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Private Sector and Labour Market Developments in Albania: Formal versus Informal

The wiiw Balkan Observatory

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About

Shortly after the end of the Kosovo war, the last of the Yugoslav dissolution wars, the Balkan Reconstruction Observatory was set up jointly by the Hellenic Observatory, the Centre for the Study of Global Governance, both institutes at the London School of Economics (LSE), and the Vienna Institute for International Economic Studies (wiiw). A brainstorming meeting on Reconstruction and Regional Co-operation in the Balkans was held in Vouliagmeni on 8-10 July 1999, covering the issues of security, democratisation, economic reconstruction and the role of civil society. It was attended by academics and policy makers from all the countries in the region, from a number of EU countries, from the European Commission, the USA and Russia. Based on ideas and discussions generated at this meeting, a policy paper on Balkan Reconstruction and European Integration was the product of a collaborative effort by the two LSE institutes and the wiiw. The paper was presented at a follow-up meeting on Reconstruction and Integration in Southeast Europe in Vienna on 12-13 November 1999, which focused on the economic aspects of the process of reconstruction in the Balkans. It is this policy paper that became the very first Working Paper of the wiiw Balkan Observatory Working Papers series. The Working Papers are published online at www.balkan-observatory.net, the internet portal of the wiiw Balkan Observatory. It is a portal for research and communication in relation to economic developments in Southeast Europe maintained by the wiiw since 1999. Since 2000 it also serves as a forum for the Global Development Network Southeast Europe (GDN-SEE) project, which is based on an initiative by The World Bank with financial support from the Austrian Ministry of Finance and the Oesterreichische Nationalbank. The purpose of the GDN-SEE project is the creation of research networks throughout Southeast Europe in order to enhance the economic research capacity in Southeast Europe, to build new research capacities by mobilising young researchers, to promote knowledge transfer into the region, to facilitate networking between researchers within the region, and to assist in securing knowledge transfer from researchers to policy makers. The wiiw Balkan Observatory Working Papers series is one way to achieve these objectives.

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This study has been developed in the framework of research networks initiated and monitored by wiiw under the premises of the GDN–SEE partnership.

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GLOBAL DEVELOPMENT NETWORK SOUTHEAST EUROPE (GDN-SEE)

Project:

Enterprise Development, the Informal Economy and Labour Markets in Southeast Europe

"Private Sector and Labour Market Developments in Albania: Formal Versus Informal"

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April 2004

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Private Sector and Labour Market Developments in Albania: Formal Versus Informal

Marta Muco, Peter Sanfey, Erion Luci and Genti Hashorva

April 2004

Abstract

This paper examines the structure of the formal and informal sectors in Albania. The paper outlines the size and development of the formal private sector in Albania, and assesses the obstacles faced by businesses, especially in the SME sector, and how these have changed in recent years. Although the business climate appears to have improved since 1999, Albanian enterprises still face a variety of difficulties, which act as an inducement to operate in the informal sector instead. We attempt to estimate the size of the informal sector, using a variety of methods. None of them provides a very reliable method of estimation, but the results confirm previous work that shows that the informal sector accounts for between 30 and 60 per cent of official GDP. We also show that there is a significant gap between registered unemployment and the number of unemployed based on labour force surveys. Part of this gap is due to large-scale emigration flows.

Private Sector and Labour Market Developments in Albania: Formal Versus Informal

1. Introduction.

Private sector development is essential for a successful transition in the countries of south-eastern Europe (SEE). In recent years, the SEE region has made rapid progress both in terms of macroeconomic indicators such as growth and inflation rates, and in terms of advancement in structural reforms. Nevertheless, the region continues to lag behind the more advanced accession countries of central Europe and the Baltic States (CEB).[2] If SEE countries are to catch up, it is up to the private sector to play the lead role.[3]

One country in SEE where private sector activity has been quite vigorous in recent years is Albania.[4] The share of private sector activity in GDP in Albania is, along with Bulgaria, the highest in the region – 75 per cent.[5] This reflects the almost complete collapse of state-sector industry and the early privatization of the large agricultural sector. The private sector is also the main contributor to the high growth rates that Albania has enjoyed each year (except 1997) since the early 1990s. Nevertheless, all surveys of the business climate in Albania suggest that doing business there is difficult and that enterprises face a variety of obstacles, including corruption, bureaucracy and other administrative hurdles. While some progress in alleviating these problems is evident in recent years, much more needs to be done to allow private sector development to advance.

Many firms and entrepreneurs in Albania choose to circumvent the problems mentioned above by operating in the shadow or informal economy. The informal sector plays a crucial, and somewhat ambiguous, role in all countries of SEE, and especially in Albania. On the positive side, the informal economy is a source of employment and poverty alleviation for many people. However, a large informal sector implies unfair competition for registered businesses, low tax revenues and a "vicious circle" (see IMF, 2003; Olters, 2003) whereby low revenues lead to poor public services and the corresponding incentive for businesses to operate informally. In the case of Albania, the informal sector is fuelled by remittance flows from emigrants living permanently abroad and by the earnings from short-term, temporary migration. Remittances are often channelled through the informal currency market, making it hard to detect their size and direct influence.

To date, little research has been done in estimating the size of the informal sector in Albania. Tentative estimates reported by the IMF (2003) suggest it is somewhere between 30 and 60 per cent of GDP, and likely to be closer to the larger number. This is supported by the cross-country evidence of Christie and Holzner (2003), based on the gap between actual and potential tax revenue, which derives the share of the informal sector in GDP in Albania at 51 per cent. In

[2] For a recent overview of developments across all transition countries, see EBRD (2003).
[3] See Sanfey et al. (2004).
[4] Aspects of the early transition in Albania are discussed in Muço (1996, 2001).
[5] These estimates are presented and updated each year in the EBRD's *Transition Report*.

contrast, Schneider (2002) provides estimates for countries from around the world and puts the share for Albania at 33 per cent. However, the methodology behind Schneider's estimates is somewhat ad hoc and open to question.[6] Given the undoubted importance of the informal sector in Albania, it is important to try to come up with a more systematic way of measuring its size and impact. That is what this paper tries to do.

In order to gain an understanding of the informal sector, it is important first to look at the structure of the formal sector, the activities in which it engages, and the reasons why some might choose to move outside the law. The first part of the paper (section 2) therefore outlines the size, structure and development of the formal private sector in Albania, and assesses the obstacles faced by businesses, especially in the SME sector, and how these have changed in recent years. The most important conclusions from this overview are, first, that the typical Albanian firm is very small, with about one-third of employees working in a family business; and second, obstacles to registering and doing business in Albania are substantial and exceed those in most other countries of the south-eastern Europe region.

Section 3 estimates the size of the informal sector, using a variety of methods. Three methods, all standard from the literature, are used. First, we examine the discrepancy in the national accounts between different methods of measuring GDP. Second, we look at the fluctuations in currency outside the banking system and the extent to which these might be due to informal activities. Third, we examine electricity output use as a proxy for real economic activity. The largest estimates come from the monetary method but the lack of appropriate data casts significant doubt over the reliability of these estimates. Tentatively, our results support the assertion of the IMF (2003) that the share of informal activities in GDP is between 30 and 60 per cent of GDP, but they do not allow a more precise statement about the exact size.
In section 4, we examine the role of the informal labour market in the economy. This section shows that many Albanians continue to rely on emigration as a safety valve for the unemployed and as a source of finance for new businesses. Internal mobility is also increasingly important, as witnessed by the large increase in the past decade in the population of the capital city, Tirana. Much employment is informal and unregistered, complicating measurement of the "unemployment rate", though the exact size of the informal labour market is unknown. Section 5 concludes the paper. An appendix contains a comprehensive set of tables – to which the text refers when appropriate – on the enterprise sector and labour market in Albania.

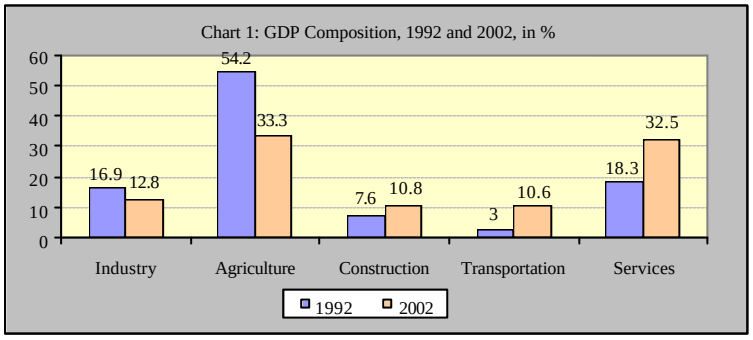
2. Formal sector activity and obstacles to doing business

2.1 Structure of the formal sector

The Albanian economy has performed well over the past decade according to conventional macroeconomic indicators. Annual growth rates in real GDP have been high virtually every year since 1993, with the exception of 1997 when a number of pyramid schemes collapsed and a period of social disorder and anarchy ensued. Albania is the only country in SEE countries that

[6] See OECD (2003) for a critique of the approach of Schneider and others. The OECD argues that the true size of the shadow economy is typically well below the estimates provided in the literature.

has exceeded its own 1989 GDP level – 121% in 2003, while the average of the other countries in the region is around 80%.[7] Growth has been driven mainly by expansion in construction, transportation and services (see Chart 1). In addition, inflation has been low since 1995 (again, with the exception of a brief spurt in prices in 1997), the exchange rate has been stable and foreign reserves now cover more than four months of imports. Both fiscal and current account deficits remain high, however, pointing first to the substantial weaknesses of the state, especially in revenue collection, and second to the inability of Albanian exporters to compete effectively on world markets.



Source: Bank of Albania 2003.

In order to analyse more thoroughly the trends and characteristics of Albania's economic development and especially of the private sector, we turn now to a closer examination of the structure of the formal, registered sector. It should be stressed from the outset that the data might not be fully reliable, both for technical reasons and because of the significant lack of reporting culture, especially from the private sector. In this study we focus on two main indicators: the number of firms and the number of employees. Data on other enterprise indicators such as incomes, expenses, wages, costs and prices are either not available or are not credible.

The data were extracted from the INSTAT database[8] according to two different sources. The first source comes from the Administrative register, known as "Repertori" (Repertory), and is based on information derived from the legal actions of private and public entities and their activities that are registered with the fiscal and legal authorities. The second source comes from business surveys and is known as Statistical Data. It is compiled by adjusting survey information according to statistical methods, and is meant to reflect the existing, or the so-called "active", economic entities in the market. The co-existence of these two sources dates from 1998; prior to that, there was only the Administrative register, which started in 1992.

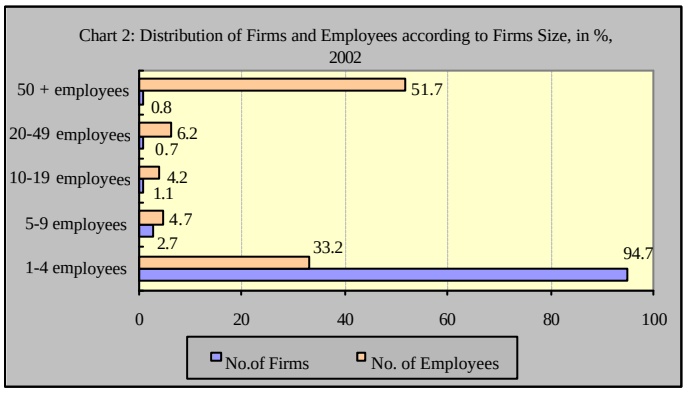
We first identify the firms that operate or are registered in Albania according to the type of activity they implement[9], the number of employees they have, the place where they operate, and

[7] See EBRD (2003, Table A.3.1).
[8] The authors acknowledge the great help of Mrs. Milva Ekonomi, Director-General of INSTAT in Tirana, Albania, and Ms. Liljana Fusha, a specialist within INSTAT, for their support in providing access to these data.
[9] Economic activity of firms is classified according to NACE standards.

their ownership and legal form. It should be noted that the agriculture sector is not included here, even though, as Chart 1 showed, it contributes about one-third of GDP.[10]

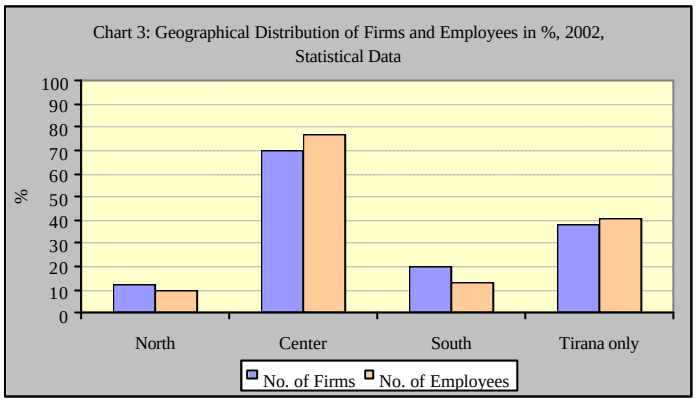
The data from tables 1, 2, 3, 4, 11 and 12 in the Appendix show that manufacturing, trade, transportation and services are the most common activities in the formal sector. Trade and services, which are significant contributors to GDP, are organized mostly in small enterprises, although they account for a significant number of them in the total. Industry still has the largest firms, while the number of firms operating in forestry and fishing activities is insignificant (see tables 1 and 2).

The typical size of an Albanian firm is extremely small (see Tables 9 and 10 in the Appendix). Chart 2 below shows that 94.7 per cent of firms employ 33.2 per cent of total employees in firms with 1-4 employees. This means that one-third of employees basically work in household and family businesses. It is interesting to note that the bigger the firm, the less proportionately is the number of employees *registered*, which means that the difference between administrative and statistical data is bigger in this stratum. So, during 1998-2002, firms with 10 workers and more register fewer employees in proportion than small firms do. In general, from 1998 to 2002 statistical data from business surveys show that total employment is shrinking even as the number of firms is expanding.



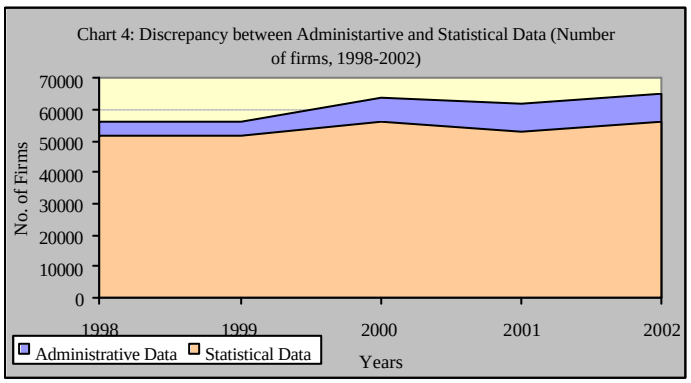
Albanian firms are mostly located in the centre of the country where the development and employment possibilities are highest. Chart 3 shows that the capital city, Tirana, has a significant majority of firms and employees compared to other regions, covering around 40 per cent of business activity and employment. The north and the south of the country are less developed and have limited economic activity (see Tables 5, 6 and the map). This statement reflects other studies' conclusions on poverty and unemployment distribution.[11]

[10] Agriculture production and employment was covered by INSTAT in a general census called "General registration of agriculture in Albania" finished in 1 April 1998 and published in 2000.
[11] See the World Bank study of Poverty in Albania and the Human Development Report, Albania for 1998, 2000, and 2001.

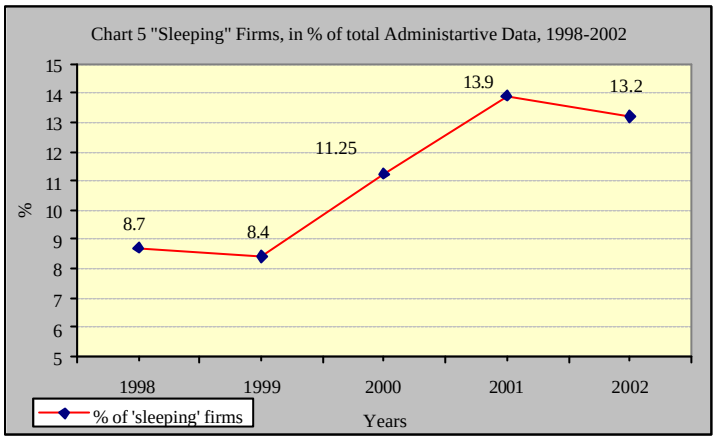


Turning to the ownership structure, it is clear that the number of firms that are still state-owned is shrinking, but the number of employees in these firms remains significant. In 2002 (see Table 8) according to statistical data only 0.7 per cent of the total number of firms is state-owned but they employ 37.9 per cent of the total employees. In Table 12, where we combine activity with ownership, it is shown that the state-owned firms operate mostly in utilities (electricity, gas and water supply), transport and communications. These two categories cover almost half of the total number of firms that are still in state hands.

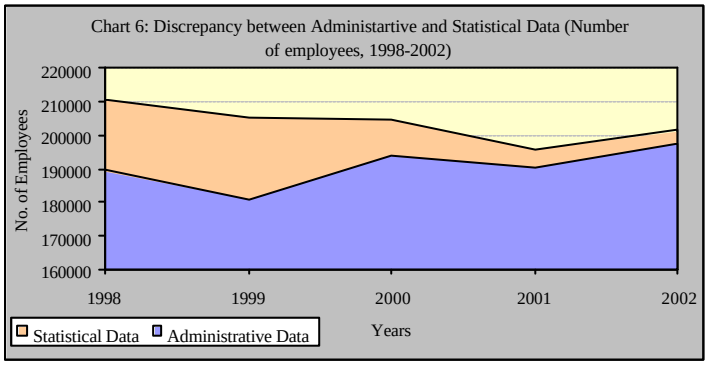
One interesting and important conclusion from using the INSTAT database is that there is a discrepancy between the Administrative data of the firms that exercise their activity in Albania and the results from the Statistical method. This discrepancy may be a sign of the informality that exists in the business environment in Albania, especially in the labour market.



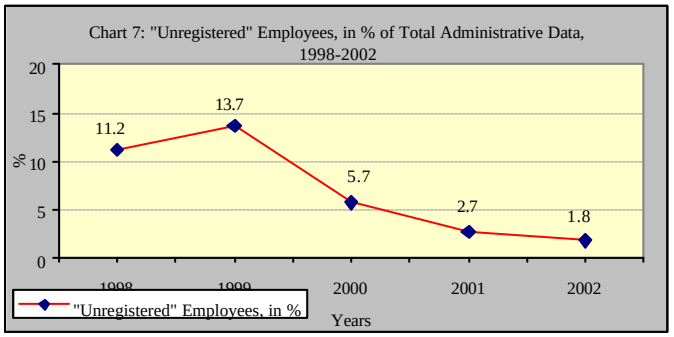
If we look closely at Tables 1 and 2, illustrated in Chart 4, we can see that the number of firms coming from the administrative register is bigger than the number from the statistical method, which means that more firms register than survive and operate in the market in a given year. According to Chart 5, the trend of “sleeping” firms is quite steady, indicating that there is a normal disappearance each year of small and very small entities, which last less than one year in the economy. However, it is clear that this number would be much higher if it included informal small firms, which are totally excluded from the official data, both administrative and statistical.



The path for the number of employees is the opposite, which might indicate “hidden” or unregistered employment. Although the number of firms has fallen during the years, 1998-2002, the number of employees is higher. This is shown in chart 6 below.



As chart 7 indicates, the discrepancy between the two measures has fallen significantly in recent years. Although the data included in chart 7 might not represent total “unregistered” employment, this is a good indication of the part of the inf ormal economy that is incorporated in the legal but informal labour market, which in turn translates to informal production.



2.2 Obstacles to doing business

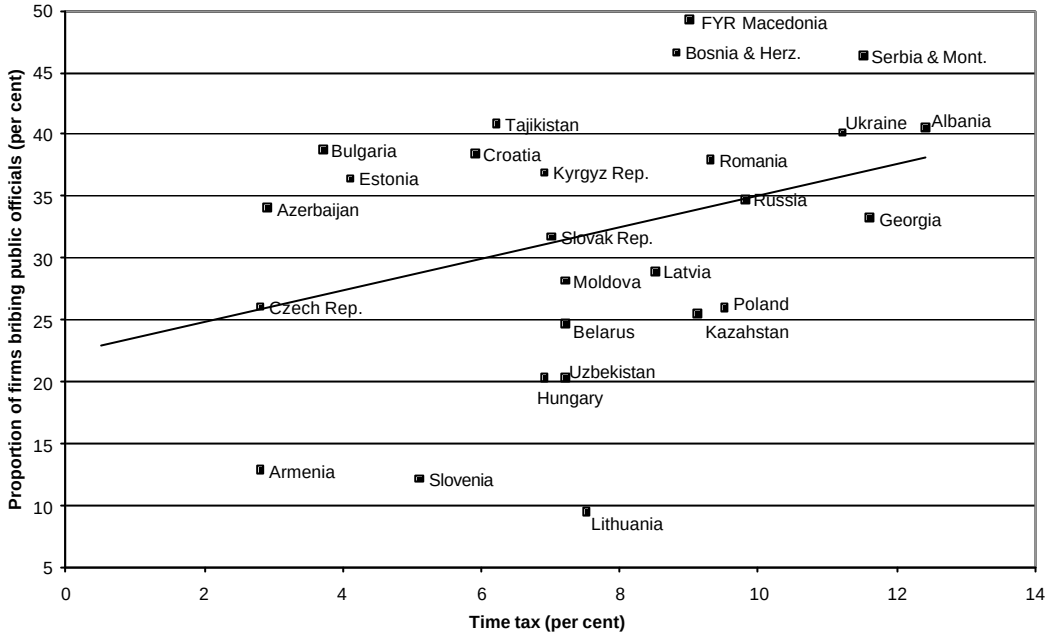
In recent years, a number of studies have examined the obstacles and barriers that businesses in the region, including Albania, face in their day-to-day activities. Previous work that focused on Albania includes Muent et al. (2001) and Muço and Sanfey (2002). The former paper draws on a survey of more than 100 enterprises, almost all SMEs, in Albania. The most interesting conclusion from this survey was that the biggest headache for businesses in the formal sector was competition from the informal sector. Access to finance and taxation were also significant constraints but not as severe as the problem of competing with non-registered firms. Muço and Sanfey (2002) contrast these results with those of the first round of the joint EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS), carried out in 1999. This survey highlighted the problem of policy instability, corruption and crime, although access to finance and taxation also emerged as major problems.

Two new recent surveys shed further light on the business environment on Albania. The first one is the second round of the BEEPS, carried out in 2002. A comparison of BEEPS I and II suggests that the investment climate has improved significantly in Albania between 1999 and 2002, as indeed it has throughout south-eastern Europe (SEE) (see Sanfey et al., 2004). The most significant improvements are in the areas of crime, corruption, and access to finance. However, the BEEPS II also highlights a number of issues that show why firms might wish to remain in the shadows.

Chart 8, taken from Fries et al. (2003), highlights two problems that are particularly severe in Albania and that constitute a major deterrent to registering in the formal economy. The first is bribery, namely the proportion of firms that frequently bribe public officials to obtain licenses or permits and/or to avoid safety and other inspections. The second problem is known as the "time tax" and is defined as the proportion of senior managements' working time spent dealing with public officials.

The chart shows that Albania scores badly on both fronts. The time tax facing senior management is more severe than in any other transition country, and the proportion of firms that pay bribes is exceeded only by FYR Macedonia, Bosnia and Herzegovina, and Serbia and Montenegro (all SEE countries). In light of this result, therefore, it is little surprise that many businesses avoid taxes, permits and other bureaucracy wherever possible.

Chart 8: Regulatory "time tax" and proportion of firms that are perceived to pay bribes to public officials, by country



Notes:
1) Proportion of firms bribing regulatory public officials is calculated for each country as a non weighted share of those firms that bribed customs authorities at least frequently (answers 4 to 6 on a scale of 1 to 6) in at least one of the four dimensions (business licenses and permits, occupational safety, fire and building inspections and environment inspections).
2) Time tax is calculated for each country as a non- weighted average of individual firms' responses on the proportion of senior managements' working time spent dealing with public officials.
Source: Fries et al. (2003, chart 4, derived from BEEPS II).

The second recent source of information on obstacles to business in Albania is the recent study of the World Bank: "Doing Business in 2004: Understanding Regulation". The report contains a comparison across the world of costs and procedures to setting up a business, hiring and firing indicators and other business climate variables. Albania scores particularly poorly in terms of starting-a-business indicators relative to other countries in the region. It takes 47 days for the typical start-up in Albania to get registered, at a cost of US$ 897. In comparison, businesses in Bulgaria take 30 days, for US$ 148, those in FYR Macedonia take 48 days for US$ 223, and even in Serbia and Montenegro, the least reformed country in the region, it takes 44 days and US$ 186. The prohibitive cost of setting up business in Albania provides a clear incentive for operating instead in the informal economy.

One further barrier to private sector development is the weak state of anti-trust, or competition, policies. There is a law on competition and a directory in a Ministry that it is supposed to follow the enforcement of this law. In practice, the activity of this body has been virtually invisible and a monopolistic situation is present in almost all activities – state and private. Albania scores only 2- (the second-lowest possible score) on the EBRD transition indicator scale for competition policy. There are several independent business organizations that watch over competition rules

and their enforcement in the market, such as the Chamber of Commerce and some Business associations. Their role has increased in importance in recent years and the business community is showing more concern about the rule of law and enforcement in this field. However, they currently lack the necessary experience and proper education to make a real difference.

3. The informal sector

3.1 Size and measurement

There is no clear guidance on where to draw the line between formal and informal activities. Different definitions of the informal sector have been proposed.[12] A broad definition would encompass both legal and illegal activities, that is, activities that would be legal if they were reported to the authorities and the appropriate taxes paid and rules and regulations complied with, as well as activities such as smuggling of goods, trafficking of people, fraud, prostitution and the like. In both types of activity, barter may be used rather than monetary transactions. It should also be noted that the world of business – in Albania or anywhere else – is not divided neatly into firms that are always above the law and those that are always outside it. In practice, many firms keep two sets of "books", one that they show to the tax authorities and the other which contains the real story, including payments and revenues that are not recorded officially. This complicates the already difficult task of trying to measure the size of the informal economy.

In addition to the valuable cross-country work of Schneider (2002) and Christie and Holzner (2003) and the Albania-specific discussion of IMF (2003) mentioned earlier, the national statistical institute INSTAT is currently engaged in some work on measuring the informal economy.[13] There is plenty of anecdotal evidence to support an estimate greater than the accepted "one-third of GDP". Also, the fact that tax collection accounts for only about 20% of GDP compared to an average of 30% for similar countries is, as the IMF (2003) and Olters (2003) note, clear evidence in favour of those who argue that the size of the informal sector in Albania is larger than it is elsewhere. As noted earlier, Albanian enterprises also identify unfair competition from the informal sector as a major obstacle to doing business (see Muent et al., 2001).

Monetary data might be another indicator of the large informal sector. The IMF and Bank of Albania's estimates of the average holdings of domestic cash (see Table 3.1), compared to other countries in the region, are consistent with the suggestion that more than 30 per cent of the economy is informal (see Luçi, 2003).

[12] For a recent survey, see Schneider and Enste (2000).

[13] INSTAT is currently engaged in some rough estimations of the informal economy, and the Albanian government has asked the OECD to help in analyzing the informal economy and propose some solutions for reducing its size. As the work by INSTAT is unpublished work in progress we cannot quote on these data officially. However they are very much in line with the approximations reached by Schneider. We have followed their methodology in using the national accounts method. We thank Mr. Gjergji Mano at INSTAT for presenting us his efforts and for allowing us to use them in the paper.

Table 3.1: Currency outside the banks/ M3, in %, Southeast Europe

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SEE (average)	23.8	18.0	22.0	22.6	20.4	25.3	20.7	20.3	20.1	20.1
Albania	*34.4*	*35.7*	*39.0*	*39.0*	*30.9*	*36.6*	*28.5*	*27.8*	*30.2*	*30.3*
Bulgaria	12.0	10.8	9.5	10.9	10.2	23.7	28.2	28.3	26.7	25.5
Croatia	-	13.7	15.0	13.5	11.9	10.5	10.0	10.6	9.1	8.0
Macedonia	-	6.3	25.9	28.9	31.3	27.1	24.4	22.0	20.8	23.4
Romania	25.0	23.5	20.7	20.8	17.8	28.6	12.5	13.0	13.9	13.2

Source: Bank of Albania.

The literature offers several methods for estimating the size of informal economy, but none of them is problem free. This paper focuses on three methods: looking at discrepancies in the national accounts; estimating "excess" money demand, i.e., demand for money not explained by formal economic variables; and changes in the use of electricity. Before turning to the results of our investigations, we note first that each method depends on different, sometimes questionable, assumptions. For the monetary method, for example, these assumptions are, first, that most of the transactions in the informal economy are carried out in cash, and second, that a growth in the amount of cash in circulation (in absolute and relative terms) is the consequence of an increase in the size of the informal economy. However, the latter can also be the consequence of using a new and changed monetary instrument. Another problem of this method is that preferences over the holding of cash are always changing, not only as a consequence of the development of the informal economy, but also as a result of changes in interest rates and economic cycles. Also, the foreign currency replacement effect – i.e., the use of foreign currencies for domestic payments – is ignored.

For estimation methods using the electricity supplied to households as a proxy for real activity, the assumption is that the surplus of this input is used only on productive activities in the grey economy. But this assumption about the increased consumption of electricity (in households) is a serious shortcoming, because the increase can also be the consequence of greater use of various electrical machines in the household, an effect that is particularly relevant in transition countries, including Albania.

3.1.1 Discrepancies in the national accounts method

The rationale for applying the method of discrepancies in the national accounts to an estimate of the size of the underground economy starts from one of the fundamental laws of circular flow of the economy: namely, one subject's expenditure is another's revenue. According to the familiar identity:

(1) $P-M = C+I+G+E-U = W+O+T,$

where P is gross value of production, M is intermediate consumption, C is consumption, I is investment, G is government expenditure, E is exports, U is imports, W is gross wages, O is gross operating surpluses and T is taxes. The left side of the expression means that if we subtract the intermediate consumption from the gross value of production of all resident units, then we shall get GDP according to *the production approach.* According to the *expenditure approach*

(the middle expression), the GDP of a country is defined as the sum of all categories of final and investment consumption, meaning personal, government and investment consumption, and net exports. According to the *income approach* (right side of equation (1)), GDP is equal to the sum of primary incomes, i.e. gross wages, and gross operating surpluses and direct taxes (taxes on production).

It is quite common for statistical offices in various countries to calculate, according to independent sources of information (such as household budget surveys), a level of GDP that is higher according to the expenditure approach than to the income approach. This is because individuals have fewer incentives to hide their real consumption in surveys than they do in tax returns. Assuming that the calculations of GDP obtained from these two methods differ, one can interpret the difference as income created in the informal economy. However, one problem with this method is that these discrepancies and differences are in part the consequence of the existence of unreported economic activities, but also of all the errors and failures in the statistics of the national accounts. If existing sources are adjusted and new statistical sources are introduced, the difference between the two methods diminishes. This measurement of the underground economy is therefore of questionable reliability.

In the case of Albania, INSTAT has issued some preliminary evaluations of GDP based on the production and expenditure method. Table 3.2 below shows that the discrepancy between the GDP estimates of these methods, excluding INSTAT assumptions of informal activity, has grown from 21 percent in 1996 to 33 percent in 2001. However, an examination of the methods used to produce these estimates highlights the difficulties with using this method to estimate the informal economy. The main problem relates to the fact that this discrepancy could be partly or mostly related to the differences in the accuracy of measurement between the two methods, as explained below.

First, the production method is based on the Administrative register and business surveys mentioned earlier. The data on these sources cover less than one-quarter of the total number of legally registered companies, and are incomplete in several respects. To deal with the lack of key firm-level data needed to calculate value added. INSTAT has built up a system that uses ratios based on companies with complete information to estimate the missing information for the rest of companies with partial information. These ratios are calculated and applied for companies of the same size and industry, making the strong assumption that those ratios are generally homogeneous across firms within these categories. These ratios tend to show some stability over the years, which may support to some extent the above assumption. Nonetheless, considering that small inaccuracies in these ratios could lead to serious bias in the final estimation, it constitutes an important portion of the discrepancy between this method and the others, making it difficult to distinguish the unreported (informal) activity.

Second, the expenditure method is built on even more problematic database and assumptions. Most of its components are based on surveys, which are of dubious reliability. Starting with private consumption, three surveys carried out at different points in time (1995, 1999 and 2001) either lack a proper geographical distribution or do not cover enough items needed to have a complete picture of the Albanian average family consumption basket. Data on government

expenditure, which supposedly should be the most accurate measure, also suffer many inaccuracies and gaps. Investments are based on the data from the previous production method and have similar problems. Net exports estimated by the Bank of Albania are not problem-free either. In particular, information on private services is virtually non-existent. The data on imports and exports of goods are also inaccurate due to fraud and other problems at customs offices.

Generally, it can be concluded that the method of discrepancies in the national accounts gives an unreliable estimate of the informal economy. Much work needs to be done especially in measuring the formal economy before this method can be used with confidence to estimate the informal economy.

Table 3.2: Estimate of the size of the informal economy for the 1996-2001 period, national accounts method (millions of leks)

	1996	1997	1998	1999	2000	2001
Production method	233.954	239.777	274.271	346.407	383.254	429.029
Expenditure method	296.321	323.650	424.924	486.489	550.944	639.379
Discrepancies	62.367	83.873	150.653	140.082	167.690	210.350
Unofficial estimation, % of GDP	21.05	25.91	35.45	28.79	30.43	32.89

3.1.2 Measurement by monetary methods

We use the Guttman (1977) approach, which is a simplification of the Cagan (1958) money demand function, because the lack of data prevents us from estimating a relatively complete demand for money equation. In this case the statistical procedures and the effects of other factors are taken out, and changes in the proportion of cash in the overall money supply are ascribed only to the dynamics of the informal economy (IE). The mathematical parameter *k*, assumed to describe the long-term behaviour of cash needed for the official economy (OE), is equivalent to the ratio of cash and deposits in the initial period:

(2) $k=C_{t=0}/D_{t=0}$,

where C is cash and D is deposits. As initial period we use the ratio in 1996, a time when the Albanian economy seemed to have converged after a period of stable macroeconomic situation. The percentage of cash that is used in the official economy in all subsequent periods is derived with the use of the parameter *k* and the amount of deposit money:

(3) $Co=kD$.

In accordance with this, the total money supply consists of deposit money and cash, which is partially used in the official economy (OE), and partially in the informal economy (IE).

(4) $M2=Co+Ci+D$.

The next step makes use of the assumption of the identical velocity of cash used in the IE (Ci) and money that is used in the OE (Co+D). In line with this, the level of the IE in all subsequent

periods is estimated as the multiple of the amount of cash used in the IE and the derived speed of the circulation of money in the OE.

There are several weaknesses related to this method. For example, there is no reason to believe that the velocity of money in the IE and the OE are the same, especially since there are different types of money (cash and deposits) circulating in the latter. The ratio of cash to deposits may be decreased because companies learn to optimise the amount of money in their accounts, in which they are assisted by financial innovations, not because of the rise in the IE. There is no proof that it is only cash that is used in the IE, while the use of deposited money is limited to the OE. If deposit money is really used in the IE, the real level of the IE could be even higher than estimated.

The estimation based on the ratio of domestic cash to deposits based on the Gutmann method, cannot be regarded as a direct measurement of informal economy. In fact our results (Table 3) show that the variation of informal economy estimation according to this method is very wide, and occasionally leads to absurdly high estimates for the informal economy. The trend of informal economy expansion based on this methodology shows an increase until 1997 and a decrease afterwards. The problem with this method is linked to the strong assumptions it uses about the long-run behaviour of cash needed by the official economy and the velocity of unofficial currency outside banks being equal to the official economy demand for money. Both these measures during the first ten years of transition vary quite a lot in the case of Albania, for several reasons such as the pyramid schemes events of 1997, which can hardly be linked to the expansion or contraction of the size of informal economy. Thus, we are doubtful about this method as a possible indicator of the informal economy or its trend.

Table 3.3: Estimate of the size of the informal economy (IE), monetary method

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
IE % of GDP (change)	18.19	29.78	29.97	0.00	18.37	-16.19	-17.32	-6.71	-2.05	2.14
IE as % of GDP (IE in 1992 = 5%)	23.19	52.97	82.94	82.94	101.31	85.11	67.79	61.09	59.04	61.17

3.1.3 Physical input (electricity) method

We use the electricity consumption method in order to obtain an estimate of IE dynamics from sources independent of money aggregate trends, to check the consistency of estimates based on monetary methods. In estimating the IE with the electricity consumption method we assume that there is a unitary elasticity of change in the consumption of electricity to changes in the overall GDP (an assumption also used by Kaufmann and Kaliberda, 1996). A decision to base this estimate on overall consumption is motivated by the possibility that some of the electricity produced is actually stolen, which is thus recorded within losses. Also, we assume that the IE was 25% of the OE in 1995.

The method by which the IE is estimated via electricity consumption has been subject to criticisms. First of all, not all economic activities are equally electricity-intensive, while some service industries that are easier to conceal or switch into the IE are often labour intensive.

Technological advances that increase efficiency reduce the need for electricity, and electricity consumption elasticity compared with changes in GDP can change in some years (Schneider and Enste, 2000). Finally, the weather can play a major role in some years. Nevertheless, observation of trends over a longer period of time should cancel out the effect of inter-year temperature oscillations.

In the Albanian context, other deficiencies arise that reduce even further the accuracy of this method. The supply of electricity in the country is seriously below potential capacity as a result of long and persistent shortages, caused mainly by the reliance of the energy system on one resource only, hydropower. Also, weaknesses in the distribution system and sometimes mismanagement contribute to the *supply rationing of electricity*. Consumption of both households and businesses is also mis-measured because it is constantly subject to theft and misuse or accompanied by the phenomenon of non-payment of bills.

Table 4 shows the dynamics of registered real GDP, the consumption of electricity, and an estimate of the dynamics of IE expressed by what percentage it constitutes of the OE, derived according to the consumption of electricity. The evaluation of informal economy based on the consumption of electricity does not seem to support the trend generated by the monetary methodology; however, it seems to be rather consistent with the estimation of national discrepancies method. It shows that generally there has been a steady increase in the size of IE from 1994.

Table 3.4: Estimate of the size of the informal economy, electricity method

	1994	1995	1996	1997	1998	1999	2000	2001
GDP growth, %	9.40	8.90	9.10	-7.00	8.00	7.30	7.80	6.00
Electricity Consumption change	-3.72	10.23	12.79	-7.31	6.61	18.65	20.72	3.65
IE, % of GDP (change)	-13.12	1.33	3.69	-0.31	-1.39	11.35	12.92	-2.35
IE as % of GDP (IE in 1993 = 23.19%*)	10.07	11.40	15.09	14.78	13.39	24.74	37.66	35.31

*For comparison reasons we have used for IE the same value generated from the monetary method for 1993

Another way of measuring of the informal economy using electricity data is the Lackó method.[14] It assumes that a certain part of the shadow economy is associated with the household consumption of electricity, including so-called household production or do-it-yourself non-registered activities, and other non-registered production and services. Lackó assumes that in countries where the part of the shadow economy associated with household electricity consumption is high, the rest of the hidden economy (that is, the unknown part of two Lackó's equations) will also be high. The econometric results of equations can then be used to order the countries with respect to electricity use in their shadow economy.

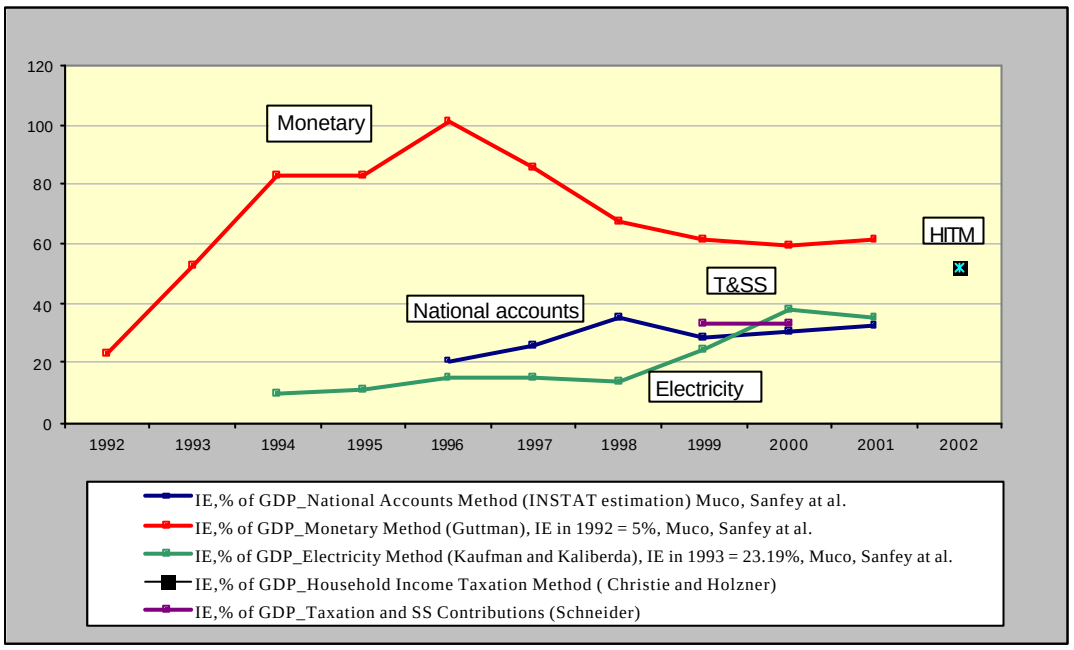
Trying to apply Lackó's equations in the case of Albania we found that only the data on Ei (per capita household electricity consumption in country i), Gi (the relative frequency of months with

[14] See Lacko 2000

the need of heating in houses in country i), and Si (the ratio of public social welfare expenditures to GDP), exist, and even these are only available in short and unreliable series. Thus, since data like the real price of consumption of 1 kwh of residential electricity, the ratio of energy sources other than electricity to all energy sources in household energy consumption, or the ratio of the sum of paid personal income, corporate profit, and taxes on goods and services to GDP are not available, estimating Lackó's equations became impossible, and no attempts are reported here.

In conclusion, based on these methods, the informal economy in Albania may vary from 30 to 60 percent of GDP. Chart 9 provides a summary of the results. In common with other studies (see for example Ott, 2002, for Croatia) the monetary method results in the largest estimates and the national accounts method in the smallest.

Chart 9: Attempts to Estimate the size of Informal Economy (IE) in Albania



Source: The authors, INSTAT, Christie and Holzner (2003), Schneider (2002).

4. Labour markets and emigration

4.1 Employment and unemployment

This section considers the role of the labour market in the Albanian economy during transition. Following our division in the previous sector between formal and informal activities, this section will look first at formal labour market developments, and then at the informal sector.

The table below shows the changes in the labour market in Albania in the last 10 years. The most significant feature is the decrease of the labour force, even though the Albanian population has a relatively young age structure.

Table 4.1: Labour Force Balance, in thousand

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Population	3,167	3,202	3,249	3,283	3,324	3,354	3,373	3,401	3,069	3,069
Working age population	1,763	1,786	1,820	1,850	1,861	1,888	1,911	1,939	1,767	1,767
Labour force	1,347	1,423	1,309	1,274	1,301	1,320	1,305	1,283	1,101	1,092
Employment rate, in %	59.3	65	62.5	60.3	59	57	56	55	52.1	52.1
Total employment	1,046	1,161	1,138	1,116	1,107	1,085	1,065	1,068	920	920
State Sector	375	308	276	239	226	213	201	191	189	186
Private agriculture sector	590	750	750	761	761	761	761	761	526	526
Private non agriculture sector	81	103	112	116	120	111	103	116	205	208
Total registered unemployment	301	262	171	158	194	235	240	215	181	172
Unemployment rate, in %	21.7	19.5	12.4	12.4	14.9	17.8	18.4	16.8	16.4	15.8

Source: Albanian Statistical Yearbook, 1993-2001 for the years 1993-1999. Albania in figures, 2003, INSTAT, for the years 2000-2002.

In a working age population of around 1.8 million (at the last 2001 census, the total population was almost 3.1 million), more than 600,000 are believed to be emigrants. In addition, 172,000 were unemployed, with less than one million employed.

The most controversial situation in the labour market concerns estimates of agriculture employment. Official sources after several adjustments and new calculations estimate some 526,000 employed in agriculture but this is a rough guess at best – previous estimates put the figure much higher at 761,000. This is still more than half of total employment and about one-third of the labour force. Most of these workers live at subsistence levels and it is unknown how many work hours they employ. Due to very low level of incomes and small plots of land, the propensity of agriculture workers to move toward cities is higher. This movement has been extraordinary in the case of Albania and has carried a lot of social problems since the beginning of transition.

The major structural shift appeared at the collapse of public employment, especially industrial employment. Public employment from 850,000 in the beginning of reforms in 1991 had fallen to 186,000 by 2002. This is a direct result of privatization of the state-owned enterprises and also the restricted employment opportunities in government structures due to the low level of tax revenues. In parallel, the labour force fell from 1.3 million in 1993 to less than 1.1 million in 2002, which can affect the labor supply in the market in the long run. Together with the dramatic export of labor as emigrant workers, this may become a real threat to future growth, especially given the need for an educated and skilled labour force in the long run.

Another feature worth noting is the drastic increase – by a factor of three – of private non-agriculture sector employment. From virtually zero at the start of transition, it reached 208,000 employees in 2002. However the private sector that emerged is still too weak to absorb the excess of labour force supply in the market after the big structural changes and shifts of the past decade. Nevertheless, the employment rate is comparable to other transition countries in Central

and Eastern Europe[15], while the unemployment rate remains quite high at around 16 per cent. The private agriculture sector provides the majority of jobs – about 56 per cent – while the remaining employment of the private sector is mostly directed to services, health and education, services, food processing and textile industries, energy and transport. This characteristic is consistent with the status of agriculture in the overall Albanian economy.

Thus, although agriculture remains a major source of employment, its importance in terms of contribution to GDP has fallen substantially since the beginning of transition. The huge shift of this contribution toward services, construction, trade and light industries give some hope of switching also the pattern of employment. However a closer look at the behaviour of Albanian firms in the official statistics gives us mixed signals about job-creation and job-destruction behaviour.

Table 13 deals with job-creation and job-destruction among Albanian firms, based on the statistical database. From the table we see that the number of firms that have labour movements, i.e., job-creation or destruction, relative to the total number of firms for that year is implausibly small, covering only 7.7 per cent of the total. The ones that have created jobs account for 4.9 per cent of the total while 3.2 reported lower employment. The rest of Albanian firms report the same number of employment from the previous year. Even if this conclusion were based on reliable data, it is very low to contribute to the need for expanded labour market supply absorption. The biggest difference is seen in construction employment, showing again the dynamism of this sector and its contribution to growth; in 2002 alone, job creation by firms in construction reported an increase of almost 60 per cent employment.

Tables 14, 15 and 16 show that SOEs in the sectors of oil, gas, mining, water, and electricity, production and distribution have still the largest average number of employees, 20-200 times more than in other sectors. There is considerable uncertainty about the future of employment in these sectors, as most will be considered for privatisation, and in some cases possible downsizing, over the medium-term. At the same time, private manufacturing and construction have the highest average number of employees (Table 14), which show the positive strong growth dynamics at these sectors. From the geographical point of view (Table 15) the highest average number of employees is located in Fieri Prefecture (Center) due to still state-owned oil and gas industry. SMEs with less than 20 workers have a very low average number of employees, 1 to 2, all over the country.

Table 15 also shows that households firms have a substantially low absorption capacity in the labour market as they employ very few people on average. Joint ventures and foreign firms have the highest average number of employees in the private sector but still SOEs have 10 times more in average than the foreign owned firms. The emerging private sector is not able to absorb a large number of workers. If not turned around this is a big limitation for the future growth and its sustainability.

[15] According to "Albania Poverty Assessment", WB 2003, Albania's employment rate was similar to the Slovak Republic, Bulgaria and Romania.

In the labour market, population movements are reflected in the high level of unemployment in the big cities. As the national rate is between 15 to 16 percent in the last three years, unemployment in Tirana is twice higher.[16] High unemployment has accompanied the transition along with structural changes in Albania since 1992. Initially this was part of big ownership changes, privatization and resource allocation. The public sector was dramatically reduced as restructuring of the SOEs took place and the government sector shrank. However, the unemployment rate in Albania is at comparable rates with other countries in the region. It is historically higher among women and it is negatively correlated with education.[17]
But are the data on unemployment accurate? We discuss this problem here because the discrepancy that exists between the unemployment rates resulting from different methods could hide some informal labour market activity and generate different policy implications. The table below shows the gravity of the problem in Albania compared to some other countries of the Balkans and beyond.

Table 4.2: Unemployment rate from different methods of measurement in East European countries, 2001

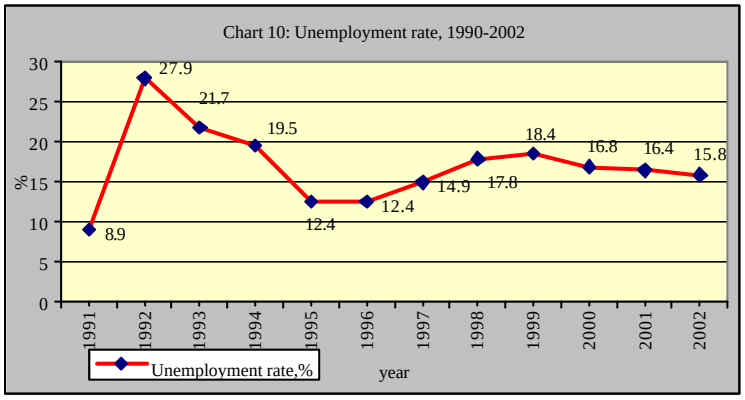
Country	Unemployment rate according to Labour Forces Survey	Registered unemployment rate
Bulgaria	19.4	17.3
Croatia	15.8	22.0
Poland	18.2	17.4
Czech Republic	8.1	8.9
Slovakia	19.2	18.2
Romania	6.6	8.6
Serbia and Montenegro	12.8	22.3
Albania*	22.7	16.4**

Source: LABOURSTA -Labour Statistics Database, ILO, Geneva
*Data for Albania is from General Census, April 2001, INSTAT
**At BoA, Annual Report 2002 the registered unemployment rate for 2001 is reported 14.6 percent

In Albania the difference between the two methods is quite large. This is more drastic for 2002 because the data from that year are taken from the General Census of 2001. The main changes result from taking into consideration a different figure for the labour market in agriculture, as mentioned above. Private sector employment in agriculture after the general census results was compared with the 1998 registration of agricultural economic entities. The two figures are very much different. The ratio between rural and urban population changed from 39.8 per cent urban and 60.2 rural in 1998 to 42.2 and 57.8 per cent respectively in 2001. The number of economic entities in agriculture decreased and the employees in the agricultural sector also changed significantly, from 761 thousand to 526 thousand. On the other hand the data on employment in the non-agricultural private sector are from State Inspectorate of Labour at the Ministry of Labour and Social Affairs while earlier they were collected through the firm-level administrative data of INSTAT. Also, discrepancies are obvious between the LSMS data for 2002 published in the World Bank's Albania Poverty Assessment and the official data on unemployment, while the Census of 2001 gives different figures too.

[16] Ibid.
[17] See LSMS 2002 data published at "Albania Poverty Assessment" by the World Bank, 2003.

These discrepancies are due both to methodological problems and to technical ones. The standard ILO definitions of unemployment and employment[18] may not apply properly in the Albanian case for several reasons. Until 2003, the official age of retirement was 55 for women and 60 for men whereas normally (in ILO literature) the retirement age is 65. The new law entered in force during 2003 but statistics will need some time to adjust. Also the mobility of the labour force in Albania creates some obstacles to quantify several labour market classifications. The main difficulty derives from the fact that data on the labour market in Albania are extracted from surveys (such as the LSMS, the national census and others) that are not designed to capture labour market movements and trends. The absence of a Labour Force Survey (LFS) is a serious shortcoming when one wants to analyse employment and unemployment figures in Albania.



On the other hand, are people interested to be registered as unemployed? The answer depends somewhat on the employment sector. In the private sector, this is connected with the contract that is signed between the employees and employers and there is evidence of a poor level of labour contracting in Albania. The situation is better in the public sector in this regard, where the registered pool is interested to stay in the lists as long as this is related to unemployment benefits. The duration of unemployment payment in the Albanian system is quite long by European standards.[19] A possible source for discrepancies is the lack of motivation for getting registered in the unemployment offices after this time expires. The level of long-term unemployment is quite high and it creates no incentive to continue to be registered. This also reflects the efficiency of labour offices and the poor active labour policies in place.

4.2 Informal employment

One of the most characteristic features of the Albanian informal sector is the existence of a large number of unregistered, undeclared workers, both part time and full time. Many of these are self-employed while the others are employed by firms. This phenomenon has economic, social and fiscal implications. It clearly affects the budget deficit because it decreases social security funds.

[18] About ILO definitions on unemployment and employment see details in the "Albania Poverty Assessment", World Bank, 2003, pg 55-64.
[19] The unemployment benefit covers a period of 12 months in Albania.

Also it has negative implications for income tax collection and helps to explain why tax revenues in Albania are so low relative to other countries. Moreover, it is partly responsible for creating a highly vulnerable social stratum with no pension rights. As a result, the family is often the main source of a primitive social safety net.

Informality in the labour market has several forms. One of the indexes of the informal economic level is unregistered labour. Official figures of unemployment cover only those who ask for jobs officially, register in the respective public offices, and receive unemployment benefits. A large number of people do not have a labour contract or the necessary documents. As a consequence, they are recognized neither as unemployed nor as employed and they do not pay respective dues into the Social Security Fund. According to the data given by ISSH, many of those who are formally employed also do not pay their dues.

The lack of interest in paying social security dues in Albania is derived from the inefficiency of the system and the institutional bottlenecks. The institutional and legal reform in the area of all aspects of social security has proven to be slow. There are several issues related to this situation:

First, the present health care system is anemic and conditioned by the economic situation as it is totally financed and managed by state institutions. Health insurance is almost non-existent and disconnected with the health care system. A new draft law on health insurance, which foresees the passing of hospitals, clinics and other health care centres all over the country under a self-managing system, is under discussion. According to this draft Albanians need to be provided with the health insurance card in order to benefit the health service free of charge, otherwise they have to pay in cash for the medical treatment. Bribing the medical personnel in "free treatment" state owned hospitals and clinics is routine and the new proposed system seeks to avoid it. The total contribution will remain the same at 41.9 percent but the new system, if introduced, is expected to bring two new elements: the changing of the legal and financial statute of the health institutions, and real legal and financial independence.

Second, the retirement fund and the pension scheme that are in place do not look attractive to the employees and it is considered quite heavy by the employers, which make both of them feel disinclined to be registered and pay the dues. Pensions are very minimal in Albania. The social contributions (pensions+health insurance+unemployment benefit+others) measured as payroll tax rates are comparable to Bulgarian, Romanian and other Central European countries although collection of these dues is relatively low for Albania. The employee pays 11.2 percent and the employer 30.7 percent. Employer dues are usually paid regularly by state jobs but the same behaviour is not observed in the private sector. Evasion is widespread.

Another form of informality is the way in which wages and salaries are reported. The majority of private firms (companies with limited responsibility, shareholding companies etc.) officially pay their workers a minimal wage. Usually this payment is fixed in their labour contract (although a considerable number of workers do not have regular labour contracts). This explains the wide scale of evasion towards social security and the lack of interest on the part of the workers to pay respective dues.

How large is informal employment? One estimate suggests that informal employment is around 10 per cent[20] of total employment, with a much larger number in the urban areas. The reason for the urban-rural difference lies in the fact that rural employment is almost all self-employment at the subsistence level and therefore does not show up in the statistics. Hence, it is almost impossible to come up with an accurate measurement. In the Albanian context, the initial lack of market economy rules and regulations inherited from the past created a strong breeding ground for informal labour. Privatisation, the collapse of the old security system, dramatic changes in the wage system, delays in creating the legal framework, and major demographic changes all played a role. In fact, Albania is the ideal country for informal labour to flourish.

Another reason is the existence of a cash economy. As noted earlier, the indicator of currency outside the banks is more than 30 percent of M3[21], which is much higher than in other transition countries of the region. This makes very convenient all informal transactions and unregistered activities.

The lack of a good measure of employment in the informal sector also has an institutional explanation. At the Ministry of Labour and Social Affairs there is a State Inspectorate of Labour (SIL) created to follow labour registration, labour code and other labour-related laws and regulations. This is a relatively new institutional body that still lacks the proper personnel, legal support, skills and financial means to fulfil its duty. There is no proper institutional communication between the SIL and other state bodies. There is no legal duty for SIL, Institute of Social Security and Fiscal Authorities to exchange information. There is no electronic and IT network which could facilitate the flow of information and make the controls effective. Exchange of information and the shortage of logistics make difficult any reasonable measurement, and very little prevention, of informal labour.

In recent years, the SIL has increased its activity of controlling and registering businesses all over the country. From its inspections in 2000, 28 per cent of employees who were controlled are illegal employees, in 2001, 21.7 per cent and in 2002, 21 per cent. The number of those controlled are around half of total number of employees and 90 per cent of them are in the private sector. Among all licensed private entities (formal businesses) that were controlled in 2002, 12 per cent of the employees were unregistered. As for unlicensed activities, which are all informal, 98 per cent of the labour used was illegal.

Problems arise from all sides: employees, employers and law enforcement institutions. Because the minimum wage has been increased, the value of social security contributions has gone up too. This is reflected in the increased unwillingness of businesses to declare and register their employees and pay the duties. The retirement age has also increased recently and this has slowed somewhat the declaration of employment, especially for the self-employed. Incomes from small businesses in the rural areas cannot afford the social security duties and are mostly subsistence

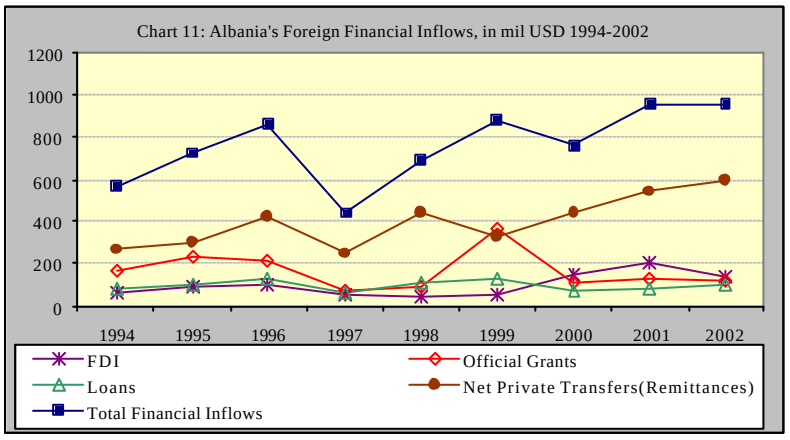
[20] See more about estimations of informal employment in the "Albania Poverty Assessment", World Bank, 2003, pg 60. The number looks very small if one compares it with the high informality in terms of GDP but this number we believe is derived as a difference between registered and not registered formal employment and do not represent the whole size of informal employment, let alone the illegal activities.
[21] See Bank of Albania, Annual Report 2002

incomes. On the other hand, social assistance payments for families and individuals in need create the possibility for hidden agreements between employers and employees to not declare and register.

4.3 Labour mobility, emigration and remittances

Emigration has played a crucial role in Albania's transition.[22] An estimated 600,000-800,000 Albanians are living abroad, mainly in Greece and Italy, with significant and growing numbers in many other European countries and US. The population of Albania now numbers 3,087,000 inhabitants, which represents a 3 percent loss of population from the previous census[23]. Being aware that Albania still enjoys one of the highest population growth rates in Europe, this decrease is caused by a very intensive process of emigration. Within Albania, emigration has been particularly intense from the northern and southern extremities of the country. Thus, for more than 10 years has exported intensively labor force in the neighboring countries and worldwide which despite many other good things have created the dependency of the external balance to the remittances.

In the short-run, the effects of emigration on the Albanian economy have probably been positive: the remittances from Albanians living abroad, generally much larger than FDI, loans or grants (see Chart 11), have supported macroeconomic stability (through stabilising the exchange rate and hence inflation).[24] In addition, remittances have helped to enhance the standard of living and have brought skills and other western values to the previously extremely closed Albanian society.

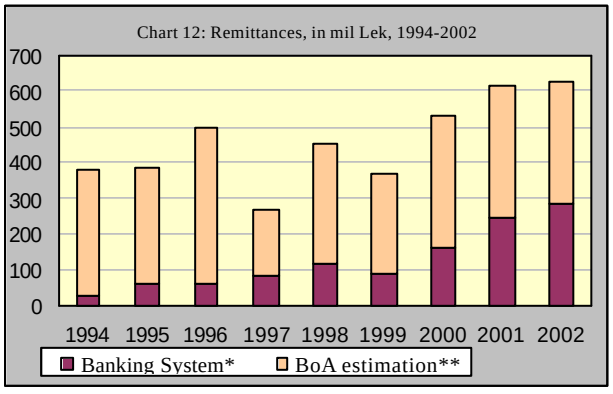


Remittances have been continuously high compensating for domestic low savings rates and keeping high domestic aggregate demand and small-scale private investment. Smoothing the effects of unemployment and poverty has been another virtue of emigration in Albania.

[22] The intention of Albanians to emigrate in large numbers was shown in early surveys of intentions – see Papapanagos and Sanfey (2001).
[23] Data from General Census 2001, INSTAT. The previous one was conducted in 1989.
[24] See Mancellari et al. (1996), Haderi et al. (1999) and Çuka et al. (2003).

Although at an average of 60 percent from 1993-2002[25], there is a decreasing tendency of remittances in the total of trade deficit. From a recent study[26] the tendency of emigrants to stay at the host countries is diminishing. 66% of them show willingness to come back in the country. Those who are living in Greece, which represent the biggest community, were the most favorable to the coming back (78.6%) in no more than 4.8 years and the general pool in no more than 5.6 years. Half of emigrants in Italy were thinking of investing back home in almost eight years. Their savings are mostly placed in their respective host countries. From the above study each emigrant has an average savings amount of 5 thousand euro in a year, giving an average of 40-72 thousand euro for each emigrant. However this tendency may not be relevant in the short and medium term. Remittances will continue to strongly support growth and alleviation poverty in Albania for quite some time. Moreover, short-term emigration in the neighbor EU countries, which is expected to remain high, fueled by income differentials, will continue to offset the unemployment effect on Albanian labour market balance.

Chart 12 shows another characteristic for Albanian remittances. A significant part of it enters the country in cash, thus its behavior is uncontrolled. Part of it is invested in productive activity and it is believed that most of it supports consumption. This might explain partially the fact that the monetary method estimation in the third section of the paper gives higher figures. There are several reasons why remittances are circulating in cash. First, there are high fees and commissions applied by banks and Western Union Agencies for servicing the transfers, which make the process undesirable and not economic for emigrants. Usually the size of the average amount of transfers is small creating room for traveling them in cash. Second, complicated and bureaucratic procedures for amounts over $5000 due to requirements of the Law of money laundering makes the transfer through banking channels unlikely. Finally the host country rules seem to include delays and strict rules of banks working with emigrants, especially for those without a clear legal status. Non-familiarity of Albanians with banks may also influence channeling of remittances at the informal and unrecorded market activities.



Source: Bank of Albania estimations, 2003. Notes: * Includes Western Union transactions. **Includes parallel market circulation.

[25] Data is coming from ACIT 2003.

[26] The Ministry of Labor and Social Affairs conducted the study with some international organizations and the results were published on *Gazeta Shqiptare*, 24 March 2004.

Domestic mobility is another important pillar of Albanian transition. Internal movements have been very high, contributing significantly to the volatility of the labour market. Once a well-organized society with strict limitations on movement, Albania is now a country where the freedom gained from the democratic changes has translated into a chaotic movement from rural areas to the urban ones, with tendencies to be around the big cities, especially Tirana[27]. The ratio between the urban population and the rural population has become greater. In 2002 42 percent of the country's population lived in towns and cities and 58 percent in villages, while in 1989 only 35 percent were living in towns and cities. Some underdeveloped mountainous areas such as Tropoja, for example, have lost half their population to migration.

Internal migration has created development problems. There are zones, especially northern mountains and northeastern part of the country where there are very little opportunities for development. In addition, the costal areas where this population is mostly newly located the infrastructure has worsened. The suburban areas of Tirana and other big cities in the center and south coast of the country suffer shortages of energy and water access and some time schooling and health care. Moreover people who are coming to the urban areas do not have enough skills to adapt themselves fast to the labor market. This has dramatically increased the number of people with long-term unemployment in the urban areas. Crime and poverty along with housing and health problems accompany this social stratum.

Labour mobility has also taken the form of seasonal movements. Agricultural workers mentioned above represent small plot owners in Albania who abandoned their land and work as seasonal workers in the neighbouring country, lured away by income differentials in the regional labour market. Because the visa regime is not liberalized this movement has increased the possibilities of corruption at the borders and among the official administration. Cross-border trafficking of humans represents a lucrative activity in the informal labour market, due to the high intensity of labour mobility.

5. Conclusion

This paper provides a comprehensive overview of the enterprise and employment sectors in Albania. Data limitations in Albania are often severe and the picture is complicated by different, not necessarily compatible, sources of data. Nevertheless, a clear picture is emerging of how Albanian firms and workers are coping with the transition. In the main, most enterprises are very small, micro or family organisations, reflecting the steep decline in large, state-owned industry and the predominance of agriculture in the economy, although a significant number of employees are still in state employment. The paper also shows that doing business in Albania is difficult. Corruption and bureaucratic obstacles are pervasive and many businesses circumvent these obstacles by operating in the informal sector.

Measuring the size of the informal sector in any economy is difficult, especially in Albania where much of the necessary data is missing. The paper attempts to apply some standard

[27] It is believed that Tirana is hosting 3 times more citizens than in the beginning of transition.

techniques for estimating informal sector activities, with mixed success. Probably the most that can be said with any confidence is that the informal sector accounts for at least 30 per cent of Albania's GDP, and possibly more than 50 per cent. In common with other studies, estimates based on national account discrepancies are lower than those that rely on monetary data.

Finally, the paper outlined recent developments in employment, both formal and informal. The sectional re-allocation of employment during the transition matches the enterprise developments outlined earlier in the paper, namely a large shift away from state sector employment to smaller, private businesses. The result has been high levels of unemployment and subsistence living, and very significant emigration, mainly to Greece and Italy.

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Statistical Appendix

The source of tables throughout the paper is INSTAT, Albania 2003, or otherwise as indicated.

Table1: Number of firms at Administrative Register (fiscal data-"repertori")

CODE	Description by Nace classification	1998	1999	2000	2001	2002
A	Forestry, logging, and related services activities	1003	791	812	735	732
B	Fishing and related services activities	238	183	204	201	219
C	Mining and quarrying	131	126	149	171	194
D	Manufacturing	5414	5090	5647	5574	6028
E	Electricity, gas and water supply	129	126	126	127	131
F	Construction	1905	1929	2051	2011	2163
G	Trade	29394	29421	33139	31947	33536
H	Hotels, Restaurants	5316	5217	5888	6032	6675
I	Transport, communications	8199	8561	10194	9494	9484
J	Financial activity	43	53	59	73	87
K	Real Estate, Renting and business activities	1870	2039	2338	2382	2466
L	Public administration, defence, social security	21	21	22	24	28
M	Education	279	249	280	255	288
N	Health	737	762	850	852	878
O	Other community, social and personal service activities	1751	1710	1889	1961	2156
P	Private households with employed persons.	10	8	8	6	6
Q	Activities of international organizations	15	14	14	14	14
	TOTAL	**56455**	**56300**	**63670**	**61859**	**65085**

Table2: Number of firms at Statistical Data (business survey data)

CODE	Description	1998	1999	2000	2001	2002
	I. Number of firms by NACE sections					
A	Forestry, logging, and related services activities	880	789	800	721	742
B	Fishing and related services activities	216	155	168	157	174
C	Mining and quarrying	155	136	152	156	177
D	Manufacturing	4940	4742	5150	4851	5246
E	Electricity, gas and water supply	114	102	104	107	108
F	Construction	1743	1696	1772	1690	1878
G	Trade	26613	26199	28101	25970	27388
H	Hotels, Restaurants	5113	5271	5973	6034	6736
I	Transport, communications	7388	7836	9192	8539	8495
J	Financial activity	43	57	66	76	94
K	Real Estate, Renting and business activities	1660	1830	2001	1950	2102
L	Public administration, defence, social security	32	28	29	31	37
M	Education	269	242	276	246	285
N	Health	701	750	839	816	868
O	Other community, social and personal service activities	1637	1689	1857	1866	2124
P	Private households with employed persons.	9	8	8	6	6
Q	Activities of international organizations	15	14	14	14	14
	TOTAL	**51528**	**51544**	**56502**	**53230**	**56474**
	II. Number of firms with less than 20 employees by NACE sections					
A	Forestry, logging, and related services activities	839	731	752	676	693
B	Fishing and related services activities	213	155	168	157	174
C	Mining and quarrying	112	95	119	119	148
D	Manufacturing	4708	4491	4884	4602	4982
E	Electricity, gas and water supply	30	14	16	17	19
F	Construction	1620	1575	1654	1576	1749
G	Trade	26544	26143	28022	25906	27335
H	Hotels, Restaurants	5098	5257	5955	6015	6715
I	Transport, communications	7319	7767	9120	8465	8418
J	Financial activity	38	52	55	66	83
K	Real Estate, Renting and business activities	1598	1775	1964	1916	2055
L	Public administration, defence, social security	26	24	25	26	30
M	Education	267	239	272	242	281
N	Health	695	749	837	813	864
O	Other community, social and personal service activities	1595	1643	1817	1822	2073
P	Private households with employed persons.	9	8	8	6	6
Q	Activities of international organizations	15	14	14	14	14
	TOTAL	**50730**	**50732**	**55682**	**52438**	**55639**

Table 3: Number of Employees at Administrative Register (fiscal data-"repertori")

CODE	Description by NACE classification	1998	1999	2000	2001	2002
A	Forestry, logging, and related services activities	5644	4855	4931	4680	4537
B	Fishing and related services activities	1074	680	718	708	731
C	Mining and quarrying	16077	16873	16640	17354	16580
D	Manufacturing	49150	43720	45427	44831	46648
E	Electricity, gas and water supply	13318	13280	13219	12972	13523
F	Construction	15987	15449	15934	15691	15911
G	Trade	41513	40327	47833	45844	47711
H	Hotels, Restaurants	9589	9155	9930	9795	10532
I	Transport, communications	23108	23130	25166	24339	24557
J	Financial activity	118	129	147	273	285
K	Real Estate, Renting and business activities	7737	7375	7802	7618	9062
L	Public administration, defence, social security	133	137	138	145	482
M	Education	410	361	401	364	430
N	Health	829	872	986	1007	1076
O	Other community, social and personal service activities	4668	4164	4452	4641	5624
P	Private households with employed persons.	15	13	13	10	10
Q	Activities of international organizations	16	14	14	14	14
	TOTAL	**189386**	**180534**	**193751**	**190286**	**197713**

Table 4: Number of Employees at Statistical Data (business survey data)

CODE	Description	1998	1999	2000	2001	2002
	I. Number of firms by NACE sections					
A	Forestry, logging, and related services activities	4158	4940	3928	3653	3961
B	Fishing and related services activities	608	353	396	365	389
C	Mining and quarrying	35436	33384	28775	30275	27592
D	Manufacturing	42642	39911	39199	36131	38482
E	Electricity, gas and water supply	23770	23936	23465	23125	23439
F	Construction	13694	12757	12552	11610	13879
G	Trade	39625	39171	41951	37028	37477
H	Hotels, Restaurants	9530	9283	10575	10562	11450
I	Transport, communications	26058	26311	28693	27220	26793
J	Financial activity	462	483	1207	1129	1233
K	Real Estate, Renting and business activities	7124	6923	6080	6171	7222
L	Public administration, defence, social security	263	310	326	351	755
M	Education	899	876	1007	964	1041
N	Health	853	917	1123	1157	1258
O	Other community, social and personal service activities	5485	5792	5421	5674	6332
P	Private households with employed persons.	15	14	9	6	6
Q	Activities of international organizations	16	14	14	14	14
	TOTAL	**210638**	**205375**	**204721**	**195435**	**201323**
	II. Number of firms with less than 20 employees by NACE sections					
A	Forestry, logging, and related services activities	1501	1279	1366	1252	1399
B	Fishing and related services activities	530	353	396	365	389
C	Mining and quarrying	491	384	530	542	746
D	Manufacturing	9949	9709	10596	10217	11251
E	Electricity, gas and water supply	186	100	113	139	122
F	Construction	5542	5458	6066	5966	7392
G	Trade	35226	34466	37139	34342	35442
H	Hotels, Restaurants	7772	7966	8994	9039	9719
I	Transport, communications	8949	9371	10894	10040	10110
J	Financial activity	93	113	131	205	238
K	Real Estate, Renting and business activities	2738	2932	3325	3284	3321
L	Public administration, defence, social security	69	69	85	77	82
M	Education	400	352	398	355	432
N	Health	796	880	1035	1027	1095
O	Other community, social and personal service activities	2129	2373	2617	2639	2977
P	Private households with employed persons.	15	14	9	6	6
Q	Activities of international organizations	16	14	14	14	14
	TOTAL	**76402**	**75833**	**83708**	**79509**	**84735**

Table 5: Number of firms and employees according to Geographical Distribution, 1998-2002, at Administrative Register

Code prefecture		Name of prefecture	No. of Firms_98	No. of Employees_98	No. of Firms _99	No. of Employees_99	No. of Firms _00	No. of Employees_00	No. of Firms _01	No. of Employees_01	No. of Firms _02	No. of Employees_02
C	1	BERAT	3156	14364	3489	14717	3740	15038	3703	14851	3501	15486
N	2	DIBER	2580	10696	2173	10774	2276	10975	1513	10521	1685	8987
C	3	DURRES	5844	21259	6305	21693	6707	22486	7240	22767	7973	24522
C	4	ELBASAN	4042	11834	4061	11645	4229	11818	4321	11949	4503	12390
C	5	FIER	4449	25413	2699	22339	3286	23005	3864	23188	4508	25251
S	6	GJIROKASTER	2844	8562	2950	8432	3149	8649	3080	8456	3183	8799
S	7	KORCE	3824	15561	3368	13497	4257	15435	4137	14011	4128	14149
N	8	KUKES	1511	5533	1496	5131	1334	4634	1349	4657	1481	4848
N	9	LEZHE	1776	6800	1823	6767	2221	7231	2383	7415	2549	7632
N	10	SHKODER	3047	11546	2156	9534	2424	9748	2329	9154	2408	9001
C	11	TIRANE	19447	49528	23028	50614	26881	58879	24423	57102	25088	59283
S	12	VLORE	3935	8290	2752	5391	3166	5853	3517	6215	4078	7365
		Total	**56455**	**189386**	**56300**	**180534**	**63670**	**193751**	**61859**	**190286**	**65085**	**197713**

Note: C= Center; N= North; S= South (authors classification)

Table 6: **Number of firms and employees according to Geographical Distribution, 1998-2002, at Statistical Data (business survey data)**

Code prefecture	Name of prefecture	No. of Firms_98	No. of Employees_98	No. of Firms _99	No. of Employees_99	No. of Firms _00	No. of Employees_00	No. of Firms _01	No. of Employees_01	No. of Firms _02	No. of Employees_02
I. Number of all firms by geographical distribution											
C 1	BERAT	2851	9714	3227	9625	3419	9247	3379	8463	3071	8801
N 2	DIBER	2274	8388	1987	7424	2039	5940	1387	6645	1525	3756
C 3	DURRES	5615	21116	5926	22137	6056	21216	6483	20285	6954	21443
C 4	ELBASAN	3875	12117	3775	12840	3876	10117	3797	9852	3699	10636
C 5	FIER	2919	34923	2623	33135	3143	30560	3727	30984	4006	33143
S 6	GJIROKASTER	2703	7090	2642	6951	2718	5992	2578	5202	2539	5559
S 7	KORCE	3680	12551	3215	11594	4014	13493	3934	11988	3824	11833
N 8	KUKES	1402	4472	1391	4243	1165	3306	1117	3108	1197	2940
N 9	LEZHE	1690	5720	1639	5914	1977	6166	2097	5917	2192	5793
N 10	SHKODER	2886	10670	2059	7103	2290	7210	2215	6786	2253	7162
C 11	TIRANE	17973	73903	20521	75399	22977	84473	19413	78542	21644	81370
S 12	VLORE	3660	9974	2539	9010	2828	7001	3103	7663	3570	8887
	Total	**51528**	**210638**	**51544**	**205375**	**56502**	**204721**	**53230**	**195435**	**56474**	**201323**
II. Number of firms with less than 20 employees by geographical distribution											
C 1	BERAT	2810	4015	3183	4344	3377	4561	3338	4648	3027	4355
N 2	DIBER	2247	3176	1962	2788	2015	2965	1364	2186	1506	2418
C 3	DURRES	5545	8305	5830	9007	5964	9319	6399	9518	6856	10622
C 4	ELBASAN	3817	5633	3716	5542	3819	5647	3739	5577	3636	5585
C 5	FIER	2838	4629	2554	4136	3085	4777	3656	5322	3935	5717
S 6	GJIROKASTER	2671	3862	2607	3773	2684	3754	2547	3603	2500	3627
S 7	KORCE	3599	5048	3135	4514	3932	5675	3858	5604	3749	5661
N 8	KUKES	1374	2416	1366	2392	1147	1939	1100	1801	1180	2039
N 9	LEZHE	1665	2652	1604	2428	1947	2912	2067	3112	2164	3401
N 10	SHKODER	2846	4657	2016	3481	2249	3633	2171	3421	2205	3389
C 11	TIRANE	17697	26787	20255	29850	22668	34659	19133	30519	21351	32738
S 12	VLORE	3621	5222	2504	3578	2795	3867	3066	4198	3530	5183
	Total	**50730**	**76402**	**50732**	**75833**	**55682**	**83708**	**52438**	**79509**	**55639**	**84735**

Note: C= Center; N= North; S= South (authors classification)

Table 7: No of firms and employees distributed according to the ownership and legal form, 1998 -2002, at Administrative Data

Ownership Form	No. of Firms_98	No. of Employees_98	No. of Firms _99	No. of Employees _99	No. of Firms _00	No. of Employees _00	No. of Firms _01	No. of Employees _01	No. of Firms _02	No. of Employees _02
Physical Person (Household ownership)	41910	48765	41817	47633	48146	54948	47260	52396	50033	54978
Juridical Person (a+b+c+d)	14545	140621	14483	132901	22524	138803	14599	137890	15052	142735
a. State owned	556	80388	516	77859	515	77727	508	77158	519	76882
b. JSC, LLC, etc.	10436	37629	10435	34762	11336	39814	11176	40831	11853	46260
c. Join venture	2133	16055	2084	15106	2164	15586	1793	14788	1669	14647
d. Foreign ownership	1420	6549	1448	5174	1509	5685	1122	5113	1011	4946
Total	**56455**	**189386**	**56300**	**180534**	**63670**	**193751**	**61859**	**190286**	**65085**	**197713**

Note: JSC=Joint Stock Companies; LLC=Limited Liabilities Companies

Table 8: No of firms and employees distributed according to the ownership and legal form, 1998-2002, at Statistical Data

Ownership Form	No. of Firms_98	No. of Employees_98	No. of Firms_99	No. of Employees _99	No. of Firms_00	No. of Employees_00	No. of Firms_01	No. of Employees_01	No. of Firms_02	No. of Employees _02
I. Number of all firms by ownership and legal form										
Physical Person (Household ownership)	38550	45964	39144	46257	44427	52905	42717	49711	45578	53034
Juridical Person (a+b+c+d)	12978	164674	12400	159118	12075	151816	10513	145724	10896	148289
a. State owned	520	101590	467	96707	436	85096	414	81617	407	76315
b. JSC, LLC, etc.	9364	36386	9091	39133	9146	44565	8435	44635	8905	51521
c. Join venture	1858	17270	1668	14023	1465	11924	1063	10714	993	10134
d. Foreign ownership	1236	9428	1174	9255	1028	10231	601	8758	591	10319
Total	**51528**	**210638**	**51544**	**205375**	**56502**	**204721**	**53230**	**195435**	**56474**	**201323**
II. Number of firms with less than 20 employees by ownership and legal form										
Physical Person (Household ownership)	38543	45451	39139	45878	44419	51777	42711	49431	45571	52736
Juridical Person (a+b+c+d)	12187	30951	11593	29955	11263	31931	9727	30078	10068	31999
a. State owned	151	1375	100	954	99	975	100	1006	104	1046
b. JSC, LLC, etc.	9109	22765	8832	22439	8858	24883	8135	24260	8557	26388
c. Join venture	1754	4411	1562	4159	1369	3828	971	3261	901	3052
d. Foreign ownership	1173	2400	1099	2403	937	2245	521	1551	506	1513
Total	**50730**	**76402**	**50732**	**75833**	**55682**	**83708**	**52438**	**79509**	**55639**	**84735**

Note: **JSC=Joint Stock Companies; LLC=Limited Liabilities Companies**

Table 9: No. of firms and employees according to their size, 1998-2002, at Administrative Register

Size (no. of employees)	No. of Firms_98	No. of Employees_98	No. of Firms _99	No. of Employees _99	No. of Firms _00	No. of Employees _00	No. of Firms _01	No. of Employees _01	No. of Firms _02	No. of Employees _02
1-4 employees	54011	67204	54102	66124	60932	73195	58781	69567	61896	72667
5-9 employees	1050	6394	924	5635	1406	8053	1803	9960	1849	10265
10-19 employees	579	7149	537	6615	551	6782	519	6396	542	6720
20-49 employees	360	10703	323	9597	327	9724	302	9036	324	9723
50 + employees	455	97936	414	92563	454	95997	454	95327	474	98338
Total	**56455**	**189386**	**56300**	**180534**	**63670**	**193751**	**61859**	**190286**	**65085**	**197713**

Table 10: No of firms and employees according to their size, 1998-2002, at Statistical Data

Size (no. of employees)	No. of Firms_98	No. of Employees_98	No. of Firms _99	No. of Employees _99	No. of Firms _00	No. of Employees _00	No. of Firms _01	No. of Employees _01	No. of Firms _02	No. of Employees _02
1-4 employees	49135	62899	49183	62524	53583	67344	50131	61995	53484	66747
5-9 employees	1061	6747	1034	6598	1544	9167	1777	10536	1519	9531
10-19 employees	534	6756	515	6711	555	7197	530	6978	636	8457
20-49 employees	335	10230	368	11353	367	11258	381	11883	410	12465
50 + employees	463	124006	444	118189	453	109755	411	104043	425	104123
Total	**51528**	**210638**	**51544**	**205375**	**56502**	**204721**	**53230**	**195435**	**56474**	**201323**

Table 11: Number of Employees distributed according to NACE classification, legal form and ownership, at Statistical Data

CODE	Description	Physical Person (Household ownership)	Juridical Person (a+b+c+d)				Total
			State owned a.	JSC, LLC, etc b.	Joint venture c.	Foreign ownership d.	
A	Forestry, logging, and related services activities	541	2180	1024	186	30	3961
B	Fishing and related services activities	230		128	31		389
C	Mining and quarrying	124	25753	1605	64	46	27592
D	Manufacturing	4221	4422	16357	6535	6947	38482
E	Electricity, gas and water supply	13	21963	1410	50	3	23439
F	Construction	404	1540	10327	594	1014	13879
G	Trade	25483	465	9309	1611	609	37477
H	Hotels, Restaurants	8635	1339	1068	181	227	11450
I	Transport, communications	8528	14384	3322	218	341	26793
J	Financial activity	13		949	41	230	1233
K	Real Estate, Renting and business activities	1626	2104	2875	137	480	7222
L	Public administration, defence and social security	12	646	96		1	755
M	Education	275	1	713	7	45	1041
N	Health	942		202	72	42	1258
O	Other community, social and personal service activities	1982	1518	2134	407	291	6332
P	Private households with employed persons.	5		1			6
Q	Activities of international organizations			1		13	14
	TOTAL	**53034**	**76315**	**51521**	**10134**	**10319**	**201323**

Table 12: Number of Firms distributed according to NACE classification, legal form and ownership, 2002, at Statistical Data

CODE	Description	Physical Person (Household ownership)	Juridical Person (a+b+c+d)				Total
			State owned a.	JSC, LLC, etc b.	Joint venture c.	Foreign ownership d.	
A	Forestry, logging, and related services activities	441	48	230	17	6	742
B	Fishing and related services activities	123		45	6		174
C	Mining and quarrying	20	22	120	9	6	177
D	Manufacturing	3037	35	1745	287	142	5246
E	Electricity, gas and water supply	1	91	13	1	2	108
F	Construction	212	35	1513	57	61	1878
G	Trade	23075	18	3613	468	214	27388
H	Hotels, Restaurants	6405	12	286	20	13	6736
I	Transport, communications	7963	87	384	33	28	8495
J	Financial activity	10		66	4	14	94
K	Real Estate, Renting and business activities	1490	34	489	34	55	2102
L	Public administration	12	7	17		1	37
M	Education	202	1	78	3	1	285
N	Health	792		54	11	11	868
O	Other community, social and personal service activities	1790	17	250	43	24	2124
P	Private households with employed persons.	5		1			6
Q	Activities of international organizations			1		13	14
	TOTAL	**45578**	**407**	**8905**	**993**	**591**	**56474**

Table 13: Number of firms with increasing and decreasing employment, 1998-2002, at Statistical Data

CODE	Description	Dec 1998-Dec 1999		Dec 1999-Dec2000		Dec 2000-Dec 2001		Dec 2001-Dec 2002	
		Job creation	Job destruction	Job creation	Job destruction	Job creation	Job destruction	Job creation	Job destruction
A	Forestry, logging, and related services activities	25	17	26	24	1		30	17
B	Fishing and related services activities	11	7	13	11	8	6	12	4
C	Mining and quarrying	33	40	36	33	38	38	50	37
D	Manufacturing	543	358	555	373	437	329	591	318
E	Electricity, gas and water supply	27	18	12	33	19	22	25	21
F	Construction	373	304	405	334	281	193	529	199
G	Trade	947	525	1230	723	897	713	1034	711
H	Hotels, Restaurants	211	92	306	92	228	85	190	77
I	Transport, communications	114	89	147	93	120	120	154	87
J	Financial activity	3	3	11	4	1		11	
K	Real Estate, Renting and business activities	63	54	96	86	87	69	77	81
L	Public administration, defence and social security	1		1				3	
M	Education	2		5	4			3	1
N	Health	4	3	14	3	1		3	1
O	Other community, social and personal service activities	45	36	37	49	24	26	53	29
P	Private households with employed persons.								
Q	Activities of international organizations								
	Total	**2402**	**1546**	**2894**	**1862**	**2142**	**1601**	**2765**	**1583**

Table 14: Average Number of Employees distributed according to NACE classification, at Statistical Data

CODE	Description	1998	1999	2000	2001	2002
	I. Average number of employees by NACE sections					
A	Forestry, logging, and related services activities	4.7	6.3	4.9	5.1	5.3
B	Fishing and related services activities	2.8	2.3	2.4	2.3	2.2
C	Mining and quarrying	228.6	245.5	189.3	194.1	155.9
D	Manufacturing	8.6	8.4	7.6	7.4	7.3
E	Electricity, gas and water supply	208.5	234.7	225.6	216.1	217.0
F	Construction	7.9	7.5	7.1	6.9	7.4
G	Trade	1.5	1.5	1.5	1.4	1.4
H	Hotels, Restaurants	1.9	1.8	1.8	1.8	1.7
I	Transport, communications	3.5	3.4	3.1	3.2	3.2
J	Financial activity	10.7	8.5	18.3	14.9	13.1
K	Real Estate, Renting and business activities	4.3	3.8	3.0	3.2	3.4
L	Public administration, defence, social security	8.2	11.1	11.2	11.3	20.4
M	Education	3.3	3.6	3.6	3.9	3.7
N	Health	1.2	1.2	1.3	1.4	1.4
O	Other community, social and personal service activities	3.4	3.4	2.9	3.0	3.0
P	Private households with employed persons.	1.7	1.8	1.1	1.0	1.0
Q	Extra-territorial organization	1.1	1.0	1.0	1.0	1.0
	TOTAL					
	II. Average number of employees by NACE sections at firms with less than 20 employees					
A	Forestry, logging, and related services activities	1.8	1.7	1.8	1.9	2.0
B	Fishing and related services activities	2.5	2.3	2.4	2.3	2.2
C	Mining and quarrying	4.4	4.0	4.5	4.6	5.0
D	Manufacturing	2.1	2.2	2.2	2.2	2.3
E	Electricity, gas and water supply	6.2	7.1	7.1	8.2	6.4
F	Construction	3.4	3.5	3.7	3.8	4.2
G	Trade	1.3	1.3	1.3	1.3	1.3
H	Hotels, Restaurants	1.5	1.5	1.5	1.5	1.4
I	Transport, communications	1.2	1.2	1.2	1.2	1.2
J	Financial activity	2.4	2.2	2.4	3.1	2.9
K	Real Estate, Renting and business activities	1.7	1.7	1.7	1.7	1.6
L	Public administration, defence, social security	2.7	2.9	3.4	3.0	2.7
M	Education	1.5	1.5	1.5	1.5	1.5
N	Health	1.1	1.2	1.2	1.3	1.3
O	Other community, social and personal service activities	1.3	1.4	1.4	1.4	1.4
P	Private households with employed persons.	1.7	1.8	1.1	1.0	1.0
Q	Extra-territorial organization	1.1	1.0	1.0	1.0	1.0
	TOTAL					

Table 15: Average number of employees by geographical distribution, at Statistical Data

Code prefecture		Name of prefecture	1998	1999	2000	2001	2002
I. Average number of employees by geographical distribution, all firms							
C	1	BERAT	3.4	3.0	2.7	2.5	2.9
N	2	DIBER	3.7	3.7	2.9	4.8	2.5
C	3	DURRES	3.8	3.7	3.5	3.1	3.1
C	4	ELBASAN	3.1	3.4	2.6	2.6	2.9
C	5	FIER	12.0	12.6	9.7	8.3	8.3
S	6	GJIROKASTER	2.6	2.6	2.2	2.0	2.2
S	7	KORCE	3.4	3.6	3.4	3.0	3.1
N	8	KUKES	3.2	3.1	2.8	2.8	2.5
N	9	LEZHE	3.4	3.6	3.1	2.8	2.6
N	10	SHKODER	3.7	3.4	3.1	3.1	3.2
C	11	TIRANE	4.1	3.7	3.7	4.0	3.8
S	12	VLORE	2.7	3.5	2.5	2.5	2.5
		Total	4.1	4.0	3.6	3.7	3.6
II. Average number of employees by geographical distribution, at firms with less than 20 employees							
C	1	BERAT	1.4	1.4	1.4	1.4	1.4
N	2	DIBER	1.4	1.4	1.5	1.6	1.6
C	3	DURRES	1.5	1.5	1.6	1.5	1.5
C	4	ELBASAN	1.5	1.5	1.5	1.5	1.5
C	5	FIER	1.6	1.6	1.5	1.5	1.5
S	6	GJIROKASTER	1.4	1.4	1.4	1.4	1.5
S	7	KORCE	1.4	1.4	1.4	1.5	1.5
N	8	KUKES	1.8	1.8	1.7	1.6	1.7
N	9	LEZHE	1.6	1.5	1.5	1.5	1.6
N	10	SHKODER	1.6	1.7	1.6	1.6	1.5
C	11	TIRANE	1.5	1.5	1.5	1.6	1.5
S	12	VLORE	1.4	1.4	1.4	1.4	1.5
		Total	1.5	1.5	1.5	1.5	1.5

Note: C= Center; N= North; S= South (authors classification)

Table 16: Average number of employees by ownership and legal form, 1998-2002 at Statistical Data

Ownership Form	1998	1999	2000	2001	2002
I. Average number of employees by ownership and legal form, all firms					
Physical Person (Household ownership)	1.2	1.2	1.2	1.2	1.2
Juridical Person (a+b+c+d)					
a. State owned	195.4	207.1	195.2	197.1	187.5
b. JSC, LLC, etc.	3.9	4.3	4.9	5.3	5.8
c. Join venture	9.3	8.4	8.1	10.1	10.2
d. Foreign ownership	7.6	7.9	10.0	14.6	17.5
Total					
II. Average number of employees by ownership and legal form at firms with less than 20 employees					
Physical Person (Household ownership)	1.2	1.2	1.2	1.2	1.2
Juridical Person (a+b+c+d)					
a. State owned	9.1	9.5	9.8	10.1	10.1
b. JSC, LLC, etc.	2.5	2.5	2.8	3.0	3.1
c. Join venture	2.5	2.7	2.8	3.4	3.4
d. Foreign ownership	2.0	2.2	2.4	3.0	3.0
Total					

Map of Albania with Administrative division (prefectures)

Note: The above division in North, South and Centre is author's classification for research purposes and without any prejudice.

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