

Income and Living Conditions in Albania, 2017-2018

16 December 2019, Tirana: INSTAT publishes for the first time the main results of Income and Living Conditions Survey (EU-SILC) that measures living conditions, relative poverty and material deprivation in Albanian households.

This survey is fully in accordance with the Eurostat methodology and the methodology used by all other EU member states. The survey is the basic source for comparable statistics on income distribution and social exclusion at European level. The EU-SILC survey is conducted on annual basis in all EU Members States as well as in all the candidate countries, (see methodology).

At- risk of poverty rate in Albania, in 2018, is 23.4%. In 2017, this indicator was 23.7%, decreasing by 0.3 percentage point.

In comparison to other EU countries, the Albanian at risk of poverty rate in 2018 is 23.4 % which ranks Albania before Serbia (24.3 %) and Rumania (23.5 %), (see fig.2).

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 main indicator is the at-risk of poverty (relative poverty), which indicates the percentage of individuals with incomes below 60% of the median equivalised income, also defined as the relative poverty line. This relative poverty rate does not indicate the number of persons that are in poverty, but how many of them have incomes below the defined poverty line and are at risk of poverty.

The at risk of poverty threshold for a one-member household was set at 160.742 ALL in 2018 compared to 145.017 ALL in 2017. Around 671,000 individuals living below the at-risk-of-poverty threshold are estimated in 2018, against 681,000 individuals estimated in 2017. This indicates that the total disposable household income has increased and the proportion of individuals of at risk of poverty has decreased by about 1.5 %.

Severe material deprivation is defined as the percentage of population with an enforced lack of at least 4 out of 9 material deprivation items¹. This indicator is estimated at 38.3 % in 2018 against 41.1 % in 2017, decreasing by 2.8 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 2018 are estimated 13.3 % versus 14.4 % in 2017, reflecting a decrease of 1.1 percentage points.

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. In 2018 this indicator is estimated 49.0 % compared to 51.8 % in 2017.

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 2018 is estimated 39.0 % compared to 26.3 % 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, 2017 2018

Indicators	2017	2018
At risk of poverty threshold (%)	23.7	23.4
Severe material deprivation (%) (lack of 4 out of 9 categories of material deprivation)	41.1	38.3
Low work intensity (%)	14.4	13.3
At risk of poverty or social exclusion (AROPE) (%)	51.8	49.0
At risk of poverty threshold; one person household (ALL)	145.017	160.742
At risk of poverty threshold; household with 2 adults and 2 dependent children (ALL)	304.535	337.558
At risk of poverty before social transfers (%) (Old-age and family pensions included in social transfers)	40.4	39.0
At risk of poverty before social transfers (%) (Old-age and family pensions excluded in social transfers)	27.1	26.3

Source: Income and Living Conditions Survey 2017, 2018

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

The decreasing trend is observed in the 18-64 age groups were at risk of poverty in 2018 compared with 2017, decreased by 0.5 percentage point. The at risk of poverty rate has not changed among the age group of 0-17, while it has increased by 0.6 percentage point among the age group of 65 years old and above.

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

Age group	2017			2018		
	Male	Female	Total	Male	Female	Total
0-17	27.7	31.8	29.6	28.7	30.6	29.6
18-64	24.0	23.4	23.7	23.2	23.3	23.2
65+	13.0	13.7	13.4	12.5	15.4	14.0
Total	23.5	23.9	23.7	23.0	23.8	23.4

Source: Income and Living Conditions Survey 2017, 2018

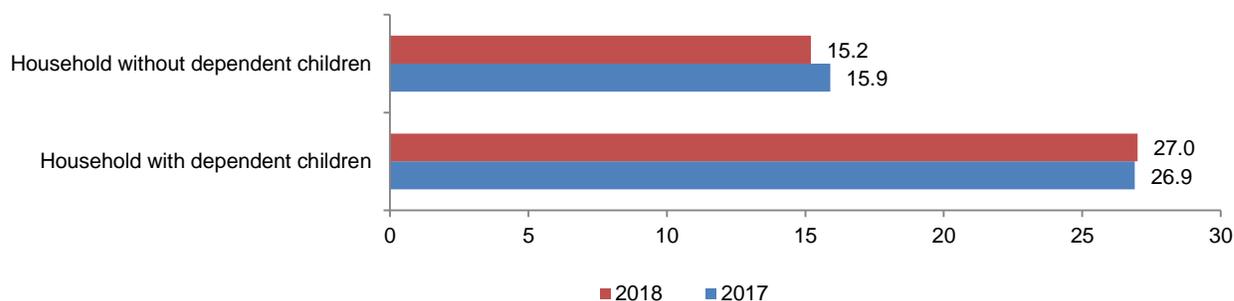
At risk of poverty rate by activity status, for employed individuals aged 18 and above, in 2018 is estimated with a decrease by 1.4 percentage points compared to 2017. At risk of poverty rate among unemployed individuals has decreased by 1.7 percentage points.

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

	2017	2018
Employed (18 years old and above)	17.9	16.5
Not employed	25.3	25.7
Unemployed	38.8	37.1
Retired	13.4	14.2
Inactive population - Other	25.6	27.9

Source: Income and Living Conditions Survey 2017, 2018

At risk of poverty rate by household type, in 2018, households without dependent children, it is estimated to be lower compared to the households with dependent children, respectively 15.2 % among households without dependent children and 27.0 % among households with dependent children. A year ago at risk of poverty rate was respectively 15.9 % and 26.9 %.

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

Source: Income and Living Conditions Survey 2017, 2018

The inequality in the distribution of equivalised 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 2018, Gini coefficient is estimated 35.4 %, decreased by 1.4 percentage points from 2017.

The income quintile share ratio S80/S20 is an indicator of income distribution and measures the ratio of highest equivalised disposable income (last quintile) with the lowest equivalised disposable income (first quintile). It presents the ratio of the total equivalised disposable income received by the 20% of the population with the highest equivalised disposable income to that received by the 20% of the population with the lowest equivalised disposable income.

In 2018 the ratio S80 / S20 is estimated 0.5 percentage point lower compared to 2017. For the population 65 years old and above this ratio has been decreased by 0.1 percentage point, whereas for persons under 65 years old it is 0.5 percentage point lower in 2018 compared to 2017.

Tab.4 Inequality indicators (in %)

Inequality indicators	2017	2018
GINI	36.8	35.4
Ratio S80/S20		
Total	7.5	7.0
Over 65	4.5	4.4
Under 65	8.0	7.5

Source: Income and Living Conditions Survey 2017, 2018

As explained above, at risk of poverty rate is defined at 60% of the median equivalised disposable income. Increasing or decreasing of this threshold affects at risk of poverty rate (see table 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 17.3 % in 2018 compared to 17.5 % in 2017.

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

	2017	2018
Under 40% of the median equivalised disposable income	11.8	11.5
Under 50% of the median equivalised disposable income	17.5	17.3
Under 70% of the median equivalised disposable income	30.4	30.4

Source: Income and Living Conditions Survey 2017, 2018

In 2018, the monthly mean equivalised disposable income per capita has increased by 6.6 % compared to 2017.

Tab.6 Monthly mean equivalised disposable income

	2017	2018
Monthly mean equivalised disposable income per capita (ALL)	24.526	26.144

Source: Income and Living Conditions Survey 2017, 2018

Comparability with other European Countries

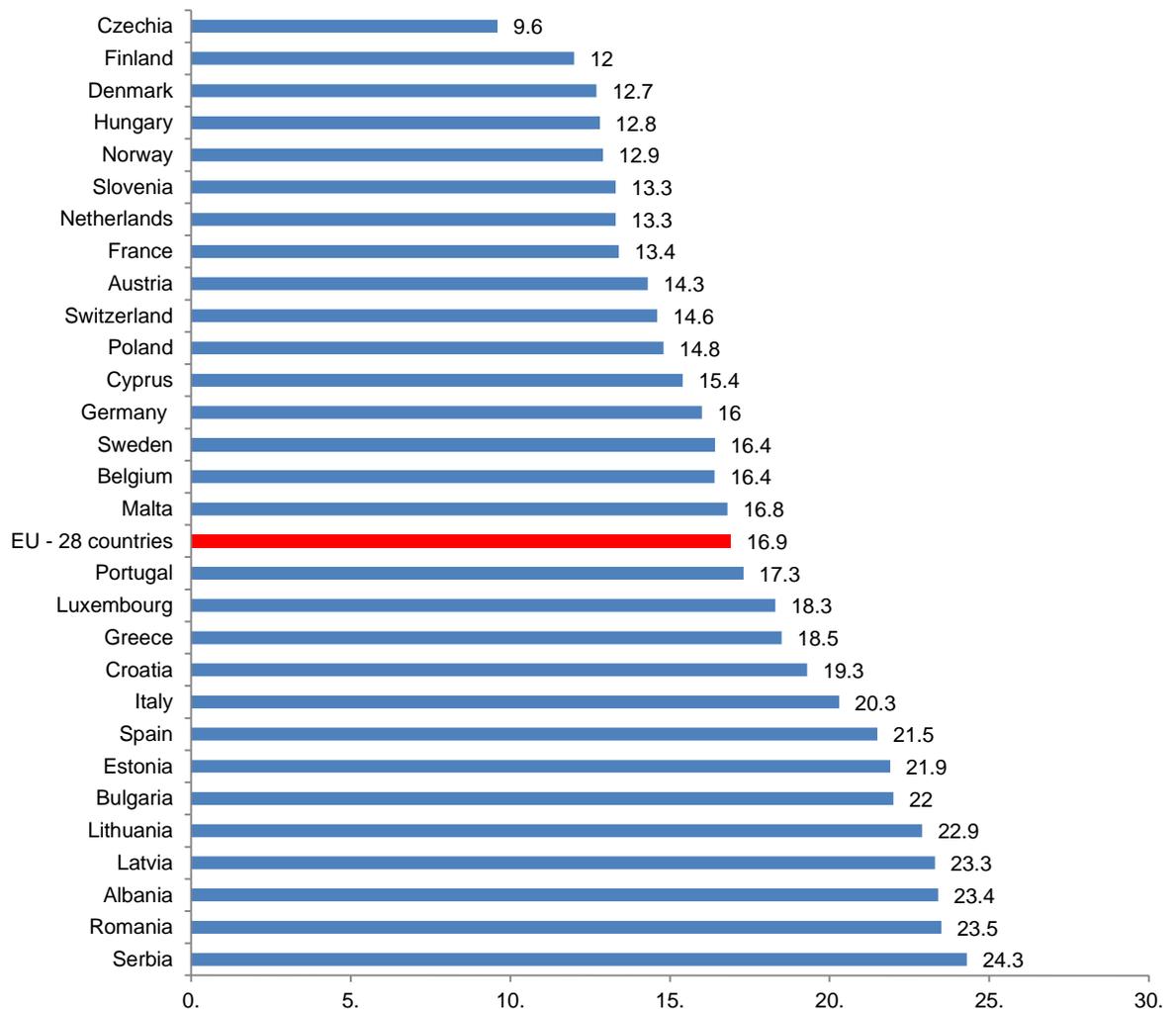
The comparison of at-risk of poverty in 2018 among Albania, the EU member states and other Region countries indicate that: the highest value of relative poverty is recorded in Serbia (24.3 %), Romania (23.5 %)

followed by Albania (23.4 %). The lowest poverty rates are recorded in the Czech Republic (9.6 %), Finland (12.0 %), Denmark (12.7 %), Hungary (12.8 %) and Norway (12.9 %).

The average of EU countries (28 countries) is 16.9%, (see fig. 2).

The “At risk of poverty rate” in 2018 for Albania, region countries and EU member states are shown in figure 2.

Fig. 2 At risk of poverty rate by countries, 2018 (in %)



Burimi: EUROSTAT, 2018

Methodology

The Survey on Income and Living Conditions is conducted in 2017 for the first time in Albania. 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.

Given the methodological changes used in these two surveys, it is expected that the 2017-2018 information from Income and Living Conditions Survey 2017-2018 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 centres, 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 2018, the survey was conducted on a final sample of 7.800 households and in 2017 the sample was 7.582 households.

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

- **Incomes:** is the last calendar year - N - 1 (for SILC 2017 is 2016 and for SILC 2018 is 2017).
- **Material deprivation:** is the moment when the interview is conducted - (Year 2017 and 2018)

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 or 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 colour TV
7. Household cannot afford a washing machine
8. Household cannot afford a car and
9. Capacity to afford keeping home adequately warm during winter and cool during summer

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. 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.