

Employment and Social Affairs Platform 2

Performance of Western Balkan economies regarding the European Pillar of Social Rights

2022 REVIEW ON ALBANIA



Regional Cooperation Council



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Abbreviations

ALL	Albanian Lek
CPD	Commissioner for Protection from Discrimination
DCM	Decision of the Council of Ministers
ESF	Employment Social Fund
ETF	European Training Foundation
GDP	Gross Domestic Product
GER	Gross Enrolment Rate
HDI	Human Development Index
INSTAT	Institute of Statistics Albania
IPD	Information and Protection of Personal Data
LFS	Labour Force Survey
LGBTIQ	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer
MES	Ministry of Education and Sports
MESY	Ministry of Education, Sports and Youth
MHSP	Ministry of Health and Social Protection
MIS	Management Information System
NAES	National Agency for Employment and Skills
NEET	Not in Employment, Training, or Education
NER	Net Enrolment Rate
NESS	National Strategy for Employment and Skills
NPO	Non-for-profit Organisations
NSDEI	National Strategy for Development and European Integration
SII	Social Insurance Institute
SILC	Survey of Income and Living Conditions
SLI	State Labour Inspectorate
SSS	State Social Service
VET	Vocational Education and Training

I. Executive summary



Albania's performance has improved in almost all areas related to the European Pillar of Social Rights during 2021-2022.

Nevertheless, important challenges persist and Albania fares poorly in comparison with the European Union standards. A new National Strategy for Development and European Integration (NSDEI) 2030 was launched in late 2022. NSDEI commits to fostering the conditions for a dynamic economy, integrated in the region and the European Union, and providing equitable and quality conditions for citizens' welfare through sustainable development based on a functioning democracy.

The Albanian economy showed resilience in recovering from two major shocks: the 2019 earthquake and the COVID-19 pandemic. Economic growth in 2021 rebounded to 8.5% annually, however, at risk of poverty rates slightly increased in comparison with the previous year. In 2021, 44% of the population were at risk of poverty or social exclusion, one of the highest rates in Europe. Women and children are at higher risk of being poor.

Economic inequality levels have steadily declined, and this trend persisted in 2021, despite the effects of the pandemic. The S80/S20 ratio decreased to 5.7 during 2021, which is among the lowest in the region. Progress observed in the recent years has resulted in part by job creation and higher earnings. However, structural labour market challenges remain, with almost 30% of jobs being informal, and the majority of employment concentrated in low-productivity agriculture, which accounted for 34% of jobs in 2021.

Access to labour market recorded improvements despite the setbacks caused in the early stages of the pandemic. Expansion of employment continued through 2021 and 2022 (53.5% by Q3 2022) and unemployment was held back to 11% in 2021 (10.6% in Q3 2022), consisting of the lowest levels in more than a decade. The quality of jobs remains low, with low average wages and a considerable number of employees in

precarious working conditions, whereas high rates of youth unemployment (21%) and youth not in employment, training, or education (NEET) (26%) are concerning. The skills mismatch in the labour market is a major concern and efforts are being made to improve the quality and relevance of the vocational education and training (VET) offer and increased engagement of the private sector in VET provision. During 2022 Albania developed a new National Strategy for Employment and Skills (NESS) and is currently preparing to launch a new Youth Guarantee Scheme.

Significant inequalities between women and men persist, although the Global Gender Gap Index ranks Albania 12th in Europe in terms of gender parity, with good performance in the areas of economic opportunity, educational attainment, and political empowerment, despite performing slightly poorer in the health and survival domain. Important disparities are present in the labour market participation between women and men, with lower labour market participation for women. However, the gender wage gap is narrowing (4.5% in 2021) and it varies considerably by sector of economy. Access to education is concerning in terms of gender parity, with lower enrolment rates for girls than for boys; although women have in average more years of schooling than men.

Despite good legislation regulating fair working conditions, implementation is lagging. Albanian workers tend to work long hours, with many in precarious or informal jobs. Health and safety at work standards are frequently not known and not observed. A new Occupational Health Standards Policy Document is expected to be developed during 2023 following the launching of the NESS 2023-2030, and the Labour Inspectorate has undertaken functional restructuring to develop better suited instruments to enforce compliance. Social dialogue remains underdeveloped. Despite a relatively considerable number of collective contracts, research shows that the majority of these are largely formal. In addition, the International

Union of Trade Confederations and its two Albanian affiliates have documented various occasions when workers or trade unions rights have been suppressed during the past two years.

Albania is the only economy in the region that does not have a child-benefit system in place - there are no child or family benefits other than a one-time bonus payment at birth and the cash assistance programme targeting poor households. Children are the most vulnerable age group in Albania in terms of exposure to poverty. At-risk-of-poverty rate for children in 2021 was 28.5%, a prevalence higher than the overall population. Lessons learned following the November 2019 earthquake and the COVID-19 pandemic highlight that Albania's lack of a proper child benefits scheme has also hindered the ability to respond to the increased needs and material expenses of families with children, including the most vulnerable families. Income and social class inequality, as well as the urban – rural divide remain of strategic concern in terms of equity, equality, and access to education for children. Participation rates in early childhood education are relatively high (82.2% GER). However, children from disadvantaged backgrounds, particularly children from Roma and Egyptian households are less likely to participate. A new National Agenda on the Rights of the Child 2021-2026 was adopted in 2021 and the deinstitutionalisation plan was developed to guide the establishment and delivery of alternative childcare services and reduce the number of children in social care institutions.

Spending on social protection programmes is among the lowest in Europe, at around 9.2% of the GDP as of 2022. Social insurance outlays and non-contributory cash programs account for most of that expenditure. Spending on social services and labour market programmes is very low. The means tested social assistance programme is the only poverty alleviation programme in the economy. The level of benefits was permanently increased to double the amount for households with three or more children under the age

of 18 and for orphan children to ALL 6,000 (EUR 50); triple the benefit level for women and girls, survivors of trafficking and domestic violence to ALL 9,000 (EUR 75); and a 10% increase for all the remaining beneficiaries included in the “poor” category of individuals/households in need. In March 2022 the government introduced additional social protection measures to mitigate the effects of the war in Ukraine, while in September 2022 new increases to the social assistance benefit amounts were enforced. Concerns have been raised increasingly on the level of adequacy of benefits, despite increases in 2021 and 2022, and the role of the programme in lifting people out of poverty.

Coverage of the unemployment benefit programme is very low, covering only 2.9% of the total number of the unemployed in 2021. Spending on unemployment benefits has increased since the pre-pandemic period but remains modest at 0.04% of GDP in 2022. Expansion in spending on active labour market programmes appears to have crowded out spending on unemployment benefits between 2014 and 2019, although total spending on employment measures (both passive and active) has increased slightly in the recent years. Unemployment benefits provide a flat rate benefit, anchored to 50% of the minimum wage, regardless of the previous earning level of the unemployed. They remain ineffective as a support measure to ensure temporary social protection for those who have exited the labour market or to ensure suitable conditions to seek a relatively decent job.

Albania does not guarantee a minimum income for the population. The social assistance programme specifies eligibility on the basis of “lack of income, or insufficient income” of beneficiaries. However, the Albanian legislation does not specify a benchmark against which the state of absence or insufficiency could be verified. A 2021 study commissioned by the Ombudsman recommended that Albania needs to provide a legal definition of the minimum standard of living and shape its social protection policies in accordance (Ombudsman,

2021). The same report recommends the absolute poverty measurement method as a viable way to compute the minimum living standard, based on the cost of a minimum basket of food and non-food items.

Pension coverage is high, but spending is low due to the contained size of benefits. The net pension replacement rate remains low at 48.3% for urban pensions in 2021. Contributory rates are however among the highest in the region, at 24.5% of gross monthly incomes. The high rates of social insurance contributions and progressive personal income tax system in place may create disincentives for the formalisation of employment or the declaration of full earnings, particularly when considering the low replacement rate. This not only undermines the long-term sustainability of the pension scheme and increases pressure on the general government budget but may also lead to increased precariousness and vulnerability in the labour market.

Inequalities in access to healthcare persist. The Universal Health Coverage index was 62 in 2019 (SDG Dashboard), indicating significant challenges. A large gap in population coverage and heavy co-payment undermines financial protection entitlement (WHO, 2020). With a large

informal sector and low percentages of health insurance coverage, a large proportion of the population is uninsured. Specialised public medical services such as dental and ocular services are virtually non-existent. In 2021, Albanian households paid on average 5.4% of their households' budget on health-related expenditure, amounting to total private expenditure in more than EUR 280 million annually, or 68% of total public expenditure in the health sector.

The population of Albania is ageing quickly: the median age of the population has gone up from 32.6 years in 2011 to 38.2 in 2022. These demographic changes have led to the increased prominence of policy considerations on aging. In December 2019 the first National Action Plan on Ageing 2020-2024 was developed. It is expected to benefit about 100,000 older people through the provision of integrated health and social care packages. The Ministry of Health and Social Protection is currently undertaking measures to develop a standardised definition and protocols for long-term needs and services, in addition to developing an integrated approach between health and social care systems. Securing an adequate workforce and the development of a market for private service providers are among the challenges laying ahead.

II. Introduction



Albania's economy expanded by 6% in the Q1 2022, driven by private consumption, exports, and investment.

Growth in 2021 rebounded to 8.5%, exceeding initial estimates of 4%, despite two exceptionally large shocks: the 2019 earthquake and the COVID-19 pandemic. The labour market improved, and unemployment fell to 10.6% in the Q3 of 2022. "At risk of poverty" rates slightly increased in 2021: 22% of the population were at-risk of poverty and 43.9% were at risk of poverty and social exclusion. Rising inflation pressures during 2022 due to the effects of the Ukraine war risk to further reverse poverty gains.

In 2022, Albania completed the new National Strategy for Development and European Integration (NSDEI) 2023-2030.

Social cohesion is one of the three main goals of development, alongside good governance, and economic development. As the cycle of existing strategic documents reaches the end, new sectoral strategic documents were adopted or are under preparation during 2022-2030.

Social policy and social rights in Albania have gained significant relevance in the policy discourse in recent years.

The post-earthquake and post-pandemic situation brought into sharp focus the nature of new risks, the need for resilient social protection systems and the importance of access to services, from basic services such as access to water and energy, to healthcare and education. Albania has some of the most progressive legislation in the region on protection of equal opportunities, in particular concerning groups such as the LGBTIQ, ethnic minorities, and other populations prone to forms of discrimination. However, awareness and preparedness of public services to care for special need groups remain limited.

Development of human capital is a key priority and reforms in the fields of employment and skills have maintained momentum. Consistent investments are being made in the improvement of labour market governance,

including the expansion and performance of active labour market measures, as well as investing in vocational training and education, while prioritizing the development of lifelong learning approaches in the 2023-2030 period. Albania adopted the Osna-brück Declaration in 2020 and developed an Action Plan for its implementation in 2022. A Youth Guarantee Plan was developed and is expected to be adopted in early 2023, as part of a comprehensive new Employment and Skills Strategy. Quality and inclusivity in education are key strategic directions for the 2022-2030 period. Overall, performance of the education system falls behind expectations and policy measures are under way to consolidate a reform in pre-university curricula, teacher capacity development, and reducing the urban/rural divide in educational outcomes. In recent years, Albania has achieved remarkable progress in inclusion of children with disabilities in education. Nevertheless, challenges remain regarding access of Roma and Egyptian children to education.

Important gains have been achieved in the last decade in the area of social and economic development and social rights, nevertheless, inequalities remain significant.

The Gini coefficient was measured at 0.33 in 2021 (down from 0.354 in 2018) and the 80/20 ratio was 5.7. High levels of income inequality undermine prospects for sustainable growth, by both reducing aggregate demand as well as the overall investment in human capital leading to lower intergenerational mobility. Average wages have increased steadily but remain low. In the fourth quarter of 2022 the average wage in the economy was ALL 66,000 (EUR 550) or 11% higher than the previous quarter and the minimum wage was ALL 34,000 (EUR 283) following two subsequent increases during 2022. Average wages are higher in the public sector. Most employment in Albania is in low-productivity and low-skill positions and there is a significant mismatch in labour supply and demand. Informal employment is high, and the tax wedge on labour provides reverse incentives for formalisation and declaration of employment, put-

ting many in precarious labour conditions. Social transfers, pensions in particular, play an important distributional role and alleviate poverty. Nonetheless, the size of pensions and social benefits is modest in Albania. This is discussed in more details in the sections on social protection, unemployment benefits and pensions.

Responsibility for monitoring the social state of affairs rests with various public and non-public actors. The Ministry of Health and Social Protection has the overall responsibility for social protection, gender equality, equal opportunities, and health. The Ministry of Finance and

Economy oversees labour market policy, vocational education and training as well as social housing. The Ministry of Education and Sports leads educational policy. The Institute of Statistics (INSTAT) is the main producer of primary data from various household surveys, economy's accounts, and statistical registers. Independent human rights institutions such as the People's Advocate (Ombudsman) and the Commissioner for Protection from Discrimination play an important safeguarding role for human rights and serve as accountability mechanisms for the government. Numerous civil society organizations also play a role in various aspects of public policy.

III. The Albania's performance in the 20 principles of the European Pillar of Social Rights (Pillar) and Action Plan



A. Equal opportunities and access to the labour market

I. Education, training, and lifelong learning

Albania constitutionally guarantees the right to education to everyone (Albanian Constitution, Article 57). Primary and secondary education is free in all public schools and equal conditions for access to higher education are guaranteed. The constitution stipulates that access to secondary vocational education and higher education may only be conditioned on a merit basis.

Basic (primary) education is mandatory, and it includes five years of elementary education (ages 6-10 ys.) and four years of lower secondary education (ages 11- 14 ys.). The number of students attending pre-university (basic and secondary) education has declined steadily in recent years, in line with the general demographic developments. According to projections by the Institute of Statistics, the population under 19 years of age will continue to decline until 2031, due to the aging population, lower fertility rates, and migration patterns.

The Net Enrolment Rate (NER) in primary education was 92% for the academic year 2021-2022 (INSTAT), continuing a declining trend that has persisted for the last five years.¹ The Gross Enrolment Rate (GER) for primary education in the 2021-2022 academic year was 95.7%, or 5 percentage points lower than in 2017. Enrolment rates in pre-school education are high, with 79% of children attending kindergartens. Primary school completion rates are almost universal (99.2%, MESY, 2017) and dropout rates are low (0.6% in 2021).

Gender differences are noted in participation in education as observed in the gender parity index (based on GER) in pre-university ed-

ucation, marked at 97% for basic education and 93% for secondary education. Indeed, GER for girl students in basic education is 1.8 percentage points lower than for boys (2021-2022), and the difference widens in secondary education at 7.8 percentage points. Transition rates to secondary school are relatively high at 92.9% (MES, 2021) but again, stark gender differences are noted between girls (91.4%) and boys (98.3%) (MES, 2020).

Net enrolment rates in secondary education (77.6% in 2021) are lower than the average in EU countries and some economies in the region, such as Serbia and Montenegro as of 2017, but have increased from 2017 (76.7%) (Maghnouj S. et al., 2020). School life expectancy in Albania was an average of 14.3 years (primary to tertiary) in 2021, comparable with Serbia (14.4) and Montenegro (15.17) but below the average for Central and Eastern Europe (16.26) (UNESCO UIS, 2023)². The mean years of schooling in 2021 were 11.3 for the whole population, slightly higher for women (11.7) than men (10.9) (HDI, 2022), indicating that women that attend education tend to pursue it for longer. The share of early leavers from education and training (aged 18-24) is considerable, at 16.8% in 2021 and it is slightly higher for men than for women.

Education enrolment rates for children and youth from ethnic minorities are lower than for the majority population, which is particularly the case for Roma and Egyptian communities. In the school year 2021-2022 a total of 10,933 students from Roma and Egyptian backgrounds were enrolled in primary education, but only 856 attended secondary education (MES, 2022). Educational outcomes of Roma and Egyptian students

¹ NER in basic education was 96.5% in the 2017- 2018 school year. The decline in reported enrolment rates may be in part linked with migration patterns and errors and omissions in the administrative data of residents.

² [School Life Expectancy by Level of Education, primary to tertiary](#)

were among the lowest in Albania (Byrne, Kulluri, Gedeshi, 2021) and school dropout rates are close to 50% (UNICEF, 2017 cited in Byrne, Kulluri, Gedeshi, 2021). Issues of access and quality of education are also prominent for children with disabilities. Following a series of institutional reforms aiming at facilitating attendance of mainstream education by children with special abilities, the number of enrolled children has increased over the years. In 2021, 3,336 children with special abilities were enrolled in basic education, out of which less than a third were girls, but only 560 students with special abilities attended secondary education. In 2021, there were a total of 10,839 children with special abilities between the ages of 6 and 18 in Albania, but no information was available on the degree of disability and their aptitude for schooling. A survey report found in 2017 that 61.3% of children with special abilities attended pre-university schooling following the medical assessment by the disability commission (Voko, Kulla, 2017).

A new strategy for education was launched in 2021. The National Education Strategy 2021-2026 sets forward a vision for a comprehensive education system based on the principles of equity and lifelong learning, underpinning quality education towards people's wellbeing. Inclusive education is one of the key objectives of the strategy, which recognizes the need to boost the quality of education through the consolidation of the core-competency based curriculum in pre-university education. Furthermore, it aims to increase capacities of educational staff and improve governance in the education system, including the optimization of the school network in line with the demographic trends. Special measures have been in place for years to improve accessibility and learning outcomes for children from disadvantaged backgrounds, including the reduction of collective classes in rural areas, as well as social measures ranging from free textbooks, scholarships, and free transportation for students and teachers.

Overall, the education system is not living up to the established aspirations, as evi-

denced by significant challenges in terms of skills and competences of the population.

The Labour Force Survey (LFS) 2021 indicates that 41.4% of the labour force has only primary education. Learning outcomes have improved over the years but remain considerably low, with significantly large proportions of 15-year-olds lacking basic reading and numeracy skills (OECD, 2019).

Socio-economic background is a determinant for educational outcomes in Albania, as in most other economies across the world. However, the difference in educational outcomes for students from disadvantaged backgrounds is narrower in Albania than in OECD countries (61 and 89 score points respectively) and 12.3% of students from disadvantaged backgrounds were considered academically resilient in Albania, higher than the 11.3% average in OECD countries (Maghnoij et al., 2020). As of 2021, among unemployed jobseekers registered with public employment services, 45.3% of Roma jobseekers and 13.9% of Egyptian jobseekers had not completed basic education at all. Likewise, two thirds of unemployed jobseekers on the poverty social welfare program had not completed basic education.

Unemployment has decreased in the last decade, driven by private sector development, new job creation as well as the formalization (regularization) of existing employment. Unemployment in 2021 fell back to 11.5%, returning to pre-pandemic levels. In the Q3 of 2022, unemployment fell to 10.6%, 0.7 percentage points lower than the same period in 2021. Productivity has, however, grown more slowly than labour, as demonstrated by the fact that between 2012-2021, employment grew by 74.7% and the total value added in the economy increased by 68.8% (INSTAT, 2021).

Skill mismatches between demand and supply in the labour market are a serious concern for the Albanian economy. This is underlined by high unemployment rates among youth, consisting of 20.9% of 15-29 years old in 2021. Sim-

ilarly, youth not in employment, training, or education (NEET) constituted a disconcerting 26.1% of the total youth population in 2021. The European Training Foundation (ETF) indicates that among employees with secondary and higher education, respectively 10.3% and 19.4% were employed in a job requiring lesser qualifications as of 2019; 23% were undereducated; and 43% of employees worked in positions that did not match their qualifications (horizontal mismatch) (ETF, 2022).

Participation in adult training remains low, as identified by the 2017 Adult Education Survey. In 2017, only 9.2% of adults (aged 25-64) participated in lifelong learning activities, far beyond the EU average, which presented rates of 43.7% in the same year. Currently, lifelong training programmes are limited in number and scope and do not live up to the expectations of the labour market. Only a few enterprises provide trainings for their own employees: less than 15% of firms provide internal or on-the-job training to their workforce, and less than 5% provide external training (WB, 2018). In 2020 and 2021, INSTAT reports that only 0.7% of the adult population (15-65 years of age) had participated in some form of organised learning, which is dramatically lower than the EU average of over 10%. This ratio decreased to 0.6% in the first half of 2022 (LFS, 2021, 2022).

Increasing skills and expansion of lifelong learning opportunities are among the key priorities of the new Strategy for Employment and Skills 2023-2030 (NESS). The NESS commits to measures to increase the quality, number, and relevance of the available education and training opportunities. It also aims to enable agility and flexibility in the vocational training to respond to the urgent need for new and better skills in the economy to match the demand. Regulatory and policy reforms have been undertaken to increase comprehensiveness and relevance of the vocational education system, as well as the development and adoption of the Albanian Qualification Framework and its referencing with the EU Qualification

Framework in 2021 to enable increased quality as well as higher labour force mobility. NESS recognizes a series of challenges to enhance attractiveness and relevance of vocational training supply as well as enabling recognition of prior learning and lifelong learning.

2. Gender equality

Albania has a strong legal and normative framework in place in support of gender equality and combatting gender-based violence. In 2021, the new National Strategy for Gender Equality 2021-2030³ reflects the principle of equality and non-discrimination. At the policy level, the Ministry of Health and Social Policy oversees matters on gender equality and gender-based violence. A gender equality mechanism operates across the government, with gender equality officers appointed at each ministry and local government institution.

Significant inequalities between women and men persist, despite important progress in recent decades. The Gender Equality Index (GEI) for Albania was 60.4 in 2020, 7 points below the average for the EU in 2020 (INSTAT, 2020). Albania ranks in the middle of all societies that report the Gender Equality Index, which include all EU Member States, North Macedonia, and Serbia. The Global Gender Gap Index ranks Albania 12th in Europe (18th in the world) in terms of gender parity, at 78.7% (WEF, 2022), with good performance in the areas of economic opportunity, educational attainment, and political empowerment, and slightly less so in the health and survival domain. The Gender Inequality Index increased from 0.06 in 2020 to 0.09 in 2021, representing a loss of 9% in human development outcomes as a result of gender inequality (INSTAT, 2022).

Important disparities are present in the labour market participation between women and men. Women have lower rates than men for labour market participation (52.6 vs. 67.2% in 2021) and em-

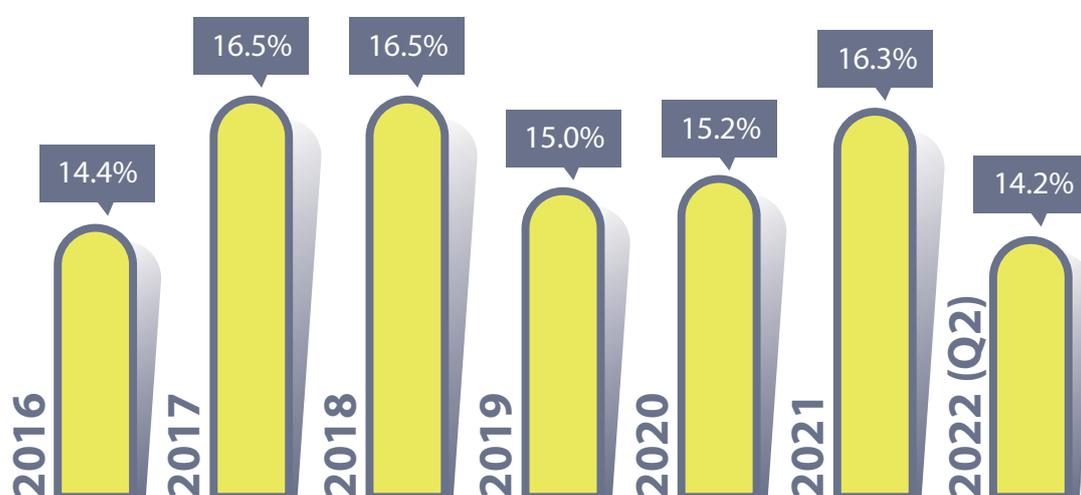
3 https://shendetesia.gov.al/wp-content/uploads/2022/02/WEB_Strategjia-Kombetare-EN.pdf

ployment rates (46.4 vs. 59.5% for men⁴) as well as higher inactivity rates, mainly due to childcare or other household responsibilities. The gender gap in employment is significantly higher than in the EU (10.8 percentage points in 2021). Employment rates vary by age and gender. In 2021, 73% of young men and 62% of young women were employed in Albania, with the gender employment gap being narrower for younger people (15-29 years old). Women work predominantly in sectors such as health and social work, education, manufacturing, and agriculture, which are characterized by lower salaries (UN Women, 2020). Agriculture remains the primary sector employing women, with 40% women compared to 28.8% men.

The gender wage gap narrowed in 2021 as compared with the previous year, to 4.5% from rates of 6.6% in 2020. The average wage for

women in 2021 was ALL 55,750 (EUR 465), up from ALL 51,679 (EUR 417) in the previous year. The sectors with the highest gender wage gaps are manufacturing (29.4%); banking and insurance (16.25%); and information and communication technologies (11.6%). A significant gender wage gap is also reported in activities where the public sector is the biggest employer, such as public administration, defence, education, health, and social services (9.1%)⁵. The wage gap in the public sector is linked with the relatively lower positions women hold in the public sector, which in turn receive lower salaries. Average wages for women are higher in the construction sector (-9.8%); and arts, entertainment and recreation (-1.4%). In 2021, 31.1% of active companies were owned by women.

Figure 1 Gender Gap in Employment (20 – 64 age group)



Source: INSTAT, LFS, 2016–2022 (Q2)

4 15+ years of age

5 Including both private and public sector activities.

Table 1 Average wages by sector and sex, 2020 and 2021

Economic activity according to NACE rev2	Average monthly wage (EUR)					
	Total		Men		Women	
	2020	2021	2020	2021	2020	2021
Total	439	477	461	487	431	465
Agriculture, forestry, and fishing	278	297	361	303	266	285
Manufacturing, mining	378	407	448	477	305	337
Construction	347	361	344	356	364	390
Wholesale and retail trade, transportation, accommodation, and food services	332	365	344	356	364	390
Information and communication	672	720	710	759	623	671
Financial and insurance activities	912	944	1 000	1 049	857	879
Real estate, professional, scientific, and technical activities	502	525	512	528	499	519
Public administration and defence, education, health, and social activities	537	574	580	606	505	551
Arts, entertainment, and recreation	484	514	485	510	492	518

Source: INSTAT, 2022b

Educational outcomes contribute to gender disparities in the labour market.

As noted earlier, enrolment rates are higher for boys in preschool, basic, and secondary education. However, the gender gap reverses in tertiary education, with more women attending higher education than men. In the academic year 2021-2022, 59.3% of the 123,880 students attending higher education were women. The educational attainment of the total population reveals large disparities, with 54% of women having only basic education (vs. 43.8% of men) and 27.1% having secondary education (39.6% for men). The gender gap is higher for older ages (INSTAT, 2022).

Women have 0.8 years higher educational attainment than men (11.7 against 10.9) and women are expected to study for 1.5 years longer

than men, in average (HDI, 2022). Moreover, girls in Albania tend to have better results and outperform boys in school in every subject (OECD, 2019; MES, 2017). However, women are more likely to pursue studies in the humanities – only 14% of women graduated in engineering, natural sciences, or ICT areas in the 2019-2020 cycle, vis-à-vis 32% for men.

Representation of women in decision making is one of the gender equality areas where Albania fares better than the EU average.

In 2022, women represented 35% of members in parliament, with a total of 49 out of 140 seats held by women up from 41 seats in the 2017- 2021 legislature. Moreover, 12 of 15 ministerial positions in government are held by women. Women representation in policymaking has con-

sistently increased since the introduction of the 30% gender quota several legislatures ago.

Violence against women continues to be a problem despite significant measures undertaken in the last decades. These include initiatives to increase awareness against gender violence as well as to better prepare institutions through increased capacities and better coordination, referral, and service delivery mechanisms. A 2018 survey on gender-based violence revealed that at least 41% of women had at some point experienced some form of abuse, out of which 18% had experienced physical abuse. Official statistics on the number of reported cases of domestic violence show a slight increase over the past three years, from 4,177 in 2019 to 4,897 cases in 2021 (INSTAT, 2021).

3. Equal opportunities

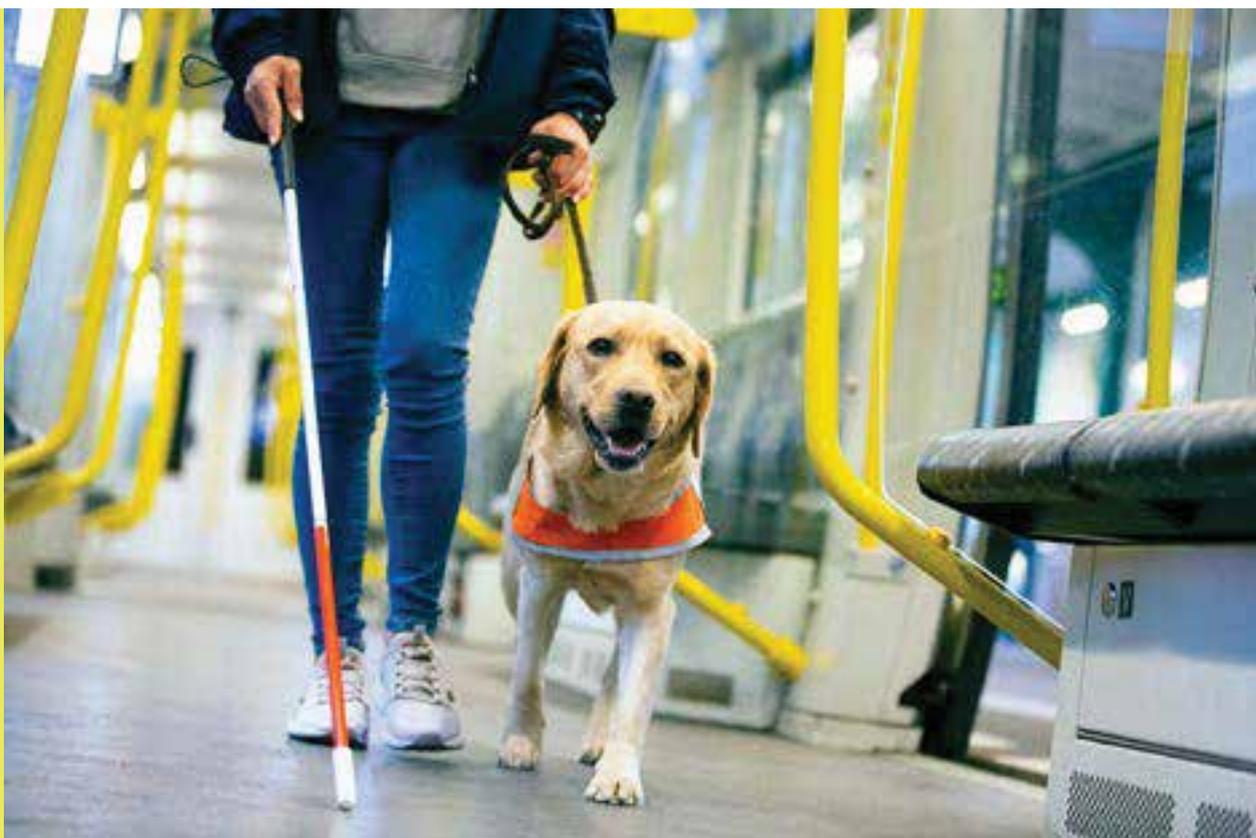
Prohibition of discrimination is constitutionally guaranteed in Albania. The prohibition of discrimination extends to the right to equal protection on the grounds of gender, race, ethnicity, language, political, religious or philosophical affiliations, economic, education, social status, or parental background. In 2020, the law on Protection from Discrimination was amended to add additional protected grounds based on which discrimination is prohibited: citizenship, sex characteristics, living with HIV/AIDS, and appearance. New forms of discrimination were added, such as multiple discrimination, intersectional discrimination, hate speech, segregation, sexual harassment, structural discrimination, incitement to or aiding another to discriminate, and proclaimed intention of discrimination, referring to international practice as well as current social circumstances. The law also emphasised the obligation of public authorities to promote equality and prevent discrimination in the exercise of their functions. The Ombudsman and the Commissioner for Protection from Discrimination are independent authorities for the protection of human rights and prevention of all forms of discrimination.

Albania legally guarantees minority rights, but Roma and Egyptian minorities continue to face hardships in terms of access to essential services and their social and economic situation. Prevalence of poverty, social exclusion, and low levels of education and unemployment are disproportionately high among Roma and Egyptians. Educational attainment of Roma population (and to some extent Egyptian) is lower than that of non-Roma populations. Only 1% of Roma and 5% of Egyptians of age 7-20 years have completed secondary education and by some estimates more than half of Roma children of age 6-16 years have never been enrolled in school (UNICEF, 2021). The Ministry of Education reports that performance of Roma students in the standardised 5th grade test is approximately half of the average for non-Roma students and cases of segregations in schools are still present.

Instruction in the languages of minorities is provided, however, instruction in minority languages is only currently available for Greek and Macedonian minorities. Albania has committed to preparing curricula in the Roma language, but progress has been slow, partly due to a lack of sufficient human resources.

Important progress has been achieved in recent years to increase school enrolment and attendance rates for Roma children. Nevertheless, further measures should be undertaken to prevent bullying and foster intercultural dialogue and integration in schools (ECRI, 2020). Roma and Egyptians face barriers in access to essential services, in particular healthcare services, and problems persist with access to civil registration. Furthermore, Roma and Egyptians living in informal settlements have come under pressure and at times been forcefully displaced from their places of residence (MHSP, 2021).

The National Action Plan for Equality, Inclusion and Participation of Roma and Egyptians in Albania 2021-2025 adopted in 2021 aims to 'enable the adequate conditions to achieve equality, participa-



tion and inclusion of Roma and Egyptian minorities in Albania, in all aspects of social life, especially in education, employment, housing, health and social services, to improve the quality of life and well-being, as well as to reduce the socio-economic and cultural gap between Roma and Egyptians on one hand and the rest of the society on the other hand.' (MHSP, 2021, p. 44). Policies to support Roma and Egyptian integration have been mainstreamed across sectors, with Roma and Egyptian groups being given priority for receipt of services (i.e. employment services, social and educational services, etc.) or earmarked quotas (i.e. for housing programmes and university education).

Albania adopted a new lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) action plan, which includes measures to fight discrimination, improve access to services and approve the legal gender recognition law. In 2021 the Ombudsman reports that LGBTIQ people in Albania tend to move to Tirana and other big cities, where the situation is more favourable to find support and employment opportunities, in

addition to offering a more inclusive physical and cultural environment. During 2021 the Ombudsman has identified that this community continues to be subject to inappropriate treatment in terms of receiving public services at the right time and in the right quality, mainly due to a lack of awareness. Several episodes of violence and hate speech have also been addressed.

Despite the good legal basis, discrimination on the grounds of political affiliation, disability, race, belonging to a specific group, economic and educational background were the main causes of appeals to the Commissioner for Protection from Discrimination in 2021 (CPD, 2022). In 2021, 169 complaints referred to issues related with access to employment, 143 on access to goods and services, and 13 complaints on access to education. During 2021, CPD reviewed 9 cases related with children rights. Two cases were related with severe discrimination by the Ministry of Health. Another case was related with denied access to education for a girl wearing a headscarf. Other

cases involving children are linked with access to education for Roma children. The CPD has mediated or resolved in favour of the complainants in all cases related to children during 2021.

The Ombudsman has reviewed numerous issues related with the discrimination of minorities during 2021. Cases initiated by the Ombudsman and complaints handled mainly relate with the right to health care and equal and decent treatment by service providers, the right to education and the prohibition of segregation practices, the right to benefit from the social care system, the right to due process within the legalization processes of informal constructions, as well as the improvement of the living conditions as a whole for communities of the Roma and Egyptian national minorities in Albania (Ombudsman, 2021). In December 2021, the Ombudsman has issued a recommendation to the Councils of Minister for the amendment of specific provisions in the regulatory framework for social housing, in light of cases of forced evictions.

On rights of the elderly, the Ombudsman has continuously recommended the establishment of socio-sanitary centres for the long-term care treatment of the elderly. Additionally, two cases with respect to access of the elderly to public services were handled in 2021, regarding the inability to apply for a passport through the e-albania portal. As a result, as of 2021 people who are not able to apply through the portal can do so in person at the Police Commissariat. The Ombudsman has recommended in previous year on the need to establish a Status for the Third Age.

4. Active support to employment

Employment and skills development have been a priority sector for the Government of Albania in the recent years and important steps were undertaken to strengthen and improve public employment services and skills formation, especially by strengthening the public sector role in providing employment services and modernizing the vocational education and training system in the

economy. The impact of the COVID-19 pandemic in the labour market as of 2020 further highlighted the need to create and maintain jobs, including through interventions of the public sector.

The National Agency for Employment and Skills (NAES) is the institution in charge of providing employment services as well as administering public vocational training schools and centres. NAES has an extensive economy-wide network of employment services, consisting of 12 regional directorates and 40 local employment offices at the economy level, covering about 80% of the population. NAES has recently undergone thorough functional reorganisation which entailed revisiting its organizational structure to clarify the division of responsibilities and establishing state-of-art internal and external communication systems. From 2021, all NAES public services are provided via the computerized system of employment services in addition to face-to-face services. External communication with jobseekers and employers is facilitated by the approach of creating digital products and online and mobile services, in addition to traditional on-site services.

Jobseeker mediation is the main service provided directly to the public to enable increased access to employment for specific groups. In 2021, more than 87,000 unemployed jobseekers were registered with NAES, out of around 162,000 unemployed people in Albania. In the same year, 24,965 job vacancies (or about 29% of the stock of registered jobseekers) were announced by employment offices, among which 48% were in the processing industry, mainly textiles and leatherwear (27%), and 24,158 unemployed jobseekers were hired (NAES, 2022).

Only 6% of jobseekers who were employed through support of public employment services in 2021 belonged to one of the more vulnerable categories, such as beneficiaries of the poverty targeted welfare programme, persons with different abilities, or jobseekers from the Roma and Egyptian minorities,

although the latter constituted 41% of the stock of registered unemployed jobseekers. Additionally, half of the registered jobseekers were long-term unemployed.⁶ This indicates that the design and follow-up of the individual employment plans, especially for jobseekers with a lower employability level, still needs improvement and better targeting towards the most vulnerable.

NAES plays an essential role in the labour market.

It manages unemployment benefits as passive labour market measures, but more importantly it plays a prominent role in connecting job vacancies with jobseekers, while supporting jobseekers to acquire the necessary skills for integration into the labour market. In this context, the agency's main focus is to operate as a labour market mediator to address labour market imperfections that partially arise due to a lack of information and to orient the development of skills in sectors with higher potential to respond to expected structural and technological changes. Often, this mediation role is most relevant for specific jobseeker groups, who are not able to acquire the necessary information or have limited opportunities to develop their skills due to other disadvantages. Typically, these groups include youth not in employment, training, or education (19% of the jobseeker stock); long-term unemployed (50%); people over 45 years of age (47%); or those with other social disadvantages (NAES, 2022).

NAES implements a series of active labour market measures, which were revisited over the past two years to enable a better balance between supply and demand

based on the assessment of the employability of different groups of jobseekers. These measures, entitled employment promotion programmes, include programs providing subsidised employment; on the job training; internship programs; self-employment, community work, and as vocational training; alongside some temporary programs undertaken in response to the COVID-19 effects. In 2021, 4,834 jobseekers (or 5.5% of the total stock)

participated in one or more of the employment promotion programmes, among which only 16% were long-term jobseekers, 5% were from the economic assistance program, and only 3% from the Roma and Egyptian minorities. Also, 6,631 jobseekers (or 8% of the total) received support to take vocational training during the same period, among which only 10% were economic assistance beneficiaries belonging to the Roma or Egyptian minorities or persons with disabilities. According to the NESS 2020 monitoring report, the lack of capacities in implementing structures is one of the leading factors to a low level of absorption of employment programs in the last two years. Yet, Albania only allocates about 0.04% of its GDP to active labour programmes as opposed to an average of 0.4% in the EU.

The design of a new Youth Guarantee Scheme was completed and launched during 2022,

aiming at targeting all youth NEET within four months of their identification. The Youth Guarantee Scheme, an ambitious programme that is expected to exceed EUR 50 million over a five-year period, was developed with EU support and envisages a series of measures that aim to quickly identify, map, and activate youth. The pilot stage of the Youth Guarantee Scheme will launch in 2023.

Mediation in the labour market remains limited and ineffective.

Non-formal channels of communications remain the primary means used by companies to identify and recruit employers. Less than 10% use private employment services and even less (7.4%) of private sector employers use public employment services (WVB, 2018). A large share of those unemployed or seeking employment do not use public employment services. As noted earlier, less than half of the unemployed are registered with NAES. During the development of the Youth Guarantee programme, it was assessed that only 25.6% of youth NEET are registered with labour offices. In total about 13.5% of the registered jobseekers received some form of

6 NAES does not report on employment ratios for the long-term unemployed.

active labour market programme in 2021, which falls short of the EU average of 33%.

Besides the achievements mentioned above, remaining challenges to improve employment services include the need to enhance the NAES capacities in staffing resources and professional development; further improve the implementation of the service model and the service delivery using the labour market ecosystem according to the EU countries model; setting up a skills intelligence system that delivers regular signals on labour market and VET developments; and

strengthen and expand services for employers and jobseekers, tailoring them continuously based on monitoring and evaluation practices, assessing the impact, expansion, and adaptation of employment promotion programs, and reviewing the unemployment benefits model. These challenges have been addressed through the NESS 2023-2030 and the strengthening of organisational structures and delivery instruments employed by public employment services and VET systems, including efforts for the establishment of a Labour Market Observatory.



B. Fair working conditions

5. Secure and adaptable employment

The Labour Code provides adequate guarantees in governing employment relations in Albania. Other legislation governs specific types of employment, notably the Law on Civil Service, which regulates certain types of jobs in the public sector. In general, specific legislation and individual or collective contracts may not impose conditions that are less favourable than those specified in the Labour Code.

The typical (i.e. standard) employment contract is an indefinite term contract.

Moreover, fixed term or temporary employment contracts are recognised in the legislation, which specifies that the definite term of the employment must be justified by the specific conditions for the performance of work. All types of discrimination in labour relations are expressly prohibited under this legislation (Article 9), referring to any type of limitation, preference, or exception on the basis of gender, race, ethnicity, language, gender identity, sexual orientation, political, religious or philosophical views, social, economic or educational background, special abilities, HIV/AIDS, and affiliation with trade unions and other aspects. The principle of non-discrimination extends to employment, employment conditions, wage, career advancement and termination of work contracts. Furthermore, employers are obliged to ensure reasonable adaptation of workplaces for people with special abilities.

The following types of employment contracts are regulated under the Labour Code:

- full-time and part-time contracts;
- indefinite and fixed term contracts;
- employment agency contracts;
- individual and collective employment contracts;

- home-based or telework employment contracts;
- commercial agent contracts; and
- apprenticeship/internship contracts.

The standard, indefinite work contract is understood as a full-time employment on the basis of a 40 working hours per week.

The Labour Code also defines part time employment (Article 14), based on the acknowledgement that the employee accepts to work less than the complete working days of a normal weekly or monthly duration, shorter than those of full-time employees working under the same conditions. The Labour Code explicitly recognises the principle of equal treatment between full and part time employees performing the same job regarding remuneration and other aspects of the employment contract (with the exception of working conditions related to working hours i.e. paid annual leave).

Employment through temporary agency was specifically regulated by the Labour Code through its 2015 amendment,

to prevent employment relationships that lead to precarious working conditions while preserving employer flexibility. It specifies that the duration of a temporary agency contract for the same employer company may not exceed two years and the employee has the same rights as those of other company employees that perform the same work, including the right to engage in trade unions.

Employees on temporary term contracts accounted for 5.7% of the total employees in 2021,

down from 6.7% and 7.9% respectively in 2020 and 2019. A larger share of men is likely to be employed on temporary term contracts: 7.2% of employed men versus 4.1% of employed women in 2021. The trend is reversed when it comes to part time employment. In 2021, 16% of total

employees were employed on a part-time basis, with more women (21.4%) than men (11.4%) representing the category.

The Labour Code also specifically regulates flexible working arrangements in the form of work from home or telework. It sets out that in these cases, the employee enjoys equally favourable rights as for work carried out from the normal place of business. Part time work and other flexible working arrangements are sometimes used to reduce or avoid costs of declaration of full-time employees (ILO, 2021).

6. Wages

Wage growth has continued despite the effects of the COVID-19 pandemic. In 2021, the average wage in Albania grew to ALL 57,190 (approximately EUR 477), a 0.7% increase in comparison with the previous year. The increase of the average wage was balanced for both the public and the private sector. Average wages in the public sector are relatively higher than in the private sector (ALL 68,508 or EUR 571 in the public sector and ALL 51,858 or EUR 432 in the private sector), presumably given that most of the work in the public sector is more qualified. Real wage growth in the public sector in 2021 amounted to 4.4% whereas nominal growth was of 6.4%. Wages continued to increase during 2022: in the last quarter of the year, the average wage was ALL 66,014 (EUR 569).

Frequent increases to the minimum wage have further driven overall increases in average wages in the economy. In early 2021 the minimum wage increased by 15%, from ALL 26,000 (EUR 217) to ALL 30,000 (EUR 250) and was further increased to ALL 34,000 (EUR 296) as of September 2022. Typically, increases in the minimum wage are discussed and endorsed in the National Labour Council, a tripartite advisory council with participation from the Council of Ministers and employer and employees' organisa-

tions. However, during 2022 there were two subsequent increases to the minimum wage, which do not appear to have been thoroughly discussed in the Labour Council. As of April 2023, the minimum wage will increase to ALL 40,000 (EUR 349.5).⁷

Tax rates for income from employment in Albania are relatively higher than in neighbouring economies. The system has created perverse incentives due to the exclusions of income from self-employment from the Personal Income Tax (IMF, 2022). In general, the high labour tax wedge in Albania consisting of the progressive personal income tax and social security programs, when combined with other rigidities in the market, may have contributed to high levels of informality. In fact, Albania has lower labour market participation rates than the EU and higher-level informality in employment in non-agriculture sectors (IMF, 2022).

Similarly, the subsequent increases in the minimum wages to levels deemed unreasonable for the conditions of the market may lead to refraining from formal declaration of employment. A minimum wage set at too low levels can similarly have distorting effects in case the reservation wage is higher, which is often the case for specific target groups, in particular women, whose participation in the labour market has high opportunity costs related with childcare and other household duties. Most of the job creation in Albania is concentrated in sectors with lower-than-average wages such as manufacturing, trade, transport, and agriculture, although the health sector, which typically has higher wages, also grew (VWB, 2020). Most of the employment is concentrated in agriculture (40% in 2021 down from 41.4% in 2020), which has relatively low contributions to the total value added in the economy.

7 DCM 113 dated 01.03.2023

In 2021, 30.2% of all workers received less than the minimum wage (as opposed to only 16% being employed in part time contracts⁸) and only 34.7% received a salary that was approximate to or higher than the average wage in 2021.

7. Information about employment conditions and protection in case of dismissals

The Labour Code stipulates that employment contracts must be concluded in writing before the start of the employment, or in justified cases within a period of seven days from the start of the employment. All mandatory provisions of the Labour Code on non-renounceable rights are applicable for all employment contracts and can be expressly stated in the employment contract or provided by reference to the applicable legislation. The obligations of loyalty, due diligence, and care are applicable to employees without the need to specifically address them in the contract.

Employers are obliged to observe the non-discrimination obligation, the right of the employees to be organised in unions, the protection of whistle-blowers, the minimum age of employees, health and safety at work, safety/protection of the employees' personality, protection of pregnant women and the applicable facilities, minimum salary, overtime limits, paid leave and annual leave, unpaid leave, etc.

Employees need to be given notice of termination of the work contract. The notice period is at least:

- two weeks during the first six months of employment;
- one month for between six months and two years of employment;
- two months for two to five years of employment; and
- three months for more than five years of employment.

During the probation period, which consists of the first three months of employment, each party may terminate the employment contract upon a notification delivered to the other party at least five days in advance. These notice periods are applicable for both parties and they are suspended during disability, maternity leave or during holidays given by the employer, and resume upon expiration of such suspension. Additionally, during the notice period, the employee shall benefit from at least 20 hours of paid leave per week, in order to seek another job.

The Labour Code (Article 144) provides for a specific procedure to be followed in case of termination. The decision for termination should be on grounds related to the employee's performance or operational needs of the company.

In the case of employees who are representatives of trade unions, the employer shall request consent of the trade union, which may withhold consent should the dismissal heavily impair or make impossible the operation of the trade union or violate the principle of equal treatment.

Employees whose contracts are terminated are entitled to benefits including seniority bonus where employment has lasted at least three years, accrued annual leave, and an end-of-year bonus granted to the employee for three consecutive years (proportionally). In case dismissal is carried out with immediate effect for justified cases and the employment relation cannot continue in good faith, the employee is entitled to the annual leave only. The justification of the grounds leading to termination are evaluated in court if the case is brought to court by the employee. The burden of proof in case of termination of labour contracts falls with the employer. Employees may challenge the dismissal based on material and/or procedural breaches (i.e. notice procedure). Specific procedures are specified in

⁸ The difference accounts for those in informal working arrangements as well as those employed without a salary, i.e. in family businesses.

case of collective dismissals, in which case consultations with trade unions (if they exist) are mandatory.

In summary, the Albanian labour legislation provides for adequate protection of employees. However, these conditions are applicable in formally declared employment contracts. INSTAT evaluates that up to 29.1% of employment in the non-agriculture sectors is informal (LFS, 2021).

8. Social dialogue and involvement of workers

The workers' right to unite freely in labour organizations for the defence of their work-related interests is enshrined in the Constitution of Albania (Article 50). The role and involvement of social partners in the labour market is well regulated in labour legislation and is in line with international conventions. Several laws provide for the creation and operation of advisory bodies, with the participation of social partners in various instances of the sector. The main social dialogue bodies are the National Labour Council and regional level labour councils.

Two main trade union confederations comprise more than 90% of trade union membership (Dragoshi, 2015): the Confederation of Trade Unions of Albania with 110,000 reported members, and the Union of Independent Trade Unions of Albania with 84,000 reported members. Trade union density in Albania is reported at 36.9% in 2017 (ILO, 2022), down from 49.9% in 2011. A number of employers' organisations are also active, including the Chambers of Commerce, the Albanian Manufacturer Union, BiznesAlbania, and others, but no official data is reported on their membership and coverage. Trade unions and employers' organisations do not typically collect fees from their membership base, which may create further confusion on the affiliation of constituents.

The importance of social dialogue is upheld in the National Employment and Skills Strategy and the Policy Document on Occupational Health and Safety Standards. Nevertheless, the quality of social dialogue remains at a basic stage in Albania due to the historical legacy, the chaotic private sector development in the last decades, and the weak negotiating position of employees, especially in sectors with the highest employment rate, usually composed by employees with lower qualifications and reward systems.

Collective bargaining coverage rate was 51.1% in Albania in 2018 (ILO, 2022). However, an analysis by the Centre for Labour Rights reveals that collective agreements are largely formal because they do not provide for any more favourable conditions than what is prescribed by the legislation in force in any of the key domains such as working conditions, training, remuneration systems, or health and safety at work (CLR, 2020). Indeed, the review finds that in several instances collective agreements provide for more favourable conditions to be applied exclusively to trade unions members, which goes against the legal principles. Finally, conditions of collective contracts that cover more than 50% of the total number of employees in a sector should be extended to all employees, but this is not applied in practice (CLR, 2020).

The International Union of Trade Confederations and its two Albanian affiliates have identified a number of occasions when workers or trade unions rights have been suppressed. The most recent incidents reported by IUTC include the cases of dismissals in violation of collective agreement, and strikers suspended at a power plant, as was the case of Kurum Holdings in 2021; a strike of the air traffic controller at the Tirana International Airport (TIA) in April 2021 suppressed by the government; artificial barriers that lead to excessive delays in trade union recognition; and leaders of a new trade unions dismissed in 2019.



In summary, the role of social partners in the labour market and employment policies in Albania is often formal. There is ample room to guarantee a stronger and more substantial role of institutions guaranteed under the law. At times the role of employees' and employers' organizations is perceived as formal and co-opted by vested interests (Dragoshi, 2015).

9. Work life balance

Albania has undertaken limited measures during the recent decade to better support a work-life balance for parents and carers and address women's underrepresentation in the labour market. The most important legislative change in this regard were the 2015 amendments to the Labour Code and the Social Security Law, which introduced the right of paternity leave.

As of 2015, the Albanian legislation recognizes the right of paternal leave for both parents. The duration of maternity leave is a

maximum of 365 days, of which a leave of 35 days prior to birth and 63 days post-birth are mandatory. Benefits and payment under the right to maternity leave are eligible for women who have paid social security contributions for at least 12 months. Maternity benefits amount to 80% of the daily average net assessment base of the last 12 months until 150 calendar days after birth and 50% of the daily average net assessment base for the period thereafter. In addition, if the woman returns to work after the 63-day period, she has the right to choose between a paid break of two hours within normal working hours, or daily normal working hours reduced by two hours payable as full-time employment, until the child reaches one year of age. In addition, the Labour Code provides special protection for the working conditions for mothers with children under one year of age.

The Labour Code does not provide any other provisions concerning working hours flexibility because of child-care. However, employees that take care of dependents enjoy

several benefits, including up to 12 days of paid leave per year; up to 15 days of paid leave for children related sickness for children younger than three (as evidenced by a medical report); as well as up to 30 days unpaid sick leave.

Parental leave is recognized to fathers or partners living in the same household as the mother from the 63rd day of birth (as per the Social Security Law) if he is insured, in cases where the mother does not fulfil the insurance requirements or does not wish to exercise such right. Parental leave is also recognized for both parents in cases of adoption. No data is available on numbers of male parents exercising this right.

The most recent Time Use Survey in Albania, dating back to 2011, confirms the stereotypically gendered division in paid and unpaid work: women carry out 86% of unpaid work, 96% of domestic chores, and spend on average 5 hours 43 minutes per day on unpaid domestic and care work, while men spend less than half of the time on these tasks. Restrictions imposed during the COVID-19 pandemic further enhanced these traditional gender roles. Women spend more time with children (increase by 30.6%); helping or caring about old, sick, or disabled people (increase by 54.8%); and time spent teaching kids (increase by 27%) (UN Women, 2020).

Work life balance continues to be problematic in Albania. Data from LFS 2021 indicates that 75.7% of the employees work 40 hours or more per week (71.7% in 2020), with 19% working more than 48 hours a week (16.4% in 2020). Men are more likely to work longer hours than women (INSTAT, 2022b). In addition, over one third of workers work in strain jobs (Eurofound, 2022). According to Eurofound, the self-employed are more likely to spend more than 5 days a week working and Albania was the economy with the largest share of self-employed among EU and partner economies: a substantial 35% of all workers.

The NESS 2023-2030 recognises the need to actively include women in the social and economic life by providing more opportunities for their engagement in education, training and employment, and establishing adequate social safety nets for childcare and other social service provision.

10. Healthy, safe, and well-adapted work environment and data protection

Informal employment remains high in Albania, although steadily declining. Informal employment is more likely to occur among the youth and those with low qualifications. Informality is more concentrated in economic sectors such as agriculture, construction, and tourism and accommodation. The LFS 2021 indicates that only 49.5% of employees are paid, whereas the remainder are self-employed or contribute to a family business. This indicates that up to one in two employees may miss out on basic work rights, including social security benefits, paid leave, or health insurance. Informal employment in the non-agricultural sector amounted to 29.4% of total employment.

Accidents at work are on the rise. During 2021 a total of 207 accidents at work were reported, up from 168 in 2020, with 187 harmed employees (SLI, 2021). Monitoring and inspection by the State Labour Inspectorate (SLI) have revealed weaknesses in compliance with work conditions particularly regarding health and safety at work requirements. In 2021, 20% of all inspections ended in administrative sanctions, of which 40% were enforced for failure to comply with regulations on work conditions and safety and health at work.

Fatal accidents at work currently show incidence rates that are higher, although comparable with the EU average. In 2021, there were 35 cases of fatal accidents at work reported, or 2.48 deaths per 100,000 employees, higher than the rate of 1.77 reported in the EU in 2020. Incidence of non-fatal accidents was un-

characteristically low at 12.2 incidents per 100 thousand employees, a rate that is dramatically lower than the incidence of 1,444 incidents reported in the EU (EUROSTAT, 2022). This particularly low incidence of non-fatal accidents may reflect an underreporting problem linked to a weak reporting system and little awareness or financial incentives for victims to report. It is likely that in Albania the reported non-fatal accidents are still relatively serious, whereas the range of such incidents reported in the EU includes incidents as light as superficial skin injuries.

Furthermore, an average of 15 undeclared workers were identified in each of the over 7,000 organisations and companies inspected during 2021 – this ratio increased to an average of 30 undeclared workers per enterprise during the first half of 2022.

The State Inspectorate for Labour and Social Protection (SLI) plays a pivotal role in the promotion and enforcement of compliance with labour legislation, especially in ensuring compliance with decent work conditions, occupational safety and health standards, and work rights. These principles have been set forth in the new NESS 2023-2030, whereas a separate Occupational Health and Safety Standards policy document is currently being drafted under the auspices of SLI.

Labour inspection systems have been consolidated to some extent in recent years, including through a functional review of the SLI and the elaboration of the authorities and responsibilities of the SLI. In recent years a Management Information System (MIS) was developed for the SLI, aiming at supporting its operations and risk-based inspection. The SLI has reviewed internal procurement activities and undertaken capacity building activities for its staff, including the formulation of a practical guidebook in inspections, with the goal to increasingly focus on prevention approaches and fostering a cooperative environment with the private sector.

At present human and financial resources available for labour inspections are inadequate: the SLI has a total staff of 94 field inspectors, who have the responsibility to inspect 200,000 active enterprises in the economy. At an average rate of 1,000 monthly inspections, an average of one working day is dedicated to which company, which is typically low.

Empirical assessments indicate that compliance with labour legislation remains low. The SLI needs to further strengthen its cooperation with other key institutions, such as the General Tax Directorate and strengthen its internal capacity for private sector outreach and risk management, including better engagement with social partners.

From 01 May 2022, the Government of Albania transferred more than 95% of public services online, to be delivered through the unique one-stop-shop portal “e-albania”. Face-to-face service windows were closed in a bid to provide swift, transparent, and quality services. The e-albania platform has operated for several years providing increasingly more services for individuals and enterprises before its ubiquitous use from May 2022. Citizens and companies may register in their individual accounts on the portal through their unique identification numbers. The portal is administered by the State Agency for Information Society, an executive agency reporting to the Prime Minister, which is responsible for the management of all Albania’s public databases and management information systems.

Over 1,400 services are provided through the e-albania portal, ranging from civil registry databases to social protection, to health insurance and tax liabilities for individuals and businesses alike. This move has raised concern on both the security of personal data – concentrated under one single institution – as well as the accessibility of public services. Digital literacy skills in Albania are increasing, but older and more vulnerable population groups are

less well-versed in internet-based services, which may result in a higher cost for the provision of services through the assistance of third parties.

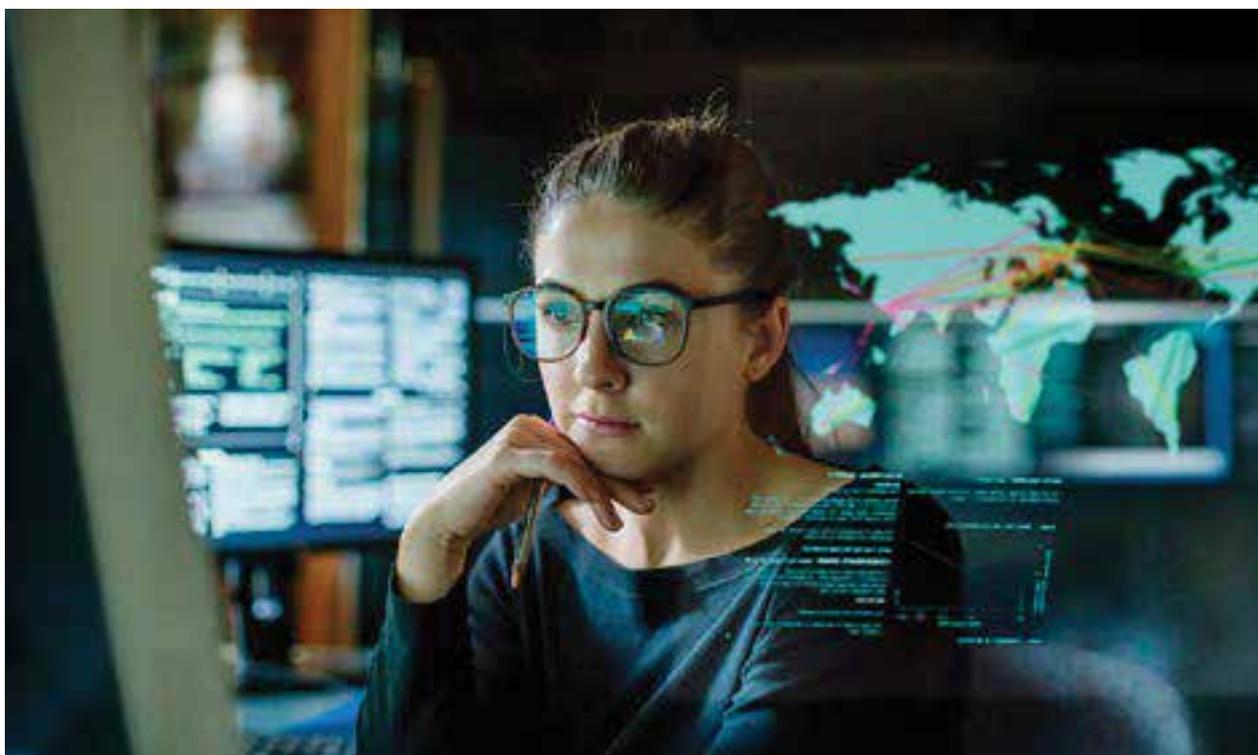
The Commissioner for the Right to Information and Protection of Personal Data (IPD) reports that the institution was not consulted prior to the adoption of the Decision of the Council of Ministers on the online provision of all public services.⁹

In July 2022, all Government of Albania information systems came under an organised foreign based cyber-attack. As a result, operations of the e-albania portal and the overwhelming majority of internal MIS and communication systems were discontinued. This caused serious public concern not only due to the temporary freeze in all public services, but more importantly due to concerns in relation with the leak of sensitive personal and government data. The entire Government of Albania database was later put on sale in various social media application such as Telegram channels for the modest

price of the bitcoin equivalent of approximately USD 25. Excerpts of various internal government documents, including documents from the Border Management System TIMS, internal email communications, and other sensitive information continue to be published in these networks.

Earlier in 2021, prior to the elections, a massive leak of the Tax Authority Database containing salary data for all employees in the economy was followed by a leak of the civil registry database and the vehicle registration database. The Commissioner initiated an ex-officio administrative investigation on the case, the outcome of which is still to be made public.

In addition, during 2021 the IPD Commissioner initiated the formulation of a Guidance on the processing of personal data during telework in the framework of measures against COVID-19. This guidance addresses concerns related with security of personal data by private and public controllers.



⁹ Council of Ministers Decision 252 dated 19.04.2022 “On the procedures of online service provision by service providing institutions and the methodology for monitoring and control of the administrative activity of service provision”. See in Register of requests and answers of IPD at <https://www.idp.al/regjistri-i-kerkesave-dhe-pergjigjeve-2022/>

C. Social protection and inclusion

II. Childcare and support to children

A new National Agenda on the Rights of the Child 2021-2026 was adopted in 2021. During recent years, the legal and policy framework for the protection of children's rights across a variety of sectors was completed. In 2017, a new Law on Child Rights and Protection was adopted alongside a new Juvenile Criminal Justice Code, which introduced for the first time a new approach to the justice system by putting minors at the centre, acting in accordance with the best interest of the child.

Children are the most vulnerable age group in Albania in terms of exposure to poverty.

According to SILC statistics, at risk of poverty rate for children in 2021 was 28.5% (26.8% for boys and 30.2% for girls), a prevalence higher than the overall population (22%, 21.8% for adults aged 18- 64 and 14% for those who were 65 years of age and older). At risk of poverty rates for children have slightly decreased since 2018 (29.6%) but at a slower pace than for the general population (23.4% in 2018). Households with children are more likely to be poor than those without: in 2020, 27.2% of people living in households with dependent children was at risk of poverty, compared with only 14.2% of people in households without dependent children. In 2021, 48.3% of all children were at risk of poverty or social exclusion.

Income and social class inequality remain of strategic concern in terms of equity, equality, and access to education for children in Albania (UNESCO, 2017). Children from low-income households are less likely to participate in early childhood education. Participation rates in early childhood education are relatively high in Albania (82.2% GER). However, children from disadvantaged backgrounds, in particular children from Roma and Egyptian households are less likely to participate. Only 33% of Roma and Egyptian chil-

dren attend early childhood education (UNICEF, 2021). In 2020 the EC noted that the educational gaps between Roma children and their non-Roma and Egyptian peers remains large (EC Commission, 2020). In addition, children in disadvantaged social and economic households are more likely to drop out of pre-university education and have lower learning outcomes.

The urban-rural divide is also of concern in terms of access and equity in education.

In 2020, 93.14% of children in rural areas completed primary elementary education, vis-à-vis 96.33% of children in urban areas. In 2017, secondary school completion rates were 85.7% for children in urban areas and 72.5% for children in rural areas. Completion rates are lower for girls in both primary and secondary education. Infrastructure in rural schools is often obsolete, there is a comparatively large number of collective classes and distance from school also plays a factor in the dropout rate, alongside a higher likelihood that children are required to help at home.

Albania does not have a child-benefit system in place.

Ndihma Ekonomike (NE), which represents the only standalone poverty alleviation programme in the economy, is not targeted to child well-being. There are no child or family benefits other than of a one-time bonus payment at birth and the cash assistance programme targeting poor households. Children in foster care and orphans outside of institutions can apply for cash assistance as a special category, and the age limit is up to 25 years old (Law 57/2019). The social assistance programme also provides modest top-ups to the poverty cash benefits in the form of cash conditional transfers for child attendance in compulsory education (ALL 300 or EUR 2.5 per child) and vaccination (ALL 100 or EUR 0.8 per child), as a measure to ensure inclusivity for certain vulnerable categories.

Lessons learned following the November 2019 earthquake and the COVID-19 pandemic highlight that Albania's lack of a proper child benefits scheme has also hindered the ability to respond to the increased needs and material expenses of families with children, including the most vulnerable families.

Since 2019, a one-time baby bonus was introduced amounting to ALL 40,000 (approximately EUR 320) for the first child; ALL 80,000 (EUR 640) for the second child; and ALL 120,000 (EUR 960) for subsequent children. Albania does not have any tax allowance programme for families. Since January 2023, old age and maternity pensions for unemployed women with three or more children are paid by the public budget during the childcare period, until the youngest child reaches five years of age. The benefit is means-tested, for households with total monthly income up to ALL 100,000 (EUR 850) and is paid at the level of the minimum wage.¹⁰

A deinstitutionalisation plan was developed to guide the establishment and delivery of alternative childcare services and reduce the number of children in social care institutions. In 2021 there were 256 children in residential social care institutions (INSTAT, 2021). The number has significantly decreased since 2017, when 614 children were residents of these institutions. However, the rate of children in residential institutions per 100,000 respective population has remained steady (93 children per 100,000 population in 2021 and 97 in 2017). There were 178 children in foster or kinship care in 2021, down from 278 in 2017 and a total of 928 children in alternative care, down from 935 in 2017.

Inclusivity in education is a key priority for the pre-university education system. Enrolment rates of children with special abilities in mainstream education have steadily increased. Pre-university education (PUE) measures have supported an increase in the number of children with disabili-

ties attending regular classes in the pre-university education system. A total of 4,160 children with disabilities were attending mainstream pre-university education in the school year 2021- 2022, almost double the number of those attending in 2013, consisting of 2,147 children (MES, 2022). The number of assistant teachers who assist children with special abilities in accordance with needs as assessed by the education disability commission, was 1,408 in the same school year – an expressive figure, considering that there were no such specialists in 2014. The role of assistant teachers is crucial in and outside the classroom in the provision of cognitive and socio-emotional development and education for children with disabilities. The Ministry of Education has taken steps to provide further support and professional development of assistant teachers and social workers.

Psycho-social support services are also provided in schools. Psychologists and social workers play a key role in the child protection mechanisms by working in close cooperation with municipal child protection workers. They also play a key role in the prevention and addressing of the school dropout phenomenon. The order on providing psycho-social services to pre-university education institutions was amended in 2020. According to the data reported by Ministry of Education and Sports (MES, 2021 b), the number of psychologists and/or social workers employed in pre-university public institutions is 628, or 2.4 times higher than in 2014. Challenges ahead still remain with regard to the need for capacity development, standardization of protocols, tools and materials as well as in the allocation of sufficient resources to support children in secure and friendly working spaces.

12. Social protection

The Albanian social protection system is comprised of social insurance, social assistance, social care services and labour market programmes. Spending on social protec-

¹⁰ DCM 751, dated 01.12.2022.

tion programmes is among the lowest in Europe, at around 9.2% of GDP in 2022. Social insurance outlays and non-contributory cash programs account for most of that expenditure. Spending on social services and labour market programmes is very low.

The social insurance system is contributory and consists of a compulsory pillar – a public, universal coverage social insurance system and a private voluntary supplementary pillar. The Social Insurance Fund (SII) manages old-age pensions, as well as other schemes such as disability and survivor benefits, and coverage to contributors in the event of illness, unemployment, accidents at work and maternity benefits. Some supplementary social insurance schemes are also managed through the SII and fully subsidized by the public budget, including supplementary schemes for higher functions in the public administration and military and merit pensions for war veterans and former political persecutes. The mandatory social insurance scheme includes universal coverage for urban and rural contributors.

The main non-contributory social programme are cash payments to support the poor and persons with disabilities. Both programmes have undergone important reforms in the last decade, aiming at improving targeting, equity, and effectiveness.

The means tested social assistance programme is the only poverty alleviation programme in the economy. It was thoroughly overhauled in 2012 and rolled out since 2018, based on a proxy mean-tested formula for assessment of eligibility. Five years from its economy-wide rollout, concerns have been raised increasingly in the level of adequacy of benefits and the role of the programme in lifting people out of poverty. The social assistance benefit is estimated on a household level with monthly benefits at ALL 1,800 (EUR 15) for the head of the family, ALL 1,260 (EUR 10.5) for other adult members and ALL 900 (EUR 7.5) for family members who

are minors. Children in foster care and orphans outside of institutions can apply for cash assistance as a special category, and the age limit is up to 25 years old.

In response to the COVID-19 crisis, the government temporarily doubled the amount of economic aid/cash assistance for all households on the programme during March to May 2020 and again during January to June 2021. On 29 December 2021, the level of benefits was permanently increased to double the amount for households with three or more children under the age of 18 (23% of all the beneficiaries or 15,000 households in 2021); double the benefit amount for orphan children to ALL 6,000 (EUR 50); triple the benefit level for women and girls, survivors of trafficking and domestic violence to ALL 9,000 (EUR 75); and a 10% increase of the benefit for all the remaining beneficiaries included in the “poor” category of individuals/households in need. In March 2022 the government introduced additional social protection measures to mitigate the effects of the war in Ukraine, while in September 2022 new increases to the social assistance benefit amounts were enforced.

In 2019, spending on the social assistance programme amounted to approximately 0.25% of GDP. In the wake of special COVID-19 related payments during 2020 and increases to the benefit amount that followed during the subsequent years, the share of the programme to GDP has increased to approximately 0.33% of GDP in the 2023 budget.

In 2022, approximately 64 thousand households were eligible for the social assistance scheme. It is effective in reaching the poorest quintiles of the population: according to EU SILC, 45% of benefits in 2019 were received by the poorest 10% of households (WB, 2022). However, the formula for definition of eligibility is based on an outdated survey (2012 LSMS) and there are concerns about its targeting going forward. World Bank studies indicate that although targeting of

the programme has improved, with 75% of total spending going to the poorest 40% of households, the social assistance programme contributes to reducing poverty by a maximum of 0.8 percentage points (Davalos et al., 2018). Furthermore, the purchasing power of the social assistance benefits has eroded over time. Even following the recent increases, the maximum amount of benefit would hardly exceed ALL 12,000 (EUR 100) for a household with three or more dependent children. According to SILC 2021, the poverty threshold for a household with two dependent children is of a monthly amount of ALL 33,563 (EUR 280). In addition, the minimum living standard for 2019 was calculated at approximately ALL 17,785 (EUR 148) monthly per household member (Ombudsman, 2020).

The disability cash assistance system is currently undergoing a thorough reform aiming at improving the assessment model, based on the biopsychosocial assessment model as per international standards of disability classification, as well as combining the payment benefits scheme with integrated services to achieve social and economic integration. Reforming the disability scheme has entailed revising the assessment criteria and introducing various disability severity scales, as well as establishing a new multidisciplinary assessment process, a Management Information System and improving administrative and redress processes. The new scheme has been piloted in Tirana for over two years and is gradually being expanded to other regions.

Spending on the disability assistance programme amounts to 0.8% of GDP in 2023, relatively lower than its weight to GDP in 2018 of 1%. The reform did not envisage an increase in the value of benefits, which are set at approximately ALL 11,915 (EUR 103)¹¹ monthly per individual, although some increases were adopted in the wake of other social protection measures in the aftermath of the pandemic. The challenge

going forward will be to develop a cadre of trained professional to deliver assessment and administration on the new system of disability, as well as to increase the coverage of specialised services through the establishment of adequate services and facilities.

The Albanian social care system provides public and non-public services for persons in need of residential and day care services.

Public social services are provided mainly through residential and day care centres and are financed by the public budget. Social care services account for a tiny percentage (less than 0.5%) of the total expenditure on social protection. Social services are delivered primarily under the authority of local governments, but funding responsibility is shared between the central and local levels.

The law on social care services of 2016 set forth key steps for the reform in social care – including local social planning, a minimum basket of services at the local level, community-based services, and case management procedures. Other relevant legislation includes the regulatory framework on child protection services, gender-based violence, gender equality, and social care service standards, to name a few.

Implementation of social care service reforms continues to focus on local service delivery, deinstitutionalisation, and increasing coverage and typology of services.

As of 2022, the Ministry of Health and Social Protection (MHSP) reports that 339 social services are provided for a total number of 42,553 beneficiaries, a more than four times increase in comparison with the figure of 10,000 beneficiaries as of 2019. The population receiving the minimum package of social services has increased from 0.2% in 2019 to 0.5% in 2021. Standards and protocols for new services were designed, including standards for mobile and home services and emergency services.

¹¹ From September 2022. Personal assistants are eligible for the same amount in cases when a personal assistant is warranted based on the degree of disability. Increases to the amount of benefit are made for people with disabilities who attend secondary education (200%) or higher education (300%).



13. Unemployment benefits

Coverage of the unemployment benefit programme is very low in Albania. During 2021, a total of 4,679 unemployed individuals were eligible for the programme, accounting for only 2.9% of the total number of the unemployed. Prior to the onset of the pandemic, coverage of the programme was even lower, with only 2,870 people on the programme, equivalent to 1.8% of the unemployed in 2019. With the sharp increase in unemployment in early 2020, the programme was expanded to cover 4,744 people in 2020, or 2.6% of the unemployed.

Spending on unemployment benefits has increased since pre-pandemic but remains modest at 0.04% of GDP in 2022. Expansion in spending on active labour market programmes appears to have crowded out spending on unemployment benefits between 2014 and 2019, while total spending on employment measures, both passive and active, has increased slightly in the recent years. During the period, labour market indi-

cators were improving with unemployment rates increasing. Nevertheless, the labour market continued to suffer from a series of structural factors, including high levels of inactivity and a skill mismatch. Unemployment benefits can support labour market transition while individuals search for alternative appropriate employment. At the same time, unemployment benefits are instrumental in times of crisis, as evidenced during the pandemic.

Unemployment benefits are contributory, paid to unemployed people with a minimum contribution period of 12 months. However, the administration and funding of the benefit, is fully disconnected from the Social Insurance Fund. Unemployment benefits are funded by the public budget and administered by the National Agency for Employment and Skills.

Unemployment benefits provide a flat rate benefit, anchored to 50% of the minimum wage, independent of the previous earning of the unemployed. Social security contributions for unemployment benefits collected from

employers, consisting of 0.9% of the gross salary, far exceed current spending on unemployment and could be used to improve the effectiveness and relevance of the unemployment benefits (WVB, 2022b). In this context, unemployment benefits remain ineffective as a support measure to ensure temporary social protection for those who have exited the labour market or to ensure suitable conditions to seek a relatively decent job.

14. Minimum income

At risk of poverty rates have moderately decreased in Albania but at risk of poverty and social exclusion rates are more than double those in the EU. At risk of poverty rates have gone down to 22% of the population in 2021, but 43.9% of the population are at risk of poverty and social exclusion, indicating that short of half the population lives in challenging conditions. The likelihood of children and women to fall into poverty is higher than for adults and men, respectively.

The sole poverty targeted programme is social assistance, which as noted earlier is effective in reaching the poorest deciles of the population but achieves a modest effect in lifting them out of poverty. In contrast, pensions and disability benefits, although not designed to target poverty, have more significant poverty targeting effects.

Albania does not guarantee a minimum income for the population. The social assistance programme specifies eligibility on the basis of “lack of income, or insufficient income” of beneficiaries. However, the Albanian legislation does not specify a benchmark against which the state of absence or insufficiency could be verified. A 2021 study commissioned by the Ombudsman recommended that Albania needs to provide a legal definition of minimum standard of living and shape its social protection policies in accordance (UNDP, Ombudsman, 2021). The same report recommends the absolute poverty measurement method as a

viable approach to compute the minimum living standard, based on the cost of a minimum basket of food and non-food items.

Albania provided generous cash benefit payment to weather the effects of the pandemic, but expansion was mostly vertical.

Although in other economies in the region and across the world the pandemic brought back onto the political agenda the idea of Universal Basic Income (UBI) compared to other forms stimulus cash programmes, Albania doubled its social assistance programme. Even so, its horizontal expansion was very contained: it was limited only to households that had been eligible for the programme at some point and therefore had data into the system. Nevertheless, Albania did provide some form of categorical benefit to all employees and the self-employed in the spring of 2020, in the form of one lump sum payment equal to the minimum wage at the time. However, this measure was also contained only to declared workers.

15. Old age income and pensions

Pension coverage is high in Albania. In 2021 the social insurance scheme paid on average 557,000 old-age pensions, and there were 620,000 people over the age of 60. The total number of pensions paid in 2021 was 673,813 (SII, 2021). Contributory rates are low: the total number of contributors in 2021 was 790,835 individuals, or only 115 contributors per 100 beneficiaries.

The 2015 pension system reform weakened its redistribution features and strengthened the contributory principles with the goal to improve the scheme’s fiscal sustainability, undermined by an eroding contributory base in the decades following the 1990s. The social insurance system used to have a very strong income-redistributive character, particularly until the reform of 2014. This involved a high minimum pension relative to the minimum wage – a compressed benefit with little difference between minimum and maximum pension levels –



and generous rural pensions that were not linked to the size of contributions and had developed into a form of social assistance benefit.

The net pension replacement rate remains low at 48.3% for urban pensions in 2021¹², up from 43.1% prior to the reform. Effective accrual rates for old age pensions are higher for low-income earners than for high income earners, maintaining the redistributive character of the scheme. Contributory rates are however among the highest in the region, at 24.5% of gross monthly incomes, out of which 13.8% is paid by employers and 11% by employees, including 0.3% for accident insurance and 0.9% for unemployment insurance. Social insurance contributions are payable on the gross income, up to a ceiling that is about four times the minimum wage and that is adjusted periodically. Self-employed persons pay contributions based on the minimum wage. The size of contributions for citizens in rural areas is set at between 44% and 58% of urban self-employed contributions, depending on location. In

2021, the average urban old-age pension was ALL 17,258 (EUR 144), or 57% of the minimum wage, and the average rural old-age pension was ALL 9,656 (EUR 80).

Pension expenditures are relatively low at 7.8% of the GDP in 2021 (7.2% of GDP is expected in 2022). However, the scheme runs at a deficit that is estimated to be at least 1.5% of GDP as of 2021, excluding public budget contributions towards the supplementary and special schemes. The high rates of social insurance contributions and progressive personal income tax system in place may create disincentives for the formalisation of employment or the declaration of full earnings, especially given the low replacement rate. This not only undermines the long-term sustainability of the pension scheme and increases pressure on the general government budget but may also lead to increased precariousness and vulnerability in the labour market.

¹² The gross replacement rate for urban pensions was 39% in 2021.

The Social Insurance Fund administers several other contributory benefits including disability benefits (for partial or permanent loss of ability to work, contributory based); sickness and maternity (parental) benefits; benefits for accidents at work or occupational diseases; and survivor (family) benefits. In addition, it administers supplementary pension schemes which are fully funded by the public budget (for high economy's dignitaries, former militaries, miners, and other special categories).

Residents of Albania over 70 years of age who do not qualify for an old age pension are eligible for the social pension. The social pension is a non-contributory, means tested benefit. Its size is pegged to the minimum partial pension benefits at the minimum wage, for a contribution period of 15 years. In 2021, 2,337 persons received the social pension (2,575 in 2020) and its average size was 21% of the minimum wage.

16. Health care

Albania has a universal healthcare system and guarantees equal access to health care for all citizens. The public healthcare system is financed through health insurance contributions and government financing. The Fund of Compulsory Health Insurance managed the health insurance scheme, which is based on a mixed (Bismarck and Beveridge) model based on contributory payments and general taxation. The health insurance fund, established in 1995, expanded the scope of its activities from the initial reimbursement of basic medicaments and family doctors to include payments for all healthcare service packages. All economically active citizens are obliged to pay health insurance. Contributory citizens benefit from the health insurance scheme. The public budget pays insurance on behalf of specific categories, including people who benefit from social welfare schemes: the unemployed, asylum seekers, and children under the age of 18 or young people under the age of 25 who attend school. The rate of health insurance contributions

is 3.4% of gross wages, of which 50% is paid by employers. Health insurance contributions make up for less than a third of the total health scheme expenditure.

Inequalities in access to healthcare persist. The Universal Health Coverage index was 62 in 2019 (SDG Dashboard), indicating significant challenges. A large gap in population coverage and heavy co-payment undermines financial protection entitlement (Tomini, 2020). With a large informal sector and low percentages of health insurance coverage, a large proportion of the population is uninsured. Specialised public medical services such as dental and ocular services are virtually non-existent. Uninsured people pay the full cost of diagnostic tests, medicines, and non-emergency specialist care, while those who are insured pay co-payments of up to 50% of the reference price for outpatient-prescribed medicines. Although pensioners and disabled people are exempt from these co-payments, there are no exemptions specifically targeting low-income people or most people with chronic conditions, nor is there an annual cap on co-payments (WHO, 2020). In 2021, Albanian households paid on average 5.4% of their households' budget on health-related expenditure, amounting to total private expenditure in more than EUR 280 million annually, or 68% of total public expenditure in the health sector.

Strengthening of the primary healthcare sector has become a priority for the Government of Albania in the recent years. Restrictions were lifted for access of uninsured people to preventative services as a first step towards universal health coverage. Programmes of free annual check-ups and free visits to general practitioners were put in place since 2015 and 2017, respectively. Screening programmes for breast and cervical cancers were introduced in 2018 and 2019. The number of compulsory vaccines for children until the age of 18 increased to 12 and the HPV vaccine for girls was introduced in the immunisation calendar in 2022. In the frame-

work of a major capital improvement programme in primary healthcare, more than 300 primary healthcare centres were reconstructed and refurbished between 2019 and 2022.

The pandemic hit the healthcare system and household budgets hardly.

The shock on public healthcare systems is well documented, but the costs of the disease itself were very high to household budgets. The cost of treating COVID-19 patients was reported to amount on average to ALL 41,000 per patient (approx. EUR 330 or 30% more than the minimum wage in 2020) and most services needed to be purchased in private facilities due to limited access and long waiting lists in overstretched public health facilities. Media reports¹³ ¹⁴, and findings from a study published by ‘Together for Life’¹⁵, indicate that the reimbursement system in place for COVID-19 treatment costs was inadequate and limited, covering an insignificant number of tests and medications as compared with typical medical prescriptions. From February 2021, all citizens diagnosed with COVID-19, registered in the insurance scheme became entitled to the reimbursement of treatment costs based on the reimbursable prescription issued by the family doctor for all those that have tested positive for Sars-Cov-2. The reimbursement of treatment costs was based on the severity of the disease - up to ALL 1,650 (approx. EUR 13.3) for a mild form of the illness and up to ALL 10,900 (approx. EUR 88) for moderately severe illness.

Capacity building and infrastructure improvements were made for medical emergency services as well as modernization of secondary regional health facilities. The establishment of a digitalized system on referrals, recommendations, and e-recipes and e-ap-

pointments aimed at improving access to primary healthcare facilities as well as reducing unnecessary burden on secondary and tertiary facilities.

Health outcomes in Albania are improving but lag behind European standards.

Maternal and infant mortality rates are double those in the EU (15 per 100,000 live births and 7.8 per 1,000 live births respectively). Life expectancy at birth is 79 years (80.5 for women and 77 for men). The new Albania National Health Strategy 2021- 2030 aims at improving healthcare quality by ensuring full access to health services for all people. It commits to increasing investment in the sector and improving financial sustainability to modernise infrastructure and quality of care in hospitals, increase access and quality of medications, provide an integrated and coordinated approach to healthcare services, and increasing public health measures.

17. Inclusion of people with disabilities

Albania has two types of disability related income support schemes: contributory and non-contributory. None of the disability related benefits are means-tested.

Contributory disability related programmes are administered and paid through the Social Insurance Institute and eligibility for the pensions is decided based on a medical assessment issued by a medical commission of the SII. In general, disability pensions are not compatible with income from work (except for partial disability) and social assistance schemes. Contributory disability benefits pay relatively generous amounts, covering at least 70% of the minimum wage for cases of full eligibility. In 2021 this was ALL 21,000 (EUR 175), or 30% higher than

13 Top-channel, March 17, 2021, Pandemia nxit shpenzime rekord për barna në tremujorin e fundit, rriten 22-26% (Pandemic boosts record drug spending in last quarter, rising 22-26%), accessible at: <https://top-channel.tv/2021/03/17/pandemia-nxit-shpenzime-rekord-per-barna-ne-tremujorin-e-fundit-rriten-22-26/>

14 Reporter.al, February 22, 2021, Shpenzime e kurimit për COVID-19 po sakatojnë mirëqenien e familjeve shqiptare (Treatment costs for COVID-19 are crippling the well-being of Albanian families), accessible at: <https://www.reporter.al/shpenzime-e-kurimit-per-covid-19-po-sakatojne-mireqenien-e-familjeve-shqiptare/>

15 *ibid*



the at-risk-of poverty threshold for a one-person household (SILC, 2021). In 2021, the SII paid about 67,000 invalidity (disability) pensions.

The non-contributory disability cash assistance programme provides a non-means tested categorical benefit for people with disabilities who do not have a contributory history. It pays a flat rate benefit set at ALL 11,915 (EUR 103).¹⁶ This benefit is doubled for people with disabilities attending secondary education and/or vocational training courses and is tripled for people with disabilities attending university. Some categories of people with disabilities are eligible for a personal carer payment of ALL 11,915 (EUR 103). Eligibility for the disability payment is re-examined periodically by a medical commission reporting to State Social Service.

Albania is currently reforming its disability assessment system to move away from a purely medical approach towards

a bio-psychic-social assessment carried out by multidisciplinary assessment commissions. The new model, which is currently applied in specific regions, has introduced a measure of disability severity and corresponding disability payments. The revision of the adequacy of the payments had not been envisaged in the reform.

Levels of adequacy of disability payments remain a concern. Upward revisions in 2020 were arbitrary and were not based on an analysis of the extra costs of disability, which the current levels of payments fall short on compensating (WVB, 2022).

The National Action Plan for People with Disabilities 2021-2025 underlines the need to complete legislation and to strengthen the system's capacities to support the needs of people with disabilities (MHSP, 2021). These needs become even more salient in the view of the overhaul of the disability assistance scheme and should entail the

¹⁶ From September 2022, up from ALL 10,693 (EUR 89) previously. Personal assistants are eligible for the same amount in cases when a personal assistant is warranted based on the degree of disability.

establishment of a case management system for people with disabilities and training of personal carers.

People with disabilities do not have adequate access to assistive devices and technologies and sanitary hygiene packages (UNICEF, 2018). Legislation determines that people with disabilities are entitled to additional measures of support, but criteria for their provision are unclear and budgets have not been made available (WB, 2022).

The MHSP has recognized challenges in the provision of assistive technology equipment for people with disabilities. Since 2017, the Ministry has allocated a modest budget for the provision of wheelchairs and is working to develop standards for on-screen readers and speech-to-text software. The Institute for Students with Visual Impairment provides a braille publication service. The Regulation for Protection of Consumers and Subscribers of Public Electronic Services adopted by the Authority of Electronic and Postal Communication, which contains regulation on the adaptation of services for people with disabilities, entered into force in 2022.

Availability of social services for people with disabilities is limited. The majority of services are residential care services and are available for children and young adults until 25 years of age. Some public and non-public day-care services for people with special abilities have been established in recent years, including home assistance and mobile services. However, coverage is low and significant geographic disparities exist. According to State Social Service Reports, people with disabilities have no access to services in the region of Dibër, whereas only 3.5% have access in the region of Durrës (SSS, 2019). In 2018 there were 69 social services for people with disabilities in Albania. Access is often limited also due to lack of awareness, distance, and prohibitive cost.

Debate and policies on the inclusion of people with disabilities have acquired a

more prominent role in social protection policies in recent years. The Ministry of Education reports that about 90% of children with disabilities attended mainstream education in 2022. Measures are being undertaken to improve accessibility in public school facilities.

Inclusion of people with disabilities in the labour market is a priority of NESS 2023-2030. A specific employment promotion programme targeting inclusion of people with disabilities has been operational with relative success. It provides opportunities for subsidised employment and vocational training for people with disabilities, as well as a relatively generous grant for employers to cover costs for the reasonable adaptation of workplaces.

An Employment Social Fund (ESF) was established to promote and facilitate employment of people with disabilities. A compulsory quota for the employment of people with disabilities has been imposed by the Employment Promotion Law in 2019, which establishes the obligation to hire one employee with disabilities for every 25 employees and one for every 50 other employees. A “disability quota” tax will be levied on employers who do not comply with the statutory requirement. Revenue from the levy funding the ESF will be earmarked for labour market activation measures for the same category, including skill development, rehabilitation for work, social reintegration programmes, and employment and self-employment. Operationalisation of the ESF is expected to be completed within 2023.

18. Long-term care

The population of Albania is ageing quickly: the median age of the population has gone up from 32.6 years in 2011 to 38.2 in 2022. As the total population has decreased from 3.06 million in 2001 to 2.79 million in 2022, the share of people over 65 years of age has grown to 26%, up from 7% in 2001. The old age dependency ratio in 2022 was 26%.

These demographic changes have led to the increased prominence of policy considerations on aging. In December 2019 the first National Action Plan on Ageing 2020-2024 was developed. Its main goals are to ensure the development of a conducive environment for the integration of older men and women in the society and guarantee of quality services. Moreover, it aims to establish and strengthen the health and social care system and create an enabling environment for a long and healthy life.

An official definition of long-term care does not exist in Albania, although long-term care aspects are regulated in sectoral legislation on social insurance, healthcare, and social care. Estimates show that in 2020, 90,900 people over the age of 65 were in need of long-term care. This number is expected to grow to 161,100 by 2050 (ILO, 2022).

Healthcare services are provided free of charge to people aged 65 and over in Albania. However, the National Action Plan on Ageing recognizes that Albania does not have sufficient capacity to provide adequate geriatric and gerontologic services, both due to a lack of specialization of the healthcare workforce as well as the lack of appropriate facilities. In 2021, over 40% of visits to primary healthcare centres were by people over the age of 60.

According to social care service legislation, social care services for the elderly include residential care services for those who suffer from permanent changes in health status and need constant care in order to meet the basic needs when this care cannot be provided at home or by a foster family. It also includes home services for the elderly who are unable to care themselves and cannot be helped by family members or caregivers, as well as day care services at community centres or other facilities. In 2021, 23 residential institutions offered services for the elderly in Albania. The cost-of-service provision in public residential institutions is subsidized and beneficiaries are required

to pay 40% of their pension. However, the capacity of public residential centres system is limited. Cost of provision in private residential care institutions averaged ALL 45,000 (EUR 375) in 2021, which is significantly higher than the average pension (ILO, 2022). About 1,670 elderly received various type of community care services in 2021 in only 18 of the 61 municipalities.

Coverage of social care services for the elderly is very limited. Family support is essential in the provision of long-term care and heavily depends on unpaid female carer givers. The LFS 2021 indicates that 30.3% of inactive women are fulfilling household responsibilities.

The implementation of the Ageing Action Plan is expected to benefit about 100,000 older people through the provision of integrated health and social care packages. The Ministry of Health and Social Protection is currently undertaking measures to develop a standardised definition and protocols for long-term needs and services and to develop an integrated approach between health and social care systems. Securing an adequate workforce and the development of a market for private service providers are among the challenges lying ahead.

19. Housing and assistance for the homeless

Social housing policy in Albania was given priority with the adoption of the Social Housing Strategy 2016- 2025 and the subsequent adoption of the law on Social Housing in 2018. The strategy commits to expanding social housing programmes and defines homeless individuals as those who do not own a home or live in an inadequate dwelling or temporary housing and cannot afford to buy or rent a home.

Albania has six housing programmes, consisting of: i) social housing rentals; ii) improvement or reconstruction of existing home conditions; iii) low-cost housing; iv) area development for housing

purposes; v) temporary home provision; and vi) specialised housing programme.

Eligibility criteria and priority groups for social housing are determined on the basis of current housing conditions (no home ownership; sub-standard dwellings; overcrowded dwellings; made homeless because of natural disasters; displaced households or households that live in informal settlements not eligible for legalisation due to public investments in the area); households characteristics (in particular single parent households; elderly individuals who do not reside in a public social care institution; young couples); and their social condition with priority given to people with disabilities, orphans until 30 years of age, return migrants and asylum seekers, Roma and Egyptian communities, LGBTIQ communities, and minors in conflict with the law. Finally, the income status of beneficiary households is also considered for purposes of determining eligibility.

Municipalities have an important role in the provision of social housing services, with primary responsibility for need assessment and planning, developing and administering data inventories, and providing vacant land for construction. The Ministry of Finance and Economy (MFE) leads social housing policy and is the budget holder. It provides funding to municipalities as well as the central National Housing Agency in charge of financing, construction, and sales of housing units. The mid-term review of the Social Housing Strategy found that local governments lack proper capacities and databases needed to implement the various housing programs. Challenges in the implementation of the programmes, their predictability, and availability of funding were also encountered (UNDP, 2020).

Demand for social housing is high but the human and financial infrastructure to meet the demand remains modest. The devastating effects of the November 2019 earthquake in Albania further increased the need for housing. The Post Disaster Need Assessment indicated

that a total of 11,490 housing units were severely damaged or destroyed, 18,980 housing units sustained medium to partial damage, and over 64,000 suffered lighter damages (CoM, 2020). These estimates were revised upwards during subsequent more thorough assessments in the course of 2020 and 2021. The total damage to the housing sector was estimated at a loss of EUR 662.3 million. The strict isolation and confinement policy imposed during the early stages of the COVID-19 outbreak presented further changes in terms of housing, in particular regarding the affordability of rents and housing conditions (UNDP, 2020). In the aftermath of the earthquake, the government launched the Reconstruction Programme, estimated at more than EUR 600 million between 2020-2022, of which about 70% was allocated to the housing sector in the form of reconstruction (improvement) grants and building of new individual and collective housing units. Families made homeless because of the earthquake became eligible for the subsidised renting programme, which was administered through the regular Social Housing Programme managed by the Ministry of Finance. By the end of 2021, over 7,800 individual and collective units were under construction and/or had been completed under the Reconstruction programme.

During 2020 and 2021 funding for social housing increased sharply, in part driven by the increased allocations for the subsidised rent programme for beneficiaries in the earthquake hit municipalities. During 2020 and 2021, the programme supported i) Subsidised interest loans for 3,750 households (in both 2020 and 2021); ii) Subsidised rents for 1,100 and 1,475 low-income households in 2020 and 2021, respectively; iii) Subsidised rents for about 13,000 earthquake hit households in both 2020 and 2021; iv) The conduction of home improvement projects for about 660 households in 2020, of which 561 were Roma and/or Egyptian households.; and v) The immediate grant for 20 households (MFE, 2020, 2021). A minimum quota of 5% beneficiaries from Roma and Egyptian communities is mandatory at the municipal level and other categories such

as women survivors of domestic violence are entitled to immediate housing grants. In 2018, 1,545 households benefitted from social housing out of 12,095 applicants (12.8% of total applicants); of whom 23% were people with disabilities, 17.6% were recipients of social assistance, and 15.7% were Roma households (Jorgoni, 2019).

Post-earthquake reconstruction needs led to the increase of the social housing programme in terms of relevance and size.

Spending for the social housing programme soared to EUR 29 million in 2020 and EUR 20.5 million in 2021, from EUR 4.4 million in 2019. Recurrent costs linked with the rent bonus programme drove the increase in both years. In 2022, allocations to the housing programme amounted to EUR 25 million, of which 88% were directed to recurrent costs for the subsidies of rent and loans. Medium term projections for 2023- 2025 allocate on average EUR 21 million to housing, but as the reconstruction programme winds down, the weight of capital projects towards the increase and improvement of the housing stock in the total programme increases to 55% in 2023 and up to 78% by 2025. At the municipal level only two of the six housing programmes are implemented consistently. A mid-term review of the Social Housing Strategy is expected to take place during 2023.

20. Access to essential services

Access to water supply and sanitation services is still far from EU standards in Albania. Rural areas and Roma and other minority populations still have significantly lower access rates, and wastewater treatment is only incipient (WB, 2020). In 2020, 90.6% of the total population had access to water supply services and 95% had some sanitation facilities at home (INSTAT, 2020). However, access to safely managed water and sanitation sources as per the SDG definition was reported at respectively 78% and 50.2%. Significant differences are reported between urban and rural access rates (92% vs. 59% for water supply and 76% vs. 13% for sewerage) (WB, 2020).

Access to electricity is virtually universal (99.98%) but affordability of electricity remains a concern. On a purchasing power parity basis, electricity prices in Albania were ranked 12th cheapest in Europe during the first semester of 2022 at about 70% of the average price in the EU (Eurostat, 2023). Expenditure on electricity, water, and utilities amount to 10% of Albanian household expenditures (HBS, 2021). Albania applies an electricity price compensation programme for “customers in need”, i.e. pensioners, people with disabilities, recipients of social assistance, and other vulnerable households. The electricity subsidy amounts to EUR 15 monthly per household. Its coverage is low and targeting is poor, reaching only 22% of the poorest quintile of the population (WB, 2022).

Data on urban and interurban public transport is not regularly collected and/or reported. Urban and interurban transport lines are licensed and monitored by municipalities. In the municipality of Tirana approximately 200,000 passengers used public transport daily, or about 40% less than prior to the pandemic in 2019. The pandemic and the rising fuel prices have seriously impacted the financial sustainability of transport companies, which according to the Urban Transport Association had already been struggling prior to the crisis. Urban transport prices are set by municipalities. In Tirana, the price for a one-way trip is ALL 400 (EUR 0.33) and monthly passes cost ALL 1,600 (EUR 13), while some categories like pensioners and people with disabilities can travel for free. Transport lines are often accused of blocking the sales of monthly passes and/or not recognizing the special category passes. In 2021 there were 70 road deaths per million inhabitants, or 1.6 times higher than in the EU.

The annual number of passengers traveling by air more than doubled in 2021 (2.93 million) but it did not go back to pre-pandemic levels (3.34 million in 2019). Between January and November 2022, the number of passengers reached 4.8 million, at an average of 440 thousand

passengers monthly. Following the amendment of the concessionary agreement with the Tirana International Airport (TIA), international air traffic opened to other airports. The Airport of Kukës was opened in July 2021 and an airport in Vlorë is under construction. During 2021, 863 thousand passengers used sea transport, which was half of the traffic in 2019. Railway transport is underdeveloped in Albania, with obsolete railways and lack of investment in the sector for decades. Only 24,000 passengers travelled by train in 2021. Railway is mostly used for freight transport.

Digital connectivity has drastically improved in recent years. In 2022, 82.6% of the population aged 16-74 years used the internet. 95.5% of households have access to internet, compared with 88.3% in 2021. 90.3% of households have fixed broadband internet connection, representing a 12% increase in comparison with the previous year, while 99.2% of households have mobile broadband internet access. Access to e-governance services has increased during 2022 in all

categories, including obligations (i.e. tax declarations); rights (i.e. social benefits); administrative documents (identity cards etc.); and educational and health services (i.e. school enrolment, public health). The percentage of people aged 65-74 who have never used the internet was 36.9% in 2022, or 14.2% lower than in 2021.

Access to financial services is underdeveloped, particularly for low-income households. In Albania, the percentage of citizens with bank accounts is 69% (Monitor 2022), which albeit low is a considerable increase from 2017 (40%). Financial inclusion is low, with only 29% using payment services, 22% using saving products, 13% using credit, and 9% using insurance products (BoA, 2021). Women, older people, and low income, low educated individuals are less likely to know and use financial services. In 2021, 12.5 electronic payment per capita were made and this is estimated to reach 16 payments per capita in 2022. Electronic card payment volumes have increased at an average of 40% yearly (Monitor, 2022).



IV. Conclusions

Institutional arrangements to protect the most vulnerable and to foster equal opportunities in Albania need to be considerably enhanced to ensure that effective and efficient support is provided to those that are further away from the labour markets or have various types of vulnerabilities. Notwithstanding the good performance in the labour market, numerous structural challenges remain to be addressed. At the same time, social exclusion and inequality rates are concerning and may undermine prospects for growth. Labour market policies and social protection are two key policy areas that need to be addressed concurrently.

Coverage of active labour market programmes needs to be expanded and better targeted to cater to the needs of the large proportions of the long-term unemployed and other jobseekers from vulnerable groups, including Roma and Egyptians who have consistently lower labour market or education and training participation rates. In addition, unemployment rates are higher among young people, and they face difficulties in school-to-work transitions. Expansion of the scope and better targeting of active labour market programmes will require adequate capacities of the National Agency for Employment and Skills, including continued enhancement of staff capacities and reducing administrative workload.

Increasing the relevance and quality of the VET offer is a key priority in the medium term to address the skill mismatch. Important measures have been undertaken to foster better cooperation with the private sector, increase the quality and scope of curricula and increase attractiveness of the vocational and training education

system. Adult participation in training is significantly low, while youth NEET rates remain high. New programmes are being introduced to increase the digital skills of the population and providing opportunities for reskilling and upskilling outside of the formal education system, including through the regulation of the recognition of prior learning and the provision of life-long learning opportunities.

Further efforts are needed to create equal opportunities for vulnerable groups to participate in the labour market. Measures to improve educational outcomes for the Roma and Egyptian population and other vulnerable categories, including people from lower income households, rural areas, and children with disabilities must be sustained. Albania's spending on education remains low at 3.1% of GDP. Policy responses such as the textbook reimbursement programme and education scholarships need to be complemented by more comprehensive measures, including after-school support, and considering the policy proposal of providing school meals in pre-university education. More investments are required in early childhood education and inclusive education, as well as strengthening the teachers' and educators' capacities.

Albania has high participation rates in pre-primary education (enrolment in year 0 is of 79%), but availability of early childhood education facilities is low, most notably in rural areas. Access to childcare is an important criterion that conditions women's participation in the labour market. Overall, the regulatory framework for gender equality and women's empowerment is solid, but cultural norms play a role in



women's participation in education and the labour market. Most child-care needs are covered by women in the household, which leads to increased vulnerabilities and gender-based inequalities. In 2017, the right of parental leave was recognised for fathers, after the 63-day mandatory leave for mothers.

Increasing the adequacy of the social assistance scheme through increased benefits and revision of the eligibility criteria to improve targeting are key priorities going forward. The social assistance scheme is the sole poverty reduction scheme in Albania, but its impact on poverty reduction remains limited. The eligibility criteria for the social assistance scheme needs to be revised thoroughly to better reflect the current income and living conditions and should ideally be linked to a minimum standard of living.

Increased support for the integration of social assistance beneficiaries into the labour market can improve their opportunities for better livelihoods as well as lower fiscal pressure on social protection spending. In the framework of the exit strategy from the social assistance scheme, efforts have been intensified for the “graduation” of social assistance beneficiaries from welfare to work through targeted measures by public employment services, local governments, and the State Social Service. Nevertheless, a considerable share of social assistance recipients is significantly detached from the labour market, with lowest levels of employability due to low skills, low education, and long-term unemployment.

The introduction of the new model of disability assessment should be accompanied with a thorough review of the level of adequacy of disability benefits and addition-

al measures to ensure availability of social and healthcare services, as well as provision of assistive devices and technologies. Levels of adequacy of disability payments remain a concern. Upward revisions in 2020 were arbitrary and were not based on an analysis of the extra costs of disability, which the current levels of payments fall short of compensating. However, policies on the inclusion of people with disabilities have acquired a more prominent role in social protection policies in recent years. The Ministry of Education reports that about 90% of children with disabilities attend mainstream education in 2022. Measures are being undertaken to improve accessibility in public school facilities. Inclusion of people with disabilities in the labour market is a priority of the NESS 2021-2030. A specific employment promotion programme targeting the inclusion of people with disabilities has been operational with relative success and the Employment Social Fund (ESF) was established to promote and facilitate employment of people with disabilities.

Coverage of the unemployment benefit programme and the replacement rates are very low. Unemployment benefits remain ineffective as a support measure to ensure temporary social protection for those who have exited the labour market or to ensure suitable conditions to seek a relatively decent job. In the medium term, Albania should consider reforming unemployment benefits by paying higher benefits based on a replacement rate with some degree of redistribution. Pension coverage is high: in 2021 the social insurance scheme paid on average 557,000 old-age pensions, and there were 620,000 people over the age of 60. The fiscal sustainability of the pension scheme is frail, and with the current relatively high social contribution rates, efforts need to be undertaken to increase social security coverage.

An integrated approach for social services needs to be created to improve outcomes for service users. This will require building capacities of local governments and increasing the coverage, scope, and quality of social services. Standards and practices for community based social services are yet to be established in several sectors/subsectors, including the need for greater coordination between healthcare, education, long-term care, disability, and others. Funding for social care services needs to be expanded and the central government needs to establish a more sustainable financing mechanism that provides adequate support and fosters innovation.

Demand for social housing is high but the human and financial infrastructure to meet the demand remains modest. The devastating effects of the November 2019 earthquake in Albania further increased the need for housing. Funding for social housing increased sharply, in part driven by the increased allocations for the subsidised rent programme for beneficiaries in the earthquake hit municipalities. Post-earthquake reconstruction needs led to the increase in the relevance and size of the social housing programme. As the post-earthquake reconstruction programme winds down, funding needs to be sustained and redirected toward increasing the availability of social housing stock.

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Annex Fiche on Social Entrepreneurship

Introduction

Social Entrepreneurship was legally defined in Albania in 2016, with the adoption of the Law on Social Enterprises (Law 65/2016), which defines social enterprises as non-for-profit (NPO) organisations which undertake activities in the areas of: i) social care services; ii) mediation for employment; iii) youth employment; iv) health preservation and promotion; v) education services; vi) environmental protection; vii) promotion of tourism, culture, cultural heritage; viii) sports activities aiming at recreation and socialising;- and ix) promotion of local community development. The social enterprise status is awarded by the ministry in charge of social affairs, currently falling under the responsibility of the Ministry of Health and Social Protection. Legal entities must comply with certain economic and social criteria in order to qualify for social enterprise status, namely:

- Economic criteria related with the undertaking of activities in producing goods and/or services; at least 30% of revenues should be derived from the set of specified activities (20% until the second year of establishment); employment of at least three paid employees; as well as reinvesting business proceeds in expansion of social entrepreneurship activities;
- Social criteria related with an obligation to pursue social objectives in a well-defined scope of activities; and the guarantee that at least 30% of employees belong to unfavoured groups from a social and economic perspective.

Social enterprises must apply participatory decision-making principles in their work, with the inclusion of employees and other stakeholders in strategic decision-making. The collective dimension of social entrepreneurship has been defined as one of the key principles of the organisation and functioning of social enterprises, alongside transparency, sustainability, autonomy and accountability, and effectiveness.

In principle, the law foresees mechanisms for support of social enterprises, including budgetary state subsidies for the enterprise or its employees. However, social enterprises are subject to the same fiscal regime as other taxpayers of the same category (i.e. other non-for-profit organisations carrying out economic activity).

Legal definition and scope of social economy

Social enterprises are broadly understood as undertakings that have a primary goal to achieve social impact, rather than maximise profits for owners or shareholders.¹⁷ A standard definition of social enterprises has not been developed but the concept is linked to the dimension of commercial activity to achieve common goods/values, while having an inclusive governance/ownership system.

The legal definition of social enterprises in Albania limits social enterprises to non-for-profit organisations that can only operate in a set of restricted sectors. The concept of social enterprises is primarily linked with the provision of social inclusion activities, by facilitating the integration of people excluded from the labour market.

¹⁷ Social Business Initiative of the European Commission, 2011.

Depending on the form of their internal organisation, non-for-profit organisations can be either NPOs with membership (associations) or NPOs without membership (foundations and centres). NPOs are free to conduct commercial activities provided that this is in line with the NPO's goals, that it is not the primary goal for its existence, and that profits are reinvested towards the achievement of the general goals of the organisation. Non-profit-organisations are exempt from Corporate Income Taxes.¹⁸

The term “social economy” describes a broader set of organisations, notably cooperatives, mutual societies, foundations, associations, paritarian institutions, as well as newer forms like social enterprises, as per the European Social Economy Charter¹⁹. In accordance with the broader term, social economy operators in Albania are mainly incorporated as non-profit-organisations; cooperatives (companies of reciprocal co-operation); and financing mutuals (credit and savings unions).

Status and development of social enterprises

The social economy sector in Albania has emerged since the 2000s, driven primarily by international donor programmes to fill the gap in welfare and public interest service delivery. The emergence of stronger demand for public welfare policies and integration of marginalized groups led to increased policy attention towards the different forms of public service delivery. European and donor funding, alongside the stakeholder pressure in the economy represented an important driver leading to the adoption of the legal framework on social enterprise in 2016.

The adoption of the law came with the commitment to provide substantial public funding for the sector. However, the regulatory framework for the implementation of the law was only completed by 2020. The Council of Ministers issued a number of key decisions related with the operation of social enterprises in 2018; specifically regulating the list of activities that may be undertaken by social enterprises (Decision of Council of Ministers DCM 16/2018); the concrete categories of unfavoured groups (DCM 56/2018); rules for carrying out control of social enterprises (DCM 716/2017); the authorisation of state aid for social enterprises (DCM 85/2018); and the establishment of the fund in support of social enterprises and forms of support through subsidies (DCM 789/2018).

The fund in support of social enterprises amounted to a total of approximately ALL 250 million (EUR 2 million) for the 2019-2021 period, to be distributed to social enterprises for:

- Investment in machinery for production of goods and services;
- Training and upskilling of new employees from unfavoured categories;
- Subsidising up to 50% of the minimum wage for new employees from unfavoured categories, for a six-month period.

The SE Fund would finance up to 70% of eligible costs up to a maximum of ALL 1.5 million (EUR 12,000) for those entities that had received the SE status and who present a business plan that justifies the ability to recover costs.

Entities aspiring to receive the status of social enterprises were first invited to apply in February 2019, following the approval of detailed instructions and the respective call by the Ministry of Health and Social Pro-

¹⁸ Some exemptions apply for certain types and sizes of commercial activity undertaken.

¹⁹ <https://www.socialeconomy.eu.org/the-social-economy/the-social-economy-charter/>

tection. The application process was cumbersome and procedures to determine eligibility overly strict and not sufficiently clear (Partners Albania, 2022). As of 2022, only nine non-profit-organisations have received the status of Social Enterprises.

The first call for proposals for funding from the SE Fund was issued by the Ministry of Health and Social Protection in July 2021²⁰, five months before the conclusion of the timeframe of the Fund. Four applications were received, but none of the proposals were approved for financing, primarily because none of the business plans presented were deemed feasible (Partners Albania, 2022).

The review of criteria and procedures for support to social enterprises was thoroughly undertaken in a Partners Albania report in 2022. According to the findings of this report, the applicants encountered a number of difficulties linked with the relatively short timeframe for application and funding, heavy documentation requirement, and restrictive conditions on employment of people from marginalised communities and limits to the size of financing.

The narrow definition for social enterprises has, arguably, played a detrimental role for the development of the sector. The legal status of social enterprise is restricted to non-profit-organisations only. Moreover, the use of the term social enterprise is forbidden for entities that have not obtained the formal status by the ministry in charge of social affairs and significant fines are foreseen in cases when the term is used unduly.

Various forms of social enterprises

There is little or no quantitative or qualitative data on the size of the social economy sector and the scope of their services.

There was a total of 12,240 NPOs in Albania in 2021, of which 2,217 organisations have an active status²¹ (Resource Centre for Civil Society, 2021). In 2018, Partners Albania reported that there were 319 NPOs licensed to provide social and educational services. The majority of NPOs carrying out social economy functions provide services in the social care sector ranging from community-based social care services, to shelters for victims of domestic violence and trafficked women and children, as well as advisory services, psychology, counselling, and legal aid. Other organisations engage in educational services, crèches and kindergartens, as well as vocational training, including artisanal and agricultural training to vulnerable groups. Some social enterprises are engaged in tourism and destination promotion, hostel services and catering, and production and trading of artisanal and handicraft products.

Some cooperative and mutual financing societies also pursue collective interest aims – in so doing they have an impact, albeit indirect, on the wellbeing of the community at large. Cooperatives are mainly present in the agriculture and farming sector in Albania; however, their presence is not as large due to the legacy associated with the “forced” forms of solidarity and cooperation in communist cooperatives prior to the 90s. In 2018, there were 58 societies of agricultural cooperation in Albania with a total of 1,000 employees (pursuant to law 38/2012). Agricultural cooperatives engage mostly in agricultural production, storing and trading.

Financing mutual (credit and savings societies and unions) are established according to Law 52/2016 on the basis of voluntary organisation of its membership. Members deposits in the society are used to provide

20 <https://shendetesia.gov.al/apliko-per-statusin-e-ndermarrjes-sociale/>

21 The organisation has carried out activities for a consecutive 12 month period.

loans to members of the financing mutual. In 2022 there were 16 credit and savings societies and one union in Albania (BoA, 2022).

Some commercial companies also embrace the principles of social entrepreneurship in their operations or have expanded the principles of corporate social responsibility through the establishment of foundations or charities, or through the prioritisation of inclusive principles on their operation.

Funding

The non-profit sector and social enterprises are generally funded by grants or donor funding, which is predominantly international. Most social entrepreneurship projects have so far been launched by civil society organisations (NPOs). This provides valuable support but creates challenges for expansion and empowerment due to the lack of capital and support to strengthen capacities. Some social enterprises have benefited from the loan and acceleration support provided by Yunus Social Business (Rosandic, Kusnikova, 2018). Social enterprises rarely receive support from government or their public institutions.

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