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EUROPEAN SOCIAL POLICY NETWORK (ESPN)

Assessment of pension adequacy

Albania

Enkelejd Musabelliu

Social Europe

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Directorate-General for Employment, Social Affairs and Inclusion
Directorate C — Social Affairs
Unit C.2 — Modernisation of social protection systems
Contact: Giulia Pagliani
E-mail: Giulia.PAGLIANI@ec.europa.eu

European Commission
B-1049 Brussels

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ESPN Thematic Report: Assessment of Pension Adequacy

Albania

2021

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Highlights

- The at-risk-of-poverty rate for people aged 65+ was 14% in 2018, an increase of 0.6 percentage points over 2017. The at-risk-of-poverty rate among pensioners is lower than the Western Balkan regional average, which was 18.4% in 2017.[1]
- As only 40% of the working-age population is covered by the pension system, one of the main challenges in ensuring the future adequacy of pensions in Albania is to increase the coverage rate.
- Spending on the pension system constitutes one of the most important part of the state budget, reaching 8.87% of GDP in 2018. The scheme suffers a deficit, which increased from 1.35% of GDP in 2012 to 1.93% in 2016, although the deficit has since shown a downward trend, reaching 1.80% of GDP in 2018.
- The 2014 reform has strengthened the finances of the pension system. The total number of contributors increased by 38.65% – from 561,169 in 2013 to 778,111 in 2018 – while revenues went up from 4.70% of GDP in 2012 to 7.07% in 2018.

[1] Data for Kosovo and Bosnia and Herzegovina are not available.

1 General description of the national pension system

The pension system in Albania is largely based on three main schemes, i.e. statutory, supplementary and personal.

The statutory pension scheme is made up of the basic or old-age pension, the social pension and the supplementary pension. Accounting for more than 90% of total pension income, **the basic pension** scheme is a defined benefit (DB) pay-as-you-go (PAYG) scheme with universal coverage and financed by contributions. Employers and employees in the private and public sectors, as well as the self-employed and the self-employed in agriculture all contribute to this scheme. The minimum contributory period to be eligible for a pension is 15 years. Benefits are calculated as a base sum plus 1% of the assessable basis for each insured year – with the assessable basis representing the ratio of average contributions in the current year to the average contributions of previous years. Benefits are indexed to inflation on an annual basis. The base sum is determined each year by the Council of Ministers and is equal to the social pension. The legal pensionable age is 65 for men and 60 years 10 months for women. Under a 2014 reform, the retirement age for women is gradually being increased by two months each year, to reach 67 years by 2056. The pensionable age for men will remain 65 until 2032 when it will gradually be increased by one month each year, to reach 67 years by 2056.

The social pension is non-contributory and is awarded to anyone aged 70 or over who does not have a minimum contributory history of 15 years and thus is not eligible for the old-age pension. This scheme is financed from the state budget. The amount of the social pension is decided each year by the Council of Ministers; in 2018, it was 7,110 Albanian lek (ALL) or EUR 58.[2] The social pension is means tested: beneficiaries should have no other income and have been resident in Albania for the last five years.[3] In 2017, only 0.41% of the total number of pensioners received a social pension.

Certain categories benefit from a **supplementary scheme**, which is financed from the state budget and provides supplementary benefits on top of those provided by the statutory pension scheme. This scheme covers senior officials, public servants, military and police officers, secret service officials and fire-fighters. Senior officials and civil servants pay additional contributions of 3–5% of their gross salary, depending on their function. On retirement, senior constitutional officials benefit from a supplementary pension that can amount to 60% of their salary, while civil servants benefit from a supplement equivalent to 1.1–1.5% of their salary for each year of service. Military officers, police officers, fire-fighters and secret service officials contribute 2% of their wages to the supplementary scheme. In addition to the supplementary benefits, which are equivalent to 1% of their wages for each year of service, they have the option of early retirement at the age of 47 for men and 42 for women, provided they have 15 years of insurance for men and 12 years of insurance for women.

Another new supplementary scheme covers miners and persons working in the oil and gas industry. They pay additional contributions at 2% of their gross wages, with employers contributing another 3%; in return, they benefit from a supplement of 1% of their old-age pension for each year of service, as well as lower retirement ages (60 for men and 55 for women). Spending on these supplementary schemes accounts for 4.1% of the expenditure of the Social Insurance Institute (SII); together with other compensations for other categories of beneficiaries, the schemes make up 0.76% of the country's GDP.

The statutory scheme also includes a **public voluntary pension scheme**, which provides optional coverage for anyone not covered by the statutory pension scheme. It was designed to allow people who are temporarily unemployed or in undeclared work to

[2] Decision by the Council of Ministers No. 348, dated 12.06.2018, Article 9.

[3] Law No. 7703 (as amended), Article 5/1.

continue to pay contributions to the statutory scheme. When benefits are calculated, any periods that are insured voluntarily are considered equal to periods insured under normal employment. Since it allows contributions to be paid for previous years, the scheme is mainly used by persons with large gaps in their contribution history, due to migration or unemployment. In 2018, 5,213 individuals, or 0.66% of the total number of contributors, were covered by this scheme.

In 2018, the total number of contributors to the statutory scheme was 788,111. Although this figure was 3.4% up on 2017, it only accounts for 40% of the population aged 15–64. In 2018, there were 635,735 beneficiaries, an increase of 2.3% over 2017. This scheme suffers a large deficit, and in 2018 government subsidies reached 1.80% of GDP.[4]

The statutory scheme does not offer flexibility in combining work with retirement. If retirement is postponed (or suspended to get back into work), a bonus of 0.5% of the pension entitlement can be claimed for each postponed month.[5] Widowed spouses and other dependent persons of a deceased pensioner or contributor can claim his/her benefits. These benefits are conditional on the age of the widowed person/dependants.

The statutory scheme offers several options for early retirement, including for senior constitutional officials, people working in hazardous environments, persons with work-related disabilities, mothers with more than six children, etc.

The **supplementary pension schemes** include only occupational pension schemes. These schemes can be set up either by private companies or by public institutions and government agencies. The schemes can be managed either by private insurance funds or by the public SII. Occupational schemes were introduced under the 2014 pension reform, but, although a few government agencies have embraced them, they have found little favour among private companies.

The **personal pension schemes** include only private pension plans. These pension plans are fully funded and voluntary. They came into being in 2009, following the adoption of Law No. 10 197, dated 10.12.2009 ‘On voluntary pension funds’. Nevertheless, private plans are underdeveloped and provide coverage to only a small number of people: in 2019, only 3% of people covered by the compulsory pension scheme were also contributing to a private pension plan.[6]

2 Reform trends

The Albanian pension system was shaped in the early years after the fall of the communist regime in 1992, and since then has been subject to several parametric reforms. It was designed as a DB PAYG system with high redistribution and easy-to-meet early-retirement options. At 60 for men and 55 for women, pensionable ages were much lower than they are today, and the contribution rate was 42.5% of the capped contributory wage. The two parallel urban and rural schemes, inherited from communism, would continue to exist until 2018.

The rural scheme, which covered exclusively self-employed agricultural workers, was heavily subsidised, with the government paying more than 50% of the contributions of farmers. The contributions that needed to be paid each year, as well as the amount of the subsidies, were defined each year by the Council of Ministers.

Under both schemes, the benefit amount was calculated by combining a base pension, determined annually by the Council of Ministers, with an earnings-related component of 1% of the assessable basis for each year of insurance. The insurance record required for

[4] Data from the Social Insurance Institute, http://www.issh.gov.al/wp-content/uploads/2019/12/perb_09_19-web.pdf

[5] Law No. 7703 (as amended), Article 33.

[6] Data from the Social Insurance Institute, http://www.issh.gov.al and the Financial Supervisory Authority, https://amf.gov.al

a full pension was 35 years: shorter careers would result in reduced or partial pensions. The scheme had a maximum pension cap, which was defined as double the base pension, or 75% of net wages over three consecutive years in the last 10 insured years, whichever was lower. Since the base pension of the rural scheme was only half the base pension of the urban one, benefits under the former were 40% to 60% lower.

The fact that governments would each year determine the base pension and the subsidies to the contributions of farmers made the Albanian pension system highly vulnerable to political decisions during electoral years.

All reforms implemented over the past three decades have tried to address the high deficit of the scheme. To reduce the deficit, governments have mainly tried to strengthen eligibility criteria and increase participation, by combining a reduction in contribution rates with administrative measures to formalise the economy. Thus, in 2002 the contribution rate declined from 42.5% of the contributory wage to 38.5%. Pensionable ages were also gradually to increase to 65 for men and 60 for women. Another reform implemented in 2006 further reduced the contribution rate to 29.5% and introduced voluntary private pension funds. These funds started up only in 2009, a year that was marked by a further reduction in the contribution rate to 24.5%.

Despite these reforms, the Albanian pension system continued to suffer from high informality. Only 33% of the working-age population was covered by the pension scheme in 2012, while large numbers of those employed in the private sector and who were covered by the scheme declared only the minimum wage.

The 2014 pension reform combined measures to increase revenue with measures to cut expenditure. The reform introduced a gradual increase in the pensionable age for women of two months each year, to reach 67 by 2056. The pensionable age for men will remain at 65 until 2032, when it will start to increase by one month each year, to reach 67 by 2056.[7] To increase participation in the pension scheme and encourage the payment of contributions according to real wages, a stronger link between contributions and benefits was introduced. The maximum pension ceiling was formally abolished, even though the fact that the calculation base is capped (ALL 105,805 or EUR 836 in 2018) indirectly leads to a maximum pension. The pension amount is calculated as the social pension plus 1% of the assessable basis for each insured year. The longer a person's career and the higher the contributory wages, the higher the amount of his or her pension. The minimum contributory period was set at 15 years, and the scheme does not have a required contributory period for obtaining a full pension.

Additionally, the 2014 reform introduced a social pension, available at the age of 70 to anyone who does not fulfil the minimum contributory period criteria and has no other income. The number of beneficiaries of the social pension is still low, since those cohorts approaching retirement today are eligible to benefit from the statutory pension scheme due to the full employment under communism. Nevertheless, the expectation is that in the coming decade the number of persons benefiting from the social pension will be much higher.

One of the most important decisions of the 2014 reforms was to gradually merge the urban and the rural schemes into one public pension scheme and to cut the subsidies to farmers' contributions. The latter faced the choice of either paying contributions equal to those of the self-employed in urban areas or not paying contributions at all and claiming the social pension. A considerable number of farmers opted for the latter. From 2013 to 2018, the number of farmers covered by the system fell by 8.3% – from 64,274 in 2013 to 58,940 in 2018 – and it is expected that the figure will be even lower in the future.

Overall, combined with measures to tackle the informal economy, the 2014 reform managed to strengthen the finances of the pension system. The total number of

[7] Law No. 7703 (as amended), Article 92.

contributors increased by 38.65% – from 561,169 in 2013 to 778,111 in 2018 – while revenues rose from 4.70% of GDP in 2012 to 7.07% in 2018.

In 2019, law no. 29/2019 was approved, bringing several beneficial changes to the pension schemes of persons working in hazardous environments (who, up until then, had retired according to the provisions of the statutory pension scheme). This law aggregated and consolidated some reforms that had already been initiated under law no. 150/2014 'On the pensions of workers in the mining industry' and law no. 7/2017 'On the status of workers in the oil and gas industry'.

Miners who work underground for 12.5 years or more can retire at 55,[8] provided they have a total contributory period of 30 years. People who work (or have worked) in the oil and gas industry can retire at 60 (55 for women), on condition that they have a minimum contribution record of 30 years (25 years for women), of which 20 years (15 years for women) must have been in the oil and gas industry.[9] The retirement age and the required contributory period are even lower for certain job categories. In addition to early retirement, law no. 29/2019 also provides supplementary pensions. Thus, miners will benefit from a supplementary pension of 1% of the old-age pension amount for each year worked in the industry. Similarly, persons who have worked in the oil and gas industry will benefit from a supplementary pension of 0.6% of the old-age pension amount for each year worked in the industry.

3 Assessment of adequacy

3.1 Current adequacy

The EU 2018 Pension Adequacy Report[10] introduced 'the triangle of adequacy', according to which adequacy should be analysed in terms of effectiveness in poverty reduction, income continuity and average duration of retirement/pension payment.

In late December 2019, for the first time Albania published its Statistics on Income and Living Conditions (EU-SILC), covering the period 2017–2018.[11] The survey was conducted in line with the Eurostat methodology, although not all indicators were measured or published: important indicators such as people at risk of poverty and social exclusion (AROPE) by age group and people at risk of material deprivation by age group were not measured or published.

The at-risk-of-poverty (AROP) rate for people aged 65+ was 14% in 2018, an increase of 0.6 percentage points over 2017. Women aged 65+ faced a higher risk of poverty, with the rate increasing from 13.7% in 2017 to 15.4% in 2018. In the same period, the risk of poverty among men aged 65+ actually decreased – from 13% in 2017 to 12.5% in 2018.

This gender difference is mainly explained by the fact that women tend to receive lower pensions than men: women who reached the pensionable age in 2018 received on average a pension that was 23.5% lower than the average pension of men retiring in the same year. This mainly stems from the fact that women are less well covered by the pension system, have shorter working careers and lower monthly earnings. Calculations made on the basis of data obtained by the SII for 2018 show that under the urban scheme, 1.79% of all women pensioners received a monthly pension of below ALL 5,000 (EUR 40), while this was true of only 0.24% of male pensioners. The same pattern was to be observed in the rural scheme: 13.6% of all women pensioners (compared to 8.4%

[8] Law No. 150/2014, Article 3.

[9] Law No. 8/2017, Articles 7, 9 and 10.

[10] https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8084&furtherPubs=yes

[11] INSTAT: Income and Living Conditions in Albania, 2019. Link: http://www.instat.gov.al/media/6544/income-and-living-conditions-in-albania-2017-2018.pdf

of men) received a pension lower than ALL 5,000 (EUR 40). The gap is wider with regard to higher pensions: 14.2% of women pensioners received a monthly pension of over ALL 20,000 (EUR 161), whereas the figure was 28.2% of male pensioners. Lower earnings are one of the main reasons why the AROP rate was 2.9 percentage points higher among women aged 65+ than among men of the same age group.

The AROP rate for persons aged 65+ in Albania is significantly lower than in other countries of the region[12] and than the EU-28 average. The EU-28 average AROP rate for persons aged 65+ was 16.1% in 2018, whereas in Albania it was 2.1 percentage points lower, at 14%. Furthermore, Albania and Montenegro have the lowest AROP rates for people aged 65+ in the Western Balkans: in 2017, Montenegro had the lowest rate (13%), followed by Albania (13.4%), North Macedonia (15.3%) and Croatia (19.8%). At 29.2%, the AROP rate among people aged 65+ in Serbia is the highest in the Western Balkans.

The income quintile share ratio S80/S20 for persons aged 65+ was 4.4 times in 2018, a slight decrease of 0.1 compared to 2017. With regard to this ratio, Albania is not too distant from the EU-28 average of 4.2 times in 2018.

The 2014 reform improved the overall adequacy of the pension scheme. For 2018, EU-SILC set the AROP monthly threshold for a one-member household at ALL 13,395 (EUR 109.60). For the same year, the average pension was ALL 17,295 (EUR 137) for urban pensioners and ALL 9,357 (EUR 74) for rural pensioners. While the vast majority of pensioners receive on average monthly pensions higher than the AROP threshold, 19.9% of those pensioners who receive rural pensions are more at risk of poverty, especially if they live alone.

Important issues arise especially with regard to the adequacy of the social pension. Again in 2018, the social pension amounted to ALL 7,110 (EUR 58), almost half the AROP threshold. This means that every pensioner or pensioner couple receiving only the social pension lives in poverty and, most probably, in material deprivation. The issue is not urgent today, as only 0.41% of pensioners claim a social pension, and family ties continue to be strong. But if the social pension is only indexed to consumer prices, as has been the case since 2015, then the number of pensioners living below the AROP threshold will increase rapidly, as the number of people who receive the social pension is expected to grow sharply. As of today, the number is low because the cohorts approaching retirement fulfil the criteria for an old-age pension, due to the full employment that existed under communism. But as we move forward, those cohorts whose work history has been affected by high unemployment and by the informality of the transition will come up to retirement age. As a result, the number of people who do not meet the minimum criteria for an old-age pension will increase rapidly. All those people will claim a social pension, and if the issues related to the adequacy of this pension are not addressed early, then the AROP rate for persons aged 65+ could increase rapidly in the coming decade.

Another issue related to the adequacy of the social pension is that of persons who have reached the official pensionable age but are not eligible for a pension. These people can claim the social pension only when they reach the age of 70, which is 5 years later than the pensionable age for men and around 9 years later than the pensionable age for women. The only available source of income for these people remains the social assistance scheme (Ndihma Ekonomike). But since this scheme is also means tested, there is no guarantee that they will benefit from it, and thus could face a possible income gap.

Albania does not publish data on the aggregate replacement ratio. The only available indicator is the average replacement rate published by the Social Insurance Institute, which measures the average income from old-age pensions compared to the average net

[12] https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

wage. In 2018, the average replacement ratio was 41%. In 2017, it was 41.3% for urban pensioners and 40% for rural pensioners. Compared to 2015, this ratio had declined by 4.3% for urban pensioners and increased by 5.5% for rural pensioners. Even though pensions are indexed each year, data suggest that the real value of pensions has been decreasing. Pensioners do not receive any reimbursement of transport costs or any benefit related to housing (though housing is not an issue for the time being). The only benefits that smooth the risk of poverty are reimbursement of the cost of medicines and free health care.

Nevertheless, it should be emphasised that social transfers, including old-age and survivor pensions, play an important role in poverty reduction in the country. Thus, the countrywide AROP rate jumps from 26.3% to 39% if social transfers are excluded from the income level.

The average duration of the pension payment is long and has been increasing over the years, even though several reforms have raised the retirement ages. In 2012, the average retirement duration was 19.1 years for men and 24.1 years for women. According to official data, by 2018 the average retirement duration had increased to 19.9 years for men and 26 years for women. This important increase in less than a decade can mainly be explained by high life expectancy at retirement, even though the various early-retirement options also play an important role.

Lastly, as regards the way in which pension benefits are accounted with regard to eligibility for long-term care (LTC), it is worth mentioning that Albania does not have a unified formal system of LTC. Persons aged 65+ can benefit from free services in the primary healthcare centres and social care services in the few community centres, whatever their pension benefits. As regards LTC cash benefits, the only existing benefits are those for people on disability or work-related disability benefits who have been examined by a medical commission and classified as eligible for a career. These persons receive an extra payment on top of their disability benefits for the carer. When they reach pensionable age, they can choose between disability benefits or the statutory pension.

3.2 Future adequacy

Albania does not publish data on the theoretical replacement rates (TRR) or any future replacement rates, which are crucial in assessing the future adequacy of a pension system. The only official data available are the current average replacement rates cited in the previous section. The only available assessment of the future adequacy of pensions in Albania can be found in the Pension Policy Paper on which the 2014 reform was grounded.[13] For an average earner who has paid contributions for 35 years, this document projects a decrease in the replacement rate over the next decade, from the current level of 41% to approximately 30%. The same document projects that replacement rates will show minor changes until 2057, whereupon a slight gradual increase is expected, reaching 31% in 2081.

3.3 Challenges for future adequacy

The future adequacy challenges of the Albanian pension system are mainly related to the issues of coverage and financial deficits. Several reforms and the measures to increase formalisation of the economy have increased the number of people contributing to the pension scheme. As a result, the ratio between contributors and pensioners increased from 0.98 contributors for every 1 pensioner in 2013 to 1.24 contributors for every 1 pensioner in 2018. However, still only 40% of the working-age population is covered by the pension system, meaning that a substantial number of people will be eligible only for

[13] https://www.issh.gov.al/?p=1155

the social pension when they reach pensionable age. The low number of contributors, combined with the fact that the country is facing an ageing population and is suffering a high migration of younger generations, poses a serious threat to the future financial stability of the pension system, and hence to its ability to pay adequate benefits.

From a gender perspective, women are less well covered by the pension system than are men. In 2019, the average employment rate for women aged 15–64 was 54.4%, 13.8% lower than men of the same age group. In addition, women tend to have shorter careers and lower wages than men. Women who reached the pensionable age in 2018 had paid contributions for, on average, 27.5 years, while men had contributed for, on average, 32.4 years. Official data on the wage gap between men and women are not available, even though the International Labour Organization’s Global Wage Report 2018/19 found that the Gini estimate of wage inequality in Albania was 32.0[14] The low participation in the pension system, shorter careers and lower wages all mean that the earnings gap between men and women widens after retirement.

An important issue is the participation in the system of the agricultural self-employed. The completion of the merger between the urban and the rural schemes in 2018 marked the equalisation of the contributions to be paid by the agricultural self-employed and the contributions paid by the self-employed in the non-agricultural sector. As a result, the number of farmers contributing to the pension system fell, and the expectation is that it will decrease even further in the future. Therefore, a large number of farmers are expected not to be eligible for an old-age pension and thus to benefit only from the social pension, which is lower than the basic pension and can be drawn only five years or more after the official pensionable age.

A future challenge to adequacy might arise with regard to non-standard forms of work. As people engaged on these types of contract tend to have shorter and more interrupted working histories, they may be disadvantaged by the Albanian pension system, which was designed to reward longer contribution records. If these people manage to pay insurance for 15 years or more, they can benefit from a basic statutory pension. If not, they, too, will be eligible only for the social pension.

3.4 Solidarity mechanisms

The Albanian pension system provides greater benefits to people with longer working histories and higher contributory wages. The 2014 reform strengthened the link between contributions and benefits, as well as between career length and benefits. The self-employed and so-called free professionals, such as dentists, notaries, doctors, etc. – who in 2018 made up 20.20% of the total number of contributors – pay contributions only according to the official minimum wage. After reaching retirement, those people with this employment status can expect to receive pensions that, on average, will be only half the pensions received by persons who contribute according to the maximum contributory wages. Even though they can choose to top up their pensions by contributing to the voluntary scheme or to a private plan, the fact that they have to pay all the contributions themselves (rather than sharing them with an employer) has discouraged participation in such schemes.

There is also a generational earnings gap. The current pension system was approved in 1993 and started to be implemented in 1994. The new law and the introduction of the new calculation formula resulted in a markedly wide gap in the income of those people who retired in 1993 and those who retired in 1994. Over the years, several governments have introduced measures to smooth out this difference, but with only partial success. Even today, 1994 is a year of crucial importance for the calculation of pension benefits. For calculation purposes, previous contributory wages are indexed to today’s wages, by

[14] https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_650553.pdf

multiplying them by coefficients approved by the Council of Ministers. As wages during communism were far lower, indexation merely brings them to the level of the official minimum wage today. Thus, when calculating a pension, any years insured prior to 1994 are accounted as if the person was only earning the minimum wage. Hence, the more years during which insurance was paid before 1994, the lower the pension will be. As we move forward, the importance of the pre-1994 years in determining the amount of a pension will decrease.

Even though the number of beneficiaries today is low, the social pension constitutes an important step forward with regard to redistribution and solidarity, as it marks the first non-contributory benefit of the Albanian pension system. As explained in other sections, the anticipated rise in the number of people who will not be eligible for any benefit at all in old age emphasises the importance of the social pension as a poverty-alleviating mechanism.

New legal initiatives have increased redistribution for certain categories, such as people who work in a hazardous environment. Initially including only miners, but later extended to cover people in the oil and gas industry, the new legislation has reduced the pensionable age, eased the eligibility criteria related to the contributions history and introduced supplementary benefits for these categories. More than 16,000 ex-miners and around 7,000 people in the oil and gas industry are expected to benefit from the changes.

4 Recommendations

Even though social transfers are very important in keeping persons aged 65+ out of poverty, ensuring the adequacy of pensions in the future will be the main challenge facing the pension system. In what follows, several suggestions are presented that could improve the adequacy of pensions in future.

With only 40% of the working-age population covered by the pension system, it is imperative to increase the coverage rate. The small number of contributors means low revenues for the pension system today and large numbers of people at risk of poverty on retirement in the future. Increasing coverage is mainly an administrative issue related to formalisation of the economy, although for some categories, such as the agricultural self-employed, it is also a matter of affordability. Several local experts, policy-makers and Members of Parliament15 have recommended that the government should reintroduce subsidies on the contributions of farmers. All these concerns came to a head in 2019 in an initiative which proposed that farmers could either pay full contributions and be eligible for a full pension or pay only half contributions and be eligible for a reduced pension. The initiative was not approved, but it shows the sensitivity of farmers' contributions.

Of equal importance is the diversification of pension benefits by encouraging occupational and private pensions, especially among the self-employed and free professionals. Efforts to increase the contributions of the latter in accordance with their earnings found little favour a couple of years ago. The government could introduce an occupational scheme whereby all self-employed are by default members, unless they opt out. To encourage the take-up of private pensions, the government could remove the income tax payable on contributions to private pension funds.

To ensure the adequacy of benefits, over the mid-term the government might consider transforming the social pension, which today is available only to people who are not eligible for a pension from the statutory scheme. The recommendation is to transform it into a minimum statutory pension, available to everyone who reaches pensionable age,

[15] https://shqiptarja.com/lajm/ndryshon-skema-e-pensioneve-br-ne-fshat-ahmetaj-ligj-i-ri-br, http://www.panorama.com.al/varianti-i-qeverise-ndryshon-skema-per-pensionet-ja-cfare-ndodh-me-kontributet/

irrespective of their working history or their eligibility to benefit from other pension schemes. Financed by the state budget, this pension would guarantee the minimum income, while contributions could be used to provide additional benefits, through occupational or supplementary schemes.

Statistical Annex

Table A.1 Relative incomes of older people

Indicator	2018	Change 2017–2018
	Total	Total
Income quintile share ratio (S80/S20), 65+ (%)	4.4	-0.1
	2018	**Change 2009–2018**
Replacement Rate*(%)	41	3.2

Table A.2 Poverty and material deprivation

Indicator	2018			Change 2017–2018		
	Total	Men	Women	Total	Men	Women
At-risk-of-poverty (AROP) rate, 65+ (%)	14	12.5	15.4	4.47	-3.8	12.4

Table A.3 Gender differences

Indicator	2018	Change 2008–2018
	Total	Total
Gender gap in pension income (65–79) (%)	23.6	
Gender gap in non-coverage (W-M in p.p.) (65–79)	0	0

Table A.4 Pension duration

Indicator	2018			Projections for 2056		
	Total	Men	Women	Total	Men	Women
Pension payment duration (2012) (years)						
Retirement duration (AWG) (years) **	22.8	19.9	26		19.6	26.2

Data source: (1) (2) (3) (4) (5) SII, INSTAT.
*Notes: * Calculated as the average income from old-age pensions compared to the average wage.*
*** Projections for 2056 are based on the 2014 Pension Policy Paper.*

Table A.5 Sustainability and context

Indicator	2018			Projections for 2056		
	Total	Men	Women	Total	Men	Women
Life expectancy at 65 (years)*	20.25	16.5	24.0	22.9	19.6	26.2
Old-age dependency ratio (20–64) (%)						
Economic old-age dependency ratio (15–64) (%) **	27.3			58		
Employment rate, age group 55–64 (%)	58.2	71.4	45.2			
Pension expenditure as % of GDP (ESSPROS)	8.87					

Data source: (6) N/A; (7) SII, INSTAT
*Notes: * ** Projections based on the 2014 Pension Policy Paper.*

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