

# Income and Living Conditions in Albania, 2022

**29 February 2024, Tirana:** INSTAT publishes the main results of Income and Living Conditions Survey (EU- SILC) 2022 which measures living conditions, relative poverty and material deprivation in Albanian households (See Methodology).

At-risk of poverty rate in Albania, in 2022, is 20.6 %, experiencing a decrease by 1.4 percentage points compared with 2021.

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 2022 was set at 225.931 ALL, compare to 191.791 ALL in 2021.

In 2022 are estimated 576.316 individuals living below the at-risk-of-poverty threshold, against 622.705 individuals estimated in 2021. Number of individuals in at risk of poverty has decreased by about 7.4 %.

Starting from 2021, the indicator of material deprivation, low work intensity and the **at risk of poverty or social exclusion** (AROPE) has been modified from a methodological point of view, based on the new objective of the European Union "Europe 2030" (See Methodology).

According to the target set from European Union for the protection of social rights included in "EU 2030" the number of people in at risk of poverty or social exclusion (AROPE) should be reduced by at least 15 million by 2030, and out of them, at least 5 million should be children.

This is the main indicator for monitoring the Europe 2030 target on poverty and social exclusion and was the main indicator for monitoring poverty in the Europe 2020 Strategy.

**Severe material deprivation** according to the Europe 2020 strategy shows the percentage of individuals living in households who cannot afford at least 4 out of 9 categories of material deprivation.

This indicator is estimated at 33.2% in 2022, compared to 35.2% estimated in 2021, decreasing by 2 percentage points.

**Material and social deprivation** refers to the indicators that show the material conditions that affect the quality of life of households and individuals.

**Severe material and social deprivation rate (SMSD)** according to the Europe 2030 agenda, represents the percentage of the population that cannot afford at least 7 out of 13 categories of material and social deprivation. For 2022, this indicator is estimated at 37.0% against 39.0% estimated in 2021.

**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. According to the EU 2020 strategy, individuals aged 18-59 who live in very low work intensity in 2022, are estimated 11.3%, compared to 12.4% in 2021, reflecting a decrease of 1.1 percentage points. According to the EU 2030 agenda, individuals aged 18-64 who live in households with very low work intensity in 2022, are estimated 10.4%, compared to 11.7% in 2021, reflecting a decrease of 1.3 percentage points.

**At Risk of Poverty or Social Exclusion (AROPE)** refers to individuals who are in at risk of poverty, or severe materially and socially deprived, or living in households with very low work intensity. In 2022, this indicator according to the Europe 2020 strategy is estimated at 41.6%, compared to 43.9% estimated in 2021. While according to the Europe 2030 agenda, this indicator is estimated at 44.5%, compared to 46.6% estimated in 2021 .

**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 2022 is estimated 36.5 % compared to 24.5 % 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, 2019, 2020, 2021, 2022**

Indicators	2019	2020	2021	2022
At risk of poverty rate (%)	23.0	21.8	22	20.6
Severe material deprivation (%) (lack of 4 out of 9 categories of material deprivation)	37.1	34.7	35.2	33.2
Severe material and social deprivation (%) (lack of 7 out of 13 categories of material deprivation)	42.5	38.8	39	37
Very low work intensity (age 18-59) (%)	12.4	11.6	12.4	11.3
Very low work intensity (age 18-64) (%)	12	11.1	11.7	10.4
At risk of poverty or social exclusion (AROPE-Europa 2020) (%)	46.2	43.4	43.9	41.6
At risk of poverty or social exclusion (AROPE-Europa 2030) (%)	50.7	46.1	46.6	44.5
At risk of poverty threshold; one person household (ALL)	170.785	186.242	191.791	225.931
At risk of poverty threshold; household with 2 adults and 2 dependent children (ALL)	358.65	391.108	402.76	474.455
At risk of poverty before social transfers (%) (Old-age and family pensions included in social transfers)	38.1	37.9	39	36.5
At risk of poverty after social transfers (%) (Old-age and family pensions excluded in social transfers)	26.1	24.8	25.2	24.5

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

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

The decreasing trend is observed in all three age groups, but a greater decrease has the age group 18-64 years old, where at risk of poverty in 2022, compared to 2021, has decreased by 1.6 percentage points. The age group 65 and over has experienced a slight decrease in 2022 by 0.1 percentage points, compared to 2021.

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

Agegroup	2019			2020			2021			2022		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-17 years old	27.9	31.7	29.7	26.7	30.1	28.4	26.8	30.2	28.5	26,3	28,6	27,4
18-64 years old	22.3	23.3	22.8	21.4	21.7	21.6	21.7	22.0	21.8	19,8	20,5	20,2
65 and over	12.9	14.8	13.9	13.0	14.5	13.8	13.1	14.8	14.0	13,0	14,7	13,9
<b>Total</b>	<b>22.2</b>	<b>23.8</b>	<b>23.0</b>	<b>21.4</b>	<b>22.3</b>	<b>21.8</b>	<b>21.5</b>	<b>22.5</b>	<b>22.0</b>	<b>20,1</b>	<b>21,1</b>	<b>20,6</b>

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

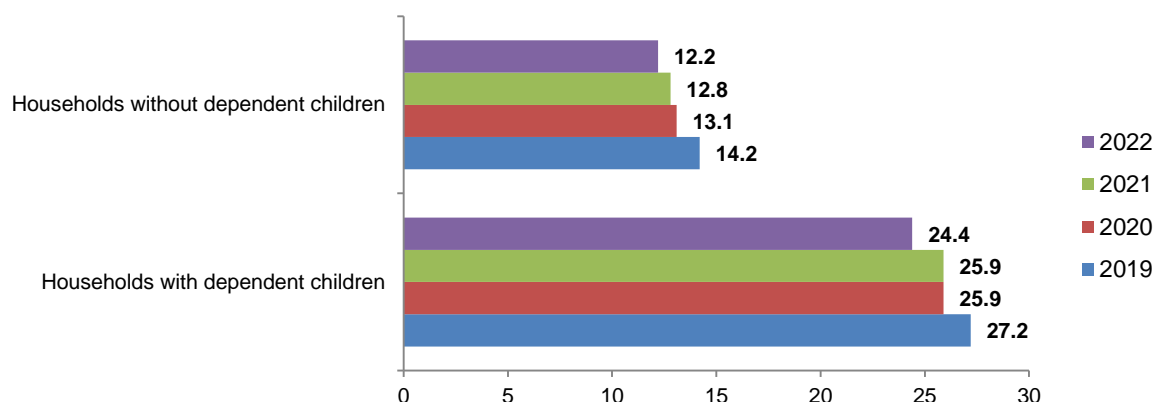
**At risk of poverty rate by activity status** for employed individuals aged 18 and above, in 2022 is estimated with a decrease by 2.1 percentage points compared to 2021. At risk of poverty rate of population among unemployed persons has increased by 0.4 percentage points while among retired persons it has increased by 0.2 percentage points.

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

Individuals 18 years old and over	2019	2020	2021	2022
<b>Employed</b>	<b>14,6</b>	<b>12,7</b>	<b>12,6</b>	<b>10,5</b>
<b>Not employed</b>	<b>26,4</b>	<b>25,9</b>	<b>26,4</b>	<b>25,8</b>
Unemployed	39,2	37,8	38,9	39,3
Retired	14,0	13,9	14,0	14,2
Inactive population - Other	28,7	28,9	29,8	28,3

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

**The Percentage of people in at risk of poverty by household type** in 2022, households without dependent children it is estimated to be lower compared to the households with dependent children, respectively 12.2 % and 24.4 % 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 12.8 % and 25.9 %.

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

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

**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 2022, Gini coefficient is estimated 31.0 %, decreased by 2 percentage points from 2021.

**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 2022, the S80 / S20 ratio is estimated 5.2 compared to 5.7 ratio in 2021. For the population 65 years old and over this ratio in 2022 is estimated 3.6 compared to 3.9 in 2021. For the population less than 65 years old this ratio is estimated 5.4 in 2022 compared to 6.1 in 2021.

**Tab.4 Inequality indicators**

Inequality indicators	2019	2020	2021	2022
GINI (në %)	34.3	33.2	33	31
Ratio S80/S20	6.4	5.9	5.7	5.2
S80/20 65 years old and over	4.1	4	3.9	3.6
S80/20 less than 65 years old	6.8	6.2	6.1	5.4

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

## Income and Living Condition in Albania, 2022

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 13.9 % in 2022 compared to 15.0 % in 2021.

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

	2019	2020	2021	2022
Under 40% of the median equivalised disposable income	9,7	8,5	8,5	7,4
Under 50% of the median equivalised disposable income	16,2	14,4	15,0	13,9
Under 70% of the median equivalised disposable income	29,4	28,2	28,5	27,6

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

In 2022, the monthly mean equivalised disposable income per capita has increased by 15.4 % compared to 2021.

**Tab.6 Monthly mean equivalised disposable income**

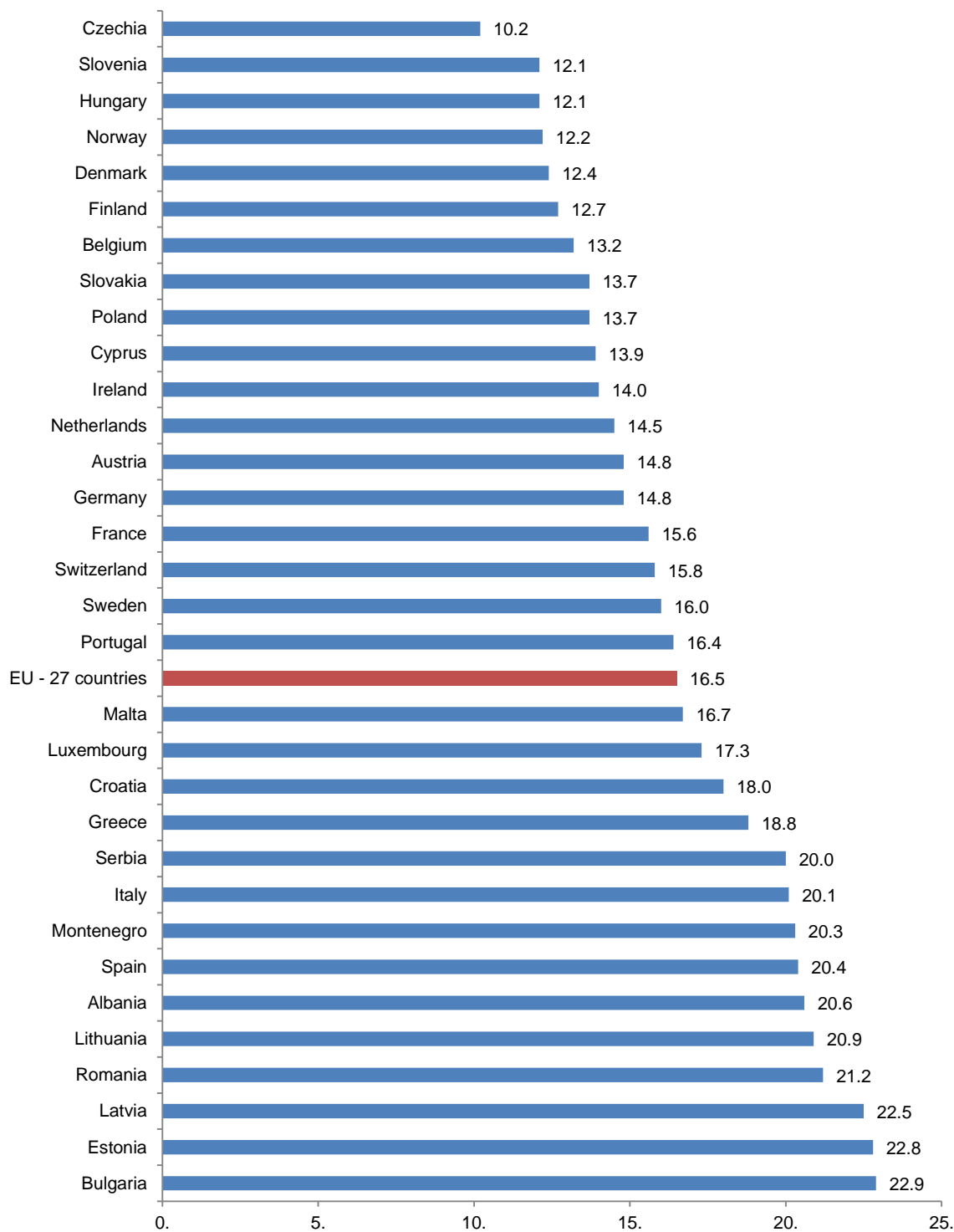
	2019	2020	2021	2022
Monthly Mean equivalised disposable income per capita (ALL)	27.849	30.169	30.962	35.725

Source: Income and Living Conditions Survey 2019, 2020, 2021, 2022

### Comparability with other European Countries

The comparison of at-risk of poverty in 2022 among Albania, Region countries and the EU member states indicate that: the highest value of relative poverty is recorded in Bulgaria (22.9%), Estonia (22.8 %), Latvia (22.5%), Romania (21,2%), Lithuania (20,9%), followed by Albania (20.6%). The lowest poverty rates are recorded in the Czech Republic (10.2 %), Slovenia (12.1 %), Hungary (12.1%), Norway (12.2%) and Denmark (12.4%). The average of EU countries (27 countries) is 16.5 % (see fig. 2).

**Fig. 2 At risk of poverty rate by countries, 2022 (in %)**



Source: Eurostat 2022

# Methodology

The Survey on Income and Living Conditions is conducted in 2017 for the first time in Albania where the reference income is 2016. For release of 2022, the reference income is 2021.

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 was the Living Standard Measurement Survey known as LSMS. This survey has collected a variety of monetary and non-monetary indicators bringing a variety of information to different users. Through LSMS, the measurement of poverty is based on consumption using the absolute poverty line, while SILC is based on household 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.

**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 persons or a person related by blood 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 2022, the survey was conducted on a sample size of 9.103 households, where respondent households were 7.382, while in 2021 the sample size was 9.136 households with 7.692 households respondent.

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

**Incomes:** is the last calendar year - N - 1 (for SILC 2022 is 2021, for SILC 2021 is 2020, for SILC2020 is 2019 and for SILC 2019 is 2018).

**Material deprivation:** is the moment when the interview is conducted - (Year 2022, 2021, 2020 and 2019).

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 household income, 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 modified OECD equivalised scale. 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, the 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 for a person to not be considered in at risk of poverty. At-risk-of-poverty threshold is defined as 60% of the median equivalised disposable income for all households.

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

**Material deprivation** indicates the population standard of living by the material deprivation rate.

**Severe materially deprived persons (Europe 2020)** are those living in household who cannot financially afford at least four out of nine categories of material deprivation related to assets, living conditions or financial aspects.

**The nine items of material deprivation based on Europe 2020 strategy are described as below:**

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.

**Severe Material and Social Deprivation (Europe 2030)** represent the percentage of the population who cannot financially afford at least 7 out of 13 deprivation items (6 items related to the individual and 7 items related to the household).

List of items at household level:

1. Capacity to being confronted with payment arrears (on mortgage or rental payments, utility bills, hire purchase installments or other loan payments);
2. Capacity to afford paying for one-week annual holiday away from home;
3. Capacity to face unexpected expenses of 30.000 ALL;
4. Capacity to afford a meal with meat, chicken, fish or vegetarian equivalent every second day;
5. Ability to keep home adequately warm;
6. Have access to a car/van for personal use;
7. Replacing worn-out furniture.

List of items at individual level:

1. Having internet connection;
2. Replacing worn-out clothes by some new ones;
3. Having two pairs of properly fitting shoes (including a pair of all-weather shoes);
4. Spending a small amount of money each week on him/herself;
5. Having regular leisure activities;
6. Getting together with friends/family for a drink/meal at least once a month.

**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 of working age is considered to be a person of the age group 18-59 years according to the Europe 2020 and of the age group 18-64 years according to the Europe 2030 objectives, excluding persons belonging to the age group 18-24 years who are dependent and economically inactive as well as the exception of persons receiving family pension and inactive persons aged 60-64 living in households in which the main source of income is pension.

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 and socially deprived or living in a household with very low work intensity.

The table below shows the differences between the **At-risk-of-poverty or social exclusion rate (AROPE)** defined for the Europe 2020 strategy and the Europe 2030 targets.

Indicator	Europe 2030	Europe 2020
<b>Severe material deprivation rate</b>	The severe material and social deprivation rate (SMSD): is defined as the proportion of the population experiencing an enforced lack of at least 7 out of 13 deprivation items (6 related to the individual and 7 related to the household).	Severe material deprivation (SMD): The proportion of the population that lacks at least 4 out of 9 goods and services considered by most people to be desirable or even necessary for an adequate life.
<b>At-risk-of-poverty rate</b>	The percentage of people in the total population who are at risk of poverty.	The percentage of people in the total population who are at risk of poverty.
<b>Low work intensity indicator</b>	People from 0-64 years living in households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status as well as people in the age group 60-64 who are inactive and living in a household where the main income is pensions) worked a working time equal or less than 20% of their total combined work-time potential during the previous year.	People from 0-59 years living in households where the adults (those aged 18-59, but excluding students aged 18-24) worked a working time equal or less than 20 % of their total combined work-time potential during the previous year.