

# Employment Promotion Programs in Albania: Problems and Recommendations

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*Abstract-This paper aims to discuss and serve as encouragement for future debates on the effectiveness of current employment promotion programs in Albania, as well as on Albania's stand facing the challenges from the European Union integration process. The paper examines the labor market in Albania, the effects of employment promotion programs undertaken, as well as the impact of participation in European Union pre-accession programs. By taking into account the future development of Albania, politically and economically, the paper intends to make some recommendations, mostly concerning the need to shift from funding welfare schemes for the employed and unemployed towards schemes that promote business and economic growth, and schemes that qualify and requalify the workforce.*

*Keywords: economy of Albania, employment promotion schemes, unemployment, workforce qualification*

## I. INTRODUCTION

Being one of the countries, in the South Eastern Europe, with the youngest population, where the citizens of working age (in the age group of 15 to 64 years old) constitute 63% of the total, Albania has a valuable human capital. However, during the last four years, the country is also facing the difficulty to integrate such large workforce into the labor market. Referring to the *Quarterly Labor Force Survey - First Quarter 2015*, of the Institute of Statistics of Albania, the number of employed persons, aged between 15 and 64 years old, stands at about 1 040 000, meanwhile the unemployed of the same age group are 217 600 persons. However, there is a good portion of the population that is unemployed, yet does not seek a job. By taking into account the total resident population of Albania, which stands at roughly 2.9 million, only 52.1% of those aged between 15 and 64 years old are employed [1]. In spite of these challenges, the intensification of the European Union integration process has increased the pressure on Albania in order to take the responsibility of ensuring a more functional labor market. Expectations concern the implementation of more effective employment policies. The European Union is supporting Albania's effort to meet membership requirements through the Instrument of Pre-Accession, which is in fact a financial instrument build around five components, including the transition assistance and institution building. This particular component is designed to help Albania to better face future global challenges of employment and social cohesion, and further stimulating the country's development. This paper aims to shed some light and encourage a discussion on the effectiveness of current employment policies, as well as on Albania's readiness to benefit from the European Union Instrument of Pre-Accession.

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## II. EMPLOYMENT PROMOTION PROGRAMS IN ALBANIA

As a consequence of the severe economic crisis in some of the European Union countries, in particular Greece, many immigrants were forced to return home to Albania, mostly due to loss of jobs or due to the deterioration of their financial conditions. According to the Ministry of Labor, Social Affairs and Equal Opportunities, starting in 2011, on average, every year 64% of the returned immigrants were registered as unemployed [2]. On the other hand, long-term unemployed jobseekers, which constitute 62.2% of the total unemployed, remain another issue of concern in the Albanian labor market, which in itself is characterized by low activity, which stands at 61%, and a low employment rate, at 53% [1]. On top of this, Albania also has a high degree of informality in its economy, which accounts for more than 32% of its Gross Domestic Product [3]. After 2005, Albania undertook a few drastic economic and fiscal policies, which led to the lowest ever degree of informal economy. The low flat tax rates applied to business brought about an increase to the level of the formal economy, which also led to an increased level of formal employment [3]. However, concerning employment, the promotion programs undertaken by the government of Albania were better defined in the *Sectorial Strategy for Employment 2007 - 2013*, which was later succeeded by the *Sectorial Strategy for Employment and Qualification 2014 - 2020*. In a nutshell, the objectives of both documents are:

- reduce unemployment by 0.3% annually;
- increase employment by 5% per year;
- 20% of registered unemployed people shall participate in an active training and retraining programs, or other measures that generate employment;
- creation of the National Training Fund;
- applying new programs of jobs creation;
- promoting lifelong professional development;
- increase investment in human capital;
- ensure all state support for the unemployed and groups in need;
- improving the performance of current network of employment services within existing capacities;
- creating a positive climate for business development and investment;
- increasing competitiveness of SMEs, both in the regional and the global market, through the development of information technology and reducing administrative barriers;
- creating incentives for business;
- gradual narrowing of the informal sector [4].

During the last 10 years, Albania has also tried to implement a series of passive and active employment policies, as a means of correcting the labor market failures that result in

unemployment. While passive policies usually concern the social assistance and payment of unemployment benefit, active labor market policies vary, consisting of different measures and instruments, as follows:

- instruments of information and mediation of employment;
- employment counselling;
- sanctions, rewards research and monitoring;
- training;
- subsidies for employment and wage subsidies for regular jobs;
- schemes for the creation of new jobs.

These active labor market policies implemented are well known all over the world, even though in different countries they vary widely in terms of their structural characteristics and implementation strategies. However, it is worth noting that all former communist countries, some of which are now members of the European Union, have continuously applied active measures to promote employment [5]. Measures implemented in Albania, with the goal of promoting employment mostly cover:

- mediation to find a job;
- counselling;
- training;
- employment promotion programs through subsidies [6].

There are currently five active labor markets program measures under implementation, in Albania, which are designed in the framework of the *Sectorial Strategy for Employment and Qualification 2014 - 2020* [7]. These programs are implemented by the National Employment Service, through regional offices in collaboration with the vocational training centers. Employment promotion programs have primarily targeted unemployed groups in difficult conditions, women from vulnerable groups, jobseekers who have graduated within or outside the country within the last 24 months, as well as persons who have entered the labor market for the first time.

### ***A. Traineeship program for unemployed jobseekers who have completed higher education, in Albania or abroad***

The program provides for the inclusion in a traineeship program of unemployed who have completed higher education, in the country and abroad, within less than 24 months. Employment offices should develop a list of unemployed jobseekers on the basis of lists of graduates sent by national universities and from the list of diplomas obtained abroad recognized by the Ministry of Education and Sports.

Private employers who receive these jobseekers benefit 100% of monthly unemployment benefits for every month of traineeship of jobseekers, upon the condition of assigning a mentor. Jobseekers involved in the program receive financial support, up to 100% of the basic level unemployment payment. By the end of 2014, 43 subjects have provided professional practice in public and private institutions for 132 unemployed (who had graduated in the last 24 months). However, it should be noted that the number of higher educated unemployed jobseekers registered at the offices of the National Employment Service is currently very low, standing only at about 4% of them all [6]. Reports have shown that the National Employment Service offices generally are more successful in employment assistance and mediation

mainly for people with basic and secondary education. This suggests that the mediation work with public and private institutions to accept a jobseeker with higher education under this program remains quite modest. The impact of this measure would increase in the case of an awareness campaign on the role of the National Employment Service offices to serve unemployed citizens, also among students. In regards to assisting young people to integrate them into the labor market, businesses are already creating opportunities for internships under which Ministry of Welfare and Youth can gain the opportunity to play a greater role. As an example, Business Albania, an umbrella organization of business associations in Albania, has signed a memorandum with the Faculty of Economics of the University of Tirana, therefore enabling students to pursue internships.

### ***B. Employment promotion program for unemployed jobseekers in vulnerable situation***

Under this program running for five years, employers who contract for one year an unemployed in vulnerable situation can benefit the refund, for one year, for 100% of the compulsory social and health insurance, which is usually covered by the employer. On the other hand, the employer benefits also funding for four months for 100% of the minimum wage in the country. Unemployed persons in vulnerable situation are considered the long-term unemployed, persons who receive social assistance, persons who receive unemployment benefits, persons entering for the first time in the labor market aged between 18 and 25 years, persons over 45 years who do not have education higher than secondary education or its equivalent, persons with disabilities, persons from the Roma community, and returning migrants with economic problems. On average, every year, around 30 subjects (businesses) have employed around 500 unemployed in vulnerable situation for a period of 12 months. Through this program, four monthly minimum wages are funded by the state budget. However, employers argue that this does not represent a sufficient stimulus. This program fails to address the main obstacle in the fight against unemployment, which is the cost of creating a new jobs. Such costs run very high and represent the need for considerable investment. Overall, this program fails to create sustainable employment, because employers, at the termination of the year, might very well release those persons from work, since the employers have no further obligations.

### ***C. Program promoting employment through on the job training***

Through this program, the employer who organizes general on the job training for unemployed workers, may benefit subsidies of up to 70% of training costs for small and medium enterprises, or 50% of training costs for big enterprises for a period up to six months. In exchange, the employer must employ, for at least a 6-month period, 50% of unemployed trained. Furthermore, these hired employees must not be laid off from the job without reasonable cause. Moreover, the National Employment Service, in each district, organizes trainings for people in need. They usually lasts three months and cover foreign language courses, computer or vocational training in crafts for technicians of various profiles, etc. Every year, more than 550 unemployed have benefited from these training courses and eventually more than 50% of them we

hired for at least six months. In regards to the trainings that take place in state vocational training centers, a problem that is closely linked to the effectiveness of such programs is the lack of accurate data concerning the level of employment of trained persons, given that tracking them has proved to be very difficult. Even though, on average, more than 5 000 jobseekers receive training in the state vocational training centers, they still represent a very small portion of the total number of unemployed officially registered [8].

#### ***D. Employment promotion program of women from specific groups***

This program will run for five years, and it is renewable, as per the availability of funds allocated. Employers who contract for a duration of one year women jobseekers from special groups can benefit funding for one year of 100% of their social and health insurance, and funding for four months of 100% of the minimum wage in the country. Women from specific groups are considered the long-term unemployed women, women who benefit from support programs with low income, women previously victims of human trafficking, women over 50 years old, women from the Roma community, women with disabilities, single mothers, divorced women with social problems, and women returning from migration facing economic problems.

#### ***E. Employment promotion program for unemployed jobseekers entering the labor market for the first time***

Employers who hire young jobseekers, belonging to the age category of 16 to 25 years old, who have no previous work experience, can benefit a monthly financing of up to 12 months for 100% of social and health insurance, provided that the duration of the employment contract is not less than six months. Given that women in Albania, particularly those from vulnerable conditions, such as the abovementioned, face persistent discrimination, this program is a positive step. However, the decision to establish the program was taken only after the adoption of the budget for 2012. But, the funds are allocated to the regional offices of the National Employment Service (together with the fund for other employment promotion programs). Since 2012, no one has benefited from this program, since the National Employment Service tends to finance the previous and more consolidated programs. Although, in principle, the existence of such a program constitutes a positive incentive in encouraging employment and a practice that has proven effective in former communist countries, it is now clear that numerous problems have appeared when adapting and applying them to the needs of the Albanian labor market.

### **III. PROBLEMS ACCOMPANYING THE EMPLOYMENT PROMOTION PROGRAMS IN ALBANIA**

An issue worth noting is the fact that the Albanian government's commitment to enhancing employment promotion programs remains modest. Specifically, the budget allocated for employment promotion programs in Albania is 0.016% of the Gross Domestic Product, which is about 28 times smaller than the European Union average. On top of that, due to the financial crisis, after 2011, the fund allocated for the employment promotion programs have undergone

significant cuts. As an example, for the year 2012, such funds were cut by 40% compared to 2010 and 2011 [9]. Such a trend has continued and does not seem to stop for the foreseeable future. Employment promotion programs are constituted through Council of Ministers decrees and, at times, they do not reflect the funds allocated in the state budget, at the beginning of the fiscal year, when it is approved in the parliament. Thus, there are cases when some programs were not able to function properly until the next fiscal year, when the appropriate funding was provided. Some programs have been partially put forward without carefully weighting the state and the ability of the National Employment Service regional offices to implement them, pertaining the promotion of the opportunities and offers for specific categories of unemployed persons. As of today, according to the data furnished by the Institute of Statistics of Albania, the unemployment rate of those holding a university degree is 18.6%. But, the number of jobseekers with higher education currently recorded in the National Employment Service is only about 4% of the total registered unemployed persons [1]. The significance of special programs, such as those for graduates, would grow if awareness was to raise and if there was an increase in the popularity of National Employment Service as a bridge between businesses and students. Another issue of concern for the private sector remains the procedures of participation in employment promotion programs. Business representatives have argued that there are persistent problems concerning the lack of transparency. Moreover, while complaining about the long bureaucratic procedures, representatives state that incentives for employers are scarce.

### **IV. CONCLUSIONS AND RECOMMENDATIONS**

Overall, during 2014, only about 8% of those employed were actually employed through mediation and different programs of employment promotion run by the National Employment Service. The reason is two folds: the inability of the National Employment Service to fully and effectively implement the employment promotion programs and the employment promotion programs themselves, which at times are alien to the reality of Albanian labor market. The employment promotion programs are schemes which were used by other European Union countries and through the European Union Instrument of Pre-Accession were applied in Albania, too. During the years, the European Union has allocated funding to implement such employment promotion programs, funds which usually were used to draft laws and bylaws, and to train the administration that was supposed to apply them. However, little was done as to the studies needed to be undertaken and see if such programs would actually work. Even though the implementation of employment promotion programs is a positive aspect for Albania, since they represent an experience widely followed by the former communist countries of Eastern Europe, their impact remains a controversial topic in many of those countries, Albania included as well. This is because for the employment through various promotion programs to be sustainable, the focus should be job creation. An employment policy focusing on job creation should carefully assess the costs afforded by a private employers to open a new job position and foresee competitive schemes to cover these costs, committing at the

same time the entity to provide employment for a determined period.

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