

AN OVERVIEW OF THE ACTIVE LABOUR MARKET PROGRAMS IN ALBANIA

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Abstract Active labour market policies (ALMPs) are publicly financed interventions intended to improve the functioning of the labour market by inducing changes in labour demand and labour supply, as well as their matching process. Among the most common programs used are training courses, job search assistance and monitoring, subsidized employment, and public work programs. The purpose of this paper is to present some theoretical concepts about the importance of ALMPs and current ALMPs in Albania, and the budget funds allocated for these programs in the past years. Albania is currently implementing different ALMPs, foreseen and approved with different Decisions of the Council of Ministers (DCM). In 2019, there was a reform in the employment promotion programs in Albania, by designing new ALMPs which would be standard in frame but individualized in terms of addressing different vulnerabilities. All programs rely on the principle of subsidizing the employer. Labour market program is one of the budgetary programs, according to the budget classification rules for state budget in Albania. Funds allocated for ALMPs are part of this program and are classified in the economic account "subsidies".

Keywords:

labour market
policy,
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market programs
(ALMPs),
budget allocation,
COVID-19,
subsidies

JEL:

E24, E62, H61

1 Introduction

Unemployment is one of the most challenging economic and social problems in both developed and developing countries. The challenge is exacerbated by the fact that across countries worldwide youth unemployment figures are typically twice the overall unemployment rate. Policymakers worldwide therefore struggle to find effective programs that can help the jobless find jobs and that increase workers' productivity and labor income. Job training and other active labor market programs (ALMPs) have been promoted as a remedy for cyclical and structural unemployment (Kluve, 2016). ALMPs are needed to support the labor market integration of groups with major employment obstacles. According to Caliendo and Schmidl (2016), most European countries spend significant resources each year on active labor market programs (ALMP) with the aim of improving the integration prospects of struggling youths.

According to the European Centre for Social Welfare Policy and Research, Active Labor Market Policies (ALMPs) describe measures to help individuals enter the labor market or to prevent already employed individuals from losing their jobs. ALMPs include various measures, from training to job search assistance, subsidies, supported employment opportunities and programs to support entrepreneurial activities. Among the most common programs used are training courses, job search assistance and monitoring, subsidized employment, and public work programs.

Albania is currently implementing different ALMPs, foreseen and approved with four different Decisions of the Council of Ministers (DCM). The programs are being implemented by the Albanian National Agency for Employment and Skills. The purpose of this paper is to present some theoretical concepts about the importance of ALMPs and current ALMPs in Albania, and the budget funds allocated for these programs in the past years. The funds allocated for ALMPs are compared to the total funds allocated for the "labor market" budgetary program, to get some conclusions whether the share of ALMPs on the total funds is appropriate. The idea is to connect the expenditure with the importance that these programs have, suggesting that there should be more funds allocated if these programs represent a priority for the government.

2 Theoretical Background

Active labor market policies (ALMPs) are publicly financed interventions intended to improve the functioning of the labor market by inducing changes in labor demand and labor supply, as well as their matching process. Specifically, these policies aim to preserve existing jobs and create new employment opportunities, encouraging labor market attachment and the reintegration of long-term unemployed and inactive individuals, and facilitating the job-search and job-matching process (Ernst et al., 2022).

The evolution of active labor market policies dates back to the 1960s. In the early phase, “active manpower policies” were designed to respond to the fast-growing demand side of the economy. According to an OECD legal instrument of that time, the idea was that employment and output could be expanded by removing labor market bottlenecks. The changing economic and labor market conditions of the 1970s and 1980s brought new policy requirements. The focus shifted to addressing the problems of slow growth and the rising trend in unemployment. With the OECD economies facing continued labor market difficulties during the expansion phase of the cycle in the 1980s, it became apparent that structural difficulties lay behind high unemployment and other labor market problems (OECD, 1964).

ALMPs may be targeted at specific groups, e.g., youths, long-term unemployed, displaced workers, welfare recipients etc. or not. They also vary widely across countries. In some countries, programs are the responsibility of the Public Employment Service (PES); others receive only referrals from it. Some programs may be administered at the federal level, others at regional or local levels. Funding may be centrally governed or jointly funded with various regions. Young individuals entering the labor market are generally considered to be an at-risk population. They face a higher risk of unemployment than older workers, are more likely to switch between states of joblessness, training and working, and are more likely to enter temporary or precarious types of employment (Caliendo & Schmidl, 2016).

The role of ALMPs is related to the broad economic situation. At times of rapid expansion and labor shortage, like the 1950s and 1960s, their key objective was to upskill the workforce. After the oil shocks of the 1970s, the *raison d'être* of ALMPs shifted from economic to social policy, and since the mid-1990s, we see the development of a new function, well captured by the notion of activation, which

refers to the strengthening of work incentives and the removal of obstacles to employment, mostly for low-skilled people (Bonoli, 2011).

Active labor market programs (ALMPs) aim to keep workers employed, bring them into employment, increase their productivity and earnings, and improve the functioning of labor markets. ALMPs that improve labor market matching are highly beneficial, but effective only in the short run. ALMPs in general might be more cost effective over the long term (3-10 years) and some may even be self-financing, suggesting that long-term evaluations are needed to better ascertain the impact of individual policies (Brown & Koettl, 2012).

The chances of success of an ALMP depend on several factors, including the characteristics of the labor markets in which they operate. Hence, it is important to avoid assessing ALMPs in isolation (Fay, 1996). The most common outcome on which evaluations focus is whether the individual gets a job and/or experiences earnings gains following a program. But it is also important that evaluations consider carefully the different possible outcomes from an ALMP, e.g. employment, unemployment, participation in another labor market program, or non-participation. An individual may experience stable or falling earnings following participation in a program because of unemployment, enrolment in another program, or in the case of training, enrolment in further education. The policy implications of each situation, however, are quite different (Fay, 1996).

3 Methodology

The methodology used to present the current ALMPs in Albania and the share of the budget funds for ALMPs compared to the total budget funds for “labor market”, is based on qualitative and quantitative data. The first part, focusing on the literature review, is based on the review of different authors and institution’s reports regarding this topic. This part presents the theoretical concepts regarding the active labor market programs, the definition, their importance in reducing unemployment and evolution over time.

The information regarding ALMPs in Albania has been collected from national statistics and institutions, namely National Employment and Skills Agency and Ministry of Finance and Economy (MFE). The data regarding the financing figures for ALMPs has been retrieved from the official site of MFE. Funds allocated for

ALMPs are part of “labor market” budgetary program and are classified in the economic account "subsidies" in the national Albanian currency, the Albania Lek (ALL). For the purpose of this paper, the funds have been converted to Euros with the exchange rate for January for each respective year.

Since ALMPs funds comprise only current expenditures, in this article we will compare the funds allocated for ALMPs to the total current expenditures for the labor market program. All the budgetary figures that are presented in this paper refer to the initial budget approved in parliament, not the revised budget during the year. This is because the revisions during a budget year, that usually result in a reduction of the initial allocated funds, can be due to several factors, like the earthquake, pandemic, lack of revenues etc., which are not directly connected with government priorities.

4 Results

In 2019, there was a reform in the employment promotion programs in Albania, by designing new ALMPs. The main aim of the reform was to design active labor market programs, standard in frame, but individualized in terms of addressing different vulnerabilities. All the programs rely on the principle of subsidizing the employer, different from the design prior to 2019, where the subsidy went directly to the jobseeker/employee. In Albania the responsible institutions for the ALMPs implementation is the National Employment and Skills Agency. The current programs in Albania are Wage-Subsidy Program, On-the-Job Training Program, Internship Program, COVID-19 Employment Recovery Program, Community Employment Program and Self-Employment Program. Although the programs differ from each other and target different groups, in general we can say that there is a special focus on youth.

The wage subsidy program targets: all unemployed jobseekers registered and active, for no less than 3 (three) months in the employment office, young people under 29 (twenty-nine) years old, long-term unemployed jobseekers, jobseekers over 45 (forty-five) years old, unskilled unemployed jobseekers, unemployed jobseekers, who have returned for no more than 2 (two) years from emigration, jobseekers who benefit from economic aid, treating with priority the beneficiaries of economic assistance, who are expected to leave the economic aid scheme in the current year and the following year, jobseekers who receive unemployment benefits for more

than 3 (three) months, persons with disabilities, victims of trafficking, gender-based violence and victims of domestic violence, jobseekers from the Roma and Egyptian community, persons who have completed the vocational training course or the training program through work and are still unemployed 6 (six) months after completion.

Internship Program, targets are all unemployed jobseekers who are newly graduated, up to the last 24 (twenty-four) months after graduation, who are registered as unemployed jobseekers.

Community Employment Program targets all unemployed jobseekers registered and active, for no less than 12 months at the employment office, aged over 25.

The subsidy foreseen for the programs comprises:

- social and health contributions, calculated based on the minimum wage, offered throughout the duration of employment, compensated monthly.
- salary financing in the amount of 100% of the national minimum wage, for different periods depending on different beneficiaries. For the victims of trafficking, gender-based violence, victims of domestic violence and for persons with disabilities, the salary is compensated respectively for 6 and 12 months.
- contributions for insurance against accidents at work
- different additional costs like: bonuses for transport costs; single parents with a child under 6 (six) years old receive a bonus attending kindergartens and nurseries for dependent children; bonus for employers for the reasonable adjustment of the workplace for disabled persons.

Labor market program is one of the budgetary programs, according to the budget classification rules for state budget in Albania. Funds allocated for ALMPs are part of this program and are classified in the economic account "subsidies". Like all the budgetary programs, the public expenditures allocated for the "labor market", are divided into current and capital expenditures. The current expenditures comprise wages, social contributions, subsidies, transfer etc. Since ALMP funds are part of current expenditures, in this article we will compare the funds allocated for ALMPs to the total current expenditures for the labor market program.

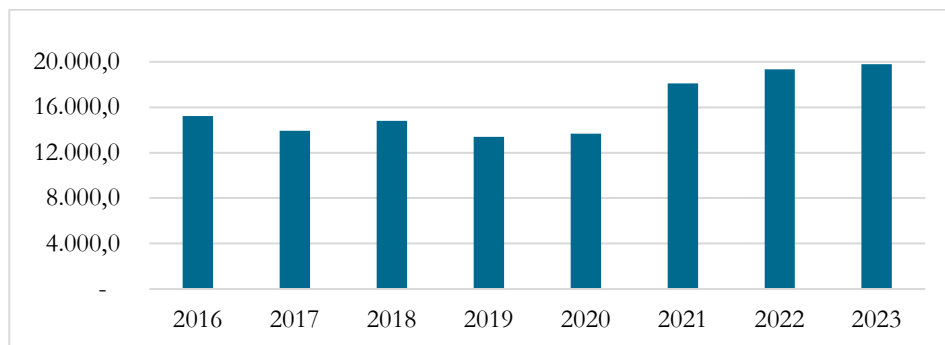


Figure 1: Current expenditures for labor market, in Euros, 2016-2023

Source: MFE (2023), Author's calculations

According to the official data of the Ministry of Finance and Economy, over the past few years, there has been an increase in budget expenditures, both current and capital, for the labor market. This is particularly evident after 2020, where the total amount of current expenditures increased by about 40% compared to 2019 (see Figure 1).

Meanwhile, funding for employment promotion programs has been low, compared to the total financing figures for the labor market. As it is clear from all the analyzed data, the total funds for ALMPs represent on average 25% of the total funds allocated for the labor market program through the analyzed years. In general, except for 2019, the financing has been quite the same in terms of %, between 23.3% and 25.7% (see Figure 2).

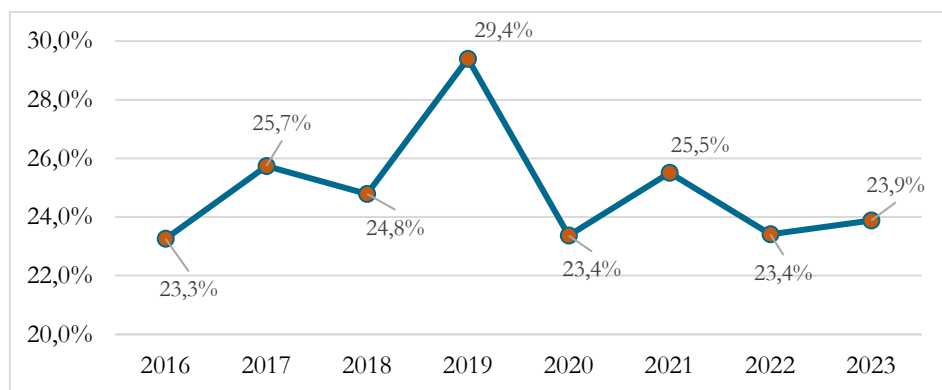


Figure 2: ALMPs funds compared to "labor market" funds, in %

Source: MFE (2023), Author's calculations.

One of the most successful programs has been the COVID-19 employment recovery program. As a result of COVID-19, many businesses were closed for a certain period, leaving many people without work. In addition to budgetary policies, the government also used employment policies to cope with some of the consequences. In this context, it was approved. The Decision of the Council of Ministers No. 608, dated 29.07.2020 "On the procedures, criteria and rules for the implementation of the employment promotion program through the employment of persons who became unemployed as a result of COVID-19. The aim of this employment program was to reintegrate into the labor market all unemployed job seekers who have become unemployed as a result of COVID-19, identified by the General Directorate of Taxes and registered in the employment office. The program itself offered 4-month, 8-month and 12-month employment programs:

- 4-month employment program: Salary financing at the rate of 100% of the national minimum wage for 2 (two) months and financing for 4 (four) months of mandatory social and health contributions.
- 8-month employment program: Salary financing at the rate of 100% of the national minimum wage for four months and financing for 8 (eight) months of mandatory social and health contributions.
- 12-month employment program: Financing for 12 (twelve) months of mandatory social and health contributions (employer and employee) in the amount of 100% of the national minimum wage of (27.9%), compensated for each month, throughout the duration of the program.

This program managed to employ a total of 220 people in its 3 components (4, 8 and 12 months) throughout Albania. Most of the employed persons were over 50 years old, this category which makes it more difficult to integrate into the labor market.

5 Discussion and Conclusion

Policymakers worldwide struggle to find effective programs that can help the jobless find jobs and that increase workers' productivity and labor income. Job training and other active labor market programs (ALMPs) have been promoted as a remedy for cyclical and structural unemployment. Albania is currently implementing different ALMPs, foreseen and approved with four different Decisions of the Council of

Ministers (DCM). All the programs rely on the principle of subsidizing the employer, different from the design prior to 2019, where the subsidy went directly to the jobseeker/employee. Over the past few years, there has been an increase in budget expenditures, both current and capital, for the labor market. Meanwhile, funding for employment promotion programs has been low, compared to the total financing figures for the labor market, on average 25% of the total funds allocated for the labor market program through the analyzed years. The Albanian government has stated that these programs represent a very important tool to decrease unemployment especially among the vulnerable groups (people with disabilities, Roma and Egyptian communities, returned emigrants, victims of trafficking, etc.). In this case, the budget funds allocated for these programs should increase to be in line with the government priorities and create better incentives and opportunities for the programs to address more unemployed jobseekers by having more funds available.

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