

EXPENDITURES AND FISCAL SPACE ANALYSIS

INCLUDING GENDER AND CHILD SENSITIVE
BUDGETING IN ALBANIA





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UN Women is the United Nations organization dedicated to gender equality and the empowerment of women. A global champion for women and girls, UN Women was established to accelerate progress on meeting their needs worldwide.



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Acronyms & Abbreviations

EU	European Union
GDP	Gross Domestic Product
HBS	Household Budget Survey
ILO	International Labour Organization
INSTAT	Albanian Statistical Office
ODA	Official Development Assistance
MFE	Ministry of Finance and Economy
MHSP	Ministry of Health and Social Protection
MSWY	Ministry of Social Welfare and Youth
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UNDP	United Nations Development Program
VAT	Value-added tax

I. Introduction

Higher female labor force participation directly promotes economic growth. Women's economic empowerment is key for growth both through the direct impact of the size of the labor force on output and the impact on productivity (Cuberes and Teignier 2016) and through higher domestic demand. In addition, the International Labour Organization estimates that reducing the gender gap in labour market participation by 25% could boost global GDP 3.9 % (ILO 2017). Fiscal policy is a powerful tool to close gender gaps. In advanced economies, *childcare subsidies, paid parental leave, and a shift from household to individual tax filing have been used to encourage female labor force participation* (Andresen and Havnes 2019; Bick and Fuchs-Schündeln 2017; Gelbach 2002; Kalb 2018; Christiansen and others 2016b, c). In developing economies, investing in female education and in infrastructure (including electricity, roads, water and sanitation) that reduces the time women spend on household production has yielded positive results in terms of female labor force participation (Cubas 2016; Dinkelmann 2011; Ilahi and Grimard 2000; Jain Chandra and others 2018). Cash transfers are also shown to have a positive effect on female labor force participation¹.

I.1 Methodology

The country analysis on expenditures and fiscal space including gender and child sensitive budgeting (public expenditure) in Albania is a qualitative study completed using the data from labour force surveys, published reports and COVID-19 assessment report, other equivalent survey reports, administrative information, and household survey data, and in close collaboration with the Ministry of Finance and Economy and the INSTAT.

Purpose

The mandate of this consultancy is to conduct a country analysis on expenditures and fiscal space including gender and child sensitive budgeting in Albania to inform fiscal policy reforms and the design of integrated systems and programmes for gender and child sensitive social protection system in particular in care economy. The study will have two key dimensions: a gender sensitive vulnerability analysis from unpaid care and child development perspective, and based on findings, moving towards enabling a fiscal policy reform to address economic losses from unpaid care work as well as children development and well-being.

Therefore, this analysis aims to shed light on the scope of gender responsive fiscal policies to address gender and child sensitive socio-economic vulnerabilities. This report analyzes the selected gender-sensitive fiscal policy and the mechanisms through which the policies affect social protection systems including women labor force participation, wage gaps, GDP growth, public fiscal balances, income distribution, and poverty. This provides essential information for policymakers that intends to adopt gender sensitive fiscal policy measures to empower women economically and, at the same time, tackle other economic and social priorities.

Data analysis

The report covers a wide array of subjects and provides comprehensive information on the socioeconomic status vis-à-vis public expenditure of Albania. This analysis builds a profile of the status of gender centered poverty and vulnerability in Albania based on their unpaid care and builds a profile of the status of gender centered poverty and vulnerability. The analysis discusses income and non-income dimensions of well-being in Albania. While the focus is to understand the situation of the least well-off sections of the population (gender based and children), the analysis provides valuable information on the overall level of wealth and wellbeing for the whole of Albania. The analysis presents poverty and inequality figures at the national level because of the unpaid care work.

2. Gender and child sensitive socio-economic vulnerabilities in Albania

Albania is an upper middle-income country. Albania's economy grew by an average of 2.4 % over the past decade. The economy is dominated by the services sector, especially tourism, followed by agriculture, industry and construction. According to the Human Development Report 2019, Albania ranks 69th out of 189 countries and territories, with a Human Development Index (HDI) of 0.791. Despite the progress made, Albania is still one of the poorest countries in Europe, with an at-risk-of poverty rate of 23.4 % in 2018 (average of EU 28 countries, 16.9%). The national minimum wage is US\$ 232 and the average, US\$ 470 (31% of the EU average).

Vulnerability, inequality, and social services

In Albania, almost 40% of households are materially deprived, and 23.4% of the population is at risk of poverty². Many regions and groups, such as Roma and Egyptians, have limited access to infrastructure. Family responsibilities, and lack of access to child care prevent women's equal participation in the formal labour market. While many promising social protection reforms have recently been undertaken, social assistance benefits are too modest and not integrated with care services.

The Gender Equality Index in the Republic of Albania scores 60.4 points and it is seven points lower than EU-28 average. Albania's Gender Equality Indices indicate that 51.1 % of women are engaged in caring for children or grandchildren, older people or people with disabilities every day, in comparison with 24.6 % of men.³ However, Gender Equality Index shows that one of the important structural inequality is related to the gender segregation both in the domains of knowledge and work.

2.1 Poverty

Though Albania has not announced an official poverty line hence the measurement of poverty has not been consistent over time due to the recent change of the definition of poverty. Table I summarizes the poverty situation in Albania based on the Income and Living Conditions Survey in 2017, 2018 and 2019. It indicates the percentage of persons living in households where equivalent disposable income is below the at-risk-of-poverty threshold. The at-risk-of-poverty threshold is defined as 60 % of the median equivalized disposable income and adjusted by the equivalent scale of household structure⁴.

2. OECD 2019.

3. Gender Equality Index for the Republic of Albania 2020.

4. Equivalent scale assigns a weight of 1.0 to the first adult, 0.5 each to other adults, and 0.3 to each child living in the household. For example, the equivalent scale of a household with two adults and two children is $1 + 0.5 + 0.3 \times 2 = 2.1$.

Table 1: Poverty indicators from the Living Conditions Survey, 2017–2018

Year	2017	2018
At-risk-of-poverty rate; population below 60% of the median equivalized disposable income	23.7%	23.4%
At-risk-of-poverty threshold per month; one person household (ALL)	12,085	13,395
At-risk-of-poverty threshold per month; one person household (USD)	101.47	123.96
At-risk-of-poverty threshold per month; household with 2 adults and 2 dependent children (ALL)	25,378	28,130
At-risk-of-poverty threshold per month; household with 2 adults and 2 dependent children (USD)	213.08	260.31
Percentage of population at-risk-of-poverty or social exclusion	51.8%	49.0%
Gini coefficient	0.368	0.354
Ratio \$80/\$20	7.5	7.0

Source: Institute of Statistics of Albania.

In 2018, 23.4% of individuals were at risk of poverty (relative poverty rate), compared to 23.7% reported for 2017. Table 5 presents the poverty rates by gender. The at-risk-of-poverty rates for women are somewhat higher than those for men. The difference has broadened from 0.4 percentage-points in 2017 to 0.8 percentage-points in 2018. In terms of age, the 0-17 years group show high at-risk-of-poverty. The rates for girls exceeded 30 % for 2017 and 2018. Table 2 shows that at risk of poverty of female in 2018 was 31.8 while remain unchanged to 31.8% in 2019.

Table 2: At-risk-of-poverty rate by gender

Age group	2017			2018			2019		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-17 years old	27.7	31.8	29.6	28.7	30.6	29.6	27.9	31.7	29.7
18-64 years old	24.0	23.4	23.7	23.2	23.3	23.2	22.3	23.3	22.8
65 and over	13.0	13.7	13.4	12.5	15.4	14.0	12.9	14.8	13.9
Total	23.5	23.9	23.7	23.0	23.8	23.4	22.2	23.8	23.0

Source: Institute of Statistics of Albania.

In 2019, INSTAT reported on child monetary poverty, using the EU indicator Children At-risk of Poverty, with the publication of data on the indicator for 2017 and 2018. According to this, some 29.6% of Albanian children were reported to be at-risk of poverty in Albania, with girls affected more than boys (30.6% and 28.7%, respectively)⁵.

Table 3 provides poverty and social exclusion⁶ of the country. The data on income and living conditions confirm poverty and social disparities. Though at risk of poverty group in 2017 was 51.8% reduced to 46.2% in 2019, the severe material deprivation group remain almost unchanged, 23% in 2019.

5. INSTAT, 2019. EU-SILC Key Results 2017, 2018, <http://www.instat.gov.al/all/temat/kushtet-sociale/anketa-e-t%C3%AB-ardhurave-dhe-nivelit%C3%AB-jetes%C3%ABs-aanj/publikimet/2019/anketa-e-t%C3%AB-ardhurave-dhe-nivelit-t%C3%AB-jetes%C3%ABs-2017-2018/>

6. According to INSTAT, at Risk of Poverty or Social Exclusion (as defined in Income and Living Conditions in Albania, 2019) refers to the individuals who are at risk of poverty or severely materially deprived or living in a household with very low work intensity.

Table 3: Poverty and Social Exclusion

Indicators	2017	2018	2019
Severe material deprivation (%) (lack of 4 out of 9 categories of material deprivation)	23,7	23,4	23,0
Very low work intensity (%)	41,1	38,3	37,1
At risk of poverty or social exclusion (AROPE) (%)	14,4	13,3	12,4
At risk of poverty threshold; one person household (ALL)	51,8	49,0	46,2
At risk of poverty threshold; household with 2 adults and 2 dependent children (ALL)	145.017	160.742	170.785
At risk of poverty before social transfers (%) (Old-age and family pensions included in social transfers)	304.535	337.558	358.650
At risk of poverty before social transfers (%) (Old-age and family pensions excluded in social transfers)	40,4	39,0	38,1
At risk of poverty rate (%)	27,1	26,3	26,1

Source: *Income and Living Conditions Survey 2017, 2018, 2019*

2.2 Earning potential

Women's average salary is almost 18% lower than men's in urban areas and doubly lower in rural areas⁷. Women are over-represented in Albania's informal economy and as unpaid family workers in businesses and on farms. Over 50% of Albanian women work in agriculture – 87% of them in unpaid family jobs – and rural women are not covered by basic social, pension and health services. Women own or manage only 28.5 % of all enterprises, many of which are under-capitalized small and medium enterprises in highly informal lower value-added sectors.

Table 4: Labour force participation

Age group	Labour Force participation rate				
	2016	2017	2018	2019	2020
Total					
15-29	45.7	45.6	50.1	52.5	52.1
30-64	76.1	77.0	78.1	78.6	77.8
15-64	66.2	66.8	68.3	69.6	69.1
15+	57.5	58.3	59.4	60.4	59.5
Male					
15-29	51.7	52.8	58.2	59.2	59.3
30-64	85.8	87.8	87.5	87.6	86.6
15-64	74.1	75.8	76.9	77.6	77.1
15+	65.0	66.8	67.6	68.0	66.9
Female					
15-29	38.8	37.2	41.5	45.6	44.7
30-64	66.8	66.7	69.2	69.9	69.4
15-64	58.3	57.7	59.7	61.6	61.2
15+	49.9	49.8	51.4	53.0	52.3

Source: *Labour Force Surveys 2016-2020*

7. UN Women Europe and Central Asia.

The 2020 data shows that age group 15-29 has the highest employment difference between female and male (35.3% and 46.9%) in 2020.

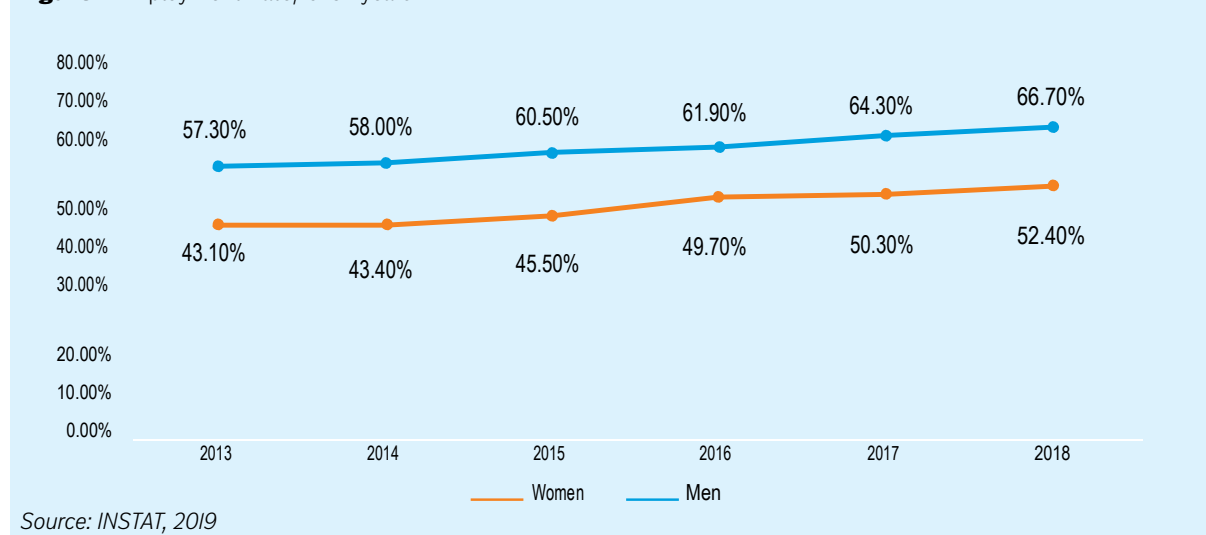
Table 5: Employment rate

Age group	2016					2017					2018					2019					2020								
	2016					2017					2018					2019					2020								
Total																													
15-29	32.4					33.8					38.5					41.2					41.2								
30-64	67.2					68.7					70.9					71.8					70.7								
15-64	55.9					57.4					59.5					61.2					60.6								
15+	48.7					50.3					52.1					53.4					52.5								
Male																													
15-29	36.3					38.5					44.7					46.6					46.9								
30-64	75.4					77.9					79.3					79.9					78.9								
15-64	61.9					64.3					66.7					68.2					67.8								
15+	54.7					57.1					59.0					60.1					59.2								
Female																													
15-29	28.0					28.3					32.0					35.7					35.3								
30-64	59.3					60.0					62.9					64.0					62.8								
15-64	49.7					50.3					52.4					54.4					53.6								
15+	42.8					43.5					45.3					46.9					46.1								

Source: Labour Force Surveys 2016-2020

In Albania, during 2013-2019, the proportion of both women and men in the labor market increased respectively from 50.1 to 61.6 % and from 70.2 to 77.6 %. Despite the increase of women's activity rate, the gender gap remained persistent, at an average of 18 percentage points.

Figure 1: Employment Rate, 15-64 years



Source: INSTAT, 2019

Unemployment in Albania is largely long term and structural as long-term unemployment represent 66% of the unemployed. Women, youth and those with limited education are more excluded from jobs.

Table 6: Unemployment

Age group	Unemployment rate				
	2016	2017	2018	2019	2020
Total					
15-29	28.9	25.9	23.1	21.5	20.9
30-64	11.8	10.8	9.2	8.7	9.2
15-64	15.6	14.1	12.8	12.0	12.2
15+	15.2	13.7	12.3	11.5	11.7
Male					
15-29	29.7	27.0	23.1	21.3	20.8
30-64	12.2	11.3	9.4	8.8	8.8
15-64	16.4	15.1	13.2	12.2	12.0
15+	15.9	14.6	12.7	11.6	11.5
Female					
15-29	27.8	24.0	23.1	21.7	21.1
30-64	11.2	10.1	9.0	8.5	9.6
15-64	14.6	12.8	12.3	11.8	12.4
15+	14.4	12.6	11.9	11.4	11.9

Source of information: Labour Force Surveys 2016-2020

This pattern of reduced opportunities for income generation through employment, which is perpetuated by traditional attitudes, creates economic dependence and forces women to stay in violent relationships.

2.3 COVID-19 and its Socioeconomic Impact on Vulnerable Groups

The COVID-19 pandemic has brushed across a world especially extremely inequality. In Albania also, it has magnified and exposed such inequalities. Women are among the hardest hit economically, as they are more in informal work. In this situation, the COVID-19 pandemic placed an ever-increasing pressure on the social protection systems, causing major disruptions to economic processes and limitations to social life, deepening inequalities and proving how vulnerable women and girls including children are.

According to a study, women self-employed workers were most affected by the lockdown in terms of their work. Women suffered a significant decline particularly in income from farming and remittances⁸. The study indicated that every second employed woman (51%) was working remotely (from home) compared to almost every fourth man (27%). As a result, the pandemic stimulated the trends and traditional gender roles within the Albanian household, i.e., unpaid work. For example, the proportion of individuals who reported increased cooking time during lockdown is 29.8%, and 53.8% of respondents declared to have increased cleaning time at household level⁹.

8. See the UN Women factsheet at: <https://www2.unwomen.org/-/media/field%20office%20eca/attachments/publications/2020/07/factsheet-albania-fin-min.pdf?la=en&vs=1208>.

9. Ibid.

In addition, the report indicated that the share of women who had to reduce working time exceeded by 4.7 percentage points (compared to men) for employed workers, and by 2.8 percentage points for self-employed. Self-employed women in the 45-54 age group represent the majority (66.7 percent) of women experiencing a decrease in working time. Among self-employed women, it is those living in households with children (46 percent) that are cutting their working time, mainly to take care of children or housework. According to a study¹⁰, self-employed women in the 45-54-year age group reported the highest (66.7%) among women experiencing a decrease in work hours. Among self-employed women, women living with children (46%) faced reduced work hours mainly due to care and household responsibilities. Thus, regardless of the status in employment, women are more exposed to challenges associated with decrease in work hours and potential loss of income. The report also highlighted the situation of unpaid care work of women during the pandemic. For example, 41% of women's time spent for cooking increased, while time spent for cleaning increased for 66%, time spent to play, teach, or care for children, increased for 35% of women as well as a high proportion of women for spending time on emotional support of their adult family members.

In sum, the COVID-19 pandemic has exposed the experience of so many parents to balance unpaid care and their work responsibilities including inadequacies in the current system of unpaid care provision, including uneven access, poor quality, the need for public finance, poor terms and informality of employment for the workforce, and the overall vulnerability of the sector.

In order to address the above situation, it is important rerouting of public expenditure (gender sensitive budgeting) from a gender perspective in the pandemic context, budget reallocations and prioritization of interventions to further mitigate negative effects of unpaid care work on women and children in the short and long terms.

2.4 Gender Dimension of Informality, Undeclared Work, Unpaid Care Work

In Albania, the structure of employment and a high level of informality excludes more than every second worker from enjoying labour rights. A high share (52.9% in 2017) of own-account workers and contributing family members indicates a high degree of vulnerability (no access to full employment rights, social security or health insurance) and a significant underemployment (seasonal, ad hoc, home and casual workers). The biggest challenge is a large extent of undeclared work, be it work without a contract, non-payment of social contributions or underreporting of wages. The share of informal employment in the non-agricultural sector is 30.3%¹¹. Whereas informal employment in Albania, in 2019, as a percentage of total nonagricultural employment by sex was 35.6% for men and 21.8% for women, and this share has remained without major change since 2017¹².

According to anecdotal data, women in Albania are more attracted to care industry. Despite encouraging employment, the care industry, usually entails informality, instability, and very low wages, hence placing women in an increased vulnerable position. In Albania, the current social protection systems hardly recognize and respond to the needs of women and girls and recognize and value unpaid care and domestic work, enable the mobility of women and girls, in particular their full and productive employment and decent work¹³. It does not further recognize that women and girls often undertake a disproportionate share of unpaid care and domestic work, including caring for children, older persons, persons with disabilities and continue to be undervalued and underrecognized. Such uneven distribution of responsibilities between women and men is a significant constraint for women's completion of, or progress in, education and training, on entry and re-entry and advancement in the paid labour market and on their economic opportunities and entrepreneurial activities, and leading to gaps in social protection.

Also, it is not widely recognized the need to adopt measures to reduce and redistribute the disproportionate

10. The Impact of Covid-19 On Women's and Men's Lives and Livelihoods In Albania, 2020.

11. Labour force survey 2017

12. INSTAT (2020). Women and Men in Albania 2020.

13. ILO 2019.

share of unpaid care work by promoting the equal sharing of responsibilities between women and men within the household through nationally appropriate social protection policies, including care services, child care, maternity, paternity or parental leave¹⁴.

Hence, Albania faces challenges with regard to a number of indicators of the social supports such as the equal opportunities, access to the labour market due to unpaid work, and social protection and inclusion. For example, the social protection system is not adequate and targeted to cover those in need. While social assistance exists, the amount of allowances is insufficient to prevent poverty.

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According to ILO's labour force survey 2019, informal employment accounted for 56,7%. Table 5 presents the composition of informal employment by sex in which 92.3% of women were engaged in informal sector particular in agriculture. This indicator sheds light existing vulnerabilities of women and girls.

Table 7: Composition of informal employment, by sex (%)

	Men	Women	Total
Informal employment (%), of which:	59,0	53,9	56,7
- In the informal sector	73,3	57,8	66,7
- In the formal sector	0,6	1,0	0,7
- In households	26,2	41,2	32,5
Informal sector units (%)	96,5	95,7	98,3
Informal employment, excluding agriculture	39,9	21,2	32,2
- In the informal sector	88,4	82,5	86,8
- In the formal sector	1,2	3,9	1,9
- In households	10,4	13,6	11,3
Informal sector units, excluding agriculture (%)	92,8	92,3	94,7

Source: ILO Labour Force Survey 2019

Unpaid work

Albania is one of the top five most-improved countries in the overall gender gap index. Despite this, the proportion of unpaid work per day is 21.74% for women and just 3.47 for men, meaning that women do almost a quarter of their work, be it at home or in the workplace, for free. Albanian women spend (21.74%) of their day doing unpaid work such as cooking, cleaning, and taking care of children and family members. The average Albanian woman will have 1.62 children, birthing the first at age 27.5. In contrast, Albanian men spent only 3.47% of their day doing work that they are not paid for. According to a study on unpaid reproductive work, Albanian men contribute only 14.2 % of total unpaid care work, while Albanian women spend over five hours on unpaid domestic work daily. It is significantly lower compared to other countries in the region. For instance, in North Macedonia and Serbia men share 27.5% and 33.0% respectively of the total unpaid care work.

Unpaid work accounts for roughly 60% of GDP in Albania. If we consider that the average employed Albanian works a 47-hour week, this corresponds to women working 40 hours a month- almost an entire working week, for free. The value of this labour is US\$84 (EUR 71) based on an average monthly salary of US\$390 (EUR 330), and taking into consideration that 35% of the approximate 1.08 million women in Albania are employed, this equates to the Albanian economy missing out on a potential US\$ 32 (EUR 27) million every single month. A

14. UNFPA 2020.

staggering US\$ 385 (EUR 324) million a year. If the whole of the female workforce is taken into consideration, this figure rises to almost US\$ 1.20 billion (EUR 1 billion), every single year. Informal employment accounts for about 61% of total employment in Albania and any crisis such as COVID-19 pandemic underscored informal workers' vulnerability and the economy's inequality gap pushing many people especially women involved more in unpaid care work into poverty.

There are also issues around the concentration of women in sectors with a high share of informality, such as agriculture, tourism and the textile and shoe industries, where they lack adequate labour and social protection. However, due to lack of data contributes to excluding a significant number of women from social protection schemes, putting them at a higher risk of falling into poverty during child-bearing years, after divorce or death of husband, and especially in old age.

The agricultural sector is characterized by subsistence farming, very low income and high informality, which are barriers for decent work. The vast majority of women work in unpaid, informal family jobs, and their contribution is poorly compensated in money and their unpaid work is rarely recognized and appreciated. Women in rural areas have limited access to agricultural and market information, and experience high levels of inequality in family decision-making. Moreover, rural women have to perform all household chores and farm duties, especially when male household members take on non-agricultural employment or emigrate in search of jobs.

Child care

Social protection systems play a vital role in reducing poverty, inequalities and barriers that prevent families and children from accessing services. In this regard, the current social protection programmes fall short of addressing in a comprehensive manner the multiple vulnerabilities faced by children and families.

For example, children in Albania lack adequate supervision. This is not about the love of parents, but the reality of competing pressures on time and resources. In Albania, the share of children under five on average and from the richest and poorest wealth quintiles who spend time without adult supervision was below average¹⁵. The childcare deficit is worst when it comes to multidimensional poverty. Parents—particularly mothers—are expected to invest heavily in childrearing, spending plenty of 'quality time/supervision' with children, and making constant efforts to enrich their children's environment. But due to increasing pressures for contributions of women to the economic well-being of families have eroded traditional gender roles, which assign women primary responsibility for unpaid work (i.e., housework and caregiving).

When child care performed simultaneously with other activities is considered, the gender gap in time spent doing so is greater than when child care is considered as a primary activity only. For example, the unpaid care work for women in Albania was 314 minute/day for women while it was 52 minutes for men¹⁶. Time is a limited resource, meaning that time spent on one activity reduces the amount of time available for other activities. Based on this, it is not just the children unsupervised who are paying the price but women, lose out too, in the form of long hours, low incomes and lost opportunities.

15. UNICEF global databases, 2014.

16. UNDP global human development database, 2016.

Box 1: Unpaid care work

- Economic value of unpaid care work accounts for 60% of GDP.
- Women dedicate unpaid care work equivalent to US\$ 32 million per month.
- Family members spend additional hours on a daily basis.
- No country achieved equal share of unpaid care work.
- Progress in reducing the unpaid care gap has been slow.
- Men are more involved in unpaid work than ever (mainly in household activities e.g., shopping, house repairs including for children) however gaps in supervision.

Box 2: The value of women' unpaid care work in Albania

- Women's unpaid care work in Albania is 314 minute/day (2016).
- Unpaid work accounts for roughly 60% of GDP in Albania.
- Women's missing average monthly salary of US\$390 (EUR 330) almost US\$ 1.20 billion (EUR 1 billion), every single year.



Source: Authors' analysis and calculation

3. Overview of gender dimensions of the social protection in Albania

Albania's is divided in many respects: Wealth, education, urban and rural habitat, sex, age, family-based solidarity groups, political affiliations, ethnicity and other criteria differentiate Albanians. Social inclusion is therefore an important topic for Albanian society. The access of individuals and groups to economic, social and political resources is by far not equal. The inclusion of specific groups therefore requires specific attention and support: the marginalized and vulnerable, the poor, and, as important parts of these groups, the Roma and Egyptians and the persons with disabilities.

Albania's social care and protection systems insufficiently protect people against poverty shocks, and struggle to help the poor find sustainably productive pathways. Investments in education, health care and social protection as a share of GDP are below EU averages.

3.1 Bargaining Power and The Unpaid Care Work

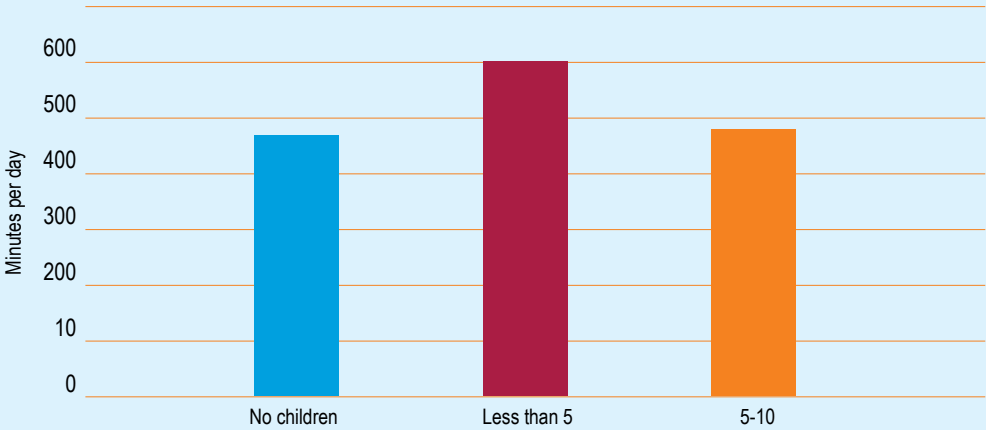
The Gender Equality Index shows a large gap between women and men in Albania in care activities, particularly in the share of persons reporting care work for their children, grandchildren, older people, or people with disabilities every day: 51.1% % of Albanian women compared to 26.4% of Albanian men.

Women are more involved in terms of participation and time devoted to unpaid care work. In Albania, though some improvements recently, unpaid care work and domestic labour have been culturally assigned to women and women are often expected to care for children and elderly relatives without any recognition or payment. Study shows that the impact of this type of unpaid labour is enormous and compensates for a lack of public expenditure on care services and infrastructure (International Labour Office, 2018). However, the domestic labour of women is ignored in society and instead, women's empowerment is measured by their presence in the workplace, which is attained by outsourcing housework and childcare to others, usually women of lower socioeconomic status (Kisner, 2021). The devaluation of domestic labour in the home is not accidental as this devaluation further entrenches the patriarchal ideas underpinning many societies. Additionally, the inequitable division of unpaid care work, with the majority of the burden falling to women, is aligned with socially constructed gender norms that define women as "nurturing, self-sacrificing, and caring- and men as breadwinners" (King et al., 2020, p. 80).

A UNDP study on the perceptions of gender equality in Albania (2016) exposed that more than 80 % of respondents reported that household chores—ironing, cooking, cleaning, washing and washing dishes— were more likely to be done by women. The study found that, on average, women spent 4.66 hours on household chores alone, compared to 2.07 hours among men. There is also a statistically significant difference between regions: respondents in rural areas (both men and women) reported spending more time doing household chores than did their urban counterparts (3.86 hours and 2.96 hours, respectively).

Gender inequality is one of the biggest challenges facing Albanian policy makers trying to achieve faster, sustainable, and more inclusive growth. In particular, division along gender lines in the labor market is one of the key concerns. For instance, Albania's female labor force participation rate is low. In addition, they receive lower wages, are overrepresented in informal and unpaid domestic work, with gender gaps existing along several other dimensions including education, access to productive inputs, and bargaining power at home (Figure 2).

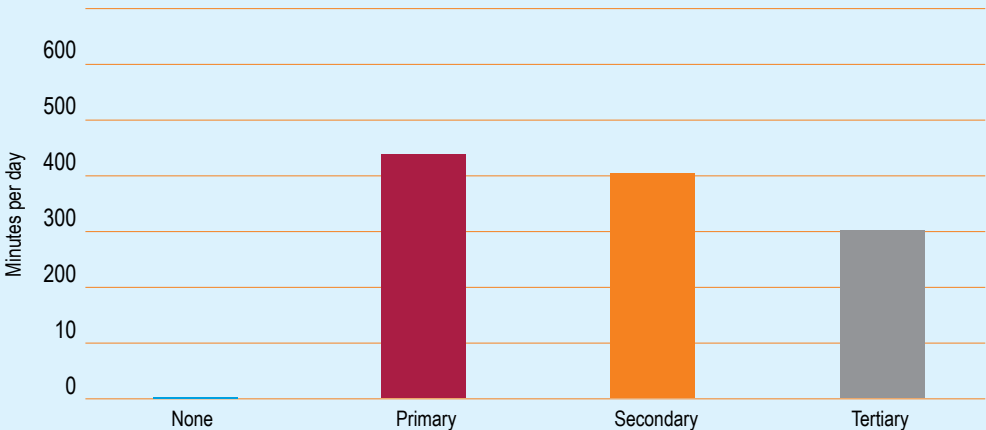
Figure 2: Time spent in unpaid care work by presence and age of children in the household (women)



Source: *The Unpaid Care Work and the Labour Market, ILO 2019*

According to ILO study, women dedicate more and more time to paid work as their educational level increases. In other words, women's time spent in unpaid care work declines with the increase in educational level. Also, as per to the education level, women strongly participate to the labour force, mainly in informal employment and therefore by necessity.

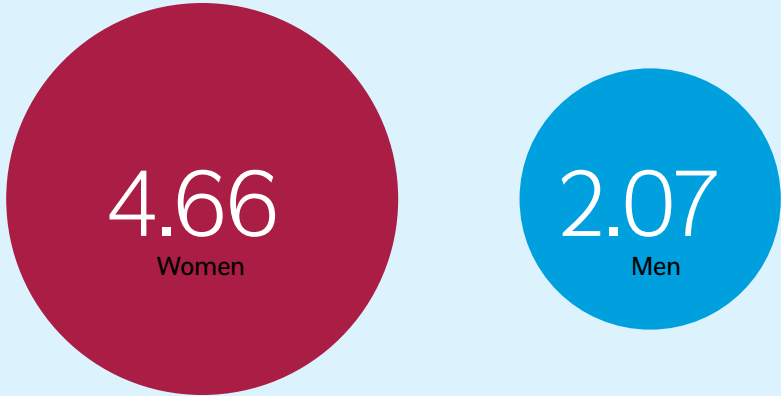
Figure 3: Time spent in unpaid care work by educational level (women)



Source: *The Unpaid Care Work and the Labour Market, ILO 2019*

Also, the report revealed that around 50% of respondents reported that they take care of their children with their spouse/partner (Figure 4). However, women were more likely than men to report that they take care of their children and do not get any support from their husbands. Women and men were more likely to share childcare responsibilities in cases of health emergencies.

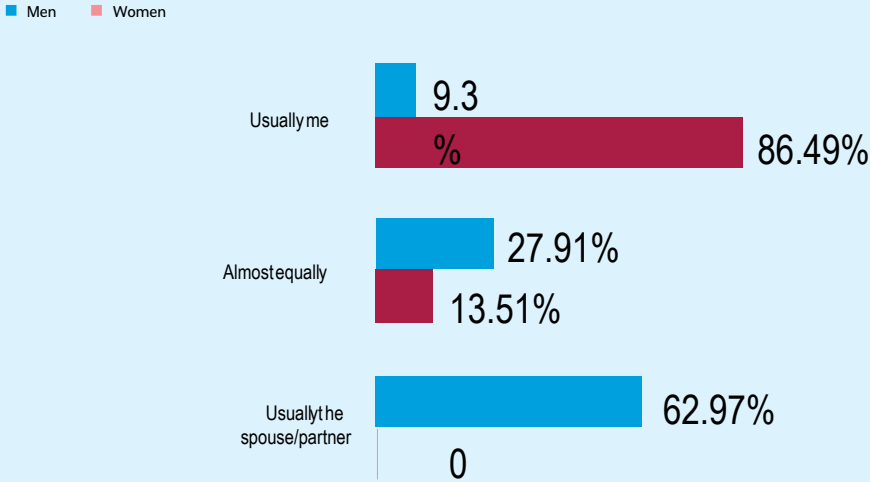
Figure 4: Average number of hours spent on household chores by gender



Source: *The Unpaid Care Work and the Labour Market, ILO 2019*

Figure 5 shows the unpaid care work by gender.

Figure 5: Child care by gender



Source: *The Unpaid Care Work and the Labour Market, ILO 2019*

The study reveals trends in the heavily disproportionate distribution of work between men and women reflected in both urban and rural areas, with severe implications on the rights and freedoms of women across Albania. This suggests that unpaid work ultimately means that women have fewer educational and economic opportunities, limited access to health care and social security, and an increased vulnerability to discrimination.

4. Overview of the fiscal system for social protection in Albania

Fiscal space is normally defined as the 'room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy' (Heller, 2005) and "the financing that is available to government as a result of concrete policy actions for enhancing resource mobilization" (Roy et al., 2007).

The Albanian government policy development framework is based on the Integrated Planning System (IPS), consisting of the National Strategy for Development and Integration (NSDI) as the core policy document' and the Medium-Term Budget Programme (MTBP) as the main budget document. Budget framework in Albania consists of annual and medium-term budget plan (MTBP) with a duration of 3 years, that is the annual budget and two more years.

In this context, the Albanian government has spent on average 0,97% of the GDP on poverty between 2015 and 2017. Spending is dominated by cash benefit outlays, which account for about 94-95% of the total spending. The cash benefit programme is composed of two main sub-programmes: cash benefit payment for poverty alleviation (social assistance – ndihma ekonomike NE); and cash payment benefits for people with disabilities to help with their care costs and to compensate them for their inability to work, which are managed by the Ministry in charge of social affairs¹⁷.

4.1 Overview of Gender Sensitive Budgeting Efforts

Gender budgeting has enjoyed continued support in Albania for the last several years. A number of efforts have been made especially in changes to the institutions for gender budgeting. Also, there are visible efforts from civil society in providing expert gender analysis and in broadening the debate on fiscal policy by demonstrating that gender budgeting contributes to good budgeting for women and children especially for the social and economic benefits of women's equality and economic empowerment. It was noted that the gender budget initiatives are most commonly implemented in the framework of gender mainstreaming.

Spending on gender equality in Albania is modest at 0.05% of GDP¹⁸. It appears that gender specific projects amount to small portions of the government's budget and it is not easily visible, as it is planned and executed at sub-programme or output level of the budget, which is not yet visible in the government financial information systems. Further, gender inequality issues in sectors such as health, social protection, education, justice, business, and agriculture are addressed through 38 Budget Programmes, or 50% of all budget programmes have been included in the medium-term budgeting programme (MTBP), 2020-2022. Also, gender-responsive budget elements constitute 7.2 % of the total annual budget (38,264,748 ALL) compared to just 1% in 2015¹⁹. However, adequate financing for gender equality is still a challenge in the context of pandemic as well as to mitigate negative effects of unpaid care work on women and children.

17. Ministry of Social Welfare and Youth (MSWY) until 2017; Ministry of Health and Social Protection (MHSP) 2017.

18. Based on Government budget for 2015, 2016 and 2017.

19. Report on Monitoring of Gender Budgeting for addressing gender-based violence and domestic violence in Albania in 2018.

According to budget documents, the gender responsive outputs constituted 4,8 billion lek, or roughly 1,14% of the total budget in 2015 rose to 3,2% of the budget in 2017²⁰. Table 8 provides thorough information.

Table 8: Gender responsive budget outputs (2015 – 2017)

Line Ministry	Gender Responsive Output Expenditure 2015	Gender Responsive Output Expenditure 2016	Gender Responsive Output Expenditure 2017
			(in 000 LEK)
Ministry of Economic Development, Tourism, Trade and Entrepreneurship	14.000	30.000	20.000
Ministry of Urban Development	-	2.034	2.000
Ministry of Culture	12.916	44.418	82.200
	28.719	28.020	2.200
Ministry of Agriculture, Rural Development and Water Administration	23.941	23.941	25.300
Ministry of Education and Sports	-	160.000	250.400
Ministry of Justice	-	582.408	535.443
Ministry of Interior Affairs / State Police	750	417.075	280.929
Ministry of Social Welfare and Youth	4.762.440	5.800.047	5.510.265
Ministry of Health	-	770.000	8.395.626
Ministry of Environment	-	-	30.328
Ministry of Finance			1.835
Total planned by year	4.842.766	7.857.943	15.136.526
Of which: NE programme benefitting all members of household	4.700.000	4.506.416	4.506.416
Of which: Primary healthcare checkup programme open to all adult population			8.294.496

Source: Ministry of Finance and Economy and UN Women

The exercise of gender budgeting in Albania is generally associated with the expenditure side of the budget, and in particular with expenditure related to the delivery of public services. In most cases, it has not addressed revenue side such as tax for gender equality objective. For example, implicit gender bias still applies to sales-type taxes; applying VAT rates on gendered products, and in particular, women-headed households including in providing credits for unpaid care work. Policies on whether and how to increase the tax take can have a differential burden on men and women, as well as having an effect on social programs, which help women to balance paid and unpaid work. In the context of COVID-19, despite the prevalence of activity on gender budgeting, policy makers have not taken sufficient account of gender equality when it comes to the design of recent austerity measures.

Overall, the weaknesses in the effectiveness of gender budgeting can be observed such as in the amount of budget share earmarked for gender equality, and changes to the budget and policy making. In particular, a Albania's gender budgeting has not been able to stimulate the adoption of policy developments to improve gender equality including children development, specifically in the following areas:

20. Ministry of Finance and Economic data.

- Education
- The labour market to address unpaid care work
- Income inequality
- Welfare
- Childcare and family care
- Health

As a result, the combined effect and risk to social protection systems, as well as in unemployment for women are high with heightened risk of poverty for them in the long run. In this regard, coordination between gender equality goals and gender budgeting could be greatly improved including legislative, administrative and methodological changes in the institutions of the budget specially to make gender sensitive budgeting. In addition, there is high potential for making fiscal policy-making gender friendly, efficient, and effective.

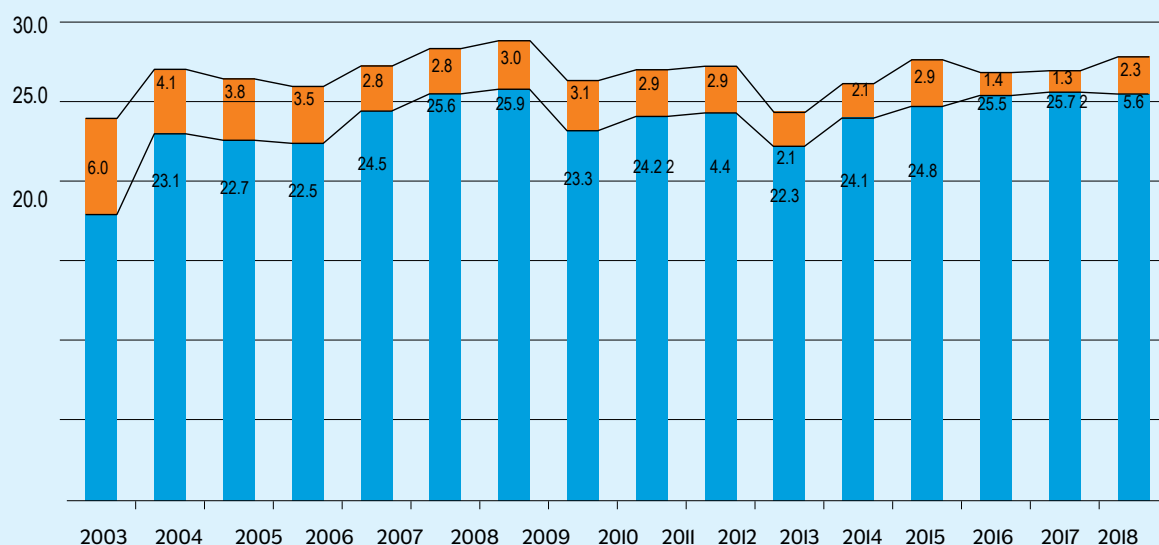
It is important that gender sensitive budgeting focus on revenue side to address areas like:

- Employment- gendered growth of jobs in unpaid care and increase to protection in informality
- Improvement of women's equality infrastructure and resources
- Systems to address unpaid care including universal child care.

4.2 Analysis Of Resource Availability for Social Protection in Albania

Analyzing the data for 2003-2018, the resource availability from internal and external sources represents around 25% of GDP with some increasing trend over time while external sources has decreased from 6 % of GDP in 2003 to 2.3 % of GDP in 2018. In this context, ODA spent on the social protection sector is a small share of total ODA. Aid-financed spending on social protection is therefore very small compared with government expenditure on social protection. The allocation of ODA to social protection is insignificant, for example amounting to only around US\$ 5 million or 0.04 % of GDP in 2015²¹.

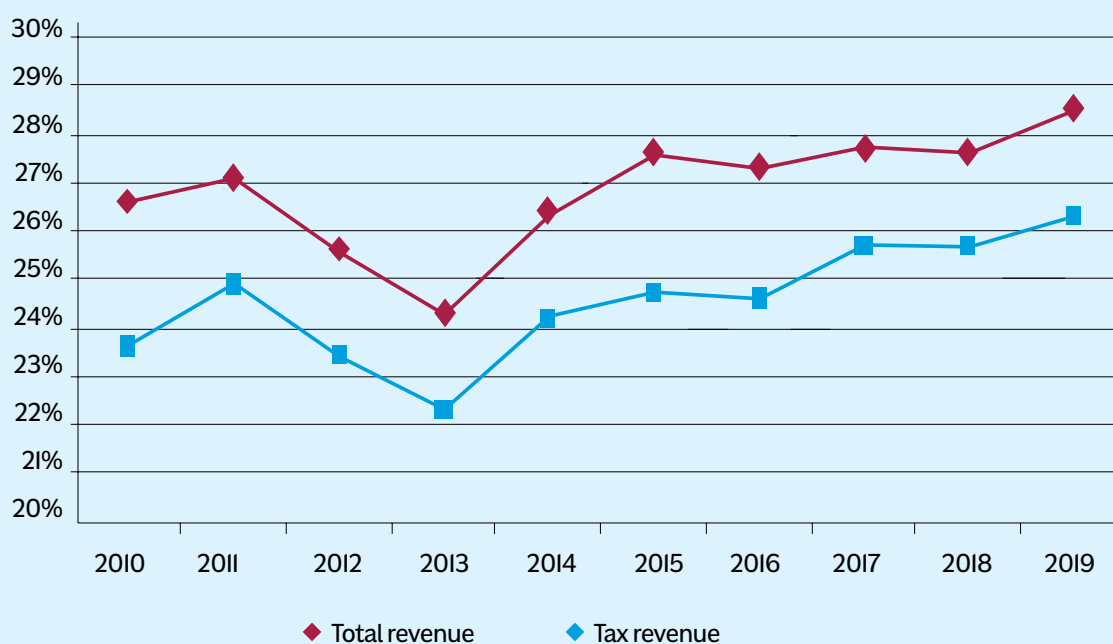
Figure 6: Resource availability from taxes and ODA (2003–2018)



Source: Calculation based from the World Bank, World Development Indicators data.

21. OECD data.

Figure 7: Total tax revenue 2010–2019



Source: Ministry of Finance, Government of Albania.

The structure of the fiscal revenue in Albania relies heavily on indirect taxes, as well as direct taxes and social contributions. The Value-added tax (VAT) represents significant % (around 35%) of the government total revenue and 10% of GDP. Social Insurance and Health Insurance (5% of GDP), also provide an important source of revenue to the government revenue. On the spending side, social protection, education and health are among the largest categories.

COVID-19 has changed not only the lifestyle and work, but causing a cascade of economic breakdowns in Albania. For example, the economy was projected to contract by about 7.5% in 2020 (vs. 2.2% in 2019) reflecting its dependence on tourism and remittances. The fiscal deficit was projected to rise to about 7% of GDP and the public debt to slightly above 80% of GDP at the end of 2020. Trade, transport and hospitality services, important branches of Albania's economy decreased by 27%. Tourism, which accounts for more than 20% of Albania's GDP, was one of the most affected sectors by the pandemic. Also, the country experienced a loss of 34 000 jobs and an increase of the unemployment rate by 0.6 pps y-o-y to 12.5% showed the deterioration of the labour market in Albania.

Table 9: Fiscal space indicators for Albania

Country	Total	(i) Government expenditures			(ii) Revenue		(iii) Social security	(iv) ODA received	(v) Illicit fin. flows	(vi) Foreign reserves	(vii) Debt (% of GNI 2013)		(viii) Budget deficit	(ix) Inflation (% change 2014)
		Health	Education	Military	Total	Tax	Cont. (% of social prot. exp.)	2012	2012	2013	Stoku i jashtëm	Totali	2014	
Albania	32.8	2.8	-	1.5	26.1	-	-	2.8	1.4	21.8	60.1	3.2	-6.7	1.8

Source: IMF's World Economic Outlook (October 2014)²².

22. a World Development Indicators (2015).

b Represents 2010-12 average values based on authors' calculations using Kar and Spanjers (2014), "Illicit Financial Flows from Developing Countries: 2003-2012", (Washington, D.C., Global Financial Integrity).

c World Bank's Global Economic Monitor (January 2015).

d Ratio of social security contributions to public social protection expenditure (in % of GDP, latest year available).

4.3 Social Protection Expenditure and The Benefit Adequacy

Albania has a realistic approach to provide social protection to its citizens through social insurance, social assistance and employment programs. However, Albania's social protection systems inadequately protect people against poverty, not adequately gender sensitive, and struggle to help the poor find sustainably productive pathways. Investments in education, health care and social protection as a share of GDP are below EU averages. Also, the lack of adequate investment across social protection floors including in roles and incentive compatibility between "social insurance" (contributory) schemes and "social assistance" benefits to these pillars (e.g., between social assistance and employment programs) raises the question of social policy effectiveness including scope and size of the vulnerability of women and children. Especially, this has been exacerbated by the ongoing COVID-19 pandemic.

The social protection system in Albania provides coverage to almost half of the population. Spending levels, however, remain low due to the very modest size of pensions and poverty cash benefits. According to IMF data, the country witnessed growth in social protection spending between 2010 and 2016, when the social protection expenditure to GDP rose by 1.2% in nominal terms and 1.1% in real terms. Especially, social protection expenditure grew by an average of 10% annually in real terms between 2005 and 2017 (Table 10).

Table 10: Social protection as a percentage of GDP

Year	Spending (% of GDP)	Spending (% of GDP) Constant prices, 2005=100
	Current prices	
2008	8.0%	7.2%
2009	8.2%	7.3%
2010	8.2%	7.3%
2011	8.3%	7.4%
2012	8.6%	7.8%
2013	9.2%	8.4%
2014	9.2%	8.4%
2015	9.1%	8.3%
2016	9.4%	8.4%
2017	9.3%	8.1%

Source: IMF data.

Table II provides the government expenditure in social protection compared to other sectors including trends for the last three years.

Table 11: General government expenditure by function

% of GDP	Year	Year	Year
	2019	2020	2021
1. General public services	5.0	2.5	2.1
2. Defence	0.8	1.0	0.9
3. Public order and safety	1.8	2.0	1.9
4. Economic affairs	3.0	2.6	2.9
5. Environmental protection	0.2	0.1	0.1
6. Housing and community amenities	2.2	1.8	2.0
7. Health	3.0	3.4	3.4
8. Recreation, culture and religion	0.4	0.2	0.3
9. Education	3.3	2.9	2.7
10. Social protection	9.5	10.4	10.3

Source: Ministry of Finance and Economy

With regard to sources of financing social protection, more than half of social protection in Albania are financed through social contributions. The general government contribution amounts to 49% of total spending, or 32% of financing for the Social Insurance Fund, which covers contributions paid by the government for specific categories, special government programmes, and financing the deficit of the public insurance scheme. Table 12 provides the trend of social protection spending mechanisms in Albania.

Table 12: Social protection spending mechanisms

	2015	2016	2017
Social Insurance outlays	81.8%	82.1%	82.7%
Social contributions	45.9%	47.7%	51.1%
General government contributions	55%	53%	49%
Of which: GG transfers to Social Insurance Fund	36%	34%	32%

Source: IMF

According to government data, social protection spending in Albania amounts to 9.3% of GDP, significantly lower than the EU average of 28%. For example, in 2016, Albania spent 9.4% of its GDP on social protection. It should be noted that social protection spending in Albania is dominated by social insurance expenditures, which account on average for over 75% of total spending in all years. The other two main programmes in social protection are the social assistance and the disability benefits, which account on average for 13% of total public social spending during the same period. The balance of spending in the social policy area is dedicated to employment programmes, currently managed by the Ministry of Finance and Economy (about 1% of the total budget) as well as social care services, emergencies and the management of the social protection strategy. Table 13 provides the social protection spending at national level in Albania.

Table 13: Social Protection Spending in Albania 2015 - 2021

Budget programme million ALL	Year				
	2015	2016	2017	2018	2019
Social care services (local discretionary spending)	493	528	684	842	1 135
Social Protection Budget Programme	21 442	21 283	21 614	21 445	23 542
Cash assistance programmes	17 662	20 026	20 714	20 671	21 100
Baby bonus at birth					1 870
Social care services and other management costs in SP	3 780	1 257	900	988	988
Social Inclusion	93	68	88	13	
Employment Services	1 623	1 807	1 486	1 228	1 535
Of which: unemployment benefits (passive)	615	691	346	336	540
Emergencies	1 419	1 266	1 109	1 542	1 503
Subtotal social sector spending (non-contributory)	24 977	24 884	24 893	25 057	27 715
Social Insurance Fund (pensions)	107 309	114 276	119 081	125 364	130 927
Total social protection spending	132 286	139 160	143 974	150 421	158 642
Total Government Budget	433 697	440 241	461 410	476 147	519 577
Social protection (without social insurance)					
In % of GDP	1.7%	1.70%	1.60%	1.50%	1.50%
In % of Government budget	5.8%	5.70%	5.40%	5.30%	5.10%
Social protection cash programmes					
In % of Government budget	4.1%	7.7%	7.7%	7.6%	7.5%
In % of social spending (non contr.)	70.7%	80.5%	83.2%	82.5%	82.9%
In % of social care budget programme (central)	82.4%	94.1%	95.8%	96.4%	97.6%

Source: Ministry of Finance data.

Social care services expenditure for children

Social care services constitute a very small proportion (less than 5%) of overall spending of the Ministry of Social Welfare and Youth (MSWY) on social protection with the vast bulk of annual expenditure being on cash assistance scheme and disability allowance. Although spending on social care has almost doubled in nominal terms, there has been no increase in spending on social care as a percentage of overall expenditure; and the latter is, in fact, slightly lower now than it was a decade ago.

In Albania, spending in social care services is fairly insignificant at about 3% of the overall social protection budget programme (inclusive of children). Government driven by fiscal constraints cut back expenditures that support the wellbeing of children. The analysis on child budgeting suggests that: the national economic agenda does not necessarily reflect a focus on children and families (besides cash transfers as part of the economic aid scheme); limited attention is to expenditures on children and outcomes in the policy and fiscal environment; limited knowledge on child friendly budget and weak capacities to measure the effectiveness and efficiency of public spending for children; missing link between policy and spending priorities for reaching out the most vulnerable children; absence of a child benefit and family benefit programme and a weak social care system to protect children.

Increasing investments in children requires a vision that guarantees child social protection based on rights regardless the affordability, such as ensuring adequate resources that support equal access to quality care or education despite their economic status, location, ethnicity etc. Priorities need to be linked to adequate budget allocations and resources.

4.4 Fiscal Space for Social Protection

Fiscal space can be generated and sustained in many ways. This section draws heavily on the indicative framework outlined in Handley (2009), examining the following ways to generate fiscal space: raising domestic revenues as well as international aid flows; reducing/cancelling debt or increasing borrowing; reallocating expenditure across sectors; and increasing the efficiency of and reducing wastage in public expenditure.

In this context, more resources need to be mobilized if the Government of Albania wants to expand coverage to tackle the high rates of poverty and vulnerability in the country in particular unpaid work and informal sector. Based on available data and information, the greatest scope for fiscal space for social protection is via i) mobilization of domestic resources, ii) improving the public financial management of public expenditure (gender and child sensitive budgeting) and iii) benefiting from the increasing interest of donors in social protection. However, ensuring such fiscal space is used to expand social protection programmes will depend on the government's commitment to social protection.

Given the current spending about 1.2% of GDP on social protection, this is less than other European countries. According to ILO 'the cost of a full set of benefits in low and middle-income countries ranges 4.2 % of GDP' (Ortiz et al., 2017b: xi). Based on the current tax base and levels of informality in Albania, as well as the resources required to finance social protection programmes for unpaid care, potential policy issues include designing sustainable fiscal space systems including gender sensitive public expenditure systems and harnessing the important role of social contributions as a source of financing, supplementing general taxation.

5. Conclusion

Gender equality including children well-being is one of the key challenges confronted by social protection systems in Albania. In a context of gendered and informal labour markets of Albania, social protection systems face several constraints to guarantee universal and adequate social benefits for women and children. Unpaid care work, which is least addressed, is central to solving multiple challenges that government face, and there are many different potential entry points that can be leveraged to invest in access to quality, affordable universal childcare. While new funding is undoubtedly needed to expand access given the scale required, there are also a number of opportunities to leverage financing within existing fiscal space that could finance an expansion of gender sensitive social protection as well as universal childcare. Finding fiscal space for critical economic and social investments are necessary for achieving the sustained development of children and women. As unpaid work is rooted and further deepened during pandemic, there is a real need to invest in and promote gender equality to safeguard rights of women and girls. In this regard, gender sensitive social protection can address such inequalities including children well-being and development by: a) recognizing, reducing, and redistributing women's care work, b) increasing gender-responsive services to reduce care burdens as well as increasing employment opportunities and c) increasing men's contribution to unpaid care and domestic work.

The Case for Investing in gender sensitive social protection and universal childcare in Albania

Data suggests that the pandemic has taken a sharp toll on women in Albania. The women in Albania not only lost their jobs and opportunities but they worked less than usual hours. In this context, child care really is a bridge, for so many, to jobs and being able to participate in the paid labour force. Also, there's huge pressure on the government to fix this bridge that particularly women to get back into the labour force.

In addition, access to quality childcare can have multigenerational impacts, improving women's employment and productivity, child outcomes, family welfare, business productivity, and the economy as a whole. Multi-dimensional data, as presented above, suggest unpaid care work has the negative effects to unlock pathways out of poverty, build human capital and increase equity - all of which are foundations of economic growth and productivity.

Box 3: Investing to address unpaid work in Albania

- Diagnose and recognize unpaid work
- Lessen unpaid work
- Reallocate care work: gender sensitive care system
- Compensate care work access to decent work, including pay equity and social protection.

Source: Authors' analysis

Data analysis in this report suggest that:

- The unpaid care work affects working women across all income and education levels in their employment and economic opportunities.
- The unpaid care work can limit productivity and the type of employment women can engage in, preventing them from taking more stable and rewarding opportunities.
- There is compelling evidence of the positive impact of childcare availability on women's employment including education, childcare and employment. The economic loss from women's missing economic opportunities is beyond a billion dollar every single year. This shows that **making women's work count for economy, society and for family**.
- There is a strong correlation between women' labor force participation and childcare in Albania. This requires examining how unpaid work affects income, spending habits, debt levels, and investment choices across women and children in society and how government fiscal policies help those who provide unpaid domestic labour.

In this context, investing in free universal childcare services should address:

- Care work is a significant source of employment, particularly for women in Albania. This will increase women's employment opportunities (formal care work jobs such as feminized health-care occupations) and productivity in both the formal and informal sectors and reduce gender inequality in employment, labour market activity and earnings;
- Promote higher human capital through greater enrolment of children in early childhood learning and development;
- Ensure equal access to all children in formal childcare as to foster the life chances and well-being of young children including safe condition; and
- Investments in the care economy would result direct jobs. While additional direct jobs in the care sectors will in turn generate indirect jobs.

Financing gender and children responsive social protection

There is a need of combination of contributory and tax-financed schemes for gender-responsive social protection for girls and women including child and social care services with a sustainable- universal coverage and ensure social protection floor for all. In this regard, there is a need for reorientation in fiscal space and public expenditure such as:

- Social protection financing instruments to address women/gender equality (unpaid care work and informality) including child care.
- Financing mechanisms for SP: Re-prioritization of expenditure and taxing to expand social protection.
- Addressing gender-responsive social protection financing such as tax-transfer systems.
- Policy reforms to address issues such as laws for social protection coverage to specific groups e.g., unpaid care, domestic workers and/or to address informality and ambiguities in employment relationships.
- Legal avenue to improve employment including definitional extensions to recognize employment outside the labour contract.

Mobilize resources for gender and child sensitive social protection using fiscal space and improve evidence

The analysis has indicated the need of national care strategies (universal provision of quality care services to labour market policies like integration of unpaid carers into the labour force) to reduce the burden of care work of women and fiscal policies that support work-life balance.

- Take actions to increase investment in gender responsive social protection using fiscal space as a tool (macroeconomic environment with adequate fiscal and monetary policies including gender sensitive public expenditure to fund care and labour market policies, for example by enhancing revenue administration to accelerate the protection of women and children.
- Take steps in the design, implementation and pursuit of fiscal policies and gender and children sensitive budgeting to promote gender equality and the empowerment of all women and girls, by, inter alia, optimizing fiscal expenditures to extend social protection coverage.
- Strengthen the capacity of stakeholders such as Institute of Statistics (INSTAT) and other relevant government institutions to collect, analyze and disseminate data, disaggregated by sex, income, age, disability and other characteristics relevant in national contexts, to support fiscal policies and actions to improve the situation of women and girls through access to social protection

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