

# FINANCING A SOCIAL PROTECTION FLOOR FOR VULNERABLE WOMEN, GIRLS AND CHILDREN IN ALBANIA

POLICY BRIEF







# FINANCING A SOCIAL PROTECTION FLOOR FOR VULNERABLE WOMEN, GIRLS AND CHILDREN IN ALBANIA

POLICY BRIEF

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.



UN Women Country Office Albania,  
St. "Skenderbej", Building 8, apt. 29-31, Tirana, Albania  
Tel: +355 4 450 2555/7575  
E-mail: [unwomen.albania@unwomen.org](mailto:unwomen.albania@unwomen.org)  
Website: <https://albania.unwomen.org>

This publication has been prepared in the frame of the UN Joint Programme "Support to SDG Financing" funded by the UN Joint SDG Fund.

The views expressed in this publication are those of the authors and do not necessarily represent the views of UN Women, the United Nations or any of its affiliated organizations.

To download this publication, please go to: <https://albania.unwomen.org/en/digital-library/publications>

Author: Shakespeare Vaidya

Design: HL Branding

All rights reserved

© UN Women 2022

# Summary

The Government of Albania has committed to achieving gender equality, but inconsistencies remain between the stated policy goals and the ways in which public funds are raised and spent. The Government has also expressed a commitment to greater transparency and accountability.

Macroeconomic policy, including fiscal and monetary policy, is often thought of as gender friendly. However, insufficient social spending on the protection of women's unpaid household labour not only hinders women's employment, but also negatively affects child development. To date, macroeconomic policies in Albania have paid scant attention to these issues and have therefore not been conducive to the achievement of gender equality. Participation and consultation are still limited when it comes to the gender-responsive allocation of funds for social protection in the country's budget. The priorities of women, especially unpaid care and children's lifelong development, are not fully reflected in the way finances are actually allocated and used.

Care activities enhance people's physical and emotional well-being. The current distribution of unpaid care work in Albania is amazingly unequal, falling mainly on women and girls. Despite its importance, this work continues to lack visibility and is disregarded in the design of economic and social policies in Albania. Reflecting the stereotype of the feminization of care activities, women are also overrepresented in the field of paid care work, which is generally characterized by low wages and unstable conditions.

This policy brief discusses the gender dimensions of the design and implementation of fiscal policies with the aim of identifying approaches that are likely to advance equality among different groups of women, men and children. It examines how public money can be collected and used in more gender-responsive ways for social protection. Finally, it shines a light on some of the major challenges women face in relation to equality, including during the ongoing coronavirus disease (COVID-19) pandemic, and proposes steps the Albanian Government can take to mitigate their negative consequences for women and for society at large.

In this regard, investing in a social protection floor (SPF) is a fundamental factor in achieving the empowerment of women and gender equality, encouraging socioeconomic recovery, creating jobs both directly and indirectly, and enabling the associated sectors of the economy to function adequately. This document substantiates the importance of financing a social protection floor, defines the care sector's current condition in Albania and describes the negative impact of unpaid care, including during the COVID-19 crisis. The document concludes with recommendations to address the policy barriers in financing a social protection floor, especially during the care crisis, to attain gender equality in Albania.

This report explores the fiscal space that is available for the Government of Albania to finance a social protection floor. Given the resources available, it will propose a minimum SPF package offering provisions for health care and meeting the needs of women, children, parents of working age, and women and children working in the informal economy.

# I. Introduction

Albania is divided in many ways. Wealth, education, urban and rural habitat, sex, age, family-based groups, political affiliations, ethnicity and other criteria differentiate Albanians. The access of individuals and groups to economic, social and political resources is deeply unequal. Attention and support are required to facilitate the inclusion of specific populations: the marginalized and vulnerable, the poor, and, as important parts of these groups, the Roma and Egyptians and persons with disabilities.

Gender inequality is one of the greatest challenges facing Albanian policymakers trying to achieve faster, more sustainable, and more inclusive growth. Gender budgeting has enjoyed continued support for the past several years. Also, there are visible efforts from civil society to provide expert gender analysis and to broaden the debate on fiscal policy by demonstrating that gender budgeting contributes to good outcomes for women and children, especially the social and economic benefits of women's equality and economic empowerment. However, spending on gender equality in Albania is modest at 0.05 per cent of its GDP.

- In Albania, the distribution of care responsibilities is incredibly unequal, falling mainly on households and being carried out mostly by women as unpaid work.
- Unpaid work accounts for roughly 60% of GDP in Albania<sup>1</sup>. 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<sup>2</sup>. A staggering US\$ 385 (EUR 324) million a year.
- Prior to the COVID-19 pandemic, women dedicated substantially more hours (21.74% of the day) than men to unpaid work.
- Informal employment accounts for about 61% of total employment in Albania.
- Despite its importance, this work continues to lack visibility and is underestimated and disregarded in the design of macroeconomic and social policies.
- In Albania, spending in social care services is fairly insignificant at about 3% of the overall social protection budget programme (inclusive of children).
- In addition to the feminization of unpaid care work, women are overrepresented in the field of paid care work, which is generally characterized by low wages and unstable conditions.

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

---

1. IMF Working Paper 2019.

2. Ibid.

## Understanding fiscal space, public expenditure and social protection floors

According to the International Labour Organization (ILO) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) (see Ortiz et al., 2019, p. 9), *fiscal space* is defined as “the resources available as a result of the active exploration and utilization of all possible revenue sources by a government.”

A *social protection floor* (SPF) aims to provide basic income security to all, whatever their employment trajectory or capacity to contribute to social insurance schemes. ILO Recommendation No. 202 urges countries to commit to four basic guarantees:

- Access to essential health care, including maternity care;
- Basic income security for children (e.g., family allowances);
- Basic income security for persons of active age who are unable to earn sufficient income (e.g., due to sickness, unemployment, maternity or disability);
- Basic income security for older persons.

Though Albania has progressed in terms of social protection, further strides must be made in relation to gender equality and children’s rights. A relative lack of funding has resulted in the poor availability and quality of public social services and low levels of social protection benefits. Since the investment required for a basic social protection package is feasible, finding fiscal space and prioritizing social protection should be understood as a question of political will, rather than a lack of resources. Investments in social protection should be grounded in domestic public financing.

## Key findings

Public investment in care sectors can create and support job creation in both the care sector and in the wider economy as care workers expand their consumption. In Albania, there is a potential to expand thousand jobs (child care, and home health cares) by every 10 million EURO) public investment in a care infrastructure. However, future economic research is needed to quantify the effect of increased caregiving because of public investment.

Investing in care work including child care would catalyze multiple positive effects: stabilizing care for women households (parents) — predominantly mothers — in the paid labor force who have been deeply impacted by the sudden lack of child care; ensuring employment stability for the critical child care workforce; and creating employment opportunities for unpaid women.

Investing in a social care infrastructure is unambiguously an urgent national priority. Doing so would not only support an equitable and healthy economy, but would also solve systemic challenges resulting from the lack of social care (unpaid care) in Albania.

This analysis finds that a public investment in care sectors can support millions of jobs in paid care work and beyond. A robust investment in care would have important knock-on effects, including creating additional indirect jobs in related sectors for women and girls.

## Social protection financing, gender equality and expenditure

In Albania, social protection spending is significantly lower than the EU average, although it more than doubled between 2005 and 2016. In 2016, Albania spent 9.4 per cent of its GDP on social protection, which is much lower than the European average of 28 per cent. Expenditure in the sector is dominated by social insurance outlays, which account on average for over 75 per cent of total spending, and non-contributory cash programmes targeting poverty and disability. The social protection system 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.

Government revenue finances more than half of social protection spending. The fiscal revenue structure relies heavily on indirect consumption taxes. The Albanian fiscal system has contributed to reducing inequalities; however, moderate poverty exists.

In Albania, as in other countries, women and men tend to have different economic roles and responsibilities. Also, their access to productive resources is different. As a result, in most cases, women are at a disadvantage. For example, women are usually expected to take on the bulk of caring for their families. This means that women (much more than men) have the double burden of performing both paid and unpaid work. This dual role often undermines women's access to the paid labour market and other economic opportunities. In addition, it means they can only access a limited range of sectors and occupations. This double burden is also likely to make women more vulnerable within their own households, leading to negative effects on children and their development. This situation has been exacerbated by shocks like the COVID-19 pandemic.

Weaknesses in the effectiveness of gender-sensitive public expenditure can be observed in funding allocation and policy decisions, including the amount of budget share earmarked for gender equality associated with issues like unpaid care work. In particular, Albania's gender budgeting has not been able to stimulate the adoption of policy changes to improve care systems, including those for child development, specifically in the areas of:

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

The way that governments raise, allocate and spend money to address universal care systems can reduce or amplify these gender-based inequalities. Gender budgeting is a strategy to promote economic growth, inclusive development and the equal realization of human rights. Evidence shows that employing gender budgeting processes can also advance gender equality in education, health, employment and child development.



## Increasing gender-sensitive investment for social protection

In the context of the gendered and informal labour markets in Albania, social protection systems face several challenges in guaranteeing a universal care system for women and children. Unpaid care work, which is seldom addressed, is central to solving multiple social protection issues, and there are many 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 on the scale required, various opportunities are available to leverage financing within the existing fiscal space that could pay for the expansion of gender-sensitive social protection and a universal care system. Finding fiscal space for critical economic and social investment is necessary to achieve the sustainable development of children and women. As unpaid care work is pervasive in Albania and became more widespread during the pandemic, there is a real need to invest in and promote gender equality to safeguard the rights of women and girls. Gender-sensitive social protection can address such inequalities and enhance children's well-being and development by: a) recognizing, reducing and redistributing women's care work, b) expanding gender-responsive services to reduce care burdens and increase employment opportunities and c) increasing men's contribution to unpaid care and domestic work.

Given 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 a sustainable fiscal space system, including gender-sensitive public expenditure mechanisms, and harnessing social contributions as a source of financing, thereby supplementing general taxation as a solution for providing comprehensive care.

## Investing in gender- and child-responsive social protection

A combination of contributory and tax-financed schemes is needed to offer gender-responsive social protection for girls and women, including child and social care services with sustainable universal coverage, and to ensure a social protection floor for all. Fiscal space and public expenditure should be reoriented to focus on:

- Social protection financing instruments to address women's/gender inequality (unpaid care work and informality), including childcare;
- Financing mechanisms to prioritize expenditure and taxing to expand social protection;
- Gender-responsive social protection financing, including tax-transfer systems;
- Policy reforms to enact laws to provide social protection coverage for specific groups (e.g., unpaid caregivers, domestic workers) and/or to address informality and ambiguities in employment relationships;
- Legal avenues to improve employment, including definitional extensions to recognize work outside the labour contract.

## The challenges

Care sectors are crucial to a well-functioning society and economy, a reality that has been highlighted under the current circumstances. The pandemic has certainly made conditions worse and has also more starkly revealed the underlying structural challenges in the sector. The cultural norm that women bear the brunt of care labor — both within the family and in the workforce — contributes to unequal bargaining power in the labour market (employment gap).

Several studies have showcased the level of informality in Albania. A study in 2010 estimated that the country's informal economy was equivalent to 32.9 per cent of its GDP.<sup>3</sup> Other research has revealed that 40 per cent of workers admitted that they are forced to compete with the informal sector.<sup>4</sup> Even more alarmingly, the Albanian Government confirmed in 2015 that the informal economy makes up 50 per cent of the GDP. Informal employment takes various forms. For example, 39.75 per cent of employees stated they did not have a written contract with their employer, while 30.29 per cent declared that they did not pay for social and health security benefits.<sup>5</sup>

Albania is one of the top five countries showing the most improvement in the overall gender gap index.<sup>6</sup> Despite this, the proportion of unpaid work per day is 21.74 per cent for women and just 3.47 per cent for men, meaning that women do almost one quarter of their work, be it at home or in the workplace, for free.<sup>7</sup> Albanian women spend 21.74 per cent of their day doing unpaid work, including cooking, cleaning and caring for children and family members.

## Social protection

The social protection system in Albania provides coverage to almost half of the population. Spending levels, however, remain low due to the modest size of pensions and poverty cash benefits. The social protection system accommodates three important pillars: education, health and social security. In many cases, especially for the latter two rights, these services are accessed through formal paid work. Given its importance in gender equality and child development, including care as a fourth pillar of social protection is justified, particularly since everyone requires care at some point and many people are paid or unpaid care workers. Care policies are emerging as a social protection pillar that can help create a fair, adequately funded care system to facilitate gender equality.

Nonetheless, care has not been prioritized in the country's public policies. This can be observed from many reports establishing that care is the responsibility of women.<sup>8</sup> Considering that care is a fundamental component of the functioning of society and that care work can offer women and girls further economic opportunities in the labour market, it becomes clear that the current social protection system depends on this ongoing gender inequality. Economic, social and demographic changes, including the ageing of the population, the rise in different family forms, and the entry of women in the labour market, have created challenges to the existing social care system, which, in the long run, is likely to be untenable. Moreover, it is expected that dependent groups, including children, will be deprived of care, leading to gaps in their development.

3. Johannes Kepler University, 2010.

4. The European Bank for Reconstruction and Development (EBRD), 2013.

5. Albanian Center for Economic Research (ACER) & Southeast Europe Leadership for Development and Integrity (SELDI), 2016.

6. The World Economic Forum Global Gender Gap Index, 2020.

7. Ibid.

8. Country level analysis report: expenditures and fiscal space analysis, including gender and child sensitive budgeting on establishing adequate social protection floor in Albania, 2021.

## The COVID-19 pandemic and the care system

The COVID-19 pandemic has exposed the difficulties many parents experience in balancing unpaid care and their work responsibilities. The inadequacies in the current system of unpaid care provision include uneven access, low quality, the need for public financing, poor terms and informality of employment for the workforce, and the overall vulnerability of the sector. According to a study, female self-employed workers were most affected by the lockdown. Women suffered a significant decline, particularly in income from farming and remittances.<sup>9</sup> The study indicated that every second employed woman (51 per cent) worked remotely (from home) compared to almost every fourth man (27 per cent). As a result, the pandemic reinforced traditional gender roles within the Albanian household, i.e., unpaid work. For example, 29.8 per cent of individuals reported increased cooking time during the lockdown, while 53.8 per cent of respondents reported spending more time cleaning.<sup>10</sup>

The COVID-19 pandemic has had social and economic consequences for everyone, especially for women, many of whom are closely associated with care. As health workers and institutional or home-based caregivers, women are at the frontlines of the response to the pandemic, and many of them work without protocols or protection measures. Women who are paid domestic workers are also at the heart of the response to the crisis due to the role they play in caring for children, sick people and people in situations of dependency, and in maintaining households. The unpaid care work of women has increased exponentially. The confinement and social distancing measures to contain the spread of the virus led to an abrupt reduction of formal care services and informal (support from families, neighbours, etc.) care arrangements. The closure of schools and pressure on the health system, together with an increased amount of time being spent at home and more activities carried out there, also led to more unpaid care work.

The implications of this situation are reflected in a significant gender gap in employment rates between women and men. The burden of unpaid care work and the time poverty that women face prevent them from being able to participate in the labour market, partake in social and political engagement, and enjoy free time. Ultimately, unpaid work limits women's opportunities. These conditions demand a review of the existing macroeconomic and social protection policies and the prioritization of gender-sensitive investment, especially in the care system.

*In short, Albania's low or no investment in care, with the expectation that women will care for loved ones especially children, unpaid, is a huge barrier to increasing women's workforce participation, to tackling the gender employment and income gap and to achieving equality between women and men at work and in society.*

## Opportunities

The COVID-19 pandemic has highlighted the importance of care for sustaining social well-being and economic prosperity. However, the crisis has also exacerbated the unjust distribution of resources at the macro level, which continues to affect women and girls. Improving the care system is a fundamental aspect of achieving the empowerment of women and gender equality in Albania. Indeed, the care system can become a driver for a socioeconomic transformation that leaves no one behind.

Investing in the care economy by providing universal and affordable access to care services would double down on the benefits to gender equality in Albania by creating good jobs for women with fair compensation and safe, decent working conditions, and by making it possible for more women to get a decent job and support their families.

Some of the benefits for investing in care services are as follows:

- The findings indicated that expansion (investment) in care services will create jobs. In addition, social care expansion produces superior distributional outcomes in terms of alleviating poverty, reducing household

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

10. Ibid.

income inequality and closing the gender employment gap. Specifically, the findings suggest that expansion of care services may generate female-intensive jobs in the care sector, opposing existing gender disparity in the labour market.

- Moreover, the gender-based employment impact of investment in care services may raise female employment by at least 5-7% both in direct and indirect jobs. As a result, the impact for women and men is significant in terms of income, livelihoods, health etc.
- In terms of government investment, the direct and indirect employment impacts of the care services will lead to an increase in income which in turn raises the government's revenue via social security contributions and income tax.

A social protection floor (SPF) is an effective instrument to address vulnerabilities and shocks. Considered as a set of minimum guarantees, including basic income security for vulnerable groups like women and girls, children, older people and people with disabilities, as well as essential health care for all, an SPF covers issues like unpaid care work and informality that are excluded from existing social protection schemes. To date, however, the integration of gender concerns in social protection has been uneven and ambiguous, with women's specific issues, risks and constraints being ignored. Drawing on cross-country evidence and experiences, this brief highlights ways to make a social protection floor work for women using gender-sensitive budgeting. Much can be done to incorporate gender into the design and implementation of programmes to promote income security across the life cycle, particularly to address unpaid care work and informality. These efforts must be part of a broader package, including policies that enable women to access decent work and that provide opportunities through care systems as long-term solutions. Investment in social care infrastructure and the creation of a market for care services boosts local economies through direct job creation and improved family incomes, generating returns for women and society as a whole.

Given the fiscal space that is available for the Government to finance a package of social protection programmes, the report has explored a number of options based on current trends. As things stand, fiscal space for increasing the current level of social protection expenditure is limited in light of the unfavourable economic conditions due to the pandemic.

However, this does not mean that the Government of Albania has no options for reform. Reformulating the approach to macroeconomics to support gender equality requires a fundamental change in policy priorities, as well as in the processes through which they are defined.

There is currently ample scope to improve the design and implementation of individual programmes and to arrive at a more coherent set of social protection measures. In the longer run, more fiscal space should be available once the Government achieves control over its treasury. Some of the options are:

- a) Raising additional resources to achieve gender equality, particularly to address unpaid care. Tax policy, government expenditure and debt management directly affect the resources available to promote gender equality and realize rights.
- b) Implementing gender-responsive/sensitive macroeconomic policies as a commitment to gender equality. Macroeconomic policymaking should incorporate distributive impact analyses to understand the effects of macroeconomic policies on women and men. Specifically, there is a need to analyse the impact of public spending, tax policy and monetary policy on gender equality and to determine how the allocation of funds through gender-responsive budgeting and public service delivery could improve the care system.
- c) Supporting employment creation and gender equality through monetary policy.
- d) Considering the trade-offs between reducing care work and supporting new employment opportunities, with consequences for women's paid work.
- e) Developing macroeconomic policies to reduce vulnerabilities, including those that women face, by taking steps to minimize the systemic risks that arise from periodic economic crises.

- f) Adopting a human rights-based approach to guide macroeconomic policy choices that support gender equality by taking steps, to the maximum of the available resources, to realize economic and social rights over time. This would involve, for example, prioritizing budget expenditures on social policies that reduce inequalities between women and men.

## Recommendations

Given 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 recommendations include designing a sustainable fiscal space system, including gender-sensitive public expenditure mechanisms, and harnessing social contributions as a source of financing to supplement general taxation.

### a) Policy level

- Provide care services and supports that take into account the needs of working women and men, including accessible, affordable, flexible, quality early childhood education and care.
- Develop comprehensive care systems (systemic solutions guaranteeing that an individual's care needs are covered from childhood to old age), which are designed and implemented from a gender perspective, and invest in supporting the care sector.
- Evaluate government spending, taxation and monetary policy based on their effects on and cost to the universal care system.
- Investing in women's unpaid care work, early childhood education and care as an effective policy for inclusive growth and for universal access to care services.
- Assess the fiscal feasibility of public investment programmes to rationalize the mobilization of a number of sources for immediate funding (tax revenue versus reduced public spending), including international aid/borrowing and financial markets.
- Determine the costs and benefits of investing in the care system and measure the employment effects, including direct and indirect jobs in the care sector and the supply chain, increased income and consumption, fiscal revenue, etc.
- Mobilize public resources and prioritize expenditure on areas that improve gender equality and the care system for children.
- Enlarge fiscal space by restructuring the tax system and generating resources from under-taxed areas like the financial sector.
- Implement capital controls and macro-prudential policies to promote economic stability and prevent financial crises, which tend to disproportionately affect women and children.
- Improve the transparency, participation and accountability of the institutions that develop and implement macroeconomic policy to incorporate women's voices in addressing unpaid care.
- Building an enabling environment for work-life balance: a wider range of social care services, regulation for care leave and work hour requirements and support equal sharing of the unpaid work load by men.

### b) Short term

- Conduct context-specific assessments of gendered risks and analyse the factors that drive women's exclusion and disadvantage in existing social protection schemes.
- Collect regular gender and age dis-aggregated data on unpaid caring work.

- Developing substitute for the care for children and the elderly.
- Act to make care services a priority, ensuring that employees can carry out their work safely.
- Expand the protection of people who perform care work both in a paid and unpaid capacity.
- Promote measures to make care responsibilities compatible with paid work.
- Move beyond narrow approaches to social protection by embedding basic transfers in a broader social and economic policy package aimed at creating more and better jobs for women and reducing and redistributing unpaid care and domestic work.



