

Income and Living Conditions in Albania, 2023

December 2024

Tirana, 13 December 2024: INSTAT publishes the main results of Income and Living Conditions Survey (EU- SILC) 2023 which measures living conditions, relative poverty and material deprivation in Albanian households. The main indicators for monitoring relative poverty, income distribution and other indicators of the living conditions are based on the objective of the Europe 2030 agenda.

- At-risk of poverty rate in Albania, in 2023, is 19.7 %, experiencing a decrease by 0.9 percentage points compared to 2022;
- The at risk of poverty threshold for a one-member household in 2023 was set at 270,565 ALL, compare to 225,931 ALL in 2022;
- In 2023 are estimated 545,400 individuals living below the at-risk-of-poverty threshold, against 576,316 individuals estimated in 2022, decreasing by about 5.4 %;
- **Severe material and social deprivation rate (SMSD)** according to the Europe 2030 agenda, represents the percentage of the population that cannot afford at least **7 out of 13 categories** of material and social deprivation. For 2023, this indicator is estimated at 34.8 % against 37.0% estimated in 2022.
- According to the EU 2030 agenda, individuals aged 18-64 who live in households with **very low work intensity** in 2023, are estimated 9.3 %, compared to 10.4% in 2022, reflecting a decrease of 1.1 percentage points.

At Risk of Poverty or Social Exclusion (AROPE) refers to individuals who are in at risk of poverty, or severe materially and socially deprived, or living in households with very low work intensity.

- In 2023, this indicator according to the Europe 2030 agenda is estimated at 42.1 %, compared to 44.5 % estimated in 2022.

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Social transfers, such as old-age and family pensions, included in disposable household income, reduce the risk of poverty rate. The impact of social benefits is evident if we assess the risk of poverty before and after transfers:

- In 2023, 36.4% of the population would be considered in at risk of poverty, if all social benefits (including old age and family pensions) were excluded from the disposable income.
- If old-age and family pensions were included in disposable income but other social benefits were excluded, the risk of poverty would be estimated at 23.3%

Tab. 1 The main indicators of at Risk of Poverty and Social Exclusion, 2021, 2022, 2023

Indicators	2021	2022	2023
At risk of poverty rate (%)	22.0	20.6	19.7
Severe material and social deprivation (%) (lack of 7 out of 13 categories of material deprivation)	39.0	37.0	34.8
Very low work intensity (age 18-64) (%)	11.7	10.4	9.3
At risk of poverty or social exclusion (AROPE-Europa 2030) (%)	46.6	44.5	42.1
At risk of poverty threshold; one person household (ALL)	191,791	225,931	270,565
At risk of poverty threshold; household with 2 adults and 2 dependent children (ALL)	402,760	474,455	568,186
At risk of poverty before social transfers (%) (Old-age and family pensions included in social transfers)	39.0	36.5	36.4
At risk of poverty before social transfers (%) (Old-age and family pensions excluded in social transfers)	25.2	24.5	23.3

Source: "Income and Living Conditions Survey 2021, 2022, 2023"

At risk of poverty rate by age group and sex

The decreasing trend is observed across all three age groups, with a more significant reduction seen in the 18-64 age group, where the risk of poverty in 2023 decreased by 1.0 percentage points compared to 2022. The age group 65 and over has experienced a slight decrease in 2023 by 0.1 percentage points, compared to 2022.

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

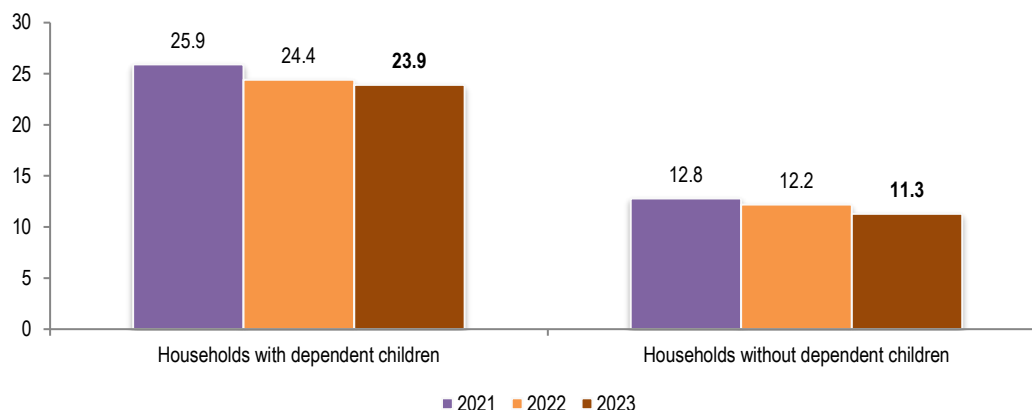
Age group	2021			2022			2023		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-17 years old	26.8	30.2	28.5	26.3	28.6	27.4	25.7	27.3	26.5
18-64 years old	21.7	22.0	21.8	19.8	20.5	20.2	18.8	19.6	19.2
65 and over	13.1	14.8	14.0	13.0	14.7	13.9	12.9	14.5	13.8
Total	21.5	22.5	22.0	20.1	21.1	20.6	19.3	20.2	19.7

Source: "Income and Living Conditions Survey 2021, 2022, 2023"

The Percentage of people in at risk of poverty by household type

In 2023, the percentage of individuals in at risk of poverty in households without dependent children is estimated to be lower compared to households with dependent children, at 11.3% and 23.9%, respectively.

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



Source: "Income and Living Conditions Survey 2021, 2022, 2023"

The inequality level

Gini coefficient measures the inequality in income distribution where 0% expresses the perfect equality where everyone has the same level of income, while a Gini coefficient of 100% expresses full inequality where only one person has all the income.

- In 2023, Gini coefficient is estimated 30.2 %, representing a 0.8 percentage point decrease compared to 2022.

The income quintile share ratio S80/S20 is an indicator that measures income inequality by comparing the income level of the highest quintile (S80) with the lowest quintile (S20) of equivalent disposable income.

In 2023, the **S80/S20 income quintile ratio** is estimated at 4.9, compared to 5.2 in 2022.

Tab.3 Inequality indicators

Inequality indicators	2021	2022	2023
GINI (in %)	33.0	31.0	30.2
Ratio S80/S20	5.7	5.2	4.9
S80/20 65 years old and over	3.9	3.6	3.6
S80/20 less than 65 years old	6.1	5.4	5.2

Source: "Income and Living Conditions Survey 2021, 2022, 2023"

Monthly mean equalized disposable income

In 2023, the monthly mean equalized disposable income per capita has increased by 18.1 % compared to 2022.

Tab.4 Monthly mean equalized disposable income

	2021	2022	2023
Monthly Mean equalised disposable income per capita (ALL)	30,962	35,725	42,209

Source: "Income and Living Conditions Survey 2021, 2022, 2023"

Methodology

The Survey on Income and Living Conditions is conducted in 2017 for the first time in Albania where the reference income was 2016. For release of 2023, the reference income is 2022.

The results present comparable statistics to other countries as well as provide reliable data in the area of relative poverty, social exclusion and household income, helping policymakers in the policies designing for reducing poverty. Until 2012, the only source for measuring living standards, absolute poverty, and the well-being of Albanian households was the Living Standards Measurement Survey (LSMS), known as LSMS in Albanian.

This survey collected a wide range of both monetary and non-monetary indicators providing diverse information for various users. Through LSMS, the measurement of poverty was based on consumption using the absolute poverty line, while SILC is based on household income using the relative poverty line.

Based on these methodological changes used between these two surveys, it is expected that the data from the Income and Living Conditions Survey (AANJ) will differ from the information provided by the Living Standards Measurement Survey.

Coverage: EU-SILC Survey covers all households of the Republic of Albania territory regardless of their size or socio-economic characteristics.

Excluded from the survey: Population living in institutional households of all types (dormitories, elderly homes, hospitals, prisons, rehabilitation centers, camps etc.).

Household concept: is referred to a group of persons or a person related by blood or not, who live together in the same dwelling or in a part of the house and share a partial or common economy.

Sample size: In 2023, the survey was conducted on a sample size of 8,834 households, where respondent households were 6,822, while in 2022 the sample size was 9,103 households with 7,382 households respondent.

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

Incomes: is the last calendar year - N - 1 (for SILC 2023 is 2022, for SILC 2022 is 2021 and for SILC 2021 is 2020).

Material deprivation: is the moment when the interview is conducted - (Year 2023, 2022 and 2021).

According to the methodology for measuring poverty, the poverty line is calculated based on its relative concept (poor in relation to others) and is defined at 60% of the median total equalized disposable household income, using the modified OECD equalized scale. Total equalized disposable income of the

household is considered the total net income (that is. income after taxes and social contributions) received by all household members.

Equalized income:

As equalized disposable income of the individual is considered the total disposable income of household after being divided by the modified OECD equalized scale. In the income distribution per person each household member possesses the same amount of income, corresponding to the equivalent disposable income of the household. This means that each member of the household enjoys the same level of living. Consequently, in the income distribution per person, the income that is attributed to each person does not represent wages, but actually, an indicator of the level of living.

Equivalence scale

Equivalent size refers to the OECD modified scale which gives a weight of 1.0 to the first adult (over 14 years old). 0.5 to other persons aged 14 or over who are living in the household and 0.3 to each child aged under 14. Example: The income of household with two adults and two children under 14 years is divided with a weight $1+0.5+2*0.3=2.1$, for household with two adults is $1+0.5=1.5$ etc.

The indicators of at risk of poverty and social exclusion are based on the concept of relative poverty, which takes into account household disposable income, the number of household members, and income distribution of the total population.

The main indicator definitions:

At-risk-of-poverty threshold represents the lowest annual disposable income for a person to not be considered in at risk of poverty. At-risk-of-poverty threshold is defined as 60% of the median equivalised disposable income for all households.

At-risk-of-poverty rate indicates the percentage of persons living in households where equivalent disposable income is below the at-risk-of-poverty threshold.

Severe Material and Social Deprivation (Europe 2030) represents the percentage of people living in households that cannot afford at least seven of the thirteen categories of deprivation (6 categories related to deprivation at the individual level and 7 categories related to deprivation at the household level).

List of items at household level:

1. Capacity to being confronted with payment arrears (on mortgage or rental payments, utility bills, hire purchase installments or other loan payments);
2. Capacity to afford paying for one-week annual holiday away from home;

3. Capacity to face unexpected expenses of 30,000 ALL;
4. Capacity to afford a meal with meat, chicken, fish or vegetarian equivalent every second day;
5. Ability to keep home adequately warm;
6. Have access to a car/van for personal use;
7. Replacing worn-out furniture.

List of items at individual level:

1. Having internet connection;
2. Replacing worn-out clothes by some new ones;
3. Having two pairs of properly fitting shoes (including a pair of all-weather shoes);
4. Spending a small amount of money each week on him/herself;
5. Having regular leisure activities;
6. Getting together with friends/family for a drink/meal at least once a month.

The work intensity of the household is defined as the ratio of the number of months that all household members have been working during the income reference year to the total number of months that could have theoretically worked during the same period (12 months).

A person of working age is considered to be a person of the age group 18-64 years according to the **Europe 2030 objectives**, excluding persons belonging to the age group 18-24 years who are dependent and economically inactive as well as the exception of persons receiving family pension and inactive persons aged 60-64 living in households in which the main source of income is pension.

The work intensity is: very low (0 %- 20 %). low (20 % - 45 %). medium (45 % - 55 %). high (55 % -85 %) and very high (85 % - 100 %). Very low work intensity refers to the situation of persons in the household where no one works, or works very little, meaning that working-age household members work only 20% or less of the total number of months they can work during the reference period.

At Risk of Poverty or Social Exclusion (AROPE 2030) refers to the individuals who are at risk of poverty or severe materially and socially deprived or living in a household with very low work intensity.

The table below shows the differences between the **At-risk-of-poverty or social exclusion rate (AROPE)** defined for the Europe 2030 targets.

Indicator	Europa 2030
Severe Material and Social Deprivation Rate	The severe material and social deprivation rate (SMSD): is defined as the proportion of the population experiencing an enforced lack of at least 7 out of 13 deprivation items (6 related to the individual and 7 related to the household).
At-risk-of- poverty rate	The percentage of people in the total population who are at risk of poverty.
Low work intensity indicator	People from 0-64 years living in households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status as well as people in the age group 60-64 who are inactive and living in a household where the main income is pensions) worked a working time equal or less than 20% of their total combined work- time potential during the previous year.