

Analyses Of Demographic Changes, Labor Market Trends, And Challenges In Albania

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Abstract

Albania has seen significant political and socioeconomic changes in the last 30 years, owing mostly to its participation in democratization and the transition to an open market economy. The purpose of this study is to investigate demographic dynamics in Albania to better understand the country's current population situation and the near future projection for the period 2025-2031. The relevance of analyzing this topic is to better understand actual demographic changes in Albania and to have a detailed projection of the situation in the near future. The article begins by analyzing important demographic changes and their effects on a country's economy, specifically the labor market. Furthermore, we demonstrated the trajectory of demographic changes in Albania for various main demographic parameters such as births, deaths, natural increase, marriage, divorces, and numbers of foreigners in Albania, using data from the Institute of Statistics in Albania (INSTAT). The following are presented population projections for ten coming years. The changes that have happened in the labor market are presented here to better comprehend the effects and repercussions of these demographic changes. The descriptive analysis of the main demographic indicators shows that the population is rapidly declining, posing a serious problem with numerous consequences, particularly in the labor market, necessitating the implementation of immediate policies to mitigate this phenomenon and its consequences. It makes a technical contribution by employing an approach that allows for fresh estimations of the amount of internal migration, demographic changes, and labor market issues in Albania. The results of the research can be useful for policymakers to initiate social, fiscal, and incentive policies to mitigate the decline and aging of the population.

Keywords: development, indicators, migration, policies, population.

JEL Classification: J10, J12, J29.

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1. Introduction

The purpose of this article is to conduct a detailed analysis of demographic changes and the labor market in Albania to identify the major changes that have happened, as well as the key causes and implications. Demographic structures have evolved rapidly in recent years, owing mostly to economic, political, and social factors. We used data from the Institute of Statistics (INSTAT) for some of the important demographic variables, such as births, deaths, marriages, divorces, foreigners living in Albania, and the number of emigrants, to conduct our analysis. The main research questions that we attempted to answer in this article are a) what is the population trend in Albania, b) what are the population expectations for the next 10 years, c) what are the main causes causing this trend, and d) what are the main consequences of these demographic changes, and e) what is the effect of these demographic changes on the labor market.

Research questions:

From the analysis of the data, it is noticed that the main demographic indicators have harmed the population structure in Albania, leading to a decrease in the population and aging of the population. Although there has been an increase in the number of immigrants, this has been insufficient. Even the projection for the population in 2031 shows that the trend will continue and the population in the country will fall significantly.

The reasons for this poor performance of demographic indicators are numerous, including the country's difficult economic and social situation, which has resulted in fewer births, fewer marriages, more divorces, and more emigrants, as well as the numerous opportunities offered by developed countries, which have served as an attraction-motivation for a large number of people. It is currently moving from the problem of unemployment to the problem of labor shortages. Demographic changes have led to labor shortages or unskilled workers. In the following sections are presented all the demographic indicators and relevant characteristics.

The following is how the paper is structured. The introduction comes first, followed by the literature review in the second part. The third portion discusses trends and the key demographic indicators in Albania, while the fourth section discusses the research's limits and future work initiatives.

2. Literature Review

In the early 1990s, Albania built the basis for democratic reforms and a market economy. Albania is through a protracted transition period. Muharremi et al, (2022) stated that despite being during a relatively long transition period, Albania has demonstrated a bevy of internationally widespread issues and has a varied influence. According to Matuka and Asafo's (2021) findings, the transportation, communication, and financial services sectors, all have a favorable influence on economic growth, whereas the manufacturing sector has a negative impact. Albania witnessed a population revolution as a result of the confluence of socioeconomic and demographic changes in fertility, death, and, most notably, migration. Demographic changes are primarily concerned with a population's size, age structure, and geographic distribution as a result of events such as birth, death, and migration. In general, demographic changes relate to population composition based on a variety of factors such as age, location, marriage or relationship status, parental status, education, work, vocation, industry participation, sickness, disability, housing, ethnicity, religion, and so on. Todaro (1969) develops an economic behavioral model to explain the decision to relocate from a rural to an urban region. An idea similar to this has been widely utilized to explain other population swings. As a result, demography theory is fundamentally about change: why do humans wish to transition from one state of being to another?

The demographic profiles of a population (for example, age composition) certainly have an important effect in defining a country's fiscal needs and fiscal ability. (Macurdy and Nechyba, 2011). Demographic shifts, particularly the aging population, alter the structure and amount of government spending and revenue. The combination of aging and welfare government programs has significant direct consequences for government spending on public old-age pensions, health care, and elder care, while taxpayer numbers may stay stable or even decline (Aaberge et al., 2004). Fanti and Spataro (2013) discovered that debt reduction techniques could be either useful or detrimental to fertility recovery. The sign of the debt-reducing effect on fertility is impacted by, among

other economic factors, the quantity of outstanding public debt: when such debt is very substantial, its reduction is expected to aid recovery.

When evaluating the influence of demographic change on the labor market in the twenty-first century, it is helpful, to begin with, two particular changes: population aging and probable population reduction. Population aging is defined as a rise in the average or median age of a population—it is an increase in the relative share of individuals in older age groups (e.g., 65 and older) and a reduction in the relative share of persons in younger age groups (e.g. aged 15 and below). A decrease in a country's population is simply referred to as population decline. Although there are some parallels between population aging and population decline (e.g., both are primarily driven by long-term fertility decrease, but the former is also influenced by longer lifespan), they are distinct and will have different effects on the labor market. Furthermore, if participation rates remain constant, real population decline will result in a contraction in the labor force. In this way, population decline and labor force decline are intricately related, as are population aging and labor force aging. It is critical to emphasize that population aging is not just a "rich-country" issue. People are living longer lifetimes in "developing" countries, Bloom, Canning, and Fink (2003). Most of these countries' populations are expected to decline for some time. In contrast, the problems and issues related to population aging/decline in developed countries give some insight into "what's to come" in these countries. Changes in the labor force's age structure may be considered as a 'trade-off' between pay and employment impact. Population aging may result in unemployment for both older and younger people if labor markets do not change (Fertig & Schmidt 2005).

According to Bloom et al. (2003), population aging will tend to lower laborforce participation and savings rates, raising concerns about slowing economic growth; however, behavioral responses (such as increasing female labor-force participation) and policy reforms (such as raising the legal retirement age) can mitigate the negative economic consequences of an older population. Muto, et al. (2012) use the fertility rate and the longevity rate to capture population growth and composition. Callen et al. (2004) employ the working-age population share and the elderly population share as independent variables. They utilize the proportion of the working-age population and the proportion of the elderly as dependent variables. While variations in fertility and mortality are major drivers of demographic change, due to the long lag, they may not be a good indicator for analyzing the macroeconomic impact of demographic change.

3. Methodology

This article examines Albania's demographic realities in recent years and attests to the changes that have resulted from this circumstance. Its primary concentration is on national-level analyses of key demographic indicators. Much of the information supplied is based on INSTAT data, but the research also used a range of other national and international sources to supplement it. The article's several parts provide a plethora of descriptions and demographic statistics presented in graphs and tables for an easy interpretation. However, the report's purpose is to go beyond merely reporting indicators and numbers and to give explanations and interpretations of the findings. An interpretative framework has been developed for this purpose, which has helped to orient the study, make sense of crucial findings, and generate expectations for the demographic future. Furthermore, for some issues, this study goes beyond descriptive statistics. The diagnostic analysis is used in an attempt to understand the effect that past indicators have had on the current situation to provide a cause-and-effect analysis. In addition, for the population indicator analysis, we employed predictive analysis to generate a more accurate estimate of the total population and population age based on the distribution of the population by age groups.

4. Trends of main demographic indicators in Albania

Albanian culture and families have changed dramatically since the country's political and economic framework was changed in 1990. Births, marriages, divorces, deaths, natural growth emigration (which was previously prohibited), and population are all on the rise. We shall examine the performance of some of the main demographic indicators in the sections that follow. Since 1990, the demographic curve has declined considerably faster than predicted by national and international agencies. From 1989 to 2020, the age range of 15-29 years declined by 30% due to high levels of migration within this group, which was followed by dramatically lower birth rates from year to year. According to Eurostat statistics, 219 thousand Albanians sought asylum in EU

nations between 2010 and 2019, with 80 % of them being under the age of 34. The reasons stated in the polls are connected to unemployment and a lack of optimism, better opportunities for their kids, and possibilities of better education for them.

4.1. Birth, deaths, and natural increase

The table below shows that the number of births has declined dramatically, while the number of deaths has increased only a little, except for 2020, which cannot be used as a basis for a rising trend due to the pandemic COVID 19. Natural growth has been in considerable reduction every year, impacted by the number of deaths due to pandemics natural growth for 2020 has been small.

Table 1. Births, deaths, and natural increase 2016-2021

Years	Births	Deaths	Natural increase
2016	31733	21388	10345
2017	30869	22232	8637
2018	28934	21804	7130
2019	28561	21937	6624
2020	28075	27605	470
2021	27284	30580	- 3296 (decrease)

Source: INSTAT Albania.

For the first time, we see a negative natural rise in 2021 (decrease). The number of births has decreased while the number of deaths has increased significantly, there are 3296 more deaths than births. This indicates that the situation is deteriorating.

4.2. Marriage and divorce

Table 2. Total marriages, total divorces, and divorces per 1000 marriages 2015-2020

Years	Total marriages	Total divorces	Divorces per 100 marriages
2015	24,997	3,761	15.0
2016	22,562	4,345	19.3
2017	22,641	4,508	19.9
2018	23,104	4,846	21.0
2019	22,415	5,860	26.1
2020	17,473	4,267	24.4

Source: INSTAT Albania.

Marriage was once common in the Albanian culture, and remarriage, widowhood, or other causes - particularly among men - were common. However, current research shows a postponement of marriage, a drop in remarriage rates, and even the presence of the phenomena of abandonment. The low marriage rate is presently mirrored in an increase in divorces. According to 2019 statistics, Albania has the highest divorce rate in the area, with a gross rate of 2.1 per 1000 inhabitants. The number of marriages and divorces is another key demographic shift to consider. Divorces are on the rise, owing to a variety of economic, psychological, and societal issues. According to the figure above, divorces grew by 2099 from 2015 to 2019, or from 15 divorces per 100 marriages in 2015 to 26.1 divorces per 100 marriages in 2019.

The number of marriages is decreasing year after year, which is impacted by population decline and the desire to marry later in life. Between 2015 and 2019, there was a decline of 2,582 marriages, from 24,997 marriages in 2015 to 22,415 marriages in 2019.

4.3. Foreigners in Albania

Apart from Albanian emigration abroad, due to recent economic development, lower cost of living than in European countries, the opening of many foreign businesses, the many universities that accept international students, and marriages of ever more Albanians with foreigners, there have been an increasing number of foreigners who have been immigrated to Albania. According to the table below, there were 10,563 foreigners with residence permits in 2015, but this number has risen to 13,507 in 2019, representing a 27.87 % growth in just five years. When we look at them by age group, we see that the Above 60 age group saw the greatest growth, with a 45.11 % increase (from 1095 people in 2015 to 1,589 people in 2019).

This increase is mostly explained by the large number of European retirees who chose to migrate to Albania because of the low cost of living, allowing them to build a better life with a fixed income (pension). Another key element influencing the increase in the number of immigrants in this age group is favorable weather. The number of foreigners in Albania is expected to increase in 2020. This rise is primarily made up of people above the age of 60.

Table 3. Foreigners with a residence permit in Albania by age group, 2015-2020

Years	2015	2016	2017	2018	2019	2020
Age group (Total)	10,563	12,519	12,906	14,162	13,507	13,609
Up to 19	1,126	1,166	1,275	1,387	1,525	1,150
20-29	2,130	2,100	2,149	2,191	2,441	1,729
30-39	2,435	2,720	2,815	3,100	3,146	2,732
40-49	2,057	2,384	2,358	2,564	2,597	2,512
50-59	1,720	2,711	2,713	2,977	2,209	2,870
Above 60	1,095	1,438	1,596	1,943	1,589	2,616

Source: INSTAT Albania.

The table below illustrates the number of foreigners based on their purpose for applying. According to the data, most Albanian immigrants, or 55.02 % (7,432 people), are here for a job, while 27.36 % (3,696 people) are here for a family reunion. The impact of demographic changes on the labor market, i.e. immigration, is highlighted here. According to the table, there were fewer foreigners in Albania in 2020 for a job, study, or family reunification purposes, while there was a considerable increase in the number of foreigners who have come to Albania for humanitarian reasons.

Table 4. Foreigners with a residence permit in Albania according to the application reason, 2015-2020

Years	2015	2016	2017	2018	2019	2020
Total	10,563	12,519	12,906	14,162	13,507	13,609
Employment	5,862	6,263	6,334	6,950	7,432	6,465
Family Reunification	2,573	2,783	2,982	3,303	3,696	3,334
Study	842	652	656	633	750	277
Humanitarian	863	2,395	2,381	2,558	820	2,679
Other	423	426	553	718	809	854

Source: INSTAT Albania.

When we look at the number of foreigners in Albania by country of origin, we can see that the majority, or 66.41%, are from Europe. This is explained by the number of European firms operating in Albania and hiring employees from European countries, as well as the number of people over the age of 60, who are mostly from European countries. Asia accounts for 18.57 % of all foreigners who have come to Albania; this percentage is made up primarily of people from China who have resided in Albania for many years and workers from poor Asian countries (mainly Bangladesh and the Philippines).

Table 5. Foreigners with residence permits by country of origin, 2015-2020

Years	2015	2016	2017	2018	2019	2020
Total	10,563	12,519	12,906	14,162	13,507	13,609
Europe	7562	8,324	7,637	8,212	8,971	7,724
Asia	1711	3,244	3,618	4,022	2,509	4,048
Africa	271	225	341	494	535	534
USA	991	703	1,268	1,396	1,443	1,253
Oceania	28	23	42	38	49	50

Source: INSTAT Albania.

4.4. Emigration

A concerning issue in recent years has been the mass exodus of persons of various ages and occupations. The table below shows the number of persons who have immigrated, emigrated, and the net migration. From 2016 to 2019, there is a large increase in emigration, resulting in net migration of -9,473 people in 2016 to -23,082 people in 2019. It is worth mentioning that due to the pandemic and mobility limitations, that cannot be seen as a trend in 2020, with a net migration of -16,684 persons. Emigrants are primarily doctors and nurses who migrate to Germany, but they also include other individuals who travel alone or with their families to Germany, England, Greece, Italy, and other countries.

Table 6. Number of immigrants, emigrants, and net migration, 2016-2020

Year	Immigrants	Emigrants	Net migration
2016	23,060	32,533	-9,473
2017	25,003	39,905	-14,902
2018	23,673	38,703	-15,030
2019	20,753	43,835	-23,082
2020	7,170	23,854	-16,684

Source: INSTAT Albania.

4.5. Population

The table below shows the total population divided by gender over the last seven years. Albania had a total population of 2,875,592 people on January 1, 2016, with 50.72 % males and 49.28 % females. The trend has been decreasing, and the population on January 1, 2022, was only 2,793,592 people, with 49.65 % males and 50.35% females. The ratio of females to males has shifted in 2019, which can be explained mostly by females' longer life expectancy and males' increased migration.

Table 7. Population on first January by age group and gender 2016-2022

Year	M	M %	F	F %	Total
2016	1,458,451	50.72	1,417,141	49.28	2,875,592
2017	1,453,541	50.53	1,423,050	49.47	2,876,591
2018	1,438,609	50.12	1,431,715	49.88	2,870,324
2019	1,429,594	49.94	1,432,833	50.06	2,862,427
2020	1,420,613	49.92	1,425,342	50.08	2,845,955
2021	1,409,982	49.83	1,419,759	50.17	2,829,741
2022	1,387,060	49.65	1,406,532	50.35	2,793,592

Source: INSTAT Albania.

Table 8, below compares the projection of the population in January 2031 to the population on January 1, 2022, separated by age group and gender. On 1 January 2022, the age group 25-29 years comprises 8.19% of the whole population, while the population over 65 years constitutes 15.72 % of the total population. According to projections for 1 January 2031, the age group 25-29 would account for only 5.94% of the overall population, while the age group over 65 will account for 21.82% of the whole population, representing a 6.1% raise. It is worth noting that the decreasing rate of population and the increasing rate of population aging in recent years, especially the decline of 36,149 people from 1 January 2021 to 1 January 2022 (1.28% decline) of the total population and the increase of 7,694 people over 65 years old for the same period shows that the projection for 1

January 2031 is very optimistic and the real population in January 2031 may be much lower and the population will be much older.

Table 8. The population on January, 1st 2022, and projection for 2031 by age group and gender

Age group	January, 1 st 2022				*Projection 2031		Change
	M	F	Total	% Total	Total	% Total	
0-4	71,489	67,002	138,491	4.96	148,036	5.39	+
5-9	79,844	78,734	158,578	5.67	147,080	5.36	-
10-14	80,976	78,043	159,019	5.69	138,958	5.06	-
15-19	93,320	89,877	183,197	6.56	151,968	5.54	-
20-24	101,815	101,448	203,263	7.28	146,895	5.35	-
25-29	113,768	115,124	228,892	8.19	163,082	5.94	-
30-34	107,410	101,817	209,227	7.49	186,675	6.8	-
35-39	92,423	86,038	178,461	6.39	205,391	7.48	+
40-44	79,527	80,438	159,965	5.73	189,835	6.91	+
45-49	79,573	84,767	164,340	5.88	169,312	6.17	+
50-54	88,662	95,716	184,378	6.6	156,217	5.69	-
55-59	94,545	99,274	193,819	6.94	164,730	6	-
60-64	93,899	98,838	192,737	6.9	178,706	6.51	-
65-69	74,520	80,184	154,704	5.54	183,139	6.67	+
70-74	55,131	60,328	115,459	4.13	166,608	6.07	+
75-79	39,208	42,784	81,992	2.93	121,568	4.43	+
80-84	28,192	32,848	61,040	2.18	75,290	2.74	+
85+	12,758	13,272	26,030	0.94	52,507	1.91	+
Total	1,387,060	1,406,532	2,793,592	100	2,745,996	100	-

Source: INSTAT Albania.

These results are an unsettling indicator since they highlight the struggle that the country is likely to face, particularly in two vital areas. First, we are projected to have a big labor shortage due to a decline in the number of people of working age, and second, we are likely to have problems with the pension system due to a significant increase in the number of individuals with pension age. It is vital to develop measures to discourage workers from leaving employment, particularly skilled workers and those working in sensitive fields such as education and health. The government has simplified the procedures for hiring foreign workers from local firms and has also set some incentives and increased salaries for health and education workers, but the trend of layoffs has not stopped, and the concern is even greater given that employees who are hired and can be obtained from abroad are primarily immigrants from Asian countries (Bangladesh, Pakistan, Philippines, and Nepal) unskilled workers to be used in health and education. Regarding the pension scheme reform, the government has set a gradual increase in the retirement age, but this is insufficient because, first, with the increase in the retirement age, the number of people included in the scheme will increase (population growth over 65 minus people who will still have to wait to join the scheme due to aging) and, second, with the increase in the number of contributors from those people who will still work and after reaching 65, the total effect in the number of contributors will be declining due to the decrease in the number of young population. If insufficient policies and improvements are adopted, the country would almost certainly suffer substantial social and economic consequences after a decade.

4.6. Urban and rural population

The shift of the people towards metropolitan areas and the abandoning of villages is a troubling phenomenon in Albania today. Among the primary causes of this problem is the desire for a better career, better education for children, better health care, and a lack of infrastructure (drinking water, roads, etc.). The effects are numerous: much of the land is barren, and in outlying settlements, a lack of children has resulted in the closure of most schools, with the remaining students having to travel miles to the nearest school. In the developing world, it is widely agreed that the shadow economy exists and that it is more prevalent in rural than urban areas (World bank report 2013). The informal sector, according to Muharremi et al. (2014), impedes long-term economic development and productivity growth. A competitive climate that is unfriendly also adds to financial imbalance and social injustice. The informal public economy degrades service efficiency, quality, and quantity.

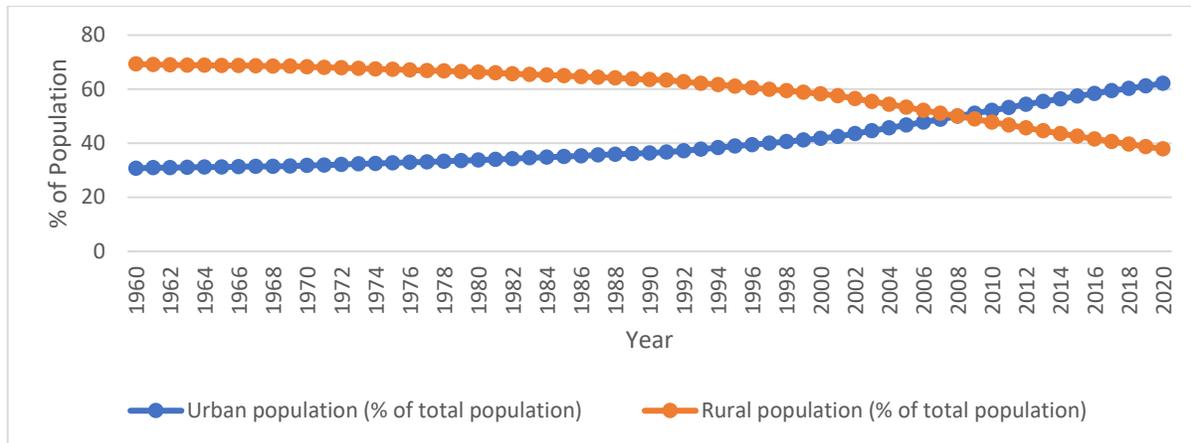


Figure 1. Urban and Rural Population

Source: World Bank.

The graph below depicts the urban and rural population from 1960 to 2020. The chart shows a diminishing rural population and a growing urban population, which is comparable to the trend seen in many other emerging countries. In 1960, the urban population accounted for only 30.7 % of the total, while the rural population accounted for 69.3 %. In 1990, at the end of the communist system and the state-controlled economy, only 36,2 % of the people lived in cities, with the remaining 63.8 % living in rural areas. The trend has continued over time, and in 2009, for the first time, the share of the population living in urban areas surpassed the share of the population living in rural areas, with 51.1 % of the population living in urban areas and 48.9% of the population living in rural areas, respectively. In 2020, the situation appears to be deteriorating, with 62.1% of the population living in urban regions and only 37.9% living in rural areas.

5. Labor-market changes

It is observed that there is a mismatch between supply and demand in the relationship between the educational system and employment. On the supply side, there is an excess of graduates in most fields, especially business, administration, and law, while on the demand side, there is a shortage of graduates in Natural Sciences. The lack of work experience is a major barrier that students confront as they transition from higher education to the labor market. Employers frequently expect graduates with job experience in a competitive market, which disadvantages graduates who did not have any work experience during their studies. According to Crocco (2021), educational institutions such as universities and technical and vocational education and training institutes have an influence on human resource development not just inside national boundaries but also on the regional workforce. It is necessary to create and increase qualification opportunities through vocational courses and training, for individuals with lower education to enable them to be included in the labor market. Another noticeable trend is the economy's concentration on micro-enterprises, which account for more than 90% of all firms and employ more than 33% of all workers. However, in essential industries like agriculture, this group accounts for 99.5% of all companies, indicating the concentration of micro-enterprises in this sector.

5.1. Unemployment

Despite strong economic growth and a visible increase in the private sector's share of GDP, job creation in the formal sector has not been enough to keep unemployment below double digits. The unemployment rate in Albania fell from 13.65% in Q4 of 2017 to 12.05% in 2021. The following figure shows the unemployment rate by gender for the last 4 years. From figure 2, we see that from 2017 to 2019 there has been a significant decrease, while in 2020 it has increased due to the pandemic and quarantine that causes the closure of many businesses. In 2021 the situation has slightly improved, marking an unemployment rate of 12.05%, respectively 11.75% for men and 12.38% for women, clearly showing that women are more likely to be unemployed.

Until 2019, which belongs to the period before the pandemic, the situation is different. The unemployment rate for men has been higher than for women respectively in 2017 results were 14.13% for men and 13.01% for women. It is necessary to undertake motivational and incentive policies for companies to be oriented towards the employment of women.

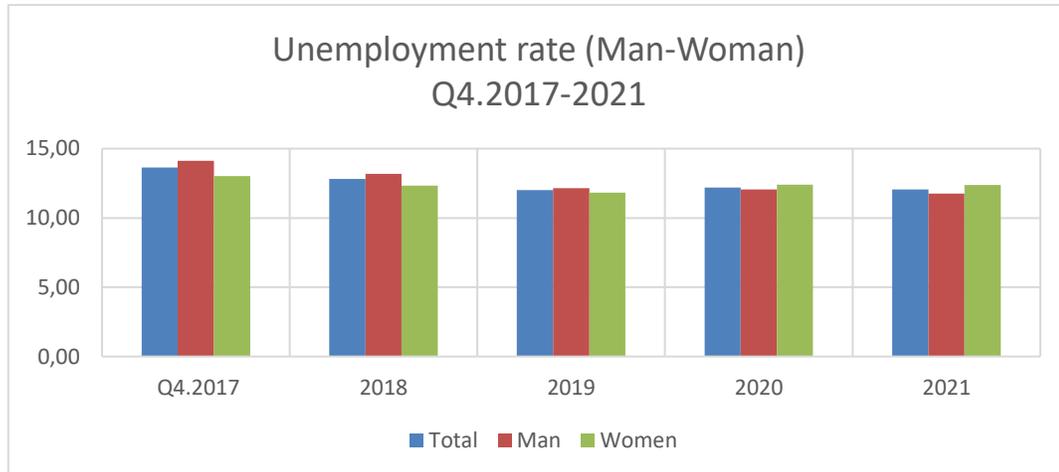


Figure 2. Unemployment rates by gender 2017-2021

Source: INSTAT Albania.

For a region like Albania, where unemployment is high and wages are low, fiscal reforms such as imposing a flat income tax or reducing social security, combined with raising the minimum wage, would improve the situation of individuals. who has as a source of income only wage income and is vulnerable to poverty?

5.1.1. Costs of unemployment

Unemployment incurs significant financial expenditures, which the government utilizes to support the unemployed. One of the most evident effects of unemployment is a decrease in personal income as a result of job loss.

The cost of unemployment is divided into two categories:

1. Financial cost

A high unemployment rate, from an economic standpoint, indicates a reduction in current GDP, i.e. the current GDP indicator is lower than the potential GDP indicator.

2. Cost of living

In addition to economic costs, unemployment is coupled with social costs, which, while harder to quantify, are no less significant. Unemployment has a variety of societal costs:

- Depreciation of human capital;
- Increased crime nationwide;
- Decreased personal dignity and deteriorating health of the unemployed.

5.1.2. The main causes of unemployment

Over the years, efforts have been made to ameliorate Albania's unemployment status. According to Sinaj (2017), some of the causes of increasing unemployment and low salaries in Albania include labor supply surplus and restricted demand, fiscal measures such as the implementation of a flat income tax, or reductions in social security. Recently, government groups have emphasized the need for secondary vocational education. Albania has typically been centered on services rather than significant industry. The service industry is critical to the economic, political, and administrative developments taking place in Albania according to Muharremi et al, (2013). The current trend

is for everyone to complete their university degrees and obtain professional employment. Although a promising trend, it is not supported by the labor market's current demands. Promoting vocational secondary education toward crafts and services is a priority for the implementation of a new employment plan.

What are the main causes of unemployment in Albania?

- High level of informality of the economy.
 - Lack of orientation towards vocational schools,
 - Low level of wages and tendency to work informally.
 - Impact of remittances
 - The negative impact that technological development has brought
 - Lack of qualified workers (with work experience).

Between 1992 and 2012, Madani et al. (2013) evaluated the influence of remittances on Albanians' living standards and the country's GDP. The findings show that Albanian households spend their remittances on necessities like food and health care; yet, when remittances are limited, the quality of life declines, and both factors influence the percentage of GDP. A long-term solution would be to change Albania's current economic paradigm. The transition from a liberal free market economy to a free market social economy is referred to as changing the economic paradigm. As is the situation in other European countries where a fair and balanced share of economic growth, employment growth, and job creation is established. This modification is regarded as one of the most secure methods for economic development to be correlated with new jobs.

5.1.3. Albanian labor market issues

The Albanian labor market is plagued by many issues that must be addressed to improve the overall situation and, as a result, boost the level of employment.

Among them are the following:

- Unfavorable environment for company growth.
- Jobs in the private non-agricultural sector are scarce.
- Low pay and tough working circumstances.
- Poverty and a low standard of living are widespread.
- A high level of informality exists in the market.
- Inadequate vocational education and training.
- High levels of migration.
- Women continue to have lower employment and salary levels than males.
- Lack of orientation institutions for the unemployed.

5.2. Labor force shortage

The lack of labor force is a severe and growing issue as a direct result of the diminishing population. The labor market in other cities in the country is facing a considerable scarcity of personnel due to poor wages, a mismatch between skills and market needs, moving overseas, and moving to the capital (Tirana) (salesman, waiter, bartender, painter, welder, etc). Some organizations have recently begun hiring people from Asia, although this has not been very efficient, owing to high prices, the tendency of those coming to leave for the European Union, and the problems in adapting to the language/work environment.

The phenomenon of population decline due to various factors and also the aging of the population which as shown in the projection for the next 10 years will continue at an even faster pace showing that labor force shortage will be an increasingly serious problem.

6. Conclusions and recommendations

There is no country remaining today that has not begun the process of demographic transformation. So far, most developed nations have passed through the decreasing fertility period, and all developed countries have completed the transition. Albania was the latest European country to join the transition period. One of the most important difficulties plaguing the Albanian economy is unemployment. Official data indicate consistent unemployment; however, these figures are untrustworthy. Only individuals who have registered as jobless with the employment authorities are shown as such. Because of the great informality of the labor market, employment figures are likewise unreliable, thus we must rely on indirect facts to determine why unemployment is so high. Unemployment remains a worrying problem for more than two decades, which conditions the current well-being, affects the future of generations, and determines the course of many social phenomena. In terms of immigration, the situation is much more pressing, as the number of people arriving is rapidly increasing. The number of foreigners in Albania has constantly been increasing, which is the only good indicator of the demographic condition. Although migration is seen as a very beneficial source of income for Albanian families as well as a valuable risk management technique, it encourages the phenomenon of brain circulation. Because migrants obtained occupational training and experience in emigration nations, brain circulation has the potential to help the future. Cini et al (2011) said that training activities are useful in assisting companies in responding to external difficulties in a more constructive manner. The combined result of these indicators, especially the mass emigration has brought a considerable decline in population and a prognosis for a continual decrease, emphasizing the urgency of this occurrence and the necessity for immediate action to minimize the effects on the labor market which has started to face difficulties for skilled labor. And unlike a few years ago when the tendency for emigration was observed in persons with minimal education and work experience, now there is an increasing trend to emigrate mainly from persons with a high level of education and several years of experience.

Also, to be noted is the aging population and the ever-increasing number of people of retirement age, increasingly adhering to the social insurance scheme which needs additional and increasing funding from the state budget.

Some of the recommendations made to policymakers based on the findings of the analysis are as follows:

- The Albanian labor market continues to suffer from a high level of informality. We advocate offering ongoing and more advantageous incentives for employment formalization, such as more flexible contracting, to employees in particular.
- As a regulator and representative of some aspects of social development and free enterprise, the state should support and control the network of vocational schools, particularly in rural regions. We urge that state institutions be guided not just by capacities and market offers, but also by the primary patterns and orientations of rural development and the labor market in general. According to Dong and Manning (2017), there has been considerable talk about increasing productivity by investing in training and apprenticeships, as well as expanding vocational training along the lines of the German model.
- Creating and expanding qualifying opportunities for those with less education through vocational courses and training, allowing them to participate in the job market. According to Kholis et al.,(2020), the areas of general administration and academic management of the vocational high school are rated satisfactory based on the findings of their research study.
- Institutions that provide information and job aid should be more proactive in finding new ways to reach out to those in need. It is essential to improve Regional Employment Agencies' responsibilities.
- Minimum wage increases are also expected to reduce unemployment, as labor participation has fallen according to Siregar (2020). Creating more productive employment and higher wages are critical components in eliminating poverty and enhancing a country's living standards. As a result, we recommend that efforts to enhance the business climate be vigorously encouraged and supported by tax cuts, particularly for small businesses, as well as decreases in the amount of social and health insurance contributions (labor costs).

6.1 Limitations of the study and future research

The limitations of the study above come mostly from the data used for analysis. The data are secondary, displaying simply the values for some demographic indicators without providing information on the main reasons for the problems. The labor market study should be more complete, using several different indicators to provide a more complete view of the situation.

Future research on the Albanian labor market should be conducted to better understand the market's challenges and tendencies in the future.

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