The Impact of European Integration on the Labor Market in Albania: Challenges, Opportunities, and Perspectives

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Abstract

This paper analyzes the effects of the European integration process on the labor market in candidate countries for European Union (EU) membership, with a special focus on Albania. European integration brings a series of labor market reforms, including alignment of employment policies, increased labor mobility, and adaptation to the demands of an increasingly digitalized economy. The aim is to analyze key trends, challenges, and opportunities brought by European integration to the labor market, as well as to evaluate the policies and reforms being undertaken in Albania to meet EU standards. The comparative analysis includes Western Balkan countries and current EU member states, focusing on unemployment, employment structure, the impact of technology, and migration.

Keywords: *labor market, European integration, Albania, employment policy, migration*

1. Introduction

The European Union (EU) integration process has significantly impacted the dynamics of labor markets in candidate countries. Albania, as a potential member country, has undertaken considerable reforms to align its employment policies with the European acquis (the legal and institutional framework that comprises the EU system), which is one of the main pillars candidate countries must harmonize with during the accession process. However, challenges such as high informality, skill mismatch, and migration continue to pose serious obstacles. This paper aims to analyze these dynamics and assess the broader impact of European integration on labor market development.

Purpose and Objectives

This paper aims to deeply analyze the impact of the European integration process on the development of the labor market in Albania, based on comparative facts and recent institutional developments.

Specific objectives are:

To assess Albania's institutional and legal progress in compliance with the acquis Communautaire in the field of employment;

To analyze structural challenges hindering the Albanian labor market from functioning according to EU standards (such as unemployment, informality, migration, and skill mismatch);

To compare Albania's performance with other Western Balkan countries and EU member states on key

employment indicators;

To highlight the role of EU financial instruments (IPA, Erasmus+, Cohesion Funds) in strengthening capacities for labor market development;

To provide data-based recommendations for effective policies supporting the integration of the Albanian labor market into the European space.

2. Literature Review

Research on the impact of European integration on the labor market highlights both opportunities and challenges.According to Galgóczi, Leschke & Watt (2011), the integration process promotes labor mobility, increases productivity, and develops employment institutions in transition countries.However, Böhning and Schloeter-Paredes (2014) note that brain drain and transitional unemployment are common in countries in the early stages of integration.In the Western Balkans region, Bartlett (2020) emphasizes that structural reforms often remain slow and fragmented, negatively affecting labor markets and alignment with European employment standards.Reports by the European Commission (2023) suggest that integration can offer a strong institutional framework for labor market reform by promoting formalization, social security, and employment equality.In summary, the literature suggests that European integration holds significant potential for improving labor markets in aspiring countries like Albania, but success depends on the depth of undertaken reforms and institutional capacity for effective implementation.

2.1 Labor Market Challenges in Albania

Albania's labor market faces several deep and complex challenges that make it fragile and inefficient in providing sustainable employment opportunities. These structural problems have a direct impact on the functioning of the market economy, social welfare, and the approximation process with European standards.One of the most prominent challenges affects especially young people. According to INSTAT data (2023), unemployment for the 18–29 age group is around 21.5%, one of the highest in the region. This results from the mismatch between qualifications provided by the education system and actual labor market needs (ETF, 2022).Another major challenge is high informality. More than 30% of employed people in Albania are engaged in the informal sector, primarily in agriculture and trade, without employment contracts and outside the social security system (INSTAT, 2023). This phenomenon harms the state's revenue collection capacity, affects access to social services, and increases individuals' economic insecurity (ILO, 2022).Labor force emigration is also a challenge with long-term consequences. According to the World Bank (2023), about 1.4 million Albanians live abroad, most of whom are of working age and often highly educated. This phenomenon, known as "brain drain," reduces the country's talent pool and weakens the development capacity of strategic sectors.Marginalized groups, including women and rural populations, face additional obstacles in labor market inclusion. The employment rate for women in Albania in 2022 was 52.1%, compared to 68.5% for men (INSTAT, 2023). These differences are linked to the lack of gender equality policies in employment, childcare responsibilities, and the lack of support infrastructure in rural areas.All these challenges highlight the need for deep structural interventions in the labor market to enable Albania to meet the conditions of a functional market economy and integrate successfully into the European Union.Reforms Undertaken in Albania Over the Years (2018–2023)Over the past five years, Albania has undertaken a series of important reforms to meet the standards of European Union membership. These reforms have included justice, public administration, the economy, education, and institutional capacity building in the labor market sector.

1. Justice System Reform.

Justice reform has been one of the main priorities of European integration, aiming to build an independent, transparent, and trustworthy judiciary. The vetting process, which began systematically after 2018, involved evaluating the integrity, assets, and professional skills of judges and prosecutors. In 2019, around 30% of the judiciary had undergone vetting, while by 2022 this number surpassed 85%, contributing to the cleansing of the system from corrupt elements (Balliu, 2020).

2. Public Administration Reform.

Regarding public administration, Albania has implemented reforms to increase transparency, accountability, and service access for citizens. In 2018, the first e-services systems were implemented, which expanded significantly in subsequent years. By 2022, over 95% of public services were accessible online through the e-Albania platform (IDM, 2020).

3. Economic Reform.

Albania has focused its efforts on improving the business climate and achieving sustainable economic growth. Improving the legal infrastructure for investments, simplifying procedures for business registration, and digitalizing tax services are among the measures that have positively influenced the economic environment (IDM, 2020). According to the World Bank and other international sources, economic growth followed these yearly rates: In 2018, Albania recorded a GDP growth of 4.1%, driven primarily by the construction and services sectors (Trading Economics, 2024).In 2019, growth fell to 2.1% due to a slowdown in foreign direct investment and the impact of the earthquake at the end of the year (BTI, 2024).In 2020, the economy contracted by -3.5%, as a result of the global COVID-19 pandemic and restrictions on economic activity (World Bank, 2023).The year 2021 saw a strong recovery with 8.5% growth, thanks to fiscal measures and support for key economic sectors (IEA, 2023).In 2022, growth stabilized at 4.0%, reflecting a consolidation of economic recovery and an increase in domestic consumption (World Bank, 2023).These data show a positive trend towards sustainable growth but also the need to deepen structural reforms, especially in diversifying the economy and supporting long-term potential sectors.

4. Pre-University Education Reform.

Another key component of EU standards approximation has been improving the quality of basic education. In this regard, Albania took an important step in 2019 by participating for the first time in the TIMSS (Trends in International Mathematics and Science Study), an international assessment testing students' knowledge in mathematics and science based on global standards (TIMSS, 2019). This participation represented an effort to measure the education system's performance comparably with EU countries. In 2023, Albania participated for the second time, demonstrating continued commitment to transparency and quality improvement in education (TIMSS, 2023). The 2023 TIMSS results have been used by policymakers as a basis for new reforms in the school curriculum, improving teaching methodologies, and professional development of teachers (MAS, 2023). This progress is especially important for the labor market, as aligning education with real economic needs is a core criterion for EU integration.

5. The Role of EU Financial Instruments.

Programs such as IPA, Erasmus+, and the Cohesion Funds provide essential financial support for employment projects and institutional strengthening. These funds have helped improve training systems and public employment services, but absorption capacity remains limited (OECD, 2021). One of the most concrete aspects of EU assistance for aspiring countries like Albania is access to financial programs and funds aimed at strengthening institutional capacities and improving the labor market. Through IPA II and IPA III, Albania has financed projects related to skills development, equipping vocational training centers, establishing labor market information systems, and training public administration employees in employment policy management. Erasmus+ has helped increase academic and professional mobility for Albanian youth and improve curricula in higher education institutions (European Commission, 2023). However, the main challenge remains the limited institutional capacity to absorb and manage these funds. According to the OECD (2021), the lack of qualified human resources and weaknesses in inter-institutional coordination continue to limit the effectiveness of EU fund use in Albania.

3. Research Methodology

The core analysis of this paper is based on a combined methodological approach, integrating both qualitative and quantitative techniques to assess the impact of European integration on the labor market in Albania. The use of statistical data from official international sources such as Eurostat, OECD, the World Bank, and INSTAT forms the basis for comparative evaluation with other regional countries and EU member states.The qualitative method was conducted through structured interviews with Albanian policymakers and labor market experts to gain deeper perspectives on institutional challenges, barriers to reform implementation, and successful practices that can be adapted from EU countries. From a comparative standpoint, Albania's position was evaluated against other Western Balkan countries – including North Macedonia, Kosovo, Bosnia and Herzegovina, Serbia, and Montenegro – in indicators such as unemployment, employment structure by sector, digital transformation, and labor force migration. According to Eurostat data (2023), unemployment in Albania in 2022 was 11.2%, compared to 14.4% in North Macedonia, 20.3% in Kosovo, 15.4% in Bosnia and Herzegovina, and 9.5% in Serbia. In contrast, the average unemployment rate in the European Union was only 6.2%. These data suggest that Albania remains closer to the regional countries than to the EU labor market level (Eurostat, 2023). Employment structure represents another essential element in this analysis. In Albania, around 34.5% of employed individuals are engaged in the agricultural sector – a significantly higher percentage compared to the EU average, where this indicator is below 5%. This indicates an economy still reliant on low-productivity sectors and the need for diversification into new industries and value-added services (Eurostat, 2023). Digital

transformation is another component that strongly affects labor market competitiveness. The OECD report (2022) highlights that only 31% of the Albanian population possessed basic digital skills in 2021, compared to an EU average of 54%. This digital skills gap reflects the lack of investment in modern education and professional training and requires a review of policies for human capital development. Finally, migration remains a significant factor in regional analysis. According to World Bank data (2023), over 1.4 million Albanians live abroad, making Albania one of the countries with the highest percentage of diaspora in Europe. This situation is comparable to Bosnia and Herzegovina and Kosovo but significantly more pronounced than in countries like Serbia or Montenegro. The emigration of youth and qualified professionals – known as "brain drain" – creates major gaps in the domestic labor market and undermines the country's long-term development capacity (World Bank, 2023). The combination of quantitative data and qualitative analyses has enabled the construction of a clear overview of Albania's current position and strategic needs to improve it toward approximation with the European labor market development model.

4. Results

The comparative analysis developed between the Western Balkan countries and EU member states provides a clear framework to understand Albania's structural differences and specific needs for labor market development. The results show that despite the progress made, Albania still lags behind EU countries in several key indicators, while similarities with the region highlight shared challenges that require coordinated responses. Unemployment in Albania, which stood at 11.2% in 2022 (Eurostat, 2023), is higher than the European average of 6.2%, but lower than in some regional countries such as Kosovo (20.3%) and Bosnia and Herzegovina (15.4%). This indicates an intermediate position where Albania still has much to do to meet EU standards in employment. In terms of employment structure, the dominance of the agricultural sector with 34.5% of total employment in Albania (Eurostat, 2023) reflects an economy still oriented toward low value-added activities. Compared to the below 5% level in EU countries, this indicator signals a strong need for economic transformation and the development of sectors such as technology, manufacturing, and modern services. The digital skills gap is another aspect that risks hindering integration. Only 31% of Albania's population possesses basic digital skills (OECD, 2022), compared to 54% in the EU. This reality requires systematic investments in professional training and technology-oriented education. Migration remains a multidimensional issue. With over 1.4 million Albanian citizens living abroad (World Bank, 2023), Albania is among the countries most affected by brain drain in Europe. Comparisons with regional countries show this is a common phenomenon, but more pronounced in Albania, reflecting a lack of confidence in the domestic labor market and opportunities for personal and professional development. In conclusion, the analysis clearly shows that Albania must intensify efforts to improve its labor market through deep structural reforms, investments in education and skills, increased labor market inclusion, and the development of migration management policies. Only in this way can the country move sustainably toward meeting EU standards and establishing a functional, inclusive, and competitive labor market.

5. Discussion

Based on the analysis of structural indicators and Albania's performance compared to the European Union and Western Balkan countries, several key recommendations emerge for improving the labor market and accelerating the European integration process.

1. Reforming the Education and Vocational Training System

The Albanian education system often does not align with the dynamic demands of the labor market. Developing competence-based curricula, integrating information technology, and fostering close cooperation with the private sector are essential to boost youth employability and reduce structural unemployment. Vocational education should focus on practical skills and be closely connected to sectors with development potential, such as tourism, technology, and energy.

2. Strengthening Employment Services and Active Labor Market Policies

Public employment services should be modernized to play a more proactive role in mediating between job seekers and employers. This includes digitalizing services, training staff, and creating interactive databases to profile labor demand and supply. Active labor market policies – such as employment subsidies, short-term jobs, and targeted training – should be reinforced to integrate vulnerable groups into the labor market.

3. Strategies for Managing Migration and Brain Gain

Facing the brain drain phenomenon, a national strategy is needed to promote the return of Albanian professionals from the diaspora through financial and professional incentives. This could be achieved by creating specialized

employment platforms, supporting the creation of new businesses, and fostering collaborations with universities and companies in the diaspora.

4. Greater Inclusion of Women and Rural Areas in the Labor Market

Women and rural populations are often marginalized from the formal labor market. Policies for gender equality and access to work should be supported through improved care infrastructure (nurseries, public transport), training for women entrepreneurs, and promotion of employment in the social economy and formalized informal sectors.

5. Structured Social Dialogue and Partnerships Among Actors

Promoting social dialogue between the government, trade unions, and employer organizations is essential for building a European model of labor relations. This dialogue should be institutionalized through equal representation mechanisms and regular consultations on employment policies and social reforms.

6. Effective Use of European Union Funds (IPA, Erasmus+, Cohesion Funds)

Albania has great potential to benefit from EU financial instruments, but absorption capacity remains limited. Strengthening public administration's capacity to design, manage, and monitor EU-funded projects is needed. Increased cooperation with international organizations and civil society would facilitate the implementation of projects supporting labor market development.

These recommendations should be seen as part of a long-term national strategy for the full integration of Albania into the European Union and the development of a sustainable, inclusive, and growth-oriented labor market.

6. Conclusion

Albania has made significant progress in aligning with European standards in the field of the labor market, undertaking institutional, legal, and social reforms aimed at increasing formality, improving workforce skills, and expanding labor market inclusion. However, the challenges remain deep and multifaceted.

The dominance of the agricultural sector, high informality, skill mismatch, and the emigration of youth and qualified professionals limit sustainable development potential. At the same time, the digital skills gap and the exclusion of vulnerable groups, such as women and rural populations, from the formal labor market further undermine the effectiveness of current policies.

To accelerate European integration and build an inclusive and competitive labor market, Albania must focus on deep structural reforms, sustainable investment in human capital, and stronger institutional cooperation. Effective use of EU programs and the development of an efficient administration are key factors in this direction.

This paper aims to contribute to the scientific and policy discourse on integrating the Albanian labor market into the European space, offering a solid foundation for informed and actionable policymaking that would bring the country closer to successful integration with long-term benefits for its citizens.

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