

9 Employment policy

Effective employment policies are crucial for forging a strong economy and fostering economic development and social inclusion. This chapter aims to assess the regulatory framework and policies governing employment, as well as the institutional capacity for implementation. The first sub-dimension focuses on inclusive labour market governance, specifically looking at the employment regulatory and policy framework, labour inspectorates, social dialogue and inclusive employment policies. The second sub-dimension, social protection and activation policies, analyses the public employment services, mutual obligations framework and active labour market programmes. The third sub-dimension, skills for adaptable labour markets, assesses the skills mismatches in the labour market and initiatives for developing digital and green skills. The fourth sub-dimension, expanding the skills pool, focuses on attracting highly skilled migrants and diaspora.

Key findings

Albania has made notable progress in improving its overall employment policies since the last assessment cycle, exceeding the regional average in all four examined sub-dimensions (Table 9.1). Strong advances were made in the areas of inclusive labour market governance as well as social protection and activation policies. Conversely, further efforts could be made in strengthening policies to expand Albania's skills pool and bolstering its labour market's capacity to adapt to the twin green and digital transitions; such reforms would help sustain improvements in policy outcomes.

Table 9.1. Albania's scores for employment policy

Dimension	Sub-dimension	2018 score	2021 score	2024 score	2024 WB6 average
Employment	8.1: Inclusive labour market governance			3.6	3.2
	8.2: Social protection and activation policies			3.7	3.1
	8.3 Skills for adaptable labour markets			3.3	2.6
	8.4: Expanding the skills pool			3.0	2.4
Albania's overall score		2.6	2.8	3.5	2.9

The **key findings** are:

- The Albanian labour market has recovered well from the negative impact of the COVID-19 pandemic. In 2022, the activity rate (73.2%) and employment rate (65%) were the highest in the Western Balkans, with the activity rate close to the EU average (74.5% and 69.8%, respectively). However, the access for vulnerable groups to the labour market remains difficult and youth unemployment remains high (27% compared to the EU average of 16.7%).
- The efficiency of the State Inspectorate for Labour and Social Services (SILSS) has increased on the back of digitalisation reforms, through the promotion and use of the e-inspection platform and automated inspection procedures. Staffing of the Labour Inspectorate increased slightly (6.4%) from 2020 to 2022, and new training and tools were introduced to build additional capacity. Inspection activity increased by 17.4% from 2021 to 2022.
- Skills mismatch remains a challenge for Albania's labour market. Recent surveys indicate that 27% of employees had an education level higher than what their job requires, while 12% reported having a lower level. Embarking on the revision of the curricula of vocational education and training and higher education programmes, and establishing sectoral skills committees in the tourism and information and communications technology (ICT) sectors, are good initial steps to address the challenge.
- Albania lags behind both the region and the EU when it comes to developing the digital skills of its workforce. In 2021, only 23.8% of individuals reported having basic or above-basic levels of digital skills, compared to the EU average of 53.9%. Moreover, in 2023, only 12% of employees reported participation in continuous training to improve their digital skills, compared to 25% on average in the EU.
- Albania has updated its policy framework for migration management, through the development of the new National Strategy on Migration (2024-30). Legal changes during the assessment period facilitate the integration of foreigners into the labour market and bilateral agreements were signed with the other WB6 economies to open the labour market to highly qualified professionals under the Berlin Process framework.

State of play and key developments

In 2022, Albania had the highest activity rate of the population aged 15-64 (73.2%) and the highest employment rate (65%) among WB6 economies, surpassing the corresponding 2019 levels by 3.6 percentage points and 3.8 percentage points, respectively. Moreover, data from the most recent Quarterly Labour Force Survey show a continued rise in the employment rate to 66.7%, bringing Albania closer to the EU average rate of 69.8% (INSTAT, 2024^[1]; Eurostat, 2024^[2]). Albania also had the highest activity rate of older workers (55-64) among the WB6, at 66.3% in 2021, marking an increase of 1.7 percentage points as compared to 2019 (Vienna Institute for International Economic Studies, 2021^[3]).

Sub-dimension 8.1: Inclusive labour market governance

During the assessment period, Albania has made progress in aligning its **legal framework for employment** with the EU *acquis* in several fields. In 2023, the Law on Employment Promotion was amended, reinforcing provisions and programmes for support to the employment of young people and disadvantaged groups (KPMG, 2024^[4]). Progress was also made in transposing EU regulations in the field of occupational safety and health (European Commission, 2022^[5]). In 2021, provisions on remote working were introduced (in relation to the COVID-19 pandemic), and new working time regulations in public institutions were decided. Yet, there is significant scope to strengthen the legal and policy framework for occupational health and safety, as current institutional capacities for enforcement are weak. Moreover, the alignment of national legislation with key EU documents, such as the EU Strategic Framework for Health and Safety at Work 2021-27 (Box 9.1), remains outstanding (European Commission, 2023^[6]). This poses challenges not only to Albania's EU accession ambitions, given that the economy is obliged to align with the EU *acquis*, but also acts as a barrier to further enhancing worker safety.

In terms of its employment **policy framework**, Albania completed the implementation of its National Employment and Skills Strategy 2014-22 and published a final, publicly available monitoring report on its progress in 2023. The report concluded that the strategy achieved major milestones, such as the implementation of the quality assurance framework for vocational education and training (VET), integrated case management for the public employment service, and reforms that pave the way for key employment promotion programmes (Ministry of Finance and Economy, 2023^[7]). While it contains a detailed monitoring of activities implemented and those whose implementation is ongoing and delayed, it does not aggregate these to give an overall picture of the strategy's implementation rate.

Albania subsequently adopted its new Employment and Skills Strategy 2023-30, which was prepared in consultation with a wide array of stakeholders as well as with key actors of the international donor community, such as the United Nations Development Programme (UNDP) and United Nations Children's Fund (UNICEF). The strategy's main policy goals are bridging labour market gaps and making the labour market more inclusive, through measures aiming to support the employment of youth and women, improve the efficiency of labour inspections, and develop the green and digital skills of the workforce.

Regarding the **labour inspectorate**, the Albanian State Inspectorate for Labour and Social Services (SILSS) underwent restructuring in 2021. Its work is guided by a strategy that contains targets related to risk-based planning, digitalisation of the inspection process, integration of platforms into the official website of SILSS,¹ e-inspection,² and raising awareness of the benefits of compliance with legislation among employers and employees. The SILSS has introduced complaint mechanisms that offer employees the possibility to complain about non-respect of the labour law.³ Digitalisation has helped the SILSS increase its efficiency through automated planning and streamlined procedures made possible by overarching digital government reforms.

Box 9.1. The EU Strategic Framework on Health and Safety at Work 2021-27

The Strategic Framework on Health and Safety at Work is the EU's overarching policy for improving occupational health and safety (OHS), adopted as part of the European Pillar of Social Rights Action Plan. Based on a joint approach involving the Commission, Member States and social partners, the framework aims to improve the legal, regulatory and policy environment for improving OHS in Europe by achieving three main objectives:

1. *Anticipating and managing change* in a new world of work, specifically when it comes to anticipating the effects of the green and digital transitions on work conditions and the labour market. Initiatives under the strategic framework include modernising legislation related to the use of digital tools at the workplace, including on psychosocial and ergonomic risks, as well as campaigns and studies on issues such as mental health and remote work.
2. *Improving prevention of workplace accidents and illnesses*, through the update of legal frameworks, introducing new OHS standards for safer work environments. The Commission introduced legislation introducing stricter standards for toxic materials such as asbestos and lead in the workplace.
3. *Increasing preparedness for any potential future health crises*. The disruptions and challenges caused by the COVID-19 pandemic brought to light the need for more resilient workplaces that can help labour markets adapt to potential future pandemics or less serious health crises. Within the framework, the Commission encourages national authorities to improve co-ordination mechanisms for future crises, including in exchange of information and co-operation between labour inspectorates and health authorities.

To meet the evolving EU legislation on occupational health and safety, the WB6 economies need to ensure that policies aiming to meet these three objectives are integrated into their domestic policy frameworks.

Sources: European Agency for Safety and Health at Work (2022^[8]); European Commission (2021^[9]).

In terms of staffing and the capacity to conduct its work effectively, the number of staff of labour inspectorates slightly increased between 2020 and 2021 (by 10, to 165 staff) and the number of inspections increased by 17.4% from 2021 to 2022 (European Commission, 2023^[6]). However, despite this positive dynamic, the current staff level does not allow the inspectorate to conduct its role effectively, as the average caseload per inspector increased in line with the increase of inspection activity. Following the audits of the capacity of labour inspectorates, the introduction of new training and tools has been initiated to address the deficiencies within the staff. This training included both initial sessions for new inspectors and refresher training sessions, provided by the Albanian School of Public Administration and SILSS experts at the central level as well as various foreign and Albanian organisations.

Institutional co-operation has been consolidated with the support of the EU-funded Employment and Social Affairs Platform (ESAP) II project; a risk-based inspection planning system has been established as part of the project to address violations of legal provisions concerning informality, working relationships, and working conditions. This system has facilitated the exchange of information between SILSS and other key institutions, such as the General Directorate of Taxation (GDT) and the National Business Centre (NBC) to anticipate and mitigate informality risks. Additionally, with the support of the International Labour Organization (ILO), SILSS has developed a risk assessment tool using data mining and machine learning. Preliminary results indicate that this new tool can predict undeclared and under-declared work with 30% more accuracy than the previous assessment tool (ILO, 2024^[10]). Data show that informal employment in

Albania is estimated to be around 29.4% of total employment (INSTAT, 2022^[11]). However, inter-institutional co-ordination still has room for improvement in other areas when it comes to effectively monitoring compliance in the labour market. For instance, the current framework for monitoring child labour, as well as mechanisms for co-ordination among key institutions such as SILSS and the Agency for the Protection of Children's Rights, remains weak (European Commission, 2023^[6]).

Key elements of a **social dialogue framework** are in place defining the role of social partners, the bipartite collective bargaining structure, and the mechanism for dispute resolution, including tripartite consultation. However, workplace-level representation remains underdeveloped and limited to health and safety councils. Collective bargaining predominantly focuses on wages, working hours, training sessions, working conditions, trade union rights and accident insurance, with limited attention paid to regulating non-standard forms of work. Improvements have been made in the monitoring of collective bargaining within the framework of the ESAP II during the years 2021-23. The related Results Framework sets objectives and evaluates the performance of the social dialogue institutions in the same years.

Albania had the highest activity rate and the highest employment rate for women among Western Balkan 6 economies in 2021 (Vienna Institute for International Economic Studies, 2021^[3]). Following a decline in women's employment rates during the pandemic, the rate rose to 58.9% in 2022, surpassing the 2019 rate of 54.4%. Despite this improvement, Albania's women's employment rate was 6 percentage points below the EU average and 12.4 percentage points lower than the one for men – showing that despite strong improvements, further efforts can be made in addressing the issue of gender inequality in the labour market.

Progress was made in the implementation of policies aiming for an **inclusive labour market**. Albania aims to continue addressing gender inequalities through the National Strategy for Gender Equality 2021-30. Specifically, there were advances in the area of reconciling work and family life: "Family Hub" services were set up, including the provision of day care for children. In the framework of social fund financing, eight community-based services for children (including children with disabilities) were established, and for the first time two services for the elderly (family assistance) were established. Such efforts are important, given that many female workers in Albania have reported a deterioration in their work-life balance in recent years (Xhumari, 2023^[12]). Namely, nearly one-fifth of Albanian women attribute their economic inactivity to family obligations.

In 2021, the activity rate among young people (15-24) was the highest among the WB6 economies, and the pre-pandemic level was nearly achieved.⁴ However, in 2022 Albania had the second highest rate of young people not in employment, education, or training (NEET) in the region at 23.5%, more than double the EU average of 9.6% (Vienna Institute for International Economic Studies, 2023^[13]; Eurostat, 2024^[14]). This underscores the need to address the issue of unemployed youth.

To tackle the issue, Albania adopted the National Youth Strategy 2022-29 (NYS 2022-29) in line with the European Youth Strategy 2019-27, aiming to improve the overall position of youth in society through building employment skills, increasing opportunities in the labour market and fostering innovation and quality education. Employment policies have also continued to target other vulnerable groups such as Roma and other ethnic minorities, people living in extreme poverty, people with disabilities, people with a low skill level, the older unemployed, and victims of violence.

Sub-dimension 8.2: Social protection and activation policies

In 2023, Albania had the second lowest unemployment rate in the Western Balkans with a level of 11.1%, although this remains far above the EU average of 6.0% (World Bank, 2024^[15]; Eurostat, 2024^[16]). Nevertheless, this unemployment rate fell under the pre-pandemic level (11.5% in 2019). Women had a higher risk of being unemployed.⁵ About 62.8% of all unemployed were long-term unemployed in 2022, only a slight decrease since 2019, and largely above the EU average of 38.4% (Vienna Institute for

International Economic Studies, 2021^[3]; Eurostat, 2024^[17]). The figure is evidence of an acute problem of long-term unemployment, possibly affecting vulnerable groups disproportionately.

Albania's **public employment service** (PES), the National Agency for Employment and Skills (NAES), is continuing to focus on the provision of services for vulnerable groups. The emphasis is newly on NEETs, and there has been progress in implementing profiling and counselling. The NAES is putting to use a profiling tool to assess the employability of each jobseeker and to classify them into one of three groups depending on their level of employability, which would allow the service to intensify and tailor the support it provides to the least employable jobseekers.

Given the high share of vulnerable jobseekers registered with the PES, the workload of its counsellors is still high, making it difficult to implement in-depth counselling and follow-up. However, NAES has made progress in becoming more efficient and effective. Notably, the agency is currently in the process of reorganising the distribution of job counsellors at the local level to align the average client/staff ratio across the entire territory, although the total number of the institution's staff is likely to stay the same. For the first time, two mobile offices are planned to be set up in Tirana and the Durrës region, with counsellors deployed in municipalities where they are most needed and moved from municipality to municipality on a rotating basis. Digitalisation of processes was also conducted in order to improve administrative efficiency.⁶

The effectiveness of the PES is hampered by its insufficient coverage of jobseekers. In 2021, only 47.2% of unemployed persons were registered with the NAES,⁷ a slight improvement compared to 2019. However, this leaves significant room for improvement when it comes to ensuring support for a wider range of unemployed individuals. Many jobseekers registered with the service do not receive any benefit, such as unemployment benefits or social assistance, which reduces their incentive to register or expect helpful service provision.

Social assistance and unemployment benefits remain low, limiting their effectiveness, despite an increase in financial benefits being decided in 2021. A roadmap is being developed with the support of the World Bank outlining the process for assessing and reviewing the adequacy of benefits by the end of 2024 (Jorgoni, 2022^[18]). Programmes are in place to support the long-term unemployed. For instance, NAES is implementing the Community Works Program, delivered by NGOs and public bodies, which targets the most vulnerable long-term adult unemployed jobseekers. This programme aims to include in the labour market jobseekers who have been away from it a long time and those from disadvantaged groups. Through this programme, part-time employment and professional training are provided at the same time.

Progress can be noted in the co-operation between employment services and social services, as well as in improving coverage and co-ordination at the local level. Since 2022, regional commissions have been established and are functioning in all 12 regions; these evaluate and refer for employment and social integration people of active working age receiving welfare benefits.⁸ Local employment offices have profiled the individuals referred by the State Social Service (SHSSH), and identified employment opportunities, participation in vocational training courses or participation in employment promotion programmes. However, a limitation for implementing integrated employment and social services is the modest public spending on social care services programmes (Jorgoni, 2022^[18]).

NAES is implementing a wide array of **active labour market programmes** (ALMPs), including employment subsidies for 4, 6 and 12 months, a 4-month on-the-job training programme, a 6-month internship programme, a self-employment programme, and the community works programme (which absorbs the highest budget among the ALMPs). Additionally, there are vocational training programmes available, which include continuing training and VET offers. Albania has also made progress in setting up a system for social enterprises. The budget spent for ALMPs (assessed at 0.25% of gross domestic product) is comparatively high compared to other economies in the region, but below the EU-27 average (0.39%). Overall, ALMPs in Albania are targeted at youth in general and young NEET in particular, specific groups of women, older unemployed, people with disabilities, ethnic minorities, long-term unemployed, and migrants. However, for individuals with multiple vulnerabilities (such as long-term unemployment and

a low education level), support through ALMPs or targeted services is fragmented and thus less readily available (Miluka and Tori, 2021^[19]). A monitoring system for ALMPs is in place, with external experts' evaluations of their sustainability planned for the second half of 2024.

Sub-dimension 8.3: Skills for adaptable labour markets

The risk of unemployment was higher for those with a medium International Standard Classification of Education qualification level (ISCED 3-4), as compared to those with a low qualification (ISCED 0-2) or high qualification (ISCED 5-8) level. However, individuals with lower levels of qualification saw a stronger negative impact on their employment rate during the pandemic year in 2020 and a weaker recovery in employment rates following the pandemic (Vienna Institute for International Economic Studies, 2021^[3]). More employees surveyed through the European Skills and Jobs Survey (ESJS) stated they had an education level that was higher than what the job required (27%), while 12% had a lower level (ETF, 2023^[20]).

In Albania, about 48% of employees surveyed through ESJS stated they were participating in education and training activities to learn new job-related skills. In this respect Albania falls close to the regional average, but participation in continuing education and training was 14 percentage points lower in Albania than the EU-27 average (62%) (ETF, 2023^[20]), showing significant room for improvement.

The new National Employment and Skills Strategy foresees introducing a skills intelligence system as a means of measuring and reducing **skills imbalances**. Specifically, it plans to create a Labour Market Information Observatory to analyse data from various sources to measure skills gaps and anticipate new in-demand skills. Albania is continuing to develop and improve career guidance for students and adults. In 2021,⁹ the role of career guidance co-ordinator was introduced in vocational education and training (VET) schools. This co-ordinator is responsible for ensuring that candidates, students/trainees, parents, and the community have ample information about VET programmes. Albania is also revising and updating curricula for vocational education, training programmes and higher education systems on the basis of consultation with a wide range of actors. Workplace-learning elements are integrated into the VET system. However, the Chamber of Commerce is no longer a member of VET school boards, limiting the involvement of the private sector. Thus, except for ALMPs implemented by NAES, there are few instances that would promote or facilitate VET students getting internships in companies.

Albania has made progress in analysing skills gaps by using different methods and sources (e.g. employer surveys, forecasts, web scrawling and big data, sector studies, tracer studies). NAES has been responsible for conducting the Skills Needs Analysis since 2010 on a two-year basis; in the meantime, several sector skills need analyses are conducted at the request of National Agency of Vocational Education, Training and Qualifications (NAVETQ). Sectoral Skills Committees (SSCs) comprising representatives from the business community as well as technicians and professionals have begun to be set up, with the two first SSCs – for the information and communications technology (ICT) and tourism sectors – starting their operations in 2022. The approach is sector-specific, with a focus on identifying strategic sectors and analysing the skills required for each of them. In 2023, the ICT and Tourism Sectoral Committees started conducting skills analysis in their respective sectors, which should help Albania identify training needs in these key sectors.

Policies for improving adult learning are included in the Employment and Skills Strategy 2023-30. Training measures for the unemployed are provided by NAES. However, the budget for training measures only makes up 7% of all ALMP expenditures (in 2022), and it has been reduced between 2021 and 2022. This shows a significant gap, as the EU-27 average share for training was generally much greater at 40% in 2019 (European Commission, 2023^[21]). NAES is also running an internship programme to facilitate education-to-work transition. There is some evidence that evaluation results are used to adapt policies. For example, in 2020 the professional practice programme added students graduating from secondary vocational schools to the category of beneficiaries from this programme.¹⁰

Overall, Albania lags behind the rest of the WB economies as well as the EU-27 countries when it comes to **digital skills development**. Indeed, only 23.8% of surveyed individuals in Albania reported having basic or above-basic levels of digital skills – nearly 15 percentage points below the regional average and 30 percentage points below the EU average (Table 9.2).

Table 9.2. Individuals with basic or above-basic overall digital skills in Albania, the WB6 economies and the EU in 2021

Percentage of all individuals

	ALB	WB6	EU
Individuals with basic or above-basic overall digital skills	23.8	34.8	53.9

Note: Kosovo data (used to calculate the WB6 average) was from the latest available year (2019).

Sources: Eurostat (2020^[22]; 2023^[23]).

The new Employment and Skills Strategy sets the objective to increase the digital skills of all actors in education, including students, teachers and leaders. As part of the strategy, as well as Albania’s digital agenda (2022-26), joint initiatives are being implemented towards this goal with the German and Japanese Governments, and the EU Delegation in Albania, in partnership with the Ministry of Finance and Economy (MFE). One of the projects in the field of Vocational Education and Employment that has been implemented is the Sustainable Economic and Regional Development, Employment Promotion and Vocational Education and Training in Albania (ProSEED) project of German Development Cooperation (GIZ). In collaboration with relevant institutions, the programme has worked on developing competencies in alignment with EU DigComp curricula, enhancing information and communications technology (ICT) infrastructure, and providing training for teachers.

Efforts are being made towards developing digital skills at the workplace and participation in related continuous training is happening, but Albania is lagging significantly behind the EU-27 average (12% and 25% of surveyed employees, respectively) (ETF, 2023^[20]). One explanation is that both the use of computer devices and computerised machinery at the workplace is less developed than on EU-27 average (ETF, 2023^[20]). NAES is also implementing the “Digital Competence” curriculum in public vocational training centres, which deals with the five basic digital competencies according to the EU Digital Competencies Framework 2.0. This course is offered free of charge to unemployed jobseekers. Progress has been made in the area of digital skills need analysis and monitoring, through consultations with key stakeholders such as employers and sector associations.

Skills for the green transition are still at an early stage of development in Albania. In contrast to digital skills, studies on the identification of green jobs and skills have not been conducted yet, although NAES and NAVETQ are co-operating with Save the Children to develop a study on green jobs. Additionally, German Development Cooperation (GIZ), in partnership with the Ministry of Finances and Economy (MFE), has launched initiatives to incorporate green skills into curricula and raise awareness of their significance. As a result, VET training courses are being modernised to integrate the skills needed for the green transition. Environment and sustainable development topics are part of VET teacher training standards, pre-service training programmes and continuous professional development programmes. Moreover, all vocational schools organise students’ extracurricular activities focused on local environmental protection. Additional training and skills adaptation measures are planned for both employed and unemployed persons to prepare them for the green transition.

The Albanian labour market faces limited risk of job losses due to the green transition, given its reliance on renewable energy sources. However, instances of job losses still occur, such as the dismantling of the oil refinery in Ballsh in 2022 due to economic inefficiency and bankruptcy. To mitigate the negative employment impact the government implemented a specific programme to compensate workers with a minimum wage for 30 months and payment of social security contributions.¹¹

Sub-dimension 8.4: Expanding the skills pool

Albania has enhanced strategic planning and legislation in order to effectively address challenges of **migration** and make use of related opportunities. A new National Strategy on Migration (2024-30) and its Action Plan (2024-26) have been developed and are the subject of public consultation.¹² These documents were prepared by Ministry of Interior with technical support from the International Organization for Migration (IOM) and were shaped by an evaluation of the previous National Strategy on Migration (2019-22). The strategy aligns with the umbrella National Strategy for Development and European Integration (2022-30) and the Intersectoral Strategy on Integrated Border Management (2021-27), which recognise that Albania continues to be an origin country for economic migrants, as well as a transit and destination country for migrants, asylum-seekers and refugees. The main strategic objective is to manage migration effectively, by addressing challenges stemming from migratory movements and by increasing migration's positive impact on development. Other related strategies, such as the National Strategy on Employment and Skills (2023-30), aim to make the most of foreign talents by paying attention to labour migration and providing for specific measures to train and employ migrants.

Albania is actively co-ordinating qualifications and education as well as social security systems through bilateral agreements and ongoing negotiations.¹³ In 2022 and 2023, within the framework of the Berlin Process, Albania signed agreements with other WB6 economies recognising higher education and qualifications for professionals such as doctors of medicine, dentists, and architects, facilitating their movement within the region (Berlin Process, 2023^[24]).

The new Law on Foreigners, adopted in 2021, has simplified access to Albania's labour market for foreigners. The law extends the scope of the rights of foreigners, in terms of protecting migrants and their family members, refugees and asylum-seekers. Moreover, the law guarantees access to integration programmes and services for foreigners, enables a better provision of information, simplifies procedures to obtain a residence permit, and strengthens institutions that provide services to migrants. The law was amended in February 2023, introducing the "Unique Permit," which serves as a streamlined application for all visa, work and residence permit applications. Domestic legislation also contains provisions to promote fair and ethical recruitment of migrant workers. In March 2024, Albania, North Macedonia and Serbia fully opened their labour markets to each other as part of the Open Balkan initiative (Government of Serbia, 2024^[25]).

International migration's impact on population size is monitored, with annual estimates provided by National Institute of Statistics (INSTAT) since 2015. Statistics for foreigners with residence permits and asylum-seekers have been included in the Official National Statistics Program, detailing age, gender, reason for application, and country of origin. A notable surge of 21.6% from 2021 to 2022 in the annual growth of foreign residents with permits in Albania was observed, mainly composed of men from Italy, Kosovo and Türkiye, with employment cited as the primary reason for obtaining residence permits (INSTAT, 2023^[26]). Data from the National Agency for Employment and Skills reported that there were 9 825 foreigners with work permits or certificates in Albania in 2023.¹⁴

Regarding the **diaspora**, with an estimated 1.68 million Albanian citizens residing abroad,¹⁵ there are continuous efforts to engage diaspora members in the economy's development. Such measures are particularly important given the steady, high levels of emigration; since the start of the COVID-19 pandemic, an estimated 20 000 inhabitants have left Albania annually (IMF, 2022^[27]). An institutional framework focused on the diaspora is in place although it has been subject to changes over the past three years. In

terms of policy, the Albanian Diaspora National Strategy (2021-25) is aligned with the National Strategy on Development and European Integration (2022-30) and highlights Albania's commitment to reassess diaspora engagement by strengthening long-term connections, amending legislation, improving co-ordination among institutions and developing a functional diaspora network.

Between 2018 and 2021, diaspora-related responsibilities were assigned to a dedicated Minister of State for Diaspora as well as related agencies. From 2021, the Directorate of Diplomacy and Diaspora at the Ministry for Europe and Foreign Affairs replaced the Minister of State for Diaspora and related agencies. These changes were made in order to streamline EU integration efforts, avoid overlap and reduce costs.

Recognising that inter-institutional co-ordination in migration governance and diaspora engagement is crucial, the National Strategy for Migration 2024-30 and its Action Plan 2024-26 envisage the Ministry of the Interior leading and co-ordinating a dual monitoring mechanism of migration and diaspora-related data. The Strategy of Migration plans to create and review migration policies using precise data. A methodology will be developed to co-ordinate data collection aligned with the Official Statistics Program. Currently, there is a shortage of official data on the Albanian diaspora, the latest being a 2020 publication titled "Albanian Diaspora in Numbers", published by INSTAT.¹⁶ Moreover, for an efficient use of resources and effective co-ordination, the Strategy determines responsibilities at central and local levels, aiming to establish and further strengthen all the relevant structures for migration and diaspora at the local level in municipalities by 2026.

Several initiatives have been implemented to attract diaspora skills, such as Diaspora Summits, Diaspora Medical and Legal Professionals Meetings, Albanian-American Development Foundation (AADF)'s Research Expertise from the Academic Diaspora Fellowship Programme, efforts by the Albanian Diaspora Business Chamber to facilitate knowledge transfers, particularly in agriculture and crafts, and the IOM's Diaspora Engagement Programme, which offers fellowships in government institutions for diaspora members.

Overview of implementation of Competitiveness Outlook 2021 recommendations

Albania has shown varying degrees of progress in implementing previous CO Recommendations (Table 9.3). Namely, the economy exhibited substantial advances toward improving its policies engaging with medium- and highly-skilled migrants and diaspora. Conversely, progress remained limited in several areas, including analysing the drivers of informality and increasing investment in developing adults' digital skills.

Table 9.3. Albania's progress on past recommendations for employment policy

Competitiveness Outlook 2021 recommendations	Progress status	Level of progress
Do more to strengthen social partners' role in tripartite social dialogue, including on setting the minimum wage	Improvements have been made in performance monitoring of collective bargaining within the framework of the Employment and Social Affairs Platform (ESAP II) during the years 2021-23. The related Results Framework sets objectives and evaluates the performance of the social dialogue institutions in the following years. The "Access to Justice for Labor Disputes through Mediation and Conciliation" project promotes collective bargaining at all levels and improves the quality of collective bargaining at the national, regional and enterprise levels.	Moderate
Increase the capacity of labour inspectorates to detect informal employment and child labour and tackle poor working conditions	The SILSS has introduced complaint mechanisms that offer the possibility to employees to complain about non-respect of labour law. The number of staff has been moderately increased between 2020 and 2021. New training and new tools have been introduced as a result of audits of the capacity of labour inspectorates. Inter-agency co-operation to combat informal employment has improved. However, it remains inadequate in the case of combating child labour. Digitalisation has	Moderate

	improved the efficiency of processes.	
Evaluate implementation of the cross-sectoral Strategic Document for Occupational Safety and Health 2016-20 and its Action Plan	No detailed information was provided on the implementation of the 2016-20 strategy, nor evidence that an evaluation has been conducted. Health and safety councils at company levels are in place but operational only in large companies. In 2021 new regulations allowing for telework if needed (pandemic situation) and new working time regulations in public institutions were adopted.	Limited
Launch awareness-raising activities targeted at employees and employers to pursue continuing training and to set adequate financial incentives for continuing education and upskilling of the medium and lower skilled	Skills gaps analysis has advanced using different methods and sources (e.g. employer surveys, forecasts, web scrawling and big data, sector studies, tracer studies). New training has been implemented to upskill the workforce with digital skills. A strategy to address the issue of young NEET has been launched. However, there is no specific strategy to increase skills of low-skilled workers.	Moderate
Continue efforts to improve local social services for vulnerable groups and to develop close co-operation between social and employment services	Improvements in co-operation between employment and social services have been made. However, activating beneficiaries of social welfare benefits as well as providing social and employment services for vulnerable groups still needs to be improved.	Moderate
Provide adequate public investment for developing digital skills among adults	Although, some progress has been made in prerequisites for digital upskilling, such as the implementation of the “Digital Competence” curriculum, Albania continues to lag behind the region in developing the digital skills of its workforce, and spending on related training activities constitutes a very low share among ALMPs.	Limited
Do more to understand the drivers of informality among workers (differentiated by men and women) and employers in order to design adequate policy responses	There is no evidence of analysis of the drivers of informality. However, the Employment and Skills Strategy 2023-30 emphasises as one of its main priorities decent and formal employment, specifically objective 2.2, “Ensuring decent work for everyone and everywhere”.	Limited
Co-ordinate policies to encourage the return of medium- and highly skilled people to Albania	The conclusion of the National Strategy on Migration 2019-22 involved an evaluation report, influencing the drafting of the new migration strategy for 2024-30. Institutional and policy frameworks to incentivise and support diaspora reintegration into the labour market are in place.	Strong

The way forward for employment policy

Although Albania has achieved notable progress in many areas of employment policies, there are still areas in which the economy could further improve its performance and subsequently strengthen its employment policy framework. As such, the following recommendations are made:

- **Launch awareness-raising activities and increase financial incentives targeted at employees and employers pursuing continuing training.** This would involve offering adequate financial incentives and targeting low-skilled, prime age and older workers as well as SMEs for participation in adult learning. The employability of low-skilled individuals can be increased through upskilling. Several OECD countries have introduced mechanisms that could serve as a model for Albania, such as individual learning accounts (Box 9.2), which could help to address the economy’s low levels of adult learning. Other potential mechanisms include developing infrastructure for guiding adults in their upskilling pathway, implementing programmes to upskill low-skilled adults, and supporting companies in doing so (OECD, 2019^[28]).

Box 9.2. France’s experience implementing individualised learning accounts

France has developed and implemented an individual training account scheme. The French Compte Personnel de Formation (CPF) was created in 2015 and reformed in 2018. This instrument enables the accumulation of credits for the right to training for every individual since his/her entrance into the labour

market. The account is entirely transferable from one occupation to another and preserved when changing or losing one's job. Key features include:

- For jobseekers and employees, the scheme is financed through a compulsory training levy on firms equivalent to 1% of gross wages to be paid by employers with more than 11 employees, and 0.55% for micro-enterprises. Financing training by using the CPF may not be sufficient to get training financed. Additional funding is provided for the unemployed by the French PES, by employers and specific regional or sectoral institutions.
- The CPF was initially available to employees and jobseekers only. Since January 2018, the self-employed are also covered.
- These accounts enable the financing of certified training for an individual. Credits can be used to pay for training fees of programmes that are required to deliver a certificate (certification), skill assessments (*bilan de compétences*), actions for skill recognition and driving licences, and training for business creation can also be covered.
- A change in implementing the CPF was introduced in November 2019 by offering users the possibility to directly buy the training. This has significantly increased take-up.

Source: OECD (2019^[28]).

- **Continue to facilitate co-ordination among various actors to flexibly adapt and modernise education and training**, by ensuring a high level of hard and soft skills – including digital skills at all proficiency levels and skills for the green transition – and measuring the quality of training and education. Improve monitoring the participation of adults in related training activities, including for digital skills and skills for the green transition.
- **Implement vocational guidance in a life cycle perspective, starting at secondary school, as an important factor to reduce skills mismatch.** Vocational guidance should also be offered to adults. To reduce occupational gender segregation, vocational guidance should aim at attracting more girls into science, technology, engineering and mathematics (STEM) vocational education and training and tertiary education.
- **Continue efforts to support the integration of vulnerable groups into the labour market.** Expanding employment services and measures targeting vulnerable groups, improving local social services and developing close co-operation between social and employment services will be key in this regard. Increasing staffing and budgets allocated for ALMPs focused on vulnerable groups will also be a prerequisite.

- **Conduct studies to understand the drivers of informality among workers and employers in order to design adequate policy responses.** Drivers of informality vary depending on a given context and can be diverse as well as mutually reinforcing. For instance, they can be structural, legal and institutional or behavioural (OECD/ILO, 2019^[29]). Different factors might affect men and women as well as the employed and employers respectively. Studies to determine these factors in the context of Albania would be useful in order to appropriately target and tailor policy responses.
- **Continue to increase the capacity of labour inspectorates to detect informal employment and child labour and tackle poor working conditions.** Increasing staffing as well as strengthening inter-institutional co-ordination is crucial to ensuring that labour inspectorates can effectively perform their responsibilities.
- **Continue to strengthen the social partners' role in tripartite social dialogue, including on setting the minimum wage.** This would also include making a regular assessment of labour inspectorates' capacity to detect remuneration below the minimum wage and informal employment. An assessment of the impact of the minimum wage on informal employment and on poverty reduction should be conducted.
- **Implement measures to foster stability and continuity within diaspora institutional frameworks,** ensuring consistent policies over time. Stable institutions provide the necessary foundation for long-term development initiatives and enhance trust between the diaspora and the home government. While the changes in institutional arrangements for governing diaspora policies might have been justified to improve efficiency and rationalise resources, caution should be given in the future to ensure stability and long-term continuity, as it takes systematic and sustained strategies to build long-term relationships.

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Notes

¹ www.inspektoriatipunes.gov.al.

² <https://inspektimet.e-inspektimi.gov.al>.

³ <https://inspektoriatipunes.gov.al/e-sherbime-per-punemarresit>.

⁴ In 2021, the youth unemployment rate (15-24) was the second lowest in the Western Balkan region (see: <https://wiiw.ac.at/see-jobs-gateway-database-ds-5.html>), but largely above the EU average of 16.7%. Youth unemployment was not significantly reduced between 2019 and 2021.

⁵ In 2022, the unemployment rate for women was 0.8 percentage points higher than the one for men.

⁶ To increase efficiency, an IT-based system to match jobseekers and vacancies is implemented, and most jobseekers and employers use digital services. The IT system has been newly integrated fiscally and with other governmental systems. This helps reduce the administrative workload of NAES staff.

⁷ Own assessment on the basis of administrative data and LFS data collected by the Vienna Institute for Comparative Economic Studies.

⁸ This is based on the Decision of the Council of Ministers No. 822 from 24 December 2019, "On the mechanism of inter-institutional coordination of work for the referral for employment of individuals and members of active working age of beneficiary families of Economic Aid", and of the Joint Order of the Ministry of Finance and Economy and the Ministry of Health and Social Protection No. 52 from 26 January 2022, "For the approval of the referral mechanism for the employment and social integration of individuals of active working age".

⁹ Ministry of Finance and Economy (MFE) Instruction No. 14 dated 27 May 2021.

¹⁰ DCM No. 17 dated 15 January 2020, "For the procedures, criteria and rules for the implementation of employment promotion programs through employment, on the job training and professional practices".

¹¹ DCM 909/2020, DCM No. 71/2022 amended with DCM 117/2023.

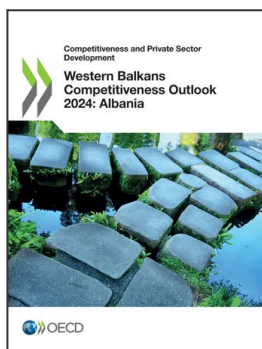
¹² To access the National Strategy on Migration (2024-30), see: https://konsultimipublik.gov.al/documents/RENJK_676_relacioni-Strategjia-KM.pdf.

¹³ Additional information on existing international agreements that aim to co-ordinate qualifications and education as well as social security systems between Albania and other countries can be found here: <https://fsdksh.gov.al/project/marrevshjet-nderkombetare>.

¹⁴ For more on the Unique Permit, please see: <https://www.monitor.al/turqit-e-ndertimit-bareve-dhe-restoranteve-kryesojne-punesimet-e-te-huajve-ne-shqiperi-akpa-numri-i-te-huajve-me-leje-pune-u-rrit-18-per-2023>.

¹⁵ Of note, most estimates by INSTAT are based on the 2011 population census. The Albanian Government plans to release the results of the new census (carried out in October 2023) in June 2024, which likely will provide an update to this estimate.

¹⁶ Available here: www.instat.gov.al/media/7848/diaspora-ne-shifra-2020.pdf.



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