

National Workshop “Tackling Informal Employment in Albania: Current Situation and the Way Forward”

21 December 2018, Tirana

Report

On December 21, 2018 the *Employment and Social Affairs Platform, Regional Cooperation Council* organized a national workshop on informal employment in Albania, which brought together around 30 participants, including high level officials from ministries of economy, finance and labour, employers and employees’ organization, economic experts, researchers, etc. The purpose of this workshop was to present the findings of the diagnostic report on informal employment and to share and discuss recommendations for effectively tackling informal employment from a holistic perspective. In addition, this workshop encouraged an open discussion among actors in Albania on specific aspects of informal employment.

Ms. Dajna Sorensen, Deputy Minister of the Ministry of Finance and Economy emphasized some results of the mid-term review of the “*National Strategy for Employment and Skills*” and highlighted the positive outcomes of the work so far. 50 % of measures are with a substantial progress while the remaining are already initiated. In terms of the *labor market policies* pillar where the tackling of informal employment is included, 78 % of measures are at an advanced stage of implementation. In terms of the role of State Labour Inspectorate (SLI) in tackling informal employment, it is worth mentioning that the labor inspectors are oriented toward the informal employment detection and inspections thus creating better working conditions from employees. Ms. Sorensen pointed out the importance of increasing awareness to different actors on the benefits of being formal and actions need to be undertaken into this direction. She added that there have been some preliminary positive results on this perspective which is showed through the increase of complaints from employees- 95 % of these complains, address the employment relationship. This shows that citizens are already equipped with the instrument to complain. Ms. Sorensen highlighted that there has been an increase of detections of informal employment with 2.4 times compared with the last year. However, she admitted that an effective institutional coordination is necessary to happen. Ms. Sorensen praised the analysis and expressed the interest of the Albanian institutions to continue cooperating with their peers in the Western Balkans.

Ms. Alessandra Frontoni, Program Manager, Delegation of the European Union to Albania referred to the EU work with the government of Albania to promote the formal employment and skills development over the past decade. The action under focus was the transposition of the Albanian legislation with the EU directives related to the working conditions, the modernization of the employment and VET services in order to provide more opportunities for entering the formal market. It is very important in Albania to create quality jobs that would allow the guarantying of working conditions and the sustainability of quality development and this is what the EU keeps promoting and we will keep promoting and advocating for Albania in its path toward integration.



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Mr. Nand Shani, ESAP team leader presented the context in which the diagnostic report has been developed in the framework of the ESAP project, as well as process of consultations with national administrations.

Ms. Brunilda Kosta, the ESAP national expert for Albania and **Mr. Srdjan Kujundzic**, ESAP expert, shared the key findings of the diagnostic report on informal employment in Albania. The few available statistical data revealed the high level of informal employment's typologies and the complexity of this phenomenon. Considering this, Ms. Kosta put emphasis on the varieties of measures the EU members pursue that could be replicated in Albania. Ms. Kosta pointed out several macro determinants of informal employment in Albania including the low GDP per capita, high level of corruption and lower quality of governance, low expenditure on labour market interventions to help the most vulnerable groups, low levels of social expenditure, welfare provision and higher levels of poverty. In terms of the organization to tackle the informal employment, Albania has neither a single agency nor a central body to ensure better coordination across departments involved in tackling this phenomenon. Instead, a more fragmented approach exists. In Albania, a relatively narrow deterrence approach is currently adopted with a focus upon deterring participation in informal employment, by increasing the penalties and risks of detection. Little emphasis is put on improving the benefits of and incentives for being formal, or more indirect preventative tools, such as awareness raising campaigns and dealing with the imperfections and failings of formal institutions.

Representatives of key institutions tackling undeclared work presented the main current measures they are implementing in tackling undeclared work:

Mr. Arben Seferaj, Head of the State Labour Inspectorate (SLI) emphasized the measures the SLI has been undertaking recently while stressing the plans to better tackle the informal employment. The SLI has launched a new website which will serve as a platform of monitoring and communication with employers/employees and other actors. In addition, the SLI created an internal group of experts to improve the professional capacities of labor inspectors. In terms of the institutional cooperation, there is an increased interest to cooperate with the Tax Administration and the National Business Center, while fostering the local cooperation in order to share on real time, important information related to the declared employees, etc. Finally, Mr. Seferaj introduced a very recent initiative which will be implemented soon, that of "Penalties Matrix". The purpose of this matrix is to ensure the transparency of labor inspectors' decisions and guarantee equal treatment of taxpayers. This matrix will automatically generate reports and ensure historical data that the SLI will be based on, to undertake specific measures to better tackle the informal employment. This matrix will help to increase the trust of employers and employees in the SLI.

Mr. Gjergji Duro, Head of Risk Management Department, General Taxation Directorate (GTD) noted the sustainable results the GTD's actions have been producing in terms of the formalization of the economy and undeclared employees. Mr. Duro said that the Tax administration is trying to be proactive toward the tackling of informal employment, thus changing the past reactive approach when using only the inspections measure. Nowadays, the

Risk Management Department has been pursuing sectorial projects and analyses in details all causes of being informal. Based on the analysis, follow up actions are undertaken. He added that the Tax Administration cannot cure the phenomenon without diagnosing its causes. Finally, Mr. Duro mentioned that Tax Administration will put more emphasis on increasing the awareness of taxpayers and employees on the benefits of being formal.

During the discussion session, Ms. Kosta shared some of the key proposals of the second report which were mostly related to the preparation of a national strategy to tackle informal employment, the persuasion of a holistic approach to tackling the informal employment, strengthening the professional capacities of the SLI, increase the institutional cooperation between tax administration and SLI and social partners, public awareness campaigns to showcase the benefits of declared work. This will gradually help to change the values, norms and beliefs regarding the benefits of declared work.

Ms. Zamira Pode, Representative of the Tirana/Albanian Chamber of Commerce to Luxembourg Chamber of Commerce –Albanian Representative emphasized as a key important aspect that will serve an effective tackling of informal employment, the better coordination between different inspectorates as far as the business has been facing several inspections without any prior coordination in between.

Ms. Diana Leka, Head of Investment Council Secretariat: While it remains a fact that the size of the informal economy in Albania does not yet converges in a single figure, the fact that the phenomena is massive and systemic is generally accepted. As such, we as IC have as well recommended that a systemic spread “virus” needs a systemic or as you pointed out in the document a holistic approach to be cured. From the work IC has done in understanding informality in sectors such as tourism or agriculture activity, it was made clear that informality has regional specificities and alliance with local authorities in identifying and tackle informality is crucial to success of any measure trying to tackle informality in employment. This is a very important document to shape the future steps regarding formalization of labor, and great efforts to put together concrete steps and actions.

Mr. Artur Papajani, Tax Consultant and former Director of the GTA: Albanian government does not have a strategy to tackle informal economy and informal employment. A holistic approach is indispensable to effectively tackle these phenomena, as it is very well described in the report (In the agriculture sector, 40 % of the employees are informal. So, the role of other line ministries is crucial on tackling the informal employment). In terms of determinants of informal employment, he underlined the lack of transparency of the government related to the use of taxes and the low citizens and taxpayers’ trust to the government. Coupled with the very low level of education since the preliminary school on the benefits of being formal, or why to pay taxes, fuel the widespread of informality.

Ms. Esmeralda Ballesha, Coordination Unit of the National Business Forum: There is a lack of knowledge from the business side and employees on the benefits of being formal. To design effective measures to tackle informal employment, better cooperation and effective dialogue between actors should be developed. As regarding to the determinants of the informal

employment, Ms. Ballesha highlighted the continuous changes of labor and tax legislation. In addition, the government should say to its citizens where our taxes go. In this direction, the transparency should be improved.

Mr. Zef Preci, Executive Director of the Albanian Center for Economic Research (ACER): This is the most comprehensive report and reflects another approach, providing several recommendations that could help the Albanian government to draft a national strategy to tackle the informal economy and informal employment.

Ms. Anisa Subashi, Deputy President of Confederation of Trade Unions: Awareness is very important not only to the new generation but also for the other generation, especially on the long term benefits (pensions). This is a great report and Albania should be prepared to replicate the recommendations that EU members are implementing.

Other representatives during the discussion session took the floor and gave their views on the findings and recommendations. In summary their perspectives are as follows:

- Data mining and data sharing is a key step toward a better tackling of informal employment;
- Increase the transparency of the government, especially on the investment of taxes collected;
- It is necessary to mix both direct and indirect measures to tackle the informal employment;
- Better coordination of inspections businesses receive;
- Improve the public-private dialogue.

Mr. Nand Shani concluded with a summary of the proposal to follow up the 6 national workshops on undeclared work with a high level regional event in the framework of ESAP. Additionally, ideas were presented about the intention to establish a regional network of key institutions tackling undeclared work in the Western Balkans that will engage in mutual learning and joint activities to enhance their impact on the ground. RCC aims to take this agenda up in a follow up project to ESAP and the idea was welcome by all participants.

List of participants

No	Full Name	Position	Institution
1	Dajna Sorensen	Deputy Minister of Finance and Economy	Ministry of Finance and Economy
2	Gjergji Duro	Head of Risk management Department	General Tax Directorate
3	Pranvera Selgjekaj	Risk management Department	General Tax Directorate
4	Imir Kraja	Risk management Department	General Tax Directorate
5	Arben Seferaj	General Director	State Labour Inspectoriate

6	Irida Qosja	Specialist	State Labour Inspectoriate
7	Albana Bakalli	Specialist	State Labour Inspectoriate
8	Diana Leka	Chairman	Investment Council
9	Kol Nikolla	President	Confederation of Trade Unions
10	Anisa Subashi	Deputy President	Confederation of Trade Unions
11	Ardjan Kola	Specialist	Confederation of Trade Unions
12	Flutura Xhabija	Executive Director	Professional and Business Women Association (PBWA)
13	Tefa Demeti	Expert	Professional and Business Women Association (PBWA)
14	Esmeralda Ballesha	Coordination Unit	National Business Forum in Albania
15	Junida Katroschi	Operations specialist	Bank Association
16	Zef Preci	Executive Director	Albanian Center for Economic Research
17	Fatmir Memaj	Executive Director	Albanian Socio-Economic Think Tank
18	Artur Papajani	Senior Tax Consultant/former TaxPayer Advocate at the GTD	General Tax Directorate
19	Ledina Loga		Monitor- Economic Journal
20	Erina Buzi		Business Albania
21	Estrina Qesja		Albanian Institute of Statistics
22	Alessandra Frontoni	Programme Manager	Delegation of the European Union to Albania
23	Hajli Haxhija	Specialist	Municipality of Shkodra
24	Zamira Pode Hirsch	Representative of the Tirana/Albanian Chamber of Commerce to Luxembourg Chamber of Commerce –Albanian Representative	
25	Nertila Busho	Professor	Faculty of Economics, UT
26	Elira Demiraj	Director	National Employment Service
27	Etleva Gjellaj	Director of Programs and Labor Market Integration	National Employment Service
28	Nand Shani		ESAP, RCC
29	Srdjan Kujundzic		ESAP, RCC
30	Brunilda Kosta	Lecturer/Researcher	ESAP, RCC