

# MATRIX OF RECOMMENDATIONS

## FROM LOW WAGES TO LABOUR PRODUCTIVITY

April 2023

This matrix of recommendations aims to summarize the recommendations and solutions proposed in the Technical Note and serves as an Internal Plan for monitoring from AIC secretariat team to follow up their implementation.

The following recommendations are product of the analyses, survey and consultation of IC Secretariat with many stakeholders and experts both in private and public sector on the impact of the increase of low wages, we aimed to get an insight into their feedback on productivity, employer motivation, market competitiveness, and their perspectives on the potential wage increase. The IC analysis aims to mobilize partners' efforts to reshape the focus and attention of the public debate from low wages to labor productivity and business sophistication.

Intervention / Recommendation	Responsible institutions/ Institutions included in implementation	Term
<b>Recommendation 1</b> <i>If a national plan/policy on wages is ahead, then the Government, in collaboration with chambers of commerce and business associations should encourage public involvement and use it as an instrument to simultaneously tackle labour productivity issues and wages while also involving employees, and labor unions stakeholders in focused discussions. This can help build consensus and ensure that the interests of all parties are considered. A special reference could be done to SDGse nr 8 - promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.<sup>1</sup></i>	<b>MFE</b> <b>Business Associations</b> <b>Chambers of Commerce</b>	<b>Medium-term</b>
<b>Recommendation 2</b> Prioritize efforts and local interventions to <b>Improve work culture and provide decent jobs for all through education of prospective employees and employers about labor legislation and employment contracts - rights and obligations.</b> Employment offices and recruiting companies should be responsible for consulting them, and centers of professional education should cascade short training to the candidates on the main issues of employment that could include (a) Job description and responsibilities; (b) Remuneration and applicable tax and social and health charges; (c) notice period and cause for termination; (d) Holiday pay and sick leave; (e)	<b>MFE</b> <b>Labour Offices</b>	<b>Medium-term</b>

<sup>1</sup> Reference the minutes of the meeting "FROM LOW WAGES TO PRODUCTIVITY AT WORK"

working hours, organization rights; (e) how to resolve grievances and where to report the employers' breach of labor legislation.		
<b>Recommendation 3</b>  <i>Wage indexation: The Government of Albania, in collaboration with social partners, could engage in a comprehensive consensus-building process to evaluate the adoption of a wage indexation mechanism for both the public and private sectors on an annual basis.</i> Examples of wage indexation mechanisms already implemented in OECD countries, as outlined in Annex III, can serve as references. When selecting a mechanism, consideration should be given to macroeconomic indicators such as inflation and unemployment targets, as well as the competitiveness of businesses in Albania. It is highly recommended that a detailed analysis of economic factors and objectives as well as regional comparison be conducted prior to making any decisions in this regard.	<b>MFE Business Associations Chambers of Commerce</b>	<b>Medium-term</b>
<b>Recommendation 4</b>  <i>Part-time staff and social contributions:</i> The pervasive issue of undeclared employment, directly linked to the informal economy and low productivity in MSMEs, persists despite various measures taken. This systemic problem is evident in both fully unregistered and partially undeclared employment. Our observations and feedback from businesses, particularly in the services and tourism sectors, confirm that inflexible social and security contribution systems are key drivers of this issue. Employers are required to make full monthly contributions for part-time employees or those who work only a few days per month. Furthermore, undeclared employment contributes to high employee turnover rates, particularly in the tourism sector, which struggles to sustain year-round, full-time employment due to its seasonal nature. <i>To tackle these intertwined issues could be facilitated the implementation of proportional social and security contributions for part-time employment while advocating for fair hourly wages.</i> When determining monthly, weekly, or daily rates, workers should receive compensation equivalent to that of a full-time employee as mandated by the country's labor laws. Overtime pay should not be factored into the calculation of minimum wages, as it constitutes non-compliance to require overtime work to meet the legal minimum wage. Part-time employees should receive a minimum wage proportional to their working hours <sup>2</sup> .	<b>MFE DPT ISSH</b>	<b>Medium-term</b>

<sup>2</sup> [https://www.ilo.org/moscow/areas-of-work/wages/WCMS\\_439066/lang--en/index.htm](https://www.ilo.org/moscow/areas-of-work/wages/WCMS_439066/lang--en/index.htm)

Suggestions from Members	Subject
1. The establishment of a working group focused on also the allowances and bonuses, which are already old as notions and the fiscal treatment must be adjusted to have the appropriate fiscal treatment. Also, the government should support regarding the fiscalization of salaries, i.e. CATS system to allow calculation of gross and net salary. The system should allow the business to upload the payroll document from excel directly into the system, since payroll takes up a large amount of finance departament work. Support can be given through grants or guarantees for sectors that have potential and needed support.that can be offered in this direction as well as for sharing the cost of training for employees in order to keep them on the job as long as possible.	<b>Diaspora Business Chamber</b>  <b>MFE (Minister Ibrahimaj)</b>
2. In the fiscal system, the TIPS system should be supported by reporting it separately since all foreign tourists prefer to pay by card. If the TIPS system were to be included in the fiscal system, it would enter the business turnover, which would also be accompanied by the payment of tax.	<b>Tourism Association/Hotel Mondial</b>
3. Aiming the reduction of the cost of using credit cards, increasing the number of transactions is one of the main criterias to be considered, but the best solution would be to set up a national switch (vetting operator) which does not bear the costs of international operators. The Albanian Association of Banks and commercial banks should engage in a proactive manner in this direction, since the BSH has constantly instructed this element to the banks.	<b>Bank of Albania/Association of Banks</b>

## Term :

**Short term-** period from 1 to 6 months.

**Medium-term** – period from 6 month to 1 year.

**Long term** – period over 1 year.