Poverty and inequality: The role of economic and social factors in reducing poverty. Case Study Albania

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1. Although Albania experienced impressive, per-capita economic growth over the decade up to 2009 and modest growth since then, it remains one of the poorest countries in the Balkan region.

2. Poverty reduction is a key objective of the Albanian government, it is important to update the information base used to guide poverty-reduction policies

3. Poverty and inequality depend on several factors that can be summarized in three in three main groups:
a. demographic,
b economic

c. social.

Poverty remains subject to study for more than one reason

☐ It is tangible in our daily lives.

☐ We live it one way or another, but we perceive it in ways different.

☐ Still today remains a very complex issue and away final solution.

☐ Policy making and policy makers need the help of academic arguments. This too is an impetus for poverty study

☐ *The main objective of this study is:*

To Identify which are the factors or individual characteristics that determine the poverty situation

Specific objectives are:

a. **Comparison of poverty measured by various indicates nationally INSTAT surveys.**

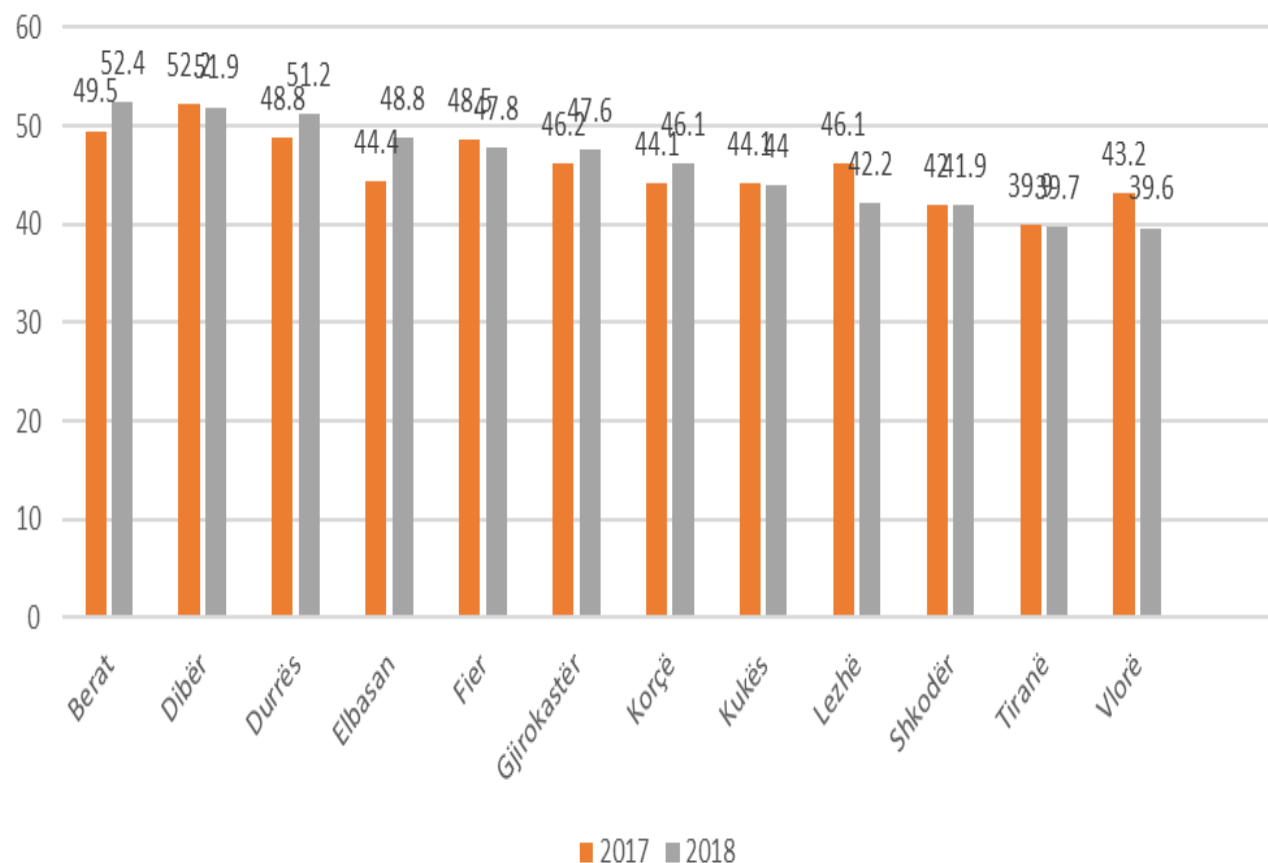b. **To Identify demographic, economic, social and impact factors an individual's poverty**

In support of these arguments also come data reported by institutions responsible as INSTAT

: data appear alarming as time indicator of poverty in

a. 2002 was 25.4%

b. 2008 was 12.4%

c. 2012 was 14.3%

d. 2017 was 13.4%

The new poverty- mapping was made possible by the availability of the **2012 Living Standards Measurement Study** (LSMS) survey and the 2011 census

Pesha e shpenzimeve për ushqime në buxhetin e familjeve shqiptare, sipas qarqeve

Legend: ■ 2017 ■ 2018

Region	2017	2018
Berat	49.5	52.4
Dibër	52.5	51.9
Durrës	48.8	51.2
Elbasan	44.4	48.8
Fier	48.6	47.8
Gjirokastër	46.2	47.6
Korçë	44.1	46.1
Kukës	44.1	44
Lezhë	46.1	42.2
Shkodër	42	41.9
Tiranë	39.9	39.7
Vlorë	43.2	39.6

Budget expenditure by region
Berati, Dibra, Durrësi dhe Elbasani according with Instat during 2018 around 50% of budget goes to food

POPULLSIA QË JETON ME MË PAK SE 5 USD NË DITË

35.9% 2014
35.4% 2015
33.9% 2016
32.8% 2017
31.3% 2018

the % of the population living below $ 5 per day from 2014 to 2018

GDP growth was 2,31% less than the IMF's forecast, which was around 3.5%

The population distribution in % by poverty thresholds in Western Balkan

Compared to the region, Albania has the lowest percentage of population exceeding the 10 $ threshold per day.

Shpërndarja e popullsisë në % sipas pragjeve të varfërisë në Ballkanin Perëndimor
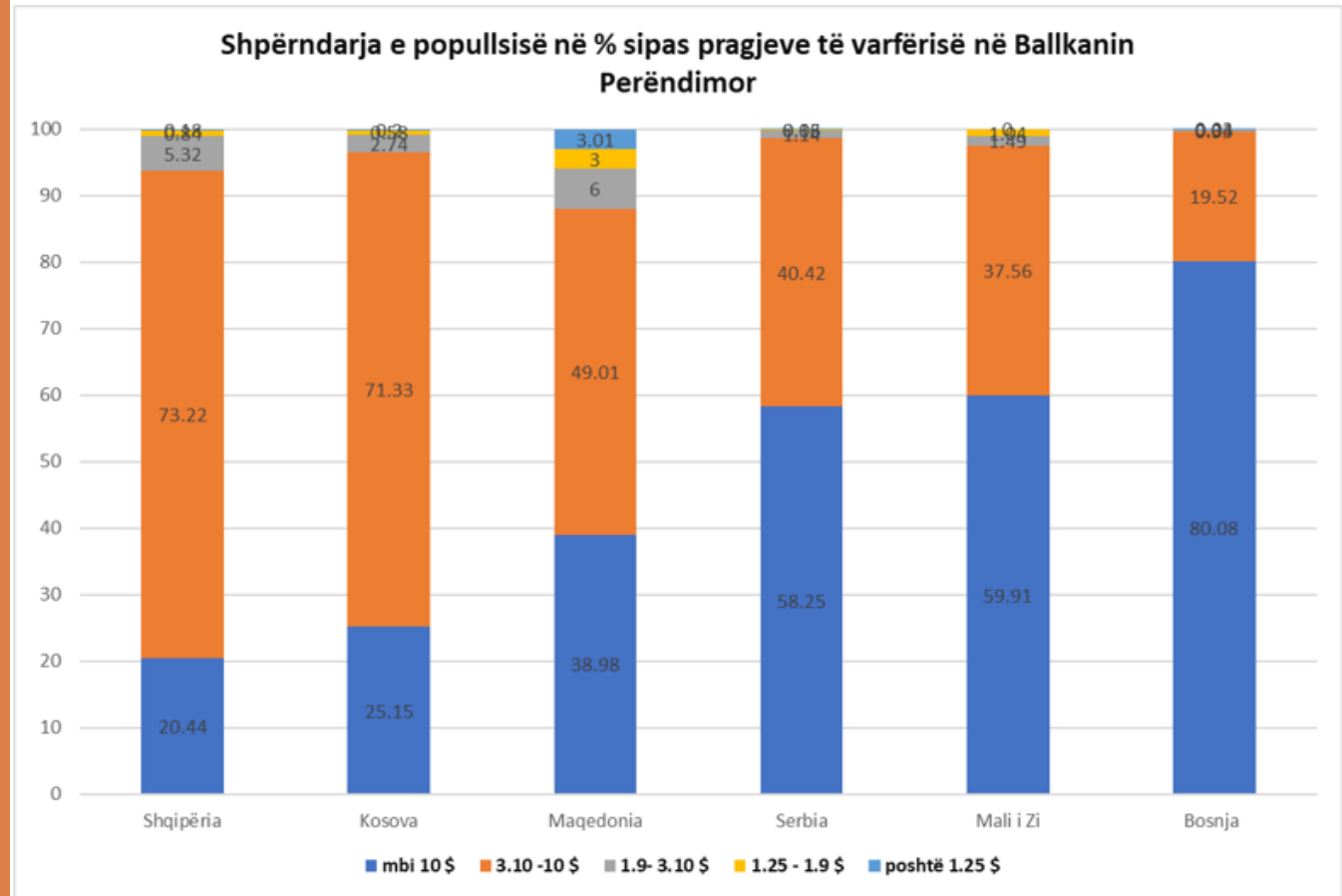
A. According to INSTAT (2009), which is based on LSMS surveys, and wage and pension increases were accompanied by a strong reduction in poverty from 2002 to 2008.

B. In fact, between 2000 and 2009, Albania enjoyed an average annual growth rate of about 6%, but in 2009, growth fell to 3.3% and has remained low since then.

C Since 2009, poverty in Albania increased from 12.4% to 14.3% in 2012 (INSTAT 2013) and 13.4% in 2017 and 12.3% in 2018

Labour force balance, 2014-2018 according to INSTAT

Today the average income is 5236

According to World Bank

Description	2014	2015	2016	2018	2018
Labour force	1,067	1,122	1,163	1,185	1,213
male	604	598	608	621	637
female	463	523	555	564	570
Employed	925	973	1,043	1,096	1,138
Male	534	525	548	579	601
Female	391	447	495	517	531
Registered jobseekers	142	149	120	89	75
Male	70	73	60	42	36
female	72	76	60	47	39

The poverty is increased because of

a. slower economic growth

b. a decline in remittances from Albanians emigrants

c. Increased unemployment

d. inflation rate .

The Gini coefficient, which measures the index of inequality, has decreased over the last decade (2008-2018) according to the "Demography and health", report which was formulated by INSTAT and Health Institute this survey include 16. 800 from 2017 -2018.

The Gini coefficient in Albania in 2018 was 0.11

ACCORDING TO THE LITERATURE, THE MAIN DETERMINANTS OF THESE POVERTY TRENDS IN ALBANIA ARE

- Age of population

- Education

- Internal and Internation migration.

- Today the average age is 35.3 years, and the target group which include 65 years is 11%

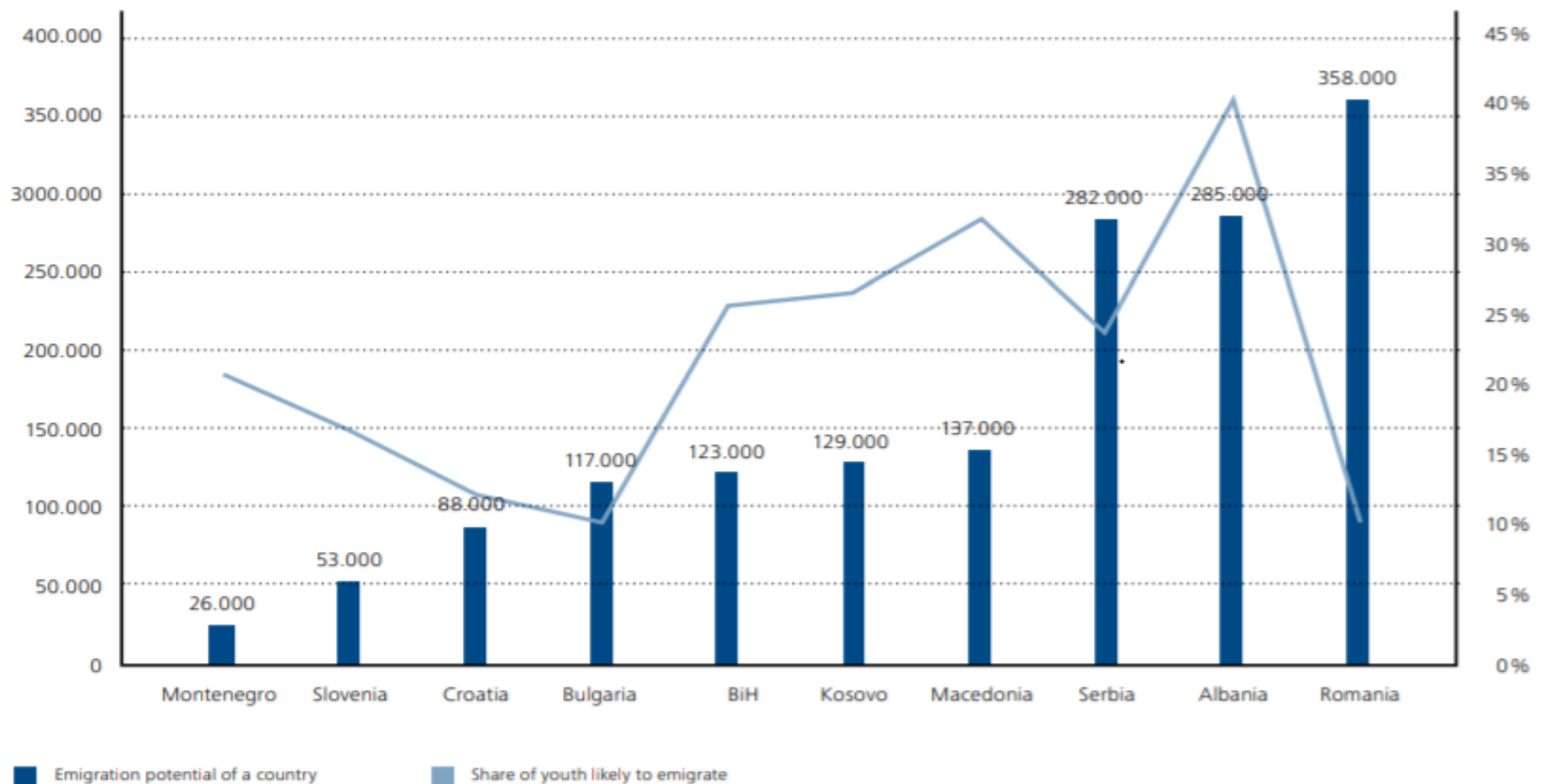- Education as an indicator with a long-time effect on poverty reduction

According to the German foundation Ebert on youth education in JL Europe 285 thousand Albanians plan to leave from the country in the coming years

More than 60% of population live in Tirana which is the capital

The economic factors and the negative perception of the situation in their country of origin are strong motivating factors for youth immigration

FIGURE 9.7: **Youth emigration potential, by country**

Legend: Emigration potential of a country | Share of youth likely to emigrate

Bar values: Montenegro 26.000, Slovenia 53.000, Croatia 88.000, Bulgaria 117.000, BiH 123.000, Kosovo 129.000, Macedonia 137.000, Serbia 282.000, Albania 285.000, Romania 358.000

Methodology and Data

The study is based on **primary data** supplemented and supported by *secondary data*.

Primary data has been collected through surveys, using structured questionnaires and consulting with field experts.

Secondary data has been collected from various publications, such as magazines, books, websites, and other sources.

Data

The two primary data sources used for the Albanian Poverty Map are the 2012 LSMS and the 2011 census.

a.   The strength of the LSMS data is its measurement of consumption, which is the direct basis for measuring poverty,

a.   b. while the strength of the census data is its coverage of all households.

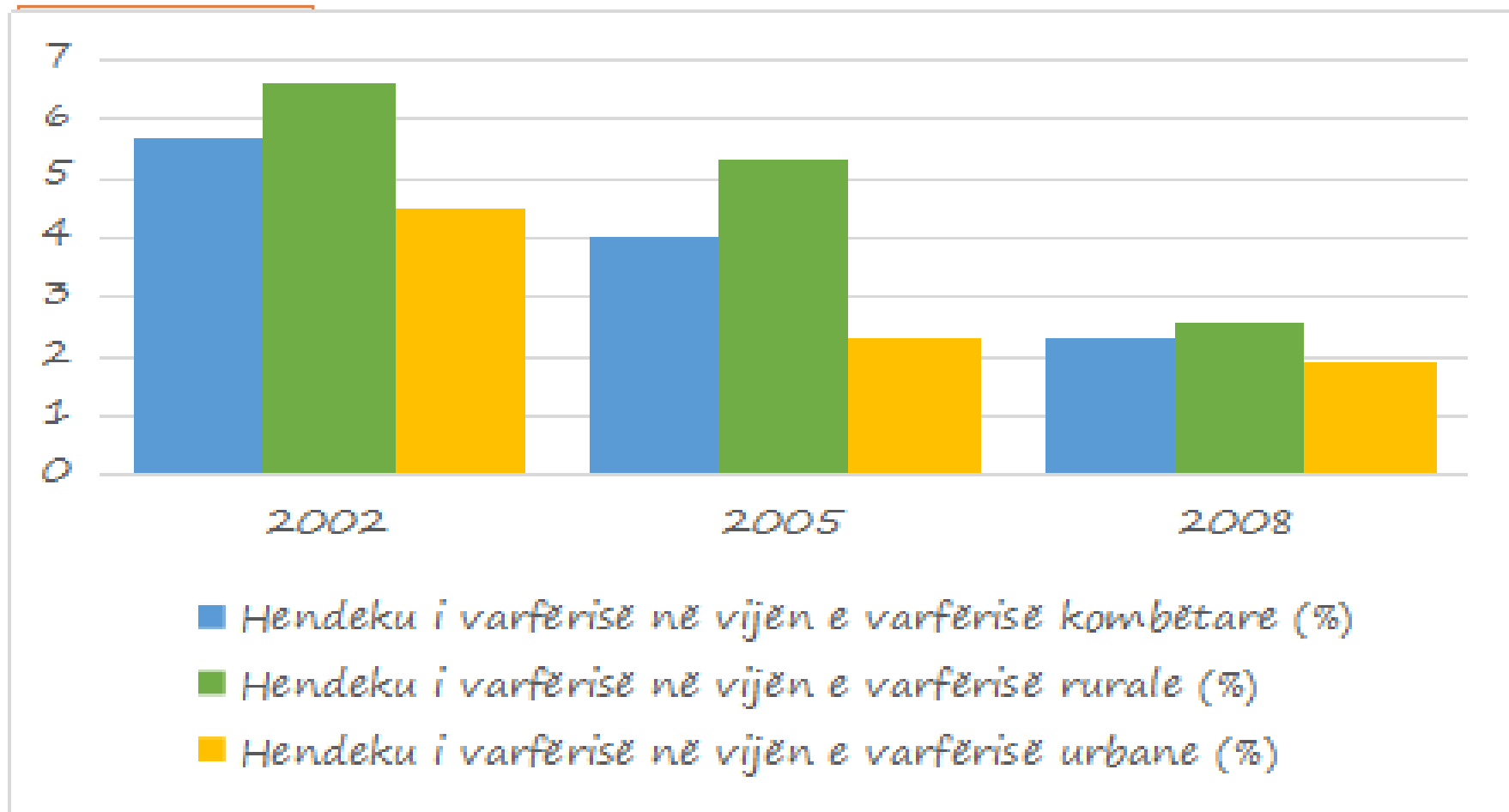*There are three widely used is the way to establishing a poverty line: 1.standard, 2 relative and 3subjective*

a. In Albania the poverty line used by INSTAT is absolute. national poverty line of 4,890 lek in the 2002 value of the currency, applied to all the results

b. The EU uses a relative poverty standard; 50% of the income

c. While subjective poverty lines are constructed using PCA (Principal Components Analysis),

- The national poverty line is a measure of the country's economic policy and can best guide it. We find it in two forms:

- The Urban poverty line focuses on urban areas.

- The Rural poverty line focuses on rural areas

- Generally, the cost method is known differently as the consumption method,

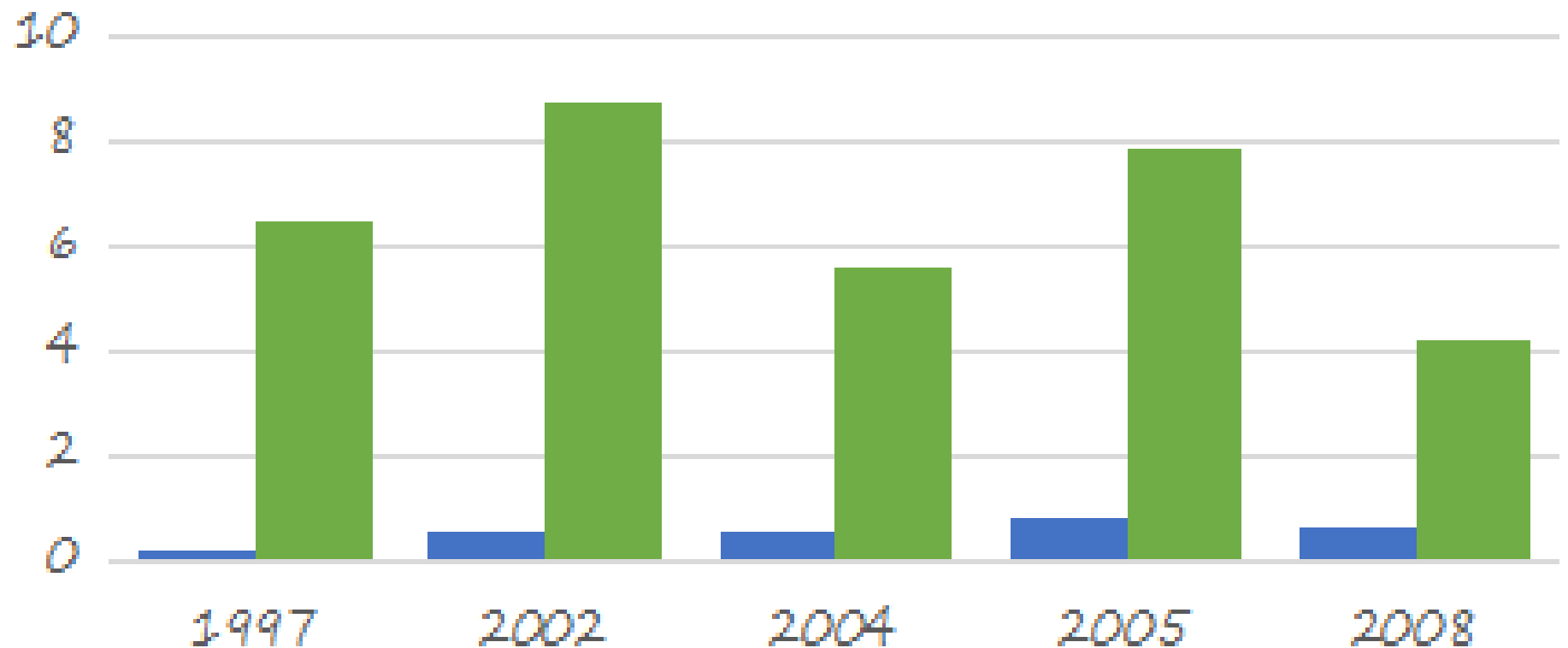- where a variable is considered, including all expenditures on consumed goods and services

The poverty gap
a. in the national poverty line
b. in the rural poverty line
c. in the urban poverty line

Legend:
- Hendeku i varfërisë në vijën e varfërisë kombëtare (%)
- Hendeku i varfërisë në vijën e varfërisë rurale (%)
- Hendeku i varfërisë në vijën e varfërisë urbane (%)

The poverty ratio 1.25 and $ 2 a day (% of population)

Poverty headcount ratio at $1.25 a day (PPP) (% of population)
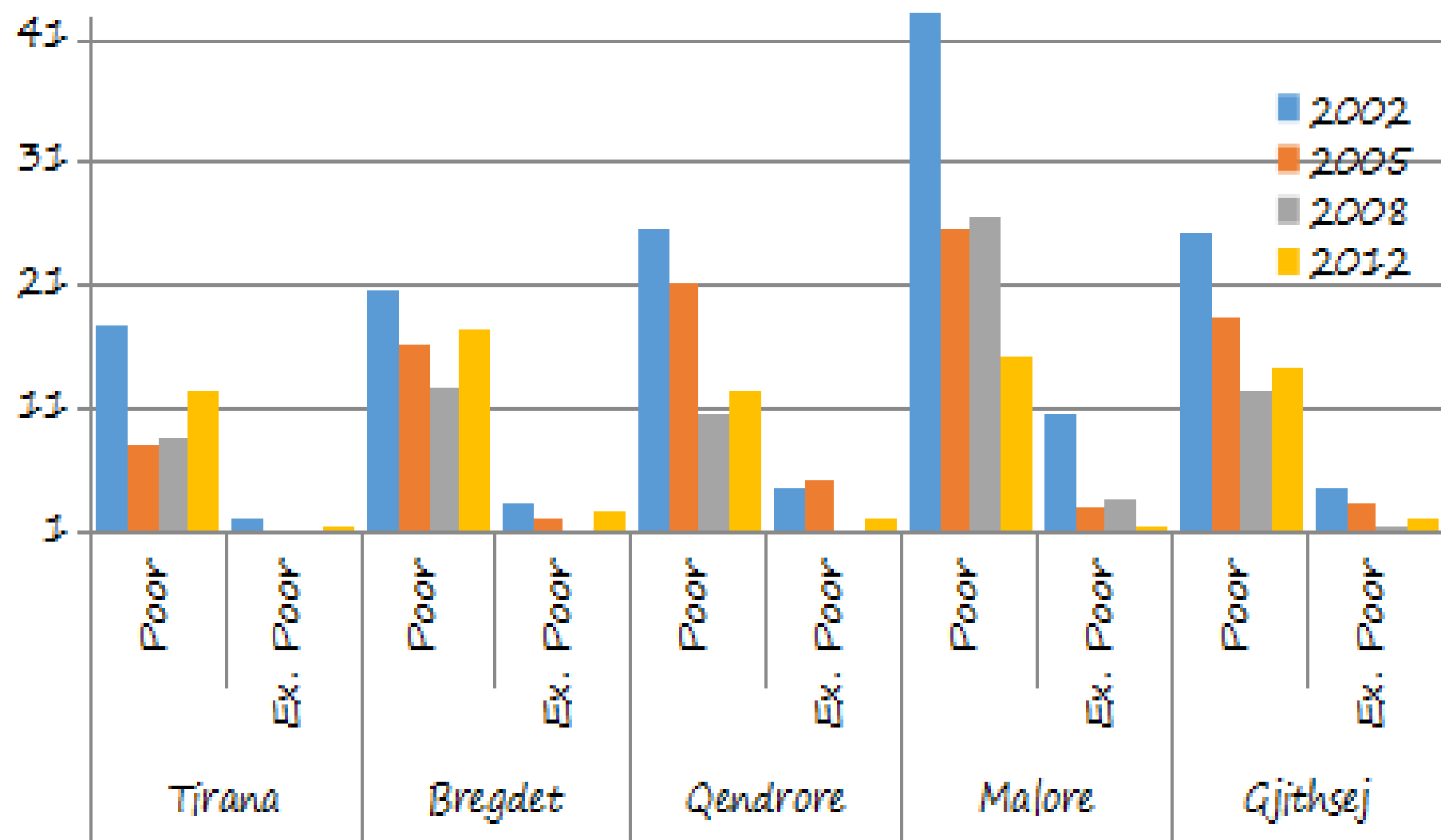
Poverty headcount ratio at $2 a day (PPP) (% of population)
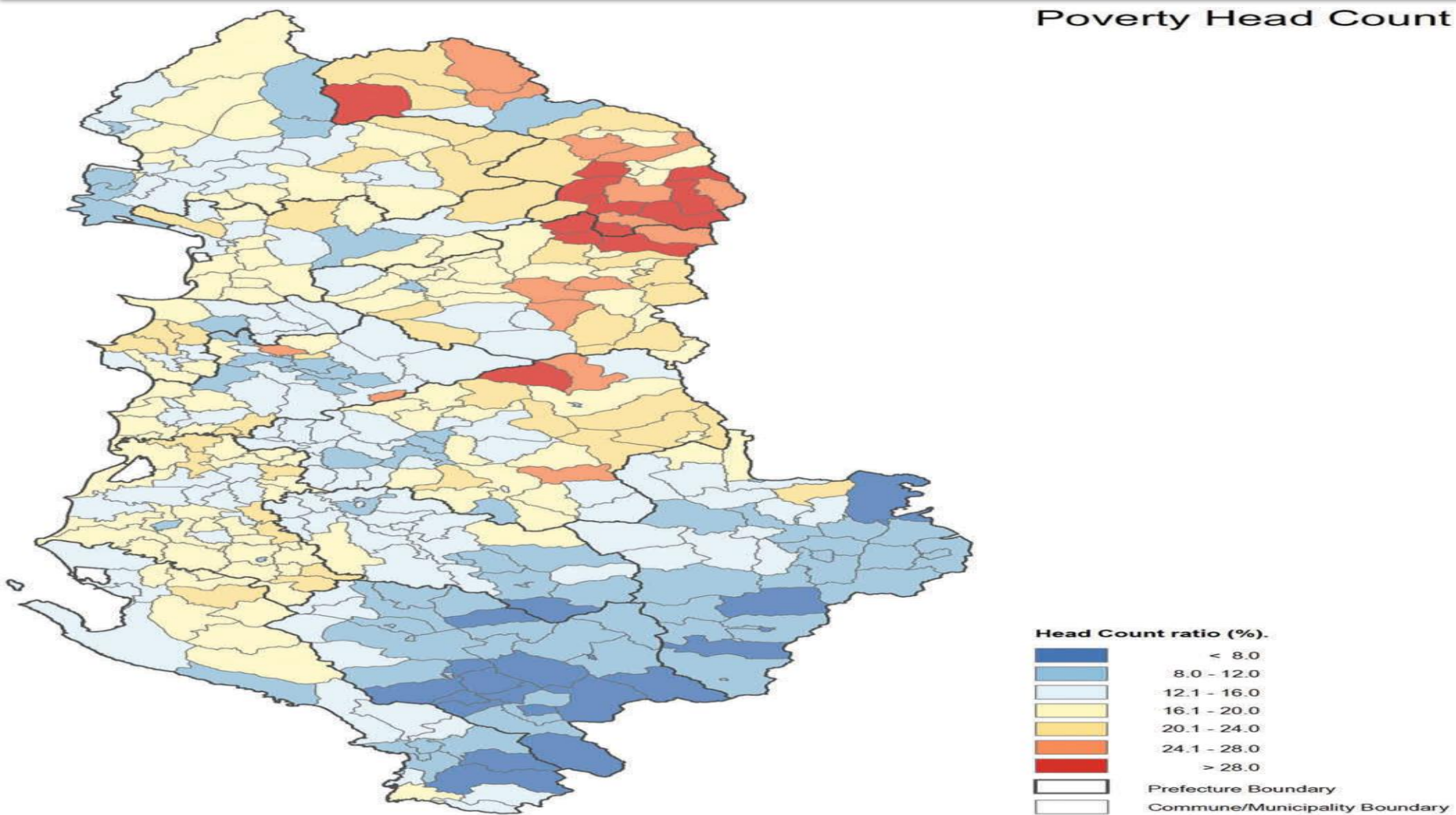
The questionnaire consists of five sections

a. Section A collects personal data

b Section B collects data on family composition and health

c. Section C summarizes data on education.

D. Section D tries to collect data on the respondent's standard of living.

E. Section E (last) collects additional information on household monthly expenses, as well as the perception of poverty.

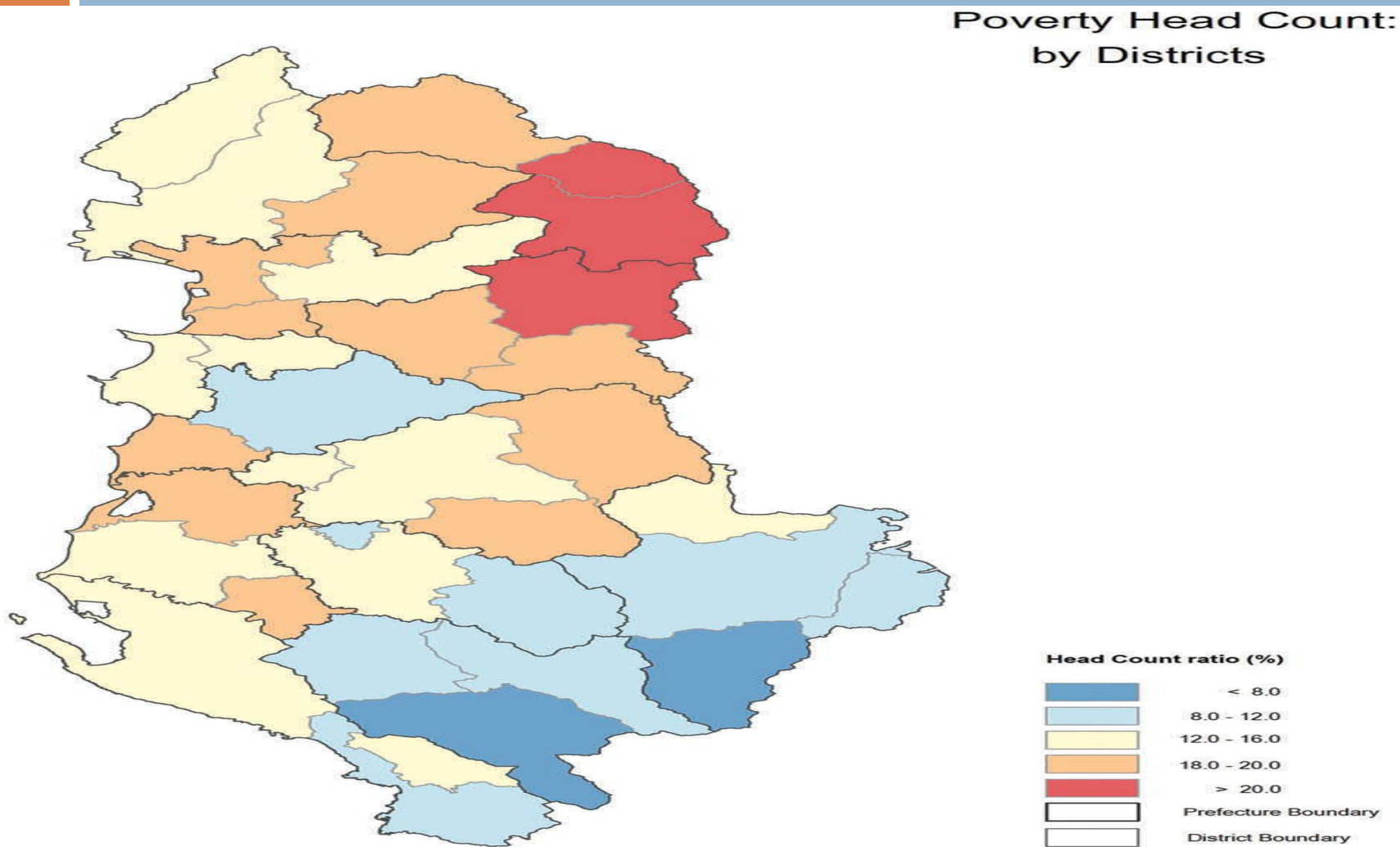# Graphic show the poverty rates by regions and years

Poverty Maps of Communes, and Districts in Albania, 2012.
Source: 2011 Census.

Poverty Head Count

Head Count ratio (%).
- < 8.0
- 8.0 - 12.0
- 12.1 - 16.0
- 16.1 - 20.0
- 20.1 - 24.0
- 24.1 - 28.0
- > 28.0
- Prefecture Boundary
- Commune/Municipality Boundary

The boundaries of communes and municipalities
have been designed for statistical purpose and
may not reflect exactly the territory of the local units.

Poverty rates by Districts

Poverty Head Count: by Districts

Head Count ratio (%)
- < 8.0
- 8.0 - 12.0
- 12.0 - 16.0
- 18.0 - 20.0
- > 20.0
- Prefecture Boundary
- District Boundary

The boundaries of communes and municipalities have been designed for statistical purpose and may not reflect exactly the territory of the local units.
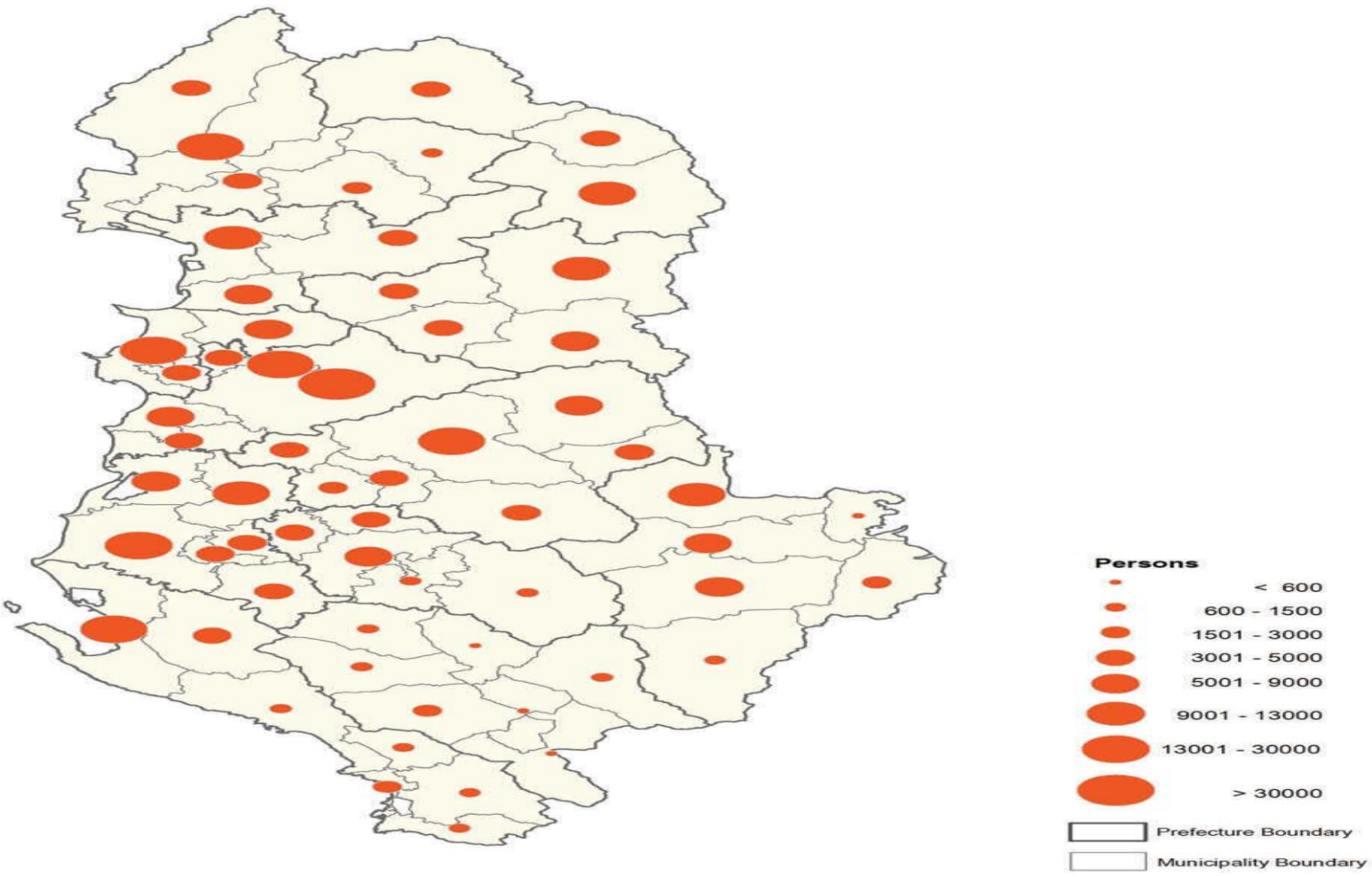
the total number of poor people, according to the new administrative division

Number of poor individuals

Persons

|	
·	< 600
·	600 – 1500
●	1501 – 3000
●	3001 – 5000
●	5001 – 9000
●	9001 – 13000
●	13001 – 30000
●	> 30000

Prefecture Boundary

Municipality Boundary

The boundaries of municipalities have been designed for statistical purpose andmay not reflect exactly the territory of the local units.

Economic growth per capita and per capita consumption
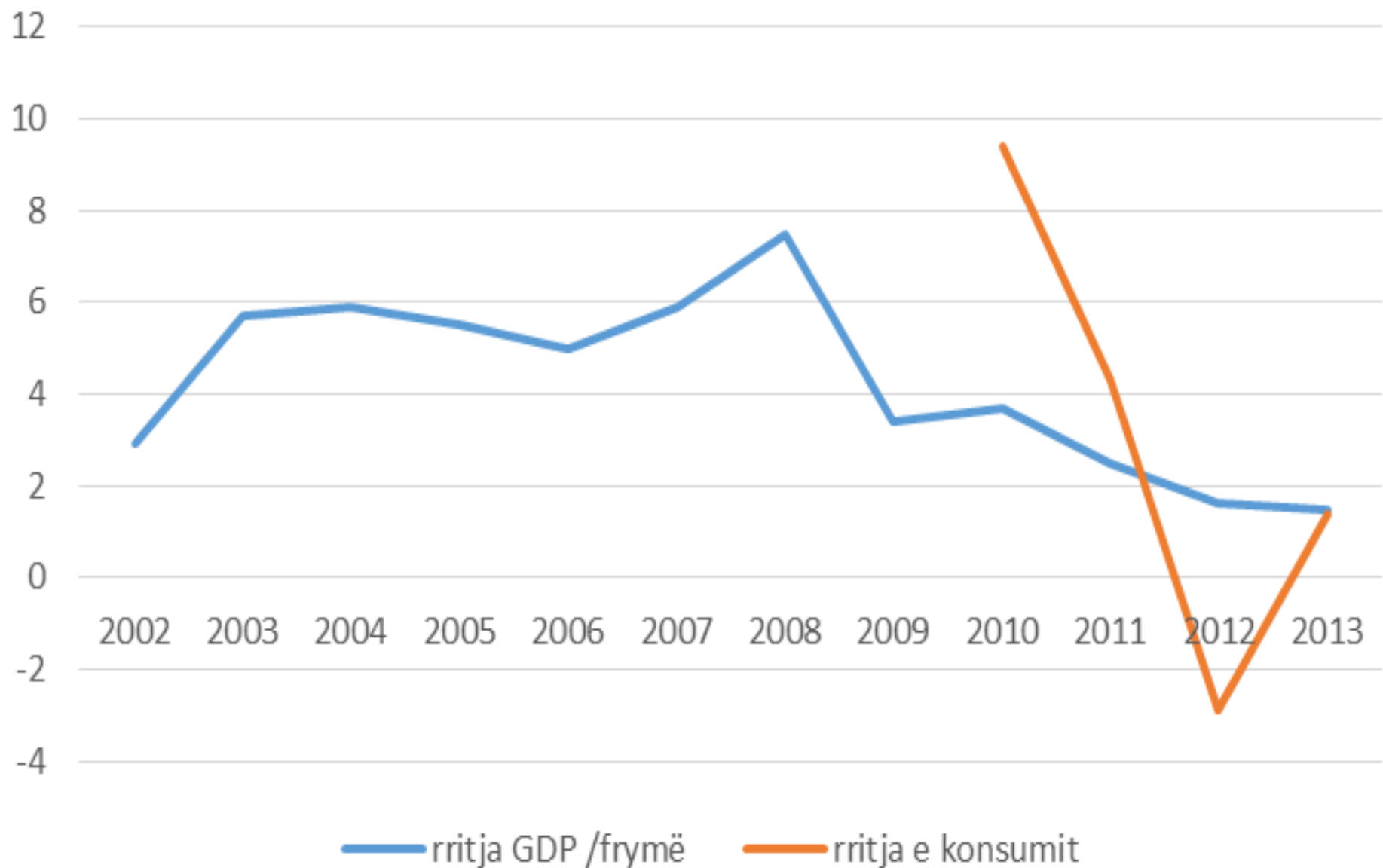
Expenditures as part of GDP using for education and health according by World Bank during the 2014

Shpenzimet publike për edukimin (% e GDP)

Shpenzimet për shëndet (% e GDP)
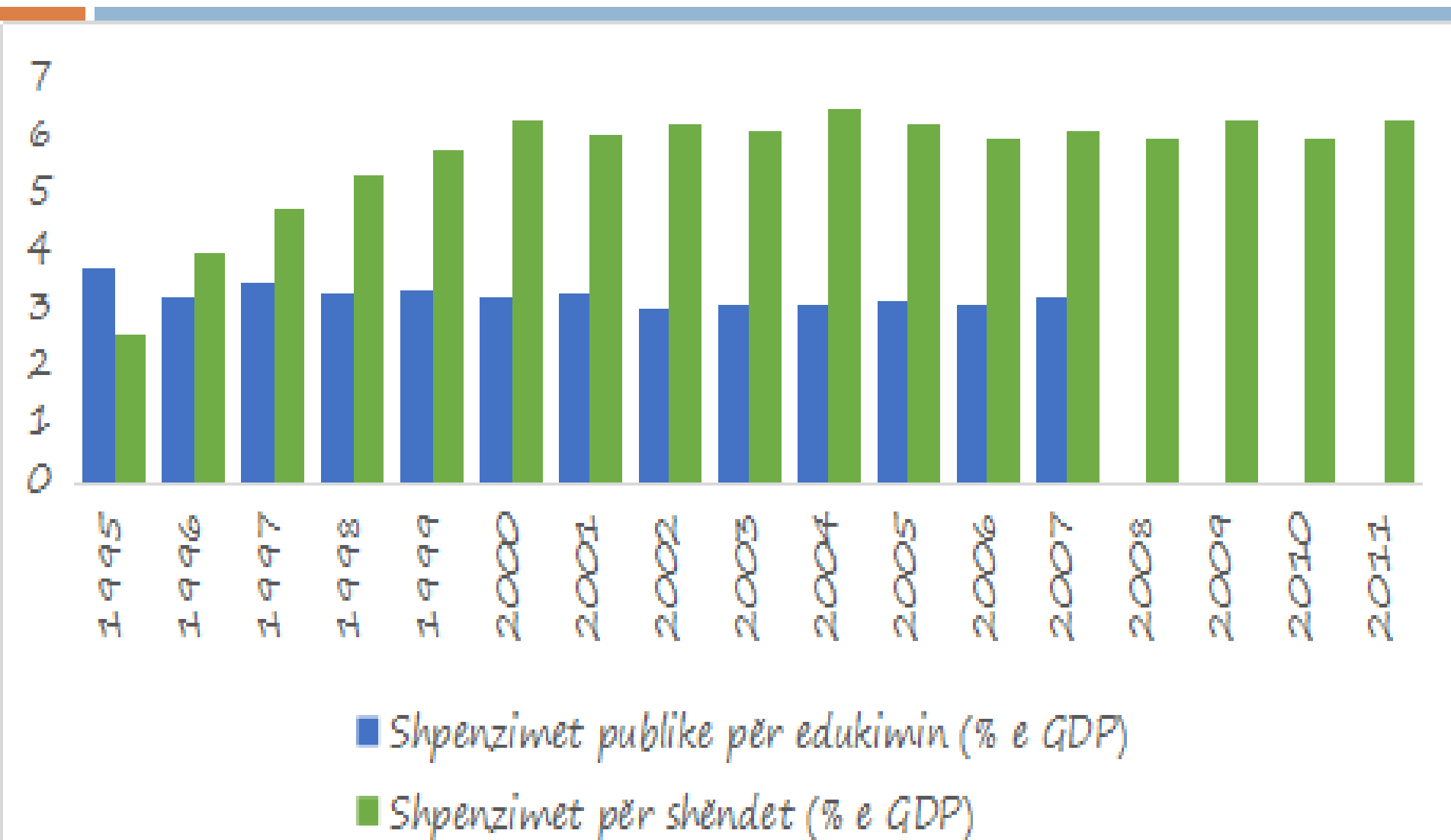
Some data according to INSTAT regarding with the family budget

- In 2018 rich families used 36% of their monthly budget on food consumption at home, this was lower during 2017 with 35% of the total.

- The most high-income families along with food have increased spending on health care and communication.

- Poor families spend far less than the national average for health, communication,transportation,entertainment,

- Per capita consumption of 90% of the families with the lowest expenditures is on *average 20.294 ALL* per month, while 10% of the families with the highest expenditures are on average *60.987 ALL per month*

Conclusion

a. Poverty based in the poverty line at the level $ 2 a day is naturally greater than that of $ 1.25 a day, 4.3% of the population lives less than $ 2 a day.

B. According to the survey, Albania's 2010 indicators show an increase of 8 % to 26%.

C. approximately 26% of the population spends less than 4891 lek per month

d. Economic factors and negative perception of the situation in the country of origin are the strongest motivating factors for youth immigration

e. Demographic developments are becoming dramatically from the high emigration of youth , signaling a poor perspective on social and economic developments in the near future.

Recommendation

a. The best way to study poverty and its profile is doing research to a society that lives it,

B. Measured results may and should influence to design and change the policies and programs against poverty.

C. Another recommendation it should be intervention through government mechanisms and instruments for overcoming poverty threshold

d. Implementation of economic assistance programs depending on the characteristics of the different areas.

E. To prevent migration, the Albanian government should propose to build a economy -based on knowledge.

F. Working conditions, low wages and lack of perspective are some of the factors that are pushing people to emigrate. The government should to improve them

Thank you