Poverty Dimensions in Albania

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Poverty is hunger. Being poor means not having shelter, being sick and not having the opportunity to be visited from a doctor; means being unemployed and not having a secure future.(World Bank)

Poverty means being illiterate, not having the opportunity to attend school, or to leave it; poverty means lacking many services and tools for daily living.

It is difficult to give a final definition of poverty because it varies from one period to another and from one country to another. In addition, poverty can be measured and assessed in different ways.

Albania is a low-income country which has made enormous strides in establishing a credible democracy and market economy over the last two decades. Following graduation from the International Development Association (IDA) to the International Bank for Reconstruction and Development (IBRD) in 2008, Albania has generally been able to maintain positive growth rates and financial stability, despite the ongoing economic crisis.(World Bank)

There are a lot of reasons given for Albania's poverty which is considered one of the poorest countries in Europe. Some of these reasons are the late-coming statehood, a difficult, mountainous terrain, poor infrastructure, and the lack of a strategic development plan. Also the demographic changes are considerable: Albania's demographic revolution in the nineties, from a country where two thirds of the population lived in the rural areas, which lead to the move of poor farmers to large cities with stagnant economies. This part of the Albanian society consists of a significant group of those suffering from poverty in Albania.

The paper tries to measure the relationship between poverty in Albania and some demographic characteristics of households using statistical analysis of the recent data provided especially from INSTAT.

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Albania is one of the poorest countries in Europe. The transition from a centralized economy to a free market economy have weighed heavily on Albania's people, and particularly on its poor population. Despite the economy's considerable growth during the recent years, almost one quarter of the population lives below the poverty level of US$2 a day. The poorest of the poor, comprise about 5 per cent of the population.

Because of low incomes and a low employment rate most people's average incomes stay close to the poverty line. As in many countries, the level of poverty is higher in rural areas, where an estimated 57 percent of Albania's people live and where most of them depend on agriculture for their livelihood. Poverty is 66 percent higher in rural areas than in Tirana, the capital city, and it is 50 percent higher in rural areas than in other urban centers.

Global financial crisis has also affected the overall macroeconomic situation in Albania. As a result, since 2008 poverty in Albania has increased. The fraction of the population whose real per capita monthly consumption is below AL4891 (in 2002

prices) increased from 12.4% in 2008 to 14.3% in 2012. In the previous years, poverty fell from 25.4% in 2002 to 18.5% in 2005 and 12.4% in 2008 . This means that roughly 28,896 people in addition to 373,137 poor people in 2008 fell into poverty. Extremely poor population, defined as those with difficulty meeting basic nutritional needs, increased from 1.2% in 2008 to 2.2% in 2012. Extreme poverty decreased from 4.7% in 2002 to 3.5% in 2005 to 1.2% in 2008. In 2012, extreme poverty has increased for both urban (2.2%) and rural areas (2.3%).(INSTAT,2013)

Some features of poverty in Albania

Poverty in Albania weighs particularly on women and young people: A high percentage of women are unemployed with no alternative source of income. Almost half the poor people in Albania are under 21 years old. The effects of poverty among women and young people in Albania are closely related to the problem of human trafficking across national borders.

Rural, northern and mountainous areas are the poorest areas in the country. The level of poverty is higher in the north-eastern part of Albania, where almost half of the population is poor and 80 percent of families' income comes from social protection schemes, economic assistance and disability payment, which are very low payments.

Many small-scale farmers in these areas lack access to market for their products. Farm production and productivity are hindered also by poor infrastructure, limited technical knowledge, obsolete equipment and lack of water and electricity (IFAD, Albania). According to INSTAT, the most vulnerable groups of poor population in Albania are:

➢ Vulnerable Children – children (0 – 14 years) biological and social orphans living with a single parent, beggars, those that work at a very young age, and those that abandon school consist approximately 5.7 per cent of all the children.

➢ Vulnerable Youth – unemployed youth (14 – 25 years old), drug and alcohol users, with criminal records that amount to 22.8 per cent of the total number of young people in some areas.

➢ Vulnerable Women – divorced women, female heads of household, physically or sexually abused. Women, or victims of prostitution, constitute up to 5.2 per cent of the overall number of women in Albania.

➢ Mentally and physically disabled – amount up to 1.4 per cent of the overall population.

➢ Vulnerable elderly people – elderly men and women living on their own, individuals who are abandoned and with minimal incomes, and unable to look after themselves amount up to 12.7 per cent of the senior citizens in some regions of the country.

➢ Roma and Egyptian children - Roma and Egyptians have fewer opportunities for formal employment than the majority population. Their household incomes are less than half of Albanian urban household incomes at the national level, and expenditures are primarily for food.

Study methodology

To obtain a more detailed analysis on how significant are the demographic characteristics that affect poverty, in addition to the LSMS (Living Standards Measurement Study) which realised from INSTAT (Albanian Institute of Statistics), we have also conducted a study we have considering a sample of 50 households. 50 questionnaires were distributed to households but 43 questionnaires were filled and returned. Based on the questionnaire data we will try to assess subjective poverty (living level in which household thinks it is), and the impact of demographic characteristics in determining subjective poverty. Also, we have conducted several statistical tests to understand the level of importance of these data.

Statistical test (Chi-Square Test) is the test that we have used to compare the surveyed data with the data that we expect to come out under some specific assumptions.

Hypotheses that have been raised in each case we analyzed data based on Chi-Square test are:

H_0: The perceived economic level of the household is not related to the demographic characteristics of the household (such as, dependency ratio, the number of children under 15 years, household head gender, household head education level.)

H1: The perceived economic level of the family is related to the demographic characteristics of the household (such as, dependency ratio, the number of children under 15 years, household head gender, household head education level.)

Chi-Square test was conducted in the SPSS program which is also used from INSTAT for data analysis.

In the hypothesis control, the control statistic is compared with a critical value. In each case a decision is taken: acceptance or rejection of the null hypothesis. The *p-value* or *significance probability* is the probability of getting at least as extreme a sample result as the one actually observed if H_0 is true. Equivalently, the p-value may be regarded as the smallest α for which the observed test statistic leads to the rejection of H_0. (Hanke & Wichern, 2009).

Determination of p-value not only has to do with a decision about H_0, but it also gives us additional information concerning the decision strength. If p- value is less than:

a) 0.10, there is a weak base to accept that H_0 is not true
b) 0.15, there is a strong base to accept that H_0 is not true
c) 0.01, there is a very strong base to accept that H_0 is not true
d) 0.001, there is an extremely strong base to accept that H_0 is not true

Poverty profiles and the risk of being poor

The concept of poverty has evolved over time. Poverty, which had previously been seen only in the context of income, now is being considered in a broader concept, which is derived and is closely related to politics, geography, history, culture and social features. The concept of poverty is associated with specific demographic characteristics. Poor households tend to have more members, more children, and more likely to have family members unemployed. Poor people suffer from little access

to basic services, such as schools, health centers, mobile, water and sanitation. So the probability of being poor is defined by some elements such as household characteristics, geographical aspect and education profile. Understanding the characteristics of being poor is very important in determining policies and measures to reduce poverty.

Consumption and poverty

LSMS survey focuses on the *consumption pattern,* because consumption gives us a more accurate information. Changes in consumption are not affected by large seasonal fluctuations in which different individuals may have certain sources of income. Models analyze differences in consumption patterns considering household demography (number of children and gender of the household head), human capital (education level of the household head), labor market status, isolation, trauma health and size of land available for cultivation in rural areas). The population consumption includes the consumption of food and non-alcoholic beverage, non-food expenses (clothing, household items, etc.), utilities (gas, telephone, electricity, etc.), education, expenses for personal care, transportation. The table below shows the trend of consumption per capita in Albania from 2002 to 2012. Expenditures for food have the highest percentage of consumption. Although expenditures for education have been increasing, still remain at very low levels of the total consumption.

Table 1: Percentages of real consumption per capita (%)

Consumption components	2002	2005	2008	2012
Food	64,5	59,2	57,9	58,5
Non-food	19,4	24,8	22,8	19,9
Utilities	12,6	12,6	15,1	17,5
Education	2,3	2,4	3,7	3,4
Durables	1,2	0,9	0,5	0,6

Source: INSTAT, 2013

Increased poverty has been correlated with increased rate of consumption for food and utilities, and with a decrease of consumption of non-food products, education and durables. Real consumption per capita in year 2012 declined from 9.731 ALL in 2008 to 8.939 ALL in 2012. While considered as a share of total consumption per capita, the percentage of food consumption increased by 1.04% from 2008 to 2012 (Table 1). More than half of the consumption of the poor households goes for buying food and very little goes to non-food products.

Poverty and the household size

Average consumption varies by *household size.* An Albanian household has about four to five individuals on average. Households with more than seven individuals accounted for about 9% of the population in 2002 and about 5% in 2008. While households with five or more individuals made up about 57% of the population in

2002 and about 48% in 2008. This explains the reduction of household size. With increasing of the household size, it increases the probability of being poor.

Based on the questionnaire that we used for the analysis which had to do with the degree of subjective assessment of the household economic situation, at levels from 1 to 10 (1 stays for extreme poverty and 10 stays for rich) we concluded that larger households have higher poverty levels (those households that have levels 1, 2 and 3 are considered as poor household). Even the statistical test shows the significant statistical relationship between the number of household members with the economic situation as perceived by them. In this case, H_1 is accepted as the

p-value < α (α = 5%), whereas the chi-square result is about 87.8. (Table 2)

Table 2: Significant statistical relationship between number of household members and the risk of being poor

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	87.834[a]	48	.000
Likelihood Ratio	69.427	48	.023
Linear-by-Linear Association	6.443	1	.011
N of Valid Cases	43		

a. 63 cells (100.0%) have expected count less than 5. The minimum expected count is .05.

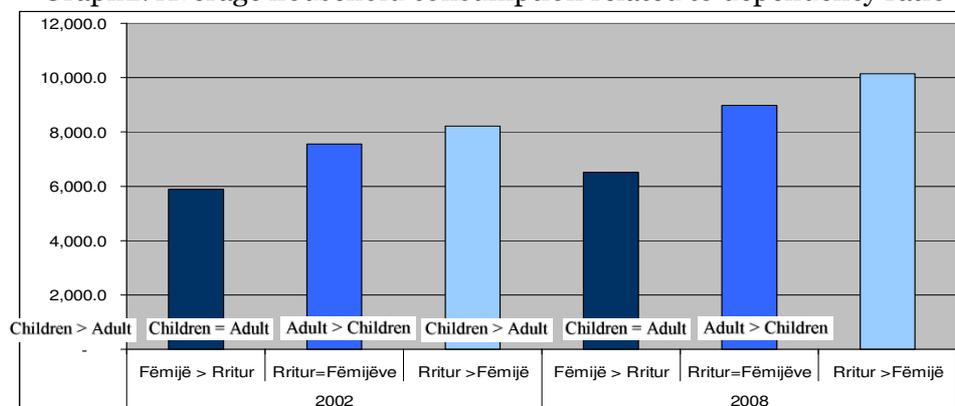Graph 1: Poverty perception related to the number of household members
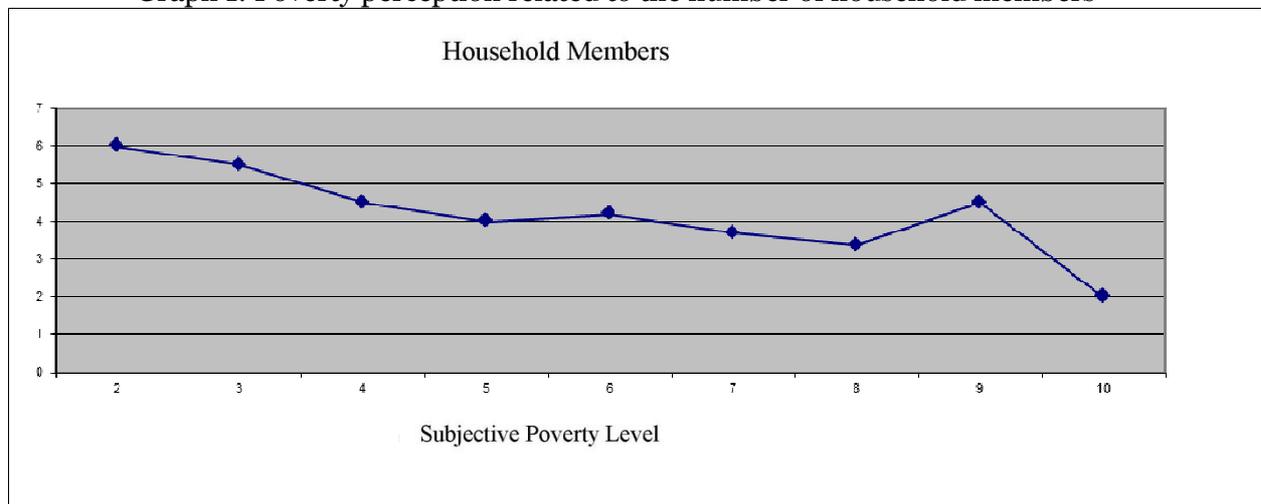
Source: LSMS data

Poverty and the dependency ratio

A household with three children under the age of fifteen years has less consumption per capita and a higher percentage of poverty. By contrast, households with a larger number of adults than children (expresed by *the variable 'low dependency ratio')* have a consumption per capita significantly higher.

(http://siteresources.worldbank.org/INTALBANIA/Resources/Povertyassessmentsh qip2004.pdf)

Graph2: Average household consumption related to dependency ratio


Source: World Bank

Households with a higher dependency ratio, that is with four or more children aged 0-15 years constituted about 50% of the poor people in 2008 and about 66% of the poor people in 2002. Households had a smaller number of children in 2008 compared to 2002. Percentage of households with one child is higher in 2008 compared to 2002, while the percentage of households with two or more children has significantly decreased in year 2008 compared to year 2002. INSTAT has not published yet LSMS survey results for year 2012.

The same results also come out from the the analysis of the relationship between the economic situation assessment by the family with the dependency ratio. This is showed graphically, but also by the statistical test. This statistical test (Table 3) shows that the value of p = 0.025 (α = 5%) thus p <α and the chi-square is about 28.8. So the H_0 is rejected and H_1 is accepted that shows a significant statistical relationship.

Table 3: Significant statistical relationship between subjective poverty and the dependency ratio. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	28.826	16	.025
Likelihood Ratio	30.151	16	.017
Linear-by-Linear Association	3.199	1	.074
N of Valid Cases	43		

Graph 3: Subjective poverty related to dependency ratio
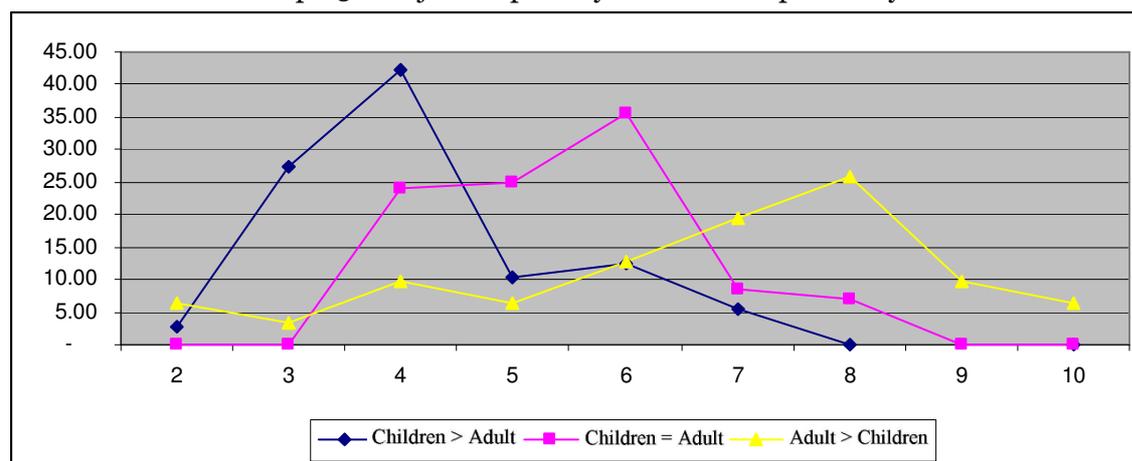
Source: LSMS data

While the chi-square test of the statistical relation between subjective poverty and *the number of children* shows the value of p = 0.057 (α = 10%) then p < α and chi-squared value of 45.5 . This relation is statistically significant, thus H_1 is accepted. (Table 4)

Table 4: Significant statistical relationship between subjective poverty and the number of children. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	45.554	32	.057
Likelihood Ratio	51.651	32	.015
Linear-by-Linear Association	8.062	1	.005
N of Valid Cases	43		

Poverty and unemployment

Employment is a direct source of household income, influencing on poverty reduction. *Unemployment* partially lies at the core of poverty. For poor people, employment is the only asset to improve their welfare. Therefore the creation of productive employment opportunities is essential to achieve poverty reduction and sustainable economic and social development. Some individuals may have two jobs or in the same family there may be two or more individuals which are employed. There is a possibility that households with the an unemployed head fall on the line of poverty.

Households headed by unemployed individuals, also have a significantly lower consumption per capita. This difference is higher in 2002 compared to 2008. The employment rate remains higher for men (58 percent) and lower for women (about 42 percent) in 2008, although at a decreasing margin compared to 2002 (INSTAT, 2008). Year 2013 is associated with political instability in the country, due to the political changes. The unemployment rate is increased by reducing the number of

employees in the public administration. This act is being justified on the ground that public administration is 'inflated'.

Poverty and household head gender

Households headed by females are smaller in number. From the subjective perception of households that came out from the survey results, we conclude that poverty has not a significant correlation with the gender of the household head. One of the reasons of such a conclusion may be that a large part of Albanian households headed by females have family members living and working abroad. The income from remittances is very important to reduce poverty.

Graph 4: Poverty subjective perception related to household head gender
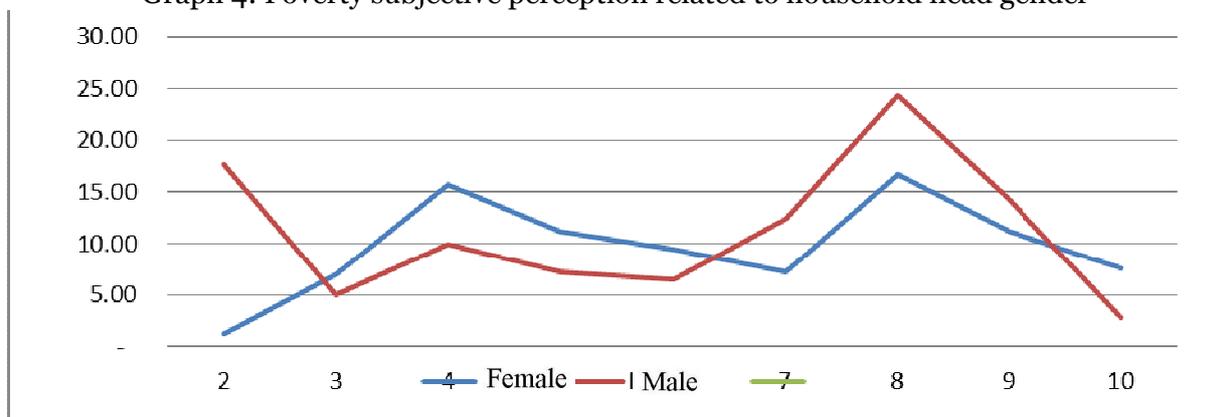
Source: LSMS data

Poverty and education level

The risk of being poor is also influenced by *education level.* Having or not a high education level is a social factor that affects not only finding a well paid job, but also on the conceptual living aspect of individuals. Although average levels of education have been increasing nationally as well as in regional level, they still remain at low levels (around 8% in 2008 and 7% in 2002). Tirana is the region with the highest education level meanwhile mountainous areass have a very low level of education. Nationally, 10.5 percent of the population aged 21 years and above, has an undergraduate or graduate degree, compared with 7.7 percent in 2002. In 2008 the average years of schooling has increased slightly from 8.5 years in 2002 to 9.2 in the 2008. Individuals with low levels of education, those who have completed 4-year or 8-year schools constitute the highest percentage of poverty in Albania. Analysis of questionnaire data from subjective perception of the household economic situation come to the conclusion that households with heads with low education level have higher levels of poverty. The risk of being poor decreases with increasing education level of the household head.

Graph 5: Poverty subjective perception related to household head education level
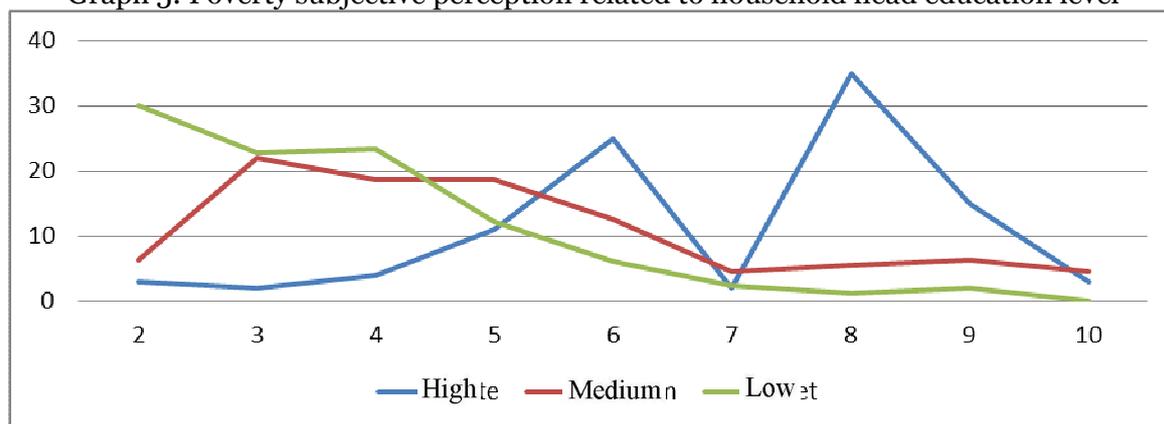
(Source: LSMS)

Chi-square test has a value of about 43.7 and p < 0.001 (p =0,000 in this case). This shows a statistically significant relation, consequently H1 is accepted.

Table 5: Significant statistical relationship between subjective poverty and the household head education level. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	43.71	16	.000
Likelihood Ratio	46.643	16	.000
N of Valid Cases	43		

Conclusions

Increased poverty has been correlated with increased rate of consumption for food and utilities, and with a decrease of consumption of non-food products, education and durables. There is a significant statistical relationship between number of household members and the risk of being poor. There is a significant statistical relationship between subjective poverty and the dependency ratio. There is a significant statistical relationship between subjective poverty and the number of children. Unemployment partially lies at the core of poverty. For poor people, employment is the only asset to improve their welfare. Therefore the creation of productive employment opportunities is essential to achieve poverty reduction and sustainable economic and social development. Poverty has not a significant correlation with the gender of the household head. There is a significant statistical relationship between subjective poverty and the household head education level.

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