

## PENSION SYSTEM IN ALBANIA

**Jarosław Poteraj**

State College of Computer Science and Business Administration in Łomża,  
14, Akademicka Str., PL-18-400 Łomża, Poland

### ABSTRACT

The author's research goal was to present historical and current solutions in Albania's pension system so as to spot between them any that could be used for international comparisons. The article on Albanian pension systems is presented in the following order: 1. Introduction, 2. General information about the country, 3. The historical development of the pension system, 4. Its present state, and 5. Challenges and anticipated changes to the system. The actions taken in 1993 in Albania in order to modernize the country's pension system made led to a system that is very much based on a public tier working on the pay-as-you-go principle. The voluntary savings for pensions in the third tier are possible, but have little importance in Albania. Any solutions in the scope of the second, capital tier of the pension system still remain to be guessed. Comparing the Albania's pension system to those of other countries, the special treatment of women that have given birth to six or more children is worth noticing.

**Keywords:** *pension systems, pensions, Albania.*

### 1. INTRODUCTION

This article is a part of the author's series of publications on pension systems in selected European countries<sup>1</sup>. Globalization, the developments in information technology and telecommunication, and the freedom of movement in the European labour market result in many people taking interest in earning money in countries other than the homeland. This may implicate participation in foreign pension systems. These systems evolve constantly, primarily due to demographic, but also economic, reasons. The European Union provides for open coordination for pension systems in the member states, which means that no solution has been singled out as the right one. In non-member states, the pension solutions vary even more. Therefore the large diversity of these systems, and the erratic knowledge thereof, even among the experts. The author's publications aim at augmenting this knowledge and contribute to the discussion aimed at finding the best systemic solutions. The author's research goal is therefore to bring closer both historic and current solutions in Albania's pension systems in order to find those worthwhile of using in benchmark comparisons.

The paper on the pension system in Albania was based on literature study of English, and Albanian language reference books. Besides the printed texts, the Internet resources were used to find relevant data and publications of government and supervisory institutions in Albania. In addition, the legal regulations pertaining to pension insurance have been used.

### 2. GENERAL INFORMATION ABOUT THE COUNTRY

The Republic of Albania [50, pp. 317 and following] (Albanian: *Republika e Shqipërisë*) is a country located in the south of Europe, in the western part of the Balkan Peninsula, having coasts on the Adriatic Sea and on the Ionian Sea. Albania comprises 12 prefectures (Albanian: *quark*) and 36 districts (Albanian: *rreth*). The lek is the official currency of Albania (ALL<sup>2</sup>, or *lek*). The official language is Albanian. In July 2011, Albania was home to 2,994,667 people [24] with the following age structure: 0-14 years of age – 21.4%, 15-64 – 68.1%, 65 and more – 10.5%. The average length of life was 77.41 years, and 74.82 for men and 80.30 years for women. The largest ethnic group were Albanians, making up 95% of the population. The largest ethnic minority were Greeks, amounting to 3% of the population. The largest religious group were Muslims, who constitute 70% of the population, then Albanian Orthodox – 20%, and Roman Catholics – 10%. According to Albania's Constitution of 1998, the President (currently: Bamir Topi) is the head of the state, and the Prime Minister (from 10 September 2005: Sali Berisha) is in

<sup>1</sup>At the time of the preparation of this article, the papers on the pension systems in Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Holland, Hungary, Ireland, Island, Italy, Lithuania, Luxemburg, Latvia, Macedonia, Malta, Moldova, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Additionally, the author has submitted for publication at various publishers articles on the pension systems in Argentina, Belorussia and Ukraine. Also, a book *Pension Systems in 27 EU Countries* by the same author has been published. The author will gladly respond to all inquiries in this scope on [poteraj@neostrada.pl](mailto:poteraj@neostrada.pl).

<sup>2</sup> According to the ISO 4217 standard. On 20 January 2012, 1 euro was exchanged for ALL 137.98 [17].

charge of the government. The largest political parties are Partia Demokratike e Shqipërisë, Partia Socialiste e Shqipërisë, Partia Republikane e Shqipërisë, Partia Socialdemokrate e Shqipërisë, and Lëvizja Socialiste për Integrim. The gross domestic product (GDP) per person (PPP) in 2010 was estimated at US \$8,000, and its growth rate at 3.5%. The unemployment rate was 13.7%. The public debt amounted to 57.1% of the GDP. The current account for 2010 was closed with a deficit of US \$1.404 billion.

The land of the present time Albania [24] [50, s. 320-321], which in the ancient time was inhabited by the Illyrian people, was taken over in the 2 century BC by the Roman empire, and afterwards, in the 4 century AD, by the Byzantium. During the second half of the 6 century AD an inflow of the Slavs started, and the consecutive centuries Orthodox Christianity secured its position in the region. At the turn of the 12 and 13 centuries Arbëria, the first Albanian principality, was established, with the capital in Kruja. In the 1430s, the Turks conquered nearly the whole of Albania. After the anti-Turkish insurgence of 1443, the Albanians managed to reconstruct their own independent state, but this was destroyed again during the next Turkish invasion in 1479. At that time Albania became a part of Rumelia wilayah, or province, and the Albanian feudal lords converted into Islam thus starting the Islamization of the whole country. At the break of the 18<sup>th</sup> and the 19<sup>th</sup> centuries, in the southern part of Albania, part of Greece and Macedonia, an independent political organization under the rule of Ali Pasha from Tepelena came into being. After the First Balkan War broke out in October 1912, the Albanian lands were taken by the anti-Turkish coalition, and in November 1912 the independence of Albania was proclaimed, although not recognised by the international community. At the conference of ambassadors in London in December 1912, it was decided that an autonomous Albanian state under the supremacy of Turkey was going to be created, and later in July 1913 that the country would be independent. Kosovo, inhabited mostly by Albanians, was granted to Serbia. In March 1914, the German prince Wilhelm Wied became the ruler of Albania, but he had to resign in September of the same year. During the WW I, the country was occupied by Italian, Greek, French, Serbian, Montenegro and Austro-Hungarian armies. The plan that was made after the war to split the country into parts to be taken over by Italy, SHS Kingdom and Greece did not work out. The conference of ambassadors in London in 1920 approved the independence of Albania. In June 1924 a liberal government was set up, with the prime minister Fan Stilian Noli wanting to implement democratic reforms. In 1924, Noli was abolished by Ahmed beg Zogu, who introduced dictatorial rule in the country, from 1925 as the President, and from 1928 as Zogu I, the King of Albanians. In 1926, Zogu tied the country with Italy in the military, political and economic way. When Albania wanted to loosen the ties, Italy invaded the country on 7 April 1939 and overthrew king Zogu I. When Italy capitulated on 10 September 1943, Albania fell under the occupation of the German army. During the WW II, there was a strong resistance, mostly of communist orientation<sup>3</sup>. In November 1944, the Germans left Albania. The communist party took control over the country; of its inspiration the nationalization of land and industry was conducted and the country was declared a people's republic. After the war, the project that the country joins Yugoslavia was rejected. In 1948, Albania tightened the political and economic cooperation with the Soviet Union, which enabled the Communist leader Enver Hoxha to introduce the Stalin-type dictatorship. In 1949, Albania joined the Council for Mutual Economic Assistance, or the Comecon, and in 1955 the United Nations and the Warsaw Pact. In the period after 1960, there was a sudden cooling in the relationship with the Soviet Union and the other the Warsaw Pact countries except Romania. In 1962, Albania ceased to participate in the work of the Comecon, and in 1968 the country left the Warsaw Pact and started extensive cooperation with the People's Republic of China. In 1975 Albania did not sign the Helsinki Final Act in 1975. In 1976, a new constitution was adopted, and the country's name changed to People's Socialist Republic of Albania. After Hoxha's death, the dramatic economic situation of the country revealed itself. In 1989 there was a wave of anti-government unrest in the country, and in June and July 1990 there were clashes in Tirana. The Labour Party won the elections of March 1991, and the parliament elected the Communist leader Ramiz Alia president of the state as well as adopted a new constitution that among others changed the name of the state to the Republic of Albania. In June 1991, Albania became a member of the Organization for the Security and Co-operation in Europe. On 22 March 1992 the first democratic parliamentary elections took place, which ended up in a definite victory of the democratic opposition. In 1997 a number of investment funds, which in fact were pyramid schemes, collapsed, which led to social unrest. On 21 November 1997 a new constitution was accepted by the parliament. In 1999, Albania was one of the most important military bases for NATO forces during the operation in Kosovo. In February 2006 Albania signed the Stabilisation and Association Agreement with the European Union. On 1 April 2009, Albania joined the NATO.

### 3. THE HISTORICAL DEVELOPMENT OF ALBANIA'S PENSION SYSTEM

The beginnings of the Albanian pension system date back to 1923, when the first legal regulation on pensions of the members of the military and the police [36] [42, p. 40] was made. In 1927, the pension law for civil servants was issued. In 1934, a new regulation was adopted that encompassed both the military, the police, and the civil servants

<sup>3</sup>In 1948-1991 known under the name the *Albanian Labour Party (Partia e Punës së Shqipërisë, PPSH)*.

[37] [42]. In 1947, together with the law on health and accident insurance, the first regulation regarding pensions was introduced [44, p. 27]. The pension age was set at 60 years for men and 55 for women. In 1958, another pension law was introduced; this one was of a general scope and was based on Soviet solutions [42, p. 40]. In 1966, yet another regulation on social security was introduced [30] [22]. Year 1972 brought a special regulation concerning those employed in agricultural cooperatives [31] [42, p. 40]. The pension age for these employees was set at levels 5 years higher than those for the rest of the population [42, p. 105]. In 1989, in Albania for every 100 employed persons there were only 27 retirees [40, p. 105]. In 1992, the Institution for Social Issues (*Instituti te Sigurimeve Shoqerore*, ISSH) was set up, which was subordinate to the Ministry of Finance [42, p. 41]. In 1993, a new law on pensions was passed [26] [34]. This regulation set the maximum pension benefit as the double of the fixed pension or 75% of the average income of the insured in three consecutive years in the last 10-year period of employment, depending on which of these values was lower [46]. The pension contribution was determined to be 31.7% of the gross remuneration [3]. In 1993 also a number of other regulations were made, on unemployment and family benefits [44, p. 30]. In that year, the average pension in urban areas equalled ALL 1,740, and in rural areas ALL 538 per month [48, p. 6]. In 1993, only 353 thousand persons paid their pension contributions [42, p. 105]. In 1994, a regulation on social security numbers was adopted, although it was planned to be introduced gradually [1]. Also in 1994, it was made possible for emigrants from Albania to voluntarily participate in the country's pension system<sup>4</sup>. 1994 was also the first year that proved necessary to support the pension system with a government subsidy, which then reached ALL 368 million [48, p. 6]. In 1994, the replacement rate in the rural areas was at the level of 60.2% [42, p. 115]. In 1995 amendment to the pension law introduced changes in partial pensions. A possibility of early retirement was introduced for the miners [25]. This regulation made it possible for the miners to retire early regardless of their age, providing they have had at least 21.5 years of employment in the underground services. The miners' pension was decided to be 60% of the calculation basis. In June 1995, a regulation was issued that made it possible to create private pension funds of the third tier [29] and laid grounds for the creation of the Inspectorate for Supplementary Private Pensions Institutions (*Inspektoriati të Institutëve të Pensioneve Private Suplementare*, IIPPS)<sup>5</sup>. In 1999, the pension contribution was 30% of gross earnings, where 20% was paid by the employer and the remaining 10% by the employee [41, p. 19]. In 1996 in Albania there were nearly 343 thousand pensioners [46]. In the same year a special pension scheme for senior civil servants and uniformed forces [51] was created. In May 1997 an implementing regulation to the law on social security number was issued, due to which the law was put in practice at the beginning of 1998 [1]. Since that moment, all operations concerning pensions require the insured's social security number. From 1989 through 1999, the number of payers of pension contributions dropped in Albania by 60%<sup>6</sup>. In effect, the ratio of persons in employment to the retirees at the end of that period reached 100 employed per 110 pensioners [40]. In 2000 the average monthly pension in urban areas was ALL 5,124, and in rural areas ALL 1,132 [48, p. 6]. In the same year, the state subsidy to the pension system reached ALL 4,653 million. In 2001 the pension contribution rose to 42.5% of gross earnings [4, p. 4]. In 2002 a decision was made to gradually increase the pension age by 6 months per year, ultimately by 5 years, i.e. to the level of 65 years of age for men and 60 for women, what was intended to be achieved in the year 2012 [11]. On the 1 July 2002, the pension contribution was reduced 29.9% of gross remuneration [3]. In mid 2005, there were about 585 thousand pensioners in Albania [49]. In November 2005, Albania ratified the Convention no. 102 of the International Labour Organization, this way adopting international social security standards<sup>7</sup>. As a result, the minimum participation period in the pension system was reduced from 20 to 15 years [3]. In the same year, the country's government started the implementation of the social reform package that was named *ndihma ekonomike*<sup>8</sup>. In 2005, pension contributions were paid by 852 thousand people, and the government expenditure on pensions equalled 17.6% of the total budget expenditure [42, pp. 71 and 73]. In 2005, the replacement rate in rural areas was 26.7% [42, p.122]. On 1 January 2006, first institutions offering subsidiary private pension schemes started to operate<sup>9</sup>. In 2006, the Albanian Financial

<sup>4</sup>A large emigration from Albania, mostly to Greece and Italy, has been observed for a long time. In 2001, the number of legal and illegal immigrants from Albania was estimated in Greece at 507,000. Between July 2009 and July 2011, the population of Albania despite the positive birth rate decreased by 644 thousand people [2] [4].

<sup>5</sup>The actual start of the Inspectorate's operation was in 2004 [14, p. 13].

<sup>6</sup>Such a sharp decrease in the number of paid in pension contributions was connected mostly with the privatization of agriculture, which was the major area of economic activity of Albanians [13, p. 5].

<sup>7</sup>By the law [32], which came into force on 1 January 2006 [42, p. 41].

<sup>8</sup>In a loose translation it could be expressed as helpful economy (own translation).

<sup>9</sup>They were: *Instituti Amerikan i Pensioneve Private Suplementare Shqiptare* and *Garantsig Instituti Privat i Pensioneve sh.a.* Two months later a third one started, *CAPITAL Instituti Privat i Pensioneve*. In 2008 *Garantsig Instituti Privat i Pensioneve sh.a.* changed its name to *SIGMA IPP*, and in 2009 *Instituti Amerikan i Pensioneve*

Supervision Institution (*Autoritetin e Mbikëqyrjes Financiare*, AMF) was set up, which by taking over the task of the supervision of the pension market from the Inspectorate for Supplementary Private Pensions Institutions became the supervisory body for, among others, the supplementary private pension market and all the operators within it [33] [9] [16]. In 2006 a one-off rise of pensions took place: by 20% in rural areas and by 5% in urban areas [42, p. 115]. On 1 September 2006, the pension contribution rate was lowered by 6 percentage points [42, p. 119]; due to this action, the contribution level in case of hired workforce was reduced to the level of 23.9% of gross remuneration [3]. At the end of 2006, those who were self-employed in agriculture were prohibited from the participation in the III tier of the pension system [42, p.123]. The average pension in 2006 was ALL 11,134<sup>10</sup>. The replacement rate in 2007 was in the urban areas at the level of 48.5%, and the real value of pensions in 2008 was lower by 18% than that of 1990 [42, pp. 112 and 115]. In December 2009 a new legal regulation for III-tier pension funds was made, which adjusted the principles of operation of this tier to those of the International Organization of Pension Supervisors (IOPS) and the Organization for Economic Co-operation and Development (OECD) [27]. The new fund that was registered on 11 November 2010 was registered on the new rules [23].

#### 4. THE PRESENT STATE OF THE PENSION SYSTEM IN ALBANIA – AS OF 1 JANUARY 2012

The pension system in Albania consists of two parts: 1) the public obligatory one, which is in Albania the first tier, and 2) the private voluntary part, consisting of institutions of supplementary private pensions, in international comparisons equivalent to the III pension system tier. Special pension regulations are provided for government officials and the uniformed services<sup>11</sup>, but also for miners, pilots and seamen. Those who have reached the pension eligibility age but do not qualify for pension for other reasons are granted social allowance paid from the state budget.

**The public compulsory tier** comprises all those who are under employment or self-employment, and has a pay-as-you-go construction. All deficits occurring in this tier are compensated from the central budget. In the case of hired employees, the pension contribution equals 21.6% of the gross remuneration, of which 12.8% is paid by the employer and the remaining 8.8% by the employee [44, p. 27]. Retirement implies a complete ban on continuation of employment. The contribution is collected on earnings in the scope between ALL 19,000 and ALL 84,100<sup>12</sup>. In the case of the self-employed, the contribution is 23% of the minimum monthly wage, at the moment ALL 16,820, and the contribution includes maternity contribution, equal to 1.4% of the basis. Persons remaining in self-employment in agriculture are relieved from paying pension contributions if they qualify for social security aid [42, p. 123]. All the others working in agriculture pay quarterly contributions [21], which are based on the amount of ALL 17,280 in low-lying areas<sup>13</sup> and ALL 11,232 in the mountains<sup>14</sup>. The pension eligibility age is 65 years for men and 60 for women, with at least 35 contribution years. Mothers of six can retire at the age of 50, providing however that they have paid pension contributions for at least 30 years and the youngest child is at least 8 years of age. Partial pension benefits are paid out to those persons past the retirement age whose number of contribution years is between 15 and 35, with proportional reduction of the benefit. The system provides for early retirement for those men and women who are at least 62 and 57, respectively, and who have at least 35 contribution years in the system [3]. It is possible to postpone retirement as long as one wishes. Pension benefits are not paid to persons living outside of Albania. The pension benefit is calculated as a sum of a fixed amount, which equals to the minimum subsistence amount<sup>15</sup>, and a variable amount depending on the pensioner's previous earnings. The latter element is worked out as a product of 1% for each pension contribution year and the basis amount, which is an average of all previous earnings of the pensioner. The maximum monthly payment is equal to twice the basis amount<sup>16</sup> or 75% of the average earnings of the insured in 3 selected years from the last 10 years of employment, depending which of those

---

*Private Suplementare Shqiptare to Instituti privat i pensioneve suplementare Raiffeisen - Raiffeisen Pensions sh.a.* [15] [7] [39].

<sup>10</sup> Which is about EUR 100 [42, p. 115].

<sup>11</sup> Only one of known to the author studies denominates the special pension scheme for senior government officials and uniformed services as the second pension pillar [51, p. 8].

<sup>12</sup> There is a rule that the pension contribution is collected on earnings falling into the range between one to five times of the lowest remuneration [20].

<sup>13</sup> In relation to those people, the yearly amount of the state's subsidy equals ALL 29,136.

<sup>14</sup> In relation to those people, the yearly amount of the state's subsidy equals ALL 35,184.

<sup>15</sup> Since 2010, the amount equalled ALL 10,276 per month in urban areas and ALL 6,344 in rural areas [44, p. 27] [18].

<sup>16</sup> Since 2010, the amount equalled ALL 20,552 per month in urban areas and ALL 8,416 in rural areas [44, p. 27] [18].

is lower<sup>17</sup>. In the case of a partial benefit, its value is established depending on the number of years in employment. The system provides for the minimum benefit<sup>18</sup>. Those who start their retirement earlier lose 0.6% of the benefit for each month of starting the retirement ahead of the statutory age [45, p. 103]. Contrarily, those who retire past the system's eligibility age, gain 0.34% for each month of their extra employment, although the total benefit cannot exceed 80% of the retiree's earlier earnings in selected 3 years within the last 10 years of employment. Granted benefits are valorised every year by the index of the increase in the prices of selected consumption goods.

The III tier of Albania's pension system consists of **institutions of supplementary private pensions** (*instituti privat i pensioneve suplementare*). The operation of this tier is aimed at the achievement of two major goals [45, p. 111]: to provide supplementary pensions and to provide for better provisions of pensions than those offered from the obligatory scheme. The institutions of this tier started to operate at the beginning of 2006, gradually increasing their activity. Their assets are invested mostly in treasury bonds of the Bank of Albania. [42, p. 111]. The third tier is open to all hired employees and all persons in self-employment, except for those who are self-employed in agriculture. In January 2012 there were only three such institutions on the market, one of which was in the process of transformation [15]. All private institutions accumulated jointly over ALL 32 million at the end of 2007, an in consecutive years over ALL 53 million (2008), ALL 73 million (2009), and over ALL 111 million (2010) [6] [8]. At the end of 2010, 4,992 persons joined pension schemes managed by these institutions. The growth of the contribution paid to the system in 2010 equaled 53.38%, while the number of participants grew by 12.71% [52]. The average value of the pension contribution to the III tier was around ALL 800<sup>19</sup>, and the average account balance – ALL 22,420.

## 5. CHALLENGES AND EXPECTED CHANGES TO THE PENSION SYSTEM IN ALBANIA

The largest challenge that the Albanian pension system has to face is the low benefit, especially for those living in rural areas, where only 9% of the pensioners obtain benefits exceeding the subsistence level [42, p. 115]. The problems in this scope are of structural nature. Albania's agricultural sector provides employment to around 58% [47]<sup>20</sup> of all labour force, but the sector provides only around 20% of the country's GDP [24]. This means low income for farmers and extremely low participation in the total pension contribution, recently estimated at 4.5% of the income of the Institution for Social Issues [47]. In the recent period it has been estimated that those living in the country pay in only about 1/5 of all contributions income, and the average pension benefit of a person living in a rural area equals about 70% of an average pension in a town or city [45, p. 102]. The low relation of the number of payers of pension contributions to the total number of people in working age is another problem; in the worst year (1997), only 27% of the working age population paid their pension contributions<sup>21</sup>, of which 40% were governmental employees [48, p. 4]. The significant extent of the black economy that employs up to 40% of the total number of the employed [47]<sup>22</sup> compounded by the relatively high level of unemployment are other features of Albania's economy that negatively influence the finances of the country's pensions. To include into the system the 160 thousand people who are formally unemployed people is a challenge that may significantly improve its condition. The demographic situation of Albania looks relatively well: typically for Islamic countries, it has a shape of a pyramid, where over 40% of the population is up to 19 years of age, while only about 10% have reached the pension age [10, p.63]. Despite this, the proportion of those benefiting from the system to those contributing to it exceeded for a number of years 100% in Albania, mainly due to the large participation in the population of persons living on agriculture and not paying pension contributions [55]<sup>23</sup>. Another challenge is the significant disproportion of income between the employees of the private or the public sectors. It seems abnormal that the entire 81% of the total work force who are employed in the private sector earn accumulatively only 25% of the total income of physical persons, while the remaining 19% who are employed in the public sector get as much as 75% of the total personal income [47]. The high dynamics of growth in the activity within the third tier that has been observed in recent years is based on very small individual amounts, what is typical for new solutions. Without radical changes in Albanians' income situation, especially in the private sector, it is difficult to expect a large dynamics of growth in this tier. As for the possibility of the introduction of the II pension tier in Albania, which would be obligatory and fully capital based, actions have not got beyond the stage of conference discussions<sup>24</sup> and press speculations [38].

<sup>17</sup> For those with higher earnings, this means the replacement rate on the level 30-35% [42, p. 116].

<sup>18</sup> Its value was set in June 2008 at ALL 8,650 and at ALL 16,820 on 1 July 2010 [19].

<sup>19</sup> What equals roughly EUR 6.5 [42, p. 110].

<sup>20</sup> In one of his earlier works, the same author [46] suggests this value to be as high as 65%.

<sup>21</sup> In 2007 it was already 64% [3].

<sup>22</sup> In an earlier study [13, p. 6] the value given was 28%.

<sup>23</sup> Such a situation occurred in years 1995-2002. In 2007, the relation diminished to only 85% [3].

<sup>24</sup> The content of the information package of Albanian delegation to Zagreb in 2009 illustrates this rather well [3].

The III tier's 11-year-long implementation phase also seems to attest to the resistance to change of the Albania's system<sup>25</sup>. This might be the aftermath of the traumatic experience Albanians had with collapse of financial pyramids in their investment funds in 1997. In a document made by the government of Albania in 1997 it is said that the most acute problems of Albanian pension system are as follows [12]:

- Low pension benefit differential;
- Low replacement rate, especially in rural areas;
- Low ratio of the payers of contribution in the whole population;
- Unbalanced pension system<sup>26</sup>;
- Problems with valorisation of pensions;
- Unfair pension redistribution, especially towards those with higher incomes;
- The black economy problem.

There are various scenarios of how the situation may develop; one predicts that the pension system will be balanced already in 2014, another says that it will take place only in 2042 [42, p. 121].

## 6. SUMMARY

The pension system in Albania, that had been created in the interwar period, was after the WW II adapted to the pension model operative in other Soviet-bloc countries. After Albania's return to market economy in 1993, it was modernized and constructed as the pay-as-you-go tier. Only in 2006 was the system modified, in such a way that voluntary payments to III tier were introduced. However, due to the poverty of Albanians and their traumatic experiences one is not inclined to think that this tier will grow at a fast rate. The discussions about the introduction of the second, fully capital public pension tier, have not lead to any substantial action. The advantageous demographic situation of the country does not translate into, as could be expected, favourable ratio of those who pay contributions to those collecting pension benefits. This has very much to do with the fact that Albania's agriculture, which is large sector in the country's economy, meagrely contributes to the pension system.

Comparing Albania's pension system to those of other countries, it is worthwhile to notice the special treatment that is given to women who have given birth to six or more children.

## REFERENCES

- [1]. Act No. 7845 *On the Social Insurance Number*, 1994, accessed at: [http://www.issa.int/aiss/Observatory/Country-Profiles/Regions/Europe/Albania/\(link\)/Reforms%20I](http://www.issa.int/aiss/Observatory/Country-Profiles/Regions/Europe/Albania/(link)/Reforms%20I), on 22 January 2012.
- [2]. *Albanian Migration to Greece* (2005), article from November 2005, accessed at: [http://www.un-instraw.org/index.php?option=com\\_content&id=343&lang=en&task=view&Itemid=449](http://www.un-instraw.org/index.php?option=com_content&id=343&lang=en&task=view&Itemid=449), on 22 January 2012.
- [3]. *Albanian Pension System* (2009), Republic of Albania, Ministry of Labor, Social Affairs and Equal Opportunities, Regional Seminar on Pension, Zagreb, 9-10 March, 2009, accessed at: [http://www.coe.int/t/dg3/sscssr/Source/PensionSemZag/Pres\\_Alb.ppt](http://www.coe.int/t/dg3/sscssr/Source/PensionSemZag/Pres_Alb.ppt), on 22 January 2012.
- [4]. Almenberg J., Nikel Ch. (2007), *Ageing, Pension Reforms and Capital Market Development in the New EU Member States and Other Transition Countries*, Research Institute of Industrial Economics, IFN Policy Paper No. 17, 2007, Stockholm.
- [5]. Andrews E. S., Rashid M. (1996), *The Financing of Pension Systems in Central and Eastern Europe*, World Bank Technical Paper No. 339.
- [6]. *Autoritetin e Mbikëqyrjes Financiare, 2010 Raport Vjetor* (2011), Autoriteti i Mbikëqyrjes Financiare Albania, Tiranë, accessed at: <http://amf.gov.al/pdf/publikime2/raport/amf/raport2010shqip.pdf>.
- [7]. *Autoritetin e Mbikëqyrjes Financiare '07 Raporti Vjetor* (2008), amf Albania, Tiranë, accessed at: <http://amf.gov.al/pdf/publikime2/raport/amf/AMF%20Annual%20Report%2007%20shqip.pdf>.
- [8]. *Autoritetin e Mbikëqyrjes Financiare '08 Raporti Vjetor* (2009), amf Albania, Tiranë, accessed at: <http://amf.gov.al/pdf/publikime2/raport/amf/Raport%20Vjetor%202008.pdf>.
- [9]. *Bordi i AMF-së, miraton rregulloren "Për primet e sigurimit të detyrueshëm në sektorin e transportit"* (2009), „Publikim Mujo Numri Autoriteti i Mbikëqyrjes Financiare” 22/Gusht 2009, accessed at: <http://amf.gov.al/pdf/publikime2/periodik/amf/Periodiku%20AMF%20Nr.%2022.pdf>.
- [10]. *Change and Choice in Social Protection: The Experience of Central and Eastern Europe* (1998), Phare Consensus, The University of York, Pantheron.
- [11]. *Country Profile 2005: Albania* (2005), Economist Intelligence Unit, London.
- [12]. *Discussion Paper - Options on Pension System Reform* (2007), Government of Albania, Tirana, September, 2007.
- [13]. Fultz E., Ruck M. (2001), *Pension reform in Central and Eastern Europe: An Update on the Restructuring of National Pension Schemes in Selected Countries*, International Labour Office, Central and Eastern European Team, Budapest.

<sup>25</sup>From 1995 to 2006 [35, p. 42].

<sup>26</sup>In 2007 the state subsidy amounted to 22% of the income of the Institution for Social Issues [42, p. 112].

- [14]. Gjergji A. (2006), *Does Albania Have a Developed Financial Market?! Non-banking sector, not functioning pillar of the system*, Interdisciplinary Master on East European Studies & Researches (MIREES) University of Bologna & Istituto per l'Europa Centro Orientale, Bologna/Italy, January 2006.
- [15]. <http://amf.gov.al/pensionet.asp>, accessed on 22 January 2012.
- [16]. <http://amf.gov.al/pershkrim.asp?id=1>, accessed on 22 January 2012.
- [17]. [http://www.bankofalbania.org/web/Exchange\\_Rates\\_2014\\_2.php](http://www.bankofalbania.org/web/Exchange_Rates_2014_2.php), accessed on 22 January 2012.
- [18]. <http://www.issa.int/Observatory/Country-Profiles/Regions/Europe/Albania/Scheme-Description>, accessed on 22 January 2012.
- [19]. [http://www.isssh.gov.al/eng/index.php?option=com\\_content&view=article&id=58%3AAsigurimi-i-detyruar&catid=55%3AManual-per-kontributet&Itemid=87&limitstart=3](http://www.isssh.gov.al/eng/index.php?option=com_content&view=article&id=58%3AAsigurimi-i-detyruar&catid=55%3AManual-per-kontributet&Itemid=87&limitstart=3), accessed on 22 January 2012.
- [20]. [http://www.isssh.gov.al/eng/index.php?option=com\\_content&view=article&id=58:sigurimi-i-detyruar&catid=55:manual-per-kontributet&Itemid=87](http://www.isssh.gov.al/eng/index.php?option=com_content&view=article&id=58:sigurimi-i-detyruar&catid=55:manual-per-kontributet&Itemid=87), accessed on 22 January 2012.
- [21]. [http://www.isssh.gov.al/eng/index.php?option=com\\_content&view=article&id=62%3AAsigurimi-i-fermereve&catid=68%3AAsigurimi-i-detyruar&Itemid=81](http://www.isssh.gov.al/eng/index.php?option=com_content&view=article&id=62%3AAsigurimi-i-fermereve&catid=68%3AAsigurimi-i-detyruar&Itemid=81), accessed on 22 January 2012.
- [22]. [http://www.isssh.gov.al/index.php?option=com\\_content&task=view&id=6&Itemid=6](http://www.isssh.gov.al/index.php?option=com_content&task=view&id=6&Itemid=6), accessed on 22 January 2012.
- [23]. <http://www.raiffeisen.al/english/default.aspx?id=199&idd=388&idd=&idjadok=601>, accessed on 22 January 2012.
- [24]. <https://www.cia.gov/library/publications/the-world-factbook/geos/al.html>, accessed on 22 January 2012.
- [25]. Law amending Act No. 7703 (of 11 May 1993) on *Social Insurance in the Albanian Republic*, 17.05.1995, accessed at: [http://www.issa.int/aiss/Observatory/Country-Profiles/Regions/Europe/Albania/\(link\)/Reforms%201](http://www.issa.int/aiss/Observatory/Country-Profiles/Regions/Europe/Albania/(link)/Reforms%201), on 22 January 2012.
- [26]. Law No. 7703 of 1993 *On Social Insurance in the Republic of Albania*.
- [27]. Ligji nr. 10 197, datë 10.12.2009 *Për fondet e pensionit vullnetar*.
- [28]. Ligji nr. 129, datë 28.10.1927 *Pensionet Civile*.
- [29]. Ligji nr. 7943, datë 01.06.1995 *Për pensionet suplementare dhe institutet private të pensioneve*.
- [30]. Ligjit Nr. 4171, datë 13.09.1966 *Për sigurimet shoqërore shtetërore në RPSSH*.
- [31]. Ligjit Nr. 4976, datë 29.06.1972 *For pensions of agriculture co-operative members*.
- [32]. Ligjit nr. 9442, datë 16.11.2005.
- [33]. Ligjit nr. 9572, datë 03.07.2006 *Për Autoritetin e Mbikëqyrjes Financiare*.
- [34]. Loi n° 7703 du 11 mai 1993 *sur les assurances sociales en République d'Albanie*, accessed at: [http://www.ilo.org/dyn/natlex/natlex\\_browse.details?p\\_lang=en&p\\_isn=34304](http://www.ilo.org/dyn/natlex/natlex_browse.details?p_lang=en&p_isn=34304), accessed on 22 January 2012.
- [35]. Luci E., Kripa D. (2010), *Does The Albanian Pension System Work?* The Annals of The "Stefan cel Mare" University of Suceava. Fascicle of The Faculty of Economics and Public Administration Vol. 10, No. 1(11), 2010, pp. 35-45.
- [36]. *On resignation and pension to the army and constabulary* of 05.02.1923.
- [37]. *On the civil and army pensions* of 20.06.1934.
- [38]. Ottawa B. (2008), *Albania's second pillar is as good as ready*, article of 21 August 2008, accessed at: [http://www.ipe.com/news/albanias-second-pillar-is-as-good-as-ready\\_28949.php](http://www.ipe.com/news/albanias-second-pillar-is-as-good-as-ready_28949.php), on 22 January 2012.
- [39]. Ottawa B. (2009), *Raiffeisen buys into Albanian pension system*, article of 5 October 2009, accessed at: [http://www.ipe.com/news/raiffeisen-buys-into-albanian-pension-system\\_32892.php?s=albania](http://www.ipe.com/news/raiffeisen-buys-into-albanian-pension-system_32892.php?s=albania), on 22 January 2012.
- [40]. Palacios, R., Rutkowski M., Yu X. (1999), *Pension Reform in Transition Economies*, The World Bank, Washington, D.C.
- [41]. Snelbecker D. (2005), *Pension Reform in Eastern Europe and Eurasia: Experiences and Lessons Learned*, Prepared for USAID Workshop for Practitioners on Tax and Pension Reform, Washington, D.C., June 27-29, 2005.
- [42]. *Social Inclusion and Social Protection in Albania* (2008), European Commission Directorate-General for Employment, Social Affairs and Equal Opportunities, Manuscript completed in September 2008.
- [43]. *Social Security Programs Throughout the World: Europe, 2006* (2006), Social Security Administration, Office of Policy & Office of Research, Evaluation, and Statistics, SSA Publication No. 13-11801, September 2006, Washington, DC.
- [44]. *Social Security Programs Throughout the World: Europe, 2010* (2010), Social Security Administration, Office of Retirement and Disability Policy & Office of Research, Evaluation, and Statistics, SSA Publication No. 13-11801, August 2010, Washington, DC.
- [45]. Stringa A., Duka R., Stringa K. (2011), *The Albanian Pension System: The Need for Reform*, EuroEconomica", Issue 3(29)/2011, pp. 97-108.
- [46]. Telo I. (1999), *Reform of the State Pension System in Albania*, SEER "South-East Europe Review for Labour and Social Affairs", issue: 01/1999, pp. 29-33.
- [47]. Telo I. (2005), *Reform of the state pension system in Albania*, SEER "South-East Europe Review for Labour and Social Affairs", issue: 04/2005, pp. 133-138.
- [48]. Treichel V. (2001), *Financial Sustainability and Reform Option for the Albanian Pension Fund*, IMF Working Paper, WP/01/47, International Monetary Fund, April 2001.
- [49]. *V Albaniji so pred volitvami povišali pokojnine* (2005), "Aktualne Poslovne Novice", 02. junij 2005.
- [50]. *Wielka Encyklopedia PWN* (2001), Wydawnictwo Naukowe PWN, Warsaw, Vol. 1.
- [51]. Xhumari M. (2010), *Challenges facing the old-age pension system in Western Balkan*, ISSA Conference "Emerging trends in times of instability: New challenges and opportunities for social security", 29 September - 1 October 2010, Luxembourg, accessed at: <http://www.issa.int/content/download/135461/2755479/file/2Xhumari-paper.pdf>.
- [52]. *Zhvillimet e tregut të pensioneve vullnetare private për vitin 2010* (2011), Publikim Mujor Numri Autoriteti i Mbikëqyrjes Financiare" 39/Janar 2011, accessed at: <http://amf.gov.al/pdf/publikime2/periodik/amf/Periodiku%20AMF%20Nr%2039.pdf>.