

LABOR MARKET CHALLENGES FOR YOUTH IN ALBANIA

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Abstract

Even after two decades of communist system collapse, Albania is still facing social and economic development problems related to the transition from a centralized to decentralized open market economy. Due to restructuring of the economy, the quantity and quality of employment has been facing serious challenges. The highest percentage of unemployment is registered amongst women, socially vulnerable groups, and people young at age, which makes them a contingent for social groups at risk. Employment is considered as a great contributor to the economic growth and social welfare therefore, policy development, reforms and investment in development of labor force skills and knowledge, improving entrepreneurial environment are key to increasing employment, and improving people welfare and economic growth. Employment of youth is important especially to disrupt long term unemployment and not waste the investment on their education. The state has a key role in reforming the labor market; employment generation through policy development, establishment of supporting structures and undertaking programs at different levels. The aim of this article is to draw a general overview of labor market dynamics in Albania, especially focusing on youth unemployment, identifying factors and potential solutions for them to enter and remain in the labor market. The analysis is mainly based on desk research analyzing previous studies performed in this field by national and international institutions, key policy documents, national strategies and official national statistical data, etc.

Keywords: employment, youth, labor market

Problem statement

Employment is one of the economic factors which has its effect both on social and economic development and growth of a nation, especially youth employment. Albania is still facing social and economic problems in the phase of transition from a state run economy, and employment is one of most vulnerable sectors of the economy, which is still facing problems, in terms of high unemployment rates, balances between men and women, informal employment, temporary employment, internal and external migration, etc. Undertaking reforms and developing policies in terms of education, capacity development and training, creating access to job market, providing transparently information, improving quality of education are important factors for improving employment conditions, especially for youth.

Research Objectives

This paper aims to explore the development and dynamics of labour market in Albania, by using some statistical and macroeconomic instruments for analysis. The paper aims to draw attention to the challenges faced by youth in terms of labour conditions and some possible solutions. The paper is prepared based on secondary research in the form of literature review. Previous research documents, reports, surveys and strategic documents are consulted in the process of preparing this paper.

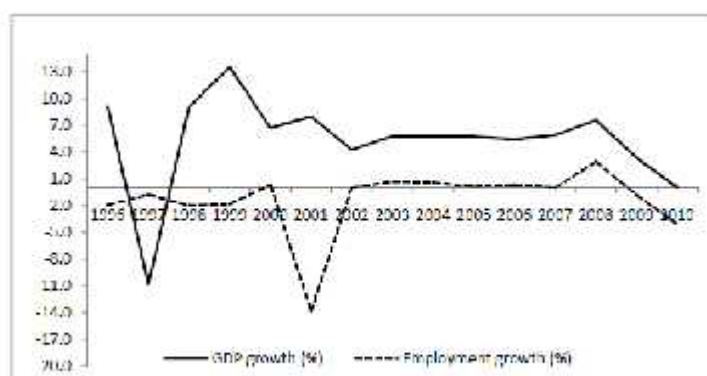
Results

The transition of the economy after the 90's has faced Albania with a lot of social and economic problems as a result of changes in the economic structure, failure of state supported industry, rising unemployment, high migration rates and unstable political environment. Such changes contributed to high internal migration from rural to urban areas, high external emigration, school drop-out from youth and children, women staying at home, human trafficking, changes in the labor market conditions, loss or outdated job skills and uncertainty for the future.

Employment is considered a great contributor to the economic growth and social welfare. Policy development, reforms and investment for improvement of labor force knowledge and skills, as well as the improvement of entrepreneurial environment, are key interventions to increasing employment, people welfare and economic growth.

Labor market dynamics - The employment sector has been facing serious challenges during this time, including a diminished labour demand and employment rate. As shown in the following graph, although in the past years Albania has experienced an average economic growth in GDP, except a strong decline in 1997, and a reduction in 2008 and 2009, such GDP pattern did not result in employment creation. Employment growth has been very slow, having a negative peak in 2001 and 2009.¹

GDP and employment growth, 1996-2010



Source: Bank of Albania, Statistical Report, Tirana, March 2011

The level of unemployment in 2011 was 13.3 %. In the past ten years, according to Labor Force Survey 2009, INSTAT, the level of unemployment reached its highest value at 18.4% in 1999, while in 2009 unemployment has fallen to 13.6%, with highest rates of unemployment amongst women.

Due to the economic and social turmoil and high unemployment rates, a great number of Albanians were part of internal and external (overseas) migration. The pattern of movement for internal migration was mainly from rural to urban areas. While in 2001, the rural population was 53%, in 2011 it has fallen to 46% of the total population.ⁱⁱ

External migration has affected quite highly the number of the population, which has fallen by 8%, from 3,069,275 inhabitants in 2001 (Census 2001) to 2,821,977 as of October 1st 2011(census 2011). While the Census of 2001 estimated that more than 20% of the Albanian population (around 700,000 inhabitants) to have emigrated mainly to Greece and Italy, the census of 2011 estimates that the number of emigrants between 2001 and 2011 is about 500,000 inhabitants. Emigration has as well contributed to an increase in the average age from 30.6 years in 2001 to 35.3 in 2011, as well as increase in the old-age index (population 65 years and over divided by total population) from 8% in 2001 to 11% in 2011, and a decrease of the substitution index (the proportion of the population under 15 years old divided by the total population) from 29% in 2001 to 21% in 2011.ⁱⁱⁱ

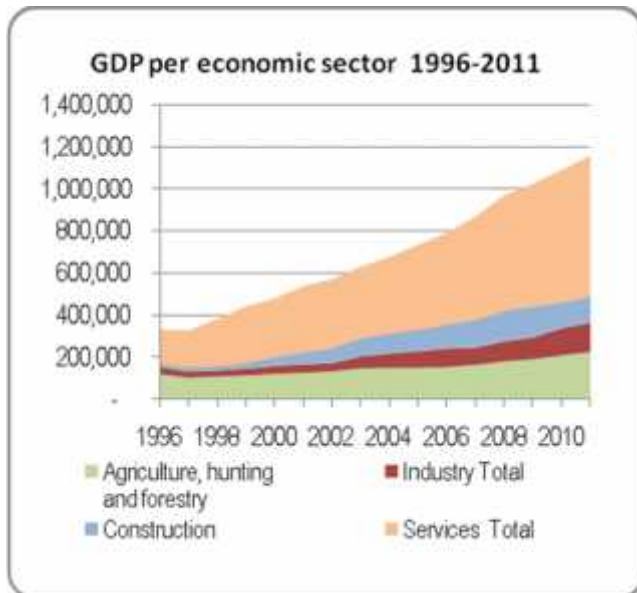
No matter of high rates of emigration, Albania remains one of the youngest countries in Europe. The United Nations projections till 2035 for Albania, show a steady level of adult age (15-64 years old) which is also the economically active part of the population. Based on such projection, the old –age index will grow faster than the adult population. It will increase to 17.8% by 2035, while the share of young people 15 to 24 years old is projected to continue to decrease to 13.3% by 2035.^{iv}

However, emigration has had some positive effects for Albania, such as increased revenue in terms of remittances. In the period 1998-2008, remittances have been estimated to have contributed to 15% of the GDP and 58.8% to the trade balance. Due to the economic instability especially in the region, remittances have been falling from 17% of GDP in 2008 to 12% in 2009 and to 7% of the GDP in 2010 (about 915 million US dollars).^v

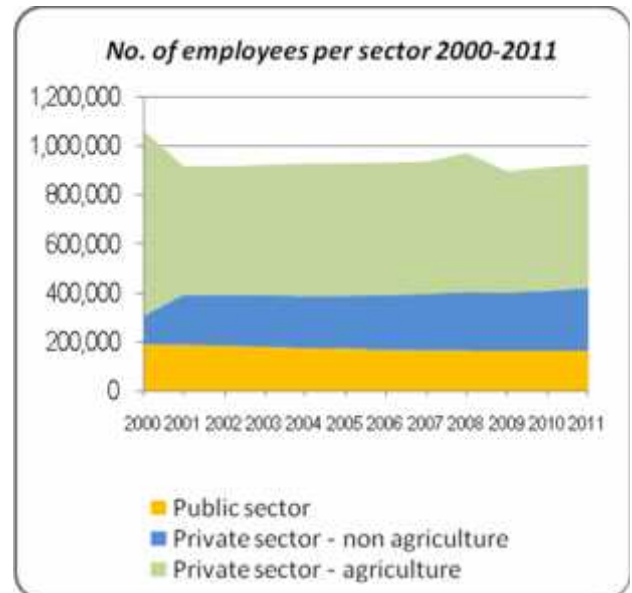
Lately, another phenomenon is the returning emigrants, which in 2009 was estimated to be 47,000 according to the Ministry of Labour.^{vi}

As shown by the following graphs, agricultural remains the sector which contributes more and in a steady way to the employment sector. While in 2000, 60% was employed in

agriculture, in the following years the rate of employment in this sector has fluctuated between 47-49% (in 2010 the rate is 46%). Although agriculture has the highest contribution in employment, it is the service sector which contributes more towards GDP. In 2011, it accounts for more than 50% of the GDP. Both services sector and construction contribution rate to GDP has grown from 1996 to 2011, while contribution rate for agriculture has fallen in the past 20 years.

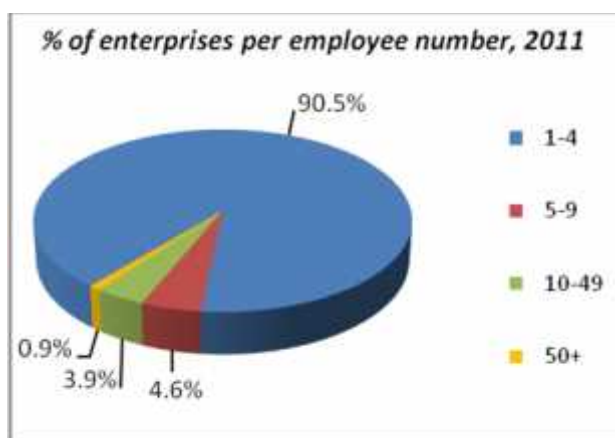


Source: INSTAT, National accounts 2011

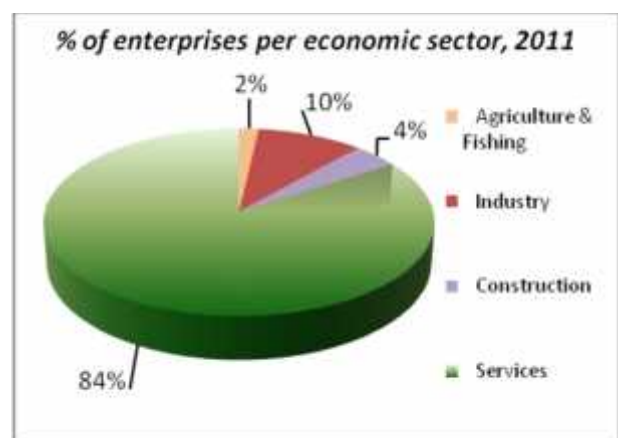


Source: Labour Market Statistics, INSTAT

Beside agriculture sector, profit sector is the next contributor to employment. The Albanian profit sector is comprised mainly by small enterprises. In 2011, INSTAT records show a number of 106,503 enterprises, comprised mainly of small enterprises. 90.5% of these enterprises have maximum 4 employees; 4.6% of these enterprises have between 5 and 9 employees, and 3.9% of the total number, have between 10 and 49 employees. It is only 0.9% of the enterprises which have more than 50 employees, as shown by the following graph. The highest number of enterprises falls into the category of services 83%, followed by 10% in industry, 4% in construction and the remaining 2% in agriculture.



Source: INSTAT, Enterprises Register 2011



Source: INSTAT, Enterprises Register 2011

In the services sector the highest number of enterprises have less than 5 employees (93%), and over 50 employees is only 1% of the enterprises.

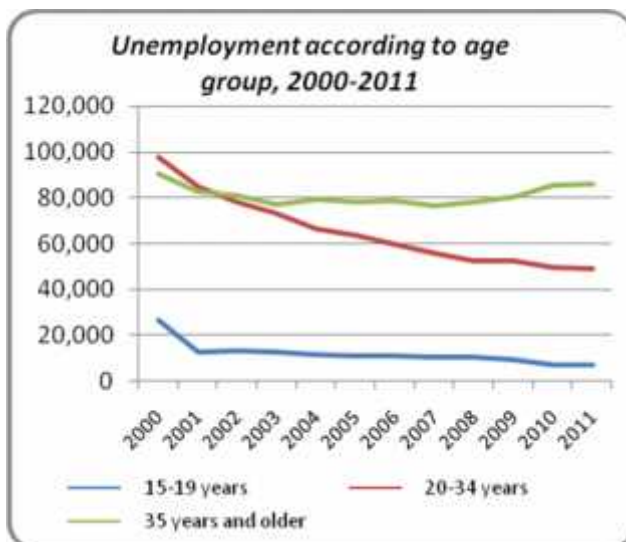
Youth in the labour market – Employment is key for economic development and growth, and the young generation is one of the most valuable assets of a nation towards development. But what is the employment situation of youth in Albania?

In 2011, the participation of youth (15-29 years of age) in the labour market force has been 46.5% compared to 68.2% for the age group 30-64 years old. One of the reasons why there is a lower participation rate of youth is related to the fact that the younger category is attending school and not being able to work.^{vii}

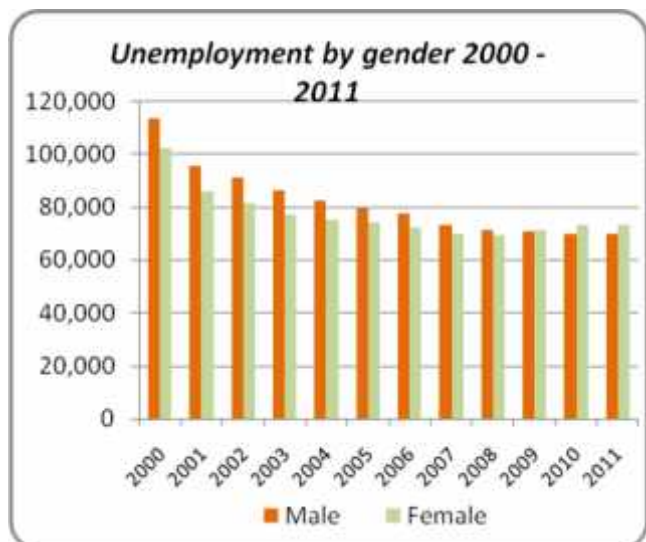
The employment rate is higher for the age group of 30-64 years old (about 83%) and lower for the young age group of 15-29 years old (about 60%). There are higher employment rates for men than women in each age category. The employment rates are lower for the youth group, due to their school attendance; it increases until the age of 55, after which it starts again to decrease.

Agriculture remains one of the sectors with highest employment rates for youth. In 2011, the rate of employment for the youth in agriculture is 51.1%, while employment in services sector is 30.4% and industry is 18.4%. Women tend to have a higher rate of employment in agricultural sector (59.9%), while employment in industry is mainly for men 24.4% compared to women (10.1%).^{viii} Professional jobs are mainly held by young female employees while crafts and related trade jobs are more male dominant (72.3%).

As shown in the following graph, there is a considerable fall in unemployment of the age group 20-34 years, while in the past few years (since 2009) there is an increase in unemployment of the age group of over 35 years. The youth group has experienced a slight fall in unemployment over the past few years. Unemployment has been higher for male labour force until 2008, while from 2009 onwards women are facing higher unemployment rates than men. (see following graph).



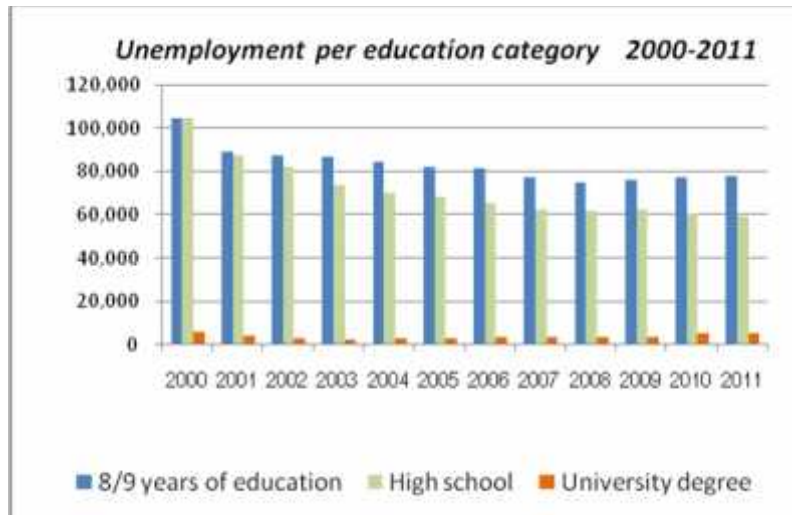
Source: Labour Market Statistics, INSTAT



Source: Labour Market Statistics, INSTAT

The employment rate is positively correlated to education. People with lower level of education tend to have higher rates of unemployment compared to those with higher levels of

education. This is especially true for young labour force, which also lacks, or might have limited working experience. The following graph describes such relation for the past ten years in Albania, as per INSTAT, Labour market statistics. About 55% of the total unemployed registered in 2011 have no more than 8-9 years of education, while 42% of unemployed have only high school level education and remaining 4% have a university degree.



Source: Labour Market Statistics, INSTAT

Another challenge for youth is temporary employment, which is especially true for the lower level education category. Young people with lower education are twice as likely to be employed in temporary work compared to young people with higher education. In 2009, young workers accounted for 17.3% of temporary employment; young men were three times more likely to have temporary employment compared to women.

As specified by the Labour Force Survey of INSTAT, 2009, around 40.4% of young workers are employed (35.1% women and 61.1% men), while 14.4% youth are self-employed (5.7% women and 8.7 % men). The remaining 45.2% are contributing family members, who do work in a family business/activity, but who do not receive any salary. The majority of this category are women (56.1%). Education is a very important factor for getting employment. The young with lower educational achievements are more likely to be working as contributing family members (about 71% of young people falling under this category have only elementary to no education). Young people with secondary and higher education are more likely to be employed (about 65% of the employed young people have secondary or university education).^{ix}

Informal employment –is another challenge of the labour market in Albania. Informal employment is accompanied by lower salaries, poverty and vulnerability. The Youth Employment Action Plan, 2010-2013, indicates that approximately 55.8% of all employment was in informal economy in 2009. Such figure includes all persons working as contributing family members, all wage-employees for whom social security contribution was unpaid and all the self-employed (in the private, non agricultural sector) Employees for whom social security contribution went unpaid represented 27% of total employment. Young employees are more exposed to informality than adults and men more than women. In 2009, 46.2 % of all young male employees were informal workers.

Salaries and earnings – The salary and earnings differs in terms of age group, gender and sector. In 2008, the salaries of the public sector increased by 8.8%, while the private sector salaries increased by 15.1%. In 2009, a further 16% increase in the public sector salaries took place in 2009.^x Salary differences are recorded between man and women workers as well as in terms of age group. The Living Standards Measurement Survey for Albania, conducted in 2008 by UNDP, recorded a wage gap between women and men workers of 17.5%, whereas, on average, young people earn 7.6% less compared to adult workers. Workers with higher education earn on average 39% more than workers with only high school, whom on their turn have a salary premium of 9% compared to workers with primary education only.

Conclusion - Youth capacity development and employment contributes considerably to long-term development and growth of a country, as employment of youth is especially very important to disrupt long term unemployment and not waste the investment made on education. Youth employment contributes to the use in economy of advanced innovations which is based on investment on human capital and which contributes to creating competitive advantages especially for private sector.

Youth employment remains a challenge for Albania, as rates of youth unemployment remain much higher compared to European levels. Young generation faces more challenges than adults in their efforts to be affirmed in the labour market.

- Youth unemployment rates tend to be twice as much compared to adult unemployment (in 2009 ratio was 2.1)
- Young women are slightly more likely to be unemployed compared to young men
- Young people are more likely than adults to be long-term unemployed (12.5% versus 7.6%)
- Unemployment is higher amongst young people with lower levels of education.
- Transition from school to labour market for youth is difficult
- Quality of education needs improvement both in terms of labour market needs, as well as level of knowledge and skills transmission. (Albanian students received quite low scores amongst other participating countries in the OECD's Programme for International Student Assessment (PISA)^{xi})

Youth employment is a very complex challenge. It is a matter of collective responsibility, including individuals, communities, and institutions, therefore state and society at broad. It requires all actors to be committed and to cooperate in order to achieve the results. High youth unemployment translates into lost, unexploited, or undermined socio-economic potential. Investing in the youth is making a sound investment in a nation's future.

The employment sector, especially focusing on youth needs a number of policies and reforms, both in terms of quality of education, professional skills development and training based on market needs, creating access to labour market through through updated and transparent information tools, career guidance, information sharing, etc.

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