

SUMMARY OF MINUTES
INVESTMENT COUNCIL (IC)
MEETING XXX

“From Low Wages to Productivity at Work”

Tirana, 18 April 2023, 11:30 – 14:15

The meeting was chaired by the Minister of Finance and Economy and IC Chair, Ms Delina Ibrahimaj. The meeting was attended by 13 members of KI and about 20 observers - representatives of local and foreign business associations and public institutions in Albania.

Opening of the Meeting by Minister Delina Ibrahimaj – IC Chair

In her opening speech, Minister Ibrahimaj explained that this is a meeting outside the IC agenda and takes place within the framework of the dialogue that the government has started with the enterprise about the need for salary increases. The government has decided to increase the minimum wage to ALL 40,000 from April 1, 2023. The Investment Council conducted a survey where 506 businesses were surveyed on the impact of the increase in low wages on productivity and competition in the market. The minister emphasized that the results of the survey show that business supports the increase of the minimum and average wages in the country. About 50% of surveyed businesses say that the minimum wage increase was necessary and supports the further increase of the minimum wage, mainly in services, trade, and tourism. The government intends to increase the average salary in the country through various measures, including the revision and increase of salaries of public servants. The aim is to ensure stability in the future, and that wage increases are not unplanned or ill-conceived but an ongoing process.

Presentation of the Secretariat’s analysis

Ms Diana Leka (Angoni), IC Secretariat, informed that the Secretariat’s analysis has as its main purpose: i) highlighting the perceptions of local entrepreneurs towards the impact of the minimum wage increase and the prospect for a further increase, and b) stimulating the debate on how Albanian businesses (especially SMEs) can become more competitive by focusing on investments to increase the productivity and motivation of the workforce. Through this study, the Secretariat introduces four recommendations for approval:

1. If the drafting of a national wage plan is considered, then the government in cooperation with chambers of commerce and business associations should encourage public involvement and consider it as an instrument to consult issues related to labour productivity and wages involving employees as well as and their unions in focused discussions.
2. Prioritizing efforts and interventions to improve work culture and provide decent employment for all by educating employees and employers about labour legislation and labour contracts - rights and obligations.
3. The government in collaboration with social partners to engage inclusively in consensus building to assess the adoption of a wage indexation mechanism for both the public and private sectors on an annual basis.
4. To address these intertwined issues, facilitate the payment of proportional social and health contributions for part-time employment, advocating for hourly wages (for further discussion).

Summary of key discussions

Minister Delina Ibrahimaj, MFE, said that some of the points included in the recommendations are under consideration by the government to be implemented on a legal basis. More specifically:

- i) Indexation of salaries for the public administration once every two years according to the average rate of inflation to provide sustainability of this policy in the future. This process will start to be applicable as soon as the salary reform is completed, i.e. after the salary increase ends in July 2024.
- ii) Creation of a law that will create other packages for the retention and motivation of public administration staff. The time has come for large businesses to have a human resources and growth policy in place in addition to the policies they provide individually.

Regarding the first recommendation, the Minister informs that within the framework of the national salary plan, the increase will continue in the coming years, with the aim of reaching the level of 45,000 Lek in 2025. This is an affordable level that gives Albania a competitive advantage in terms of production cost. So this will not be a policy that will be announced every year, but it will be a well-thought-out plan for at least the next three years.

Mr Arben Shkodra, Producers' Union, emphasized the importance of first having a national package or action plan for increasing productivity and competitiveness, and then it was up to all interest groups and economic operators to start and reflect on salary increases instead of exerting pressure on the private sector through the indexation of salaries in the public sector. Unfortunately, this has already happened.

If we talk about productivity, at least three elements should be realized:

- i) Availability of labour is a major problem. The producer's sector has not been impacted by the minimum wage increase because this level was already exceeded 4 years ago (including the minimum and average wages). The current structure of enterprises in the country is 99.8% micro and small businesses and individual entities. In this structure, there need to be more producers and service providers.
- ii) Employees need to have the skills to deserve the salary that is claimed to be given to them. Problems are encountered with the arrival of unskilled and unskilled labour. Vocational education is problematic as new employees do not come sufficiently qualified but with the pretence that they want that salary.
- iii) Albania has entered the global circulation of employees. Foreign workers who come to the country stay for only 5 days.

Productivity is faced with the cost structure. In the current cost structure, salaries are included, whereas, in the apparel sector, they occupy the major share of cost. The current fiscal system is not favourable and affects the competitiveness of certain production sectors, such as meat processing. Another factor is the precipitation of the exchange rate of the euro with lek. Modernization becomes impossible when access to finance is lacking, as is required and exists for production partners in Europe and the Balkans. For the digital transition, money is required, but banks do not lend, and funds cannot be accessed.

Mr Zak Topuzi, Tourism Association/Hotel Mondial, expressed support for the government's initiative to increase the minimum wage, stating that the hotel sector has long exceeded this level, offering great rewards for employees to keep them.

The main problems for the tourism industry that also affect wages are:

- i) Formalization of the market. According to a study conducted by UNDP, about 47% of the tourism industry is informal, mainly apartments and villas. Government assistance is sought to resolve this issue. A formalized industry pays at least 30% more for wages, not

including dozens of checks and certifications that a business that is certified is forced to pay. The platform www.booking.com has communicated that Albania is the last country that does not have an official request to block operators who do not have an active TIN-Taxpayer Identification Number (NIPT, in Albanian). This should be done by MFE.

- ii) Credit cards. Businesses are not interested in using them because of the high cost. According to the banking sector, the high usage interest has been set by the two main operators (Visa and MasterCard) who call Albania an unsafe country.
- iii) 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.

Minister Delina Ibrahimaj, MFE, stated that a meeting can be organized the following week only with tourism representatives and a joint work plan can be established for what is suggested by the business of the sector. The issue of wages in the tourism sector is mainly related to formalization.

Ms Elisabeta Katiaj, Business Diaspora Chamber, praised the initiative to increase the minimum wage and put forward the following suggestions:

- Salary increase should not be in stages and with sporadic periods. Changes should be made for at least a 2-year period so that changes in the minimum wage for contributions are not made in short periods of time.
- The private sector needs to educate employees since contracts are signed with net salary, and there is no knowledge of the employee regarding the gross/net salary to understand what the employer pays for them. This education will also greatly help in formalization.
- Digitization and innovation are very important for the private sector, and the channelling of funds in this direction must be achieved.
- Establishing a non-taxable limit for income that is affected by withholding tax, as it exists in other countries (Germany, for example, has a EUR 5,000 non-taxable limit for the individual).
- The establishment of a working group for the review of these proposals, where the emphasis is also placed on the treatment of allowances and bonuses, which are already old concepts, and the fiscal treatment must be adjusted to tackle them appropriately.

Therefore, the emphasis should be placed on the digitization of the processes and the association of the minimum wage increase with the appropriate procedural adjustments. Increasing the minimum wage does not increase costs for businesses, but its frequent change distracts the private sector. Increasing the minimum wage does not increase costs for businesses, since if employees are informed about the gross and net wages, they will be clearer and more accepting of their wages and benefits.

Mr Nikolin Jaka, Chamber of Commerce and Industry, Tirana, said that the Secretariat's recommendations are in line with the CCI Tirana's recommendations. The given recommendations should be followed with the designing of a package of interventions. CCI Tirana has had the opportunity to participate in the debate on the increase of the minimum wage and supports the increase of the minimum wage. It should be competitive, even higher than the region.

Currently, the country suffers from a shortage of labour in quantity, but even more so for skilled workers, which leads to low productivity. So, you can find employees who are graduated, but not competent for the job. Salaries in many companies in the country for engineers and production managers skilled in their work are even higher than in the countries of the region.

Productivity should be seen in two pillars: productivity of human capital and productivity of micro, small, medium, and large enterprises. Apart from being deficient in technology, Albania also suffers from the lack of a financial aid package from the government in this regard. In Albania, the profile of the Albanian producer is still missing, and it is not clear which sectors should produce Made in Albania products.

The reason that we are not competitive in the region today is directly related to the lack of appropriate technology. An economy today competes with production quantity and quality (technology). We are behind in both quantity and quality. Today in Albania, the time has passed when contracts should be signed based on the low assessment of human capital. Countries with large populations such as China and India have given up, and it is unthinkable for a country like ours with nearly 1 million human capital. By means of fiscal/subsidy packages, the apparel sector can be helped until it recovers.

Meanwhile, the minimum salary of 40,000 ALL is very low. At least it should be 50,000 ALL, and of course, the education of the employee is needed because when the salary of 50,000 ALL is promoted, they think they will get a net amount of 50,000 ALL.

Another issue to consider is informality. At least in the livestock industry, almost 90% of them are informal. All this informality means unpaid tax obligations and reduces productivity in formal companies. That is why the education of employees becomes valuable as they must understand that they cannot work without paying social security because this endangers their future and this is very important to be injected properly.

Regarding the support from the government, for the part of social security, I agree in terms of the forms.

In the meantime, discipline is needed for the annual indexation of salaries as per the inflation rate, just as the increase in prices occurs. On the other hand, the state administration should also be disciplined for inflation indexation of the contracts it has with the enterprise. Meanwhile, salary increases in public administration must be accompanied by increased efficiency and productivity of the administration employees and minimization of corruption so that they serve the law and only the law.

Mr Neritan Mullaj, AmCham, appreciated the cooperation with the Secretariat on this topic.

Firstly, this debate on the minimum wage should have started before the decision was made since we are now faced with a fact.

Secondly, an increase in the minimum wage automatically leads to an increase in the maximum wage, and this directly translates into increased costs for businesses.

Information should also be combated as we know that often payments are made to the bank, and then the money is returned to the employers.

In relation to productivity, raising the minimum wage satisfies workers but does not motivate them. In fact, in this direction, the business itself should play a role by offering decent work to the employees. The Secretariat's study is a starting point that needs to be deepened. It is important that the business itself thinks about moving towards increasing the added value, starting from the apparel sector. Meanwhile, today the trend of doing business is changing, and we will slowly move towards an enterprise that will use the skills of the employee, and they should be oriented in this direction. Finally, the legislation should also be adapted for new jobs already on the market, such as freelancers, etc.

Ms Antoneta Hako, Women's Economic Chamber, said that the formalised business supports the increase of the minimum wage and has surpassed this threshold some time ago. It is important

that this salary increase does not translate into price increases. Some issues related to taxation need to be addressed as they hinder the competitiveness of domestic production. The increase in productivity will also help the competitiveness of the country in the region. The issue of an uneducated workforce remains a problem, a problem that has already been highlighted in many tables and the level of vocational schools needs to be raised. Informality, on the other hand, greatly affects our economy, and we must be aware of how capable our system is to trace this minimum wage increase to all links, from micro businesses to large businesses. Our competitiveness is also affected by the informal business that is very widespread in the country and greatly affects the production sector, which not only has lower costs but also operates in an uncontrolled manner. Also, businesses run by women, about 30% of the total, should be supported more in terms of access to financing, a topic that can be discussed at other tables.

Z. Bledar Mankollari, DIHA, said that the study is a good basis for the next change of the minimum wage since its increase is already a fact and this meeting should have been held before the fact. This forum is a good basis for raising the minimum wage, but increasing productivity takes time and does not happen in a year. Regarding the minimum wage, it is necessary to distinguish two moments: *first*, when its increase is due to the collection of income for the state budget, and *second*, when it increases the cost of business. What was the purpose? If the goal was not to increase budget revenue, it would be good if the increase in the minimum wage was not accompanied by an increase in social insurance for the business.

Minister Delina Ibrahimaj, MFE, said that the government has taken this into account and has therefore decided that for those businesses that are more sensitive to the minimum wage, i.e. those that have over 70% of their costs in personnel costs, the cost for social insurance is subsidized. The purpose of increasing the minimum wage is not to increase the income of the state budget but to i) *increase productivity*, ii) *lead to an increase in wages as a whole*, and iii) *reduce informality*.

For clarification, many meetings have been held with businesses in other forums, apart from the IC, for the increase of the minimum wage, and the meeting of this day is not for the increase of the minimum wage, since the trajectory of the minimum wage has already been set at 40,000, 43,000 and 45,000 Lek. This meeting's discussion is to find ways to work together to address other issues related to increasing the average wage, increasing efficiency, productivity, access to finance, or even assistance packages from the government to address these problems better.

Ms Elisabeta Katiaj, Diaspora Business Chamber, requested the government's help regarding the fiscalization of salaries, i.e. CATS system to allow the 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 effort for the finance department.

Mr Arben Shkodra, Producers' Association, emphasized that there is a misunderstanding between the employer and the employee in terms of gross salary and net salary, and he thinks that this is where the problem lies. New prospective employees ask about the net salary and verbal contracts are made based on the net salary. It is right to ask all companies to issue a letter showing their employees all their benefits and not just the net salary. Can something be done in this direction by forcing the finance department of every business to prepare this information? There are companies that perform this, but this should be extended to all companies and become an obligation for the employer. This is an instrument that will also influence the work culture.

Ms Ekaterina Solovova, EBRD, expressed her appreciation for the open and constructive discussions being held at this forum—supported by the EBRD and SECO. In line with the discussion topic, Ms Solovova emphasized the importance of policies that promote Albania's long-term competitiveness also in the frame of the EU market. While acknowledging the inevitable

wage increases due to inflation, Ms Solovova recognized the challenges faced by exporters in passing on sudden wage increases to buyers with pre-set contracts, emphasizing the importance of predictability. She also highlighted the importance of supporting value-added activities within the country, recognizing the invaluable contribution of FDIs towards enhancing the competitiveness, knowledge, and expertise of Albanian SMEs, and questioned whether sufficient policies exist to support such businesses. Additionally, Ms. Solovova highlighted the adverse impact of the low digitalization of payments on small businesses and advocated for increased access to finance and skills to improve private sector competitiveness. She reiterated the EBRD's support through its programs and technical assistance aimed at boosting productivity and helping SMEs access finance and skills.

Mr Hubert Perr, EU Delegation, said that the EU welcomes the business approach and acceptance of wage increase as it is in line with the EU accession process and focuses on cohesion. This is not only about aligning the *acquis* and its legislation but also about people aiming to have similar purchasing power. The starting point should be aligning wages to reach wages and incomes at similar levels. The objective should be for this gap to be gradually closed and not widened. Wage increase needs to go hand in hand with an increase in productivity and Albania needs to focus on creating an enabling environment for businesses. The country has launched a national strategy for European integration, and it is important to identify where Albania wants to be in the future and how to get there. The EU is working with central and local government and people to create a business-enabling environment, infrastructure, energy, and agriculture, and is providing support for agriculture, technology, youth employment, access to finance, and de-risking finances through IPA funds.

Mr Edvin Prençe, Proeksport Albania, after thanking IC and the Secretariat for the survey, underlined:

- The need for drafting a package dedicated to companies in the sector was raised some time ago, and if it had been implemented, we would not be where we are today, but this requires the commitment of all structures.
- As the sector with the lowest level of education and the most vulnerable one, the education of employees is necessary. Employees say that the minimum wage was not raised by the business but by the government. Their education is necessary to achieve an increase in productivity, while support is needed for investments in machinery and promotion. We have an Albanian Investment Development Agency (AIDA) that we don't know whether it exists.
- The business is so in need of liquidity that it turns to financial institutions with a 15% interest rate, absorbing about 1 million Euros. Donors orient businesses toward financial institutions, but their support is not complete because they do not consider the fact that the loan interest rates are very high.
- Exchange rate. MFE and BoA to review the exchange rate policy. In the countries of the region with a fixed exchange rate, the economy, the market, and the exporters are protected.

Ms Ines Muçostepa, Union of Chambers of Commerce, appreciating the preparation of this study in such a short time, raised the following issues:

- The discussion on the salary increase has started a long time ago and has not found the business unprepared. The increase in the minimum wage is a requirement of the economic development itself, and as it resulted from the meetings with the businesses, there was no opposition from them. It is necessary to make a total reformation of the salary system and make transparency in the next steps since the increase of the minimum salary affects the average and maximum wage in both the public and private sectors. In the future, this reform should be done in

cooperation with the business, through common round tables, just as the discussion on the increase of the minimum wage started.

- *It is necessary to fight against informality* as a large part of the business probably has had higher but undeclared salaries. The increase in wages should be accompanied by a system to monitor it so that informality does not continue to be a plague that is encountered every day.
- *Funds for supporting innovation and investments in machinery*, as it emerged from the study and the apparel sector, *must be well managed*. Even though AIDA had a fund available and there was a high number of applications, it did not disburse any funds and businesses have been left without any response regarding this process.
- *Welfare policies*. There is much left to be done by the business, this is also related to fiscal policies, and perhaps this is a moment to reflect because it is proven that the combination of these policies with fiscal support affects the increase in productivity.
- *The Labour Code must be revised*. Must accommodate part-time work and smart working, thus offering more flexibility.
- *The education of employees* should be promoted by the entrepreneurs themselves.

Mr Agim Rrapaj, KASH, raised the following issues:

- The salary issue has been discussed in the National Labour Council for 2 years. There has been an agreement between the business and the unions on the wage increase.
- The business assumes that with the increase in the minimum wage, there will be an increase in consumption which will positively affect the industry and food producers. Hopefully, this will have the right effect.
- Special attention should be paid to the agricultural sector and those who work in the sector and are not affected by the minimum wage. Greater attention is needed in the sector even in the context of the depopulation that is happening to us. For this reason, formalization should be encouraged in this sector as well.
- For collectors, who are an important link in the food chain, the implemented VAT mechanism should be reviewed.
- Agricultural Schools (which are 5 in total). Students registered in the first year have been reduced in number, and there will create a big gap in the future. Commitment from the business and MFE is needed.
- There is a positive perception regarding the funds and transparency provided within IPA II, which have been 100% utilized. There is a radical difference in the use of these funds and their efficiency. The demand has been even greater for 3 times the funds. So out of 94 million, 249 million were required. IPARD III should start as soon as possible in order to catch up with the pace.

Minister Delina Ibrahimaj, MFE, agreed that round tables should be organized on the effects of the exchange rate for some sectors and exports. The Bank of Albania made the decision regarding the exchange rate a long time ago. If we were to do an analysis of macroeconomic indicators, we would not be compared with either North Macedonia or Serbia. Albania has had a much better performance, and one of the elements of this performance has been the free exchange rate. The Minister expressed her understanding that the majority of exporters, especially those who have had long-term contracts, have been affected by the exchange rate, but on the other hand, the problem should be seen more globally and not related to a specific sector.

Ms Natasha Ahmetaj, Bank of Albania, said that:

- The free exchange rate by law is not an attribute of BoA. The latter is charged only to follow the objectives related to maintaining inflation. In this sense, it would not be normal for BoA to intervene to change the exchange rate in any direction. There are two cases when BoA is

obliged to intervene in the exchange rate: (1) when the exchange rate becomes an obstacle for monetary policy in maintaining inflation; (2) when there are distinct disturbances in the foreign exchange markets. There is a misperception that BoA decides the exchange rate, but this is not true. On the other hand, even if you look at the position of BoA in relation to foreign currency, BoA has been in a foreign currency buying position, buying tens of millions of euros.

- In relation to the costs of credit card transactions, the reason for high applicable commissions is not related to the risk but rather to the fact that there is no national switch of international operators such as VISA, Master Card, or American Express. These operators relate their service costs to the number of transactions. In this sense, it is impossible for commercial banks to reduce unit costs as long as the number of transactions is low. There is an increase in the number of credit card payments, especially during the last year. 60% of retail trade payments are made with credit cards and this is a development that BoA has supported and promoted with its policies. Increasing the number of transactions is one of the criteria for reducing their costs, but the best solution would be a national switch, a vetting operator, which does not bear the costs of international operators. Commercial banks should do this role. Through the Albanian Association of Banks, BoA has continuously instructed banks on this element. Commercial banks have discussed this issue within the association as well but have not yet reached a common solution on whether it should be done and which bank should offer it. There have been discussions related to aspects of the conflict of interest between them as to which bank should offer it and therefore this issue has not yet been resolved.
- Regarding the increase of women's access to finance, it is not that there is any policy for the financial system itself to have a dedicated measure in this aspect, just as there is no barrier in this regard. If there should be special policy support, it is not BoA that can provide this, but it can certainly support it. EBRD has a project dedicated to supporting female entrepreneurs. This support can be the starting point for encouraging other operators as well.
- The approach of the business to see the salary increase linked to productivity is impressive, as a plague of the Albanian economy. The global economy is today in the 4th stage of the production mode, what is called the *Knowledge Economy*. The latter has two important factors: technology and human capital (knowledge). Even the country's economy cannot avoid this trend. The time has come for businesses to think about staff training and encouraging access to finance for businesses that are inclined toward innovation and technology. Such a program does not exist, and perhaps this moment can serve to highlight this area for support, even from international partners. A guarantee program from an external international actor to mitigate the risk of financing new entities in the field of innovation and technology could be effective. These businesses do not yet have a long-term vision and financing the projects of these new businesses is difficult. This is where the focus and channelling of financial support should be placed in the function of the Albanian economy.
- Productivity should be the key to the economy. Involvement in global chains is associated with the benefit of knowledge and integration, and international experience should also be shared in this table.
- Referring to the comparison made by Mr Shkodra regarding Macedonia, Ms Ahmetaj said that Macedonia takes Albania as an example of a good macroeconomic situation because it has 18% inflation while keeping a fixed rate against the Euro and not exercising the regulatory function of monetary policy. This is also the reason why some countries do not want to enter the Eurozone because they want to have a monetary policy as their function for as long as possible. However, BoA has not played a passive role and has drawn up a special report regarding the fall of the exchange rate, which can also be shared with IC members.

Deputy Minister Olta Manjani, MFE, stated that since one of the main issues raised in this meeting was the training of the workforce, she explained briefing the action plan which will be divided into two main directions: i) employee motivation, which as evidenced in the Secretariat's

survey, the salary increase affects 50% of the motivation, ii) productivity that increases through investments in innovation and technology and the strengthening of knowledge in this direction.

In the first place, it is the government that has worked to increase motivation, of course here business also has a very special role since it must invest in the training of the workforce and in technology. So the business has to take this forward. Regarding the training of the workforce, for the first time in December 2022 have been included in the use of professional training also private operators, such as coders, benefitting a subsidy of 50-100% of the workforce training cost and this is expected to extend beyond the ICT sector. It started with this sector being one of the most important one, as a sector that is moving very fast, an inclusive sector that has also had a big gap.

It is the first time that private operators enter professional training and are subsidized by the voucher method, which has given a very positive result in other countries. So the game and competition in terms of training the workforce has started, including beyond vocational schools and vocational training centres also private operators, and pushing the public sector forward.

Other mechanisms through which the private sector is involved in strengthening the skills of the workforce or even in understanding the needs of the market, are (a) sectoral committees that receive direct feedback from the market and translate it into curricula adapted to the needs of the market, (b) a very important element is also the participation of businesses in the boards of professional schools as their presidents, which guarantees direct feedback on market needs.

The second issue is the payment of social contributions, also referring to practices around the world, the effects of health and social contributions are paid on a minimum wage, and of course, with its increase the contributions also increase, not being a tax but a contribution to pensions, and this it is also related to the education of the workforce. Some of the reasons why pensions are low, and this should be reviewed. This is related to the low minimum wage over the years. As the minimum wage increases, pensions will also increase.

The third element related to the inclusion of women in business is the employment promotion programs with 6 programs that subsidise the salary or benefits for several months. During the last year, around 1,248 businesses benefited from these funds and 4,443 individuals. Subsidy provided for kindergarten and nursery fees for new mothers with children and transport subsidy for both men and women if the place of work is more than 2 km away from residence.

Deputy Minister Endrit Yzeiraj, MFE, said that Albania is currently talking about the economic development model and how much of a gap we have closed since 1990 with the EU countries, starting from the lowest base. In terms of growth, Albania and Poland have had the largest growth in Central and Eastern Europe, but mainly based on a model focused on tourism, agriculture, and mining. Now we need to make a leap and qualitative growth, and the salary increase policy is one of the drivers that leads in this direction, but it is not the only one. We know that we need to innovate and become technological, and this is done thanks to access to finance, so this is one of the policies we will focus on in the coming years. We are in the process of a sovereign guarantee for manufacturing, but the details will be clarified later and there are a number of EU programs providing funds that may not be related much but will be redirected to see aspects where the financial sector can facilitate access.

To increase productivity, we need an economy of scale, that is, many people and a lot of capital, and Albania does not have much to offer, but business outsourcing is something that we can leverage more since young Albanians integrate faster than other societies, so we will focus on this direction. Referring to industrial policies, we have some ideas that will be discussed with you in the future.

Mr Bledar Mankollari, DIHA, said that in principle no business is in favour of increasing the salary as a whole, looking at it from a geographical point of view. For Tirana, maybe the minimum wage increase is delayed, while for the other districts, there is a problem because they have a different economic speed than Tirana and the geographical element is very important in this aspect, so referring to the report brought by the Secretariat, it would be good to have some details on the effects e.g. how much additional income will be paid, what was done, how much businesses pay more, what is specifically expected through the increase because it would be interesting for the private sector.

Minister Delina Ibrahimaj, MFE, responded succinctly to the comments raised:

- The geographical distribution of wages is an issue that was thought about long before determining the minimum wage as it is important to understand the productivity and the potential of companies in Tirana and in the districts, but from a legal perspective, this is impossible at the moment. If there are enough arguments and business support, this could be considered in the future.
- Regarding transparency on additional income from social contributions, the analysis can be easily done by referring to the data of December 2022 and estimating the expected income from April 2023. If there will be changes in the future, the analysis will be done more complicated because the increase in the number of employees and the change in the structure of employees that will be caused by the increase in the minimum wage will have to be considered. Not sure if this information will be of interest to the public as the pension scheme is in deficit and everyone needs to understand the importance of pension but assured that the analysis will be available.
- Regarding the elements that affect salaries, productivity, and skills, the Minister stated that it is important to work in the direction of training for new jobs and technology, as well as on the needs of the Albanian market based on its structure. Agricultural structures and the importance of the agricultural sector for the economy were mentioned. If the wages in the agricultural sector will be low, the interest in training people in this direction will be low.
- The national work and salary plan is very important to realize the potentials that our economy needs. Although we can use digital skills, technology changes quickly within 6 months, so it is important to train people capable of training.
- Maybe it is time to review some elements of the Labour Code and discuss them in the National Labour Council. The minister encouraged businesses to get involved in smaller groups and discuss raising the minimum wage. The government will draft the policy but expressed the desire to elaborate a policy for the private sector regarding human resources since it was discussed that employees demand a high salary from the beginning, but it is important to build a clear trajectory and a structure of salary based on skills and experience.
- If adjustments to the Labour Code are needed for this issue, we must consider them, but we must be careful because the private sector tends to use the legislation in terms of informality. We do not want to impose government policies that may be perceived as disrupting the business climate, but we do require that a proper human resources policy be drafted and communicated. The minister proposed the creation of a working group from the private sector to bring proposals in parallel.
- Regarding the competition with abroad, it is not something that can be solved easily, but the conditions for remote work can be eased, which would make us more competitive with foreign workers coming from abroad. This can be accomplished through internal company policies.
- The Minister expressed her understanding of business concerns and stated that it is true that tax and subsidy policies can have different effects in different sectors. According to experience, tax reduction can be effective in increasing economic activity and creating new jobs in some specific sectors, but it is not always the right solution for all sectors and at all times. She spoke

in favour of supporting the manufacturing sector, so it should be re-discussed if we are in the same conditions as a year ago. In general, fiscal policies should be straightforward, transparent, and orderly to ensure a fair business climate and increase investor confidence in our country.

- Access to finance is very important for the development of businesses and the economy in general. The World Bank and the EU have many programs to support businesses, especially those of women, young people, and in rural areas. One of the most popular programs is the “Youth Guarantee”, which has been successful in several EU countries and can be used as a model for other countries. This guarantee offers low loans to young people who have difficulty accessing finance and will help those with good business ideas to start and develop. At the same time, this guarantee will also increase employment and economic growth in rural areas and small towns. Therefore, supporting youth and women’s businesses is important for the sustainable development of a country’s economy.
- Comparative studies with countries in the region are important to assess how economic growth occurs and how the fiscal system works in a country compared to other countries in the region. In this way, both advantages and challenges in the field of fiscal policy can be identified. Usually, when we compare with other countries, only those cases where we have higher taxes are mentioned, not those where we have lower taxes. A comparative study with countries in the region could be useful.
- Microfinance institutions are those that offer high-interest rates compared to traditional banks, due to the high cost of administering small loans and the high risks that accompany them. However, microfinance institutions are of great value in the development of small and medium-sized businesses and in helping people who need credit.
- Regarding bonuses and per diems, the discussion in this direction can be useful to find solutions that are fair and honest for everyone. The minister expressed the willingness of the government to help digitization not with grants but with guarantees for sectors that have potential and need support. Support can be offered in this direction and for sharing the cost of training for employees in order to keep them on the job as long as possible. She proposed to set up working groups to be managed by the two deputy ministers, Ms Manjani and Mr. Yzeiraj. Soon there will be a meeting of the National Labour Council, and these issues that were raised here will be discussed, while productivity and certain taxes and products will be followed directly by Mr. Yzeiraj.

Additional comments:

- The Diaspora Business Association has suggested improving the tax system regarding gross and net salaries and will send a concrete proposal to facilitate and improve the system. The Ministry of Finance and Economy will change the tax administration webpage to include an algorithm that will allow individuals to enter the number of days they work and calculate their net/gross salary.
- The Tourism Association has suggested that the state “*matura*” program be removed from vocational schools to make them more attractive and reduce the number of students who leave this type of education. The Minister confirmed that more vocational education is needed and discussions are underway with the Ministry of Education to make changes and make these schools more attractive.

Closing of the meeting

At the end of all discussions, Minister Ibrahimaj thanked the participants for their contribution and declared the meeting closed.

List of participation

Government representatives

1. Ms Delina Ibrahimaj, Minister of Finance and Economy/IC Chair
2. Ms Natasha Ahmetaj, Deputy Governor of the Bank of Albania
3. Ms Pranvera Selgjakaj, Executive Director, National Economic Council, delegated by Mrs. Edona Bilali, Minister of State for Enterprise Protection

Business representatives

1. Mr Nikolin Jaka, Chair, Tirana Chamber of Commerce and Industry
2. Ms Ines Muçostepa, Chair, Union of Chambers of Commerce and Industry
3. Ms Antoneta Hako, Chair, Women's Economic Chamber (WECA)
4. Mr Arben Shkodra, General Secretary, Union of Albanian Producers
5. Mr Neritan Mullaj, General Director, AmCham Albania
6. Ms Elisabeta Katiaj, Executive Director, delegated by Mr. Ardian Lekaj, Chairman, Albanian Diaspora Business Chamber
7. Mr Zak Topuzi, Tourism Association/Hotel Mondial (*ad-hoc*)
8. Mr Edvin Prencë, Chairman, Pro-Export Albania Association (PEA) (*ad-hoc*)

International partners

1. Ms Ekaterina Solovova, Head of the EBRD Resident Office in Albania
2. Mr. Hubert Perr, Head of Cooperation, EU Delegation

Absentees:

1. Mr Sokol Nano, CEO, AIDA
2. Mr Emanuel Salinas, Country Manager of the World Bank Office in Tirana
3. Ms Laura Qorlaze, Country Representative, IFC
4. Mr Bilal Kara, Chair, Chamber of Commerce and Industry Albania - Turkey (ATTSO)

Special guests:

1. Ms Olta Manjani, Deputy Minister of Finance and Economy
2. Mr Endrit Yzeiraj, Deputy Minister of Finance and Economy

Other participants:

Former IC business members

1. Mr Bledar Mankollari, Executive Director, German Chamber of Commerce (DIHA)
2. Ms Odeta Melo, Chair of the Human Capital Committee, FIAA

Other representatives

3. Mr Agim Rrapaj, Chairman, National Agro-business Council (KASH)
4. Mr Denald Tafani, Chairman, Greek Business Association in Albania
5. Ms Erifili Berberi, Executive Director, Greek Business Association in Albania
6. Mr Bashkim Sykja, Chief of Cabinet, Chamber of Commerce and Industry, Tirana
7. Ms Flutura Xhabija, President, Professional, Businesswomen and Crafts Association (SHGPAZ)

8. Ms Tefta Demeti, Professional, Businesswomen and Crafts Association (SHGPAZ)
9. Ms Marlinda Zotaj, Executive Director, Advantage Austria
10. Ms Ledia Muço, Advisor for Economic Affairs, EU Delegation in Albania
11. Ms Esmeralda Shehaj, Expert on Gender Issues, EBRD