

The impact of European integration on the labour market in Albania: challenges, opportunities and perspectives¹

Abstract

This article analyses the effects of the European integration process on the labour market in Albania. It provides a summary analysis of a much deeper body of research examining the processes of European integration which have brought with them a series of labour market reforms, including the alignment of employment policies, increased labour mobility and adaptation to the demands of an increasingly digitalised economy. The comparative analysis includes western Balkan countries and current EU member states, focusing on unemployment, employment structure, the impact of digital technology and migration. The aim of the research programme is to analyse the key trends, challenges and opportunities brought by European integration, as well as to evaluate the policies and reforms being undertaken in Albania to meet EU standards. The challenges facing the country's labour market remain deep and multifaceted, but a solid foundation for informed and actionable policymaking would bring the country closer to a successful integration and would establish long-term benefits for its citizens.

Keywords: labour market, European integration, Albania, unemployment, employment structure, digitalization, migration

Introduction

The European Union (EU) integration process has had a significant impact on the dynamics of labour markets in candidate countries. Albania, as a potential new member state, has undertaken considerable reforms to align its employment policies with the European *acquis* (the legal and institutional framework that comprises the EU system), one of the main tasks that candidate countries must undertake in harmonising their legislatures with that of the EU during the accession process. However, challenges such as high informality, skill mismatch and migration continue to pose serious obstacles. This article aims to analyse these dynamics and assess the broader impact of European integration on the development of the labour market in Albania, based on comparative facts and recent institutional developments.

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Its specific objectives are as follows:

1. to assess Albania's institutional and legal progress in compliance with the *acquis communautaire* in the field of employment
2. to analyse the structural challenges hindering the Albanian labour market from functioning according to EU standards (such as unemployment, informality, migration and skill mismatch)
3. to compare Albania's performance with other western Balkan countries and EU member states in terms of key employment indicators
4. to highlight the role of EU financial instruments (IPA, Erasmus+, the Cohesion Fund) in strengthening capacities for labour market development
5. to provide data-based recommendations for effective policies supporting the integration of the Albanian labour market into the European space.

Labour market: framework for analysis

Research on the impact of European integration on the labour market highlights both opportunities and challenges.

According to Galgócz et al. (2011), the integration process promotes labour mobility, increases productivity and develops employment institutions in transition countries. However, Böhning and Schloeter-Paredes (2014) note that 'brain drain' and transitional unemployment remain common in countries in the early stages of integration. Within the western Balkans, Bartlett and Oruc (2020) emphasise that structural reforms often remain slow and fragmented, which has a negative effect on labour markets and alignment with European employment standards. The series of regular progress reports by the European Commission (2023b), however, suggest that integration can offer a strong institutional framework for labour market reform by promoting formalisation, social security and employment equality.

In summary, European integration holds significant potential for improving labour markets in aspiring countries like Albania, but success in this area does depend on the depth of the reforms undertaken alongside the presence of institutional capacity for effective implementation.

Labour market challenges in Albania

Albania's labour market faces several deep and complex challenges that make it fragile as well as inefficient at providing sustainable employment opportunities. These structural problems have a direct impact on the functioning of the market economy and social welfare within the country, and also in terms of the smoothness of the process of approximation with European standards.

One of the most prominent challenges affects young people in particular. According to INSTAT data (2023a), unemployment among the 18-29 age group is around 21.5%, one of the highest in the region. This results from a mismatch between the qualifications provided by the education system and actual labour market needs (Rama 2022).

Another major challenge is the high level of informality. More than 30% of employed people in Albania are engaged in the informal sector, primarily in agriculture

and trade; i.e. are without employment contracts and existing outside the system of social security (INSTAT 2023). This phenomenon is damaging the state's revenue collection capacity, affects access to social services and increases individuals' economic insecurity (ILO 2022).

The emigration of the working age population is also a challenge which is having long-term consequences. About 1.4 million Albanians live abroad (King and Gëdeshi 2023), most of whom are of working age and often highly educated. This phenomenon, known as the 'brain drain', reduces the country's talent pool and weakens the development capacity of strategic sectors.

Marginalised groups, including women and rural populations, face additional obstacles in labour market inclusion. The employment rate for women in Albania in 2022 was 52.1% compared to 68.5% for men (INSTAT 2023b). These differences are linked to the lack of gender equality policies in employment, childcare responsibilities and, in the latter case, the lack of a supportive infrastructure not least in rural areas.

All these challenges highlight the need for deep structural interventions in the labour market to enable Albania to meet the conditions of a functional market economy and integrate successfully into the European Union.

Reforms undertaken in Albania (2018-2023)

Over the past five years, Albania has undertaken a series of important reforms to meet the standards of European Union membership. These reforms have included in the areas of the justice system, public administration, the economy, education and institutional capacity building in the labour market to assist with the more effective use of EU funds.

Justice system reform

Reform of the system of justice has been one of the main priorities of European integration, aiming to build an independent, transparent and trustworthy judiciary. A vetting process, which began systematically after 2018, involved an evaluation of the integrity, assets and professional skills of judges and prosecutors. In 2019, around 30% of the judiciary had undergone vetting while, by 2022, this number had surpassed 85%, contributing to the cleansing of the system of corrupt elements (Balliu 2020).

Public administration reform

In this important area, Albania has implemented reforms to increase transparency, accountability and service access for citizens. In 2018, the first e-services systems were implemented, with these being expanded significantly in subsequent years. By 2022, over 95% of public services were accessible online through the e-Albania platform (IDM 2020).

Economic reform

Albania has focused its efforts on improving the business climate and has targeted sustainable, year-on-year economic growth. Improving the legal infrastructure for investments, simplifying procedures for business registration and digitalising tax services are among the measures that have had a positive influence on the economic environment (IDM 2020).

According to the World Bank, economic growth during this period of reform has been along the lines of the following:

- 2018: Albania recorded GDP growth of 3.7%, driven primarily by the construction and services sectors (Trading Economics 2024)
- 2019: growth fell back to 2.1% due to a slowdown in foreign direct investment and the impact of the earthquake at the end of the year (BTI Transformation Economics 2024)
- 2020: the economy contracted by -3.3% as a result of the global Covid-19 pandemic and restrictions on economic activity (World Bank nd)
- 2021: saw strong recovery with the economy growing by 9.0%, thanks to fiscal measures and support for key economic sectors (European Commission 2023)
- 2022: growth stabilised at 4.8%, reflecting a consolidation of the economic recovery and an increase in domestic consumption (World Bank nd)
- 2023: again, growth was a steady state 3.9% (World Bank nd).

This data shows a positive trend towards sustainable growth but also highlights the need to deepen structural reforms, especially in diversifying the economy and supporting those sectors with long-term potential.

Pre-university education reform

Another key component of EU standards approximation has been improving the quality of basic education. In this regard, Albania took a major step in 2019 by participating for the first time in the TIMSS (Trends in International Mathematics and Science Study) – an international assessment testing students' knowledge in mathematics and science based on global standards (TIMSS 2019). This participation represented an effort to measure the performance of the education system in comparison with EU countries. In 2023, Albania participated for the second time, demonstrating continued commitment to transparency and quality improvement in education (TIMSS 2023). The 2023 TIMSS results have been used by policymakers as a basis for new reforms in the school curriculum, as well as improving teaching methodologies and the professional development of teachers (Ministria e Arsimit dhe Sportit 2024).

This progress is especially important for the labour market, since aligning the education system with real economic needs is a core criterion for EU integration.

The role of EU financial instruments

Programmes such as IPA, Erasmus+ and the Cohesion Fund provide essential financial support for employment projects and institutional strengthening. These funds

have helped improve training systems and public employment services, although the capacity for absorption remains limited (OECD 2021).

One of the most concrete aspects of the assistance that the EU provides for aspiring countries like Albania is access to financial programmes and funds aimed at strengthening institutional capacities and improving the labour market. Through IPA II and IPA III, Albania has been able to run projects related to skills development, the equipment of vocational training centres, the establishment of labour market information systems and the training of public administration employees in the management of employment policy. Erasmus+ has also helped increase academic and professional mobility for young Albanians and also improve the curricula of higher education institutions (European Commission 2023a).

However, the main challenge remains the limited institutional capacity to absorb and manage these funds. According to the OECD (2021), the lack of qualified human resources and the weaknesses in inter-institutional coordination continue to limit the effectiveness of EU fund use in Albania.

Research approach

The core analysis of the research on which this article draws is based on a combined methodological approach, integrating both qualitative and quantitative techniques to assess the impact of European integration on the labour market in Albania. The use of statistical data from official international sources such as Eurostat, the OECD, the World Bank and INSTAT – the statistical authority in Albania – forms the basis for a comparative evaluation both with other countries in the region and with EU member states.

The qualitative aspects of the research were conducted through structured interviews held with Albanian policymakers and labour market experts to gain deeper perspectives on the institutional challenges, barriers to reform implementation and the successful practices that can be adapted from EU countries.

From a comparative standpoint, Albania's position was evaluated against other western Balkan countries – including North Macedonia, Kosovo, Bosnia and Herzegovina, Serbia and Montenegro – in indicators such as unemployment, employment structure by sector, digital transformation and labour force migration.

The combination of quantitative data and qualitative analyses has enabled the construction of a clear overview of Albania's current position and the strategic needs required to improve it towards approximation with the European labour market development model.

Findings

The comparative analysis developed between other western Balkan countries and EU member states provides a clear framework for understanding Albania's structural differences and specific needs in terms of the development of the labour market. Despite the progress that has been made, Albania still lags behind EU countries in several key indicators, while the continuing similarities with the rest of the region highlight shared challenges that require coordinated responses.

Unemployment in Albania, which stood at 11.2% in 2022 according to Eurostat data, is higher than the European average of 6.2% but lower than in some regional countries such as North Macedonia (14.4%), Kosovo (20.3%), Bosnia and Herzegovina (15.4%) and Serbia (9.5%). This indicates an intermediate position where Albania still has much to do to meet EU standards in employment; while also suggesting that Albania remains closer to the other countries of the region than to the EU labour market.

Employment structure represents another essential element in this analysis. The dominance of the agricultural sector is evident in that, according to Eurostat data, it still accounts for 32% of total employment in Albania (INSTAT 2023a). This reflects an economy still oriented towards low value-added, low productivity activities. Compared to the level of below 5% in EU countries, this signals a strong need for economic transformation and diversification, as well as the development of higher value-added sectors such as technology, manufacturing and modern services.

Digital transformation is another component that strongly affects labour market competitiveness, with the digital skills gap another aspect that is likely to risk hindering integration. Eurostat databases and publications contain no data on overall digital skills in Albania, while there is no digital skills strategy in place despite revisions to the country's digital agenda (Regional Cooperation Council 2021). This requires systematic investments in professional training and technology-oriented education. The digital skills gap that is likely to result from the lack of such a target, and the strong focus that this would provide, reflects the continued lack of investment and requires a review of policies for the development of human capital.

Finally, migration remains a significant factor in regional analysis. Migration remains a multidimensional issue. With over 1.4 million Albanian citizens living abroad (King and Gëdeshi 2023), Albania is among the European countries with the highest percentage of a diaspora in Europe and, therefore, one which is among those most strongly affected by the 'brain drain'. Comparisons with other regional countries show this is a common phenomenon – this situation is comparable to Bosnia and Herzegovina and Kosovo, but is significantly more pronounced than in countries like Serbia or Montenegro. The emigration of young and qualified professionals creates major gaps in the domestic labour market and also undermines the country's long-term development capacity (World Bank 2023). Its sheer existence reflects a lack of confidence in the domestic labour market and also a shortage of opportunities for personal and professional development.

In conclusion, the analysis clearly shows that Albania must intensify its efforts to improve its labour market through deep structural reforms, investments in education and skills, increased labour market inclusion and the development of policies which manage migration better. Only in this way can the country move sustainably toward meeting EU standards and establish a functional, inclusive and competitive labour market.

Discussion

Based on the analysis of structural indicators and Albania's performance compared to the European Union and other western Balkan countries, several key recom-

mendations emerge for improving the labour market and accelerating the European integration process. These recommendations should be seen as part of a long-term national strategy for the full integration of Albania into the European Union and the development of a sustainable, inclusive, and growth-oriented labor market.

Reforming the education and vocational training system

The Albanian education system does not align with the dynamic demands of the labour market. Developing competence-based curricula, integrating information technology and fostering close cooperation with the private sector are essential to boost the employability of young people and reduce structural unemployment. Vocational education should be focused on the development of practical skills and more closely connected to sectors which have development potential such as tourism, technology and energy.

Strengthening employment services and active labour market policies

Public employment services should be modernised to play a more proactive role in mediating between jobseekers and employers. This includes digitalising services, training staff and creating interactive databases to profile labour demand and supply. Active labour market policies – such as employment subsidies, investment in public employment services and administration, and targeted training to upskill young people in critical skills areas – should be reinforced to integrate vulnerable groups into the labour market.

Strategies for managing migration and the ‘brain drain’

In seeking to face up to the phenomenon of the ‘brain drain’, a national strategy is needed to promote the return of Albanian professionals in the diaspora through financial and professional incentives. This could be achieved by creating specialised employment platforms, supporting the creation of new businesses and fostering collaborations with universities and companies in the diaspora.

Greater inclusion of women and rural areas in the labour market

Women and rural populations are often marginalised in respect of the formal labour market. Policies for gender equality and access to work should be supported through improved care infrastructure (nurseries, public transport), training for women entrepreneurs, the promotion of employment in the social economy and the formalisation of informal sectors.

Structured social dialogue and partnerships among actors

Promoting social dialogue between the government, trade unions and employer organisations is essential for building a European model of labour relations. This dialogue should be institutionalised through equal representation mechanisms and regular consultations on employment policies and social reforms.

Effective use of EU funds (IPA, Erasmus+, Cohesion Fund)

Albania has great potential to benefit from EU financial instruments, but absorption capacity remains limited. Strengthening the capacity of the public administration to design, manage and monitor EU-funded projects is needed. Increased cooperation with international organisations and civil society would facilitate the implementation of projects supporting labour market development.

Conclusion

Albania has made significant progress in aligning with European standards when it comes to the labour market, undertaking institutional, legal and social reforms aimed at increasing formality, improving workforce skills and expanding labour market inclusion. However, the challenges remain deep and multifaceted.

The dominance of the agricultural sector, the high level of informality, skills mismatch and the emigration of young people and qualified professionals limit the potential for sustainable development. At the same time, the digital skills gap and the exclusion of vulnerable groups, such as women and the rural population, from the formal labour market further undermine the effectiveness of current policies.

To accelerate European integration and build an inclusive and competitive labour market, Albania must focus on deep structural reforms, sustainable investment in human capital and stronger institutional cooperation. Effective use of EU programmes and the development of an efficient administration to increase capacity are key factors in this direction.

This article aims to contribute to the academic and policy discourse on integrating the Albanian labour market into the European space, offering a solid foundation for informed and actionable policymaking that would bring the country closer to a successful integration prospect which would have long-term benefits for its citizens.

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