

Income and Living Conditions in Albania, 2021

30 December 2022, Tirana: INSTAT publishes the main results of Income and Living Conditions Survey (EU-SILC) 2021 which measures living conditions, relative poverty and material deprivation in Albanian households (See Methodology, pg 6)¹.

At-risk of poverty rate in Albania, in 2021, is 22.0 %, experiencing a slight increase by 0.2 percentage points compared with 2020.

Poverty indicators in the Survey of Income and Living Conditions are based on the relative concept of poverty, which considers household disposable income, number of household members (household size) and income distribution among population groups.

The at risk of poverty threshold for a one-member household in 2021 was set at 191.791 ALL, compare to 186.242 ALL in 2020.

In 2021 are estimated 622.705 individuals living below the at-risk-of-poverty threshold are estimated in 2021, against 621.504 estimated in 2020. Number of individuals in at risk of poverty has increased by about 0.2 %.

Severe material deprivation is defined as the percentage of population with an enforced lack of at least 4 out of 9 material deprivation items. This indicator is estimated at 35.2 % in 2021 against 34.7 % in 2020, increasing by 0.5 percentage points.

The work intensity of a household refers to the number of months that all household members have been working during the income reference year as a proportion of the total number of months that could theoretically been working throughout the year (12 months). Households considered with very low work intensity are set at the 20 % threshold. Individuals aged 18-59 living in households with very low work intensity in 2021 are estimated 12.4 % versus 11.6 % in 2020, reflecting an increase of 0.8 percentage points.

At Risk of Poverty or Social Exclusion refers to the individuals who are at risk of poverty or severely materially deprived or living in a household with very low work intensity. In 2021 this indicator is estimated 43.9 % compare to 43.4 % in 2020.

¹ Methodology

Social transfers, such as old-age and family pensions, included in disposable household income, reduce the risk of poverty rate. When in the income level are not included all the social transfers, at risk of poverty in 2021 is estimated 39.0 % compared to 25.2 % that is estimated when in the income level are included social transfers only from old-age and family pensions.

Tab. 1 The main indicators of at Risk of Poverty and Social Exclusion, 2018, 2019, 2020,2021

| Indicators | 2018 | 2019 | 2020 | 2021 |
|---|---------|---------|---------|---------|
| At risk of poverty rate (%) | 23.4 | 23.0 | 21.8 | 22.0 |
| Severe material deprivation (%) (lack of 4 out of 9 categories of material deprivation) | 38.3 | 37.1 | 34.7 | 35.2 |
| Very low work intensity (%) | 13.3 | 12.4 | 11.6 | 12.4 |
| At risk of poverty or social exclusion (AROPE) (%) | 49.0 | 46.2 | 43.4 | 43.9 |
| At risk of poverty threshold; one person household (ALL) | 160,742 | 170,785 | 186,242 | 191,791 |
| At risk of poverty threshold; household with 2 adults and 2 dependent children (ALL) | 337,558 | 358,650 | 391,108 | 402,760 |
| At risk of poverty before social transfers (%) (Old-age and family pensions included in social transfers) | 39.0 | 38.1 | 37.9 | 39.0 |
| At risk of poverty before social transfers (%) (Old-age and family pensions excluded in social transfers) | 26.3 | 26.1 | 24.8 | 25.2 |

Source: Income and Living Conditions Survey 2018, 2019, 2020, 2021

At risk of poverty rate by age group and sex is analyzed for three age groups.

The increasing trend is observed in all three age groups, but a greater increase has the age groups 18-64 years old and 65 years old and above, where at risk of poverty in 2021, compared to 2020, has increased respectively by 0.2 percentage points in both age groups. The age group 0-17 has experienced a slight increase in 2021 by 0.1 percentage points, compared to 2020.

Tab. 2 At-risk of poverty rate by age group and sex (in %)

| Agegroup | 2018 | | | 2019 | | | 2020 | | | 2021 | | |
|-----------------|------|--------|-------|------|--------|-------|------|--------|-------|------|--------|-------|
| | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total |
| 0-17 years old | 28.7 | 30.6 | 29.6 | 27.9 | 31.7 | 29.7 | 26.7 | 30.1 | 28.4 | 26.8 | 30.2 | 28.5 |
| 18-64 years old | 23.2 | 23.3 | 23.2 | 22.3 | 23.3 | 22.8 | 21.4 | 21.7 | 21.6 | 21.7 | 22.0 | 21.8 |
| 65 and over | 12.5 | 15.4 | 14.0 | 12.9 | 14.8 | 13.9 | 13.0 | 14.5 | 13.8 | 13.1 | 14.8 | 14.0 |
| Total | 23.0 | 23.8 | 23.4 | 22.2 | 23.8 | 23.0 | 21.4 | 22.3 | 21.8 | 21.5 | 22.5 | 22.0 |

Source: Income and Living Conditions Survey 2018, 2019, 2020, 2021

At risk of poverty rate by activity status. for employed individuals aged 18 and above. in 2021 is estimated with a decrease by 0.1 percentage points compared to 2020. At risk of poverty rate among unemployed persons has increased by 1.1 percentage points while among retired persons it has increased by 0.1 percentage points.

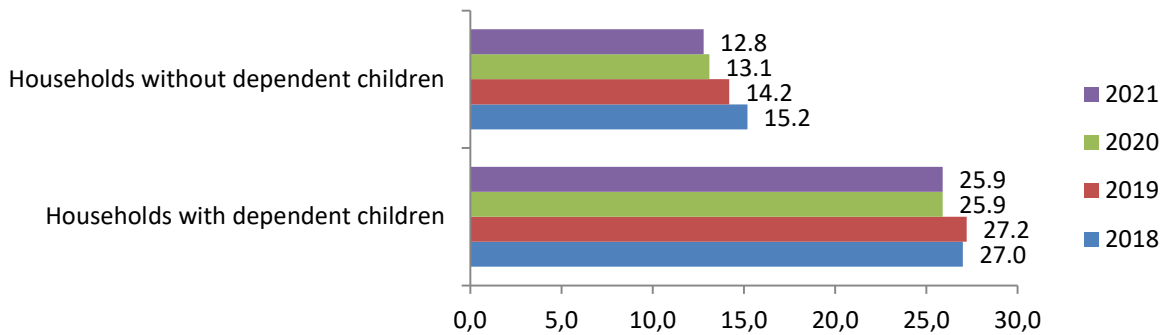
Tab.3 At risk of poverty rate by activity status (in %)

| Individuals 18 years old and over | 2018 | 2019 | 2020 | 2021 |
|------------------------------------|-------------|-------------|-------------|-------------|
| Employed | 16.5 | 14.6 | 12.7 | 12.6 |
| Not employed | 25.7 | 26.4 | 25.9 | 26.4 |
| Unemployed | 37.1 | 39.2 | 37.8 | 38.9 |
| Retired | 14.2 | 14.0 | 13.9 | 14.0 |
| Inactive population - Other | 27.9 | 28.7 | 28.9 | 29.8 |

Source: Income and Living Conditions Survey 2018, 2019, 2020, 2021

The Percentage of people in at risk of poverty by household type in 2021, households without dependent children it is estimated to be lower compared to the households with dependent children, respectively 12.8 % and 25.9 % of individuals. Households with dependent children are considered those households that have children under the age of 18 as well as persons aged 18 to 24 who live with at least one parent and are economically inactive. A year ago at risk of poverty rate was respectively 13.1 % and 25.9 %.

Fig. 1 At-risk of poverty rate by household type (in %)



Source: Income and Living Conditions Survey 2018, 2019, 2020, 2021

The inequality in the distribution of equalized income is measured by Gini Coefficient and Income Quintile share ratio (S80/S20).

Gini coefficient measures the inequality in income distribution where 0% expresses the perfect equality where everyone has the same level of income, while a Gini coefficient of 100% expresses full inequality where only one person has all the income. In 2021, Gini coefficient is estimated 33.0 %. decreased by 0.2 percentage points from 2020.

The income quintile share ratio S80/S20 is an indicator of income distribution and measures the ratio of highest equalised disposable income (last quintile) with the lowest equalised disposable income (first quintile). It presents the ratio of the total equalised disposable income received by the 20% of the population with the highest equalised disposable income to that received by the 20% of the population with the lowest equalised disposable income. In 2021the S80 / S20 ratio is estimated 5.7 compared to 5.9 ratio in 2020. For the population

65 years old and above this ratio in 2021 is estimated 3.9 compared to 4.0 in 2020. For the population under 65 years old this ratio is estimated 6.1 in 2021 compared to 6.2 in 2020.

Tab.4 Inequality indicators

| Inequality indicators | 2018 | 2019 | 2020 | 2021 |
|---------------------------|------|------|------|------|
| GINI (në %) | 35.4 | 34.3 | 33.2 | 33 |
| Ratio S80/S20 | 7.0 | 6.4 | 5.9 | 5.7 |
| S80/20 Over 65 years old | 4.4 | 4.1 | 4 | 3.9 |
| S80/20 Under 65 years old | 7.5 | 6.8 | 6.2 | 6.1 |

Source: Income and Living Conditions Survey 2018. 2019. 2020. 2021

Increasing or decreasing of the at risk of poverty threshold affects at risk of poverty rate (see Tab. 5).

The percentage of individuals at risk of poverty in cases where the threshold is set below 50.0 % of the median equivalised disposable income is estimated 15.0 % in 2021 compared to 14.4 % in 2021.

Tab.5 Dispersion around the at-risk-of-poverty threshold. (in %)

| | 2018 | 2019 | 2020 | 2021 |
|---|------|------|------|------|
| Under 40% of the median equivalised disposable income | 11.5 | 9.7 | 8.5 | 8.5 |
| Under 50% of the median equivalised disposable income | 17.3 | 16.2 | 14.4 | 15.0 |
| Under 70% of the median equivalised disposable income | 30.4 | 29.4 | 28.2 | 28.5 |

Source: Income and Living Conditions Survey 2018. 2019. 2020. 2021

In 2021, the monthly mean equivalised disposable income per capita has increased by 2.6 % compared to 2020.

Tab.6 Monthly mean equivalised disposable income

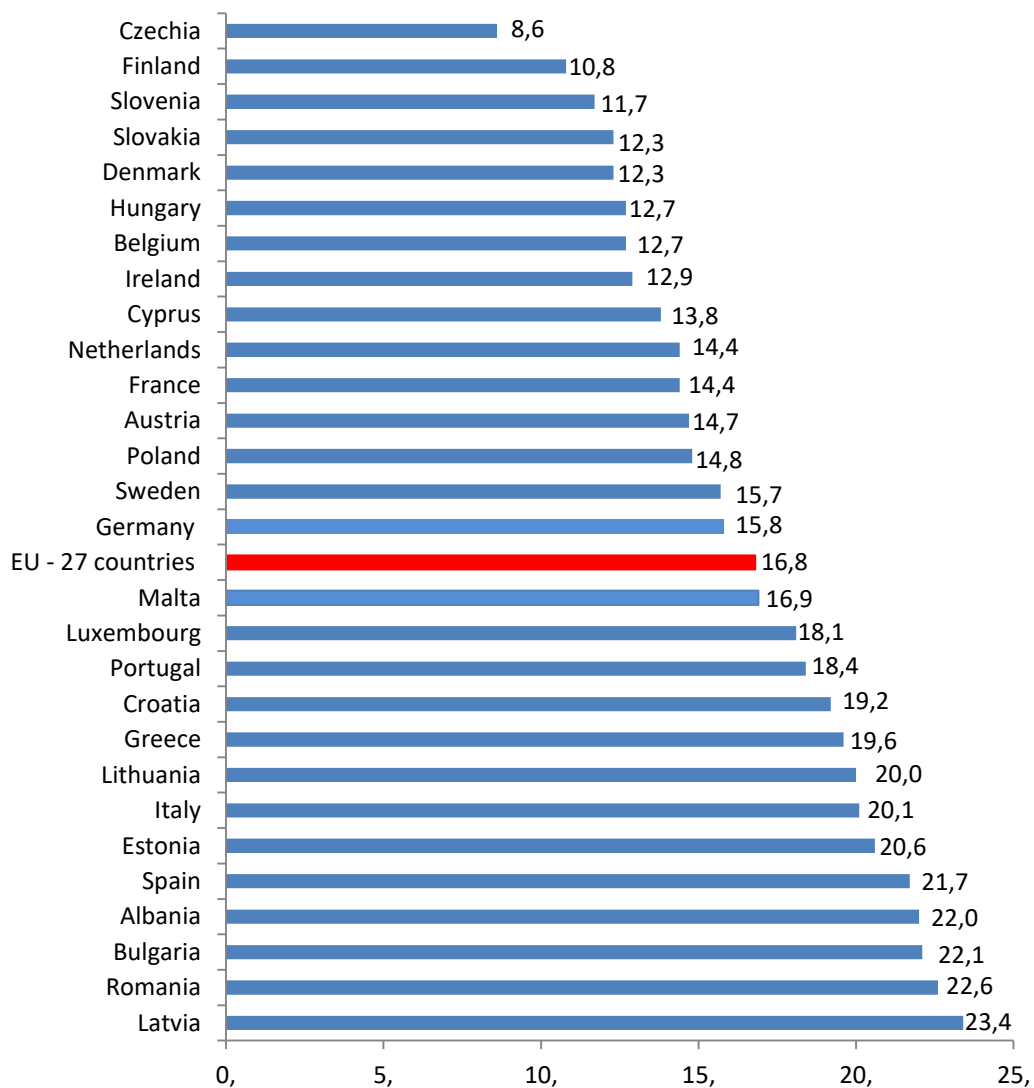
| | 2018 | 2019 | 2020 | 2021 |
|---|--------|--------|--------|--------|
| Monthly Mean equivalised disposable income per capita (ALL) | 26.144 | 27.849 | 30.169 | 30.962 |

Source: Income and Living Conditions Survey 2018. 2019. 2020. 2021

Comparability with other European Countries

The comparison of at-risk of poverty in 2021 among Albania, the EU member states and other Region countries indicate that: the highest value of relative poverty is recorded in Latvia (23.4%). Romania (22.6%). Bulgaria (22.1%) followed by Albania (22.0%). The lowest poverty rates are recorded in the Czech Republic (8.6 %). Finland (10.8 %). Slovenia (11.7%) Slovakia (12.3%), and Denmark (12.3%). The average of EU countries (27 countries) is 16.8 %. (see fig. 2).

Fig. 2 At risk of poverty rate by countries. 2021 (in %)



Source: Eurostat 2021

Methodology

The Survey on Income and Living Conditions is conducted in 2017 for the first time in Albania where the reference is the income of 2016. For release of 2021 the reference is the income of 2020.

The results present comparable statistics to other countries as well as provide reliable data in the area of relative poverty, social exclusion and household income, helping policymakers in the policies designing for reducing poverty. Until 2012, the only source for measuring living conditions, absolute poverty and well-being of Albanian households it was the Living Standard Measurement Survey known as LSMS. This survey collected a variety of monetary and non-monetary indicators and provided a variety of information to different users. The LSMS aimed to measure poverty based on consumption using the absolute poverty line while SILC is based on family income using the relative poverty line.

Based on these methodological changes used in these two surveys, it is expected that the information from Income and Living Conditions Survey will be different compared to the data provided by the Living Standard Measurement Survey.

Coverage: EU-SILC Survey covers all households of the Republic of Albania territory regardless of their size or socio-economic characteristics.

The following are excluded from the survey: Population living in institutional households of all types (dormitories, elderly homes, hospitals, prisons, rehabilitation centers, camps, etc.).

Household concept: is referred to a group of people, a related person or not, who live together in the same dwelling or in a part of the house and share a partial or common economy.

Sample size: In 2021, the survey was conducted on a final sample size of 9.136 households where respondent households were 7.692, in 2020 the sample size was 8.878 households with 7.292 households respondent.

Reference period: is different depending on types of information collected:

Incomes: is the last calendar year - N - 1 (for SILC 2021 is 2020, for SILC 2020 is 2019 and for SILC2019 is 2018).

Material deprivation: is the moment when the interview is conducted - (Year 2018, 2019, 2020 and 2021)

According to the methodology for measuring poverty, the poverty line is calculated based on its relative concept (poor in relation to others) and is defined at 60% of the median total equivalised disposable income of the household, using the modified OECD equivalised scale. Total equivalised disposable income of the household is considered the total net income (that is, income after taxes and social contributions) received by all household members.

Equivalised income:

As equivalised disposable income of the individual is considered the total disposable income of household after being divided by the equivalent size of household. In the income distribution per person each household member possesses the same amount of income, corresponding to the equivalent disposable income of the household. This means that each member of the household enjoys the same level of living. Consequently, in the income distribution per person, the income that is attributed to each person does not represent wages but, actually, an indicator of the level of living.

Equivalence scale

Equivalent size refers to the OECD modified scale which gives a weight of 1.0 to the first adult (over 14 years old), 0.5 to other persons aged 14 or over who are living in the household and 0.3 to each child aged under 14. Example: The income of household with two adults and two children under 14 years is divided with a weight $1+0.5+2*0.3=2.1$. for household with two adults is $1 + 0.5 = 1.5$. etc.

The indicators of at risk of poverty and social exclusion are based on the concept of relative poverty, which takes into account household disposable income, number of household members, and income distribution of the total population.

The main indicator definitions:

At-risk-of-poverty threshold represents the lowest annual disposable income that a person would not be considered at risk of poverty. At-risk-of-poverty threshold is defined as 60% of the median equivalised disposable income for all households.

The at-risk-of-poverty rate indicates the percentage of persons living in households where equivalent disposable income is below the at-risk-of-poverty.

Material deprivation indicates the level of living of the population by the material deprivation rate, or the proportion of materially deprived persons.

Severe materially deprived persons are those living in household who cannot afford at least four of the nine categories of material deprivation related to assets, living conditions or financial aspects.

The nine items of material deprivation are:

1. Arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments.

2. Capacity to afford paying for one week's annual holiday away from home
3. Capacity to afford a meal with meat, chicken fish (or vegetarian equivalent) every second day
4. Capacity to face unexpected but necessary expenses of 30.000 ALL
5. Household cannot afford a telephone (including mobile phone)
6. Household cannot afford a color TV
7. Household cannot afford a washing machine
8. Household cannot afford a car and
9. Capacity to afford keeping home adequately warm

The work intensity of the household is defined as the ratio of the number of months that all household members have been working during the income reference year to the total number of months that could have theoretically worked during the same period (12 months).

A person is considered economically active when he/she is 18- 59 years old by excluding people who are depending on household and belong to the age group 18-24.

The work intensity is: very low (0 %- 20 %), low (20 % - 45 %), medium (45 % - 55 %), high (55 % -85 %) and very high (85 % - 100 %)

Very low work intensity refers to the situation of persons in the household where no one works, or works very little, meaning that working-age household members work only 20% or less of the total number of months they can work during the reference period.

At Risk of Poverty or Social Exclusion refers to the individuals who are at risk of poverty or severe materially deprived or living in a household with very low work intensity.