

Reviving Albania's economic growth through Roma inclusion¹

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The purpose of this policy paper is to review the economic conditions related to economic growth after the pandemic of COVID 19 in Albania and policies that could improve such prospects through inclusive policies and better integration of Roma communities. The numerous negative shocks that happened since the global financial crisis of 2008, have caused major changes in the fundamentals of growth and development. Fiscal imbalances, labor market and demographic trends have worsened, posing major challenges to a return of the economy at growth rates needed for achieving convergence with developed economies.

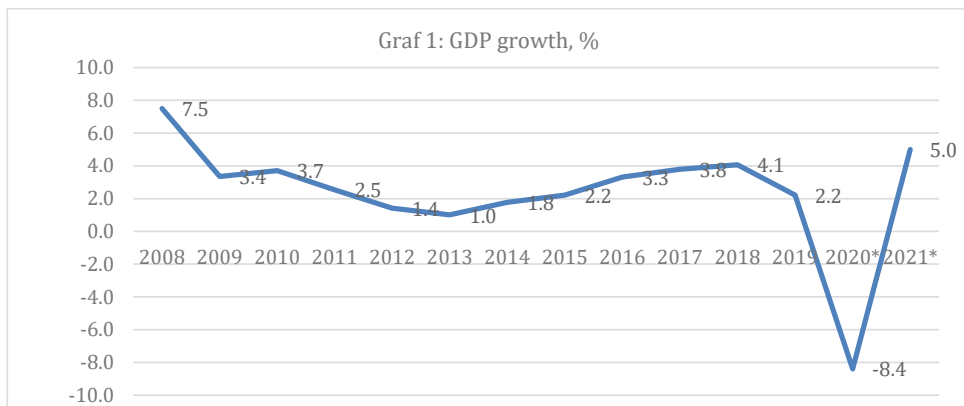
Active labor market policies and mobilization of available human resources are key to change such trends. Roma and Egyptian communities are a good potential that with appropriate policies, can have a very positive contribution in improving productivity of the economy. Rather than considered as a liability which costs the national economy, they are in fact an asset which can contribute to taxation rather than become passive beneficiaries. This is, as World Bank states, smart economics.

This paper will focus on (1) fundamentals before the COVID 19 and how they impacted the government response to such a large crisis, (2) projections on the key micro and macro-economic variables for the next five years, (3) dynamics of labor market and unemployment conditions, particularly related to Roma and Egyptian communities, (4) what could be economic and fiscal impact of Roma integration in the labor market, (5) what is progress to date in the integration of Roma and Egyptian and what policy innovations can be made to make Roma and Egyptian integration an integral part of development and social cohesion policies.

¹ This paper is written by Prof. Assoc. Dr. Selami Xhepa, lecturer at European University of Tirana, with the financial support of Open Society Foundation (OSFA).

Increased vulnerabilities before the pandemic of COVID 19

Since the financial crisis of 2008, Albanian economy remained weak, although it avoided recession and remained at positive growth rates. From a high peak of 7.5% annual growth rate in 2008, growth was brought down to a mere 1% in 2013, recovering slowly till 2018 achieving a 4.1%. Growth trends were reversed by the earthquake of 2019, halving the growth rate to 2.2%. In average, GDP growth rate for the whole decade, 2008–2019 was a disappointing 3.1%. Such low growth rates are unable to generate new jobs, improve incomes and wellbeing of the society. Estimates of the World Bank show that the country should maintain growth rates above 6% for the economy to generate new jobs.



Source: World Bank Database

Albania was the hardest hit economy in the region by the COVID 19.

To respond to the situation of COVID 19, the Government of Albania applied a series of measures, putting the country in a stringent lockdown for almost two months (March, 15th to April 30th). Oxford calculated a stringency index based on the several dimensions of government response and the stringency index of measures for Albania ² was 84.26 in a scale of 0 to 100 rising up to over 89 by the end of April. Due to such very stringent measures, socio economic impact could have been expected to be harsh. The large dependance of economic growth on sectors mostly affected by the pandemic, such as tourism sector, weak budget position due to high public debt and weak business conditions and consumer sentiment, are the key reasons for the strong negative impact of the pandemic. Estimates vary between a 7.5% to a 9% loss of output which is one of the highest in the region.

² For more information and calculation of the index in different time periods in Albania, see: <https://covidtracker.bsg.ox.ac.uk/stringency-scatter>

TABLE 1: Forecasts on the impact of COVID 19 on economic growth

	2020	2021
WB (Fall, 2020) ³	-8,4	5,0
EBRD ⁴	-9.0	4.5
IMF ⁵	-7.5	6.1

The lock down of the economy with the start of the pandemics (March 9th 2020), produced serious problems with the liquidity of the firms and the ability of firms to meet the payments in the whole business chain. Demand shock was followed by a supply shock: companies reduced or stopped production; jobs were lost and the whole trade and value chain almost collapsed. Official data for the first nine month confirm the high impact of COVID 19: economic activity contracted by -2.27% in the first quarter, -10.23% in the second quarter and -3.47% in the third of 2020. Table 2 provides quarterly data on sector bases.

TABLE 2: Quarterly GDP growth rates at market prices, non-seasonally adjusted

	2019-1	2019-2	2019-3	2019-4	2020-1	2020-2	2020-3
Agriculture, food and fisheries	6.46	3.87	0.39	-1.29	2.1	-2.9	1.15
Industry	-13.17	-5.68	1.6	7.02	-8.1	-25.83	-9.55
of which: manufacturing	4.78	6.27	5.16	2.75	-8.24	-19.04	1.38
Construction	8.92	0.66	1.6	-12.48	-16.55	-10.97	9.25
Trade, transportation, accommodation	5.92	6.21	7.48	3.35	-2.19	-26.49	-13.26
Information and communication	8.75	10.68	-2.92	0.03	-7.21	-7.93	-1.03
Financial and insurance activities	0.94	4.07	3.72	3.82	-15.19	-37.18	-9.93
Real estate activities	10.37	8.29	4.76	5.4	5.29	8.15	12.36
Science and professional activities	8.27	5.45	15.84	-0.45	-5.66	-16.67	-15.45
Public admin., Education, Health care and social works	2.57	4.93	7.51	3.19	0.53	-5.95	2.08
Arts recreation and leisure	-11.9	-14.46	-18.04	-9.16	5.96	-23.42	-9.05
Gross value added	2.76	2.78	3.98	0.3	-2.81	-12.94	-3.82
Net taxes	2.05	7.95	6.34	0.59	-5.03	-18.58	-3.9
GDP at market prices	2.67	3.37	4.3	0.34	-3.08	-13.6	-3.83

Source: INSTAT database (<http://databaza.instat.gov.al/pxweb/sq/DST/?rxid=637e2b08-0c63-4d6b-a173-a57326ab6701>)

³ World Bank. 2020. "COVID-19 and Human Capital" Europe and Central Asia Economic Update (Fall), Washington, DC: World Bank. Doi: 10.1596/978-1-4648-1643-7.

⁴ Regional Economic Prospects in the EBRD Regions Covid-19: Early estimates of the damage, uncertain prospects September 2020

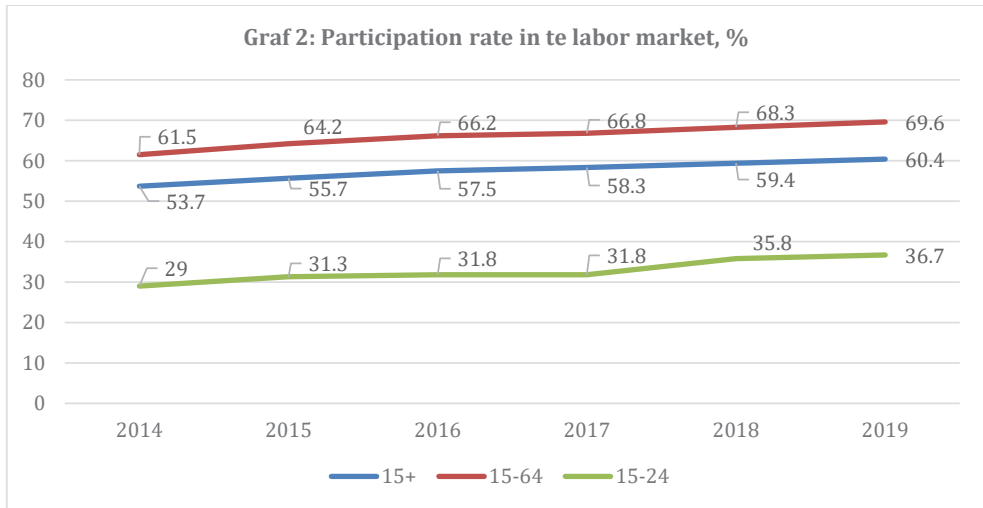
⁵ World Economic Outlook, October 2020: A Long and Difficult Ascent, October 2020

As data of the table indicate, except for agriculture and food and real estate activities, all other sectors experienced a large negative impact. Construction and manufacturing show signs of recovery during the third quarter and the prospects are positive for the remaining of the year. Construction will gain strength in 2021 and 2022 due to the large-scale program of reconstruction works planned in response to earthquake damages. The sectors with strongest negative impact are also the ones that are the largest employee in the economy, mostly of low skills and low wages (retail trade, auto repair, bars, restaurants, and shops, etc.), including employment of the Roma communities. Specific activities of Roma engagement such as collection of urban solid waste, trading of used clothes, entertainment and music play for wedding parties were the first to lock down. The lack of financial support by the government for these communities was a key reason for their protests in major cities. With strong encouragement of CSO supported by Open Society Foundation, the government modified the support measures to include the informal workers from the Roma communities, upon conditions they were first registered as unemployed. While this measure created some relief for some families, as we later explain many Roma are not registered in employment service offices. Roma families includes in social protection programs of economic aid are estimated to 20%, leaving majority of families without any formal protection.

Before COVID 19 crisis, labor market strengthened, and participation rate increased at high historical levels. Wage increases and labor shortage on some markets were felt in many sectors of the economy. Companies of manufacturing and service industries report shortage of labor, mostly manual and low skilled professions. According to a World Bank Report (2018) ⁶, the inadequate qualification level of the labor force is a particularly stronger concern across firms of all sizes operating in the mining, electricity, gas, and real estate sectors. Low-skilled sewing machine operators and call center operators were identified as the most common (and in demand) occupations in the Albanian labor market, while unmet demand was related to professions in production, mining, and construction industries (north region), the service sector (central region), and services and construction (south region). Albania recently reports shortage of medical doctors and nurses, due to large migration towards Germany.

Participation rate for the population of 15+ exceeded the 60% in 2019 from a low 53.7% in 2014. This was mostly due to measures to combat informality and active labor market programs.

⁶ World Bank, 2018, “Western Balkans Demand for Skills in Albania: An analysis of the Skills Towards Employment and Productivity Survey”.



Source: INSTAT database

Although labor market participation rate in the Balkans increased in the recent years, it remains low, around 63% compared with 69% in the EU countries. One of the reasons for high inactivity rate is the lack of opportunities offered by the job market for a decent job. If we compare the incomes from labor of Albania with the countries of the region, there is a large pay gap of 182 Euro with the second lowest wage levels, Kosovo. According to official data, around 40% of total employees received a wage below 240 euro per month and around 30% receive the minimum wage of 211 euro. Differences remain large with the region even if we factor the Purchasing Power Parity (PPP) of currencies. Expressed in real terms, wages have stagnated for more than a decade.

TABLE 3: Average wages in PPP – euro based, 2017

Average monthly wages at PPP- euro based	
Albania	806
B&H	1,376
Montenegro	1,534
North Macedonia	1,243
Serbia	1,139
Kosovo	1,153

Source: World Bank, 2019

Justification for the low productivity as the key cause for low wages does not hold true, since we find a large difference between productivity growth and wage increases during the last decade. On the other hand, the causality can run both ways: increased wages and improved work conditions, provide a better environment for employee's motivation and improve labor efficiency, which creates opportunities for higher wages. But failure to do so and keeping of such a very low wage level for a very long time, coupled with the high costs of living, have discouraged participation in the labor market, and produced large inefficiencies in the economy. It is having a destructive impact on incentives for work and has encouraged massive migrations, particularly among the cohort of high skills and highly qualified people. Jobs that do not offer better work environment and improved standards of living for the families, are drying the labor market. Opening the labor market to cheap labor for migrants from north African countries cannot be a long-term solution since it still does not improve the overall living environment in the country. The government has relaxed employment rules for foreigners and employment agencies have already started to recruit workers from other countries, mostly from north Africa. According to official data of the National Employment Service, more than 7,000 foreign workers were granted work permits. Most of them are from Turkey, China, Egypt, and other countries. 23% of them are holding a university degree and 19% are technical professionals holding a pre-university diploma.

Recognizing the importance of decent jobs, the UN system has launched The Global Initiative on Decent Jobs for Youth, with the objective to unleash the potential of youth to succeed in business and access decent work. Albania has a lot to do in this regard and legislation regulating private sector activity needs to be reviewed with the objective of creating incentives for private sector to offer better pay and improve working conditions for employees.

Impact of COVID 19 on labor market reversed the positive such trends and is deteriorating short term prospects. On the other hand, longer term implications are of serious concern.

Employment during the second quarter of 2020 was reduced by 1.1% in the agriculture sector, 6.2% in the manufacturing and 2.3% in services. Overall employment for the population above 15 years old was down by 2.6% on yearly basis.⁷ Bank of Albania estimates that around 57 thousand jobs were lost due to pandemic of COVID 19. Current unemployment rate reported by official statistics are at the level of 11.9%. However, the youth unemployment rate is much higher (28 % in 2019) and the high rate of youth not in education, employment nor training (NEET) (26%) is a cause of concern.

Structure of employment is also problematic: 42% of the workforce is currently employed in agriculture (2019), mostly in low-skilled and low-productivity.

⁷ Data are from Labor Force Survey, INSTAT database

Albania has also a large informal labor market: almost 30% of all employment in the non-agricultural sector is informal. (ILO, 2021).⁸ Informal labor keeps workers outside the social security system and jobs protection, as it was the case during the pandemic of COVID 19; jobs are insecure and lifetime pay is lower than formal jobs, if we take into account future pension payments by participating in social security system.

Unemployment rate is much higher among the Roma communities. Despite the young average age of the Roma population, labor force participation of the group is very low 54%.⁹ Labor force participation is lower at the lower levels of education and it improves moving to secondary education and upper secondary education. A large gender gap also is observed: women participation rate on the labor market is 29% compared with men at 51%. A key reason for the very low participation of Roma women on the labor market is related to early marriage, childcare and other family responsibilities. On the other hand, the lower participation rate compared to the non-Roma is due to lack of jobs. Inactivity is especially high among the youth. In Albania, at least a third of Roma children ages 7–15 were outside the school system in 2017. Not in employment, education and training (NEET) remains very high among the young population (15–24 years old) at 66%, compared by 35% for the cohort group of the non-Roma population. Gender gap remains high for this indicator as well: with 86% for female and 67% for the male. 85% of Roma are reported to be working on the informal market. While informal labor market remains high in the economy in general, this phenomenon is almost a rule for the Roma communities. And so it remains a very serious concern from the policy perspective since this practice excludes them from training and skills improving programs, social security and unemployment benefits and opportunities to improve living conditions for the families.

These developments rise serious concern in terms of future market trends due to technology changes. Digitalization and automation will require improved skills on the labor force. Evidence suggests that globally, the skills content of jobs is changing, with a decline in routine manual skills (which can be automated), and an increased use of skills that require problem solving, interaction, collaboration, and creativity. Specifically, jobs held by young generation are shifting towards high technology content skills.¹⁰

⁸ https://www.ilo.org/budapest/countries-covered/albania/WCMS_461305/lang--en/index.htm

⁹ National statistics do not provide any data based on ethnicity. These data are taken from the Regional Roma Survey conducted by the World Bank in 2011 and 2017.

¹⁰ Ridao and Bodewig (2018) Ridao Cano and Bodewig. 2018. “Growing United: Upgrading Europe’s Convergence Machine”. World Bank Report on the European Union; Arias and Sánchez-Páramo (2014) Arias, O., and C. Sánchez-Páramo. 2014. “Back to Work: Growing with Jobs in Europe and Central Asia.” Washington, DC: World Bank.

Results from PISA reports indicate that quality of education in Albania is a serious problem which highlights the need take more vigorous measures to improve the situation to prepare for the challenges of the technological sophistication in economic and social life.

TABLE 4: Indicators of quality of education, PISA, 2018

	Albania	OECD-average
Reading	405	487
Math	437	489
Science	417	489
Overall performance in all subjects, %	29.7	13.4

Source: PISA Report, 2018

From a social perspective, impact of COVID was dramatic for large part of populations. A study conducted by World Vision ¹¹ in 17 municipalities, found that 75.5% of families had serious difficulties in meeting needs with basic foodstuff; unemployment increased by 10%, of which occasional work decreased by 14%. As a result, poverty increased. Estimates from the last report of the World Bank shows that poverty, measured as individuals living by 5.5\$ at PPP, may increase from 40% to 44%, on annual bases. This may add another 115-230 thousand persons to below the poverty line. Although crisis hit harder marginalized and vulnerable groups of society, government support program adopted for the COVID 19 initially, as we reported early in this report, did not included Roma and Egyptian communities. The program targeted five groups: the beneficiaries of social welfare programs, persons with disabilities, the elderly, the homeless, and families that lost their homes due to the earthquake of November 2019. Hundreds of poor families that relied on the informal market did not qualify as beneficiaries and thus were not included in the program (Ndrevataj, 2020) ¹². Anger and protests sprung from groups such as Roma and Egyptians that were excluded from the in-home assistance program and lived on the brink of poverty (Taylor, 2020). ¹³ As the

¹¹ World Vision, "Impact assessment of the COVID-19 outbreak on wellbeing of children and families in Albania", May 2020

¹² Ndrevataj, E. (2020) 'Përjashtimi nga ndihma e kthen në mjerim izolimin për komunitetin rom dhe egjiptian [The Exclusion from Aid Turns the Isolation of the Roma and Egyptian Community to Destitution]', Citizens Channel, 8 April. Available online at: https://citizens-channel.com/2020/04/08/komunitetitorom-dhe-egjiptian-apel-per-ndihme-nuk-do-vdesim-nga-virusi-por-nga-uria/?fbclid=IwAR38AV1JR9E.wlZoFx6mbptrQj6EbzyudgYntiM_0yU0yMhrCzBy9Wku9D0o (accessed 25 May 2020).

¹³ Taylor, A.E. (2020) 'Albania's Roma Community Suffering Due to Coronavirus Crackdown', Exit, 20 March. Available online at: <https://exit.al/en/2020/03/20/albanias-roma-community-suffering-due-tocoronavirus-crackdown/> (accessed 25 May 2020)

pressure increased in the end of April 2020, the Albanian government amended the previous decision by including those families which secure incomes through informal work and that did submit (at least once) a request to benefit the economic aid from July 2019 to April 2020, but that the system rejected them. Around 12,000 families (which were excluded from March 2020 government decision) would benefit an amount of 130 Euro. Council of Europe's ROMACTED assisted some 420 Roma families in some of the poorest neighborhoods. Due to the soft pressure given by OSF Albania, the municipality was forced to provide direct food support for 1,300 families, hygiene accessories and conducted the disinfecting of the neighborhoods. Currently, OSFA provides funds to support around 1000 families (33\$K), which has incentivized several municipalities to provide higher number of packages until government support become effective for all the targeted families.

Surveys ¹⁴ find that more than 50% of families live with less than 100 euros per month and around 80% of families with less than 150 Euros. Given the poor living conditions of the Roma families and limited access to health care services and other public utilities, there is reasonable ground to believe that impact of COVID 19 among this group has been harsh.

Government response to mitigate negative impact of COVID 19. Immediate actions were taken by authorities to mitigate negative economic and social impact caused by complete lock down to control for the spread of the pandemic. Both fiscal and monetary policy measures were implemented. A list of measures taken by authorities are described in the Table 5:

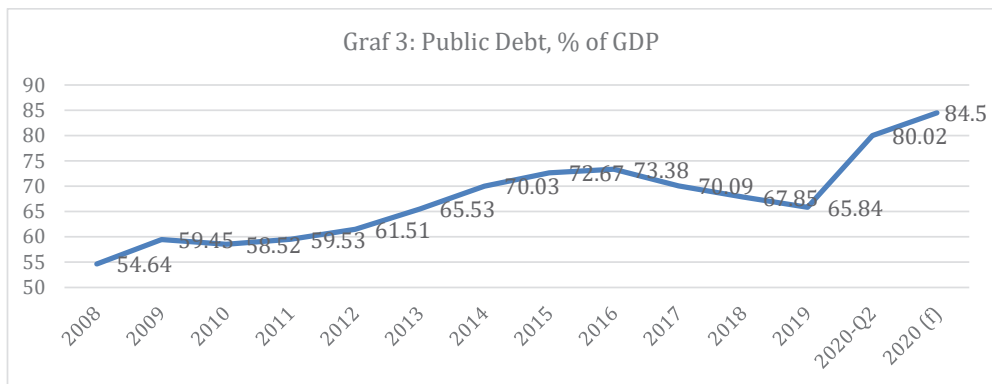
TABLE 5: Policy response to COVID 19

Direct fiscal support measures	Monetary policy measures
2 programs at a total of amount of 45.8 billion leks -around 390 million Euros (2.8% e GDP)	a. 0.5 pp reduction of base Bank of Albania rates
1. Wage/income support a. wage support for employees of companies and family business that were forced to close the activity; b. support for families in need doubling of individuals with economic aid 2. liquidity support to companies a. guarantee fund for wages b. guarantee fund for providing liquidity support for work capital 3. Suspension of tax payment for sectors badly affected by the lock down (tourism, call centers, small businesses, fason, etc.)	b. suspension of loan payments for a six month period c. banks were prohibited to pay dividends for 2019 and 2020

¹⁴ Open Society Foundation in Albania (OSFA), Roma Census Study of Albania Communities, April 2014, <http://soros.al/2010/foto/uploads/File/Dritan/Censusi%20Rome/roma%20census%20total.pdf>.

However, funds allocated to support business were not delivered in full amount; it is estimated that around 30% of funds were used. Therefore, effective government support for the economy was at around 1.9% of GDP, being the weakest financial support in the region, despite the fact Albania was the worst hit. Nonuse of fund is mostly related to the design features of government support program for businesses, while the low levels of funds allocated by the budget are related to budgetary conditions prior to crisis.

Authorities maintained a high fiscal stimulus by a permanent increase of fiscal deficit since 2008 global financial crisis. By 2013 the fiscal rule of a budget deficit below 60% of GDP was broken and since then, debt has been on a steep increase till 2016, when the public debt peaked at 73.4% of GDP. Although debt was brought to a declining trend since then, still it was too high at the eve of such a large shock as the earthquake of 2019 followed by COVID 19.



Source: Ministry of Finance web site

On that background of structural weaknesses and inadequate government programs to mitigate the negative impact of COVID 19, economic and social costs incurred were high. Although economic prospects will improve in the near to midterm future, uncertainties remain high. Forecasts for the post pandemic period reflect a better environment characterized by a relatively strong recovery and a gradual return of macro balances.

TABLE 6: Forecasts of key macroeconomic indicators

	2019	2020	2021	2022	2023	2024	2025
GDP growth, %	2.2	-7.5	6.1	5.8	4.3	3.5	3.4
Unemployment rate, %	11.5	11.8	11.5	11.3	11	11	11
Inflation rate, %	1.1	1.2	2.2	2.5	2.9	3	3

General government gross debt, % GDP	67.7	83.3	83.2	77.1	74.8	71.9	69.1
Current account balance, % GDP	-7.6	-11.7	-8.5	-8.1	-7.9	-7.8	-7.5

Source: <https://www.imf.org/external/datamapper/datasets> Accessed, January 12, 2021

Deleverage of public sector through a continuous reduction of public debt will weaken the growth prospects unless it is compensated by a strong activity of private sector. At growth rates below 6% economy will not be able to improve labor market conditions and provide decent jobs. Fiscal balance of government accounts is stuck in a low equilibrium. With revenues at less than 28% of GDP and public debt to be reduced towards more sustainable levels (at 40% of GDP), expenditures will be cut across all business lines. Therefore, in the longer run the authorities must review the taxation system to enable an increased revenue up to at least 35% of GDP, a level which will allow government to undertake more vigorous actions to support higher growth and improve social policies.

Investment in Roma today, is investment in Albanian Future

Finding news sources of economic growth and bringing the economy at a sustainable path to development and modernization, requires bold reforms and smart policies. Economic and social inclusion of Roma can be one of them. For sure, exclusion of Roma from the labor market is very costly. A full integration of Roma communities would be not only socially desirable, but also economically advantageous. World Bank research rightly considers Roma integration as smart economics.

Based on assumptions we employ on the calculations (see: Box 1), employment can be increased by 25 thousand to 48 thousand new jobs. Based on that, we calculate that employing Roma labor force would generate incomes from taxes and social security contributions in the range of 28 million Euros to 64 million Euros, which makes up to 0.75% to 1.7% of government incomes. This result seems to be quite like World Bank estimates for Serbia, which estimated fiscal benefits of Roma including to be ranging from 0.5 percent to 2.1 percent of government expenditure ¹⁵. The gains are higher when we factor out the saving from programs of social protection used for the Roma community. Surveys (OSFA, 2014) show that only 21% of Roma families have access to social protection programs (economic aid). According to the latest report of the Government authorities ¹⁶, in

¹⁵ World Bank, 2019, "BREAKING THE CYCLE OF ROMA EXCLUSION IN THE WESTERN BALKANS"

¹⁶ Government of Albania, September 2020, "REPORT ON THE IMPLEMENTATION OF ROMA INTEGRATION PUBLIC POLICY IN ALBANIA FOR 2019".

2019, 847 Roma and Egyptian families were included in social protection schemes and a total of 37,800 individuals are benefiting from social protection programs. Authorities planned an 8.9 million Euros for such program for 2019 fiscal year, which can be added as a saving from expenditure cuts. Combining all effects of expenditure cuts and tax gains through Roma inclusion in the labor market, can have a large positive effect.

Economy would gain from Roma inclusion in terms of output and productivity. Using the same assumptions as in the calculation for fiscal gains, we predict a positive impact on the productivity in the range of 1.7% to 3.2% of GDP (using productivity data of 2018). World Bank estimates productivity gains for Serbia in the range of 0.9 percent to 3.5 percent of 2017 Serbian gross domestic product (GDP).

These are estimated static gains from Roma inclusion in the labor market. While the dynamic effects could be stronger due to higher consumption rates in the economy and increased demand for consumption goods, services and utilities, higher revenues in indirect taxes due to increased consumption, etc.

Box 1: Methodology and assumption used in estimation of Roma integration.

Roma population is assumed the population mean of unofficial estimates, 115,000 persons (Council of Europe). We use the labor force participation rate (40%), and employment to population ratio (aged 15-65) at 18%, taken from Regional Roma Survey (RRS) of the World Bank for 2017.

We use the average wages according to sector of economy for 2019 and for structure of potential employment used in calculation we assume a proportional allocation of Roma labor force in ten sectors on which they are mostly employed, except for agriculture where we use the percentage of Roma population living in rural area which is 35% (WB, Breaking the Cycle for Roma exclusion in the Western Balkans, 2019).

The two scenarios that we build are: (1) minimum scenario: we assume new Roma employment as the difference between employment to population ratio with the level of labor force participation rate for this community; (2) maximum scenario is the full roma integration: we close the gap in the labor force participation, using the economy wide labor force participation rate of 60% which is registered as the end of 2020.

The same assumptions are also followed for the productivity gains and output increase in the economy.

Future labor market is going to experience enormous pressure due to several factors, including technological developments and digitalization, but also strong demographic changes. Both forces imply a need for enlarging the labor force base and huge investments in improving labor force skills.

In a recent paper of Sedik and Yoo (2021),¹⁷ concerns of increased robotics and automation on employment and inequality, following the pandemics of COVID 19, are empirically tested and they find strong impact, particularly on employment in the low skills segments. While in the developed economies these forces of structural changes in the economy and labor markets have been in motion for more than a decade, COVID 19 is expected to accelerate such trends. A recent survey of business leaders and human resource strategists of large companies from around the world shows that over 80 percent are accelerating the digitalization of their work processes and expanding their use of remote work, and 50 percent indicate that they will accelerate the automation of jobs in their companies (World Economic Forum, 2020).¹⁸

In case of Albania, it is still early to see quick structural changes, as the economy is still characterized by a low technological adaptation. The indicators of competitiveness as measured by level of business sophistication and firm technology readiness, published annually by World Competitiveness Report, show a long distance between Albania and technology frontiers. Although statistical data for the use of computers and internet in almost all sectors of the economy have increased over years, the use of technology for business is still very low, and even decreasing in almost all sectors, except for the information and communication and accommodation industries. Table 7 provides data on the use of technology in all sectors of the Albanian economy.

TABLE 7: Some indicators of the use of ICT in the sectors of Albanian economy.

Economic Activities	Use of computers		firms with internet access		use of e-commerce	
	2015	2019	2015	2019	2015	2019
Total	95,0	97,5	96,2	97,8	8,8	5,8
Manufacturing activities	94,7	94,6	98,5	96,6	6,1	0,8

¹⁷ Tahsin Saadi Sedik and Jiae Yoo (2021), Pandemics and Automation: Will the Lost Jobs Come Back? IMF WP/21/11.

¹⁸ World Economic Forum (2020). "The Future of Jobs Report 2020": <https://www.weforum.org/reports/the-future-of-jobs-report-2020>

Elect., gas, steam&air condit.; Water sup- ply, sewerage, waste manag.&remedi.	100,0	100,0	99,2	95,6	19,0	1,6
Construction	98,2	98,6	95,2	100,0	3,6	2,1
Wholesale&retail trade; repair of motor vehic.&motorcy.	91,8	97,5	92,1	96,9	10,2	5,2
Transportation and storage	98,4	100,0	99,2	100,0	23,1	8,6
Accommodation and food service activities	93,0	98,5	97,6	98,0	10,9	12,8
Information and com- munication	91,7	100,0	100,0	100,0	18,5	28,5
Real estate activities	91,6	100,0	94,5	100,0	8,4	4,4
Professional, scientific and technical activities	100,0	100,0	100,0	96,3	13,2	1,2
Administrative and sup- port service activities	97,8	97,6	98,9	100,0	3,7	9,7
Repair of comp. & com- munication equipment	94,1	100,0	100,0	100,0	0,0	0,0

Source: INSTAT database

According to a report of PWC (2019)¹⁹ which analysis ICT sector in Albania, North Macedonia and Kosovo, “In terms of the proportion of households with computer, internet access at home and households with a personal computer, Albania has the weakest performance in these indicators, lagging behind EU average by more than 60 percent”. The same report states that digital transformation gaps between Albania and the EU, which compare the values of digital transformation indicators to respective EU averages, suggest the level of digital transformation falls short relative to more propulsive regional peers in Central Europe and the Baltics (CEB). These gaps are marked by significant deviation from EU averages both in infrastructure and individual use indicators.

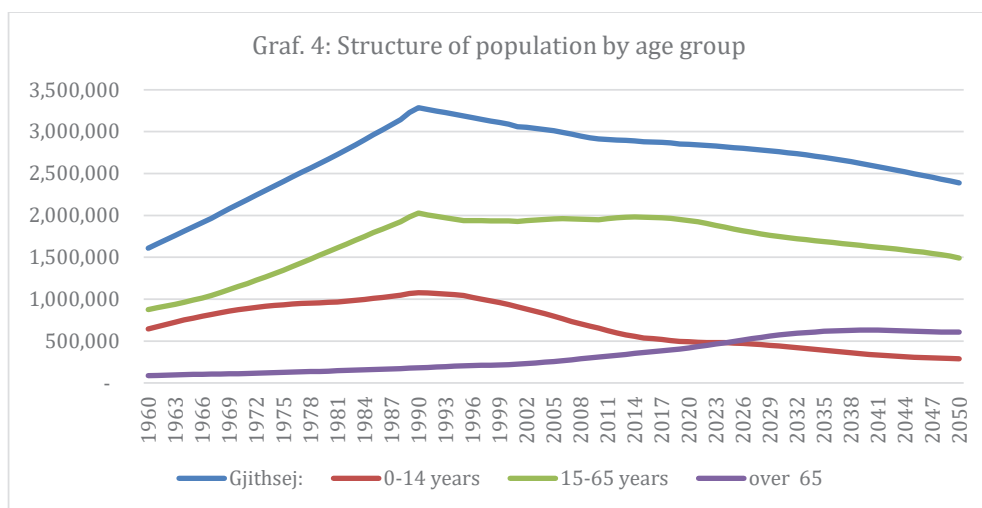
However, the pressure due to pandemic of COVID 19 is accelerating technological innovations and higher use of ICT in business. According to a survey²⁰ of Friedrich Ebert Foundation in Tirana (FES) conducted with 121 manufacturing companies, 91% of companies’ intent to change technologies with a more intensive use of ICT component and 64% of companies report they used internet and social media to get in contact with new markets. So, one can

¹⁹ PwC, April 2020, ICT Sector study: North Macedonia Albania Kosovo

²⁰ Selami Xhepa, Ornela Liperi, 2021, “Productivity growth: the Achille heel for the Albanian economy” – forthcoming paper

expect that a different business model will appear in the medium-term future, one characterized by a much higher level of technological sophistication. Such developments will push for changes in the education and skills, emphasizing new demands of the industry. Roma communities shall be supported to improve the digital skills to be part of the new labor market. That would require providing Roma students at the early years of education level with personal computers (tablets), internet connection and training programs to increase the digital literacy.

Another critical factor impacting labor market will be demographic changes. As the following graph shows, from a peak of a population of more than 3.2 million at the end of 1990, massive migration and low fertility rates have strongly reduced the pool of the labor force. On the other hand the population above 65, has increased and is projected to increase strongly by 2050. Starting from the next two years, trends will start worsening. This will create serious shortages of the labor force and put serious constraints to the social security net and pension fund since the dependency ratio will deteriorate.



Source: World Bank data base

On that background, integration of Roma population which is much younger and registers a higher growth rate, could be an important asset. The average age is at 26 years for Roma compared to 35.5 years for non-roma population. The Roma population is younger than other groups: 34% of the Roma population is under the age of 15 years versus 20% of non-Roma. Therefore, there is a large pool of unused labor force which if properly trained and skilled, can be an import drive to increase productivity of the economy. As it was stated above, Roma integration on the labor market can increase revenues of Social Security Institute by 2.5 to 15 million Euros, in the short run, while in the longer run, sustainability of the pension system will

be improved. Current dependency ratio (contributors to beneficiaries) is 1.2. With the projected demographic trends, this ratio will deteriorate to below 1, which will create enormous pressure on the pension fund and general taxation system to fund the increased expenditures for the pensioners. Roma inclusion with 25 to 48 thousand new contributors to the system, as we said can, improve financial position of the pension fund and sustainability parameters of the system.

Progress to date on the inclusion of the Roma communities

Socio economic and demographic characteristics of the Roma communities exhibit large differences with the Albanian population. According to a World Bank Report (March 2019),²¹ “Roma have only limited access to education, economic opportunities, health care, housing and essential services, and documentation even relative to their non-Roma neighbors who live in close physical proximity”.

In line with the European Union Framework for National Roma Integration Strategies up to 2020 (EU Framework), Albanian government has adopted National Action Plans for Integration of Roma and Egyptian (NAPIRE) to strengthen the protection of human rights and smooth social economic differences between Roma and non-Roma population through integration of the communities in the labor market, by way of improving living conditions, health status and education. An online system to monitor progress on the implementation of the Action Plan, known as ROMALB (www.romalb.org), is established and data can be collected on real time.

Two Roma Regional Surveys (RRS) were conducted in 2011 and 2017, and the results published by the World Bank report, indicate very little progress achieved. We will make a very brief tour on the findings of the two surveys. (Annex 1 offers a full set of data on both coverage and gap between roma and non-roma on several dimensions). The latest report of the Albanian Government on the implementation of NAPIRE for 2019 (draft document, September 2020) indicates that progress continues to remain limited and specified targets are not met. For example, against a target of 4,162 Roma and Egyptian children to be exempted from boarding fees in pre-school education, only 745 actually benefited.

A key priority area identified was education and skills. In terms of education, self reported literacy rate among Roma females (15-64 years old) is 58% and males 65%, compared to 99% for the non-Roma. At least a third of Roma children were outside the compulsory education system in 2017. Differences between Roma and non-Roma are wider in second and tertiary education, which makes the real difference in terms of skills for the labor market. While 74% of non-

²¹ Monica Robayo-Abril Natalia Millán, March 2019, “BREAKING THE CYCLE OF ROMA EXCLUSION IN THE WESTERN BALKANS”, The World Bank Group.

Roma population has completed secondary education, this figure for the Roma population is around 15%; and completion rates for the tertiary education, which is becoming more important for the labor market, are 26% for the non Roma compared by a 3% for the Roma population.

Most of the reasons for not attending schools are due to economic reasons (high costs of education or the need to work to make incomes for the families), cultural factors play also an important role. For females, for example, early marriage is found to be an important factor. On the other hand, feedback received from the Census of Roma communities in 2017 shows that people from the Roma communities are not satisfied with the level of education, which means they would enroll on the education system if their incomes and living conditions would allow them to do so. However, with regard to tertiary education, an important factor to low level of enrollment and willingness to attend a bachelor degree, are related to the fact that labor market does not offer justifying returns and that skills received by the high education degree are the kind of skills the labor market will require. This argument is relevant for the non-Roma population, given the perception of a low value labor market grants to a university diploma.

The same situation comes from the access to health care. Quality of the service is poor and inequality in access to survives are a key feature of health conditions o the population. As Deaton (2003)²² states, income and social standing have a profound effect on health and that the circumstances in which people are born, live, and work affect their health status, even after one controls for access to health care. For example, food security can be an important factor. While 81% of non-Roma population have food security, only about 40% e Roma population enjoy food security. Gap is also high in the number of people who report lack of unmet need for medic aid (36% for Roma population compared with 23% for non-Roma population). That also helps explain the reported gap in the perception of a lower health status between Roma (60% reporting good health status) and non-Roma population (70%).

Again, economic and financial conditions explain low health status of Roma population and large gap with the non-Roma. Healthcare insurance coverage and costs of medicaments are two main factors of the poor health conditions.

Impact of pandemic of COVID 19 both on education and health care might have seriously impacted the Roma and Egyptian communities. Due to lock down of schools at all levels of education, attending of remote teaching of Roma students might have severely been constrained due to lack of computers, internet connection, digital communication gadgets, etc. In a recent survey of OSFA ²³, only 39% of

²² ANGUS DEATON, 2003, "Health, Inequality, and Economic Development", Journal of Economic Literature, Vol. XLI March 2003) pp. 113–158

²³ OSFA, "Albania Children Access to Education COVID 19 emergency", survey conducted 25 April-12 May 2020.

interviewed pupils reported to have had access to internet; and 28% reported to have had access to no learning equipment (TV, smartphone, iPad, etc). Almost half of the interviewed reported to have not had any teaching at all during the schools lock down. Particularly for the lower levels of education, which required a strong engagement from the parents, the problems might have been much worse. Given the low digital literacy level among Roma parents, they ability to assist their kids in class work has been limited. OSFA did engage in two existing education digital platforms to support teachers and students. Furthermore, under this project 4200 teachers were trained to improve their digital competencies, which will ultimately improve the online teaching quality. However, this is a long term challenge which has to address all population enrolled in the primary education system and it shall be dealt with appropriate financial support.

Generating incomes through participation in the labor market seems to be the breaking point of this poverty and exclusion trap for the Roma. Employment can generate incomes that can help them to increase access to health care and education, as well as improve living conditions by improved access to other public services, such as better housing, access to financial assets, public services, etc. As we mentioned in the section on labor market, employment of the roma remains at very low rate and most of them work in informal market and unsecured jobs. There is a need to review the national employment approach because it is not producing the expected results. (EU Commission Progress Report, 2019). We will return to this issue at greater length later in the paper.

Annex 1 summarizes the changes in the status of Roma population along the strategic objectives defined by the NAPIRE for the period 2011-2017. As already discussed, there is little progress both in terms of coverage and gap between Roma and non-Roma. With exception of some improvements on education, which the World Bank attributes mostly to sampling of 2017 census but also the fact that Albanian authorities focused most of financing in education, in other areas there is no progress reported; in some indicators there is even some deterioration of the indicators. Particularly indicators on the labor market participation rate and unemployment among the Roma has increased and gap between roma and non-roma widened. Appendix 1 reports along the key policy areas, progress or regress among all indicators of Roma inclusion.

Policy innovations for Roma integration

Roma integration through increasing employment and other opportunities for generating higher incomes for families, seems to be the running knot to be addressed by public policy. More incomes will enable families for better education, health, housing, and access to all public services available.

Labor market support, measures, and services offered can take several forms. Under labor market support ²⁴ passive instruments would include financial assistance to those individuals who were excluded from employment for a certain period. Labor market measures are active interventions aiming at improving the employability of unemployed. The cluster of measures includes a number of interventions, such as training or retraining of unemployed, converting their skills to be more competitive on the labor market; direct job creation; wage subsidies and support, startup incentives, supported employment for those unemployed with reduced work capacity, travel support etc. Labor market services include provision of information for job seekers (and sometimes employers), client services (counselling, personalized services) as well as job search for the unemployed.

New legislation adopted by Albanian authorities (Law 15/2019) refers to all these policies, measures, and programs; identifies specifically Roma and Egyptians as a target group; and creates a specific instrument to deliver the policy objectives, which is the Social Employment Fund. Employment program covers the payment of social security contributions for a year and 16.7% of minimum wage or for four-month programs covers 100% of minimum salary (currently, around 244 euro/month). This level of support is also offered in the program of training while working. For the integration of the newly graduated student, a special program for a six-month coverage of 50% of the minimum wage is also in place from 2020. Also, some transportations services for the employees are paid by the program. Self-employment program offers grant up to 4,000 Euros for business plans approved by the authorities. In such cases additional benefits are extended for training and for advisory services in preparing business plans. A program of community public works program for the integration of the unemployed is another policy instrument applied by government.

A report ²⁵ evaluating the impact of employment promotion programs finds that wage subsidies have not been very effective in creating permanent jobs, particularly in countries where the wages are low, such as the case of Albania, while on the job training seems to be the most effective. Another evaluation report covering the period 2016-2017 ²⁶, reviewed the two largest employment promotion programmes, namely the employment promotion program for registered jobseekers in difficulty and on-the-job training. The report states that, “The results for the

²⁴ VERA MESSING, “ACTIVE LABOR MARKET POLICIES WITH AN IMPACT POTENTIAL ON ROMA EMPLOYMENT IN FIVE COUNTRIES OF THE EU”, NEUJOBS WORKING PAPER NO. 19.2

²⁵ IPSED, 2014, “Programet e Nxitjes së punësimit në Shqipëri: vlerësimi cilësor dhe proceset formulimit dhe zbatimit: 2008-2014”. Project financed by EU and Swiss Cooperation.

²⁶ Impact Evaluation of Employment Promotion Programmes in Albania, May 2019; Donor funded project

employment promotion program of unemployed jobseekers in difficulty show that being treated in this programme, increases the probability of being employed after the program by 33.8%.... The results for the impact of on-the-job training employment promotion program show that relative to the control group, being on-the-job training programme increases the probability of employment after the program by 27.9%. The sample for this program shows that about over one year after the program completion, 52.40% of participants are employed.” In a cost-benefit analysis of the program, this report finds a positive impact on the society as a whole.

For the period 2017-2019, the government allocated around 4 million Euros for job creation through wage subsidies, with the objective of creating around 5,000 new jobs each year. In average more than 650 companies have benefited from such programs.²⁷ For 2019 it is reported that 192 Roma benefited from the job promotion program. For 2021 the Albanian law on budget allocates less than 20 million euros²⁸ for all the labor market measures and support, which is 0.1% of GDP or 0.7% of overall government spending. This level of support is very low compared to other countries. For example, Bulgaria spends 0.45% of GDP in active labor market measures, and Spain on the other extreme with 0.8% of GDP (data of 2010, taken from Messing; WP 19.2).

Government of Albania reviewed labor market policies for integration of the marginalized groups and beneficiaries of welfare support. The Law on the Promotion of Employment Nr. 15/2019), focus Roma inclusion in labor market through participation in public works as planned by the public authorities. However, the program targets the beneficiaries of welfare support programs (economic aid). There are two factors which create skepticism with the impact of such policy instrument: (a) number of Roma benefiting from economic aid program is low and (b) research shows that such programs have the lowest record of efficiency in long term jobs creation. A comprehensive research work by Messing²⁹ confirms the findings of several authors (Martin and Grubb 2001, Heckman&Smith 1999, Kluve&Schmidt 2002, Kluve 2010 – cited by Messing) that public works program is the least successful program in the integration of unemployed in the labor market.

We would propose a potential project which can serve as a vehicle for integration of Roma and Egyptian and slight changes on the implementation criteria to make

²⁷ Albanian Business Services Association, 2020, PROGRAMET E NXITJES SË PUNËSIMIT – INSTRUMENT I NEVOJSHËM PËR FUQIZIMIN E SEKTORIT BPO DHE PUNËSIMIN E DENJË DHE AFATGJATË TË TË RINJVE

²⁸ Law on budget does not specify the amount used for the job creation programs therefore that amount includes administrative expenses and other related costs not directly linked to job creation.

²⁹ Vera Messing, “FRAMES AND MEASURES OF POLICIESTARGETING ROMA EMPLOYMENT IN FIVE COUNTRIES OF THE EU”, NEUJOBS website (<http://www.neujobs.eu>)

the program effective. For years now, the country is experiencing serious problems with flooding and land's erosion. With the climate change and rising temperatures, we can expect much more serious damages in the future. Albania is classified as a high-risk country in terms of climate change impacts. Sustainable agriculture and forestry development, water management and lands protection, calls for immediate actions by government authorities. A serious project to land protection and flood prevention must be implemented as a matter of national priority. Such a program can help integrate Roma and Egyptians in the labor market. Slovakia introduced a program like this in 2011 and created more than 10 thousand jobs of low level of education. Such a program might be a three to four years and some jobs can be permanent for the maintenance works. To make it more effective, this program shall not be conditioned for the individuals to be a recipient of economic aid. This relaxation of conditionality is what made the difference between Hungary and Slovakia. Slovakia created more than 10 thousand jobs with a budget of around 2,800 euro per workplace. If Albania would spend 10 million euros for such a project, it can generate more than 5 thousand jobs, given that costs in Albania are lower.

UNDP, Tirana Municipality and ECO Tirana have signed an agreement to integrate socially and economically Roma and Egyptian recyclers within Tirana territory by developing and implementing a pilot transitory programme for recyclers. At least 50 individuals, who previously based their living on the informal waste collection will benefit from this pilot programme which aims to ensure a smooth transition into the labour market through the regulated collection of recyclable materials "door to door" for 8-months while focusing on the long run social integration of their families. The recyclers and their family members are required to simultaneously follow a basic literacy and life skills course, a vocational training course, primary education or other forms of improvement of professional skills and personal competences, to ensure, in the long term, their sustainable integration into the labor market and society. We learned through talks with responsible persons for the project management that this programme was very successful and around 80% of individuals hired through the program were fully integrated. Complementary bonus received by the municipality conditioned by their participation in basic literacy courses was very effective.

Self-employment and support of business initiatives.

One instrument used in the Roma integration is through support of social enterprise. Social enterprise could be instrumental in promoting self-employment. Unfortunately, the Law No. 65/2016 "On Social Enterprises in the Republic of Albania", followed by several bylaws issued over a three-year period, is not

implemented yet, due to unclear and cumbersome regulations³⁰. Funds allocated for 2021 are around 300 thousand Euros, but only one social enterprise is licensed so far. Information by professional media reports that six social businesses are operating in Albania³¹, and they seem to be a success story. Three of these firms are operating on the confiscated assets which were previously used as sources of criminal money. This project was financed by EU/IPA funds and managed by two local CSOs. Donor organizations and Yunus Emre Social Business also supports the activities of social businesses in terms of access to finance and start-up capital.

The law does not give any preferential tax treatment to such forms of business organizations or free access to public assets and a quick review of the law leaves us with the impression that it does not fit the objective of integration of marginalized groups through job creation. The law seems to serve most to the development of social services and job creation through inclusion of marginalized groups in the works of NGO enjoying the status of a social enterprise.

We would propose a complete review of the law with the aim to serve the purpose of encouraging organization of social enterprise for job creation. Social enterprise shall not be limited to activities of NGOs related to providing services to marginalized groups. It shall include typical business activities that are usually run for profit, but prohibit distribution of profits for personal gains. Such a form of business organization shall be supported by government policies by offering them support with machineries and equipment's, privileged access to public assets, use of public procurement to grant privileged access to social enterprise in provision of goods and services, tax advantages and other privileges of fiscal nature. Such a preferential regime is widely used in many practices. For example, in 1999, the government of Greece established legislation that supported the creation of social enterprises with limited liability to provide employment for people with mental health problems. These social enterprises, known as Koi.S.P.E.s, were allowed to own public property and exempted from corporate taxes (except VAT); also, those who work for Koi.S.P.E.s were allowed to earn a wage without losing their social benefits. This legislation was widely regarded as a success. (Institute for Entrepreneurship Development). This kind of practice could be very important to make sure the smooth transition from the economic aid, to labor market as independent income earners.

Roma and Egyptians have proved to be very entrepreneurial. Even during the communist regime, they were skilled traders and this was their main occupation during the first decade of post-communist transition. However, this business

³⁰ Juliana Hoxha, Erila Haska, 2019, "Analysis of the Legal Framework on Social Enterprises in Albania", publication prepared in the framework of "EMBRACE – Entrepreneurship Models Building Relations and Creative Economy" project with the financial support of European Union through European Delegation in Albania.

³¹ <https://businessmag.al/6-bizneset-sociale-me-dinamike-vitet-e-fundit-ne-shqiperi/>

was taken over by other groups, displacing the Roma and Egyptians from this market. Still, trading of used clothes is important for large segments of Roma and Egyptians, as the table 9 indicates.

TABLE 9: Type of jobs of Roma and Egyptians (%)

Types of jobs	Roma			Egyptian		
	Total	Working	Working occasionally	Total	Working	Working occasionally
Small trade (used clothes, thrifts stores etc.)	31.6	37.5	25.9	13.3	13.7	12.7
Recycling (collecting scrap metal, cans, plastic items, paper, etc.)	35.1	14.9	54.6	12.8	4.8	23.6
Cleaning	6.1	11.9	0.6	18.1	24.7	9.1
Manufacturing (Tailoring, shoes, etc.)	3.2	6.5		15.6	26.9	
Construction	5.0	3.6	6.3	13.5	5.7	24.2
Music	3.5	1.8	5.2	1.8	0.4	3.6
Other (Plumber, mechanic, electrician, maintenance, driver, motorist, etc.)	15.5	23.8	7.5	17.1	21.1	11.5
Loading-unloading (loader)				7.9	2.6	15.2
Total	100	100	100	100	100	100

Source: Survey with Roma and Egyptian households, UNDP 2016.

A potential program for strengthening the position of Roma in trading of used clothes can be some assistance to help them move up in the value chain of the business. Currently the Roma engaged in this business are operating in the final stage of the value chain, in the retail. If they are offered chances to get in contact with wholesale foreign markets where such products do originate, and supported with some initial capital, they can gain some market power and become more competitive in such market segments.

Development models of our industries are still characterized as linear: industries use raw materials, creating wastes which are never brought back for recycling. Transition to a model of circular economy, in which industries use almost all the waste they create, has a strong potential for inclusion of Roma. Roma and Egyptians have traditionally been engaged in such activities and therefore it can be a natural way of supporting their business initiatives in this area. Currently Open Society Foundation in Tirana (OSFA) is implementing a project with schools which offers incentives to pupils if they collect cans from their homes and bring them in schools. Schools earn money and education impact on kids on the environment issues is much more effective.

Roma can collect them and sell them to recycling industries. This program can be extended at county level and environment funds from government budget shall be allocated to this initiative. The same initiatives can also be replicated with tourism industries. All hotels and restaurant can collect the cans and other recycled materials and Roma businesses can collect and transport to recycling industries. With some small startup capital, some Roma businesses can be created and employ

members of this community. Cooperation with recycling industries and including them in the project is critical to ensure the successful implementation and for sharing the costs of the project.

Increasing employability through training and skills creation

According to a wide range of macroeconomic studies, training, especially tailored to the individuals' skills and adapted to the demands of the local economy, is a category of active labor market policies that may have a significant positive impact on aggregate labor market outcomes in the medium run (Card et.al. 2009)³² Research work³³ which reviews the impact of three main employment programs: training, wage subsidies and public works, pointed out that in Hungary "training participants were twice as likely as the control group (unemployed not participating in ALMP) to find a job, while beneficiaries of wage subsidy programs were 20 times more likely. However, participants of public work programs were considerably less likely – one fourth as likely – to find work than the control group".

The National Employment and Skills Strategy (NESS, 2019 – 2022) remains the key document guiding public policies and actions regarding improving skills to increase the employability of the unemployed. There is evidence that the importance of VET for increasing the chances for employment are quite impressive. Statistics from NESS indicate that in 2019, 52% of the graduates from 2018 were employed and 12% were concurrently working and studying, for a total employment rate of 64%. The results from 2018 (looking at graduates from 2017) showed that 55% were employed and 8% were working and studying, for a total employment rate of 63%. The share of students attending further studies increased in 2019.

In the academic year 2019-2020, there is a significant increase in the number of students from rural areas and marginalized groups. More specifically, the participation of Roma and Egyptians (R/E) increased by 12% reaching 580 students (compared to 519 in the previous year). Most courses have been offered for hairdressers, tailors, electricians, mechanics, barbers, carpenters, musicians, plumbers, which are usual professional works in which they are engaged.

A research project of Center for Economic and Social Studies (2016)³⁴, provides a distribution of employment based on professions, which shows that most of employed have no profession at all.

³² Card, David, Kluge, J. Weber A. 2009. Active Labour Market Evaluation – A Meta Analysis. in Ruhr Economic, Papers #86

³³ Csoba Judit, Nagy Zita, 2012, "The evaluation of training, wage subsidy and public work programs in Hungary" The Hungarian Labor Market 2011. MTA KTK, OFA, Budapest

³⁴ UNDP, "Mapping the Skills, employment opportunities and undertaking by Roma and Egyptian Communities" November 2016.

TABLE 8: Professions of Roma and Egyptian fully employed or having occasional job.

Nr	Profession	Roma		Egyptian	
		Number	In %	Number	In %
1	No profession	140	41.5	120	30.9
2	Lay worker/occasional unqualified jobs	63	18.7	153	39.4
3	Trade (selling clothes, etc.).	66	19.6	26	6.7
4	Barber/hairdresser	4	1.2	3	0.8
5	House painter	3	0.9	4	1
6	Electrician		0	2	0.5
7	Plummer	2	0.6	2	0.5
8	Welder	1	0.3	4	1
9	Musician/Singer	13	3.8	6	1.5
10	Blacksmith		0	1	0.3
11	Mechanic	3	0.9	2	0.5
12	Tailors	8	2.4	19	4.9
13	Construction (laying bricks, tiles, etc.)	10	2.9	10	2.6
14	Carpenter	1	0.3	5	1.3
16	Cook	1	0.3	4	1
17	Professional (agronomist, lawyer, sociologist, teacher)	7	2.1	5	1.3
18	Vehicle repair	1	0.3		0
19	Machine operator	1	0.3		0
20	Driver	4	1.2	4	1
21	Artistic handicrafts	1	0.3	2	0.5
22	Other (hairdresser, flight attendant, physio-therapy, nurse, manager, operator, cameraman, etc.)	8	2.4	16	4.1
	Total	337	100	388	100

Source: Survey with Roma and Egyptian households, UNDP 2016.

Note: This table should be interpreted with prudence as it provides a self-assessment of Roma and Egyptians related to their professions.

As the table indicates, most of potential roma workers do not have a specific profession and learned skills to perform in the labor market. This is an important potential for improving their productivity through vocational programs and on the job training courses.

Important forces of change are already shaping the future economic and social developments. After the pandemic of COVID 19, nearshoring is a new business strategy of EU firms which might consider relocation to countries like Albania, closer to the borders. This can create more job opportunities, including people from marginalized groups such as Roma. On the other hand, the new digital economy of the 21st century, requires that country shall prepare for a transition from the old industrial structures to the new ones. This new system which will be characterized by a higher level of technological sophistication, use of robotics and information and communications networks for decision making and productions processes, will require that labor force shall also be prepared for such a transition. But meantime, there will still be a need for basic skills manual labor. In the field of energy sector there is a large structural transformation from a highly centralized grid and transmission system, to a very decentralized one, with clean energy producers

distributed at household level. That means a need will be for new installations, maintenance services, etc. In transportation sector the transition towards energy saving solutions and transportation means will require for a reskilling of jobs in service industries. We can expect that almost every sector will need to reposition itself to cope with the breakthrough effects of new technologies. Controlling the disruptive impacts of this “creative destruction” revolution, will require large investments in reskilling of existing jobs, improvements in curricula of education system and a stronger collaboration of industry and education institutions and research labs.

Roma and Egyptian communities shall be part of this major reskilling initiative. In addition to traditional professions on which Roma and Egyptians are engaged, developing new skills appropriate to the needs of new industries must be taken into consideration. This structural shift must be developed in coordination with businesses based on needs of the industries. While it is difficult to predict the type of new professions, work with industries can help to design appropriate courses and teaching curricula.

In the short term, we shall look for employment opportunities on sectors which will show strong growth. One of them is the construction sector. A major reconstruction project is already taking place. New constructions of houses and social infrastructure is underway. This project is creating thousands of new jobs, estimated at around 20 thousand. Data from national employment service indicate that the sector has attracted hundreds of employees from foreign countries and it the largest sector where the foreigners are employed. If the project would have been better designed and institutionally coordinated, it could have made a real impact in the inclusion of Roma and Egyptians in this major work. For example, government authorities could have asked successful bidders for the project to engage in advance training programs based on required professions and build the skills appropriate with technology to be used in construction. That would have made a long-term impact on the people employed, since they could have been allocated in other projects of those companies. But a new environment related project in the contraction sector be a refurbishing project of residential and public buildings to increase energy efficiency. Such a project, combined with installations of energy panels, can attract high number of workers, and create a new market for labor for the next ten years.

Other sectors which may show strong growth rates will be in utilities, energy, gas, and water supply. Companies shall be approached by employment service agencies to collect the needs for professions, develop a training curriculum based on the technology in use and develop skills for the new workers which can potentially be hired soon.

Manufacturing industries may experience a two-digit growth starting from next year if the economy will return in the pre-pandemic normality. That sector must undergo through serious improvements if it must survive the growth wage pressures. The alternative of hiring emigrants from North African countries can be a very short-term solution to companies. Competitiveness is a long-term challenge, and it shall be taken very seriously by local industries. Developing human capital and engaging local labor will be a win-win solution both for industries and for communities and the country. Young and educated Roma and Egyptians, with some training and skills building programs, can be a much better alternative to local companies.

Large scale interventions to Roma inclusion in all the mentioned areas will require substantial financial support. Given the severe budget constrain due to high levels of public debt, a potential window can be the use of EU funds mobilized for the Balkan economies.

The EU is providing €385 million to ensure survival in the short-term, and recovery in the medium-term of businesses in the private sector. This funding, of which Albania will receive more than 100 million euros, will be channeled through local banks to help Small and Medium Enterprises in getting more flexible terms for repayments, or easier access to new loans, and to enable entrepreneurs to cope with the immediate effects of the crisis and thrive afterwards. One line of credit can be allocated to projects submitted by Roma business and the government can also share some costs in terms of guarantees or even some grants for a share of total investment costs. Through the European Investment Bank (EIB), the EU is also providing €1.7 billion for additional loans for public sector investments, and further credit to enterprises, to help safeguard jobs for the many people working in SMEs in the region. A potential project that can be financed through such funds, of which Albania will benefit 180 million euros, can be those mentioned in this paper, such as land protection, circular economy related projects, etc.

EU will also grant access to European Social Funds (ESF) to countries once the accession negotiations will start. Albania is almost at the stage of opening the negotiations and therefore, very soon it can access the funds of the ESF. An important component of the ESF is integration of the most vulnerable in the labor market.

Social Employment Fund established by law will become operational and it can pool all the funds available for the purpose of jobs creation and integration of vulnerable groups, including Roma and Egyptians. This Fund can also play the role of coordination among agencies, institutions and donors working in this field.

To summarize, Roma inclusion would be not only socially desirable, but also economically advantageous. Roma is very young population, entrepreneurial and with some gifted talents for certain professions. Through active labor market

policies and measures, such skills can be upgraded to match with requirements and needs of labor market. Social business enterprise shall be supported and offer better access to public resources and capital to create a better climate for Roma engagement in private business.

A society with less social disparities and stronger social cohesion will be a better place to live.

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	Annex 1:	2011 Census			2017 Census		
		Roma	Non Roma	Gap	Roma	Non Roma	Gap
	Net pre-primary enrollment rate (age 3-5)	34	52	18	33	64	31
	Adjusted compulsory education enrollment (age 7-15)	49	91	42	66	96	31
	Compulsory education completion rate						
EDUCATION	(ages 18–21)	23	85	62	43	98	54
	Upper secondary education completion						
	(ages 22-25)	3	47	44	15	75	61
	Tertiary education completion rate						
	(ages 26–29)	0.4	9	9	1	25	24
	Labor force participation rate	54	55	1	40	42	1
	Employment to population ratio (ages 15–64)	42	46	4	18	26	8
Labor Market	Unemployment rate						
	(% of total labor force, ages 15–64)	22	17	-5	56	38	-18
	Informal employment (% of total employment)	85	63	-22	62	22	-40
	Not in employment, education, or training (NEET)						
	(ages 15–24)	65	35	-30	76	37	-40
	Health insurance coverage (ages 16+)	33	54	21	27	43	16
	Self-reported unmet need for medical care						
Health	(% of population ages 16+)	54	32	-22	36	22	-14
	Self-perceived health						
	good or very good health)	67	74	8	60	69	9
	Use of preventive health care services						
	(% of population ages 16+)	43	57	14	44	67	33

	Electricity							
	(% of population)	94	96	2		84	94	10
	Piped water inside the dwelling							
	(% of population)	45	71	26		46	89	43
Housing	Connection to public sewerage or waste water tank							
	(% of population)	71	76	5		62	76	14
	Waste never collected (% of population)	30	31	1		6	6	-3
	Rooms per household member	0.4	0.7	0.3		0.7	1.1	0.5
	Overcrowding rate (% of population)	82	60	-22		66	30	-36
	Birth certificate (% of population)	97	99	2		98	99	1
Documentation	Identity card (% of population ages +16)	85	90	5		90	97	7
	Figures on the red shows a deterioration							
	Figures on blue shows an improvement							
	(both in coverage and gap)							

Source: Build based on data from UNDP-World Bank-EC Regional Roma Survey