

Problems of Youth Employment in Albania

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Abstract: Albania aims to achieve a rapid, balanced and sustainable economic development, which requires the possession of capable human resources to cope with different challenges. In this context, among others, the employment and training of young people remain challenges that the Albanian society is facing from many years. High unemployment rates along with low labor force participation and low employment rates characterize the Albanian youth labor market (ILO, 2014, *Youth employment and migration, Country brief Albania*, pg.2). Studies and research on this phenomenon are important in order to create effective policies to overcome this problem. In this article, is treated the subject of employment for the age group of 15-29 years old. The main data analyzed in this paper are those of INSTAT, taking into consideration are the reports and studies carried out in this sector. The purpose is to show what are the difficulties of young people to enter the labor market and the main factors that influence it.

Keywords: labor market; employment policies; unemployment; labor force; qualification.

I. Introduction

For the Albanian economy, the high unemployment rate among young people is a concern that requires a solution. Multiple are the studies conducted, but the analysis of this phenomenon is difficult due to the high informality that characterizes the labor market. It indicates that the labor market in Albania lacks the necessary capacity to attract and employ all this category. However, it should be noted that unemployment for the age group of 15-24 years is a serious problem for many countries. According to ILO nearly every region of the world is currently facing the worsening of employment among young people, who are threatened three times more from unemployment than adults. Since 1995, the youth unemployment rate has been consistently close to three times that of the adult. After a period of rapid increase between 2007 and 2011, the global rate of youth unemployment for the period 2012 to 2015 was settled at 13.1 percent (Source ILO, *Global employment trends for youth 2015*, pg.15). Also, according to ILO, youth labor force participation shows significant declines in most regions over the long-term.

Even with regard to Albania, the International Labor Organization in reports published by her has expressed concern about this phenomenon. Over the years, youth unemployment has increased, and despite high levels of growth in the Albanian economy, this hasn't led to the creation of more jobs, especially for the youth (Source ILO, *Albania ,Decent work country programe document 2012-2105*, pg.6). Higher unemployment, according to the ILO, it is observed for those young people who have low levels of education. At this point, it should be noted that in Albania, unemployment among this category is related to the lack of practical skills in relation to market requirements. For the employers, the main problem for young people is the difficulty to put into practice the knowledge acquired during school. In fact, it is observed that there is a discrepancy between supply and demand in the labor market. Mainly, the skills required by businesses are different from the youth fields of study. Albania's economic structure itself has led to the diffusion of this phenomenon. Skilled workforces are necessary for an active and competitive economy in the market. In fact, numerous are the studies that have proved that in countries where policies are followed to improve and increase the level of human capital, there has been a high and sustainable economic development. Investments in education are often perceived as a solution to improve the chances of young people to acquire skills that are valuable in the labor market. Even in Albania, efforts are being made to improve the education and training system. However, it should be noted that the quality of education is affected by the need for continuous school rehabilitation, equipment upgrading, and teacher training (Source ILO, *Albania ,Decent work country programe document 2012-2105*, pg.7). Other policies that would help young people to have a stable employment trajectory are the active employment policies; as apprenticeships, training, and internships in enterprises, etc. All this, play an important role in alleviating the phenomenon of unemployment for this category. The problem we focus in this paper is the employment prospect for young Albanians.

II. Characteristics Of The Labor Market In Albania

Albania is relatively a poor country, it is evident in the way of living of citizens. As one of the main causes of individuals' poverty, we mention the high level of unemployment, although it should be noted that among other

things this phenomenon is also connected with the low preparation of individuals in comparison to what are the requirements of the labor market. But which are the characteristics of this market in Albania?

Based on data from INSTAT, the country's production structure is divided into three parts.

- At first, we have enterprises with 1 to 4 employees, which engage 34.5% of the active workforce and realize 15.9% of sales.
- Secondly, we have companies that have from 5 to 49 employees, these enterprises engage 34% of the workforce.
- And finally we have companies that employ more than 50 people, they represent only 1.1% of total enterprises but engage 46.2% of the workforce (Source, INSTAT. *Business Register 2015*. pg.14).

At this point, it is important to note that the production structure in Albania is dominated by micro-units with 1 to 4 employees and operates mainly in retail trade, and hotels. According to the data for the year 2014, extracted from the Structural Survey of Enterprises results that if we look at them by economic activity, to prevail are enterprises operating in the trade sector, they constitute 42.7% of the market, followed by the agriculture sector (Source, INSTAT, *Register of economic enterprises 2014*). If we see them, by the size, the companies with 1 to 4 employees constitute approximately 90% of the market. While businesses that have 50 or more employees are concentrated in manufacturing activities. It should be noted that, although those companies represent only 1.1% of the total, their contribution to the employment is very sensitive because they employ around 50% of the total of employees, realize 50.9% of the total value of the production and 65% of investments (INSTAT, *Register of economic enterprises 2014*, pg.9).

From the analysis of employment is clear that the highest percentage of employees is in the agricultural sector and services. For the year 2014, 42.7% of employees were agriculture workers, and 22.6% were sales and service employees. The same result we have even for 2015, where 41.3% were agriculture workers, and 22.9% were employed in trade and services sector (Source INSTAT, *Register of economic enterprises 2014*, pg.9).

As noted above, the labor market in Albania is very specific, in spite of its modernization efforts, he continues to have many differences compared with other countries. Percentage of employees is very low and the main feature is long-term unemployment. About 60% of the job seekers are long-term unemployed. Young people with secondary education, have the highest proportion of long-term unemployed (70.8%), whereas among young people with higher education this percentage is lower. It must not be forgotten that the duration of unemployment negatively affects the ability to find a new job. A long-term unemployed is a person less attractive to potential employers, due to the loss of acquired skills.

Another aspect of the labor market in Albania is the big difference between the sexes in employment, where it appears that the percentage of employed women is low. For the year 2014 results that, the percentage of employed women was 43.4% compared with 58% of the men. We have the same result even for 2015; 45.5% of women are employed, whereas for this year we have 60.5% of men employed (INSTAT, *The rate of employment 2007-2015*). Although employment has increased for this year, gender ratio in the employment has not changed.

There are large degrees of informality. Most of the employees are located outside the social and health security system. So for Albania, is characteristic an underdeveloped and informal economy with a relatively low percentage of paid employees and a very high percentage of self-employed workers. At this point, the highest percentage in vulnerable employment is among young people, particularly affected are young women with 64.3% against 57.9% of men (INSTAT, *Young people in Albania*. pg.57).

As far as the participation rate in the labor force for the population aged 15-64, it is 61.5%. Also, INSTAT data, show that a considerable number of individuals of this age group are unemployed. Undoubtedly, this phenomenon leads to damage of social capital. The prolonged periods of unemployment sharply decrease jobseekers' chances of re-employment, as they lose relevant skills and labor market attachment (ILO. *Global employment trends 2014*. pg.44).

Another characteristic is the great difference that exists between the skills of workers, where only a very small part are well qualified. This is due to the nature of long-term unemployment and inadequate education. The qualifications required by the market, are mainly defined in the Durres-Tirana segment, where are focused the companies that provide most of the demand for employment. About 66.8% of active enterprises are located in this segment (INSTAT. *Business Register 2015*. pg.9)

As it was introduced in the general background, the Albanian labor market is segmented and less involved in it are young people, people with low levels of education and training, women and other vulnerable categories. Enrollment in the work offices for these categories is very low. According to the National Employment Service (NES) in 2013, vulnerable groups constitute only 9.7% of registered unemployed.

The high rate of unemployment among young people has always been a problem for the economy of the country. According to a study by M.Ekonomi and Gj.Filipi, "the economic development of Albania has not been accompanied by an equally strong rate in terms of creating jobs, the most affected by this situation have been

the young people and in particular those with a low level of education” (Ekonomi & Filipi, 2008, pg.10). The data show that they are not very active in the labor market. According to the National Strategy for Employment and Training, 2014-2020, the rate of labor force participation among young people aged 15-24 it seems that is very low (27.4%) (*National strategy for employment and training 2014-2020*. pg.33). No doubt that for the economy, it is a loss in the human resources.

III. Causes Of Youth Unemployment

The unemployment rate among young people is 2 times higher than the national average, highlighting in this way the difficulties they have in finding an appropriate job. According to the labor force survey for the year 2014, the unemployment rate for youth aged 15-29 was 32.5%, while in 2015 the unemployment rate was 33.2% (Hackaj, 2015, pg.14). Youth labor market outcomes also differ by gender: the unemployment rate is 2.4 points higher for women and their employment rate is 10.7 points lower (ILO, 2014, *Youth employment and migration, Country brief Albania*, pg.2). Comparing youth who are neither in employment nor in education or vocational training by sex, it is noted that males are more active than females, 52.5% of males are seeking for a job while for females this percentage is 30.5% (INSTAT, *Labour Market*, 2015, pg.11). Participation in employment is higher in Tirana and other urban areas and lower in rural areas where the young people are more likely to be unemployed, to work under precarious conditions and to suffer from poverty. Regarding the sector where there are more employed for this age group, the manufacturing sector leads with 9%, followed by that of commerce. Numerous data noted that unemployment is higher in those individuals who have a low level of education. For example, the data of "Employment Sector Strategy 2007-2013", show that the highest level of unemployment in Albania is between individuals who have an 8-9 year education, 54.6% of the unemployed have this level of education and only 1.8% of them have completed higher education (*Employment Sector Strategy 2007-2013*. pg.10). We have the same result even if we focus on young people, who are much more affected by unemployment due to country's economic situation. From the labor force survey is shown that youth has the lowest participation rate in the labor force. According to INSTAT, only 41.9% of young people (15-29) are active in the labor market. Reasons for this attitude are several, among which we mention.

Greater participation of young people in education. Almost 2/3 of economically inactive persons in the age group 15-29 years are inactive due to involvement in education and training (Source, INSTAT, *Young people in Albania*. pg.52). Also, the number of those who attend university was increased, as a result, young people enter later in the labor market.

Their discouragement to look for work. The majority of this category belongs to those who do not attend school or training. In 2012 the number of these young people constituted 26.2%, more than twice the corresponding number in the EU-27 (13%) (*National strategy for employment and training 2014-2020*. pg.38). Over the year 2015, 15.2% of youth aged 15-29 years old were outside the labor force because they were discouraged, workers (INSTAT, *Labour Market*, 2015, pg.11).

The lack of practical skills in relation to market requirements. There are discrepancies between the skills required by businesses and fields of study of graduates. In many cases, employees do not comply with the work they perform. Some are overqualified for the work they do - while others are not quite qualified for their work. Under-qualification is likely to negatively affect the efficiency and quality of work. Over-training may result in loss of skills and resources that are used to acquire these skills. Furthermore, the over-qualified workers earn less and are dissatisfied with the work, what also affects the performance of the company (*National strategy for employment and training 2014-2020*. pg.59). From a business point of view, the main problem is the suitability of the type of skills acquired in education with what is required by them. This highlights the importance of improving the education curricula. However, it should be noted that the education and training system in Albania lacks among other the elements of employers' involvement, and work experience during studies, it leads young people to a period of instability during their careers (Hackaj, 2015, pg.17).

Very little attention is paid to the selection of education by young people. Their careers are planned in view of what they want and not by analyzing the real opportunities of employment. This ill-planning complicates the transition period of passage from education into the labor market. For Albanian youth, employment for the first time is a long way, they wait on average four years before they start their first work and usually are employed in positions that have low qualifications and do not comply with their diplomas. Their occupations are mainly in crafts and trade. Rural areas are directed towards agriculture, while, urban areas are mainly directed towards services and industry. In urban areas, 21% of salaried employees are service workers, compared with approximately 13% in rural areas (*National strategy for employment and training 2014-2020*. pg.38). Moreover, they have other disadvantages, particularly in terms of wages, the right to social security, etc. Not long involvement of youth in the labor market has many consequences for them, increases the risk of social exclusion, increases the possibility that this category would be affected by poverty; it undermines the human capital development process, etc. These are some of the main reasons for which it is highly desirable that the transition period of passage from school to work to be short.

Albania's labor market is very flexible because the legal context allows the enterprises to hire and to fire easily. Young people are employed very quickly and develop their skills while are working. The searching for work by young people remain a personal initiative, there are no special mechanisms to be used by youth.

An important role in alleviating the phenomenon of unemployment, play active employment policies. For young people, these policies are; apprenticeships, traineeships, and internships in enterprises, but in Albania, most of the companies employ young people less than 12 months, as a result, the number of young people in apprenticeships is almost inconsiderable. Also, the number of companies that have trainee is very small. There are only the biggest employers that show signs of active involvement in the training of their future employees (*National strategy for employment and training 2014-2020*, pg.21).

As one of the main tools to mitigate youth unemployment, is seen vocational education, positive effects of which are related not only to the reduction of unemployment, but also with the improvement of social cohesion; the increasing of productivity, revenue growth for the individual, etc. All the data show that youth unemployment is lower in those countries where there is a high degree of specific professional qualifications and real involvement of employers in providing training. Even in Albania, the data show that, in relation to unemployment, those who suffer less this phenomenon are graduates from vocational schools, compared to other categories. By educational level, 2/3 of individuals who are graduates from vocational schools are employed, they have the lowest level of unemployment at 13.9% compared to the graduates of universities where the unemployment rate is 19.8%. Another indicator that attracts attention is the high percentage of self-employed among individuals educated in vocational schools (31.7%) - this number is 10.3% for university education. However, it should be noted that in Albania, participation in vocational education and training is not at desirable levels. Only 20% of students who have completed compulsory education are enrolled in vocational secondary education. This participation is very low compared with regional countries or the EU average, and even lower when taking into account that about 35% of young people in Albania do not attend secondary school. No further involvement of youth in education deprives this category from relevant qualifications and eventual inclusion in the labor market. To cope with any changes in the labor market or in society is important for individuals to possess appropriate skills and qualifications, for these reasons their training is a necessity.

IV. Conclusions

As we have shown above, youth employment is one of the biggest challenges of the Albanian economy. In fact, it continues to be problematic. Youth has the lowest participation rate in the labor force. Reasons for this attitude are several, as; greater participation in higher education, their discouragement to look for work, the lack of practical skills in relation to market requirements, lack of work experience, etc. Many studies have shown that the main difficulties of young people in finding a job are associated with large mismatches between skills possessed by them and skills demanded by employers. In order to soften this phenomenon, it is necessary to apply methods and policies that will make young people more active and will bring them closer to the labor market. Objectives are clear. It is necessary to improve the basic employment services as; labor market information, employment counseling and guidance and job placement. Specific services should be designed to target the needs of specific groups that are at risk of labor market exclusion. For instance, packages of active labor market policies that target disadvantaged youth can help in the transition from school-to work. It is necessary to improve education and training policies, cause is clear that improving the skills of young people would help to mitigate the phenomenon of unemployment. Also, an increase in public investment and social benefits could have an impact on youth employment, particularly in terms of labor market participation. All these policies and strategies require coordinated responses and partnerships from government agencies, labor market institutions, organizations of employers and employees, in order to have an impact on the quantity and quality of jobs for young people.

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