Labor Market in Albania: Overview, Components and Analysis

Llambi Prendi
Artur Hadroi
Klarida Prendi

University “Aleksandër Moisiu Durrës”,
Durrës, Albania

Received: 05 May 2022 / Accepted: 16 May 2023 / Published: 20 May 2023
© 2023 Prendi et al.

Doi: 10.56345/ijrdv10n1s123

Abstract

The main part of the study is the assessment of the current situation of the labor market in Albania, focusing on the analysis of work structures as well as on the main problems faced by the employed, unemployed, and employers. Given the objectives of the main purpose of this paper, primary data were used through questionnaires carried out throughout Albania. To analyze the supply and demand of work, 400 individuals were surveyed on 16 enterprises and 100 private subjects of persons by means using the selection technique. Both parties interested in work find it difficult, on the one hand, job seekers find it difficult to find a place to work, and companies also declare that they find it very difficult to feel that they fit the requirements of the sector in which they operate, or that fit the objectives of the companies and their leaders. The results of this work will also be visible to guide scientific research for the determination of the instruments and paths that must be followed to verify the working hypotheses, formulated for different issues, and objects of study.

Keywords: labor market, employment, unemployment, labor supply, labor demand

1. Introduction

The labor market situation determines a country’s economic well-being, and being unemployed is closely related to being poor. Employment and unemployment are the two main features of the labor market.

Addressing issues and problems related to employment, having as the main objective the realization of conditions that will enable stable and effective employment, can lead to effective solutions, if they are treated in all their complexity, combining concepts of sciences economic, demographic, social, cultural, quantitative and qualitative analysis, etc. (Blanchflower & Freeman, 2000; O’Higgins, 2001 & 2003; Muller & Gangl, 2003; Freeman & Urte, 1982; Blanchard & Wolfers, 2000; Biagi & Lucifora, 2007; Korenman and Neumark, 1997 and 2000, Baccaro & Rei, 2005; Neumark and Wascher, 2004; Jimeno & Rodriguez - Palenzuela, 2002; Scarpetta, 1996, Braziene and Dorelaitiene, 2012).

The development and dynamics of the market in recent years have brought many problems which have often led to misorientation as well as the inconsistency of demand and supply for work in Albania. The presence of companies looking for free labor has increased a lot, which has brought a bad situation in the labor market where the importance is the quantity of work and not its quality and productivity! As a result, the gap between those employed in well-paid jobs and those in underpaid jobs has widened.

During the last few years, the economic structure of Albania has undergone many changes in all areas of the
economy, as well as the labor market has undergone many changes. There is a high number of unemployed people, and the majority of them are not well qualified according to the requirements of the labor market and who, due to the lack of a job, cannot invest in their qualifications, so as much as possible remain unemployed, the more their human capital depreciates.

Our research aims to achieve several goals as follows: First, to be carried out as a study that evaluates the situation of the labor market in Albania. Secondly, to study the labor market through the analysis of its current characteristics, and the assessment of its dynamics. Thirdly, to analyze and evaluate the effects of the interaction of various factors that condition job seekers towards the labor market and the institutions that offer employment services in this market.

2. Research Objectives

To be developed as a comprehensive document in which:
- To analyze the labor market in Albania, employment, the problem of unemployment, their dimensions, and structure.
- To elaborate on the main issues and problems faced by the labor market in Albania, focusing, in particular, on dealing with the current situation in the labor market, the level of employment, their capacities, and professional performances in response to the demands of the regional labor market.
- To evaluate trends, difficulties, ways, and instruments that can be used to develop labor market capacities.
- To evaluate the characteristics and level of performance that the various institutions that offer employment services have and that should be further developed.

3. Limitations of the Study

Given that the findings of this study will be specific to Albania, these data cannot be generalized to other countries. Even in the case where there are other countries with similar characteristics, care should be taken in generalizing the data.

In this context, in the future, it would be interesting to investigate the importance of other factors, which have been left out of this study. Scientific studies on them would complement the present study.

4. Literature Review

After the 90s, Albania experienced many changes in the political system, administrative institutions, and economic relations with other countries and international institutions. Its economy has changed from a centralized economy to a market economy. One of the aspects that were most involved in these changes was the labor market.

“The labor market, also known as the job market, refers to the supply of and demand for labor, in which employees provide the supply and employers provide the demand. It is a major economic component and intricately linked to markets for capital, goods, and services” (Will Kenton (2022).

Employment and unemployment are the two main features of the labor market. Although they are related, this does not mean that the decrease in employment leads to the increase in the unemployment rate at the same rate, or even the opposite that the increase in the employment rate leads to the same decrease in the unemployment rate. According to Lyuben Tomev, this happens because the unemployment and employment rates are calculated in different ways. The employment rate means the rate of employment compared to the total number of the population who have the right to work (according to the standard definition of the ILO), while the unemployment rate means the rate of unemployed among the labor force (which is economically active). He adds that employment can occur through the establishment of a working relationship, through self-employment, or the establishment of an individual or family business.

4.1 Short Overview of the labor market in Albania

In 2021, there are about 1.25 million people employed in Albania, 0.56 million women and 0.69 million men. They are persons aged 15 and over, who work for pay or gain according to the results of the Labor Force Survey conducted by INSTAT. The number of people employed is essential to gauge the economy's ability to create jobs.

According to data generated by INSTAT, women are 1.7 times more likely than men to help on the farm or family business. On the contrary, self-employment is more common among men, with a participation of about 38% of their total
employment, or 1.5 times higher than women. People aged 15 and over, who work in the service sector, make up more than 44% of the total employed, while agriculture also remains an important sector, employing about 34% of the employees in Albania. On the contrary, those employed in the construction and industry sectors account for only 22%. Agriculture and trade workers are currently the main occupations in Albania.

For the year 2021, for the working age of 15-64 years, an employment rate of 60.9% was registered in Albania. The labor force in Albania according to INSTAT registers about 1411 thousand people in 2021 and the rate of participation in the labor force reached 59.8% during 2021 (67.2% for men and 52.6% for women). The unemployment rate in Albania in 2021 was 12.7%, which was higher than Romania, Bulgaria, Croatia, and Serbia but lower than Montenegro, North Macedonia, Bosnia and Herzegovina, and Greece.

Albania is a low-wage economy compared to other countries in Southeast Europe. According to EUROSTAT statistics, the average salary differs a lot in different regions of Europe, but also the net average wage in Albania is the lowest in the region.

Table 1: Average wage

<table>
<thead>
<tr>
<th>Country</th>
<th>Average wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net (EUR)</td>
</tr>
<tr>
<td>Albania</td>
<td>412</td>
</tr>
<tr>
<td>Kosovo</td>
<td>416</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>554</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>557</td>
</tr>
<tr>
<td>Serbia</td>
<td>727</td>
</tr>
<tr>
<td>Montenegro</td>
<td>757</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>773</td>
</tr>
<tr>
<td>Romania</td>
<td>858</td>
</tr>
<tr>
<td>Greece</td>
<td>1050</td>
</tr>
<tr>
<td>Croatia</td>
<td>1094</td>
</tr>
</tbody>
</table>

Source: EUROSTAT 2021

4.2 Role of demographic variables in the labor market

Some papers have studied the role of demographic factors in the performance of employees and consequently influencing the labor market. In his work Godson Kwame Amegayibor sees that once more that age and department had a significant relationship with employee absenteeism. The study also found that age, education, and tenure all had a significant relationship with employee output.

In their study, K. Shukla, S. Shahane, and W. D’Souza (2017) argued that demographic variable has a definitive role in determining the work-related quality of life of hospital employees. This was a cross-sectional study conducted on the employees of a corporate hospital in Pune, India from March 1, 2014, to April 30, 2014.

Long-term unemployment or a high duration of unemployment may be associated with personal characteristics such as human capital impairment or demographic/socio-economic differences. The long time to find a job constitutes a serious problem, especially for low-income groups in the labor market, Deniz Keskın Özberk (2021). Also, the author has estimated that in Turkey women have higher unemployment than men.

Analyzing data from a survey of 6,041 police officers, it was found that demographic factors and job characteristics influence job satisfaction, and organizational characteristics have a major impact. The study highlights similarities and differences in organizational dynamics affecting job satisfaction in police organizations in India and other countries and highlights the relevance of theory across countries and cultures, T. K. Vinod Kumar (2020)

4.3 Education and Employment

Education has a positive effect not only in facilitating access to employment but also in improving the chances of gaining quality employment. Thus, it is clear that promoting higher levels of educational attainment should remain a priority for countries where a large share of the labor force has received only primary education or less.

Research has shown that the skills more highly in demand nowadays - particularly, information-processing skills -
are "learnable". Thus, it is important that both formal and alternative schooling be tuned to the current needs of the marketplace so that students of today are better prepared for the jobs of tomorrow. Career guidance can play an important role in informing young people about current and emerging opportunities and thus facilitating better matches between supply and demand.

The findings show that the higher one's level of education, the better one's chances of getting a job and keeping the status of an employed person in times of crisis in the labor market. Higher participation in education is not necessarily associated with a higher employment rate since entry into the labor market occurs for some individuals as an alternative to continuing their education.1

4.4 Information and Employment

The changing nature of work due to COVID-19 containment measures led to an increase in the share of job postings advertising "working from home" as a required condition. This result is consistent with the widespread use of remote working practices in the five countries examined, in the effort to sustain economic activity and overcome limitations to operations due to sheltering-in-place orders or recommendations.2

With the spread of the internet, online job portals have become important forums for job matching by employers and employees. Online job portals often collect a large number of data in the form of job vacancies and resumes that can serve as a valuable source of information about the characteristics of labor market demand.3

The Hiring process should be rewarding compared to activities like making tough decisions, firing, and disciplining. This is because the need to fill a new position indicates the growth and prosperity of a business. However, there exist challenges in the process for example in cases where human resource specialists believe that not hiring problem-causing employees is the best way to handle problematic workers.

Vacancies serve as a filtering device by employers to pre-filter applicants as well as a description of an ideal applicant and his/her features. Whether it is one or the other or a combination could plausibly be linked to a state of the labor market.

Recent studies evaluating online job searches and the matching quality already find a positive impact (Mang 2012). Compared to traditional employment channels (newspapers, friends, agencies), online job portals can provide a wider range of choices as well as increasingly more advanced tools to evaluate the suitability of a job or a job candidate.4

4.5 Hourly pay and working time

Although our findings suggest that beyond around 25 weekly working hours both male and female part-time work gives rise to employer rents, the welfare implications for men and women are quite different: compared to full-timers, male part-timers do not reap the full benefits of productivity increases but their hourly pay rates do not suffer from this. In contrast, while female part-time does not affect productivity, it is more likely to generate precarity due to the combination of fewer working hours and lower hourly wages.5

The findings here point to the possibility that cyclical earnings responses will differ according to the relative tightness of the labor market around which cyclical payment effects take place. Some background labor market motivation is presented via firm-union bargaining. Certainly, in the case of hourly paid workers, weak wage and hourly earnings responses in the inter-war period contrast with much stronger outcomes in the post-war period.6

We found a strong positive correlation between the incidence of low-paid jobs and excessive working hours. Even though long working hours and a high incidence of (paid) overtime may be a way to reduce wage dispersion/differentials and increase low-paid workers' labor earnings, this positive effect has to be balanced against the potential negative

---

1 https://www.researchgate.net/publication/263848494_How_does_education_affectLabour_market_outcomes
3 https://www.researchgate.net/publication/311453863_Online_job_vacancy_data_as_a_source_for_micro-level_analysis_of_employer's_preferences_A_methodological_enquiry
5 https://docs.iza.org/dp7789.pdf
externals related to the higher risks of illness, injuries, and accidents.\(^7\)

5. Material and Method

In this paper, we will try to test the hypotheses raised regarding the variables taken in the treatment, using a deductive strategy. Meanwhile, a more inductive and investigative method will be used to understand the behavior of the employed and unemployed as well as employers. For this reason, the methodology will be a combination of qualitative and quantitative strategies (Bryman and Bell, 2004).

100 interview were conducted with managers and/or employees employed in these organizations, to discover their opinions regarding the problems of employing their staff. Primary data are collected for the main factors of the study, which cover different dimensions, applying the theory, primary data is collected using 380 self-report questionnaires.

In the first step, the problems of the employed and the unemployed are analyzed, using a content analysis technique. In the second step, several interviews are conducted with managers/employees, to obtain their opinions regarding some determinants of staff recruitment issues.

Scholfield (1996) explained that the relationship between sample size and population size is misunderstood. Determining sample size is considered one of the most controversial elements in research, in the design and sampling procedures for most studies. On the other hand, a small sample cannot provide accurate results, which will affect the validity and reliability of the research. Noorzaei (2005) investigated the optimal sample size that can represent a portion of the population and provide a level of confidence. Many authors have proposed different ideas for determining the size of the sample that would be taken in the study. Comfrey and Lee (1992), for example, suggested rough guidelines for determining an appropriate sample size: 50 - very poor, 100 - poor, 200 - fair, 300 - good, 500 - very good, and 1000 or more - excellent. However, other authors, such as Nunnally and Bernstein (1978) suggested that the number of subjects ratio should be at least 10:0.1.

In economic studies using quantitative research methods, a margin of random error of up to 5 percent is acceptable. To calculate the number of people to be interviewed, with the objective of obtaining results with a chance margin of error of 5 percent, the formula given by Stangor (2001) and Bryman and Bell (2003) can be used:

\[
n = \left( \frac{N}{1+Ne^2} \right)
\]

Where: \( n \) - the minimum number of persons to be interviewed
\( N \) - the number of people who belong to the community that is the target of the study
\( e \) = margin of error (5%).

Then \( n = ? \)

\( N = 950,000 \) (according to INSTAT data, the labor force of the Durrës district in 2022) and according to the literature that \( e = 5\% \),

Then:

\[
n = \left( \frac{950000}{1+950000 \times (0.05)^2} \right) \approx 399
\]

Based on the reasoning above, the sample size for this study should be 400 respondents. The response rate for the questionnaire was 92%.

The data analysis was done based on the anticipated evaluation indicators and the main findings of the study. The data obtained from the survey were recorded in a special database for the relevant statistical analysis, interpretation, and argumentation of the main findings of the study.

5.1 Multinomial logistic regression

Multinomial logistic regression will be used in this paper. This type of regression is similar to logistic regression but is more general because it does not require that the dependent variable necessarily have only two categories.

The characteristics of this regression are:

- Multinomial logistic regression is used when subjects need to be classified based on the values of a set of variables.

• The independent variables participating in the model can be categorical or continuous.
  • If they are categorical, they are considered as factors during data processing, while if they are continuous, as 'covariates’
  • This model is built, if it is accepted that the possibilities of the ratio of two categories of the variable, to be modeled, do not depend on other categories of the variable.

As in the linear regression model, the hypotheses $H_0: \beta = 0$ will be checked, that is, is there a relationship between the variable we seek to model and the variables participating in the model? To check these hypotheses, the Wald test will be used.

5.2 Research hypotheses

Hypothesis H:1. Demographic variables are important for work status.

Hypothesis H: 2. The level of education completed is related to the time of finding a job after graduation.

Hypothesis H:3. Factors related to the area of residence, gender and level of education influence the formation of the behavior of job seekers towards the possibility of employment.

Hypothesis H:4. The study of the opinions and behavior of job seekers towards the labor market information system:

In order to classify the variables, the author proposes the following sub-hypotheses:

H: 4.1: The behavior of employees towards information about the labor market varies depending on gender.

H: 4.2: The behavior of employees towards information about the labor market varies depending on age.

H: 4.3: The behavior of employees towards information about the labor market varies depending on education.

H: 4.4: The behavior of the unemployed towards labor market information varies depending on gender.

H: 4.5: The behavior of the unemployed towards labor market information varies depending on age.

H: 4.6: The behavior of the unemployed towards labor market information varies depending on education.

H: 4.7: The behavior of the demand for labor to the information on the labor market varies depending on the sector of the exercise of the activity.

H: 4.8: The behavior of labor demand to labor market information varies depending on the location of the activity.

Hypothesis H:5. Assessment of labor demand in the regional labor market.

In order to classify the variables, the author proposes the following hypotheses:

H: 5.1: The number of employees in local firms and institutions is determined by the type of organization and the sector of activity.

H: 5.2: The demand for work is affected by the educational level of job seekers.

H: 5.3: The willingness of firms to increase wages in exchange for increased working hours matches the willingness of employees to increase working hours in exchange for higher wages.

H: 5.4: The way of information on the labor market for both the job offer and the job demand is consistent.

H: 5.5: The demand for work is affected by vacancies and the level of knowledge possessed by job seekers.

6. Analysis and Findings

The study was carried out with a basic, main hypothesis: Employment is a multidimensional challenge whose complexity is influenced by the interactions of various economic factors, related to macroeconomic development, and the sustainable economic development of the region. Referring to the point of view according to which the scientific research was conceived, the study of various issues, part of this paper, was carried out having as working hypotheses: In the following, we will discuss the results of each hypothesis raised in this research.

Table 2: Summary findings of the hypotheses

<table>
<thead>
<tr>
<th>$H_0$</th>
<th>$H_1$</th>
<th>$p$-value</th>
<th>$vendimi$</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no difference between the level of education of the job seekers and the demand that the actors of the labor market have according to the level of education.</td>
<td>There are differences between the level of education of job seekers and the demand that the actors of the labor market have according to the level of education.</td>
<td>.000</td>
<td>H1 is statistically supported</td>
</tr>
<tr>
<td>There is no difference between job supply and job demand in terms of job positions.</td>
<td>There is a gap between job supply and job demand in terms of job positions.</td>
<td>0.00E+00</td>
<td>H1 is statistically supported</td>
</tr>
</tbody>
</table>
The development and dynamics of the market in recent years have brought many problems which have often led to misorientation as well as a mismatch between the demand and supply for work. The presence of companies looking for free labor has increased a lot, which has led to a worsening situation in the labor market where the importance is the quantity of work and not its quality and productivity! As a result, the gap between those employed in well-paid jobs and those in underpaid jobs has widened.
Labor costs in Albania remain low compared to other countries in the region. However, they seem to have increased significantly in recent years. Albania is a low-wage economy compared to other countries in Southeast Europe.

Regarding the level of education according to residential areas, it turns out that in rural areas the number of educated people with a low level of education is higher than in urban areas, as well as regarding the level of higher university education and that after -university, rural areas are presented with a lower percentage than respondents who live in urban areas. Compared at the national level according to the statistics published by INSTAT, the differences resulting in this statistic are not statically significant.

The results of the paper show that in Albania, the success of efforts to find a job depends on gender, age, residential area, level of education, and marital status. In these conditions, it is recommended to carry out more detailed studies taking into consideration the differences between men and women, rural and urban areas, educational level, etc.

Regardless of the level of education, the most reliable way to get information about the labor market is personal acquaintances, where 57% of the employed respondents affirm that to provide information about the labor market they relied on personal acquaintances, a trend that also matches with the conditions of the regional labor market.

Just as employees state that they are willing to increase their working hours in exchange for higher wages, so firms are willing to pay higher wages if their employees are willing to work more hours.

Between the ways of information used and evaluated by the parties in the labor market, there are differences that are statistically significant, and therefore the regional labor market faces a high rate of unemployment, where one of the main reasons is the mismatch of job offers with demand for work.

References


Qirici, S. (2005): Ekonomiksi i punës, Morava, Tiranë