

Evaluation of Determinative Precautions of Unemployment, Undertaken Decisions and Policies to its Decrease in Albania.

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ABSTRACT

This material is an introduction of the main indicators having affected unemployment and job market, it is a theoretical and empirical analysis of different active policies of employment. The data used in this empirical analysis are observed during the last 15 years. Unemployment, is known as a macroeconomic “chronic disease” to which adding inflation, make up the two most determinative problems in economy. Often; the decrease of unemployment data is considered as the first symptom of the first phase of recession, making it a big financial burden to the government.

Unemployment causes discredit of the human capital simultaneously it credits unemployed. Due to this fact, these categories except of being a financial burden to the government, they become a target of risk. (Increase of criminal cases in state level).

Albania is the 5th ranked in the region, after Macedonia (33%), Bosnia Herzegovina (24%), Serbia (17.4%) and Turkey (14%), Albania (13%), Montenegro (11%), Greece (9.4%), and Croatia (9.2%). Based on a time limit analysis, we can see that Montenegro has an extreme decrease of unemployment during last 10 years.

Unemployment increase is the crucial factor which highly indicates in the average salaries, however, there's chance of being optimistic to the consumers because of the highly evaluated expectancies. “Expectancies for the 6 upcoming months are foreseen optimistic compared to the last of 2014, the actual balance has decreased in 5.4 points (the balance decrease shows the tendency in lower level of unemployment)”, this is highly emphasized in the report of the Bank of Albania “ Observation of business and consumer's faith”.

Key words: unemployment level, employment policies, unemployment cost, measuring unemployment.

1. Materials and methods

The completion of this study is the analysis of the following resources:

- a. Prior and secondary sources of information based on the economy theory which treats the concept of unemployment.
- b. Methodology of the analysis of economical and financial indicators based on the National Strategy of Employment and Professional Skills (2014-2020).
- c. Programs aiming to develop employment and decrease unemployment through inter-sector strategies.

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d. Different methods like: surveys, grouping, dynamic, statistical and interviews with different actors who generally deal with unemployment, etc.

2. Results and discussion

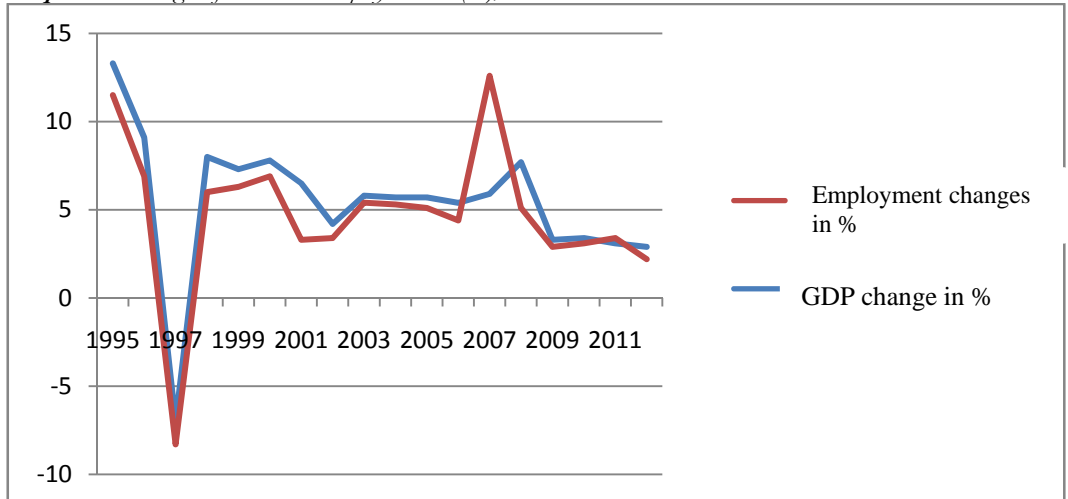
Unemployment is a phenomenon manifested in countries in transition, in development like Albania either to developed ones of European Union or USA. This concept for many years is treated only as a macroeconomic problem, whereas now, it has become a multidimensional problem even in the micro economy prospect.

Unemployment effects are classified as economical and social. It causes lower budget, where the economical cost is estimated with the production difference, between the actual product and that potential, which in cases of unemployment it takes negative values. Soon after we have a decrease of aggregate request, GDP. The increase of unemployment effects the high rate of difference between the actual GDP and the potential one. Based on Okun Law, for every 2% decrease of actual GDP toward the potential, the unemployment interest increases with 1%.

Thus in every empirical economical analysis the estimation of economical growth is closely related to unemployment and its tendency. As far as regarding social costs of unemployment, they are related to the discredit of the human capital therefore the probability of negative phenomena like, health and its antisocial contextual arises.

Based on the high cost of the overall economical and social indicators, the governments sensitivity is and should be maximal. They must consider its effects in economy and social life therefore should minimize it. The two last decades, the Albanian age structure has drastically changed. During 2001-2011 the population decreased in 8%, because almost half million immigrated abroad. 6. Vice versa, the latest tendency shows the increase of returned immigrants, mainly from Greece, because of the Greek financial crisis. The data of population registration for 2011 show that the total number of returned immigrants from 2001 is 139,827. This phenomenon is pretty important due to professional skills, because many returned immigrants have gained different abilities by their experiences abroad. These abilities, when experienced hometown, are useful not only to their employment but for personal business initiations.

After 1990, on regard to the economy reform, we experienced negative effects of macro economical indicators especially of GDP, which after 1992 resulted 60% less than 1989 (Gjipali, A., 2000). However sensitive improves until 1995 when GDP reached the highest level, about 13%, the crisis of 1997, discredited everything. Because of the drawback of 1997-98, Albania reached a macroeconomic stability in the early 2000, followed by an average growth in 5% year by year (ILO, 2010). Despite these data, Albania still continues to be one of the poorest countries of Europe, worth to mention is the informality of work trade and low salaries.

Graphic 1: Changes of GDP and employment in (%), 1995-2012

Source: INSTAT, Bank of Albania 2013.

The above graphic shows how GDP and employment have evolved from 1995-2012. We can see that GDP has been drastically affected negatively in 1997 because of the political and economical problems and has had a consecutive increase, despite the decreasing in 2008, affected by the world crisis. The contrary has happened with employment, it has mainly experienced decrease year by year. It has continuously decreased and caused high level of unemployment. One of the main reasons is informality or the frustrating and chaotic work trade, which brings de motivation of the work human force. (Hobdari B, 1998).

Data introduced by the Institution of Statistics show that during 2013, the level of unemployment reached 15.6%, making 2.2% annual increase. Unemployment is more problematic for young people, regarding to INSTAT, the level of unemployment for age group 15-34 is 30.2 %, increased in 2.3% to the previous year. During 2013 there was evident an increase of unemployment for the high education people with about 1.8%. Analyzing unemployment on regard to the education level, in Albania, it is evident that high education people make up the highest % of unemployment (14.7%) compared to those with elementary one. Another category of unemployed people in Albania, belong to the demotivated target, aging 15-64, who during 2013, made up 23% of the overall non active economically people, male and female.

The Institution of Statistics provides the data regarding previous year, compared to last year like: employed people group decreased with 11.2%. Based on the official data, 3 out of 7 employed persons have worked in one of the five most important economical sectors: building, public administration, refine industry, education, wholesale and retail enterprises. The highest % of employment is based on agriculture and services. Based on INSTAT below table of data, for a period of 3 months during 2012-2013 ad the first three months of 2014, it is evident an increase of this rate for all group ages and gender. Labor Force Survey, Q1.2012-Q1.2014

Table 1. Unemployment Rate

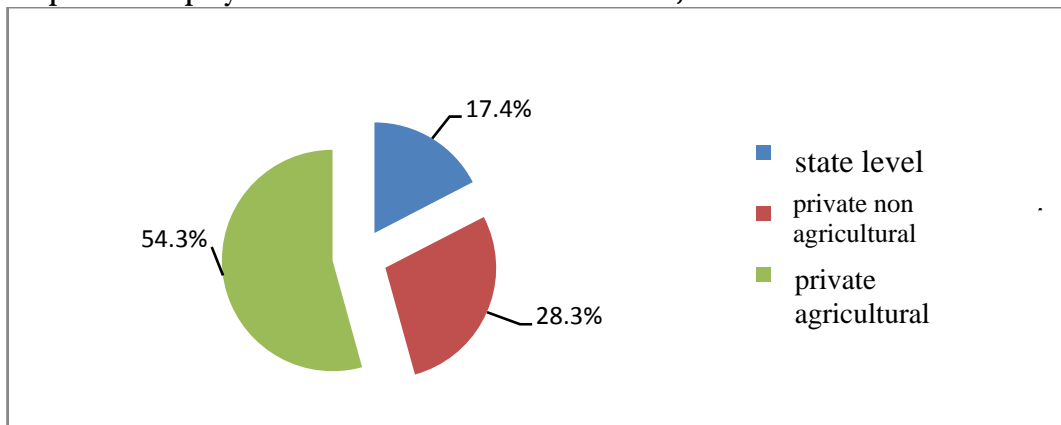
Age	Gender	Tr.1.2012Q1 .2012	Tr.2.2012Q 2.2012	Tr.3.2012 Q3.2012	Tr.4.2012 Q4.2012	Tr.1.2013 Q1.2013	Tr.2.2013 Q2.2013	Tr.3.2013 Q3.2013	Tr.4.2013 Q4.2013	Tr.1.2014 Q1.2014
15 years and above	Total	12.9	13.4	13.5	13.9	14.4	15.4	16.5	16.7	17.7
	Male	13.8	14.5	14.6	15.0	15.5	17.4	18.8	18.5	19.0
	Female	11.8	12.0	12.1	12.4	13.0	12.7	13.4	14.2	16.0
15-64 years	Total	13.4	13.9	14.0	14.4	14.9	15.8	16.9	17.0	18.3
	Male	14.3	15.1	15.1	15.6	16.2	18.1	19.3	18.9	19.6
	Female	12.2	12.4	12.6	12.8	13.4	13.0	13.7	14.5	16.4
15-29 years	Total	22.9	24.1	27.3	26.0	25.8	26.4	26.9	28.1	31.3
	Male	23.6	26.4	30.2	29.5	27.2	30.6	30.4	28.3	33.9
	Female	21.8	20.4	22.8	20.7	23.7	19.8	19.5	27.6	26.8
30-64 years	Total	10.0	10.2	9.3	10.5	11.7	12.7	14.0	13.5	14.6
	Male	10.6	10.5	9.3	10.5	12.6	13.9	15.8	15.6	15.1
	Female	9.2	9.9	9.4	10.4	10.6	11.2	11.8	10.9	13.9

Source: INSTAT 2014

This institution declared in the last report that unemployment rate for the three first months is increased in 12.8%. Referring to INSTAT the average number of unemployed people registered as job seekers is 141,939.

INSTAT specialists have stated that the data is based over information provided by the Ministry of Labor, Social Affairs and Equal Opportunities. Only 5.9% could profit social assistance from the registered unemployed. Based on the decision of the Council of Ministers, the average payment rate is 6.850 ALL, the partial social assistance 3.390 ALL and the complete economical aid is 4,195 ALL.

One of the characteristics of countries in transition is to reduce unemployment rate. This indicator in Albania shows that the level of unemployment reduction in 1990 has happened as a result of the reduction of employment in the state level. Employment was affected by the massive privatization of the state enterprises. Employment in the private sector is always in increase compared to that in the state instances. During 1994, in Albania was firstly evident and success this kind employment compared to 1990 experiences, when private sector was not known. It also had the highest % of employment in this sector compared to countries in transition (BERZH, 1995).

Graphic 2: Employment as for different sectors in 2013, %

Source: INSTAT, Ministry of Social Welfare and Youth 2014

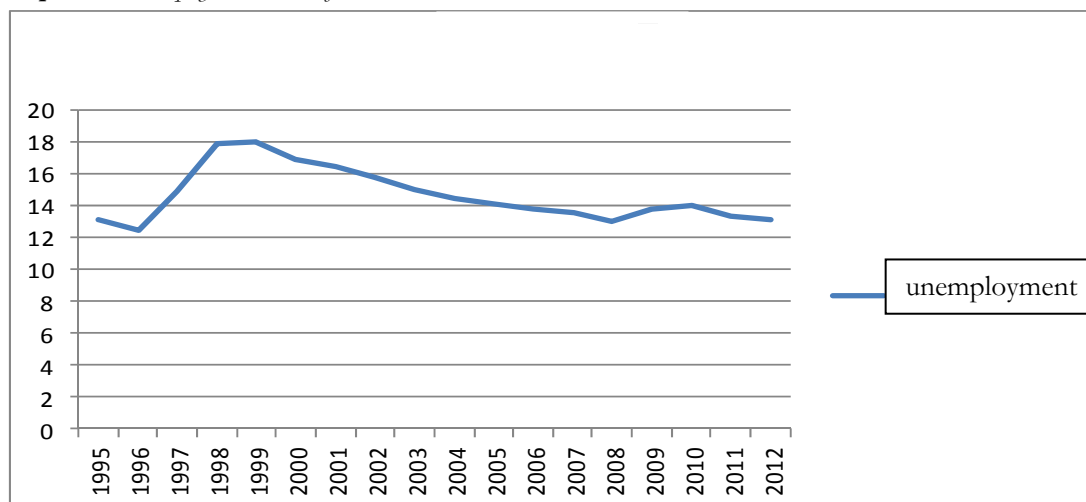
As we can see from the graphic, the highest rate of employment is in the private agricultural sector, which still dominates the trend of employment, even though there is

effort to increase the rate of employment in the non agricultural level. For years state employment is being affected by a sensitive decrease.

For a long time, production in economy is signing negative figures, therefore, business are producing more than requested. This is reflected in the labor trade, as well as in producing capacities exhaust. Unemployment was increased in 18.3% to 17% end of 2013. From the other hand, the capacities exhaust in economy is still 3.7 % points lower of the long period average for the 3 first months. As for labor production for non agricultural sector, we can state that it decreased during 3 first months of 2014 (- 6.8%).

This development was measured from the low increase of the added value, toward the increase of employment in non agricultural sector. The annual decrease of labor productivity and average real salary in a larger scale (-4.8%) effected the low process of labor costs for produced units in 2%. The low production of labor costs was followed by a decrease of the produced costs in the industrial sector. The annual index difference of prices was - 0.5% during the first 3 months of 2014. The above described developments indicate that the inflation pressure from the labor costs and production during the first 3 months of 2014, are decreasing. One of the main problems faced in the labor market is the high level of unemployment, which is still problematic and threatens the stable economical decrease.

Graphic 3: *Unemployment rate % from 1995-2012*



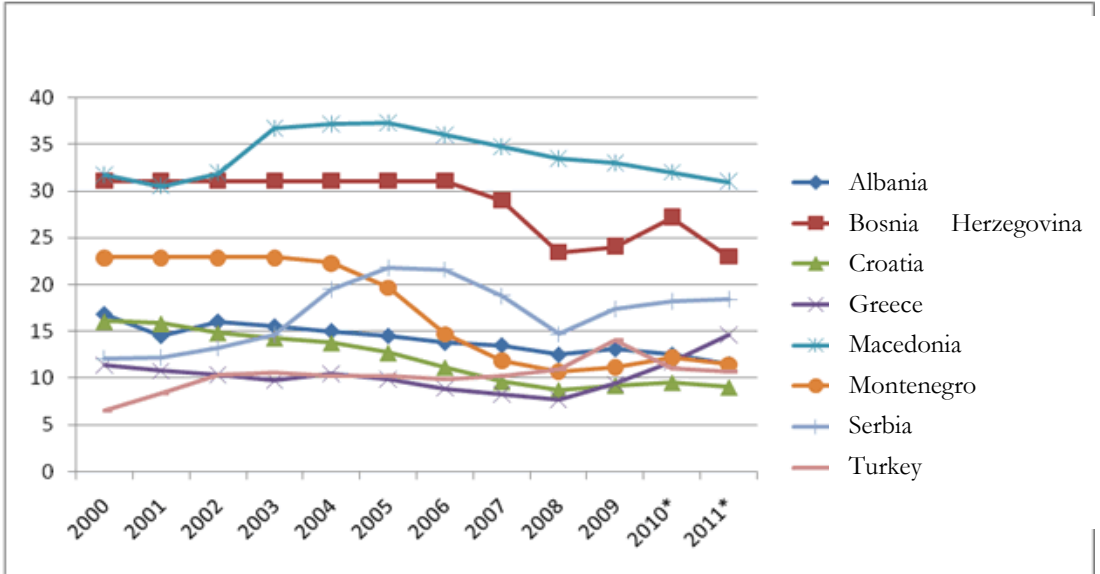
Source: Bank of Albania 2013

As we can see from graphic 3, despite the low changes over the years, the unemployment figures are still high. Differently to the expected decrease of this phenomenon in the Strategy of Employment of 2007-2013, we count an increase in 13.3% in 2011. Main issues which have effected unemployment increase are inherited problems like (economy orientation to industry and high level of employment in the agriculture sector), problems faced during the transitional period (immigration, migration, and new shapes of labor market), insufficient state influence (lack of continuous investments for the professional education and high level of informality), and the latest world economical crisis. The

above issues (Kalica, M., 2002) can be classified in two directions: Problems related to job requests and offers.

Based on the unemployment rate, introduced in graphic 4, Albania is ranked the 5th in the region after: Macedonia (33%), Bosnia Herzegovina (24%), Serbia (17.4%) and Turkey (14%). Meanwhile after Albania there is: Montenegro (11%), Greece (9.4%) and Croatia (9.2%). Analyzing time limit, it is evident that the country with the highest decrease of unemployment rate during last 10 years, is Montenegro, and the one with the highest increase Turkey. A low rate of unemployment induces economy to potential production thus it satisfies and fulfills the population welfare.

Graphic 4: Comparison of Unemployment rate of Albania and Region countries

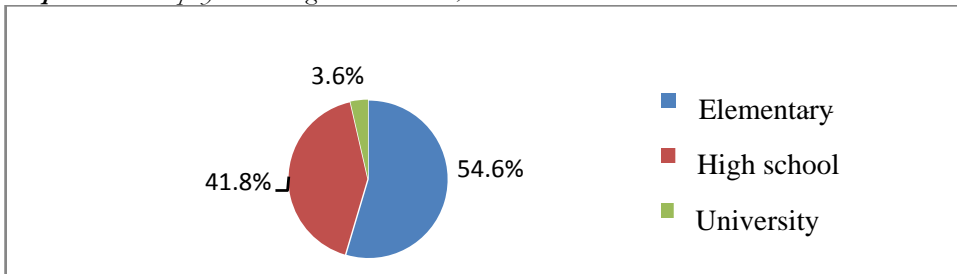


Source: FMN 2014

A report of Open. Data A1. Based on the analysis of FMN, estimates the unemployment rate for 8 countries in the region. This rate is the fraction between unemployed registered with the nr of active population (labor force). The labor force refers to the age of population able to work and in continuous job seeking.

There exists a positive close relationship between education level, personal skills, and results in the labor market. This fraction in Albania is known and introduced in different reforms which different governments undertake.

Graphic 5: Unemployment on regard to education, 2011 in %



Source: INSTAT, Ministry of social welfare and Youth 2012

As we can see from the graphic, the problematic category of the last years continues to be the first category “elementary school unemployed” which shows the low investment of their professional formation and the lack of orientation toward market requests.

From the above, we can sum up that labor market faces different problems which need direct precautions to improve the situation and increase the number of employed people. In order to increase development over the issue it should be done:

- a. Climate improve of business in the framework of taxes reduction
- b. Opening of new work places in the non agricultural private sector with higher salaries.
- c. Increase of education access for professional formation
- d. Exclude from taxes for a long lasting period for the returned immigrants

Besides, lately Albania is one of the countries in Europe, which has signed economical increase. This increase happened because of structure changes based mainly on labor movements from agricultural professions, production, building and a low mass in self production. During 2001-2011, GDP per person was multiplied (4,555 \$), translated in 31% of the European Commission average. This increase was followed with stable macro-economical fiscal policies, structure reform to the improvement of business, investments in infrastructure, technology and human resources. As a result, labor productivity increased in 6.4% per year. However, in 2009, the economical activity started to draw back (3.3% per year), because of dismiss of increase indicators mixed with the global economical and financial crisis (tab 1). In 2012, the production increase, was still positive, even though its potential was (1.2% per year) compared to the lower rate of 2013. Increase of slow motions included almost all economical sectors, mainly of services, industry and building. Actually, there are a big number of risky, bad, loans in the second level banks, which make a big gap for the efficient intermediation of capital. Latest fiscal projects for years in advance expect a problematic environment as for the economical growth. The competing figures show that there’s space for improvement especially of the effective legal framework and its implementation, attracting IHD, increasing the possibilities of international representation of the national enterprises, increasing export. As for the precautions undertaken toward informality reduce, they are focused on: I) improve of capacity which identifies businesses informalities and II) cuts of taxes and administrative costs for the business start and its expanding. In 2009, it was amended the tax law procedures, through which registration, payment of social insurances for the self- employed was an authority of the taxes institution. Fines were increased for all types of business and in case of non registration of new employers.

Main Conclusions

All provided information and analysis of indicators which induce the increase of unemployment, above introduced, direct us toward the following conclusions:

- Macro- economical policies, in a country in development like Albania, should not stop efforts to create a stable a simple balance sheet of payments, monitoring of inflation on regards to production increase. Internal requests in development, fed up by advantageous economical sectors in the region like: Tourism, agriculture, building, and services, highly affect in the quality and quantity of employment.
- The need of fiscal problems fixing as well as public dept have decreased the fiscal space in disposition to take precautions over work places expansion.

- The high rate of unemployment is still problematic in Albania, which is being formalized not accordingly to job offers and requests.
 - Macro-economical policies should be oriented toward inducing patterns of successful economies and important economical sectors, where possible for increase of employment.
 - The effect of state policies should be focused and transmitted through human resources training in those professions which the labor market calls for. The contrary has happened with the actual policies of human resources training, which focused on the vast liberalization of high education institutions, creating stimulated professions and overload of labor market. This overload creates a limited number of employed people sometimes even fictive.
 - To our opinion, we suggest that, it is of a great importance the creation of statistical informative network which will estimate not only the quantity prospect of unemployment but also the quality of the human resources which will serve further analysis and comparisons to future planning and implementation of efficient employment policies.
 - It is necessary that in Albania should be conducted effective strategies and secure successful implementation to the increase of labor trade integration of different professions.
 - Lately, the interest in increase over the issue is being evident from the government and ministry dependence. There are created and being in process different networks and employment agencies, in national and local level. This is a crucial fundamental to inform and make accessible to job seekers, the proper information upon request. This will effect to all groups of interest.
- To sum up, we think that the key point of reducing unemployment and improving proper match of offer and request is implementation and installation, immediately a new economical pattern, based on important and strategic sectors which will secure and make advantageous our country toward others in the region, through tourism and agriculture.

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