

Albania: Employment and social policy measures in response to the COVID-19 pandemic

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Description

The COVID-19 crisis highlighted existing structural challenges in social protection and the need to accelerate the pace of reforms. Measures were swift and targeted immediate needs, safeguarding thousands of formal jobs. Yet they were temporary, and insufficient to protect those employed informally, the poor and vulnerable, or to address widening gaps and inequalities.

On 9 March 2020, Albania had its first cases of COVID-19. On 24 March, the Government declared a state of emergency. As a direct consequence of the lockdown and the cessation of economic activity, significant job shedding ensued throughout March and April. There were over 45,000 cumulative net job losses by the third week of April (i.e. 7% of the labour force).

As the number of COVID-19 cases gradually dropped, Albania progressively relaxed measures from 27 April. By 1 June, most economic activity had returned to normalcy, except for public transport and large public and cultural events.

The Government adopted **two main support packages** for people and businesses affected by COVID-19, for a total of ALL 45 billion (approx. €362.9 million) or 2.8% of the 2019 GDP. The **first support package** (adopted by the Government on 27 March 2020), included additional funding for the health sector, support to employees of small businesses, the self-employed, the unemployed, recipients of cash assistance, and humanitarian relief for the most vulnerable as well as a sovereign guarantee fund for businesses. The **second support package** (16 April 2020) included a large-scale one-off lump sum transfer to current and former employees in sectors and businesses affected by the pandemic, as well as a second sovereign guarantee for capital and investments.

For 2020, the combined value of the social protection and social inclusion measures/payments directly provided to protect jobs and the most vulnerable amounted to ALL 13.1 billion (€105.6 million) out of the ALL 13.4 billion (€108 million) planned, with most of the funds going to job protection measures. For 2020, the total number of direct beneficiaries of these measures exceeded 245,000 workers/former workers in 87,370 companies, i.e. about 36% of formal workers.

To support the labour market reintegration of those laid off because of COVID-19, a new dedicated Active Labour Market Programme (ALMP) was launched in September 2020. The programme subsidised wages and compulsory insurance for workers in formal employment who were laid off between 10 March and 23 June 2020 (later on extended to all those laid off until 31 December 2021). Also in September 2020, a programme for those identifying themselves as informal workers was introduced, guaranteeing 12 months of employer and employee social insurance contributions. By June 2021, these programmes supported 2,417 workers (1,722 workers in 2020, and 695 by June 2021). These programmes are expected to be implemented throughout 2021. The funds planned for the job protection measures for 2021, following COVID-19, amount to ALL 140 billion (€1.13 billion).

The government also provided one-off financial assistance of ALL 16,000

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(€130) to some 4,524 individuals and families who had applied unsuccessfully for economic assistance between July 2019 and April 2020 – and who were not receiving social assistance through the 6% budget of municipalities. The existing social assistance programme was doubled (from an average of ALL 5,225 to ALL 10,450 [€42 to €84]) for the period April-June 2020. This measure was reintroduced for the first six months of 2021. There were 70,034 social assistance beneficiaries during April-June 2020 (including the 4,524 beneficiaries of the one-off financial assistance) and 69,703 during the first semester of 2021.

The total cost of doubling the social assistance benefit for existing beneficiaries for three months in 2020 was ALL 938 million (approx. €7.56 million, 0.06% of 2019 GDP) whereas the one-off flat social assistance measure for unsuccessful applicants during July 2019 to April 2020 cost ALL 72.38 million (approx. €0.58 million, 0.004% of 2019 GDP). For the first half of 2021, the estimated cost of social assistance is ALL 2 billion (€16.13 million, 0.12% of 2019 GDP).



Outlook and commentary

The COVID-19 pandemic highlighted a few structural issues in Albania, especially regarding inequalities, informal employment, institutional inefficiencies, weak welfare safety nets and insufficient budgets. Albania's COVID-19 protection measures largely addressed immediate, short-term needs and income losses among the vulnerable.

In view of their current scale, the support measures adopted are formal and will most likely not have a significant impact. Building synergies and linkages between social protection and employment measures should be a policy priority.

The average social assistance benefit has remained low: for a household consisting of 2 adults and 2 children, it is ALL 5,225/month (€42), which is below the poverty threshold for such a household (ALL 29,100/ €234) (EU-SILC 2019). The decision in February 2021 to extend the doubled social assistance for six months, though a positive step, does not address the long-term need for improved adequacy and coverage of social assistance. Unlike cash assistance, the care system received very little additional funding. Various administrative arrangements were put in place during the first semester of 2020 (such as deferral of payment of utility bills, rents and loans). Even though these were welcomed, the ad-hoc support provided was neither continuous nor adequate. The social assistance and unemployment benefit provided to limited eligible categories were the only financial support programmes for families and individuals in need, and the emergency packages could not address the needs of all vulnerable groups.

It is crucial to ensure efficient targeting and avoid a situation where the groups at risk (including informal workers or families and individuals relying mainly on ad hoc in-kind support and access to available social care services) fall deeper into vulnerability. It is also essential to address child poverty.

Further reading

Government of Albania, DCM No. 85, dated 10.02.2021 "For an addition to the decision no. 597, dated 04.09.2019, of the Council of Ministers, 'On determining the procedures, documentation and monthly measure of receiving economic assistance and the use of additional fund over the conditional fund for economic assistance'".

Government of Albania, DCM No. 608 dated 29.07.2020 approved a new ALMP targeting this category of unemployed jobseekers.

Government of Albania, DCM No. 341, dated 23.04.2020 "Some additions and changes to the decision no.305, dated 16.04.2020, of the Council of Ministers, 'On the determination of procedures, documentation and the amount of financial assistance for current employees and employees dismissed as a result of COVID-19'".

Government of Albania, DCM No. 305, dated 16.04.2020, "On the procedures for financial support to the current employees and the unemployed due to COVID-19".

Government of Albania, Normative Act No. 12, dated 02.04.2020 "For an addition to the normative act no. 3, dated 15.03.2020, of the Council of Ministers, 'On the Acquisition of Special Administrative Measures during the Duration of the Infection Period Caused by COVID-19' - Official Gazette No.57/2020.

Government of Albania, Decision of Council of Ministers (DCM) No. 254, dated 27.03.2020 "For establishing the procedures, documentation and the amount of financial assistance benefits for employees in business entities with annual income up to 14 million ALL, economic assistance and payment of unemployment benefit during the natural disaster emergency situation, declared as consequence of COVID-19".

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