

## **THE LABOUR MARKET TRENDS IN ALBANIA: THE WAYS TO INTEGRATE A GENDER PERSPECTIVE INTO WORKPLACES AND LABOUR POLICIES**

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### **- Abstract -**

Gender differences in the economic activities are well noted in many developing countries. Marked variations exist in female occupational rates while male labor force participation rates are high. Most often low female labor force rates indicate strong cultural stereotypes about gender roles, which keep women out of the labor force. Efforts to increase female labor market participation rates must take into account gender gaps and concurrently seek more balance in hours spent on reproductive labor by men and women.

In general this study reveals the real extent to which women are disadvantaged on the labor market, using data from sample surveys of Albanian public and private sector. In the present study, firstly, are examined some theories on the mechanisms of Gender Differences, like Human Capital approach and Sociological Approaches. The goal of the empirical analysis is to extract the determinants of the gender differences to explain to what extent the differentiation is, for example, related to the gender-specific human capital endowments or to gender-specific segregation on the labor market. Secondly, are analyzed the ways to recognize cultural, social and historical factors that influence unemployment among men and women in policy making. This study proposes some ways to develop job-creation and retraining schemes that address the disparate needs and situations of men and women.

In this paper, interesting implications are explored in order to implement some measures to address discrimination in hiring practices and down-sizing. This includes adopting necessary legislation, policies and mechanisms for dealing with complaints, as well as providing information to both job seekers and employers.

**Key Words:** *labor force, discrimination, wage differentials*

**JEL Classification:** J21, J71, J31

## **1. INTRODUCTION**

The reforms in the transition countries have impacted men and women in similar and different ways. Labor markets reflect the socio cultural environment in which men and women operate. Among labor market changes experienced we can mention: unemployment increases; public sector employment declines; informal economy employment growth; changes in the characteristics of employment; the replacement of centralized wage setting with a more decentralized system. Institutional changes during transition and the free market economy impact the ways in which men and women know and carry out their social roles. Gender identity reveals the social, cultural, and economic pressures under which men and women live.

## **2. THEORETICAL APPROACHES**

### **2.1. Human Capital approach**

Pay differentials between women and men are generally explained by varying human capital accumulation, independently of the hierarchical position. According to Becker (1993) women are more focused on the family than men and the different human capital investment are a result of a rational cost-utility calculation. We note that investments in educational and occupational training are less profitable for women because the accumulated knowledge becomes outdated during breaks in employment (Blau et al., 2006). Women invest less than men in knowledge accumulation during their working life because, as a result of less occupational continuity, they cannot benefit from this investment to the same extent (Mincer, 1962; Tam, 1997). Women are family oriented and it results in a restriction of their professional time availability and this leads to a wage disadvantage for women with a family. Based on the human capital theory, not only the general gender-specific pay differentials, but also the different proportions of women and men in certain occupations and fields of work and thus the gender-specific labor market segregation, is explained with the so-called self selection (Polachek, 1981). The gender-specific occupational choice is also a result of a rational cost-utility calculation; women choose in particular jobs that can be combined with family responsibilities, for example, those that allow part-time work and breaks in employment and those with a low absence risk. Because of their family orientation, women are more often employed in lower hierarchies, less demanding occupations and in those which have fewer career opportunities. According to surveys of Albanian public and private sector women, including those in higher positions, tend to work at lower hierarchical levels than men. The

top leadership positions are mainly occupied by men. There are also specific occupational differences in sizes of the enterprise, economy sector and industry. Women more often head smaller firms, and they more frequently work in health care, welfare, and in the private services. Female managers are more often employed in the public service than in the private sector.

The part of the gender-specific wage differential which is due to differences in human capital accumulation and preferences is interpreted as legitimate differences. People who invest more in human capital receive a fair productivity bonus (Blinder, 1973; Card, 1998; Oaxaca, 1973). The wage difference is only seen as problematic when it is due to illegitimate discrimination and prejudice practices, independently of human capital accumulations. Are also noted prejudices based more on the traditional roles of men and women with a resulting attribution of abilities. As women have higher family responsibilities and are less work oriented actors in the labor market anticipate that the employment of a woman produces higher costs than the employment of a man. We can see that at this point of view, discrimination on the labor market is defined as rational profit maximization (Ferber, 1987; Holst et al., 2006).

## **2.2. Sociological Approaches**

The historical responsibilities for the family (women) and for the occupation (men) developed in the modernization process lead to corresponding gender-specific values and norms internalized by the individuals and thus to gender-specific orientations and “preferences” for special jobs, as well as to discriminatory practices on the labor market.

In daily actions, people activate gender stereotypes; the interacting people fill the particular category (man/woman) with cultural perceptions about the relevant gender. One of these stereotypes is the “gender status belief,” which means the idea that one gender (the male) is more competent and thus has a higher status, with the result that in general it is justified for men to have a higher position of power and more privileges (Ridgeway et al. 1999). This leads to gender differences on the labor market: Men are expected to have higher work-related competence and effectiveness or performance than women (Foschi, 1996), with the result that there are different career opportunities and pay for men and women. Studies have shown that even within a specific job, the work of women is devaluated and paid less than that of men. This is labeled as “allocate discrimination” (ILO, 2004). The devaluation thesis is important especially with regard to leadership positions. Here, because of cultural internalized perceptions about gender-specific occupational positions, employers tend to believe that

women fit the leadership profile less, they attribute a higher competence to men (Ridgeway et al., 1999). In addition, according to the “homophile principle”, which states that people interact primarily with others who are similar in given characteristics and build gender homogeneous networks, when making decisions about promotion, people prefer others who are similar in given characteristics. Consequently, the predominantly male decision-makers prefer to promote men to leadership positions (Ridgeway et al. 1999). In the literature, it is acknowledged that on average, typical women’s jobs are paid less than typical men’s jobs. The pay disadvantage in women’s job is due to less firm-specific human capital accumulation in these jobs and that women may have less motivation than men to invest in this form of human capital (Tam, 2000). It also depends on the one who decides (employer or employee) on how much such training an employee receives. According to ILO (2004), it could be shown that there is evaluative as well as allocating.

### **3. LABOR MARKETS AND GENDER DIFFERENCES**

Labor markets reflect gender relations among the restriction of jobs based on the roles perceived as appropriate for men and women. This greatly divides the labor market and often concentrates women and men in different sectors of employment. Women globally, for example, make up the majority of textile industry workers and a large proportion of the workers in the service sector. When addressing gendered-occupation segregation, it is important to examine not only the distribution of men and women across the main occupation sectors (agriculture, mining, manufacturing, construction, utilities, transport, and services) but also the distribution of men and women across different positions in job hierarchies. The gender division of labor is context-specific; therefore, it requires looking at not only the structure of the labor market but also the “logic” that underlines the structure of the market.

#### **3.1. Labor market trends in Albania**

The principle of equal treatment for women and men in the workplace, in employment, training, and working conditions is incorporated into the Albanian legal framework. The 1998 Constitution and other laws accurately describe the principles of direct and indirect discrimination, as well as the measures to be taken in cases of alleged violations of these standards. The switch to a market economy resulted very painful to women, who paid a higher price than men in terms of unemployment. The differences between female and male employment rates are higher in the non-agricultural private sector, where the number of employed females constitutes only 25.8 percent of the employees. Women are in general

employed in the public sector and the government, that is more vigilant regarding gender employment. This is clearly a great benefit to the women since these jobs provide social benefits that unfortunately are not the case in many private companies and/or self-employed activities. According to our sample survey, even though in the government sector the gender difference in pay is forbidden for equal value of work, a hidden discrimination in the horizontal and vertical level exists. Women are mainly employed in the sectors that are lower paid compared with the others (education and health), and at the vertical level men are mainly in decision-making positions that are highly paid. In the private sector, women are mainly employed in the retail trade sector and the light industry. The latter and especially the textile and shoe wearing industry, known as labor intensive industries, employ large amounts of women but offer hard working condition and lower than average salaries.

Employed women are concentrated in the agricultural private sector (66%), where they are more likely than men to work on private family plots than in large co-operatives, as “helping family members”, and in the public sector (21%). A much smaller proportion of women work in the non-agricultural private sector (12%). Also, a significant though much smaller proportion of men work in the agricultural private sector (53%), but they are more evenly distributed between the public (20%) and non-agricultural private sectors (26%), where pay and working conditions are better. Furthermore women are under-represented in the better-paid and decision-making positions.

### **3.2. Participation rates by gender in the labor market in Albania**

In looking at the correlation between women’s labor market participation, age, and the presence of children, the data reveal a relatively higher prevalence of rural women with children participating in the workforce. INSTAT’s reports, attributes the decline in urban female employment to three factors: the closure of industrial activities; increased growth in male-dominated sectors, such as trade and construction; and, rural-urban migration. A corresponding evaluation of variables impacting high urban male unemployment is not reported. Integration into the urban labor market has been particularly difficult for rural women due to their lower education rates as well as lack of employable skills.

The urban labor market is much more complex. There is a variety of reasons why women do not participate in the labor market, according to different age groups. According to data on labor force balance, shown in Table 1, it is obvious the difference between men and women for the whole period, although the gap is

straighten in small figures, during the last years. Based on published data on gender participation in the labor market, the figures are changed on women favor.

**Table 1: Labor force balance 2000 – 2011. ( in thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Total labor force</b>	<b>1,283</b>	<b>1,101</b>	<b>1,092</b>	<b>1,089</b>	<b>1,088</b>	<b>1,085</b>	<b>1,084</b>	<b>1,082</b>	<b>1,114</b>	<b>1,041</b>	<b>1,059</b>	<b>1,070</b>
<i>Males</i>	754	674	668	665	660	655	655	653	680	619	623	560
<i>Females</i>	529	427	424	424	428	430	429	429	434	422	436	509
<b>Total employment</b>	<b>1,068</b>	<b>920</b>	<b>920</b>	<b>926</b>	<b>931</b>	<b>932</b>	<b>935</b>	<b>939</b>	<b>974</b>	<b>899</b>	<b>916</b>	<b>928</b>
<i>Males</i>	641	578	577	579	578	576	578	580	609	549	553	491
<i>Females</i>	427	342	343	347	353	356	357	359	365	350	363	436
<b>Total registered unemployed</b>	<b>215</b>	<b>181</b>	<b>172</b>	<b>163</b>	<b>157</b>	<b>153</b>	<b>150</b>	<b>143</b>	<b>140</b>	<b>142</b>	<b>143</b>	<b>142</b>
<i>Males</i>	113	96	91	86	82	79	78	73	71	70	70	69
<i>Females</i>	102	85	81	77	75	74	72	70	69	72	73	73

*Source: INSTAT, 2012 (Administrative data)*

To understand better this gap in the total labor force, employment and unemployment, we need to understand the determinants of gender differences.

### **3.3. The determinants of the gender differences**

Albania’s socio-cultural environment is characterized by patriarchal values and mentalities inherited from the past, and this weighs on the position of women, historically affected and grown up with gender-discriminatory norms.

The data provided by government offices and statistics covering the years of transition, suggest a strong correlation between education and labor market outcomes for women. Overall, the education attainment for women is comparable to that of men. Young women had higher education levels than their male counterparts; studies suggest that one reason for this difference is the high incidence of young males seeking employment abroad.

The decline in employment opportunities for men is an important point for understanding the changing of gender relations in Albania. The lack of employment opportunities confounds the traditional “male” model. The studies reveal conflicting accounts of women’s participation in the formal and informal economies. According to data survey, the majority of women are working in the formal economy, while the majority of men are working in the informal economy.

There are some reasons that determine the gender differences. Among determinants of gender differences we can mention: illiteracy, poor and low levels of education as well as low vocational, technical, and professional competence, which are currently important aspects of the labor market participants in Albania. More specifically, the variables of experience, level of schooling, occupational groups, technical and vocational education, geographic location in terms of various cities and marital status are found significant affecting the gender discrimination in Albania.

According to these determinants, we find an explanation in the official figures in Table 2. These figures, mean that there is a notable gap between men and women employment in Albania, accumulated in years and this is even reflected in the unemployment figures too (Table 3). These are official figures, because the reality must be different if we consider informality in the labor market, which is very difficult to be calculated. These figures show the official gender employment gap in the Albanian labor market.

**Table 2: Total employment rate (2000-2010)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Employment rate (in%)</b>	55.1	51.9	51.1	50.7	50.3	49.7	46.2	44.7	45.8	41.9	42.3
<i>Males</i>	66.0	63.8	62.8	61.4	61.2	60.0	58.8	55.2	57.4	50.4	51.0
<i>Females</i>	44.1	39.4	38.9	38.2	38.9	38.8	38.1	34.2	34.3	33.3	33.5

Source: INSTAT, 2012 (Administrative data)

**Table 3: Registered unemployment rate (2000 – 2011)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Unemployment rate</b>	16.8	16.4	15.8	15.0	14.4	14.1	13.8	13.2	12.5	13.6	13.5	13.3
<i>Males</i>	14.9	14.2	13.6	12.9	12.4	12.1	11.8	11.2	10.4	11.5	11.2	12.4
<i>Females</i>	19.3	19.9	19.1	18.2	17.5	17.2	16.8	16.3	15.9	16.7	16.7	14.3

Source: Ministry of Labour, Social Affairs and Equal Opportunities

The variance between male and female unemployment rates is not directly tied to the labor market transition process. INSTAT notes that prior to the transition, the data in the 1989 Census, reveal an unemployment rate of 9.8 percent, with a higher level for women (12.4%) and lower level for men (7.4%). So this is historically inherited.

### **3.4. The ways to recognize cultural, social and historical factors**

It is quantitatively difficult to measure societal and cultural conditions that have an impact on the gender gap in the labor market in Albania. These conditions include, for example, general societal and cultural conditions as well as structures and practices on the labor market. It is very important to find the ways to recognize cultural, social and historical factors that influence unemployment among men and women, especially for the policy making. The most mentioned factors related to unemployment in the labor market are economical factors, like the demand and the supply of work. These two important factors are influenced by a range of forces that are the result of the interaction of economic, structural and policy factors. But these are not the only factors. The interdependence of family, school and community culture played a critical role in shaping the occupational choice. Culture encompasses the set of beliefs, moral values, traditions, language, and laws (or rules of behavior) held in common by a nation, a community, or other defined group of people. Culturally determined characteristics include: the language spoken at home; religious observances; customs (including marriage customs that often accompany religious and other beliefs); acceptable gender roles and occupations; dietary practices; intellectual, artistic, and leisure-time pursuits; and other aspects of behavior. Many cultural characteristics, are associated with education, occupation, income, and social status. These factors influence one's awareness of the world, and whether one will seek improvement or accept things as they are. The clash of competing values between environmental sustainability and economic development also has a cultural component. Such values may sometimes be over-ridden by short-term priorities such as job security or financial gain. Minimizing the information asymmetry and improving information gaining through education are the most important ways to recognize and use properly these factors.

### **3.5. Some ways to develop job creation and retaining schemes**

Some measures that should influence directly on the improvement of the situation in the Albanian labor market, bringing as a consequence the increase of the employment level, new job opening and higher salaries is an important challenge. This study proposes some ways to develop job-creation and retraining schemes that address the disparate needs and situations of men and women, as follows:

- The improvement of business climate by reducing labor costs;
- Providing more favorable incentives for the formalization of the jobs places;

- Providing more flexible contracting by helping particularly the most vulnerable employees;
- Increasing the access to vocational education, training and retraining as a very important tool for the life standard increasing;
- The encouragement of the return migration in order to apply their obtained experiences into the workplaces;
- Increasing the economic growth rhythms, aiming to create new job places;
- The efficient use of programs and instruments proved to be successful for enabling the adjustment of labor market gaps, such as information tools, intermediation, vocational training, fiscal incentives, etc.;
- The increase of investments in human capital and the performance improvement of the employment services network within the existing capacities;
- Gradual narrowing of the informal sector burden and the implementation of the government policies for the improvement of the labor market situation.

#### **4. CONCLUSION**

The implementation of measures to address discrimination in hiring practices and down-sizing are needed, including the adoption of the necessary legislation, policies and mechanisms for dealing with complaints, as well as providing information to both job seekers and employers. A more disaggregated level of statistics using variables such as age, education, marital status, and family composition is needed, in order to understand better the relationship between employment and family life. Gender is a crosscutting issue. As such, the intersections between employment and gender are very important in order to integrate a gender perspective into the workplaces and labor market in Albania.

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