



Report No: AUS0002602

September 2021

# ALBANIA

## Country Economic Memorandum

Background note on supporting an adaptive and resilient labor force



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# Acknowledgments

This background note has been prepared by Stefanie Brodmann, Sarah Coll-Black, and Cornelius von Lenthe (World Bank Social Protection and Jobs), with inputs and comments from Zoran Anusic, Vlad Grigoras, Lorena Kostallari, Gozde Meseli Teague, Juna Miluka, Efsan Nas Ozen, Ana Maria Oviedo, Gonzalo Reyes, Jamele Rigolini, Hilda Shijaku, and Christoph Ungerer. This is a background note for the 2022 World Bank flagship Country Economic Memorandum (CEM) led by Christoph Ungerer and Hilda Shijaku.

The team is grateful to the Government of Albania for sharing feedback and views on findings and recommendations. In particular, the team is grateful to Deputy Minister of Finance and Economy, Dajna Sorensen, General Director of the National Agency for Employment and Skills, Elira Demiraj, and General Director of the Social Security Institute, Astrit Hado, for their insights and guidance throughout the process.

The team would also like to thank representatives of the Ministry of Health and Social Protection, the National Agency for Employment and Skills, the Social Security Institute, RisiAlbania, Swiss Contact, the European Union, the United Nations Development Programme, and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) for their generous sharing of information.

Special thanks to Liliana Hasani for the cover image “Jungle”, and Elizaveta Tarasova for the design and formatting of this background paper.

The preparation of this note benefited from support provided by the World Bank–SECO Sovereign Disaster Risk Financing and Insurance Program for Middle-Income Countries.

# Albania Country Economic Memorandum

## Background note on supporting an adaptive and resilient labor force

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# Executive Summary

Until the early 2020s, Albania's labor market was trending in a positive direction, evidenced by increased employment and female labor force participation. Despite these gains in employment, however, labor productivity in Albania is low and has stagnated in recent years. In fact, Albania's labor market continues to be characterized by a highly informal workforce, a large share of which is active in the agricultural sector. At the same time, household incomes remain low, with a higher prevalence of poverty among self-employed and unemployed than wage employees. While the contribution of labor earnings to poverty reduction is limited, employment status is closely associated with income-level, suggesting that wage employment is still central to securing a household's wellbeing. Many of these weaknesses in the labor market were further exposed by the COVID-19 pandemic.

In recognition of these issues, this note considers the role of selected social protection programs in promoting employment and employability and protecting the poor and vulnerable from income- and job-loss. It presents a detailed, technical analysis of selected programs, assessing their design and implementation based on available evidence and international good practice. More specifically, it considers the current role of employment programs in supporting workers to transition into employment and to improve their skills, which will contribute to

Albania's recovery from the COVID-19 pandemic, while also helping to position the labor force to take advantage of changing demand for labor that may arise from economic growth and structural transformation, issues that are considered more broadly in the 2021 Albania Country Economic Memorandum (see box below). This note then considers the role of selected social protection instruments in protecting workers from periods of unemployment and other shocks, as these investments can also help people transition to new jobs, while also protecting their wellbeing, thereby preventing an erosion of human capital.

This analysis shows that Albania has demonstrated significant commitment to reforming its labor programs to better support jobseekers to gain employment and promote their employability. The Government recently laid the legal and institutional foundation for effective and evidence-based labor market programs, new active labor market programs (ALMPs) have been introduced, and their delivery is undergoing significant reform on several fronts, underpinned by a strong commitment to monitoring and evaluation to drive further improvements. Despite these improvements, spending on labor market programs relative to GDP continues to be low, which is also reflected in the continued low coverage of these programs. While uptake of these programs by employers and jobseekers is

*This background note is one of several analytical contributions to the 2021 Albania Country Economic Memorandum (CEM). The CEM is a World Bank flagship report that aims to help Albania identify next steps in its structural reform agenda. As set out in the CEM, Albania needs to refocus attention on the pre-crisis reform agenda and accelerate its long-term economic growth rate, including by spurring productivity growth, building human capital, and supporting investment. On the labor supply side, this means investing in people and supporting workers in their transitions towards better employment. On the labor demand side, this means supporting firm productivity growth and the creation of better job opportunities. Beyond higher economic growth rates per se, however, the quality of the development model needs to strengthen. Through more green, resilient and inclusive development (GRID), Albania can ensure that growth gains will be more sustainable. Finally, the CEM highlights the need for Albania to rebuild its public finances. The COVID-19 crisis has driven public debt to new heights. Upgrading Albania's growth model – including implementing many of the reforms proposed in the CEM – will require further spending. In this context, increasing the fiscal space available to Albania needs to be a priority.*

expected to increase as the new ALMPs are rolled out (once the worst of the COVID-19 pandemic passes), further investments in enhancing coverage would help solidify these reforms and strengthen their contribution to promoting employment and employability of workers. At the same time, there are several considerations for improving the effectiveness of ALMPs, which are detailed in the note.

Beyond the investments made in workers through ALMPs, the social protection system in Albania seeks to protect people from income shocks and job loss. Among the social protection instruments, unemployment benefits play this role most directly, given its express function in providing income support following the loss of a job. Albania's unemployment insurance system appears to be falling short of this aim, as the flat-rate benefit is not able to guarantee an appropriate level of income during periods of unemployment; and the ability to access the benefit is limited, as illustrated by the low coverage of the unemployed. Additionally, Albania's unemployment benefit is nominally financed from social security contributions, but contributions are also used to fund extraordinary measures beyond contributory unemployment benefits. There are several considerations for the Government to take into account to improve the coverage of unemployment benefits (while continuing to be fully financed through contributions), which range from reforming the parameters of the system to modernizing the application process.

Given that many people will likely remain beyond the social insurance system for some time, given the informal nature of their work, the Government may consider further strengthening its social assistance programs beyond the current function of basic income support for the poorest, to one that provides temporary support to poor and vulnerable people in response to covariate shocks. There is emerging experience globally on how social assistance can be used to fill the gap in social insurance coverage by establishing ways of reaching poor people who are affected by shocks – experience that Albania itself gained during the COVID-19 pandemic. The 2018 reform of the *Ndihma Ekonomike* (NE), and the subsequent investments in its delivery systems, have laid the foundation for such an adaptive social protection system. Introducing a set of rules in advance that would allow the NE to expand its coverage to poor people affected by shocks could fill an important gap in the social protection system in Albania.

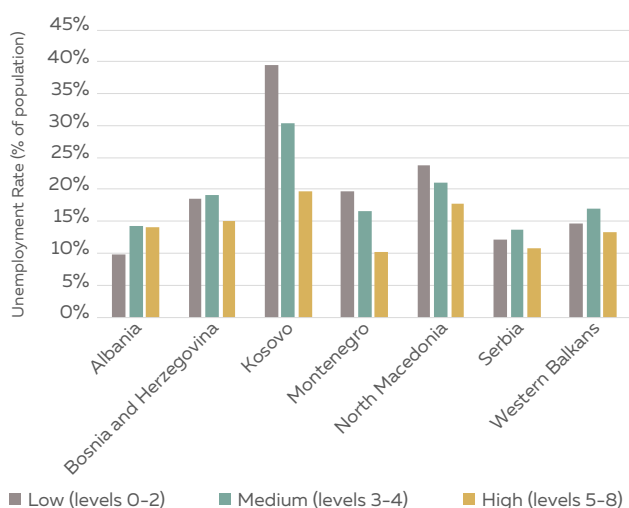
# 1. Introduction

Up until early 2020, Albania's labor market had been trending in a positive direction, evidenced by increased employment and female labor force participation. In 2019, the employment rate reached a record 61.2 percent (68.2 percent among men and 54.4 percent among women) and female labor force participation climbed to 61.6 percent (compared with 77.6 percent for men).<sup>1</sup> Employment grew by 42,000 persons or 3.4 percent between the second quarter of 2018 and the second quarter of 2019, and more than half of those new jobs went to women and the prime-age group (25–54 years).<sup>2</sup> The share of long-term unemployment decreased by more than 3 percentage points, to 64 percent of total unemployment, which was below the regional average but still well above the EU average.<sup>3</sup>

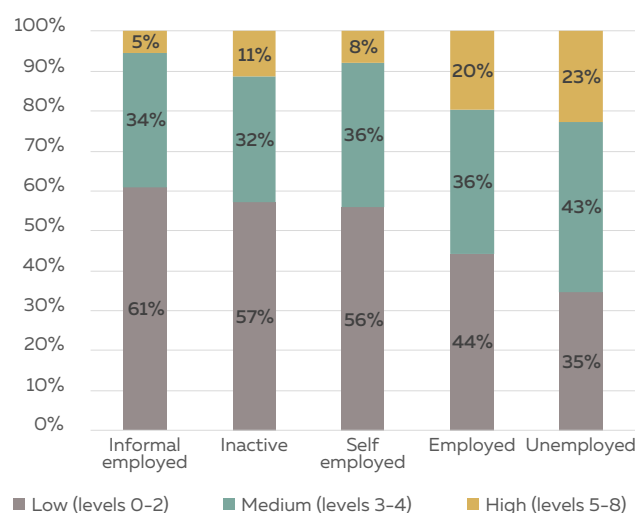
Despite these gains in employment, labor productivity in Albania is low and has stagnated in recent years. The largest portion of the employment

increase, however, was in low wage sectors and due to a rise in informal employment of 30,000, or 6.7 percent, between the second quarter of 2018 and the second quarter of 2019.<sup>4</sup> Albania stands out from other countries in the region in that the activity rate among lower-skilled individuals is the highest in the Western Balkans (53 percent in Albania versus 31 percent in the Western Balkans on average in 2019), and in contrast to other Western Balkan countries, the unemployment rate among lower-skilled individuals in Albania is lower than among medium- and higher skilled (under 9 percent compared with over 12 percent) (Figure 1). In fact, the medium- and higher skilled individuals make up about two thirds of all unemployed in Albania (Figure 2), suggesting low private returns to education due to low quality of education.<sup>5</sup> Although Albania's unemployment rate is lower than the regional average, many of those in employment are either underemployed and/or work in low-productivity sectors. In relation

**Figure 1: Unemployment among the lower-skilled is much lower in Albania than in other countries in the region**



**Figure 2: Only a third of the unemployed is low skilled, compared with over 60 percent of those employed informally**



Source: SEE Jobs Gateway

Note: The educational structure refers to the International Standard Classification of Education (ISCED), 2011: levels 0-2: early childhood education and primary education; levels 3-4: lower secondary education and upper secondary education and post-secondary non-tertiary education; levels 5-8: short-cycle tertiary education, bachelor or equivalent, master or equivalent, doctoral or equivalent.

<sup>1</sup> INSTAT, see ERP 2021–2023.

<sup>2</sup> World Bank (2020): Western Balkan Labor Market Trends 2020. The overall working age population remained fairly stable (slight drop of 0.4 percent) between the second quarter of 2018 and the second quarter of 2019.

<sup>3</sup> World Bank (2020): Western Balkan Labor Market Trends 2020.

<sup>4</sup> World Bank (2020): Western Balkan Labor Market Trends 2020.

<sup>5</sup> See: World Bank (2018). Towards More, Better and Sustainable Jobs for Albania: A Series of Summary Policy Notes. Input for Albania's Jobs and Growth Action Plan.

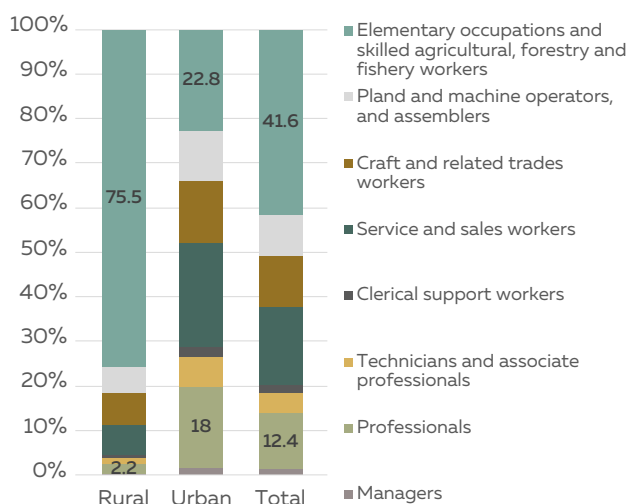


to other countries in the Western Balkans, Albania has the highest share of employees in self-employment (34 percent versus the regional average of 22.9 percent in 2018) and in part-time employment (18.3 percent versus the regional average of 10.6 percent in 2018)<sup>6</sup>. Additionally, employment is predominantly in agriculture (rural areas) or in elementary occupations (urban areas) (Figure 3) and much of it informal (Figure 4; see paragraph below), with estimates of the size of the informal economy ranging from 25 to 50 percent of GDP<sup>7</sup>. As a result of these factors, labor productivity has stopped growing in recent years (Figure 5) and is consistently lower than any of its regional counterparts, as measured by GDP per person employed (Figure 6). Albania's challenge is thus both to create more jobs but also to create better jobs and to enhance the quality of education and training.<sup>8</sup>

**While decreasing, almost half of the workforce remains in agriculture and there is thus scope to promote alternative employment opportunities for large parts of the workforce.** While the total number of employed in the agricultural sector in Albania has been decreasing for several years, 40 percent of workers continue to work in the private agricultural sector<sup>9</sup>. This reflects the fact that, while

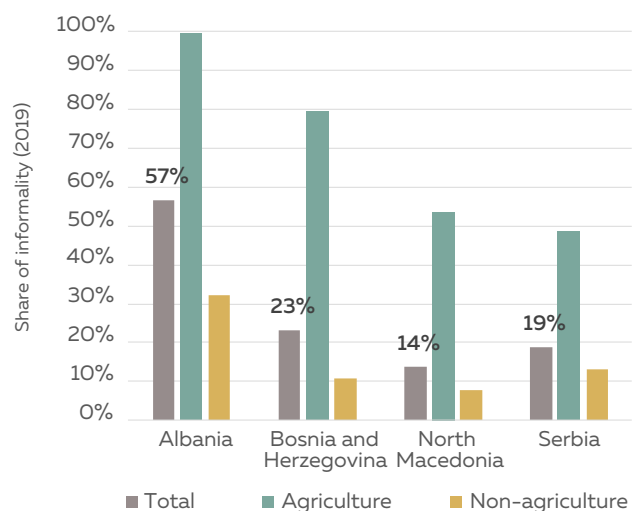
manufacturing and service sectors have been growing recently, agriculture remains an important part of the economy. Productivity in agriculture has increased per employee over the past ten years, as gross value-added rose<sup>10</sup> and the number employed decreased, largely driven by outmigration from rural areas<sup>11</sup>. Albania's agricultural sector continues to be dominated by fragmented small-scale farming, with farming plots averaging 1 hectare<sup>12</sup>. Large parts of the sector continue to be informal with women representing 80 percent of all informal workers in agriculture<sup>13</sup>. Data from 2012 indicates that households engaged in the agricultural sector were largely underemployed, with the number of days worked averaging only three-quarters of the full-time equivalent. In only two regions (Tirana and Durres) did the average household's number of working days on and off the farm indicate full employment, whereas in a number of other regions members of farming households worked less than or equal to 60 percent of full-time equivalent<sup>14</sup>. There is thus significant scope to promote additional and/or alternative employment opportunities for large parts of the work force<sup>15</sup>, which will require a new approach to labor market activation and training to reskill workers as they move from agriculture to manufacturing and services.

**Figure 3: Occupations are predominantly of elementary nature**



Source: ILO Database

**Figure 4: In Albania, almost the entire agricultural sector is informal and more than half of all employed**



Source: ILOSTAT, Indicator: EMP\_NIFL\_SEX\_ECO\_RT\_A

<sup>6</sup> SEE Jobs Gateway database

<sup>7</sup> EBRD (2019): Albania Diagnostic

<sup>8</sup> For a more fulsome discussion of these issues, please see World Bank. 2021. Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model.

<sup>9</sup> INSTAT (2019): Employed by sectors 2000 – 2019. <http://databaza.instat.gov.al/>

<sup>10</sup> This is in large parts due to an increased focus on exporting fresh vegetables, almost tripling the value of goods exported to the EU from 2015 to 2019. EC DG AGRI (2020): Agri-Food Trade Statistical Factsheet. [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/agrifood-albania\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/agrifood-albania_en.pdf)

<sup>11</sup> World Bank. 2020. Systematic Country Diagnostic: 2019 Update.

<sup>12</sup> World Bank. 2020. Systematic Country Diagnostic: 2019 Update.

<sup>13</sup> World Bank. 2020. Systematic Country Diagnostic: 2019 Update.

<sup>14</sup> FAO (2019): Smallholders and family farms in Albania.

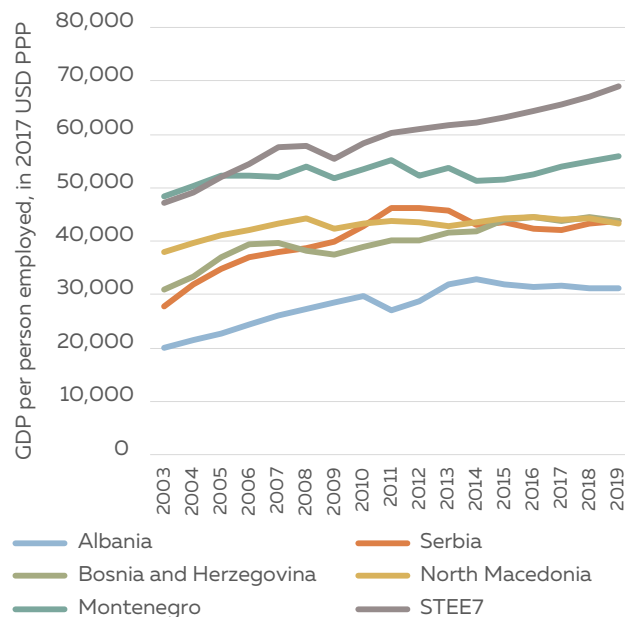
<sup>15</sup> See World Bank. 2021. Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model.

**Figure 5: Labor productivity has stagnated in recent years**



Source: World Bank and wiiw (2020): Western Balkan Labor Market Trends 2020

**Figure 6: Labor productivity in Albania has consistently been lower than for regional counterparts**



Source: World Development Indicators

Household incomes remain low, with a higher prevalence of poverty among self-employed and unemployed than wage employees. These trends in the labor market are reflected in the country's average monthly gross wage, which was only 70 percent of the Western Balkan's average at EUR 425 gross per month<sup>16</sup>. The contribution of labor earnings to poverty reduction is limited and is lower than in the period prior to 2008, when real wages grew, on average, at close to 10 percent per year<sup>17</sup>. The level of in-work poverty was estimated to be 39 percent in 2018, meaning that nearly half a million Albanian workers live in households at risk of poverty<sup>18</sup>. Employment status, however, is closely associated with income-level, suggesting that wage employment is still central to securing a household's wellbeing. Wage employment is concentrated among people in the upper quintiles of the population, while those who are self-employed or unemployed more likely to be in the bottom of the income distribution (Figure 7). However, given that job creation is largely in the informal sector and self- and part-time employment in Albania remain high, scope to move into jobs that will lead to more secure income is currently limited. Large scale emigration continues to be the most evident symptom of a lack of good jobs.

The COVID-19 pandemic exposed how the current structure of the labor market leaves people vulnerable to shocks. As most countries, Albania responded to the COVID-19 pandemic by putting in place lockdown measures, leading to decreases in labor demand and thus a reduction in working hours or job losses. To mitigate the effects on the population, the Government introduced a range of measures to prevent the dismissal of workers, to promote re-hiring and protect the unemployed (see Annex 1 for an overview of the impacts of COVID-19 and the response of the Government). While these measures likely cushioned the blow for many workers, the modest rise in unemployment rates may also point to how low income levels leave people with little to fall back upon, forcing them to immediately search for re-employment or fall back into agriculture. Within this response, while the coverage of unemployment benefits doubled, this was from a relatively low base, suggesting that unemployment benefits may not be effectively facilitating labor market transitions in response to job loss or broader economic crises for large segments of the population.

**Enhancing labor productivity and enabling workers to transition between jobs is thus central**

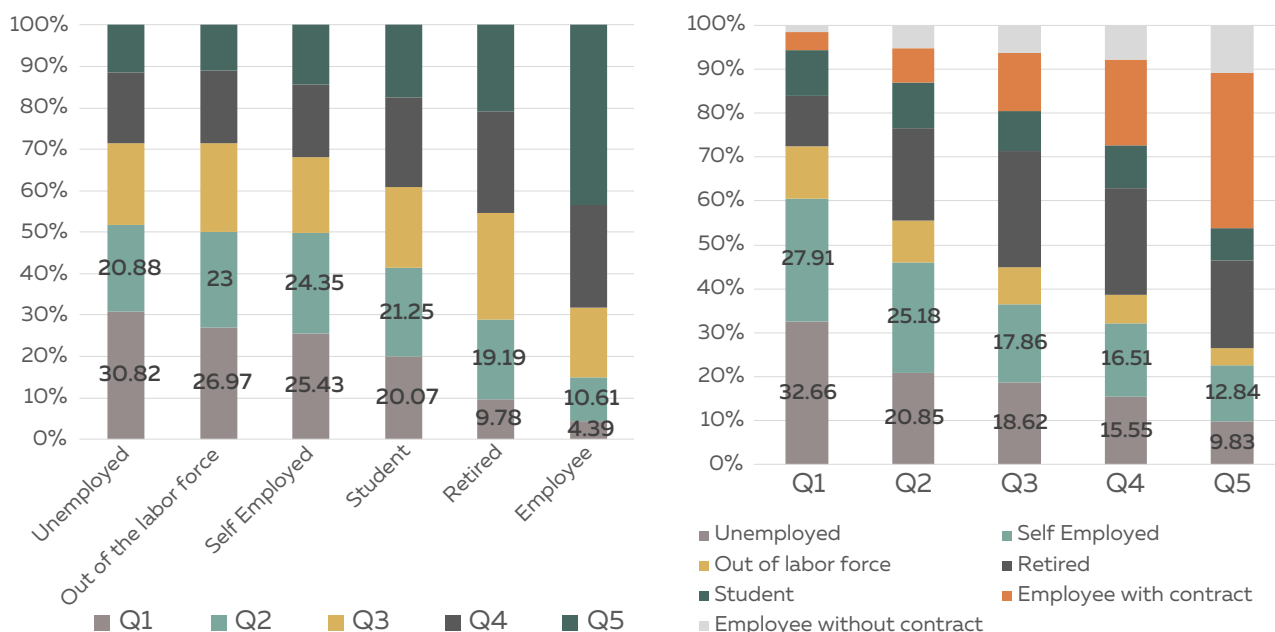
<sup>16</sup> SEE Jobs Gateway database.

<sup>17</sup> Real wage growth rate was 2.1 percent per year between 2014 and 2018. World Bank. 2020. Systematic Country Diagnostic: 2019 Update.

<sup>18</sup> Jorgoni, Elira. 2019. In-work poverty in Albania. European Social Policy Network (ESPN).

both to promoting structural transformation and enhancing wellbeing. The scope for further structural transformation in Albania is significant<sup>19</sup>, which will create opportunities for workers to transition into new jobs in higher productive sectors. While these changes will be driven by economic growth in services and manufacturing, to take advantage of these opportunities, investments in education, health and labor market institutions are required so that workers will have the requisite skills to respond to changes in demand for labor within and across sectors. This note considers the role of employment programs in supporting workers to transition into employment and to improve their skills, as Albania's economy recovers from the COVID-19 pandemic. This brings with it a particular focus on the poor and vulnerable who risk being left behind. This note then considers the role of selected social protection instruments in protecting workers from periods of unemployment and other shocks, as these investments can also help people transition to new jobs, while also protecting their wellbeing, thereby preventing an erosion of human capital. The final section concludes.

**Figure 7: Households whose heads are unemployed or self-employed are concentrated amongst the poorest**



Source: 2018 SILC

<sup>19</sup> See World Bank. 2021. Albania Country Economic Memorandum: Strengthening the Sustainability of Albania's Growth Model for further reading.

## 2. Supporting employment: role of active labor market programs

**Supporting employment and promoting the upskilling of the workforce will be crucial to underpin Albania's recovery from COVID-19 and transition to a more productive economy.** Despite improvements before the outbreak of the COVID-19 pandemic, Albania's labor market continues to underperform. In 2019, over 63 percent of unemployed had been out of work for 12 months or more.<sup>20</sup> The pervasiveness of long-term unemployment means that many job-seekers have suffered a protracted lack of contact with the world of work. They thus risk losing (or, in the case of labor market entrants, never gaining) relevant skills and work habits. The informal nature of many jobs and the dominance of low-productivity work, particularly in agriculture, effectively prevent investments in upskilling, perpetuating the cycle of poverty and subsistence work. For this reason, establishing an effective system of active labor market programs (ALMPs) to underpin a sustainable labor market recovery with a readily employable workforce should be among the priorities of Albania's government. **Box 1** provides an overview of the institutional setup related to employment policy in Albania.

The foundations for a more effective ALMP system were laid with the passing of the new Employment Promotion Law in early 2019 and the establishment of the National Agency for Employment and Skills. Recent legislative efforts have laid the institutional foundation for effective and evidence-based labor market policies. In March 2019 the new Employment Promotion Law was adopted that paved the way to establish the National Agency for Employment and Skills (NAES), which replaced the old National Employment Service (NES) and has become the key agency to manage both employment services and programs and vocational education and training (VET). Additionally, the definition of what can be financed as part of ALMPs was expanded to include self-employment programs and to allow for expenses such as transport or kindergarten fees to be covered; the legal basis for outsourcing the delivery of ALMPs to non-public providers has been established<sup>22</sup> and the definition of youth was expanded from 15-18 years to 15-29 years of age.

### Box 1: Capacity constraints at the Ministry of Finance and Economy impact labor market policy reforms

The Ministry of Finance and Economy (MoFE), and in particular the General Directorate of Economic Development and Employment, is responsible for the employment and vocational education and training (VET) portfolio. It oversees the State Inspectorate of Labor and Social Services (SILSS), the National Agency for Employment and Skills (NAES), and the National Agency for Vocational Education and Training and Qualifications (NAVETQ). There are several supporting consultative bodies such as the National Labor Council (NLC) and its Sectoral Commissions (SCs), the National Council of Skills and Vocational Education (NCSVE), and the Employment Advisory Council (EAC). Social security contributions are covered by the Institute of Social Security (ISS)<sup>21</sup>, which is an independent body.

With the integration of the employment and VET portfolio into the MoFE, there have been challenges related to lack of human resources, but also structural issues such as procurement and institutional cooperation and agreements. There is a lack of staff within the relevant departments of the General Directorate of Economic Development and Employment at MoFE, which, among other issues, limits its ability to oversee and manage NAES and learn from the implementation of the new Employment Promotion Law, which is described in the paragraphs that follow.

<sup>20</sup> INSTAT (2019): Yearly indicators of labour market 2010 - 2019. <http://databaza.instat.gov.al/>

<sup>21</sup> Institute of Social Security. 2018. "Annual Report 2018"; and Law No.7703 of 11.05.1993. "On Social Security in the Republic of Albania".

<sup>22</sup> While the legal basis for such outsourcing has been established, to put this into practice, bylaws need to be adopted and setup of NAES modified. These issues are touched upon further in the sections below.

**Comprehensive reforms in all aspects related to the delivery, design, and monitoring and evaluation of ALMPs are ongoing, which is anticipated to improve their impact and responsiveness to the market.**

As part of the ongoing reform, NAES has established a business relation department for engagement with businesses and better understanding of local labor markets, modernized business services to attract employers, and established new methods for employer engagement. Specifically, NAES has developed several guidelines on service delivery that include detailed guidance for how to approach and work with businesses.<sup>23</sup> There are plans for training of NAES staff and to further strengthen the capacity of counsellors. A new model for engagement with jobseekers has been introduced that allows counsellors to use their time more efficiently. Upon registration, a jobseeker is asked to fill a profiling questionnaire, which segments jobseekers into three groups according to their distance from the labor market. This categorization is used to support the decision on access to services and programs. For example, for jobseekers in the third group (those that are farthest from the labor market), a mandatory preparation program on job search and soft skills called "Start SMART" was introduced, which is a 2-week course at the VET Centers operated by NAES. During the interview with a counsellor, there is now the option to record barriers to work (e.g., no childcare, lack of transport, health problems, etc.). The interview is completed with the drafting of individual action plans (IAPs) with referral to appropriate ALMPs. This is a major improvement over earlier ALMP delivery, where programs were implemented through annual calls for applications and jobseekers could only enroll at discrete points in the year.

**A new monitoring and evaluation (M&E) framework was introduced in 2020, whose implementation depends on the deployment of a newly designed management information system.**

Monitoring results for program participants through the M&E system can provide additional information on the needs of the local labor markets, as well as in the planning process of ALMPs. The new M&E framework follows a clear intervention logic, mandates follow-up surveys of beneficiaries, plans for regular cost-benefit analyses and impact evaluations (preferably randomized controlled trials) every

4-5 years and, integrates the use of information from authorities other than NAES. Provided successful implementation, these would allow NAES to effectively assess the performance of its programs, budget the programs accordingly and design them according to the labor market's demand. However, the M&E framework was created with the assumption that the agency will develop an advanced IT-based database<sup>24</sup>. Recently, an analysis of the requirements of a newly designed management information system were finalized, procurement was completed, and testing and piloting of the system have begun. Until the system is fully operational, however, data availability is significantly limiting policy maker's ability to manage enrollment into ALMPs effectively and to use the monitoring results for program participants to inform decisions on ALMP policy.

**ALMPs were redesigned based on evidence of previous programs and international best practices, with the menu of programs now mirroring those generally found in Europe.**

In 2020, three decrees of the council of ministers (DCM) introduced a set of eight new ALMPs, five of which were designed based on previous evaluations and international best-practice<sup>25</sup> and three in response to the COVID-19 pandemic. The five new ALMPs introduced towards the end of 2020 included a wage subsidy program for vulnerable groups<sup>26</sup> (DCM 17), an on-the-job training program for unskilled jobseekers (DCM 17), an internship program for recent graduates (DCM 17), a community employment program for long-term unemployed (DCM 535), and a self-employment program (DCM 348). Additionally, two programs were continued from before the reform (DCM 873 - vocational internship programs for unemployed who have completed higher education, and DCM 162 - payment of participation in professional training courses). In response to the COVID-19 pandemic, a wage subsidy for formal workers and a formalization subsidy for previously informal workers (DCM 608) were introduced in late 2020.<sup>27</sup> Finally, short vocational training courses are offered by NAES through the Vocational Training Centers (VTCs). A review of labor market programs suggests that there are eight broad types of services and programs that are commonly deployed by public employment services in European countries.<sup>28</sup> With

<sup>23</sup> These were piloted in four regional offices and will be rolled-out nationally shortly.

<sup>24</sup> Monitoring and Evaluation Framework for National Agency for Employment and Skills (NAES), National Agency for Vocational Education, Training and Qualifications (NAVETQ) and National Employment and Skills Strategy (NESS) 2019-2022.

<sup>25</sup> Previous evaluations had emphasized the lack of participation of people with disabilities and from vulnerable groups, and recommendations including the prioritization of on-the-job training programs and those promoting employment of unemployed in difficulty. See Esmeralda Shehaj. 2020. Performance of Western Balkan economies regarding the European Pillar of Social Rights Updated review on Albania.

<sup>26</sup> See eligibility criteria in Table 1, Annex 2.

<sup>27</sup> See Table 1, Annex 2 for an overview of all ALMPs and beneficiary numbers in 2019 and 2020.

<sup>28</sup> These are: 1. Intermediation; 2. Preparation (job search preparation online and face to face, career and vocational guidance, women's networks); 3. Wage subsidies (including for seasonal workers, work experience programs, internships); 4. Entrepreneurship (training, financial support); 5. Training (basic skills, digital skills, short and long vocational training, employer-led programs, and comprehensive employment programs); 6. Apprenticeship (for youth), at vocational schools; and 7. Public works. The review of programs and the details on some of the programs described here were developed as part of a World Bank technical assistance to support Greece in the reform of the design, delivery, and monitoring and evaluation of ALMPs.

the new programming, NAES is offering at least one service/program of each of the eight types.

**In addition to the ongoing reforms, a thorough understanding of labor market conditions and trends is the foundation for effective public employment policy.** At this point, however, limited data availability is constraining NAES' ability to understand customers and their needs and to anticipate new skill demands. As a result, training courses are not systematically updated to respond to labor market demands. Currently, there is no labor market observatory to produce systematic information which could guide jobseekers or inform the planning process of ALMPs.<sup>29</sup> Multiple donors have supported the agency in partly filling this shortage of information, although these remain ad hoc.<sup>30</sup> Going forward, businesses could be involved and relied upon more systematically to obtain important labor market information, for example through more formal institutions such as local or sectoral skills councils. These councils exist in many countries and their mandate includes the identification and forecasts of labor demand and skill needs.<sup>31</sup> New sources of real-time labor market information, such as postings on online job portals, can complement conventional labor market data sources.

**Despite a strong commitment to this reform, spending on labor market programs relative to GDP remains low.** Spending on labor market programs has declined since 2016 and continues to be low compared to both EU and regional spending. Expenditures on labor market programs, both active and passive, reached a low of 0.08 percent of GDP in 2018 (down from 0.12 percent in 2016) (Figure 8). In 2019, spending on ALMPs (composed of employment promotion programs and vocational training programs) reached 0.02 percent of Albania's GDP. While an improvement on the year prior, this level of spending remains very low compared to an EU average of 0.39 percent or for example 0.13 percent in neighboring North Macedonia (Figure 9). Donors such as the EU, SDC (implementing through Swiss-

contact and UNDP), and GIZ have been contributing to both financing and reform of ALMPs. In 2020, the budget allocated toward employment promotion programs increased by more than 50 percent (from ALL 390 million to ALL 590 million). Actual spending on these programs, however, is considerably below the allocated budget.<sup>32</sup> This underspending likely arises from a combination of the impacts of the COVID-19 pandemic on general services delivery and the reforms of programs, including the timing of their introduction in late 2020 and the changes to the way in which employers and jobseekers benefit from ALMPs. As these reforms take hold, it is anticipated that the allocated funding will be fully utilized.

**While the share of unemployed who register with NAES is low, less than one in five registered jobseekers benefit from ALMPs.** Even returning to full utilization of the budget, the overall low levels of budget allocation mean that the share of unemployed who benefit from labor market programs is very low. Among registered jobseekers, coverage of ALMPs, including vocational training, reached 18 percent in 2019, up from 13 percent in 2015 (Figure 10).<sup>33</sup> This increase, however, is due to the fall in unemployed who register with NAES in the first place. The absolute number of ALMP beneficiaries has dropped since 2015. Even fewer unemployed, only 2 percent, benefit from unemployment benefits (covered in detail in the next section below). The share of unemployed registered at NAES dropped from 67 percent in 2015 to 43 percent in 2019, or 70,930 jobseekers (Figure 10). The onset of the COVID-19 pandemic has reversed this trend, as the share of unemployed registered at NAES increased to 56 percent in the last quarter of 2020 (91,452 jobseekers during last quarter; 82,921 as quarterly average in 2020) (Figure 11). COVID-19 has reversed the trend for the number of vacancies registered. In 2020, the number of vacancies registered with NAES dropped by half, from 50,785 in 2019 to 25,141 in 2020 and the number of jobseekers who found employment through intermediation dropped to 23,118 or 28 percent.

<sup>29</sup> NAES has access to the generic labor market indicators derived from Labor Force Surveys by INSTAT and its own basic statistics collected on registration for employment services, intermediation and participation in ALMPs. These statistics can be aggregated by a number of characteristics such as gender, age or region, however the current database does not allow for a systematic analysis of these indicators.

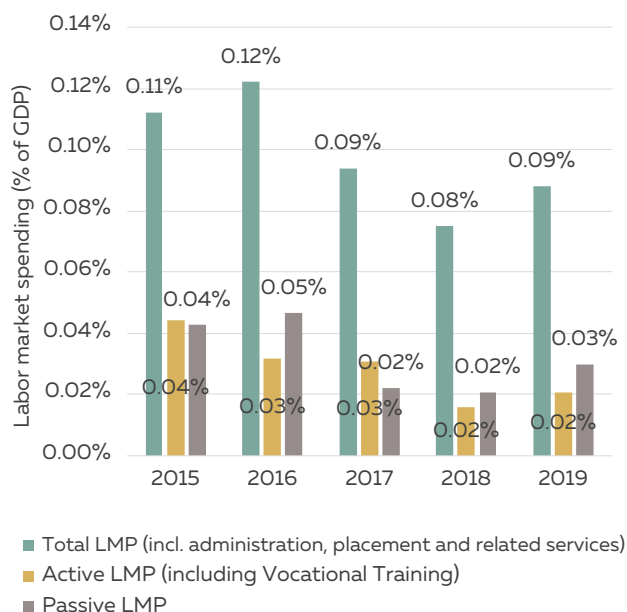
<sup>30</sup> As part of an SDC financed project, UNDP has finalized the procurement process for an advanced IT-based database and testing and piloting of the system are in process. In 2017 UNDP also financed a skill needs analysis, which has not been conducted since but is on the planned list of activities of the government's Economic Reform Program for 2021. As part of their Risi Albania project, Helvetas has produced a description of the top 100 professions needed in the Albanian labor market, however, there is currently no institutionalized process in place to regularly update this information. Helvetas has also supported private training providers in conducting their own market research on labor demand. GIZ contributed to the production of labor market information by outsourcing small-scale surveys on skill demand by employers and by conducting regular tracing of the labor market outcomes of vocational education and training graduates. Helvetas recently financed a survey of firms to research changes in upskilling and reskilling due to COVID-19, which found that firms are increasing budgets allocated to workforce skills development, with specific focus on communications, customer focus and teamwork. The World Bank, which conducted a nationally representative survey among employers to assess their skill needs in 2017, recently started collecting information from online job postings, to show that these new sources of real-time labor market information can complement conventional labor market data sources and improve the targeting of employment services, counsellors and learning providers.

<sup>31</sup> In Albania, the setup of sector skill committees was foreseen in the National Employment and Skills Strategy (NESS) 2019-2022 and some donors are working towards strengthening the involvement of businesses. For example, as part of their Risi Albania project, Helvetas is supporting the setup of such committees in five priority subsectors. In addition, close involvement of employers in training programs can improve their alignment with the demand for workers and skills. Businesses are represented in the Board of GIZ supported multi-functional vocational training centers, with the objective to support the anticipation of jobs and skills in demand.

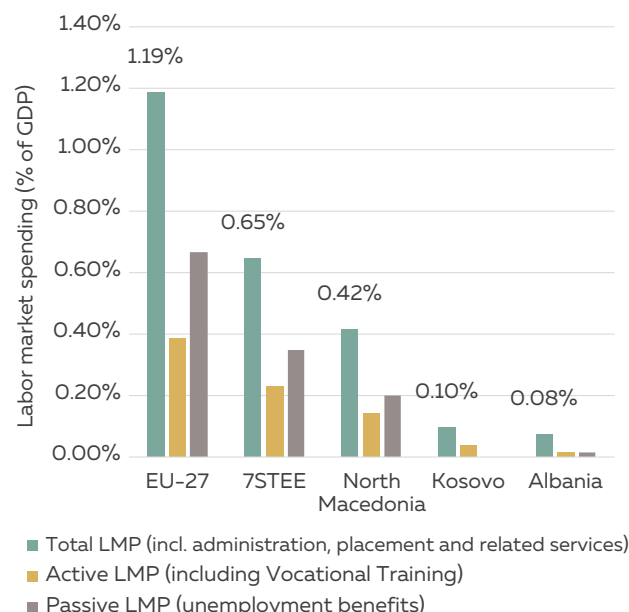
<sup>32</sup> In 2020 only 12.1%, or ALL 71.5 million, were disbursed, despite a planned budget for ALMPs (excluding vocational training) of ALL 590 million. It appears that the budget was instead used to cross-subsidize higher expenditures for unemployment benefits.

<sup>33</sup> Some beneficiaries of vocational training also benefit from DCM 162 - Payment of Participation in Professional Training Courses. In the calculation of ALMP coverage, these individuals are counted once.

**Figure 8: Spending on labor market programs as percent of GDP declined between 2015 and 2018**

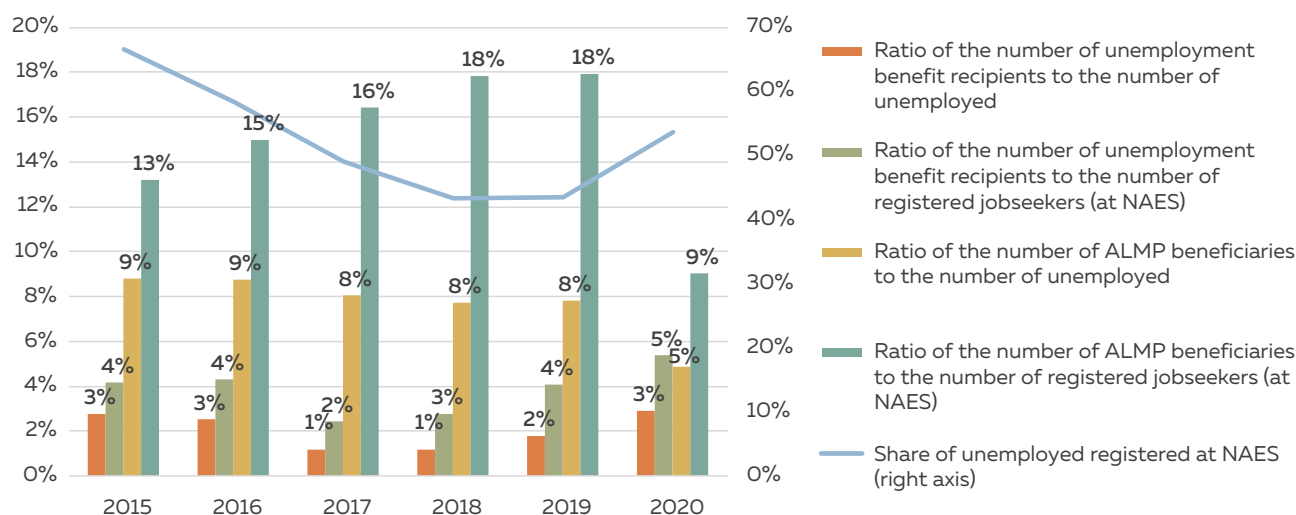


**Figure 9: Albania's spending on labor market programs compared to benchmarking countries is very low**



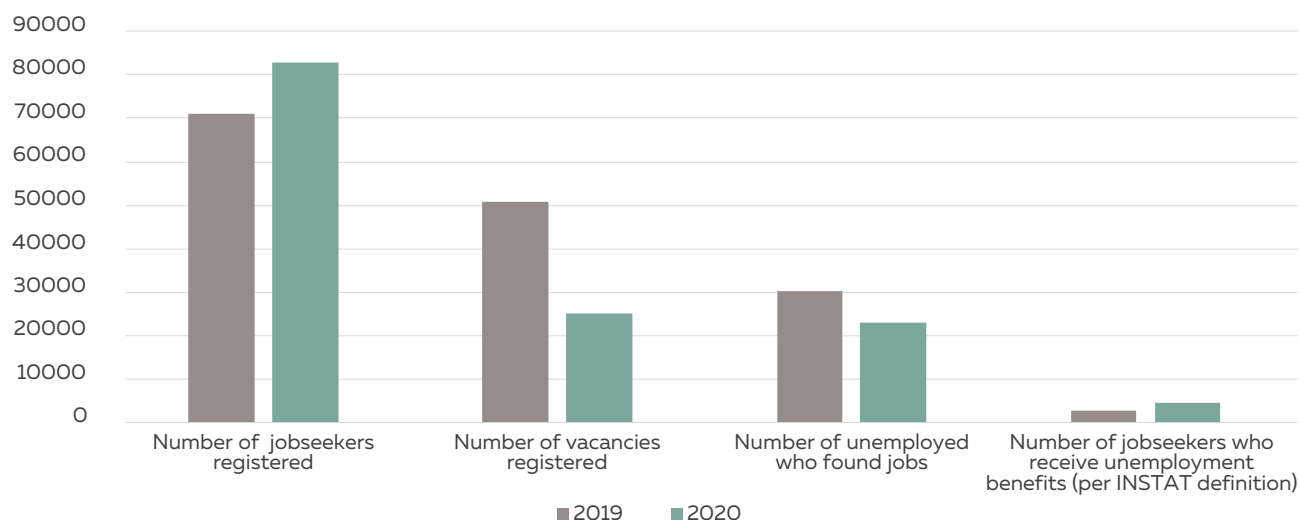
Source: EU-27/7STEE: Eurostat; Macedonia: SPEED; Kosovo: NESS Progress Report 2018; Albania: Administrative Data NAES  
Note: 7STEEs include Bulgaria, Croatia, Estonia, Latvia, Lithuania, Slovak Republic, and Slovenia. Total LMP is a combined measure of expenditures toward administration, employment services, active labor market programs and passive labor market programs. Active LMPs covers expenditures toward all interventions of temporary nature which aim at activating the unemployed such as vocational training, wage subsidies or on-the-job training. Passive LMP includes financial assistance which compensates individuals for the loss of wages or salary to support unemployed during their job-search (consisting in the case of Albania only of unemployment benefits) and early retirement programs.

**Figure 10: The coverage of unemployed with active and passive labor market programs remains low**



Source: INSTAT, ILOSTAT database (Through WDI). Note: INSTAT reports the number of unemployment beneficiaries at the point of data collection (i.e. the end of each quarter). Further, the methodology used to report this data may underestimate the number of beneficiaries. See section 2 below. However, these data are reported here as they are the official statistics.

**Figure 11: Registered jobseekers and new unemployment beneficiaries increased in 2020 while the number of registered vacancies and intermediations dropped**



Source: Administrative Data NAES, INSTAT

**Public Employment Services (PES), such as the NAES, in many countries have a poor reputation among many jobseekers and for this reason few employers choose to collaborate with them to source their workers.** According to the 2020 Western Balkan Barometer, only 17 percent of surveyed firms in Albania respond that they make regular use of the public employment agency when hiring new employees, 49 percent report that they never do.<sup>34</sup> This is in comparison to 29 percent of firms in Serbia, 27 percent in Kosovo, 23 percent in Montenegro, 18 percent in North Macedonia and 15 percent in Bosnia Herzegovina. For this reason, better off people may have little incentive to register with the NAES, which perpetuates this cycle. This is reflected in the fact that the education level of unemployed registered at NAES is skewed to the low skilled, with close to 60 percent of registered jobseekers reaching only up to 8 or 9 years of education; the share of unemployed with low levels of education is only about half that rate (Figure 12).

**Vocational training dominates budget allocations and beneficiary numbers, but efforts are underway at NAES to intensify outreach to businesses to promote the uptake of the new wage subsidies and work experience programs.** Almost one fifth of the budget allocated towards ALMPs is currently expended towards providing short vocational training courses. In 2019, a total of 8,818 unemployed – 12.4 percent of all registered jobseekers – graduated from one of the courses publicly provided

in one of ten Vocational Training Centers (VTCs) and a total of 5,338 or 7.5 percent of registered unemployed, took part in other ALMPs in 2019. In 2020, the COVID-related wage subsidies, which were introduced in September 2020, covered more beneficiaries than the newly introduced wage subsidy, on-the-job training, and internship programs (DCM17), which however only became operational in the last quarter of 2020 (Figure 13). Administrative data from NAES shows that three quarter of beneficiaries of the COVID-19 wage subsidy were women and more than forty percent of beneficiaries of the COVID-related wage subsidy and the formalization measure were employed in the manufacturing industry (see Annex 3). It is early to pinpoint specific design and implementation issues at this time and it will likely take at least two years of implementation, which is when the first programs are to be rigorously evaluated. Efforts are underway at NAES to intensify outreach to businesses to promote the uptake of these new programs.

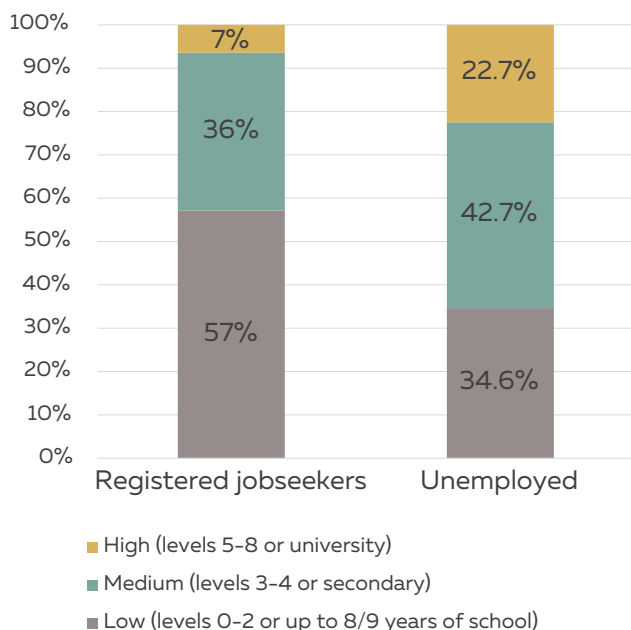
**There are, however, several lessons that can be learned from international experiences and NAES could consider experimenting with, and rigorously evaluating, different design options to gauge uptake by employers and employment for vulnerable groups.**<sup>35</sup> With the reform, the pool of jobseekers eligible for wage subsidies has been restricted to those unemployed who have been registered with NAES for 3 months and longer and belong to a more vulnerable target group, including

<sup>34</sup> Regional Cooperation Council. 2020. Balkan Barometer 2020 Business Opinion Analytical report.

<sup>35</sup> The duration of the program is 12 months and the subsidy covers: (i) social security contributions (employer's contribution) for the entire duration of the wage subsidy, calculated on the basis of the minimum wage; (ii) minimum wage for 4 months, and longer durations (6 and 12 months) for particular vulnerable groups, including victims of trafficking, domestic violence or victims of gender-based violence, Roma and Egyptians, and persons with disabilities.



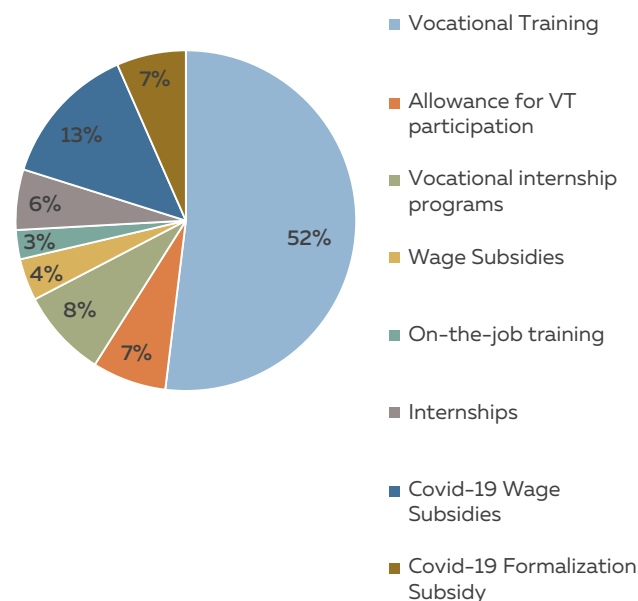
**Figure 12: Unemployed with low levels of education are over-represented among jobseekers registered at NAES**



Source: INSTAT (2018) Registered jobseekers by education level 2000 – 2019; SEE Jobs Gateway Database.

youth and long-term unemployed. At the same time, conditions on employers' eligibility to receive the subsidy, the subsidy level, and transaction costs were left unchanged. The major risk is that tight targeting can reduce the attractiveness of the program for employers who may not be interested in hiring eligible workers, especially when they are in categories characterized by substantial employability barriers. NAES is aware of this risk and plans to identify employer outreach and diversify the pool of partnering employers. A process evaluation is planned for end 2021. There are ways that programs can increase the incentives for participation in these situations, such as trial periods before the subsidized employment contract is signed, options to exit the program at the end of a probationary period, or recruitment incentives to counsellors to promote hires of very disadvantaged workers. NAES could consider experimenting with different options within a rigorous evaluation of the wage subsidy program.<sup>36</sup> Besides the wage subsidy program, the new on-the-job training program in particular is promising, and such work experience programs are used in most European countries as an inexpensive and effective intervention to

**Figure 13: The COVID-related wage subsidies had the second largest number of beneficiaries in 2020, after vocational training**



Source: Administrative data NAES. Note: There were no beneficiaries of the newly introduced community employment program and the self-employment program in 2020.

increase employability and jobseekers' chances of employment. They appeal to employers because they do not require committing to a contract while offering the opportunity to try someone out before hiring them. These programs also address the needs of several groups of jobseekers: young people who lack experience in the job market no matter their educational level; long-term unemployed people who can benefit from experience in a real workplace as part of a broader package of support, for example including vocational guidance and soft skills/employability training; women returning to the labor market after a long spell of being at home; and other marginalized groups who can be hard to place in full-time vacancies but again with additional support, could work if they get a chance with an employer. With the uncertainty that COVID-19 has brought to economies, work experience programs have become an attractive option for employers, and could be explored in Albania. With the risk of long-term unemployment on the rise, intensified employer outreach to promote this innovative program to increase uptake will be essential, as will be addressing other constraints faced by workers, such as childcare for women (see Box 2).

<sup>36</sup> The subsidy covers: (i) social security contributions (employer's contribution) for 4 months, calculated on the basis of the minimum wage; (ii) wage at minimum wage, for 4 months, (iii) social security contributions (employer's contribution) for 8 months, calculated on the basis of the minimum wage, in case the employer enters into a contract employment of at least eight months with the employee after the end of the program; and (iv) payment for a mentor for each beneficiary.

## Box 2: Access to childcare as a lever for labor force participation

Albania's labor market had improved up until the COVID-19 outbreak, especially for women, for whom rising employment rates (by almost ten percentage points between 2010 and 2019) resulted from increasing labor force participation.<sup>37</sup> However, the pandemic highlighted the unequal burden of domestic work, including childcare, which limits women's labor force participation and employment opportunities and increases the wage gap.<sup>38</sup> Since 2020, the decline in labor force participation and employment has persisted among women, in part because in households with children, women often had to change their working arrangements to cope with the situation.<sup>39</sup> It has been widely documented that having children can push mothers to leave the labor market, which, even if temporary, may thwart career opportunities and earnings.<sup>40</sup> In Albania, where women are still considered the primary caregiver, their labor force participation was almost 17 percentage points below that of men in 2020, even with parental leave policies that benefits both parents.

To avoid widening labor gender gaps for parents, key policies need to provide: i) widespread access to childcare and fiscal incentives to work for second wage-earners ii) work-life balance conditions for both men and women, including incentives for fathers to devote more time to care activities and more balanced parental leave; and iii) workplace flexibility, including part-time and flexible working-time arrangements. These policies can especially benefit disadvantaged groups such as single mothers or minorities.<sup>41</sup>

In Albania, access to Early Childhood Education and Care (ECEC) is limited. The institutional responsibility for ECEC for children up to 3 years old lies with municipal governments, which provide center-based services (çerdhes) in part regulated by the Ministry of Health and Social Protection.<sup>42</sup> Preschool education for children ages 3 to 6 years is more widely available, as it is part of the pre-university education system overseen by the Ministry of Education, Sports and Youth. These services are not articulated and thus show significant differences in quality and accessibility.<sup>43</sup> While over 80 percent of children aged 3-5 years attended pre-school in 2018,<sup>44</sup> attendance and quality at çerdhes is hardly monitored, so that no data is available on the coverage of çerdhes for the 0-3 population, however, anecdotal evidence suggests it is extremely low.<sup>45</sup>

To increase access to ECEC in Albania, there needs to be an appropriate regulatory and financing framework in place at the national level, to ensure that municipal governments can meet the demand for this service with minimum quality. For financing, global experiences show several options that range include direct provision, subsidies, cash transfers, or public-private arrangements. For quality, a national set of standards needs to be in place to guide municipalities and ensure a minimum quality across municipalities. The standards for ECEC need to be well aligned with the pre-university system, so that ECEC contributes to learning readiness for children that enter preschool.

<sup>37</sup> INSTAT. 2021. Employment rate by Sex, Age group, Education level, Type and Year.

<sup>38</sup> OECD. 2018. OECD Employment Outlook 2018. OECD, Paris.

<sup>39</sup> UN Women. 2020. The Impact of COVID-19 on Women's and Men's Lives and Livelihoods in Albania: Results of a Rapid Gender Assessment. Women were 29 percentage points more likely to report a change in working arrangements than men.

<sup>40</sup> OECD (2018).

<sup>41</sup> Posadas, J. and Vidal-Fernandez, M. 2013. Grandparents' Childcare and Female Labor Force Participation.

<sup>42</sup> The oversight of the MHSP is limited to food safety.

<sup>43</sup> The Law on Pre-University Education covers only the services provided from age of 3 onwards, and creates a common framework for all municipalities, which is not the case for ECEC.

<sup>44</sup> EC. 2019. Key Data on Early Childhood Education and Care in Europe. 2019 Edition. Eurydice Report.

<sup>45</sup> The exact number of çerdhes and children attending them is unknown. According to the National Agenda on Children's Rights 2017-2020, in 2016, 41 municipalities reported a total number of 93 çerdhes, and 20 municipalities had none.

**Many countries have responded in innovative ways to the global pandemic, retraining and redeploying their labor force to meet changing labor market demand.** Both the OECD and the EU showcase examples of rapid retraining in essential areas based on immediate needs (see Box 3), but both suggest that lessons can be learned from this approach longer-term, to help workers transition to the post-COVID-19 economy and to address ongoing skills shortages. Many workers made redundant during the crisis may be unable to return to their previous

jobs and will need extensive re-skilling to become employable again. The OECD predicts that meeting the reskilling challenge presented by COVID-19 will most likely require boosting investment in adult training and a renewed effort to reach out to at-risk groups. Short vocational courses have proven an effective response to the pandemic, and they seem set to be a strong element of any PES portfolio going forward. Importantly, however, the quality of training needs to be high, and training needs to correspond to labor market demand.

### Box 3: Examples of short retraining courses for displaced workers

Several countries quickly developed short training programs to address immediate demand pressures caused by the COVID-19 pandemic. In some cases, training programs were targeted at health and medical professionals who needed to upskill or to be redeployed; in other cases, the training programs were designed to enable displaced workers to fill roles in essential services. Public, private, voluntary sectors and charities were involved in the effort.

The retraining of displaced workers as community health workers in the United Kingdom focused on unemployed young adults already trained in first aid or assessing medical emergencies, such as flight attendants. Community health workers implement prevention and control measures, like organizing social distancing and hand hygiene stations as well as detecting cases and co-ordinating testing. Up to two weeks of training on COVID-19 and on public health surveillance, combined with ongoing supervision, provides the necessary core skills and knowledge. The competency-based approach to designing courses helped to reduce training durations by leveraging skills that workers already have.

In the United States, the Rapid Skilling program aims to transition displaced vocational and technical workers into currently in-demand occupations using a competency-based approach. The program stems from a collaboration between 180skills – a provider of technical and employability training for the manufacturing and logistics sectors in North America – state governments, academic partners, and employers who are in urgent need of skilled workers. The industries served include manufacturing, logistics and distribution, retail, and industrial safety-related occupations. Competency-based online courses were curated into ultra-short-term programs with the minimal amount of skills for initial employment. The programs are particularly aimed at low-skilled, low-income adults and are delivered at a low cost.

Also, in the United States, the National Retail Federation made free foundational skills training available online to enable workers from “non-essential” retail sectors transfer and work in “essential” retail sectors. The training can be completed in 5-7 hours and results in a recognized credential that completers can post on their resumes.

In view of the need to retrain displaced workers over the medium term, the French public employment service (Pôle Emploi) is making available and promoting 150 free online training courses as a way to prepare for employment transition during lockdown.

*Source: World Bank (2021): Greece improving the design and delivery of ALMPs, technical not synthesizing progress and identifying lessons learned so far on ALMP reform process*

#### Box 4: Seasonal workers program examples

The “Permanent Seasonal Worker” program in Croatia provides financial support for seasonal workers in the period out of season and allows beneficiaries to participate in the educational programs and training offered by the Croatian public employment services in the off-season<sup>46</sup>. Training is not the main purpose of the Croatia program, it is more of an optional benefit.

The Austrian Competence with Systems program focuses on upskilling workers who are prone to periods of unemployment.<sup>47</sup> The goal of this program is to provide upskilling for people with only compulsory or lower levels of educational attainment, already with some job experience. It can be completed between unemployment spells, making it particularly interesting for seasonal workers. The training is based on competences and aims to ensure long-term and sustainable knowledge building. There are 12 training possibilities (e.g., retailing, financing and accounting).

*Source: World Bank (2021): Greece improving the design and delivery of ALMPs, technical not synthesizing progress and identifying lessons learned so far on ALMP reform process*

**As the pandemic is accelerating technological and structural changes, countries’ strategies will need to shift toward proactive policies that enhance employment possibilities for unemployed and otherwise vulnerable workers.** In Albania, agriculture and tourism are a major contributor to the economy and a significant source of employment, and labor market policy can contribute towards improving productivity of workers. There are countries with a significant share of seasonal employment that have experiences to offer to inform employment and training programs aimed at seasonal workers. See **Box 4** for examples of such programs. On one hand, such programs operate to preserve jobs and businesses, especially in the tourism sector, i.e., subsidizing off-season periods for businesses and individuals in order to maintain the labor supply in countries where tourism is a major contributor to the economy. On the other hand, short training programs can be attractive to seasonal workers if they enhance their prospects at work, or enable them to find other work – either in the tourism sector or beyond. Modular programs that enable recognition and credit for skills attained are helpful so that individuals can build credit towards qualifications. Strong relationships between the public employment services and employers are crucial to determine their upskilling requirements so that courses can be tailored appropriately.

**Evidence suggests that close involvement of employers in training programs can improve their alignment with the demand for workers and skills.** A review of the international evidence<sup>48</sup> suggests a number of principles for high-quality employment training. Employer involvement is crucial, both to

obtain and validate labor market information and to offer the experience of a real job and workplace environment. Development partners are supporting NAES with didactic training of VTC trainers, and there have been some first attempts by these partners to implement training in sectors not covered by NAES VTCs through non-public training providers. Providing the quality assurance and incentives are right, using a wide range of service providers can enhance opportunities for more tailored, demand-led training provision. Learning from other countries, many PESs have engaged in outsourcing services to the private sector, non-profit-making bodies and NGOs to improve service delivery and respond to the needs of diverse groups in the labor market. While in many OECD countries there remains a heavy reliance on direct provision delivered by the PES, some services are contracted out. These include skills training, job search assistance, and intensive forms of counseling and support targeted at disadvantaged groups.

**Building on the possibilities opened by the new Employment Promotion Law, Albania should consider other stakeholders for training provision besides the VTCs, for example private training providers, chambers of commerce, and even large employers.** Capacity for effective outsourcing takes time to build up, and high-quality contracting requires effective IT-based information systems that enable government agencies to track participants, monitor provider performance and verify service delivery and outcomes. NAES may consider issuing vouchers as a first step to diversifying training provision to non-public providers. However, to increase the supply of high-level skills, employers

<sup>46</sup> <https://www.cedefop.europa.eu/en/printpdf/tools/matching-skills/country-fiches/croatia>

<sup>47</sup> <https://www.ams.at/arbeitsuchende/karenz-und-wiedereinstieg/so-unterstuetzen-wir-ihren-wiedereinstieg/kms-kompetenz-mit-system>

<sup>48</sup> Kluge et al 2017; European Employment Policy Observatory (EEPO) Review, June 2015: Upskilling unemployed adults (aged 25 to 64).

should be encouraged to provide more training. Currently, higher-skilled occupations, which are precisely those that are more likely to use nonroutine, nonmanual skills (i.e. skills of the new economy), are somewhat less likely to receive employer-provided training in Albania than lower and medium-skilled occupations<sup>49</sup>. This is despite an increasing number of firms facing a scarcity of skilled workers. According to the Enterprise Survey the share of firms which report having difficulty finding workers with specific technical skills and knowledge increased from 6 to 25 percent between 2013 and 2019. To address this issue, it could be considered to incentivize training by introducing individual learning accounts, through which each eligible person can accumulate rights to training. Resources are only accessed when training is undertaken, and expenses are directly reimbursed, or contributions matched. The accounts are directly linked to an individual rather than their employer, allowing for employees to freely choose the nature of their training, independent of employment status.<sup>50</sup>

**Vocational education and training (VET) for youth can act as bridge between school and a first job – but, in Albania, VET reaches a relatively small number of students and does not provide students with enough work-based learning or skills demanded by employers.** Currently only 18 percent of students enrolled in upper secondary education attend vocational programs, relative to an average of 58 percent in the six Western Balkan countries.<sup>51</sup> Significant reforms have been implemented in recent years to improve the quality and image of VET, most of which have been of legislative nature.<sup>52</sup> These novel legal frameworks have, however, not been made operational yet<sup>53</sup>. In the meantime, challenges remain, including a lack of standardization in regard to the amount and type of work-based learning, little involvement of business and labor unions in shaping curricula, as well as difficulties for VET schools to establish partnerships with employers interested in providing training. Much of the lacking implementation is due to little involvement of the private sector when formulating laws in the first place, while simultaneously requiring significant

contributions in order to enact them. Reforms such as the new VET Law in 2017 expect close involvement of the private sector in the training program design and delivery, but many of the channels through which their input could be provided are not functioning or still being established<sup>54</sup>. Hence, aspects of VET which do require partnerships with private sector entities, such as work-based learning, are based on personal relations and hence vary significantly across the country. As a result, the skills imparted at many vocational schools are not the ones demanded by employers and graduates of VET schools face significant challenges in making the transition from education to the world of work. The GIZ conducted a tracing study in 2017 which found that only 41 percent of graduates from vocational secondary schools were in a work relationship and one quarter were neither in education, employment, or training. Over half of the latter had been unsuccessfully looking for a job for more than 12 months.<sup>55</sup> Standardized collection and dissemination of detailed labor market information on occupations and skills in demand is needed to begin to address this issue, in addition to closer involvement of employer and worker organizations.

<sup>49</sup> STEP Survey Albania 2017.

<sup>50</sup> More details and the underlying rationale behind such provision is provided in the CEM chapter on digital skills.

<sup>51</sup> Eurostat: EDUC\_UOE\_ENRSO4, For Albania: INSTAT Database. Pupils enrolled on upper secondary by type of school 2012 – 2020. For Kosovo: KAS askdata. Number of pupils in upper secondary education, 2015 – 2020. Note: Numbers refer to 2018.

<sup>52</sup> Such as the Employment Promotion Law from 2019, the Albanian Qualifications Framework Law from 2018 or the new Vocational Education and Training Law from 2017.

<sup>53</sup> UNDP's recent review on Albania's vocational education specifically highlights the necessary operationalization of the revised Albania Quality Framework and secondary legislation for VET-provider's financial autonomy. Source: UNDP (2020). Review of Albania's Vocational Education Training System

<sup>54</sup> Examples include the non-functioning National VET Council or the establishment of so-called development units whose responsibility is to "set up a cooperation mechanism with private companies to ensure availability of sufficient practical skills acquisition possibilities for students in work-place environments." Source: UNDP (2020). Review of Albania's Vocational Education Training System, pp. 9, 10, 103.

<sup>55</sup> GIZ conducted a tracing study in 2017 which found that 41 percent of graduates from vocational secondary schools were in a work relationship and one quarter were neither in education, employment, or training. Over half of the latter had been unsuccessfully looking for a job for more than 12 months. Source: GIZ. 2019. Tracing Survey for Graduates from Vocational Secondary Schools in Albania in 2017-2018.

### 3. Mitigating the impacts of job loss: extending unemployment benefits and protection from severe income shocks

**Beyond investments to improve the productivity of workers, social protection contributes towards fostering growth by alleviating poverty and protecting people against risk and promoting human capital.<sup>56</sup> However, the social protection system in Albania is falling short of these objectives.**

The social protection system in Albania is comprised of social insurance, which is based on contributions made through a formal employment contract; and, social assistance, which provides support to poor and vulnerable individuals irrespective of their previous employment status, given its funding by government.<sup>57</sup> The sections that follow focus on social insurance instruments that support labor market transitions, specifically unemployment insurance and, to a lesser degree, severance pay<sup>58</sup>. While unemployment insurance and severance pay are well established in Albania, the informal nature of many jobs undermines the access of people to this

form of protection. While efforts to extend access to social insurance are underway by formalizing work, similar issues are arising as people shift into new types of work in highly innovative sectors, and as the nature of work changes globally (**Box 5**). For this reason, the second part of this section considers the role that Albania's poverty-targeted social assistance program may play in mitigating the impacts of income shocks and jobs loss on the poorest people in the country.

#### **Box 5: The changing nature of work will challenge Governments to promote risk sharing outside of formal employment contracts**

The nature of work is changing as a result of a range of global factors, including technological advances and economic integration, which are leading to a rise in self-employment, fixed-term and part-time work, and "gig economy" jobs, among other more flexible types of work that do not easily fall within the traditional employment relationships. These changes raise questions for how to reinforce and extend social insurance systems, which assume that work is carried out through stable, subordinate wage or salaried employment, with contributions by employer and employees financing the system. The World Bank Social Protection and Jobs White Paper<sup>59</sup> argues that, against the backdrop of these changes in the labor market, the objective of risk-sharing, which is preventing poverty and protecting against risk and uncertainty, that is promoted through social insurance remains more relevant than ever. Across countries, however, social insurance falls short when the system assumes that most people have formal employment-based contracts, be these informal workers in low- and middle-income countries or "gig workers" in higher income countries. Reconsidering the design of social insurance system to accommodate a greater range of employment types can help people prepare for and take advantage of change and support job transitions. These considerations are particularly pertinent to Albania, given the prominence of informal work and the strive for economic transformation.

<sup>56</sup> Packard, Truman, Ugo Gentilini, Margaret Grosh, Philip O'Keefe, Robert Palacios, David Robalino, and Indhira Santos. 2019. Protecting All: Risk Sharing for a Diverse and Diversifying World of Work. Human Development Perspectives. Washington, DC: World Bank.

<sup>57</sup> Social protection expenditures in Albania amounted to almost 9 percent of the GDP in 2018. Most of these expenditures go towards social insurance (mainly pensions) where spending amounts to 7 percent of the GDP. In 2018, the total expenditure on social protection benefits in the EU amounted to 26.7 percent of GDP, ranging from 13-14 percent in Ireland and Romania, to 31-31 percent in Denmark (Eurostat).

<sup>58</sup> See the forthcoming Social Protection Situational Analysis for Albania for a review of the broader social protection system.

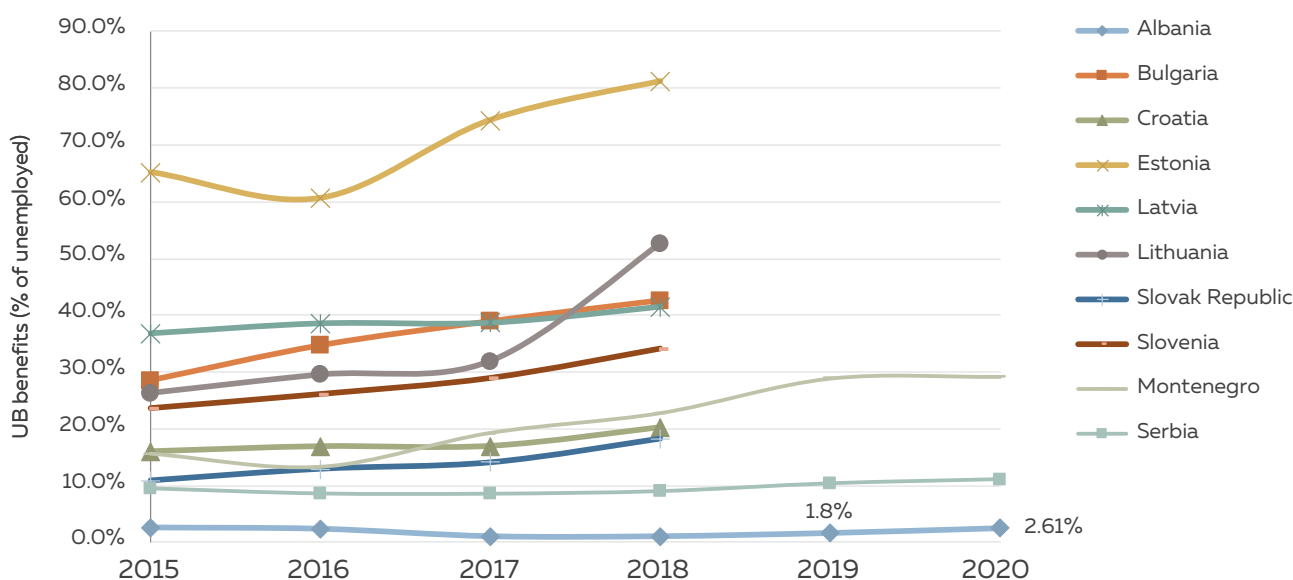
<sup>59</sup> Packard, Truman, Ugo Gentilini, Margaret Grosh, Philip O'Keefe, Robert Palacios, David Robalino, and Indhira Santos. 2019. Protecting All: Risk Sharing for a Diverse and Diversifying World of Work. Human Development Perspectives. Washington, DC: World Bank.

### 3.1 Unemployment benefits

A well-designed unemployment insurance system is an important part of the social protection system, providing temporary financial support to jobseekers while they find a new job, although the system in Albania is falling short of this objective. All countries in the Western Balkans and the 7STEE, with the exception of Kosovo, have an unemployment insurance system.<sup>60</sup> Unemployment insurance can support labor market transitions, in that benefits can sustain jobseekers while they search for work, resulting in better quality job matches that make use of their skills. Unemployment insurance can also help maintain aggregate demand during periods of economic downturns. If benefits are too generous, however, unemployment programs may lengthen unemployment.<sup>61</sup> As a result, for unemployment benefits “the policy challenge is to protect workers while minimizing undesirable side effects.”<sup>62</sup> In Albania, unemployment benefits cover formal employees. To qualify for the benefit, beneficiaries must be involuntarily unemployed,

have at least 12 months of contributions<sup>63</sup>, may not be receiving any other benefit except for disability, must be registered with NAES, and must be willing to take up employment or participate in training or any other suitable ALMP. Although the number of unemployed who received benefits increased significantly in 2020, the coverage of unemployed continued to be very low. In 2019, only 1.8 percent of unemployed received unemployment benefits (based on data from INSTAT) and increasing to 2.6 percent in 2020 (Figure 14). In contrast, comparator countries in the 7STEE cover a much larger share of registered unemployed, ranging from 18 percent in the Slovak Republic to 81 percent in Estonia in 2018 (Figure 14). The coverage of unemployment benefits among the unemployed and registered job seekers seems to be higher in other Western Balkans countries than in Albania (Figure 14). Against the backdrop of these low rates of coverage, rates of poverty among unemployed people in Albania are high as seen in Figure 7 in the introduction.

**Figure 14: Share of unemployed receiving unemployment benefits in Albania is much lower than select comparator countries, 2015-2020**



Source: INSTAT for Albania, Administrative data for Western Balkan countries, Eurostat for 7STEE. Note: The unemployment numbers are taken from each country’s respective Labor Force Survey.

<sup>60</sup> Severance pay is another instrument to protect the income of workers who have lost their jobs and facilitate transitions between jobs. Severance pay is regulated by the Albanian labor law and provides for those who have been employed for at least three years with the same employer and are dismissed for no fault of their own a compensation equal to 15 days of wage based on the last salary for each complete working year.

<sup>61</sup> The extent to which unemployment benefits contribute to unemployment remains under debate.

<sup>62</sup> Moffitt, Robert A. 2014. Unemployment benefits and unemployment. IZA World of Labor 2014: 13.

<sup>63</sup> “Only a small portion of the unemployed is eligible for unemployment insurance benefits because that the current system provides benefits only for those who have paid social contributions during their last year of employment”. Available at: <https://www.euraxess.al/albania/information-assistance/social-security> [accessed March 23, 2021].

Albania’s unemployment benefit stands out from common unemployment insurance design, which tends to be more directly linked to current earnings and longer pay-out periods. In Albania, a flat-rate benefit of 50 percent the national minimum wage is paid for 3 to 12 months, plus additional 5 percent for dependent children, which translates to a replacement ratio of 25 percent for Albanians earning the average wage.<sup>64</sup> In contrast, net replacement rates for a single individual in comparator 7STEE countries range from around 55 percent of average gross wage in Estonia to 85 percent in Latvia (Figure 15 and Annex 3 for details).<sup>65</sup> Many of these countries start off with more generous replacement rates, which are reduced as periods of unemployment continue. Individuals who have contributed for at least one year receive 3 months of benefits, more than 3 years receive 6 months, more than 5 years 9 months, and everyone who contributed for more than 10 years receives a maximum of 12 months.<sup>66</sup> The minimum pay-out-period in Albania and the other Western Balkan countries is 3 months. It is 6 months in Slovakia, 8 months in Latvia and 9 months in Lithuania.

the duration of unemployment benefits in Albania may be short and/or jobs search support during this phase should be intensified. Based on NAES administrative data, the number of beneficiaries of unemployment insurance increased in 2020, as a total of 13,884 jobseekers received benefits. At the same time, 10,842 people ceased to receive unemployment benefits or exited the program, but, unlike in previous years, the reason the majority of beneficiaries left was due to their benefits expiring and not because they entered an active labor market program<sup>67</sup>, which was the main reason for exit in earlier years (Figure 16). In 2018 and 2019, most beneficiaries left unemployment benefits by way of joining an ALMP, other than vocational training. However, the share of beneficiaries who directly returned into employment was also lower in these years than in 2020, when almost a quarter of beneficiaries left the program due to finding employment. In 2019 and 2018 this had only been the case for 13 and 5 percent of beneficiaries, respectively. While 2020 was an outlier given the impacts of the COVID-19 pandemic, these trends suggest that the length of benefit provision may be too short to activate people into jobs and that there is scope to intensify jobs search requirements and support from NAES in the initial period of unemployment.

**Analysis of administrative data from NAES suggests that few people move from unemployment benefits directly into work, suggesting that**

**Figure 15: Albania’s unemployment benefits have very low replacement rates, especially for average earners.**



Sources: Albania: INSTAT, Serbia: Statistical Office of the Republic of Serbia, BiH: Federal Bureau of Statistics Bosnia and Herzegovina, North Macedonia: MAKSTAT and OECD for the remaining countries; For contribution rates: Social Security Programs Throughout the World, Europe, 2018. Note: Replacement rates are given in terms of gross wage for single individuals without additional housing or social assistance benefits. The contributions for Latvia are collected combined together with other social insurances, hence those for unemployment insurance can't be isolated

<sup>64</sup> Until the age of 18, and until the age of 25 for those in tertiary education, as well as for dependents who are incapacitated (also until the age of 25). The total additional payments of 5 percent per child may not exceed 30 percent of the fixed rate. All women over 55 and men over 60 receive 12 months of benefits, as long as they contributed at least one year and meet all other criteria. Benefits can be extended by up to one year in the case of temporary employment while receiving the benefit.

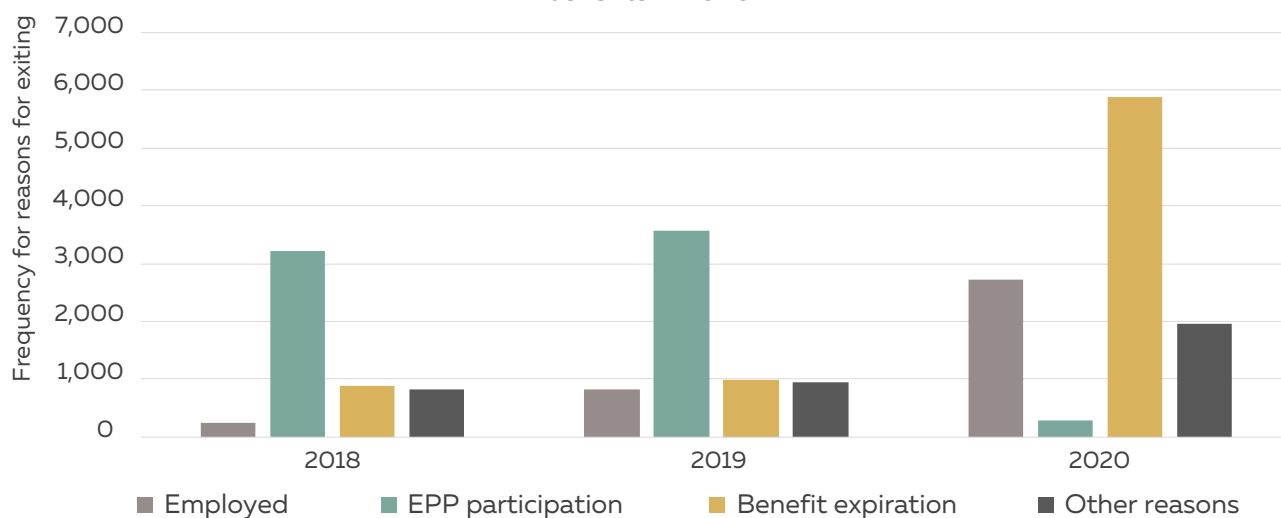
<sup>65</sup> Based on average earnings and 2 months unemployment benefit duration for a single individual in 2019 (pre-COVID). Source: [https://europa.eu/economy\\_finance/db\\_indicators/tab/#](https://europa.eu/economy_finance/db_indicators/tab/#)

<sup>66</sup> For cases of repeated claims for benefit, the calculation of the contribution period begins with the last benefit of the payment of unemployment benefits.

<sup>67</sup> There is no information as to whether these people moved from the ALMPs into a job.



**Figure 16: Many unemployment benefit recipients are forced out of assistance due to expiration of benefits in 2020**



Source: INSTAT for Albania, Administrative data for Western Balkan countries, Eurostat for 7STEE. Note: The unemployment numbers are taken from each country's respective Labor Force Survey.

Current expenditures on regular unemployment benefits are significantly lower than social security contributions for unemployment benefits collected from employers. Social security contributions include a 0.9 percent contribution from the employer for unemployment insurance. Total contributions amount to 24.5 percent of the gross wage<sup>68</sup>, of which 14 percent are paid by the employer. The 2019 state budget shows social security revenues in the amount of 84,342 million ALL; calculations show that the revenue stemming from the 0.9 percent contribution for unemployment benefit amounts to roughly 3,092 million ALL. State expenditures on regular unemployment benefits that same year were 504 million ALL,<sup>69</sup> whereas almost 2,164 million ALL were paid out as special measures to workers of the oil, mining and metallurgy industries or former members of the military<sup>70</sup>. Simulations show that the 0.9 percent employer-financed social security contribution could finance a more generous unemployment benefit, if it would not finance the previously mentioned extraordinary measures (Figure 17). Replacing the flat benefit with a 70 percent replacement rate would still only make up half of the contributions that are collected, holding the number of beneficiaries constant<sup>71</sup>. Currently, the contributions collect significantly exceed expenditures.

Providing more meaningful unemployment benefits could help Albanians sustain the search for jobs that best use their skills, while also allow for consumption smoothing of unemployed people.<sup>72</sup> Given the low generosity of unemployment benefits, people have little choice but to rush to find a new employment when they are laid-off. The Government may consider a range of reforms to improve the generosity and functioning of the unemployment insurance system in Albania, which would include revising the parameters and modernizing the application process. Reforming the parameters would include, at a minimum, linking unemployment benefits to previous contribution levels. In order to make the benefit more meaningful, the Government should consider gradually raising the generosity of benefits as well as extending duration of payment. However, determining the exact parameters requires detailed analyses, given the implications of social security contribution by employers and employee on employment in Albania. Albania should consider carrying-out detailed analysis to inform the revision of unemployment insurance design parameters such as: (i) benefit amount, (ii) duration of benefits, (iii) minimum period of contributions, and (iv) contribution rate, with the aim to make the benefit more meaningful for the unemployed and thereby incentivizing some workers to formalize.

<sup>68</sup> 0.3% for disease insurance, 1.40% for maternity insurance, 21.60% for pension, 0.3% for accident insurance, 0.9% for unemployment insurance

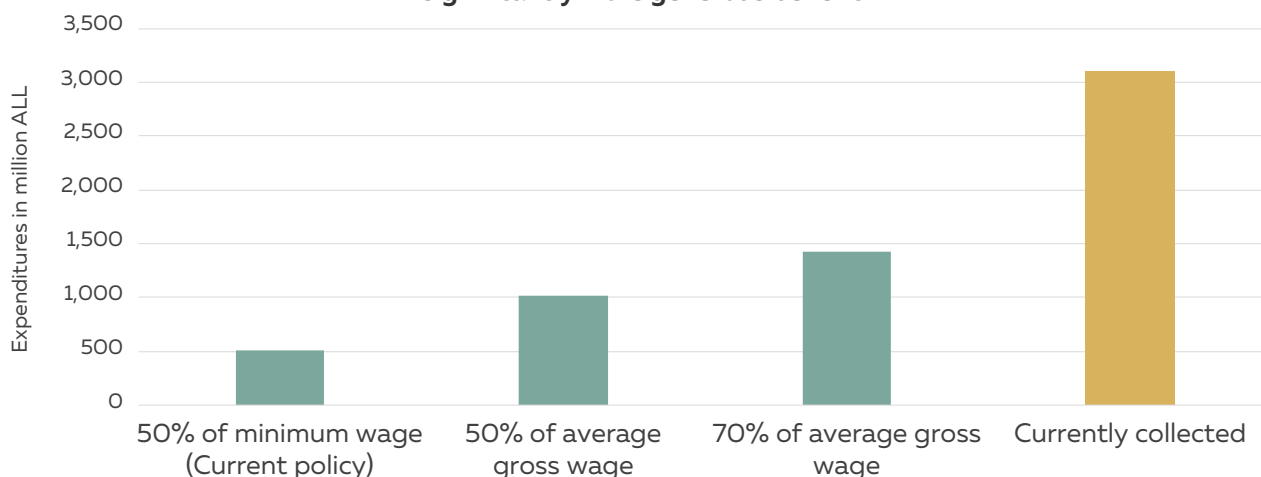
<sup>69</sup> Calculated as  $(0.9/24.5)*100*ALL\ 84,342\ million$ . Of these, roughly ALL 680 million were paid by the state in social security contributions for unemployment benefits for its personnel.

<sup>70</sup> According to the Ministry of Finance and Economy ALL 580 million were paid to former employees of the oil refiner ARMO, ALL 1.042 billion as special treatment for miners, ALL 411 million for oil industry workers, ALL 71 million for Metallurgy workers and ALL 50 million for former military workers.

<sup>71</sup> If the benefit was more generous, more unemployed eligible to claim unemployment benefits might make the effort to apply.

<sup>72</sup> Evidence from Austria suggests that longer unemployment duration has a positive effect on wages as unemployment benefits subsidize the search of a good job match (see: Nekoei and Weber, 2017. Does Extending Unemployment Benefits Improve Job Quality? IZA Discussion Paper No. 9034).

**Figure 17: Social security contributions collected for unemployment insurance could finance a significantly more generous benefit**



*Note: The graph is simulating increased generosity of unemployment benefits assuming all beneficiaries earned the average gross wage. The simulation used 2019 beneficiary numbers and expenditures of NAES on unemployment benefits to estimate the average length of unemployment benefit provision as 4.45 months. In 2019, expenditures equaled ALL 504.1 million and 8711 beneficiaries received ALL 13,000 each month they were eligible.*

**Application for unemployment benefits continue to be based on in-person applications at the local employment office.** In order to apply, and within 60 days of the end of the employment relationship, individuals must provide an application form, a workbook<sup>73</sup> detailing the work experience, photo ID and certificates of enrollment in education for all dependent children in person to the employment office.<sup>74</sup> Additionally, employment offices must obtain the applicant's certificate of marital status, and a certificate from the individuals' tax branch supporting that the claimant is not currently registered and has paid the contributions for a given number of years. Once the application is approved, the beneficiary is expected to see an employment counsellor once a month. In OECD countries, online applications for unemployment benefits are common, reaching up till 58 percent of applications in the United States, 88 percent in the United Kingdom, 95 percent in the Netherlands, and 100 percent in Iceland and Italy as per 2015 information.<sup>75</sup> The COVID-19 pandemic has certainly accelerated the introduction of remote applications to enable social distancing, such as applications submitted by email or post in Serbia and Croatia. The application process for unemployment benefits could be modernized in Albania by using on-line applications, with verification carried-out through interoperability with other government data bases, such as the Tax Authority. This would require digitization of workbooks from pre-2012.

**Finally, while Albania harnessed its unemployment insurance system to respond to COVID-19 pandemic, it took more modest steps than other countries.** Over 90 percent of countries in Europe and Central Asia used their unemployment insurance systems to respond to the COVID-19 pandemic. In Albania, the unemployment benefit amount was doubled for the months of April, May and June 2020. Other countries went further. Serbia and Croatia for example facilitated procedures to apply for unemployment benefit, as discussed in the paragraph above. Countries such as Bulgaria and Slovakia temporarily extended the benefit duration (from 4 to 7 months in Bulgaria and from 6 to 10 months in Slovakia). The governments of Latvia and Lithuania expanded unemployment benefits for the self-employed and introduced an unemployment assistance benefit for those unemployed who would not otherwise qualify for the regular unemployment benefit. In Slovenia, workers who had lost their job during the pandemic are automatically entitled to unemployment benefits. Countries such as Chile and the United States have provisions in their regulations that when national (Chile) or state-level (US) unemployment rates exceed a pre-set average, benefit duration is extended. These experiences suggest that Albania may consider setting out rules that would govern the response to shocks through the unemployment insurance system, including a careful consideration of options to relax some of the stringent eligibility criteria and extend benefit duration in time of crisis.

<sup>73</sup> For each employment relationship, the workbook contains the employment starting date, the occupation, the termination date and the reason for termination. The information contained in the workbook is not digitized for those who entered the labor market prior to 2012.

<sup>74</sup> The request for an appointment with the labor office is submitted through the E-Albania portal. The labor offices have computers on site, with designated staff to assist, should people not have access to a computer.

<sup>75</sup> OECD. 2015. OECD Employment Outlook 2015. Paris: OECD.

**Albania may also consider additional elements other countries have introduced, which seek to expand access to the system and promote job mobility.**

Given the limited coverage and low generosity of unemployment benefits in Albania, the Government could consider reforms that seek to expand access to the formal social insurance system, such as easing the minimum contribution requirements to less than 12 months in the case of a crisis, as exemplified by the COVID-19 pandemic. Severance pay is another instrument to protect the income of workers who have lost their jobs and facilitate transitions between jobs.<sup>76</sup> Most empirical evidence points to negative impacts of strict dismissal protection, which may be in the form of high severance pay, on firm investments, risk taking and innovation.<sup>77</sup> Innovative examples for reforming severance pay include individual accounts to which employers contribute, but which are portable across jobs and can be used to complement pensions later in life. Austria is one of the (few) countries that has introduced such severance accounts. The reform was motivated by liquidity problems due to severance payments, especially for SMEs, limited labor market mobility, and the wish to extend entitlement also to voluntary separations, seasonal employment, and workers with short tenures. With the reform in 2002, employers contribute into a fund for each employee, and in case of dismissal after three years of job tenure, workers can choose between receiving the severance payment from the account or saving the entitlement towards a future pension. The balance of the account is carried over from one employer to the next. Besides private sector workers including apprentices and self-employed, the system is open also to farmers and freelancers. Evidence suggests that the introduction of these severance savings accounts (in highly formal labor markets such as Austria) have increased job mobility, with impacts larger for women than for men. Such innovations to enhance coverage and increase labor market mobility, however, need to be preceded by detailed analysis to inform the parameters of the reform and the likely impact, as the effects of such measures likely differ in labor markets in which high levels of informality and lower levels of compliance with (dismissal) regulations, and there is a real risk that introducing such explicit contributions may increase labor costs and hurt formal job creation further. Albania could consider innovative elements that other countries have introduced to expand social protection coverage, such as reform severance pay

and introduce individual severance accounts, based on detailed analysis to identify potential effects on the labor market.

**Finally, Albania may also consider harnessing investments in its social assistance programs to extend protection to poor and vulnerable workers.** While improving the effectiveness of unemployment insurance and severance pay may contribute toward incentivizing workers to formalize, it is likely that, at least in the short term, many workers will remain informal or in temporary or seasonal employment that excludes them from such formal protection. This given, Albania may consider international experience that is increasingly offering innovative means of reaching informal workers with support when they need it to prevent their slide into (deeper) poverty. The introduction of individual savings accounts, such as in the Austrian example above, are being used in some countries to extend the coverage of social insurance to low-income workers, who tend to be informal. This is being done, for example, through the establishment of dedicated financial products accompanied, at times by matching grants from the Government and behavioral nudges, such as through automatic reminders.<sup>78</sup> These innovations, which are often dedicated to expanding pension access, may offer ideas for how Albania could extend the coverage of unemployment insurance to a greater proportion of the population. In addition, a global review finds that, in most cases, the best way to quickly support informal wage workers and the informal self-employed during crises is through social assistance systems, scope and benefit amounts of which can be quickly expanded when there are mechanisms in place to identify and register potential beneficiaries, such as social or civil registries, or property registries, for example (see section below for a further discussion). In expanding these registries, governments can work closely with organizations that work with the informal sector, such as informal business associations or microcredit organizations. In addition, governments can take advantage of administrative data for existing government programs – beyond social assistance – including not only current but also past beneficiaries. Most often, these initiatives were built on well-established social assistance systems and, for this reason, the section that following considers the scope for the Ndihma Ekonomike to play this role.

<sup>76</sup> Severance pay is regulated by the Albanian labor law and provides for those who have been employed for at least three years with the same employer and are dismissed for no fault of their own a compensation equal to 15 days of wage based on the last salary for each complete working year. There are no ceilings, which may add to the risks in cases of liquidity or business problems.

<sup>77</sup> With regard to training provision, there is mixed evidence. In theory, strict dismissal protection might result in longer-term employment relationship, creating a greater incentive for firms to invest in firm- or sector-specific job training. There is evidence, however, that the impact depends on the composition of the workforce, and that firms rely more heavily on temporary contracts (see for example Bratti et al., 2018).

<sup>78</sup> See for example Bosh M, et al., 2019. How to promote retirement savings for low-income and independent workers: the cases of Chile, Colombia, Mexico and Peru. IDB Technical Note, 1777. Inter-American Development Bank

## 3.2 Social assistance

**Albania's last-resort income support program, the Ndihma Ekonomike, appears to be effectively reaching poor households.** In 2011, the Government adopted the Social Assistance Framework Law, which established the legal basis for revising the eligibility criteria for the Ndihma Ekonomike, its only Last Resort Income Support (LRIS) program. This revision removed binary filters and adopted a Unified Scoring Formula that would better identify the extreme poor population. The new eligibility criteria and targeting procedures were initially piloted and then scaled-up nationwide from January 1, 2018. Initial analysis suggests improvements in the targeting accuracy of the program, although this will be confirmed with analysis of household survey data collected following the complete roll-out of the new targeting procedure. Analysis of the 2019 SILC shows that 73.5 percent of beneficiaries of the NE are from the poorest thirty percent of the population, up from 60 percent in 2017. This points to improvements in the targeting accuracy of the program, although this should continue to be assessed as more recent household survey data becomes available. Moving forward, it will be important to update the targeting tools, specifically the Unified Scoring Formula, so that it correctly reflects changing poverty dynamics in Albania (the current formula is based on 2015 data).

**Despite these improvements, the coverage of the Ndihma Ekonomike remains low in comparison to need.** Currently, the NE reaches roughly nine percent of the population.<sup>79</sup> While significant, given that poverty in Albania, at 38 percent, is the highest in the Western Balkans, coverage remains low in comparison with need. This reflects the overall spending on social assistance, including on the NE, in Albania. In 2018, Albania spent roughly 1.35 percent of GDP on social assistance (of which 25 percent is allocated to the NE), which is again low compared with an average of 3.2 percent on means-tested (poverty-targeted) programs among EU countries. This suggests that Albania may consider expanding the coverage of the NE to additional poor households by increasing the thresholds within the targeting system, which would allow poor households to qualify for support. The aims of the NE to provide

support to poor households based on their poverty status provides the legal foundation to expand the coverage of the program. Such an expansion can be managed within the existing targeting system; this requires only a change to the threshold or cut-off point, which would allow additional poor households to enter the program. To ensure that the targeting system continues to respond effectively to current poverty dynamics, any effort to expand coverage should be accompanied by a review of the targeting system both in terms of its operational procedures (are people aware of the program and are they able to apply) and the Unified Scoring Formula to confirm its continued accuracy.

**While the value of the Ndihma Ekonomike benefit has increased in recent years, analysis suggests this may be low.** The average NE benefit amount has increased significantly, by 17 percent between 2017 and August 2019.<sup>80</sup> Despite this increase, recent analysis shows that the NE benefit trails other social benefits in Albania. Comparing the NE benefit levels as set out in legislation, the benefit level for a household consisting of one adult member is equal to only 6.5 percent of the minimum wage, 13 percent of the unemployment benefit and 25 percent of the social pension.<sup>81</sup> For a beneficiary household consisting of two adults and two children, the benefit is equivalent to 18.5 percent of the poverty line of US\$3.20 per day and 10.7 percent of the US\$ 5.50 per day. This analysis suggesting the low relative value of the current NE benefit may arise, in part, from the fact that the nominal value of the NE has not been increased since 2018. This has not only eroded the purchasing power of the NE benefit, but it is also in direct contrast with the regular increases to the minimum wage, and by extension unemployment benefits, and social pension over this same period. This analysis points to need for a mechanism to inform a periodic review, and possible increase, of the NE benefit to, at a minimum, protect its real value. Figure 18 considers the coverage and adequacy of social assistance programs and their impact on the poverty rate in selected ECA countries, using the most recent data available. As seen in this figure, the coverage of the NE lags that of other countries in ECA, while the adequacy

<sup>79</sup>This analysis is based on administrative data on the number of beneficiaries (under families in need category) in 2021.

<sup>80</sup>Beyond the cash transfer, NE beneficiaries also receive other subsidies and other compensations, such as payment in exchange for attendance of compulsory education, vaccination of children and compensation of electricity. This section considers only the cash transfer.

<sup>81</sup>WB staff calculations for note on NE benefit adequacy prepared for the Ministry of Health and Social Protection, 2021.

appears to be relatively more generous although, given the modest impacts on poverty, this may reflect the depth of poverty rather than a generous transfer.

**Like other countries around the globe, Albania harnessed its social assistance programs to protect the poor from the COVID-19 pandemic.** Within its broader response to COVID-19 (see Annex 1), the Government adopted a set of measures that were specifically designed to protect the most vulnerable parts of the population from the economic impacts of the crisis. First, the Government doubled the value of the NE benefit for April, May and June 2020, for those who had applied for the NE up to March 10, 2020<sup>82</sup>, temporarily eliminated the need for in-person recertification every three months and allowed for applications to be submitted electronically or through the post office. Because of these changes, the number of NE beneficiaries increased by 11 percent (from 62,016 families in March 2020 to 69,073 in July 2020). Second, the Government approved in the second part of April 2020 a one-off benefit (ALL 16,000, equivalent to 156 USD) for all the families that had applied to the NE between July 2019 and April 2020 and had data in the MIS, with 4,524 families receiving this payment.<sup>83</sup> Finally, an inter-ministerial committee chaired by Ministry of Defense was established to organize and deliver food and other support items for about 600,000 individuals identified by local governments as vulnerable. Most recently, the NE benefit was again doubled for the period of January to June 2021.

**The Government’s decision to double the NE payment as part of the response to COVID-19 appears to be justified, although the exact increase could have been better calibrated.** In response to COVID-19, Albania initially doubled the value of the NE benefit for a period of three months. Harnessing the NE in this way was an effective means of protecting some poor households from the pandemic, given that the program appears to be well targeted to the bottom quintile of the population, although it did little to reach additional poor or newly poor households. The decision to increase the NE benefit followed a broader trend in the region: other countries in the Western Balkans similarly increased the value of the benefit to existing beneficiaries of the last resort income support program, although the rationale for such increases was not always clearly articulated or justified. Kosovo doubled the benefit for a period of three months (extending it again at the beginning of 2021). In Montenegro, the functionality of the Social Card was modified for two ad hoc payments, €50 in April and €200 in August, and families received their payments within three days. The fact that benefits were increased across countries suggests that the ability to increase the value is an important part of responding to crisis. However, in Albania, as in other countries, the rationale for the doubling of the benefit for an initial period of three months was not set out in relation to a specific objective or analysis. This suggests that the basis upon which the value would increase in response to shocks should be set out in advance and based on analysis of adequacy to achieve the stated objectives.

**Figure 18: Coverage and adequacy of Social Assistance Programs and their impact on poverty**



\*Adequacy is calculated as the average value of the transfers over the total welfare of the beneficiaries. The poverty line of 5.50 USD/day was used to allow for international comparison. Source: SPEED (Social Protection Expenditure and Evaluation Database). 2020. Database, Washington, DC: World Bank

<sup>82</sup> The measure was approved through the DCM no. 254 approved on 27.03.2020.

<sup>83</sup> Based on the Decision no. 341, dated 23.4.2020 of the Council of Ministers "On some additions and changes to the decision no.305, dated 16.4.2020, of the Council of Ministers," On the determination of procedures, documentation and the amount of financial assistance for current employees and employees dismissed as a result of COVID - 19".

However, while some effort was made to provide support to additional poor households, the full range of options through the NE were not harnessed. The low coverage of the NE left many poor households exposed to the negative economic impacts of the COVID-19 pandemic. In recognition of these gaps, the Government introduced two measures that aimed to specifically reach additional poor people, as described<sup>84</sup>. The first of these actions mirrored, to some extent, those taken by other countries, which used information in the management information systems of their social assistance programs or their social registries to provide support to additional households, thereby expanding coverage of social assistance support. Notable, however, the Government opted not to expand the coverage of the NE to additional poor households using the full range of program procedures by, for example, increasing the eligibility threshold and paying the regular NE payment (or double payment) to the people who received the temporary response.

**A more rapid scale-up in response to shocks would be possible by introducing a crisis modifier into the NE, drawing on experience from other countries across the globe and in the Western Balkans.**

A global review of the response to COVID-19 documents the widespread use of social protection to respond to the economic effects of the pandemic, with social assistance being the most prominent policy response: as of December 2020, a total of 215 countries or territories have planned or implemented social protection measures as part of their response, with a majority of these having been social assistance programs focusing on cash benefits<sup>85</sup>. Throughout the crisis, coverage of cash transfers has increased from 16 to 38 percent of the global population. This review also points to the strong correlation between the expansions in coverage and presence of established social protection systems.<sup>86</sup> A similar trend was seen in the Western Balkans. In North Macedonia, for example, the Guaranteed Minimum Income (GMI) program was quickly expanded to people negatively affected by the crisis by amending the eligibility criteria, which included assessing the income of applicants in the previous month instead of the normal three-month period.

**Through its investments in the NE, the Government has established a platform that could be used to provide rapid response to poor people affected by shocks, including those working in the informal sector.** In Albania, the Government has made consid-

erable investments in strengthening the targeting of the NE, setting up a management information system (MIS), and strengthening the capacity of CSW staff to administer the scheme. These investments provide a solid foundation to advance towards a shock-responsive social protection system, particularly because the eligibility criteria and targeting system are designed to identify people based on their poverty status. Using the NE as the basis, further criteria are required to (i) determine how to identify people quickly for support when a shock occurs; and (ii) establish the value and duration of the transfer to be provided for existing and new beneficiaries. In terms of rapidly identifying people who need support when a shock occurs, countries have tended to opt for two different approaches: firstly, countries have invested in social registries of poor households, which then contain data that can be used by the state to quickly identify beneficiaries to receive payments; secondly, countries have established eligibility criteria that are then used when people actively apply for support during a crisis. North Macedonia adopted this second approach, while the Philippines, Brazil and other countries have established social registries that are used to support crises response. The decision in Albania to provide a one-off transfer to former NE beneficiaries points to how a social registry might work, in that the information on these beneficiaries was easily available in the MIS. In both models, criteria would need to be established to allow an identification of affected households such due to their geographic location (in the case of an earthquake) or characteristics associated with being affected by the shock. The Unified Scoring Formula provides a basis for such a system, although it would need to be carefully reviewed to consider vulnerabilities to shock. In terms of delivery systems, this requires modifying the MIS, clarifying the roles and responsibilities of social workers in terms of outreach and enrolment, and ensuring that the payment systems can quickly make payments during crisis.

**For such a program to respond quickly to a range of shocks, it needs to be supported by established triggers and backed by contingency financing.** In addition to establishing the rules and procedures within the NE to identify who would receive support in response to a shock, for how long and at what level, a set of rules are required to determine when such a response would be triggered. In some countries, a response through the social assistance system is triggered by data from the early warning system

<sup>84</sup> Specifically, (i) provide a one-off payment to people who applied for NE and (ii) deliver food and other support items for about 600,000 individuals identified by local governments as vulnerable.

<sup>85</sup> Gentilini U, Almenfi M, Dale P. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures, version December 11, 2021.

<sup>86</sup> Gentilini U, Almenfi M, Dale P. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures, version December 11, 2021.

reaching a pre-determined level. This approach can be used for localized or larger (national) shocks and does not require a declaration of emergency by the national government. Other countries use the procedures that have been established within their Disaster Risk Management system to identify and respond to crises. In both cases, when such a response is triggered, it is financed through contingency financing (or a budget reallocation) and follow the rules and procedures that are set out in advance, such that support quickly reaches households affected by the shock. The Ministry of Finance has commissioned an assessment of disaster risk financing options, which lays the foundation further analysis of the cost of expanding the NE in response to anticipated shocks.

## 4. Reform recommendations

**This note has considered the role of selected social protection instruments in promoting employment and protecting people from income or job loss in Albania.** The sections above presented a detailed technical analysis of the new suite of employment programs that aim to promote employability, reviewing their design and implementation according to the aims of the recent reform and international best practice. In terms of protecting people from periods of income-loss, the note focused on two selected programs: unemployment benefits and the Ndhima Ekonomike, Albania's last resort income

support program. These two programs were chosen in recognizing of the fact that while social insurance specifically aims to protect people from job loss through unemployment benefits, access is severely constrained by the continued levels of informality in Albania. In such circumstances, there is emerging experience globally on how social assistance can be used to fill this gap by establishing ways of reaching poor people who are affected by shocks – experience that Albania itself gained during the COVID-19 pandemic. Based on this analysis, the recommendations of this note are as follows:

### **Recommendation 1: Consolidate the employment reform and invest in demand-driven active labor market programs informed by real-time labor market information.**

**Albania has demonstrated significant commitment to reforming its labor programs to better support jobseekers to gain employment and promote their employability.** The Government recently laid the legal and institutional foundation for effective and evidence-based labor market programs, new active labor market programs (ALMPs) have been introduced, and their delivery is undergoing significant reform on several fronts, underpinned by a strong commitment to monitoring and evaluation to drive further improvements. Despite this progress, spending on labor market programs relative to GDP continues to be low, which is reflected in the continued low coverage of these programs. While uptake by employers and jobseekers is expected to increase as the new ALMPs are rolled out (once the worst of the COVID-19 pandemic passes), further investments in enhancing coverage would help solidify these reforms and strengthen their contribution to promoting labor market transitions.

#### **Proposed policy actions:**

- **Strengthen the capacity of relevant actors to manage and implement the reform.** Build capacity of the Ministry of Finance and Economy to manage and learn from the reform, and expand the capacity building and training of employment counsellors at the National Agency for Employment and Skills (NAES) for employer outreach, proactive case management, and specialized support for vulnerable groups. Intermediation of vulnerable groups could be outsourced to non-public providers using performance-based contracting. This would require enacting bylaws that allow for outsourcing of ALMP implementation to non-public training providers and start piloting.
- **Invest in the systematic analysis of labor market information and use evidence to inform program design.** Standardized collection and dissemination of detailed labor market information on occupations and skills in demand is needed to inform programming decisions. Businesses could be involved and relied upon more systematically to obtain important labor market information, for example through more formal institutions such as local or sectoral skills councils. New sources of real-time labor market information, such as postings on online job portals, can complement conventional labor market data sources.
- **Operationalize information management system and evaluate the effectiveness of ALMPs.** Finalize the testing of the new information management system and make use of the system in order to generate monitoring information that can be used to evaluate the effectiveness of ALMPs, informing ALMP programming, internal decision-making and budget distributions. Start conducting pilots of alternative



program design options, such as for the wage subsidy program, and evaluating them using rigorous impact evaluation methodologies.

- **Invest in upskilling and reskilling programs and increase resources.** With the uncertainty that COVID-19 has brought to economies, work experience programs have become an attractive option for employers and could be explored in Albania. With the risk of long-term unemployment on the rise, intensified employer outreach to increase ALMP uptake will be essential, as will be addressing other constraints faced by workers, such as childcare for women. Short vocational courses have proven to be an effective response to the pandemic, and they seem set to be a strong element of any employment services portfolio going forward. Importantly, however, the quality of training needs to be high, and training needs to correspond to labor market demand. NAES may consider issuing vouchers as a first step to diversifying training provision to non-public providers. Finally, there are countries with a significant share of seasonal employment that have experiences to offer to inform employment and training programs aimed at seasonal workers. Once NAES fully operationalizes the existing programs and has strengthened its implementation capacity, ALMP budgets should be raised conditional on fully absorbing existing budget funds and fully implementing the monitoring and evaluation of the programs.
- **Incentivize training of workers, both formal and informal.** To increase the supply of high-level skills, employers should be encouraged to provide more training. For example, incentivize training by introducing individual learning accounts, through which each eligible person can accumulate rights to training. The accounts can be directly linked to an individual rather than their employer, allowing for employees to freely choose the nature of their training, independent of employment status.

### Recommendation 2: Strengthen coverage and adequacy of unemployment benefits

**Beyond the investments made in workers through ALMPs, the social protection system in Albania contributes towards facilitating labor market transitions by protecting people from income shocks and job loss.**

Among social protection instruments, an unemployment benefit plays this role most directly, given its express function in providing income support following the loss of a job. Albania's unemployment insurance system appears to be falling short of this aim, as the flat-rate benefit is not able to guarantee an appropriate level of income during periods of unemployment; and the ability to access the benefit is limited, as illustrated by the low coverage of the unemployed. Additionally, Albania's unemployment benefit is nominally financed from social security contributions, but contributions are also used to fund extraordinary measures beyond contributory unemployment benefits. There are several considerations for the Government to take into account to improve the coverage of unemployment benefits, which range from reforming the parameters of the system to modernizing the application process.

#### Proposed policy actions:

- **Reform unemployment benefits by paying higher benefits based on a replacement rate with some degree of redistribution.** As a first step, a detailed analysis should inform the potential revision of unemployment insurance design parameters, such as: (i) benefit amount, (ii) duration of benefits, (iii) minimum period of contributions, and (iv) contribution rate, with the aim to make the benefit more meaningful for the unemployed and thereby incentivizing some workers to formalize, while also ensuring that unemployment benefits remain fully financed through contributions during non-crisis periods.
- **The application process for unemployment benefits could be modernized.** This could be done by using on-line applications, with verification carried-out through interoperability with other government data bases, such as the Tax Authority.
- **Consider setting out rules that would govern the response to shocks through the unemployment insurance system,** including a careful consideration of options to relax some of the stringent eligibility criteria and extend benefit duration in time of crisis.
- **Consider innovative elements that other countries have introduced to expand social protection coverage,** such as reform severance pay and introduce individual severance accounts, based on detailed analysis to identify potential effects on the labor market.

### Recommendation 3: Improve the shock responsiveness and coverage of social assistance programs

Given that many people will likely remain beyond the social insurance system in the short term, the Government may consider further strengthening its social assistance programs, specifically the Ndhima Ekonomike, beyond its current function as a last-resort income support to program to one that provides temporary support to poor and vulnerable people in response to covariate shocks. Following its reform in 2018, Albania's last-resort income support program, the Ndhima Ekonomike (NE), appears to be effectively reaching poor households, thereby helping ensure that these households are able to meet their basic needs. Despite these improvements, the coverage of the NE remains low in comparison to need and there has been an erosion in the value of the benefit over time. Like other countries around the globe, Albania harnessed its social assistance programs to protect the poor from the COVID-19 pandemic. While this response provided additional protection to existing beneficiaries of the NE, it did not effectively reach additional poor households or workers in the informal sector. Drawing on global experience, Albania may consider harnessing the investments in the NE to set out a system that provides rapid support to poor households when a crisis hits them. Furthermore,

#### Proposed policy actions:

- **Introduce crisis modifier into social assistance programs and strengthen delivery systems.** Prepare for crisis by (i) determining how to identify people quickly for support; and (ii) establishing the value and duration of the crisis transfer for existing and new beneficiaries. Relatedly, strengthen delivery systems, by modifying the MIS, including potentially building out a social registry, clarifying the roles and responsibilities of social workers in terms of outreach and enrolment, and ensuring that the payment systems can quickly make payments during crisis.
- **Make social assistance accessible to more poor people and increase generosity.** Consider extending coverage by increasing the budgetary allocation to social assistance programs, specifically the Ndhima Ekonomike (NE), by increasing the threshold or cut-off point within the Unified Scoring Formula, and reviewing the continued accuracy of the Formula. Review the NE benefit value regularly by establishing a methodology and legislating a means of increasing the value on the basis of such a review.

## Annex 1.

### The impacts of COVID-19 in Albania and the response of Government

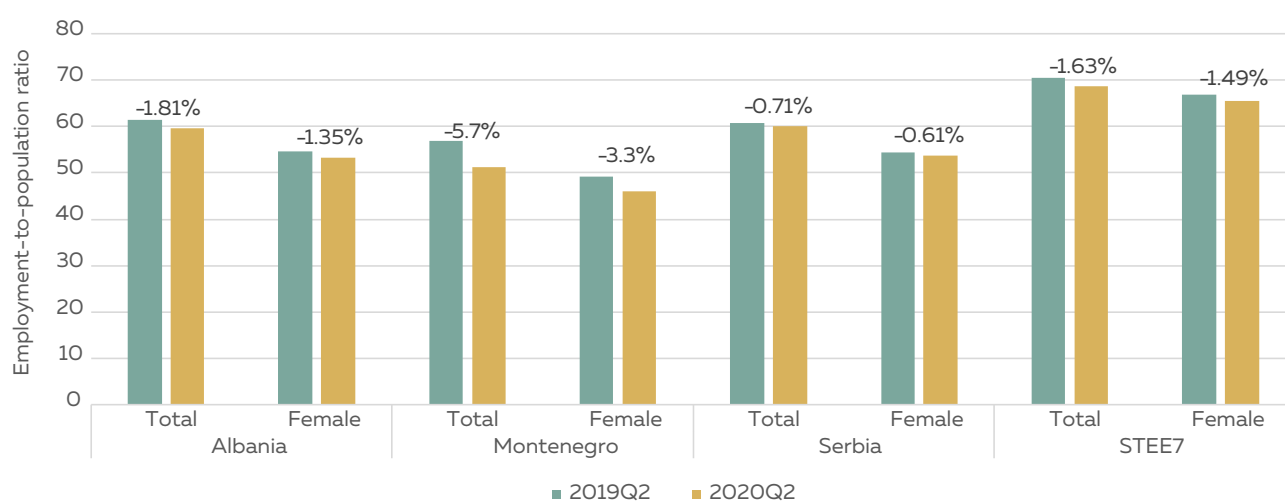
The COVID-19 pandemic has led to significant contractions in the global economy with important consequences on jobs and workers, and especially for women, youth and vulnerable populations.

Currently, more than 90 percent of workers are in countries implementing some form of closures, while estimates suggest a decrease in working hours equivalent to 255 million full-time jobs in 2020, and that a further 36 to 130 million full-time equivalent jobs may be lost in 2021.<sup>87</sup> As most countries, Albania responded to the COVID-19 pandemic by putting in place lockdown measures, leading to decreases in labor demand and thus a reduction in working hours or job losses. The ILO<sup>88</sup> estimated that by June 2020, about 73 percent of all domestic workers in the world had been impacted from COVID-19 either through a reduction in working hours, or loss of employment. These effects are evident in the reduction of employment rates almost in all countries, with employment rates decreasing by about 4 percentage points from 68.6 to 64.6 in OECD countries in the second quarter of 2020, 1.5 percentage points from 68.3 to 66.8 in the EU, 1.81 percentage points from 61.4 to 59.6 in Albania, and between 0.3 to 3.3 percentage points in most countries in the ECA region.

In Albania, women lost jobs at a smaller but more persistent rate than men. Employment rates for women further decreased due to COVID-19, by 1.4 percentage points from 54.6 to 53.2 in Albania between 2019Q2 and 2020Q2, by 3.9 percentage points from 61.2 to 57.3 in the OECD countries, by 1.4 percentage points from 62.9 to 61.5 in the EU, and between 0.6 and 3.4 percentage points in most comparator countries in the region. Unlike in other countries, in Albania, a larger share of men lost their employment during the crisis than women, however with a significantly quicker recovery. While 2.2 percentage points less men were employed in the 2nd quarter of 2020 relative to the previous years, employment rates were already 0.2 percentage points higher in the 3rd quarter, than they had been in all of 2019. For female workers, however, the decline persisted into the second half of 2020, as women were still 0.5 percentage points less likely to be employed relative to the same time in 2019.

**Social protection is a central feature of most countries' responses to Covid-19 and governments have rapidly innovated to adapt existing systems to their needs.** As of December 2020, a total of 215 countries or territories have planned or imple-

**Figure 19: Year to year employments losses in Albania were smaller but more persistent for women.**



Source: ILO, OECD (2020), Albanian Institute of Statistics, WB staff calculations

<sup>87</sup> ILO (International Labour Organization). 2021. ILO Monitor: COVID-19 and the world of work. Seventh edition. Updated estimates and analysis. Geneva: ILO.

<sup>88</sup> ILO (International Labour Organization). 2020a. Impact of the COVID-19 crisis on loss of jobs and hours among domestic workers. Geneva: ILO.

mented social protection measures as part of their response, with a majority of these having been social assistance programs focusing on cash benefits<sup>89</sup>. As successful early assistance made use of existing delivery infrastructures such as social registries, digital payment mechanisms or poverty identification systems, many countries quickly gathered the political commitment to expand or build their own. This has led to social assistance payments having reached a wider population in the second half of 2020, with governments innovating by for example using digital payments to reach informal workers, anonymized mobile phone data for targeting or new application and validation procedures to prevent fraud<sup>90</sup>. Throughout the crisis, coverage of cash transfers has increased from 16% to 38% of the population. Social insurance has also played a significant role in the form of unemployment benefits or paid sick support, although clearly positively correlated with income. Additionally, some reforms were used in social insurance sector to provide short-term relief such as by temporarily reducing contribution rates or loosening regulations on pension withdrawals.

**To prevent firing of workers, payments were made to workers affected by lockdowns and loan guarantees issued to firms.** As part of the first package introduced in March 2020, the government made three monthly payments equal to the minimum wage (ALL 26,000 equivalent to 252 USD) to employees of businesses which had temporarily closed down as a result of COVID-19 restrictions and had a turnover of up to ALL 14 million (equivalent to ~USD 136,000)<sup>91</sup>. A total of 65,674 individuals received payments in three instalments, with a total of ALL 5.1 billion having been disbursed (equivalent to ~ USD 49 million)<sup>92</sup>. In the second package, during the last half of April 2020, additional one-off payments of ALL 40,000 (equivalent to 387 USD) were made to employees of large enterprises which had temporarily closed due to restrictions and to employees of smaller firms which were allowed to continue to operate<sup>93</sup>. The Albanian government also issued a loan guarantee in the amount of ALL 11.0 billion (equivalent to approx. USD 100 million) which was to cover employee salaries for a

3 month-period, with interest rates fully covered by the government.

**Support was provided to those dismissed due to COVID and additional ALMPs implemented to support re-hiring efforts.** In the second financial package in mid-April, ALL 40,000 (equivalent to 387 USD) was provided to all employees dismissed during the period from restrictions started to apply until May 17th. 173,019 individuals were sent one-off payments of ALL 40,000 under the second package, totaling ALL 6.9 billion which were disbursed (equivalent to ~USD 67 million)<sup>94</sup>. Those who were eligible to receive unemployment assistance received double the amount between April and June 2020, a measure from which 2823 jobseekers benefited. In addition, three active labor market programs were established with a focus on labor market reintegration for unemployed who had lost their jobs due to Covid-19<sup>95</sup>. Two of these programs provided wage subsidies of half the minimum wage to previously formal workers and payed the employers share of social contributions for the duration of 4 months for one program and 8 months for the other. Combined, a total of 1,161 individuals benefitted from wage subsidies, with almost all beneficiaries enrolled in the 8-month subsidy (only 30 of the total beneficiaries received the 4-month contract and subsidy). The third program aimed at formalizing employees by covering the full cost of social contributions for 12 months if a self-identified informal employee received a formal employment contract. Through this initiative, social contributions of 560 individuals were covered in 2020.

**In parallel, Albania's social assistance program Ndhima Ekonomika (NE) was expanded vertically and horizontally.** First, the Government doubled the value of the Ndhima Ekonomike (NE) benefit for April, May and June 2020, for those who had applied for the NE up to March 10, 2020<sup>96</sup>. Second, to comply with public health containment measures, the Ministry of Health and Social Policy (MoHSP) temporarily removed the requirement for NE beneficiaries to present every three months to the social administrator a declaration on their socio-economic situation<sup>97</sup>. This measure came into effect at the

<sup>89</sup> Gentillini et al. 2021. Social Protection and Jobs Responses to COVID-19 : A Real-Time Review of Country Measures version 14

<sup>90</sup> Gentillini et al. 2020. Social Protection and Jobs Responses to COVID-19 : A Real-Time Review of Country Measures version 13

<sup>91</sup> Council of Ministers Decision No. 254 dated 27.3.2020 (amended), 'On the procedures for the financial support to the employees of businesses with turnover up to 14 million ALL, economic support and unemployment benefits due to the Covid-19'

<sup>92</sup> Ministry of Finance and Economy (2021). 'Economic Reform Programme 2021 - 2023'

<sup>93</sup> Council of Ministers Decision No. 305, dated 16.4.2020, 'On the procedures for the financial support to the actual employees and the unemployed due to Covid-19'

<sup>94</sup> Ministry of Finance and Economy (2021). 'Economic Reform Programme 2021 - 2023'

<sup>95</sup> Council of Ministers Decision No. 603 dated 29.7.2020, 'On the procedures, criteria and rules for the implementation of the employment promotion program through the employment of unemployed persons as a result of Covid-19'

<sup>96</sup> The measure was approved through the DCM no. 254 approved on 27.03.2020.

<sup>97</sup> The SSS enters and checks the information in the MIS to verify if the status of the HH changed or not.

beginning of April 2020<sup>98</sup> and ended in September 2020<sup>99</sup>. Third, beginning on April 1, the NE applicants could apply for the benefits either by filling the form electronically or by sending it by post office in hard copy. Because of these changes, the number of NE beneficiaries increased by 11 percent (from 62,016 families in March 2020 to 69,073 in July 2020). In addition, the Government approved in the second part of April 2020 a one-off benefit (ALL 16,000, equivalent to 156 USD) for all the families that had applied to the NE between July 2019 and April 2020, but who had since exited, with 4,524 families receiving this payment.<sup>100</sup> Finally, an inter-ministerial committee chaired by Ministry of Defense was established to organize and deliver food and other support items for about 600,000 individuals identified by local governments as vulnerable. Most recently, the NE benefit was again doubled for the period of January to June 2021. The introduction of such measures alongside the support to firms to protect formal jobs was vital given the high rates of informality in the Albanian labor force, which means that a large number of people could not be reached through those mechanisms that are based on formal employment contracts and social insurance mechanisms.

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<sup>98</sup> The measure was approved on 31 March through the Order of Minister of Health and Social protection no. 213 "On taking measures to prevent infection from COVID-2019 of applicants for economic assistance".

<sup>99</sup> The measure stopped to be in place through the Order No. 213/1 (dated 01.09.2020), of the Minister of Health and Social Protection "On receiving special measures from local self-government units to prevent the spread of infection caused by Covid-19 to applicants and beneficiaries of economic assistance".

<sup>100</sup> Based on the Decision no. 341, dated 23.4.2020 of the Council of Ministers "On some additions and changes to the decision no.305, dated 16.4.2020, of the Council of Ministers," "On the determination of procedures, documentation and the amount of financial assistance for current employees and employees dismissed as a result of COVID - 19".

## Annex 2.

### Overview of ALMPs and beneficiaries in 2019 and 2020

**Table 1: ALMP beneficiaries in 2019 and 2020, total and as percent of registered jobseekers**

Old ALMPs					New ALMPs			
Name and Type	Date introduced	Beneficiaries in 2019 (% of registered unemployed)	Beneficiaries in 2020 (% of registered unemployed)		Name and Type	Date introduced	Target Group	Beneficiaries in 2020 (% of registered unemployed)
DCM 48 The program of encouraging the employment of jobseekers in difficulty	Jan-08	1282 (1.81%)	0 (0%)	1	DCM 17: Wage Subsidies	Jan-20	Eligible categories, after being registered for 3 months*	340 (0.38%)
DCM 27 The program of promotion of employment of women and girls by special groups	Nov-12	26 (0.04%)	0 (0%)	2	DCM 17: On-the-job training	Jan-20	All jobseekers unskilled in the area of interest	270 (0.31%)
DCM 248 The Program of Encouragement of Employment of Persons with Disabilities	Apr-14	58 (0.08%)	0 (0%)	3	DCM 17: Internships	Jan-20	Recently graduated jobseekers (Past 24 months)	491 (0.56%)
DCM 64 The Youth Incorporation Program for the Orphans' Youth Initiative Program	Jan-16	0 (0%)	0 (0%)	4	DCM 535: Community Employment/Public works	Jul-20	Long-term unemployed (More than one year)	0 (0%)
DCM 873 Vocational internship programs for unemployed who have completed higher education, internally or abroad	Dec-06	1379 (1.94%)	717 (1.01%)	5	DCM 348: Self Employment Program	Apr-20	All jobseekers	0 (0%)
DCM 162 Payment of Participation in Professional Training Courses	Mar-18	1430 (2.02%)	602 (0.85%)	6	DCM 608: Labor market reintegration (4 months)	Sep-20	Unemployed as a result of Covid	30 (0.03%)
DCM 199 Program for promoting employment of youth jobseekers	Nov-12	20 (0.03%)	0 (0%)	7	DCM 608: Labor market reintegration (8 months)	Sep-20	Unemployed as a result of Covid	1131 (1.28%)
DCM 47 Program for encouragement of employment through on-the-job training	Jan-08	1143 (1.61%)	0 (0%)	8	DCM 608: Formalization measures (12 months)	Sep-20	Unemployed as a result of Covid	560 (0.63%)

\*Eligible jobseekers are: (i) Young people under 29 years; (ii) Long-term unemployed jobseekers; (iii) Jobseekers over the age of 45 years; (iv) Unskilled unemployed jobseekers; (v) Unemployed jobseekers, returned after no more than 2 years of emigration; (vi) Jobseekers receiving ndihma ekonomike, treating with priority those beneficiaries projected to come out of the economic assistance scheme in the respective year; (vii) Jobseekers receiving unemployment benefits for more than 3 months; (viii) Persons with disabilities; (ix) Victims of trafficking, gender-based violence and victims of domestic violence; (x) Jobseekers from the Roma community and Egyptian; (xi) Completed the course of vocational training or training program through work and are still unemployed 6 months after completion.

## Annex 3.

### Unemployment insurance across peer countries

Component \ Country	Bosnia and Herzegovina	North Macedonia	Montenegro
<b>Coverage</b>	BiH: Employees who paid contribution for unemployment  Rep. Srpska& Brčko District: employees and voluntary insurance payers	Employees (all persons who have concluded an employment contact)	Employees, self-employed persons
<b>Minimum contribution requirement</b>	BiH: At least 8 months uninterrupted or intermittent contributions over the last 18 months  Rep. Srpska& Brčko District: 8 continuous or 12 months intermittent in the last 18 months	At least 9 months uninterrupted or 12 months intermittent contributions over the last 18 months	At least 9 months uninterrupted or 18 months intermittent contributions over the last 18 months
<b>Other requirements for eligibility</b>	Be involuntarily unemployed and be registered in unemployment service.	Be involuntarily unemployed and be in full time education. Not receive any pensions. Not have rejected a job offer.	Be unemployed between the ages of 15–67. Not be a student or a pensioner. Part-time covered if full time equivalent complies with rule.
<b>Min. and max. benefit amount</b>	No maximum	Maximum: 26.836 Denars/433€ (80% of national average net wage)	
<b>Pay-out period</b>	3 to 24 months based on insurance contribution period	3 to 12 months based on insurance contribution period (1 to 12)	3 to 12 months based on insurance contribution period. Until re-employment for 35 years of insurance service.
<b>Replacement rate</b>	BiH: 40% of average monthly salary in Federation of BiH in the last three months  Rep. Srpska: 40 to 45 percent of salary based on length contribution  Brčko District: 35 to 40 percent of salary based on length of contribution	50% of the average monthly net wage of the employee for the last 24 months. After the first 12 months, qualifying recipients receive 40% of average monthly net wage. If working part-time, beneficiary can receive 50 % of UB.	40% of the minimum wage.
<b>Adjustments under COVID-19</b>	A total of Eur 5.5M is allocated for unemployment benefits for 2020, but this could increase to another Eur 10M to support job retention and/or increase unemployment benefits. At this point, no adjustment to qualification for unemployment benefits is done.	Unemployed and informal sector workers received an average of 7,000 denars (US\$124) per household. The estimated coverage is about 15,500 new GMI HHs and up to 40,300 people with unemployment insurance. This is funded through the COVID-19 emergency project.	The government provided a one-time assistance in the amount of 50 euros to all unemployed persons in the records of the Employment Bureau who do not receive cash benefits or material security Apr 2020.

Component \ Country	Albania	Serbia	Bulgaria
<b>Coverage</b>	Employees	Employees, self-employed persons, and temporarily employed	Employee , managers, independent traders etc.
<b>Minimum contribution requirement</b>	At least 12 months of contributions.	At least 12 months uninterrupted or intermittent contributions in the last 18 months.	At least 12 months uninterrupted or intermittent contributions over the last 18 months.
<b>Other requirements for eligibility</b>	Be willing to be employed; be willing to participate in employment promotion programs; be willing to receive training	Be between ages 15 to 65 years, register with national employment bureau within 30 days, and actively seeking work	Be living in the country and have terminated the labor contract of their own accord or have been summarily dismissed, be registered with the Employment agency
<b>Min. and max. benefit amount</b>	flat rate 130,000 ALL/ monthly	Minimum: 80% of minimum wage Maximum: 160% of minimum wage.	Minimum: BGN 9 (€ 4.6) per day. Maximum: BGN 74.29 (€ 38) per day.
<b>Pay-out period</b>	3 to 12 months based on insurance contribution period	3 to 12 months based on insurance contribution period. Exceptionally, duration is 24 months in cases of unemployed persons with up to two years left for retirement.	4 to 12 months based on insurance contribution period.
<b>Replacement rate</b>	50% of national minimum wage. Continued payment into the pension scheme. Additional 5% for each dependent child until the age of 18 (provided that they are enrolled in school), and until the age of 25 for those in tertiary education, and those who are incapacitated. The total additional payments of 5% per child may not exceed 30% of the fixed rate.	50% of the average salary in the last 6 months. Also, the person can benefit from healthcare.	60% of the average daily contributory income for the last 24 months, but not less than the fixed minimum amount.
<b>Adjustments under COVID-19</b>	Government doubled the amount of UB for April to June 2020.	Government facilitated procedures to apply for unemployment benefit: The government issued a decision for the new method of submitting application for unemployment benefit and for registering with NES. The applicants can submit their requests via email or by post. The decision making for the received requests is extended as well.	In 2020, the budget of the Unemployment Fund was increased by BGN 1 billion (EUR 510.2 mil.), and the minimal daily rate of unemployment compensation was increased by 25% (from BGN 9 to BGN 12-EUR 6.1) as of October 1, 2020. According to preliminary data, in October 2020 over 17,200 UB recipients received the new amount. As of October 1, the UB duration was increased from 4 to 7 months for the unemployed who have last claimed UB less than 3 years ago.



Component \ Country	Croatia	Latvia	Lithuania
<b>Coverage</b>	Employees (civil servants included), the self-employed  Citizen should be living in Croatia.	Employees	Employees, self-employed, one of the parents of a disabled child, unemployed who have taken childcare leave from the 1st to the 3rd birthday of the child
<b>Minimum contribution requirement</b>	At least 9 months uninterrupted or intermittent contributions over the last 24 months.	At least 12 months uninterrupted or intermittent contributions over the last 16 months.	At least 12 months uninterrupted or intermittent contributions over the last 30 months.
<b>Other requirements for eligibility</b>	Be involuntarily unemployed (ie not by agreement with the employer), be registered with the Croatian Employment Service and claim submission within the legal deadline (30 days).	Not be eligible for the State old age pension (including early pension); not accepted for enrolment in a full-time elementary or secondary education program; age 15 and older	Be of working age (from 16 to the age retirement-63 for women and 64 for men) and not have pension entitlement, be registered by the Employment Agency and reside in Lithuania.
<b>Min. and max. benefit amount</b>	Minimum: HRK 1,625.00 (€ 215), ie 50% of min wage  Maximum: First 90 days, 70%, HRK 4519.9 (€ 597), the rest of the payment, 35%, HRK 2259.9 (€ 299), of the national avg. net wage.	There is no minimum or maximum amount of benefit.	Minimum monthly wage: €141.25  Maximum: cannot exceed 58.18% of the average national wage
<b>Pay-out period</b>	90 to 450 days based on insurance contribution period	8 months. No variation of the duration.	9 months and can be prolonged for an additional 2 months for elderly persons within 5 years of pensionable age.
<b>Replacement rate</b>	For the first 90 days of receiving the unemployment benefits, they amount to 60%, and for the rest of the payment period they amount to 30% of the base salary.	50 to 65 % of average contribution wage based on insurance length. For the first 2 months of unemployment, ind. receives full benefit amount. The benefit goes down every 2 months to 45% on month 7.	38.79% average insured income (variable) + €141.25 (fixed) for the first 3 months of unemployment. The benefit (variable part) goes down every three months.
<b>Adjustments under COVID-19</b>	The government facilitated submitting unemployment benefit requests by allowing for application via mail, e-mail or telephone.	The government expanded those eligible for UB to self-employed who are micro-enterprise owners. Also, the government introduced "unemployment assistance benefit". If the period of unemployment ends for a person after March 12, 2020, they are eligible for an UAB of 180 Euros/m for 4 months. The measure is extended until end of 2021.	The government provided UB for the self-employed who paid contributions: at EUR 257/ month for up to 3 months when they are unable to carry out their activities due to quarantine. The government also introduced a 6 month unemployment Benefit for the unemployed who does not otherwise qualify for UB. The benefit is for 6 months and 33% of the minimum wage, Eur 212 in 2021.

Component \ Country	Estonia	Slovakia	Slovenia
<b>Coverage</b>	Employees	Employees (except pensioners). Citizens living abroad are also covered.	Employees, self-employed, recipients of Sickness Benefit, Paternity Benefit and Childcare Benefit after termination of employment.
<b>Minimum contribution requirement</b>	At least 12 months uninterrupted or intermittent contributions over the last 36 months.	At least 2 years uninterrupted or intermittent contributions over the last 4 years.	At least 9 months uninterrupted or intermittent contributions over the last 24 months. For individuals under 30, 6 months of insurance is enough.
<b>Other requirements for eligibility</b>	Be involuntarily unemployed; and be registered as unemployed with the Estonian Unemployment Insurance Fund (Eesti Töötukassa) ; aged between 16 and pensionable age, and reside in Estonia.	Be unemployed, and registered to the Office of Labor, Social Affairs and Family within 3 days of unemployment. Be eligible to work and not eligible for old age pension.	Be registered with the Employment Service; actively searching for work. Individual cannot be a pensioner, or a student under 26 years old.
<b>Min. and max. benefit amount</b>	Minimum: half of the national minimum wage from the previous year.  Maximum: Earnings over three times the national average daily income for the previous calendar year.	No minimum. Maximum: €71.8027 daily basis of assessment	Minimum: €530,19 per month Maximum: €892.50 per month
<b>Pay-out period</b>	180 to 360 calendar days based on the beneficiary's insurance period.	6 months. After 3 months, the beneficiary can cancel registration as a job seeker and obtain bonus (50% of the total amount of benefit.)	3 to 25 months based on insurance period and age group. Payment lasts 2 months for under 30 if insurance period is only 6 months.
<b>Replacement rate</b>	50% of reference earnings, income from last year, up to 100 calendar days of unemployment,  40% of reference earnings thereafter.	50% of the average gross earnings from the last two years. The amount does not vary with the duration of unemployment.	For the first 3 months, 80% of the reference earnings, based on gross income in the last 8 months. 4-12 months, 60%, after 12th month, 50% of reference earnings.
<b>Adjustments under COVID-19</b>	The government created an online platform called e-Unemployment Insurance Fund to facilitate online job search for the unemployed.	For the recipients of unemployment benefit, the 6-month period has been expanded by an additional 4 months temporarily in 2020. The expansion has now expired.	The employment status of workers who are unable to work due to FM, caring for children, inability to come to work and other epidemic-related reasons will be equal to that of temporarily laid-off workers. Workers who have lost their job during the epidemic will automatically be entitled to unemployment benefits.

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