Poverty of Transition Period in Albania

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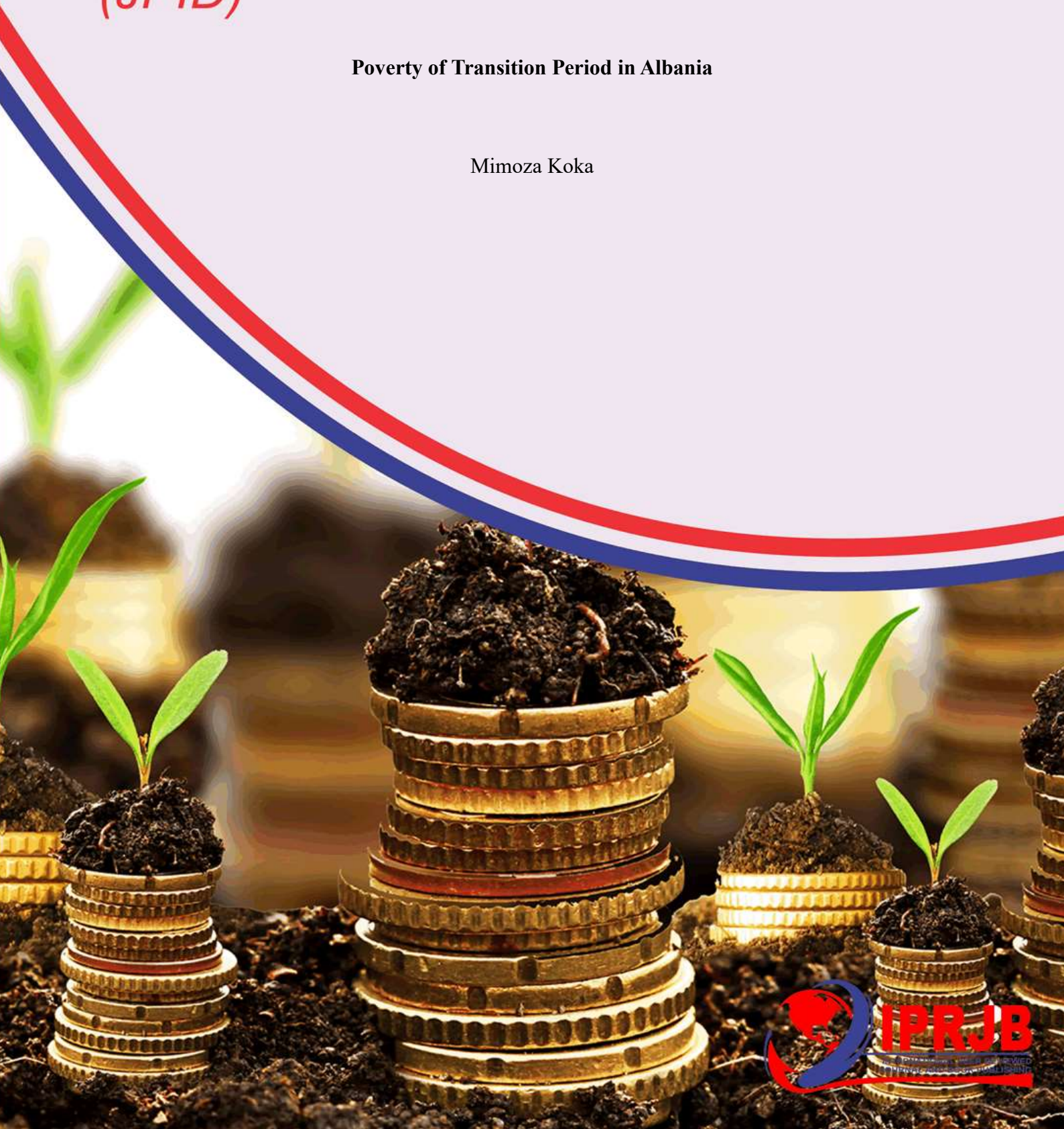
Poverty of Transition Period in Albania

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Crossref

Abstract

Purpose: The objective of this paper is to analyze the state and underlying causes of poverty in Albania during its transition period. To achieve this, several key objectives have been outlined: examining the concept, types, and measurement of poverty; presenting major theories related to poverty; analyzing the extent and methodologies used to measure poverty in Albania across different periods; reviewing research findings on poverty and discussing their implications; and providing conclusions and recommendations for government policies aimed at reducing poverty levels.

Methodology: To achieve these objectives, primary data on poverty from relevant institutions are analyzed, with a particular focus on the measurement data collected by the Institute of Statistics during the transition period. Graphical analysis is employed to identify poverty trends and the key factors influencing them. This method also helps assess the variations in measurement approaches used by the Institute of Statistics over the years. Additionally, the study examines poverty levels across different periods, explores the root causes of poverty, and compares Albania's poverty levels with those of other countries in the region. Furthermore, a comprehensive review of both domestic and international literature on poverty is conducted.

Findings: The analysis indicates that, despite improvements in various economic indicators, the poverty level in Albania remains high. Between 2002 and 2008, poverty declined; however, the 2008 financial crisis negatively impacted the Albanian economy, primarily by slowing economic growth. As a result, overall poverty increased from 13% in 2008 to 14% in 2012. In 2016, new measurements for the food basket were conducted in accordance with the Food and Agriculture Organization's recommendations on minimum calorie requirements based on age and gender.

Unique Contribution to Theory, Practice and Policy: Theories on poverty measurement have served as the foundation for analyzing the results of poverty assessments conducted in Albania. Based on these findings, recommendations have been formulated for government policies aimed at reducing poverty levels. The Albanian government should implement efficient macroeconomic policies focused on economic restructuring and identifying priority sectors for growth. In this context, increasing agricultural production is particularly important, as rural poverty remains significantly higher than urban poverty. Also, the institutions responsible for the measurement and control of poverty, such as Institute of Statistics, Bank of Albania, Ministry of Finance, etc., must precede the recommendations for the government with analyzes and scientific studies.

Keywords: *Poverty, Measurement, Survey, Inequality, Commodity Basket*

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INTRODUCTION

Poverty is a significant issue affecting the economy of every country, particularly small countries. For this reason, this paper explores the current situation of poverty in Albania, identifies the responsible institutions, and discusses ways to improve the poverty level.

First, the paper introduces the types of poverty and methods for measuring it. Researchers define two main types of poverty: objective and subjective poverty. *Objective poverty* includes absolute and relative poverty. Absolute poverty refers to situations where an individual's basic needs are unmet. It is measured by the absolute poverty line, which quantifies the cost of a basket of goods and services necessary for an individual to achieve minimal levels of satisfaction. Over the years, different absolute poverty lines have been used, which are presented in the paper. Absolute poverty is an economic concept that remains consistent across countries. *Relative poverty* means that individuals do not have the minimum standard of living set by the government. This standard varies from country to country. Relative poverty allows for comparison with others in society, so a person is considered poor when they are clearly disadvantaged both financially and socially compared to others. Relative poverty is measured by the relative poverty line. *Subjective poverty*, on the other hand, is a multidimensional deprivation that refers to the lack of certain goods and services considered necessary by society, regardless of whether these goods are basic needs. It is measured using non-monetary variables.

Theories on poverty hold an important place in understanding its causes and addressing it. These theories mainly focus on the factors that cause poverty and on income redistribution. The factors influencing poverty include individual, cultural and geographical, and structural elements. Theories on individual factors highlight that talent, virtue, and hard work can lead to success, and that individual poverty is often caused by a lack of motivation. Theories on cultural and geographical factors emphasize the role of a person's environment and housing conditions in determining success or failure. Meanwhile, structural theories argue that capitalism creates conditions that foster poverty, meaning some individuals remain poor despite their efforts. The paper presents the authors who have explored these relevant factors. Income distribution theories are also significant in discussions about poverty. These theories emphasize that income distribution is closely linked to social welfare and justice. Many authors, including Adam Smith, David Ricardo, Frank A. Cowell, Martin Adler, and Kai Daniel Schmid, have explored the topic of income distribution from various perspectives

The main objective of this paper is to analyze poverty in Albania, which is the focus of this study. The analysis is based on relevant measurements conducted by the Institute of Statistics over the years. The methodology for measurement has improved over time. A comprehensive measurement of poverty was carried out in 2002 through the "Survey of Measurement of the Standard of Living." This measurement was based on the absolute poverty line. In 2020, the Institute of Statistics measured poverty through the "Income and Living Standards Survey." This survey examines living conditions based on income, using both monetary and non-monetary indicators for families and individuals. It provides comparable statistics at the European level because it is conducted annually across all EU member states.

The 2002 measurements provide data on education levels by gender, inequality between social classes, urban versus rural areas, and regional disparities during the communist era. For example, in 1960, 51 percent of women completed eight years of education. According to the 2002 measurement, poverty decreased between 2002 and 2008. However, the 2008 economic crisis impacted Albania, primarily by reducing economic growth. As a result, the poverty rate

increased from 13 percent in 2008 to 14 percent in 2012. In 2016, new measurements for the food basket were introduced, taking into account the recommendations of the Food and Agriculture Organization (FAO) regarding minimum calorie requirements by age and gender. Based on this, the subsistence minimum per capita was set at 16,000 ALL per month.

In 2020, the Institute of Statistics carried out another measurement using the "Income and Living Standards Survey," which focused on the standard of living, relative poverty, and material deprivation among Albanian families. This measurement is unique because it uses the relative poverty concept for families, considering factors like disposable income, the number of family members, and income distribution among population groups. In 2020, the indicator for the risk of poverty in Albania was 21.8 percent, a decrease of 1.2 percentage points compared to 2019. According to World Bank data from 2013, relative poverty at the threshold of 6.7 USD per day affected more than 23 percent of the population.

The measurements carried out by the Institute of Statistics are based on the indicators of the absolute poverty line and the relative poverty line. The concept of absolute poverty has been studied by authors Rowntree (1902), Amartya Sen (1981, 1983), Doyal and Gough (1991), Ravallion (1992), etc. Thus, Rowntree has defined the absolute poverty line based on the cost of goods and services necessary to meet a family's minimum living needs. But Rowntree's approach is criticized because it is difficult to set a fixed amount of money, goods, and services that can be applied universally. While Mollie Orshansky's line is based on the principle that the food expenses represent a constant percent of total household expenses. Critics argue that food expenditures do not remain constant, as economic development tends to reduce their share of total expenditures. Thus, the construction of an absolute poverty line that is applicable in different societies is challenging, and makes it difficult to accurately measure poverty.

Different theorists have introduced the relative poverty line, in order to solve the problems which are caused by the poverty measurement through absolute poverty line. Relative poverty includes individuals who cannot meet the minimum living standards set by the government. The measurement through the relative poverty line has been treated by many authors, such as Townsend (1979, 1985), Sen (1983), Mack J. and Lansley S. (1985), Ravallion (1998), Rank (2001), Laderchi et al., (2003), Schiller (2008), etc. In the 1980s and 1990s, the analyses and criticisms of authors Sen and Townsend dominated, which are very interesting. The analysis of Sen is related to the conceptual aspect of poverty, so according to him, poverty should be treated not only as a lack or low level of income, but also as a system of values. According to this author, a value system refers to the possibility for someone to achieve success by utilizing their abilities and virtues. In 1983, Sen defined poverty as deprivation or lack of capabilities. Thus this author defines that: *"The need for a multidimensional view of poverty and deprivation drives the search for an appropriate indicator of human poverty."* Precisely based on Sen's theories, the poverty is currently not considered only as a lack of material wealth or a lack of survival's food, but as a multidimensional issue. This theory is also supported by the author Deaton in (2004).

So, theories on the concept and measurement of poverty have evolved over time. For this reason, the Institute of Statistics has improved the measurements to adapt them to this evolution.

Statement of the Problem

The reasons behind the author's decision to undertake this study are rooted in the significant impact of poverty on the economic and social conditions of any country, including Albania.

Poverty leads to several issues: It slows down a country's economic growth, because if the labor force in an economy is poor, individuals cannot fully utilize their physical and intellectual potential. On the other hand, the low economic growth does not improve poverty, thus creating a cyclical dependency relationship. People living in poverty are forced to drop out of school to meet basic needs. This inhibits their ability to break the poverty cycle. Poverty worsens inequality and social exclusion, increasing the number of social groups with limited access to essential resources. The more unequal and excluded are social groups, the higher is the level of poverty. Poverty leads to malnutrition, which causes poor health, lower life expectancy and impaired child development. Also, a society with a high level of poverty is more prone to social conflicts and violence, especially among disadvantaged sectors of society.

LITERATURE REVIEW

Theoretical Framework

The Theory of the Concept, Types, and Measurement of Poverty

Different authors have defined poverty, its types, and ways of measuring it. *Objective poverty* includes both absolute and relative poverty.

Absolute poverty refers to a situation where an individual's basic needs are unmet. It is an economic concept that is consistent across countries, meaning it can exist in all societies. Absolute poverty is measured using the absolute poverty line indicator, which calculates the cost of a basket of goods and services necessary for a person to achieve minimal levels of satisfaction. Over the years, various absolute poverty lines have been used. For instance, in 1901, Rowntree defined the absolute poverty line based on the cost of goods and services required to meet a family's minimum living needs. Any household with an income below this threshold is considered poor. However, Rowntree's approach has been criticized because it is difficult to establish a fixed amount of money, goods, and services that applies universally.

In 1963-1965, Mollie Orshansky introduced a different absolute poverty line, which is still used in the US today with some adaptations. This line is based on the principle that food expenses represent a constant percentage of total household expenditures. Critics, however, argue that food expenditures do not remain constant, as economic development tends to reduce their proportion of total expenses. Therefore, constructing an absolute poverty line that is applicable across different societies and historical periods proves challenging. This makes it difficult to meet the basic requirement for accurate poverty measurement.

Relative poverty refers to individuals who cannot meet the minimum living standards set by the government. The threshold for relative poverty differs between countries and can even vary within the same country. It is a measure that allows comparisons with others in society. For example, an individual may be considered poor in one country if their annual income is below 3,000 Euros, while in another country, the threshold may be 7,000 Euros. Therefore, someone deemed poor in the second country may not be classified as such by the first country's standards. Scholars such as Ravallion (1998), Rank (2001), Laderchi et al. (2003), and Schiller (2008) have explored the relative poverty concept. In addition to poverty lines, other indicators are used to measure poverty, which are essential for conducting more in-depth analyses.

Subjective poverty refers to multidimensional deprivation and involves a lack of goods and services considered necessary by society, regardless of whether they are basic needs. It is measured using non-monetary variables. Multidimensional deprivation is closely linked to social exclusion and inequality. While inequality and poverty are distinct, they are

interconnected. Inequality refers to the disparity in living standards across the entire population, while poverty focuses specifically on the living standards of those below the poverty threshold.

Researchers such as Kuhn Le Blanc and Gundersen (1997), Atkinson and Hills (1998), Bessis (1995), Olson (1996), Josson (1999), Saith (2001), Silver and Miller (2002), Atkinson (2002), Laderchi (2003), Fronczek (2005), and Schiller (2008) have addressed inequality and social exclusion. These authors have defined several indicators to measure inequality which include:

The Gini Coefficient: This is one of the most important measures of inequality. It ranges from 0 to 1, where a value of 0 indicates perfect equality and a value of 1 indicates maximum inequality.

The Theil Index: This index is used as a proxy for different subgroups or regions within a country. However, the Theil Index lacks the intuitive appeal of the Gini coefficient and does not provide a straightforward interpretations.

Decile Distribution Ratio: This indicator represents the ratio of average consumption or income between the richest 10 percent of the population and the poorest 10 percent. It is easily interpreted, as it expresses the income of the wealthiest as a multiple of that of the poorest.

Theories on Poverty Factors

According to Rank, theories on poverty can be grouped into three main factors: individual factors, cultural and geographical factors, and structural factors.

Individual Factors: The belief in individualism emphasizes personal work and responsibility to meet basic needs. These theories suggest that talent, virtue, and hard work can lead to success, and that individual poverty is caused by personal factors, specifically the lack of motivation. Authors who have explored individual factors include Merton (1957), Blank (1997), Schwartz (2000), Calhoun et al. (2002), Ward (2000), Spencer (2002), Stone (2002), Hurst (2004), Rank (2004), James (2006), and others. Rank (2004) and Sameti et al. (2012) support individualistic tendencies, arguing that with hard work, everyone can meet their basic needs, such as food, shelter, and healthcare. According to these authors, individual poverty stems from a lack of motivation.

Cultural and Geographical Factors: These theories explore how poverty arises in specific neighborhoods or social groups. Cultural and geographical factors stress the influence of a person's environment and place of residence on their success or failure in relation to poverty. Key authors addressing these factors include Merton (1957), Oscar Lewis (1961, 1966), Gans (1971), Wilson (1987, 1996), Rankin and Quane (2000), McIntyre (2002), Darling (2002), Mandell and Schram (2003), Bradshaw (2006), and others. Bradshaw (2006) argues that poverty is perpetuated through the transmission of a set of beliefs, values, and skills typical of the poor. He suggests that the culture of poverty is a subculture found in poor neighborhoods, ghettos, or certain social contexts. This concept builds on Oscar Lewis's (1966) theory, which posits that the poor and the rich have distinct patterns of values, beliefs, and behaviors.

According to Lewis, poverty is transmitted across generations because children are socialized with values and goals related to poverty. However, this theory has faced criticism for blaming the poor for their situation rather than recognizing broader *societal influences.*

Structural Factors. Theories focused on structural factors argue that capitalism creates conditions that promote poverty. These theories highlight how the economic structure itself contributes to poverty, asserting that, despite individual efforts, some individuals remain poor

due to systemic issues. Authors addressing structural factors include Davis and Moore (1945), Fischer (1992), Bessie (1995), Grusky, Blau, and Kahn (2000), Beeghley (2000), Grusky (2001), Hurst (2001), Calhoun et al. (2002), Figart and Power (2002), Darling (2002), Moulaert, Swyngedouw, and Rodriguez (2003), Hurst (2004), Rank (2004), Alkire (2007), and others.

According to this theory, people's poverty is determined by the structure of the economy, which causes insufficient income. The structure of the economy refers to the political, social, and economic factors that are shaped by specific ideologies, such as liberal, neoliberal, capitalist, or socialist. Most individuals in these structures do not remain poor forever because human lives are dynamic (Mosse, 2010). At one point, individuals may be on low incomes, but their situation can improve over time due to employment or other advancements (Jordan, 2004). However, if poverty persists for a particular group, supporters of the structural factors explanation argue that this is due to a permanent flaw in the economic system, known as a "poverty trap." According to Izhari (2005), a poverty trap is "any self-reinforcing mechanism that causes poverty to persist."

For this reason, the most effective way to eradicate poverty is to change the structure of the economy. Whether poverty is relative or absolute, it is explained by structural factors. In both cases, structure is the main cause of deprivation. Since poverty is structural, it must be managed as an international issue. The World Bank is a key agent in managing poverty globally, as its role is to create systematic methods for hypothesizing, analyzing, and addressing poverty (Small, 2015).The explanation of poverty through structural factors encompasses two important perspectives: the Marxist and Keynesian perspectives.

Karl Marx focused his research on the economic environments in which societies develop. He believed that society is divided into those who own the means of production and those who do not, which leads to class conflict. Marxists argue that poverty benefits the ruling class, as it ensures a labor force willing to accept low wages. Thus, capitalism and the bourgeoisie thrive on the existence of poverty (Cunningham, 2007). According to Marxists, as long as the bourgeoisie remains in power and the capitalist system persists, poverty will continue (Cunningham, 2007). Therefore, Marxists attribute the source of poverty to the structural nature of society. Dialectical materialism is Marx's foundational theory, which posits that development occurs through the collision of contradictions, resulting in the creation of new, more advanced structures from these conflicts.

The theory states that poverty occurs unintentionally and is primarily caused by unemployment. According to Keynes, economic growth is the key factor in overcoming poverty (Prasetyo & Thomas, 2021). Keynes and Seer argued that development occurs as a result of high and sustained economic growth. The quality of this growth is determined by the capacity of human capital, as well as the adoption of productive and appropriate technology (Prasetyo & Kistanti, 2020; Josephine et al., 2021).Furthermore, according to Keynes and Wagner's theory, economic growth requires government intervention in the economy through monetary and fiscal policies. Keynes's theory is based on two main ideas:

- *Aggregate demand is more crucial than massive supply in overcoming an economic recession.*
- *Wages and prices are rigid and inflexible, meaning that when a recession occurs, unemployment increases, leading to poverty.*

Because supply remains constant in the short run, Keynes focuses more on employment, output, and income. To overcome unemployment and poverty, Keynes recommends expansionary fiscal policies, such as increasing government spending on education, unemployment benefits, and infrastructure development.

Criticism of Poverty Theories

Criticism of Individualistic Theories of Poverty

Authors who support individualistic theories of poverty argue that individuals are poor due to their personal shortcomings. Rainwater (1970), as cited by Bradshaw (2006), asserts that poverty stems from moral failings. However, individualistic theories have been widely criticized. Many scholars argue that attributing poverty to individual abilities has its origins in the 19th-century concept of inherited intelligence. Asen (2002) and Bradshaw (2006) claim that any individual can succeed through skill application and hard work. In contrast, Rank (2004) argues that explaining poverty through individual factors promotes a "blaming the victim" ideology, often employed by politicians who focus on the perceived character flaws of the poor rather than addressing the root causes of poverty. Some proponents of individualistic theories also link poverty to behavioral factors. Authors such as Andre et al. (2006) and Rothwell & McEwen (2017) highlight a strong correlation between individual behavior and poverty. However, this perspective has been contested. Davis and Sanchez-Martinez (2014) critique behavioral theories, asserting that they misinterpret the attitudes and behaviors of poor individuals. They argue that observed behaviors may result from external factors rather than intrinsic values. Brady (2009), Gans (1995), and Schwartz & Carpenter (1999) further criticize behavioral theories for their inability to explain poverty variations at the macro level. According to Brady et al. (2017), the international prevalence of risk factors fails to account for variations in poverty across different countries.

Criticism of Theories on Cultural and Geographical Factors

This theory is criticized for placing the responsibility for poverty on the poor themselves, rather than on the social forces that contribute to poverty. The theory that explains poverty through cultural values is criticized because there is no evidence suggesting that the poor have a distinct or harmful subculture that accounts for poverty. Author Bradshaw (2006) emphasizes that more attention should be given to explaining the causes and components of the poverty subculture. According to Davis and Sanchez-Martinez (2014), the theory is criticized for the following reasons:

- There is a bias in interpreting common attitudes and patterns observed among poor individuals. Many of the criteria used to distinguish the culture of poverty are based on Western middle-class values.
- The research methodology used by proponents of the culture of poverty theory is often uncontrolled. These empirical studies do not examine the influence of values, beliefs, and institutions on individuals.
- The concept of the poverty subculture is inconsistent, as the values and attitudes attributed to the poor are not necessarily accepted by the poor themselves. The attitudes and conditions observed may be the result of external factors rather than internal values.

Author Blank (2010) emphasizes that political initiatives should be implemented to bring about constructive changes in individuals' behavior. These initiatives may include supportive

activities such as personal counseling and drug rehabilitation, or the application of sanctions and penalties

Criticism of the Theory of Structural Factors

Authors Abdulai and Shamshiry (2014) criticize the structural factors theory of poverty. They argue that the structural theory has its roots in Marxist doctrine, which posits that the existence of a low-income class is an essential component of the capitalist economic system, serving as a strategy for domination. Abdulai and Shamshiry contend that efforts to combat structural poverty should focus on enhancing the ability of the poor to secure their livelihoods, rather than turning them into passive and permanent beneficiaries of aid programs. Critics of the structural factors theory highlight three main challenges faced by its proponents:

- Although structuralists emphasize the effects of external conditions rather than the behavior of the poor, they still focus on behavior to a certain extent. As such, the challenges faced by proponents of the behavioral theory also apply here.
- Many proponents of the structural factors theory initially attribute poverty to structural causes, but fail to analyze structural changes and how these changes impact individual behavior (Contreras, 2012).
- The effects of structural factors seem to vary over time and in different contexts. For example, while economic development has been shown to reduce poverty in less developed countries, the benefits of such development have been underemphasized in recent decades (Brady et al., 2007). Additionally, significant and persistent differences in poverty rates exist across rich democracies. This shift in the effects of structures suggests that policies and institutions should focus on understanding how structures cause poverty and how to mitigate their demographic and economic effects.

World Bank on Poverty

The World Bank is a key institution in the study of poverty, with the basic document being the Annual Report of World Development. The World Bank has a clear mission: to study poverty and promote shared prosperity on a livable planet. The World Bank's 2024 report highlights the following:

- Currently, almost 700 million people (8.5% of the global population) live in extreme poverty, defined as living on less than $2.15 a day. Progress has slowed due to low economic growth and obstacles presented by COVID-19. Poverty rates in low-income countries are now higher than before the pandemic.

- Approximately 3.5 billion people (44% of the global population) are considered poor by a standard relevant for upper-middle-income countries ($6.85 per day), with the number of people living on less than this threshold remaining largely unchanged since the 1990s, largely due to population growth.
- In 2024, sub-Saharan Africa accounted for 16% of the world's population, yet 67% of those living in extreme poverty. About 72% of the world's population living in extreme poverty resides in countries eligible for assistance from the International Development Association (IDA).

According to the following projections, 622 million people (7.3% of the global population) are expected to live in extreme poverty by 2030. This means that approximately 69 million people are projected to escape extreme poverty between 2024 and 2030, compared to 150 million who

managed to do so in 2013 and 2019. Additionally, 3.4 billion people (nearly 40% of the world's population) are projected to live on less than $6.85 a day. If economic growth does not accelerate and become more inclusive, it will take decades to eradicate extreme poverty and over a century to raise the poverty line to $6.85 a day. To improve conditions, increasing income from work by creating more jobs, investing in education, infrastructure, and basic services is crucial. These actions will help people living in poverty benefit more from growth, contribute to economic development, and increase resilience during economic crises.
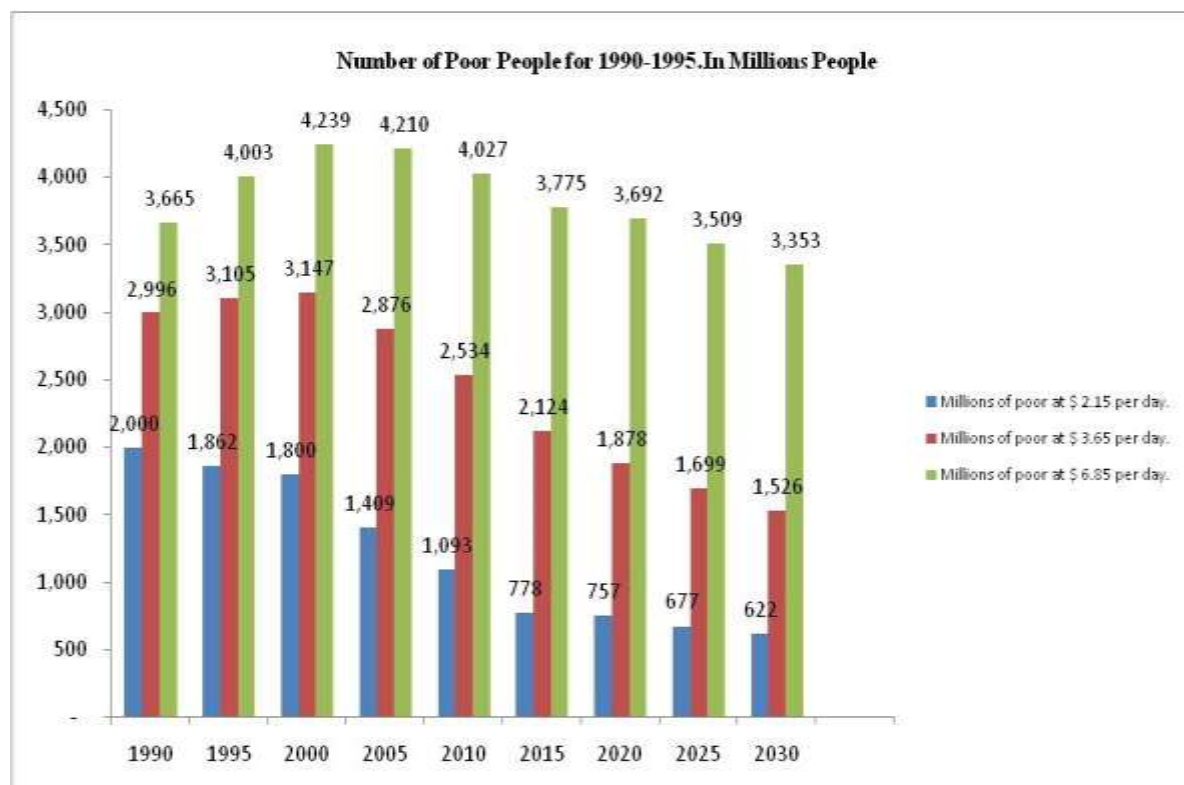
Figure 1: Number of Poor People for 1990-1995. In Millions People

Source: World Bank Report 2024.

METHODOLOGY

The primary data from key institutions regarding the level of poverty in Albania are used to achieve the main objective of this paper. Specifically, data from measurements conducted by the Institute of Statistics during the transition period are analyzed. The data analysis is presented through graphical representations created by the author. These measurements have unique characteristics and differences, which have evolved over time, and the analysis of the results takes these changes into account. The findings from this analysis are used to formulate policy recommendations for the Albanian government to address and reduce poverty. Additionally, a comprehensive review of poverty theories has been conducted.

RESULTS AND DISCUSSION

Methodology of Poverty Measurement in Albania

In Albania, the calculation of poverty based on consumption expenditures was first carried out in 2002 through the "Living Standards Measurement Survey." This survey measured poverty based on the expenses required to secure food products and the costs of meeting basic non-

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food needs. Therefore, the measurement was based on the absolute poverty line. In 2002, the poverty line for food—referred to as the extreme poverty line—was set at 3,047 ALL per capita per month. The full poverty line, which includes basic non-food items, was set at 4,891 ALL per capita per month. Subsequent measurements conducted in 2005, 2008, and 2012 used 2002 as a comparative baseline, with all results adjusted for price changes.

Poverty Measurements before 1990 Year

Before the 1960s, the wage ratio in Albania was 4:1. In 1960, the government of the time implemented a reduction in high wages to narrow the gap in living standards between rural and urban areas, as well as between different social classes. By 1976, the ratio between the highest and lowest salaries within a given sector had narrowed to 1.5:1.65.
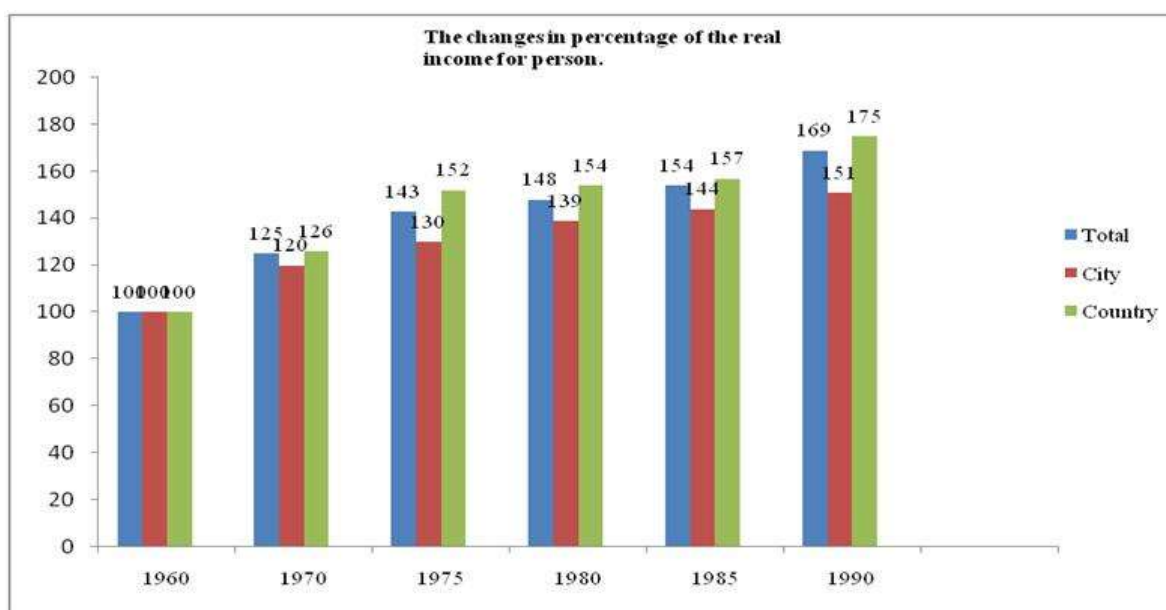

Figure 2: Real Income for Person in ALL. Period 1960-1990.

Source: Institute of Statistics, 2004.

In 1945, the communist state inherited a critical education deficit, with over 80 percent of the population being illiterate. In 1949, the state passed a law aimed at eradicating illiteracy among individuals aged twelve to forty. By 1952, compulsory education was established for children aged 7-14. An educational system with 8 years of primary school followed by 4 years of secondary education was implemented to prepare skilled workers. By 1960, illiteracy had nearly been eliminated, marking a significant achievement for the government of the time. Below are the survey data on illiteracy from 1960, broken down by region, which highlight the inequality between urban and rural areas. Tirana, the most urbanized area of the country, had the lowest illiteracy rate at 2.2 percent. Most other regions had similar rates, with the exception of the Northeast, where the illiteracy rate was higher at 5.5 percent.
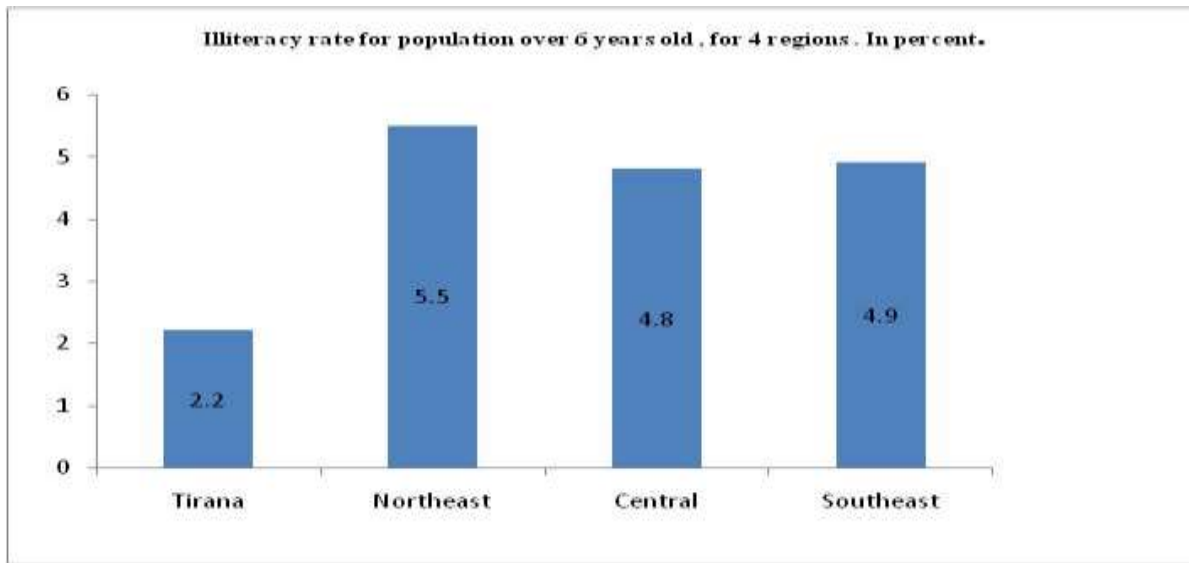
Figure 3: Illiteracy Rate for the Population over 6 Years Old, for 4 Regions in Year 1960. In percent.

Source: Institute of Statistics, 2004.

The following graph illustrates the level of education by gender in 1960. At that time, the number of women who had completed eight years of education was higher, with 51 percent of all those who completed school being female. Women who had completed secondary education made up 45 percent of all individuals at that level. However, men had a clear advantage in higher education, as women accounted for only 41 percent of all graduates. This ratio changed significantly in the following years, and by 1990, women represented 60 percent of graduates.
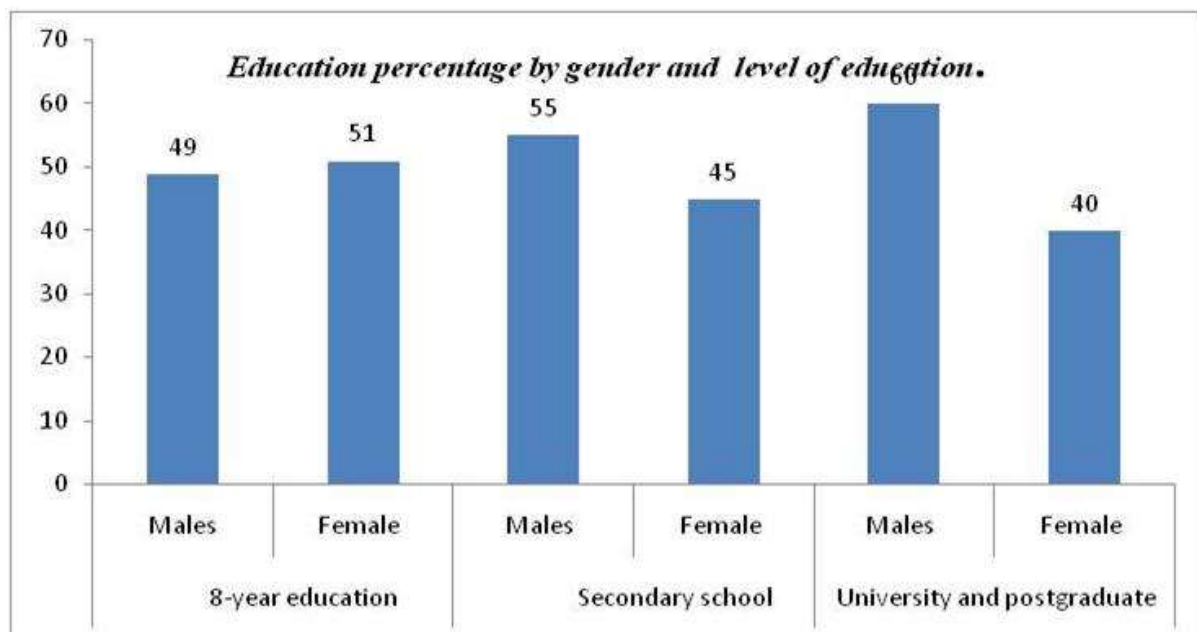

Figure 4. Level of Education by Gender for 1960.

Source: Institute of Statistics, 2004.

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The Level of Poverty in the Years, 2002-2012.

From 2002 to 2008, the level of poverty decreased. However, the 2008 crisis had a significant impact on the Albanian economy, causing the poverty rate to rise after 2008. Total poverty, i.e. the share of the population whose consumption real per capita monthly is below ALL 4,891, is increased from 13 percent in 2008 to 14 percent in 2012.In urban areas, poverty is increased from 10 percent in 2008 to 13 percent in 2012.
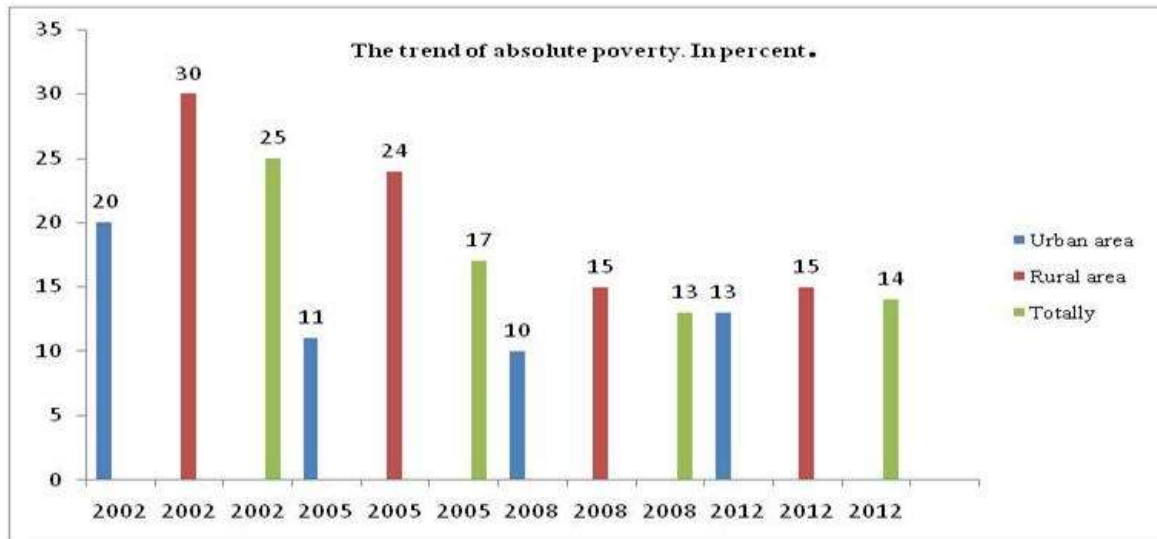

Figure 5: The trend of Poverty Absolute. In Percent.

Source: Institute of Statistics2015.

An indicator of the rising poverty rate is the increase in food consumption coupled with a decrease in consumption of non-food items. When total consumption decreases, the percentage of consumption allocated to food per capita increases, as individuals prioritize meeting their basic food needs over other necessities such as education, healthcare, housing, etc. The following graph illustrates this phenomenon, with 2002 as the base year for prices. The percentage of food expenses relative to total per capita consumption rose by nearly 0.7 percent in 2012 compared to 2008. Meanwhile, expenses for non-food products decreased from 22.7 percent in 2008 to 20 percent in 2012.
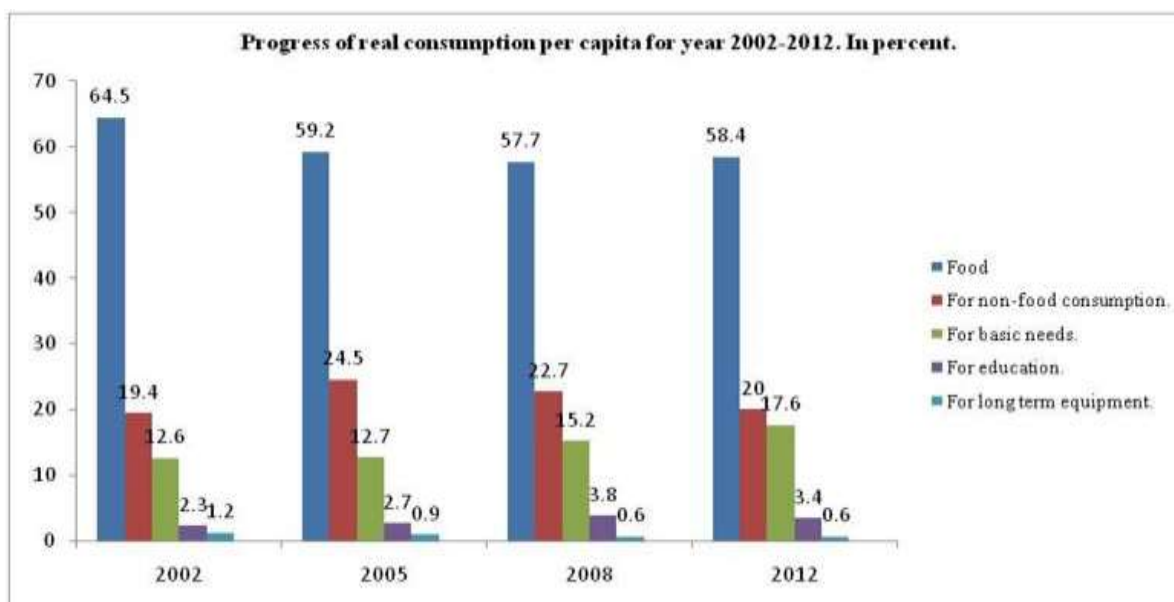
Figure 6: Progress of Real Consumption per Capita for Year 2002-2012. In Percent.

Source: Institute of Statistics 2015.

Poverty Level according to the 2016 Measurement

In 2016, new measurements were conducted for the food basket, which incorporated the recommendations of the Food and Agriculture Organization (FAO) on the minimum calorie requirements based on age and gender. According to these guidelines, the daily calorie requirement per capita is 2,288 calories. Based on this, it was determined that the vital minimum per capita is 16,000 ALL per month. This vital minimum represents the minimum amount of money an Albanian individual needs to maintain a basic standard of living. Unlike other studies on the minimum living standard, this study also takes into account social factors, aiming to ensure the most appropriate living conditions. However, it is important to note that this vital minimum does not guarantee a dignified and comfortable life. A reasonable standard of living does not imply luxury, but neither should it be confined to mere survival. An individual must be able to participate in society just like other citizens. The European Commission has recommended that member countries ensure "an individual has the fundamental right to sufficient resources and assistance to live with human dignity, as part of a comprehensive effort to combat poverty and social exclusion." Therefore, every country must strive to provide its citizens with a standard of living that meets their needs, considering the country's possibilities and conditions. For this reason, the government in our country must adopt social policies that facilitate the transition from determining the minimum living standard to establishing a reasonable standard of living for all.

Poverty and Standard of Living for 2017-2020.

The Institute of Statistics has published the results of the Income and Living Standards Survey conducted in 2020. The survey focused on assessing the standard of living, relative poverty, and material deprivation among Albanian families. The poverty indicators used in this survey are based on the relative concept of poverty, which considers factors such as disposable household income, family size, and income distribution across different population groups. The risk of poverty indicator in Albania for 2020 was 21.8 percent, reflecting a decrease of 1.2 percentage points compared to 2019, 1.6 percentage points compared to 2018, and 1.9

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percentage points compared to 2017. The survey also analyzed the risk of poverty by age group and gender. A downward trend in poverty risk was observed across all three age groups, with the most significant decrease seen in the 0-17 years and 18-64 years groups. Specifically, the poverty risk for these groups in 2020 decreased by 1.3 and 1.2 percentage points, respectively, compared to 2019. The 65 years and older group experienced a smaller decrease of 0.1 percentage points. In terms of employment status, the risk of poverty for employees aged 18 and older in 2020 increased by 0.2 percentage points compared to 2019. Meanwhile, the risk of poverty among unemployed individuals decreased by 1.4 percentage points, and for pensioners, it decreased by 0.1 percentage points.
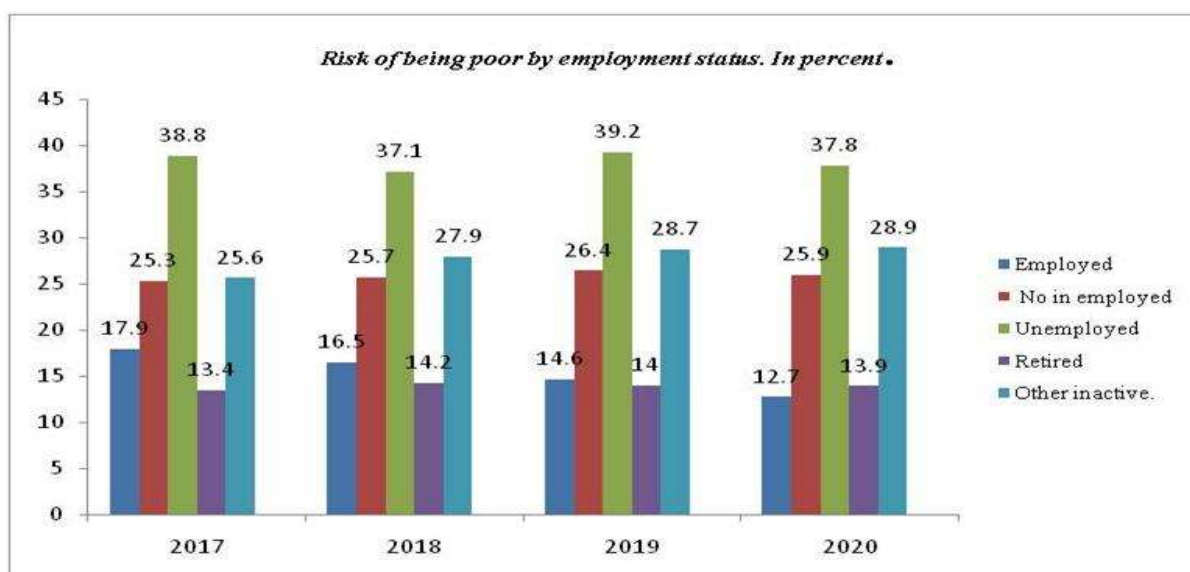

Figure 7: Risk of being Poor by Employment Status. In Percentage

Source: Income and Living Standards Survey 2017, 2018, 2019, 2020.

The percentage of individuals at risk of being poor by family type in 2020 is lower in families without children than in families with children. There is also a decrease in the risk of being poor for both types of families from 2019 to 2020.
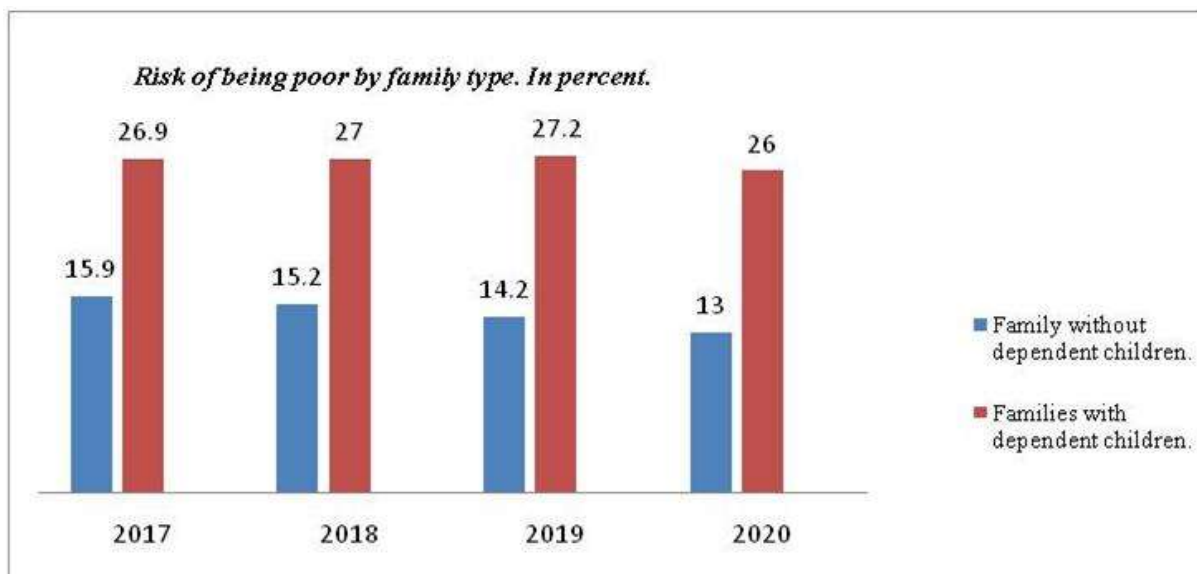
Figure 8: Risk of being Poor by Family Type. In Percent.

Source: Income and Living Standards Survey 2017, 2018, 2019, 2020.

In 2020, the S80/S20 ratio is 5.9 compared to the 6.4 ratio in 2019.For the population 65 years and older, this ratio in 2020 is 4.0 compared to 4.1 in 2019.For people under 65 years old, this ratio is 6.2 in 2020, compared to 6.8 in 2019.
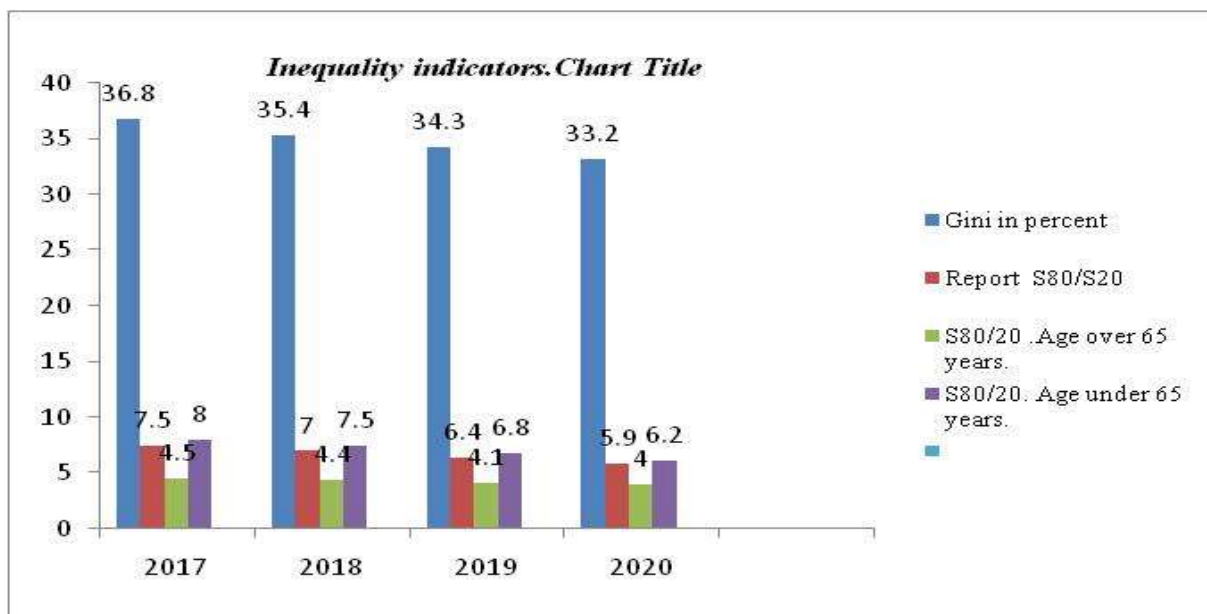

Figure 9: Inequality Indicators

Source: Income and Living Standards Survey 2017, 2018, 2019, 2020.

The following is a comparison of the risk of being poor for 2020, between Albania and other countries in the region as well as European Union countries. The highest relative poverty rate is in Bulgaria, 23.8 percent, Romania 23.4 percent, Turkey 23 percent, followed by Albania 21.8 percent. The lowest poverty rates are recorded in the Czech Republic 9.5 percent,

Slovakia 11.4 percent, Denmark 12.1 percent, and Finland 12.2 percent. The average for the European Union (27 countries) is 17 percent.
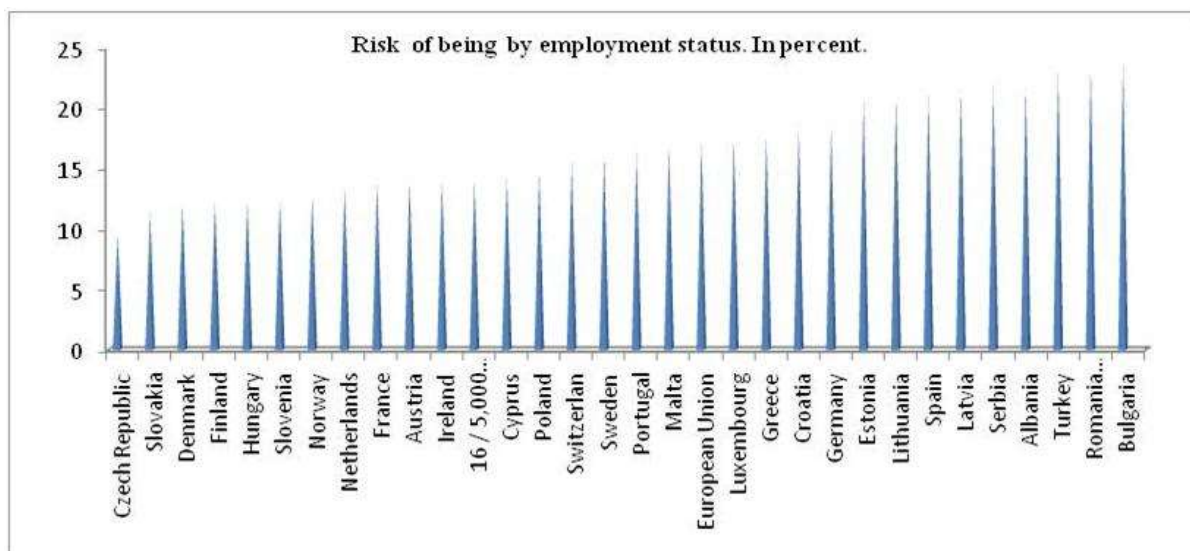

Figure 10: Risk of being by Employment Status. In Percent.

Source: Income and Living Standards Survey 2017, 2018, 2019, 2020.

The Impact of Pandemic on Poverty Level

The Covid-19 pandemic led to an increase in poverty levels in Albania. In 2020, at the height of the pandemic, 32.6 percent of the population was considered poor, compared to 31.8 percent the previous year. In 2021, the poverty rate saw a slight decrease to 30.8 percent. The International Monetary Fund (IMF) in its 2021 report highlighted that "the poverty rate in Albania is among the highest in the Western Balkans, while social protection is among the lowest." This evaluation was based on World Bank indicators, which define the poor as those living on less than 5.5 dollars a day. The following chart shows the poverty rates across Western Balkan countries. In 2020, Kosovo saw an increase in poverty, rising to 23.4 percent from 20.9 percent in 2019. In North Macedonia, the poverty rate increased to 18 percent from 16.9 percent, while Montenegro experienced a notable rise, from 14.5 percent to 20 percent. Serbia reported the lowest poverty rate in the region at 17.4 percent, which remained almost unchanged compared to the year before the pandemic. Data for Bosnia and Herzegovina have not been updated.
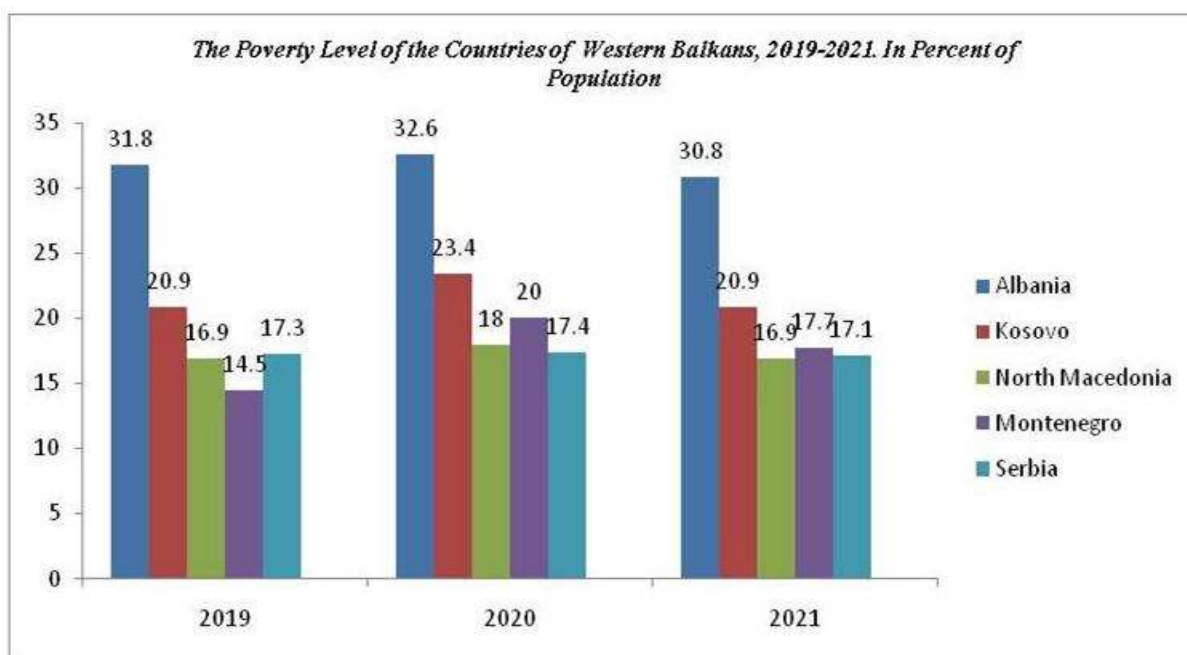
Figure 11: The Level Poverty in the Countries of the Western Balkans 2019-2021.

Source: World Bank 2021.

In 2023, the Index of Living Cost for poor families in Albania is increased by 9.4 percent. World Bank data show that in 2023, more than 23 percent of the population is in relative poverty, which is 6.7 USD per day. The cost of living is increased significantly due to the war in Ukraine. The average cost of living in Albania is increased by 8.8 percent at the beginning of 2023. For the middle class, the cost is increased by 8.9 percent and for the rich by only 7.8 percent, while for the poor the increase is 1.6 percentage points higher than for the rich.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study addresses two primary issues: the findings of key theorists who have analyzed poverty, and the measurements conducted on poverty in Albania, which provide an overview of the state of poverty during the transition period. The theorists who have studied poverty have identified several main factors contributing to poverty and income inequality, including economic, demographic, political, cultural, environmental, and macroeconomic factors. Therefore, it is crucial for the government to implement appropriate measures to reduce poverty in line with these factors. One key factor influencing the risk of poverty is an individual's level of education. Higher education plays a significant role in shaping a person's ability to achieve a better quality of life. Consequently, the government must focus on continuously improving the education system, especially for marginalized and disadvantaged groups. Theorists have also defined various methods for measuring poverty, such as:

Monetary Poverty Measurement: This method establishes a poverty line based on an absolute standard, with the poverty line representing a fixed threshold of income.

*Social Exclusion Measurement***:** This approach determines a relative poverty threshold, comparing an individual's living standards to the average within society. Social exclusion poverty reflects an individual's position in relation to others in society.

*Skills-based Measurement***:** This method uses income-based criteria, determining the poverty line based on an individual's educational attainment, specifically the completion of certain years of schooling.

Poverty measurements in Albania have been conducted not only during the transition period but also during the communist era. These measurements have evolved over time and have distinct characteristics. Under the communist regime, poverty measurements primarily focused on the salary ratio and the state of the education system, both of which saw reform efforts by the government. Despite these reforms, poverty levels remained high, and by the end of the system, basic food items were rationed for the population.

The most significant poverty measurements in Albania have been carried out during the transition period by the Institute of Statistics. Key measurements were taken for the years 2002, 2005, 2008, and 2012, based on real monthly consumption per capita, which established the poverty line. The data indicate that since 2008, the poverty level has been increasing.

In 2016, the Institute of Statistics refined the method of measuring poverty, determining a vital minimum per capita of 16,000 ALL per month, based on FAO recommendations. This amount represents the minimum necessary income for an individual to maintain a basic standard of living. However, this subsistence minimum does not allow individuals to live with dignity, as defined by European Union standards, which Albania aspires to meet. As such, the Albanian government must develop social policies to transition from a subsistence minimum to a living standard that ensures dignity.

In 2020, the Institute of Statistics conducted a poverty measurement as part of the Income and Living Standards Survey, which evaluated the standard of living, relative poverty, and material deprivation in Albanian families. One notable indicator is the S80/S20 ratio, which provides a more nuanced analysis of income distribution than previous measurements. The risk of poverty in Albania decreased slightly in 2020 compared to 2019, 2018, and 2017. However, the impact of the Covid-19 pandemic on poverty levels was significant. In 2020, during the height of the pandemic, 32.6 percent of the population was considered poor, an increase from 31.8 percent in the previous year. The cost of living for poor families in Albania increased by 9.4 percent in 2023, and World Bank data indicated that over 23 percent of the population was living in relative poverty, defined as earning less than 6.7 USD per day.

This study highlights the need for targeted policies that can address the evolving poverty situation in Albania, with a particular focus on improving education, social protection, and economic opportunities for disadvantaged groups.

Recommendation

Theory

Theorists have proposed several measures of poverty, each with distinct characteristics, and their improper application can result in significant issues. Different methods of measuring poverty often yield varying estimates of the proportion of the population classified as poor.

Additionally, inconsistencies between these measurements can lead to conflicting information and conclusions, with serious implications for policymaking. As a result, specialists involved

in poverty measurement must fully comprehend the nuances of each poverty measurement in order to offer precise recommendations to the government of each country.

If poverty is primarily the result of individual disability or lack of skills, the solution may lie in teaching the poor strategies to help themselves escape poverty. Assistance programs should be structured in such a way that recipients are encouraged to work, except in cases where aid is absolutely necessary for survival. This approach fosters self-sufficiency and minimizes dependency. If poverty is rooted in cultural beliefs or social norms that hinder progress, the solution may involve shifting societal attitudes. Educational programs should be designed to replace outdated cultural norms with those that promote productive work, investment, and social responsibility. Such cultural transformation ensures that the next generation adopts values that empower them to break the cycle of poverty.

In cases where poverty is driven by economic, political, or social system distortions, the solution lies in reforming those systems. In such situations, social policies should focus on structural changes, such as creating employment opportunities, raising wages, expanding social safety nets, and improving access to credit. These reforms are essential to addressing the root causes of poverty. Finally, poverty driven by geographical disparities can often be mitigated by enhancing the competitiveness of domestic industries and increasing investment in infrastructure. This approach encourages economic growth in disadvantaged regions and ensures that individuals have greater access to opportunities for advancement.

Overall, comprehensive and context-specific strategies are necessary to effectively combat poverty. Social policies should be tailored to address the unique factors contributing to poverty in each region or population group, ensuring that individuals can break free from the cycle of poverty and achieve sustainable prosperity.

Policy

The statistical data reveals that poverty levels in Albania remain high, signaling a critical need for action. To effectively reduce poverty, the Albanian government must develop and implement social policies that help transition from a subsistence-level existence to a standard of living that upholds dignity for all citizens. A key priority for the Albanian government should be the creation of efficient macroeconomic policies that focus on restructuring the economy. These policies must identify priority sectors that can act as drivers for economic growth, ultimately reducing poverty over the long term. In this context, the agricultural sector is particularly crucial, as rural poverty remains disproportionately high compared to urban areas. To support the agricultural sector, the government should consider facilitating greater access to land for farmers, particularly those who demonstrate higher levels of productivity. This could involve legal reforms or incentives to encourage land use optimization, ensuring that those with the potential to increase production have the resources to do so. Additionally, improving mechanisms for granting agricultural loans to the most productive farmers is vital. By providing easier access to credit, farmers can invest in technology, equipment, and practices that will increase yield and efficiency, helping to lift rural populations out of poverty. Moreover, strengthening advisory services for the agricultural sector is essential.

The government should invest in improving these services to ensure that they are both efficient and proactive, offering farmers the tools and knowledge needed to succeed in an increasingly competitive market. Advisory services should be well-distributed across the country, particularly in rural and remote areas, where support is most needed.

In addition to national-level policies, local leaders also play a crucial role in poverty reduction. They should be equipped with effective mechanisms to identify those in need and implement targeted assistance programs. By understanding the specific challenges of their communities, local leaders can ensure that aid is appropriately distributed and that the needs of the most vulnerable populations are addressed. By prioritizing these strategic areas, the Albanian government can work toward significantly reducing poverty, particularly in rural areas, and foster an inclusive economy that provides a dignified standard of living for all citizens.

Practice

Also, institutions responsible for measuring and controlling poverty, such as Institute of Statistics, Bank of Albania, Ministry of Finance, etc., should precede recommendations to the government with scientific analyzes and studies. If the conclusions of these institutions are wrong, this would cause the government to misdirect itself and, consequently, worsen the poverty level. Government policies should include concrete actions. Thus, the government should strengthen economic mechanisms and instruments, in particular to improve fiscal policies, monetary policies, income policies and external economic relations. The government should also subsidize, through various mechanisms, producers in the agricultural, livestock, tourism, service sectors, as well as other productive activities, which generate new jobs. The government should draft legislation favorable to domestic and foreign investments, which create new jobs. The government should also make the necessary improvements to the social assistance scheme.

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