for the unemployed individuals of female gender; this program is focused on the integration in the labor market of marginalized women, such as Roma women, ex-trafficking abused women, elderly and disabled women, and;* 5) *In 2007 for the first time it was applied the employment promotion program for unemployed individuals holding a Bachelor diploma*, who have completed their studies in or out the country by means of their participation in professional training and education programs in public or private institutions/enterprises. Public employers are obliged to provide employment for these unemployed individuals engaging them under a free of charge policy, based on the internship status scheme of employment of 1 in 50 personnel of the public administration.<sup>10</sup>

As described above, Albania has in place the appropriate policies and programs but they shall cover and balance the protection of workers as well. It is necessary to develop legal arrangements for the types of contracts including obligations for both employers and employees, as well as other procedures including the removal from job. The basic legislation in Albania is the 'Job Code' with legal effects from 1995 with various key amendments in 2003. "Employment Promotion Legislation (EPL) offers job security for the covered employed individuals, but it can also give undesirable consequences concerning the discouragement of creation of new jobs, especially in the public sector."<sup>11</sup>

As a conclusion, Albania has related policies and programs on employment of active labor force, but the key question mark is to the quality of their implementation. Quite often, business and company entrepreneurs are not well-informed on Albanian legislation. Sometimes they are not aware of the forms of financial support provided by the government in cases of employment of young individuals, marginalized women, or regarding the training of unemployed people; not to say that a skeptical view is in place regarding the question of validity and implementation of these employment promotion programs in Albania.

### **Globalization effects to the labour force.**

Without mentioning the stages and the processes the Albanian economy will experience, there is no doubt that the final destination is the unification and accession of the Albanian economy to the economy of the European family, which it geographically belongs from the very existence of the planet. On one side, there is no doubt that the transition from one economy with barriers and

<sup>8</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Sectorial Strategy of Employment, 32-33.

<sup>9</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Sectorial Strategy of Employment, 22.

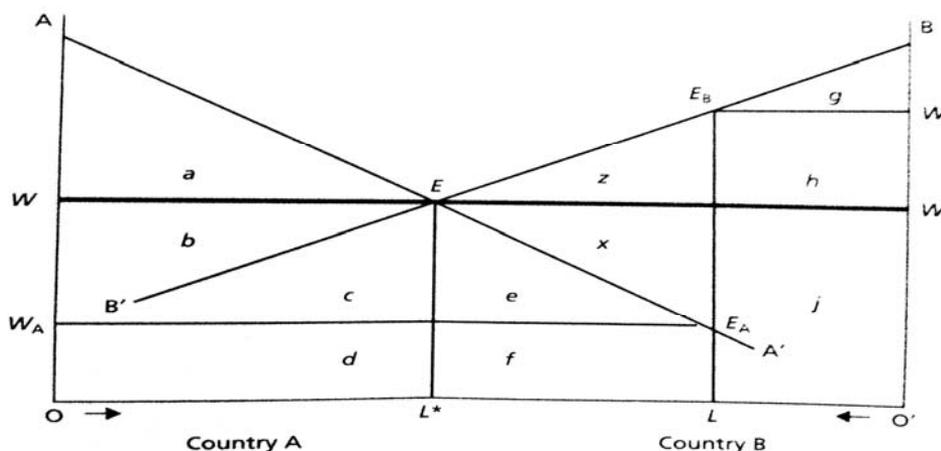
<sup>10</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Sectorial Strategy of Employment, 23.

<sup>11</sup> World Bank, Albania: Market Labor Assessment, 6-7.

quota levels to a global economy without borders and tariffs will be associated with mutual benefits for the respective countries. On the other side, this phenomenon will be connected with some visible disorders in the labour market, for both respective countries.

Economic integration of a country in the European common market and the free movement of labour force from a country to another will have immediate impacts on the labour force offer and demand for these countries. It will have an impact on the increase and decrease of wage rates as well.<sup>12</sup>

For study purposes, let us take two countries, with more or less approximate characteristics. Let's say Albania (A), and another country of the European Union (B), which both produce the same product X, using the same technology, and with the same production factors, the Stock Exchange (K) and Labour Force (L). Below, let us introduce both countries in a common scheme.



Source: Hitiris Theo, European Union Economics,16.

Albania, country A, is shown on the left side of the scheme, and the size of the labour force is represented by the segment OL in the horizontal axis of the scheme. The country B is shown to the right side of the scheme and the size of the labour force is O'L. As it can be seen from the scheme, the size of labour force for both countries is the horizontal axis OO', while the vertical axis show the marginal product of labour (MPL), and wage rate (W) for both countries. With no changes in the above mentioned parameters, the requirements of Albania A for labour force is presented in the line AA', which is the marginal product of labour,  $MPL_A$ . As it can be observed from the table, it goes down as long as the labour employment is increased. The same thing happens in the other country but in the opposite side of the scheme. According to the European Union Economics "equilibrium with full factor employment and profit maximization behaviour, is reached in each country when the marginal product of labour equals the market wage rate"<sup>13</sup>, so that  $MPL_A=W_A$  for Albania (A) and  $MPL_B=W_B$  for the country B. While, in the country A we have a larger number of labour force compared to the country B, ( $OL>O'L$ ), under the conditions of a full employment of labour, the wage rates as observed by the scheme, are higher in the country B, ( $W_B>W_A$ ). For both countries, national revenues are equal throughout the entire area below MPL, up to the crossing point of country A and the same thing in the country B.

<sup>12</sup> Theo Hitiris, European Union Economics:Fifth Edition,(Prentice Hall Europe: 2003), 6-15.

<sup>13</sup> Hitiris, European Union Economics, 15-19.

At the moment of the liberalization of labour market in a common market, where between Albania (A) and the other country (B) all barriers are removed, we are facing the fact that in the country (B) the labour force, for the same job, is paid at a much higher price than in Albania. Under these conditions, Albanian employers are facing a dilemma: to stay and work for the Albanian employers with lower wages or run to work for the employers of the country B? Under these conditions, we will experience a massive movement of the labour force from the country A to the country B. That means we will have an increase of the job offer in the country A and a decrease of the job offer in the country B. As a consequence, we will see an inflation of the labour force in this country. Based on Adam Smith market economy, "this phenomenon will be associated with a decrease of the wage rates."<sup>14</sup>

While in the country B, we will observe an inflation of the labour force, the employers in Albania (A) will suffer a situation of an extreme lack of labour force, which will seriously damage their business. Under these conditions, the Albanian employers will try to attract their employees in order they do not immigrate to the country B, by offering an increase of their wages. Therefore, we are in a situation when in the country B there is a tendency of the decrease of the wage rates as a consequence of the inflation of the labour force; in Albania there is a tendency to increase the wage rates as a consequence of the movement of the labour force. This phenomenon will continue until the wage rates are made equal in the two countries, in  $W$ . As a conclusion, we will have an increase of the wage rates of the employees in Albania from  $W_A$  in  $W$ . Meanwhile, we will see a drop of labour force from  $OL$  to  $OL'$ . In the country B, we will see a decrease of the wage rates of the employees of the country B from  $W_B$  to  $W$ , and an increase of the labour force from  $O'L$  to  $O'L'$ . Simply, let us suppose we have two bottles, one of them empty and the other full of water. At the moment both bottles are connected with a tube at the bottom of the bottles, the water will start to move quickly from the full bottle to the empty one. This phenomenon will continue until the height of the water in both bottles is at equal levels. It does not matter if the bottles are equal in size or not. In this case, the height of water level means the wage rates, and the width of the bottle means the labour market. This study does not consider various expenses (transport, rent, accommodation), which are added to the employees moving to the other country. They are forced to live away from their families, so they will have some additional expenses.

Based on the above table, we can reach the following conclusions:

At the  $W$  quota level, we have a unification of the wage rates for both countries, as well as the decrease of the wage rates in the country B, and the increase of the wage rates in Albania.

Incomes of Albania will fall into the areas  $(a+b+c+d)$ , that means it will lose the areas  $(e+f)$ , which will be in favour of the country B.

Historic incomes of the country B,  $(g+j+h)$ , will be increased not only in the area  $(e+f)$ , to be recovered by Albania but also in the area  $(z+x)$ , which could be recovered as a result of the integration of the labour market.

As a result of the integration of the labour market of both countries, total national incomes of both countries will be extended to the area  $(z+x)$ , which will be recovered as a result of the integration of the labour market.

### **Migration of active labor force and informality.**

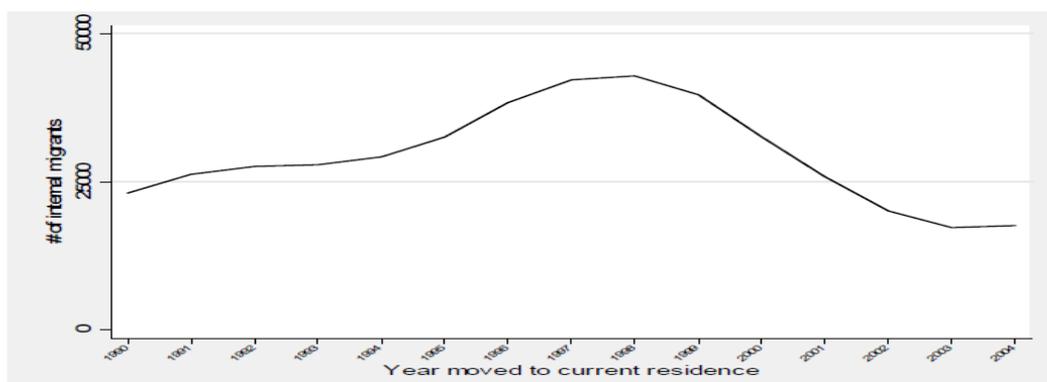
Economic opening of Albania after the 90-s was associated with the internal migration of the population to the areas with broader opportunities for employment and living. During the period of democratization of the country, the privatization of many enterprises, especially in the capital, opened many opportunities for employment. "The trends show that internal migration was grown during the period from 1990 to 1998 and at that point it fell again. This migration culminated in the years following the collapse of the pyramid schemes in the country when many people around the

<sup>14</sup> Adam Smith, trans., *The Wealth of Nation*, (Tirana: Toena 2001), 10-40.

country moved to Tirana. Since 1998, the flow of people is considerably decreased and it seems it is stabilized to an average figure of some 20,000 persons a year.”<sup>15</sup>

The movement of the population from rural to urban areas of Albania was not foreseen to be so difficult to be kept under control, and as a consequence, it brought a number of social problems in the country, such as unemployment, informal employment, low education, non-registration of the population in registry offices, overcrowding in several areas, where Tirana and Durrës had more newcomers from other districts and especially from the north of the country. According to World Bank, “... with regard to the destination, the flows of people are equally distributed, where about one third of the total number of migrants goes to Tirana. In the last years, the part of internal migrants going to Tirana is further increased. Within the period from 2002 to 2004, some 4 out of 10 internal migrants have moved to Tirana municipality.”<sup>16</sup>

**Scheme:** Flow of internal migrants by year



Source: World Bank, Albania: Urban Development, Migration and Reduction of Poverty, 57.

One of the most acute problems of internal migration in Albania was the informal employment of the active labor force. In economy, the informality has taken a large proportion and as such, it remains a problem to be solved for the entire Albanian society.

The informal sector, in accordance with the contemporary literature, and especially based on the definition of authors such as Schrage (1984) and Thomas (1992), is given the definition as: "A number of activities that are legally exercised in principle, which shall be subject to tax and tariffs but which are not declared as legal commercial activities, and are not included in the total value of national incomes or partially included in the GDP of the country"<sup>17</sup> Of course, the informal economy with the informal sector and fiscal evasion, are a consequence of an unsuccessful economic transition.

According to AFP data “... For 2009, some 55.8 % of general employment relates to informal economy. The employees to whom are not paid the social security contribution represent 27 % of the total of general employment. This is small compared with the other part of the self-employed people in the private sector of agriculture.”<sup>18</sup> According to INSTAT, the majority of unpaid employees

<sup>15</sup> World Bank, Albania, Urban Development, Migration and Reduction of Poverty: Report No.40071- AL (Tirana: June 2007), 33-35.

<sup>16</sup> World Bank, Albania, Urban Development, Migration and Reduction of Poverty, 57.

<sup>17</sup> Richard Allen and Daniel Thomas, Managing Public Expenditure: A Reference Book for Transition Countries, (OECD: 2004), 12-16.

<sup>18</sup> PET, 9- Month Analysis 2011, Young professional educated people and their employment, (Tirana: January 2012), 3-5.

belong to the age-groups of 30 to 54 years old, where the young people are 27% of the total while the employees of 55 years old are 11 % of the total. The part of young unpaid employees of the family and the young self-employed individuals, presented in the value of informal employment, is about 66 % of the total of young employees.<sup>19</sup>

These figures are really worrying for the Albanian economy; therefore there is an immediate need for an intervention, and especially for the implementation of policies related to the employment of young people. Special attention shall be paid to the management of the high rates of informal economy in the country. Priority should be given to the fact that programs and policies being formulated and approved on the labor market and active labor force shall be well adapted to our national reality. As a matter of fact, figures on unemployment and employment of labor force are not realistic, not to say they are unreliable. This is also another reason for the unsuccessful implementation of employment policies and programs in Albania.

According to some economy experts in Albania, the main factors which led to consolidation of the informal economy in Albania are:<sup>20</sup> 1) Massive closure of the working activities during the first period of transition 2) large demographic movement to field areas (internal migration), to large cities and especially to Tirana. 3) High level of political orientation of public administration and significant interventions of the politics in the economic decision-making. 4) Development of a new legislation framework and periodic update, but still with uncertainties to the flourishing of the informal economy.

The causes of ill-functioning of actual policies for the employment of unemployed people and the existence of the informal market are many and of different nature. The Action Plan for the Employment of Young People (2010-2013) developed in cooperation with the International Labor Office (ILO) has identified other causes related to the existence of the informal market, such as; "lack of cooperation or institutional bureaucracy among executive bodies, such as Tax and Tariffs, National Labor Inspectorate, and the Institute of Social Securities. Another cause is connected with the lack of full control of movement and currency circulation favoring informality and unfair competition. Further on, the high flow of movement of labor force based on the demand-offer driver of the market, especially in the construction sector is rendering the control and identification of this black-collar labor market difficult...etc."<sup>21</sup>

As a conclusion, internal migration of the population, informal employment and the existence of informal market, promotion of illegal employment practices for the young people, lack of active policies for the protection of employed people in the informal market, bring growing negative social and economic consequences for Albania. Low wages, job related insecurity, shift from a profession to another, and poverty, are phenomena that accompany the informal unemployed people. A considerable number of them are people who have moved from rural to urban areas. These conditions of informality call for an immediate need for intervention. Based on these problematic issues of informality, it is very important to have related arrangements on the tax system in Albania.

Often, the content of taxes is very difficult to be understood by the entire population, because they are not realistic and very difficult to be applied. Reduction of taxes shall enable the control of formality. On the other side, bureaucratic barriers of Albanian state institutions have considerably influenced the increase of informality. As a consequence, the reliability of these institutions is at a low level and we could not further refer to the efficiency and effectiveness of the policies. Also, lack

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<sup>19</sup> INSTAT, Results from the Labor Market Questionnaire, Labor Market in Albania, 28-30.

<sup>20</sup> Fatmir Mema and Zef Preçi, Informal Economy – A Barrier to a Sustainable Development, Special number of magazine: Transition and Economy, 1998), 2-4.

<sup>21</sup> Youth Employment and Migration and ILO, Albania: Action Plan for the Youth Employment 2010-2013, (Tirana: Printed at PEGI, 2010), 62.

of exact figures of the migration of population and active labor forces makes it difficult to have exact figures on informal employment and informal economy in general.

#### **Legislation on protection of labor forces and minimum wages.**

In early 90-s, the institutions under the subordination of the Ministry of Labor assumed some commitments for the health and security protection of active labor forces. The labor market was opened at that time and it encountered difficulties such as the poor quality of working environments, either be environments of private or public institutions. "This was also a challenging reality as Albania was under the conditions of a ruined economy, associated with transition-related issues. The policy makers faced the need to implement more comprehensive reforms for the protection of employees."<sup>22</sup> The main objective of the Ministry of Labor was the formulation of policies for the security and health protection, as their priorities: "Protection of physical, mental and social integrity of employees and the institution which had to deal with the implementation of these policies was the State Labor Inspectorate, which promoted the implementation of the labor legislation."<sup>23</sup>

A sustainable economic development definitely requires the production progress and high quality but to achieve this, it is required the creation of proper conditions for labor, health protection and security of the employees. The implementation of policies for the employees' protection is in full compliance with the European Community standards, which aims at the improvement of the well being at work. Accordingly, the State Labor Inspectorate launched the initiative for drafting the strategy on security and health at work for the period 2007-2010, a legal package which supplements the Labor Code establishing the European Directive "Directive Cadre" 89/391 dated 12.06.1989."<sup>24</sup>

On 16.12.2009, "the Council of Ministers approved the draft law "On Security and Health at Work", drafted by the Ministry of Labor, Social Affairs and Equal Opportunities, in the framework of the approximation of the Albanian legislation to the EU one and the obligations of Albania for the implementation of the Stabilization Association Agreement".<sup>25</sup> The employers' obligations to insure the employees in relation to the health at work, prevention of different risks due to accidents within the working premises, professional diseases and collective and individual protection were for the first time regulated by law only in 2009.

The Labor Code of the Republic of Albania has clearly stipulated all rights of the employees and employers' obligations. Hence, the working environment, supply of heavy machineries and other necessary equipment, conditions of illumination, humidity, temperatures of working environments, sanitary installations, cabinets for personal belongings, hygiene conditions in all premises, and in particular in the environments where food is consumed during the rest hours, fire extinguishment equipment or first aid kits, working or rest hours and drafting of regular legal contracts etc, are obligations of the employers to the employees.<sup>26</sup>

The payment of employees is certainly a legal obligation of employers who, by the most recent decision of the Council of Ministers, have defined the minimum monthly wages which still remain of the lowest in Europe. According to DCM 1114, the " for the purpose of the calculation of social and health security contributions, from 01.07.2010 onwards the minimum monthly wages will be not less than 16 820 (sixteen thousand and eight hundred and twenty) ALL while the maximum monthly wages will be 84 100 (eighty four thousand and one hundred) ALL. The minimum monthly amount of contributions for all security branches for the period from 1.7.2010 onwards will be 4 693 (four thousand and six hundred and ninety three) ALL. "<sup>27</sup>

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<sup>22</sup> World Bank, Albania: Evaluation of the Labor Market, 15-16.

<sup>23</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Sectorial Strategy of Employment, 24-25.

<sup>24</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Sectorial Strategy of Employment, 37.

<sup>25</sup> Ministry of Labor, Social Affairs and Equal Opportunities, Law No 10237: On Security and Public Health, (Tirana: official journal 2009), 1-2.

<sup>26</sup> Ministry of Labor, Labor Code of the Republic of Albania, (Tirana 2003), 8-9.

<sup>27</sup> General Tax Directorate, DECISION No.1114, dated 30.7.2008, (Tirana: July 2008), 5.

All of the above components give an overview of the policies and legislation for the protection of employees and minimum monthly wages, which is the obligation of each employer. However, if we explore the reality of the employees in most of state businesses and institutions, the working conditions are far from desirable. The protection and security of employees is a legal requirement that is hard to be implemented for some important businesses within the country.

Such abuses that may be easily identified are not supported by the trade union organizations or the State Labor Inspectorate. The existence of trade unions as custodians of the employees' rights has not demonstrated proper effectiveness, which is so necessary. The trade unions in Albania have still not displayed the typical characteristics of trade union organizations for the protection of employees' rights and this group has unfortunately been under the influence of the Albanian politics.

As cited above, the Albanian legislation was significantly improved during the recent years. It has even progressed toward the unification with the European legislation. Yet, it is worth mentioning there is still much to be done for its practical implementation.

#### **Effectiveness of labor market policies and programs in Albania.**

We have examined below some issues of the labor market in Albania, where some causes of domestic unemployment were explored. Lack of effectiveness of the labor market programs only discourages the employers and increases the number of unemployed. According to ILO (International Labor Office) in Albania, many problems are identified in relation to the effectiveness of labor market programs, where some of the most distinguished are: "1) incompliance between the level of professional skills of the jobseekers and professional skills required by the labor market, 2) low demand for the labor force, 3) unemployment period is long for the jobseekers due to the absence of information about job vacancies."<sup>28</sup>

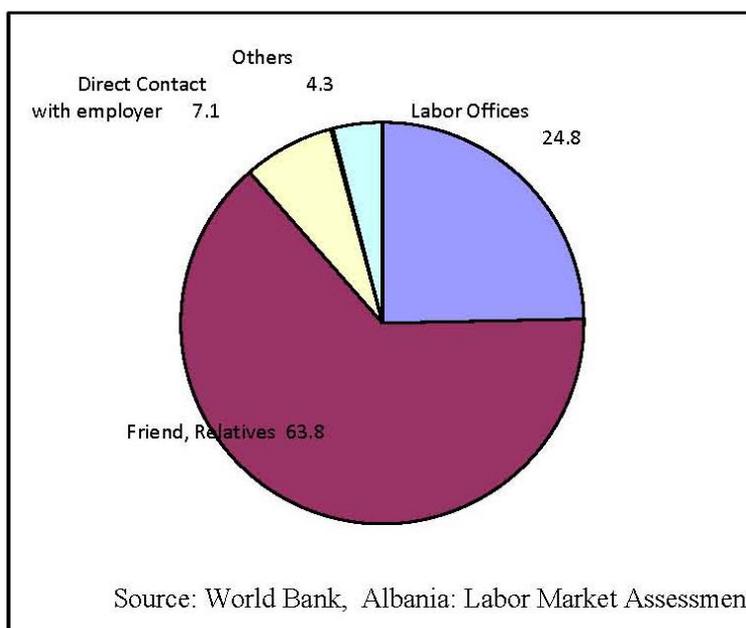
Lack of precise information for finding a job discourages the jobseekers. The shift of unemployed individuals to the labor market is a challenging and chain process, therefore the effective implementation of labor market programs is crucial.

*The employment counseling programs* are essential and have been assumed as cost-effective programs, enabling the reduction of the number of unemployed. It is critical for these programs to support the unemployed, thus making possible the counseling process adaptation to real needs and potentials of those persons, jointly setting more realistic employment objectives. In Albania, this type of service to the unemployed is fictitious in most of the cases as the relations between the employment experts and the unemployed are generally short. Consequently no specific forecasts for each unemployed client may be realized. Hence, the provided service is less likely to comply with the client's needs and the type of job he/she is looking for.

On the other hand, another challenging factor is the information of jobseekers about free vacancies. The information of jobseekers via Internet has been applied in Albania only during last years as this type of information was generally provided through personal acquaintances of each individual and a limited number of people was informed and could find job through the employment offices. However, not all jobseekers have proper skills to apply for jobs via these websites or be informed of free vacancies.

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<sup>28</sup> Valli' Corbanese and Gianni Rosas, Guide for drafting, monitoring and evaluation of innovatory programs of the labor market, targeting individuals at risk of exclusion from the labor market, (Tirana: ILO 2009), 9-10.



*Job training programs* developing the professional skills of jobseekers are an objective which, if effectively accomplished, has a major impact on the reduction of unemployment. In Albania, the Vocational Training Centers are extended to the main cities and towns and offer professional training for some of the professions currently required from the labor market. According to the data of PTA (Professional Training Agency), the young people who attend vocational training courses are more oriented to the labor market needs; therefore they have larger employment opportunities in comparison to the young people who follow higher education studies. “Accordingly, only for the first nine months of 2011, 2086 young people have been certified all over the country in different professional profiles and only 460 of them were employed, where 230 are females.

The largest number of employed people is reported in Shkodra district for the *telemarketing* course where 150 young people<sup>29</sup> are employed”. We have observed that the professional training at these centers indeed covers the most required professions of the labor market but there are also some challenging issues in these institutions such as shortages of premises which are necessary to exercise the adequate working practice for a specific profession, unqualified human resources, concentration of training in theoretical aspects rather than practical ones.

In particular, compared to the training sessions conducted only in the teaching environments, the training which combines the classroom learning with on-job learning increases by 30 per cent its chances for positive effects on the labor market and when combined with other employment services; the positive impact probability is increased at 53 per cent.<sup>30</sup> Also, this program, although proving to be productive for the employment of local jobseekers, is again associated with a series of problems which make it partly effective.

<sup>29</sup>Dritan Shoraj and Dorina Zenelaj, Employment of young people with professional education, ( paper presented at the seminar conducted by Don Bosco Center, Tiana: Janary 2012), 8-10.

<sup>30</sup>J. Fares, O.S. Puerto, *Towards comprehensive training*, (World Bank Mimeo: Washington D.C. 2008), 21-25.

*Jobseekers subsidy programs* are indeed likely to have a positive impact on the increase of the number of employed. The reduction of labor force costs for the employers is a policy encouraging the latter to increase the number of employees in their enterprises.

However, according to ILO assessment about the effectiveness of labor market policies in Albania, “a series of evaluations carried out for the employment subsidy programs suggest that the latter may increase the chances for the disadvantaged individuals to fill the job vacancies. Alternatively, there are insufficient facts demonstrating that these programs really increase the number of available job vacancies.”<sup>31</sup>

In addition to the foregoing, it seems that the subsidy programs for the jobseekers in Albania have no significant impact on the reduction of the number of unemployed. There are two potential causes to produce this type of result. Firstly, similar policies are little implemented in Albania and secondly, not all local enterprises and businesses are realistically informed of the employment promotion programs and policies. Hence, it seems that the system as a whole does not properly function, the lack of cooperation between respective factors and bureaucracy represent a main barrier rendering these programs ineffective.

In the meantime, the employment promotion programs for marginalized women or employment promotion programs for the young Bachelor graduates, are currently more challenging in respect of their implementation. “Over 40% of women have not participated in the labor market. For many women it is hard to find a job and there is a high level of unemployment such as the long-term unemployment. The labor market situation for women is particularly negative and demanding in urban areas where only a little more than one third are employed and the unemployment level is almost 30%.”<sup>32</sup> However, according to the World Bank, the involvement level of women in the labor market in Albania is very low compared to Europe and shows lower figures in comparison to Turkey, Bosnia-Herzegovina or Macedonia.

Again, numerous difficulties have been encountered in this case for the implementation of this program as a whole. On the other hand, the employment of young Bachelor graduates is a challenge for the policy makers in Albania. “The trends of young people to follow higher education studies, without taking into consideration the real needs of the market for this type of profession they may benefit from such education, has made the market for young Bachelor graduates be oversaturated , generally in branches such as law, international relations, diplomacy, psychology etc.”<sup>33</sup>

### **Conclusions and recommendations.**

On the basis of the foregoing, the positive impact of employment policies and programs and entry of the unemployed to the labor market should be related to the increase of the number of employed persons. However, such a reality is not present in Albania. The programs still lack the desired effectiveness.

*Firstly*, the whole paper represents that policies and programs in Albania are not missing and the Albanian legislation is even too modernized and adapted to the labor market needs. The premises to be part of EU have made Albania growingly unify the labor market policies and programs. Their successful implementation is a weak point for the respective institutions. A larger cooperation between the comprehensive institutions may lead to the increase of effectiveness of these policies and reduction of unemployment.

*Secondly*, the opening of labor market to the EU will bring the unification of salaries for all countries and consequently, the social welfare development. In the meantime, as observed in the above graph on movement of labor forces as a consequence of the merger of these two markets, the

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<sup>31</sup> Valli' Corbanese and Gianni Rosas, Guide for drafting, monitoring and evaluation of innovatory programs of the labor market, targeting individuals at risk of exclusion from the labor market, 14-17.

<sup>32</sup> World Bank , Albania: Labor Market Assessment, 79-82.

<sup>33</sup> Dritan Shoraj and Dorina Zenelaj, Employment of young people with professional education, 9-10.

total incomes of these two countries will be increased in the area ( $z+x$ ), which remained unexploited prior to their merger. The Albanian Government should properly arrange for the increase of salaries and their approximation to the European standards for the purpose of avoiding the massive movement of active labor forces.

*Thirdly*, the transition period has made the internal migration reach high figures and there are still no accurate figures on the settlement of population towards areas with larger employment and living opportunities. Hence, the lack of statistics on internal migration makes the informal employment of this stratum of population difficult to be controlled, so there are high informal employment figures within the country.

Consequently, the informality has caused low salaries for the employed under informality, without security at work due to the non-involvement in social securities, high health and social risks and poverty. In reducing the informal employment, the cooperation among the Tax and Duty Authorities, State Labor Inspectorate and Institute of Social Securities would be effective, as well as the promotion of these policies and programs to enable their recognition by the employers.

*Fourthly*, according to all evaluations made on the effectiveness of labor market programs, Albania has qualitative employment programs but due to their poor implementation, the effectiveness is very low. Consequently, there is a very high level of unemployment, one of the countries with the highest figures in the region, with 13.25% of the population unemployed for the first nine months of 2011. The creation of specialized groups to enable the training of teams dealing with the implementation of on-site labor market policies and programs. Supervision and continuous motivation of these groups, their performance evaluation and benchmarking.

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