



Weekly Briefing

**Albania social briefing:
A vortex of poverty, inequality and adversity
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A vortex of poverty, inequality and adversity

Summary

Poverty is a trait of Albania's society that has been accompanying the country for decades. As much as it is dreadful, it is persistent. It has a multifaceted, multidimensional and already extreme character.

This tendency of a type of spiral poverty is creating unprecedented uncertainties for most of the society. As Albanians are starting to revive the pre-pandemic trend of migration, the most used phrase is "*they are leaving for a better life.*" The deterioration of living conditions is fueling a deep sense of despair and hopelessness. This briefing is an overview of poverty elements and ramifications in the Albanian society.

Introduction

Economic growth in the last decade is not affecting the welfare of the population in Albania. The extra income generated by different sources is accumulated in a few beneficiaries, deepening inequality and affecting the country's poor, who risk growing in number. Adding to this, there is latest increase of prices that targeted food and transportation. This increase is another burden on the impoverished families of the country.

Since its opening up to the world in 1991, hopes for eliminating poverty were high, yet, reality proved Albanian people wrong. In three decades of open economy, it was not managed to make a country of less than 3 million people escape poverty!

The issue of poverty in Albania

The rigidity of the distribution of economic growth was clearly observed during the pandemic, where Albania had one of the lowest economic decline rates in the Western Balkans, but, the number of poor people increased more than in any another place. According to the World Bank conservative scenario estimates, pandemic generated 112 thousand more poor persons in Albania. A senior World Bank economist argues that the main reason why the pandemic crisis has produced the poorest people in Albania has to do with the fact that a large part of the Albanian population lives on a per capita income, close to the poverty line (of 5.5

USD\$ per day). Therefore, small changes in income can generate greater effects on poverty. Poverty in Albania is closely linked to the level of education of the head of the household, the number of family members, employment among adults and housing conditions. In this regard, policies that reduce gaps in these areas are likely to have a positive impact on poverty reduction, but there are no policies of this kind.

Poverty was already rising but the pandemic worsened the situation. The increase was caused by the contraction of tourism and related services sectors, which in recent years have been the main generator of employment in the country. Labor force participation of women under 25 continues to be low, at 31%. Real wages for women have risen relatively faster than for men in administrative services, reducing the gender pay gap in those sectors.

World Bank estimates that in the pre-crisis period of 2008, the poor benefited from strong wage increases, especially for low-skilled workers, but since 2014, poverty in figures appears to have fallen mainly because more poor people were employed, but employees in general were not receiving higher profits.

During the period 2010-2018, productivity in the economy increased by 7%, while the average real wage increased by only 3%. Almost all sectors have increased profits, but have been reluctant to share them fairly with employees. Albania was one of the few countries in Europe and Central Asia that, in the last decade, increased productivity more than wages, while in other developing countries, the opposite happened. Around 40% of employees wage are equal to the amount the minimum wage, below the relative poverty line of 5.5 \$ per day. ¹

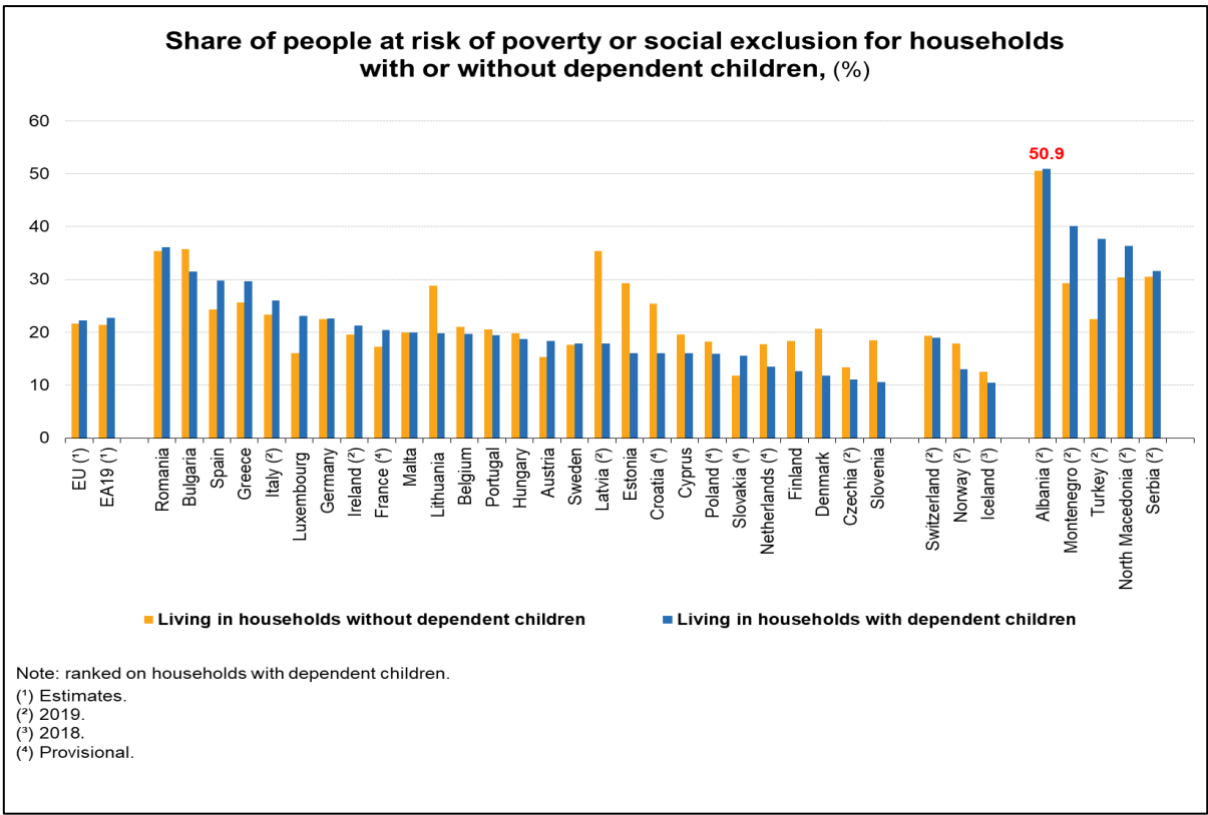
Over half of Albanians were already at risk of poverty or social exclusion since 2020, the highest percentage in Europe according to the European Institute of Statistics (Eurostat). When comparing the data from EU member states and Western Balkan countries, Albania performed worst with 51% of the population at risk. The second was Montenegro with around 40%, followed by Turkey with 38%, and North Macedonia with approximately 35%. For comparison, the European average is 21.9% of the population, equivalent to 96.5 million people.

Eurostat defines those at risk of poverty as households that face severe material and social deprivation, cannot afford a set of predefined material items or social activities, or have a very low household work intensity. Across the continent, women, young adults, and those with a

¹ Hoxha, B. (2021, June 25). Si po rikthehet varfëria. *Monitor*. Available at <https://www.monitor.al/si-po-rikthehet-varferia/>

low level of education were most likely to be considered at risk. Concerning, those under 18 and those aged between 18-24 were most at risk.

The minimum wage in Albania is 242.50 Euros € per month (net), but many work for less in the large informal economy. The average salary is reported to be around 460 € per month before. The unemployment rate is around 12% as of March 2021. In 2018, INSTAT (Albania’s state statistics agency) reported the at-risk of poverty rate was just 23.4%. If this is correct, the number of those at risk could have more than doubled in just three years. ²



Source: Eurostat (online data code: ilc_peps03n)

Rising prices is another serious issue, especially considering that about 41% of an Albanian family expenditure goes on food. Albania is the first country in the region with the highest percentage of food expenditures. As the economy gradually opened up, the country is already facing rising prices, which have affected basic foods from bread, meat and dairy to oil

² Taylor, A. (2021, November 1). Society: Over Half of Albanians are at Risk of Poverty, Worse Rates in Europe. Available at <https://exit.al/en/2021/11/01/over-half-of-albanians-are-at-risk-of-poverty-worse-rates-in-europe/>

and its by-products. Taking into account the fact that Albania is the country with the lowest wages in the region, the poverty gap can be widened if supportive and mitigating measures are not taken.³

The Consumer Price Index (CPI) in October 2021 reached 102.7 compared to one year prior. The annual change in the level of consumer prices in the previous months is 2.4%.⁴ The main impact is the increase in the price of "food and non-alcoholic beverages" (+ 1.33%), followed by "transport" (+ 0.36). Thus food and transportation are costing Albanians more, consequently impoverishing household. In terms of percentage the above does not seem drastic, however, when considered that most of the household income goes in food, than the rise impacts plenty.

The adversities of the most vulnerable of the society – children and the elderly

In recent years, INSTAT has started publishing indicators of poverty and material deprivation of children under 16 years of age. The measurement methodology of this indicator is built based on the methodology of the European Union (EU), which measures the availability of 13 indicators related to normal clothing and nutrition. The experts obtained the results of material deprivation for children under 16 years of age for at least 13 items such as the following. Have some new clothes; Pairs of shoes; Eat fruits and vegetables once a day; Have outdoor entertainment equipment or indoor toys; A convenient place to study or do homework; Participate in paid school trips and events; Go on vacation away from home for at least a week each year, etc.

For each of the items it was found that over 90% could not fill them, but the highest gap was observed in the ability to wear them with new clothes. Nearly 99.9% of families stated that they do not meet almost all the needs of children with new clothes. 99.9% of households stated that their children have unmet needs for at least two pairs of suitable shoes or sandals.

³ Euronews Albania (2021, October 6). Rreth 41% e shpenzimeve të një familjeje shqiptare shkojnë për ushqime. Available at <https://euronews.al/al/vendi/ekonomi-1/2021/10/06/eurostat-rreth-41-e-shpenzimeve-te-nje-familjeje-shqiptare-shkojne-per-ushqime/?fbclid=IwAR1l-JJwzVpA97RARJ8imw6df5zHmtblnQ6DhGKiCRys338S4zlpKJXQT8>

⁴ Poltiko (2021, November 9). Rritja e çmimeve/ Kryeson transporti dhe produktet e shportës. Available at <https://politiko.al/e-tjera/rritja-e-cmimeve-kryeson-transporti-dhe-produktet-e-shportes-instat-nxje-i447356?fbclid=IwAR0PBdEXu5zvVw3X3YO TCtHWokY0mlS95FY9DuO3WUfb FnQZkcSL7Qdf9E>

99.1% of households stated that it is impossible for them to feed their children meat at least once a day. 90% of families with children stated that they do not meet the needs.⁵

Besides children, the elderly are the other most at risk of poverty group. Demographic transition promotes poverty in old age, and this affects heavily pensioners. This group, which will soon make up 30% of the population, lives in poverty and with no prospect of improving financial conditions in the future. According to INSTAT definitions, based on international methodologies, a pensioner is considered poor if the monthly payment is less than half of the national average salary. The average salary in 2020 was 54,951 Albanian Lek (ALL), while the average pension in the city was 15,732 ALL. The average pension is currently 57% of half the average wage, classifying the overwhelming majority of retirees in the poverty rate. The future is not optimistic, because the number of older people will increase rapidly, and incomes will be under pressure and likely to decline. In January 2021, INSTAT reported that the number of persons over 60 years old reached 619 thousand.

On the other hand, an official release of the office of ombudsman was concluded that the value of the minimum vital in Albania is approximately 17,875 Albanian Lek per month (or 145 Euros). Vital Minimum, 37% higher than unemployment benefit and 9.9% higher than minimum pension.⁶ In essence, more than 90% of retirees and minimum wage persons live already in poverty.

Conclusion

Poverty is a social plague that requires seriousness and long-term strategic policies. To support the poorest and most exposed to these economic downturns, immediate socio-economic response are needed. The phenomenon of poverty could be alleviated if interventions were applied to the cores issues and elements that cause this social burden. It is visible from the data that productivity of the country has risen, but wellbeing has not. In this case, there is only two possible causes: greed of owners/managers that do not appropriately compensate workers, and corruption. With poverty rates of such scale, it would be safe to state that there is a combination of both.

⁵ ABC News (2021, September 27). Fëmijët shqiptarë të varfër, mbi 97% e familjeve nuk u plotësojnë standardet për ushqim dhe veshje. Available at <https://abcnews.al/femijet-shqiptare-te-varfer-mbi-97-e-familjeve-nuk-u-plotesojne-standardet-per-ushqim-dhe-veshje/>

⁶ Gazeta Shqip (2021, July 18). Qeveria nuk e nxjerr shifrën/ Minimumi jetik, 37 % më i lartë se pagesa e papunësisë dhe 9.9% më shumë se pensioni minimal. Available at <https://www.gazeta-shqip.com/biznes/qeveria-nuk-e-nxjerr-shifren-minimumi-jetik-37-me-i-larte-se-pagesa-e-pap-i1144408>