IC | Albania Investment Council

Improving Transparency and Investment Climate

SURVEY FINDINGS ON THE MINIMUM WAGE

and its effect on the economy

March 2023

OBJECTIVE & METHODOLOGY

OBJECTIVE

- Increase in the minimum wage
- Productivity and motivation at work
- Competitiveness in the market
- Further increase of the minimum wage

METHODOLOGY

- Structured questionnaire
- Sent by e-mail to circa 35,000 companies
- Completed anonymously online by 506 businesses
- The survey includes data reported during the period March 2023

SAMPLE PROFILE
506 BUSINESS

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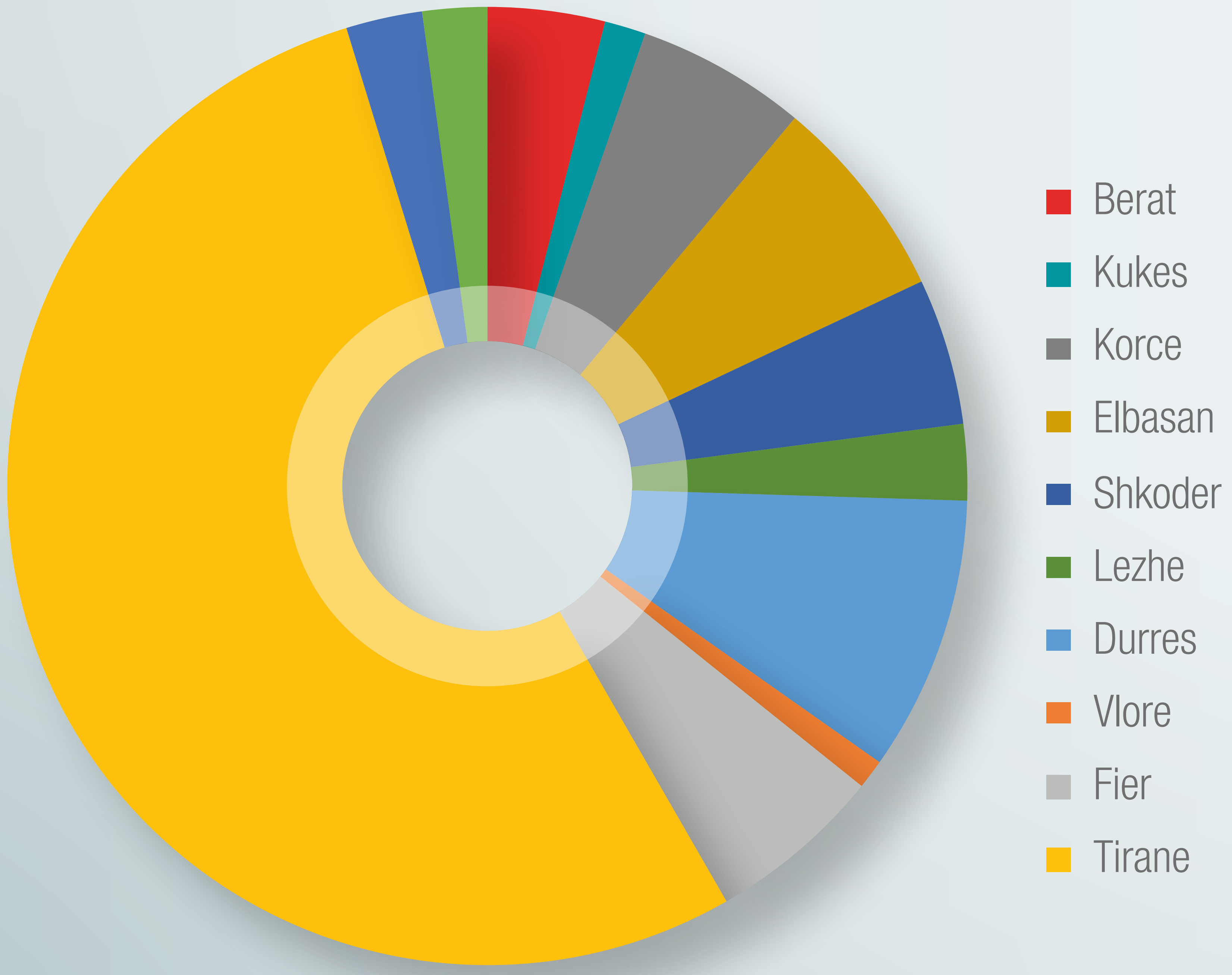
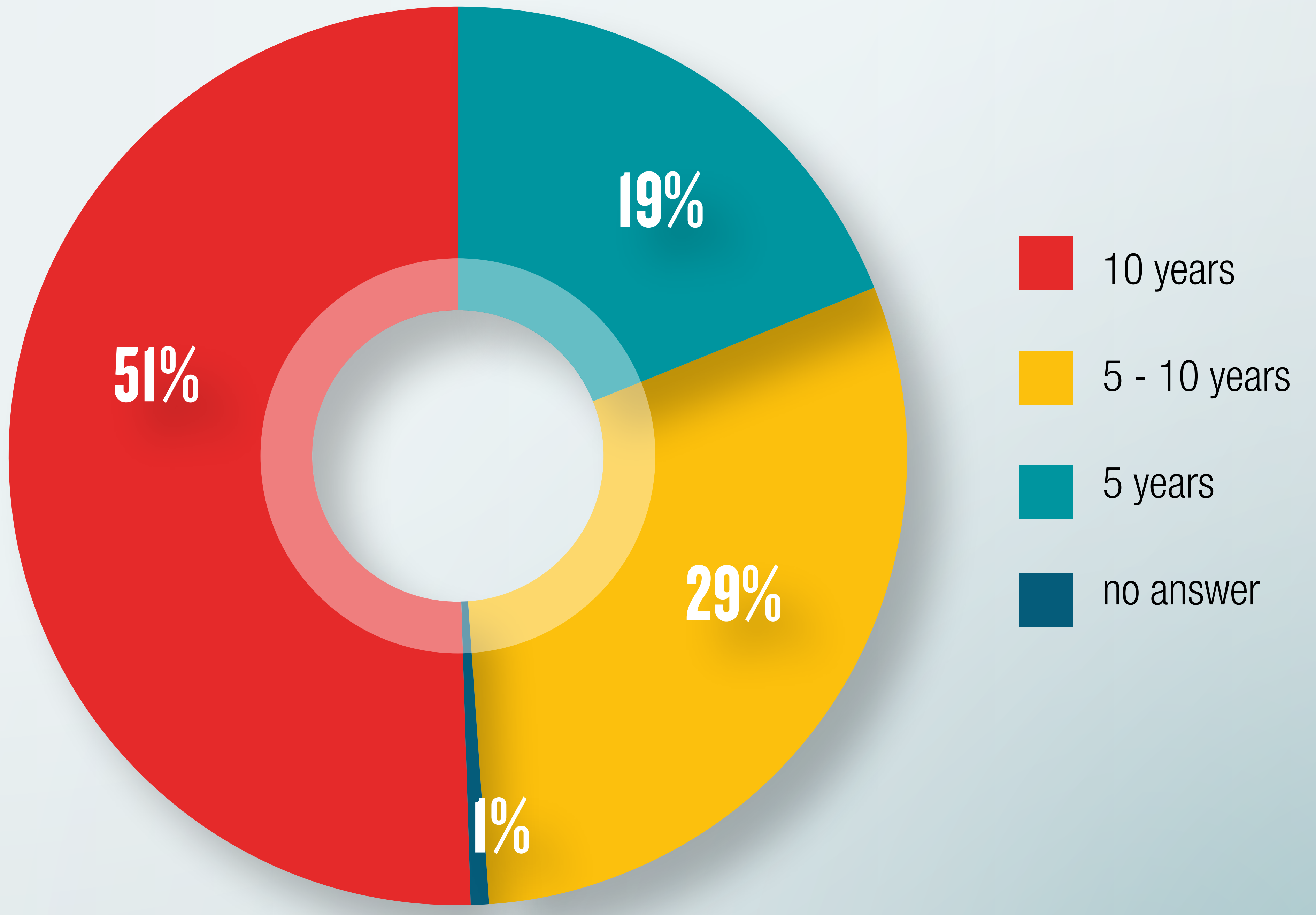
Which region do you carry out your activity?



Company age



SAMPLE PROFILE
506 BUSINESS

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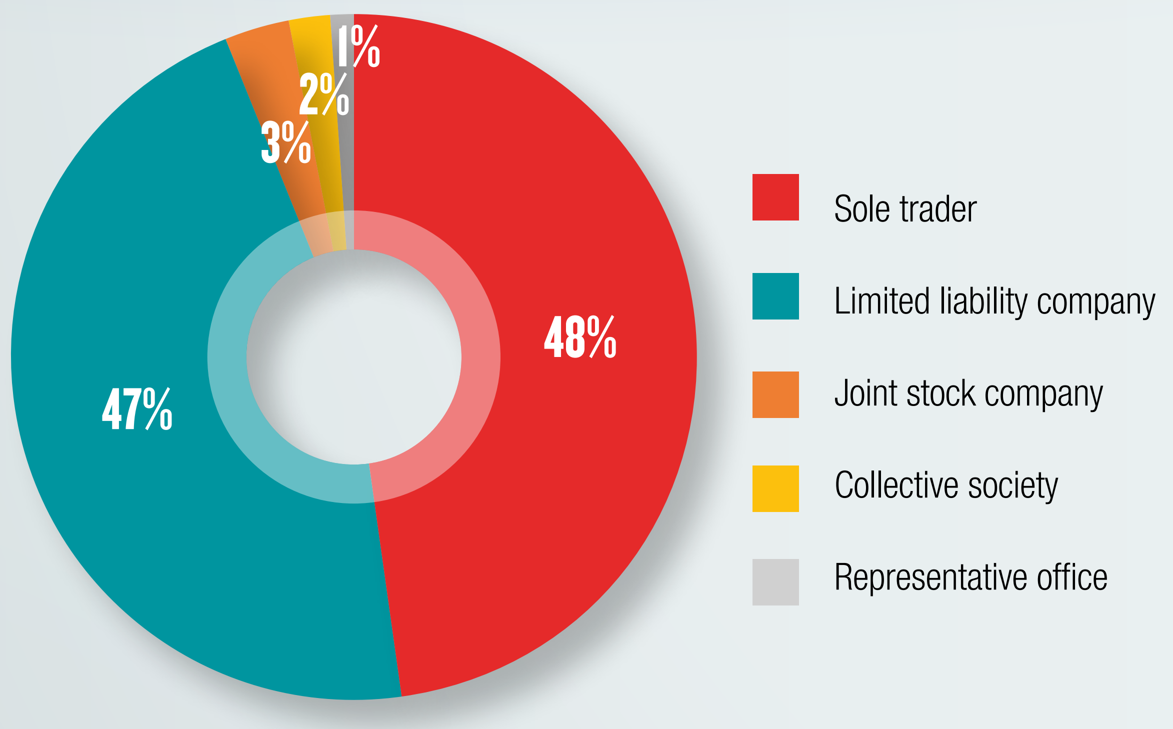
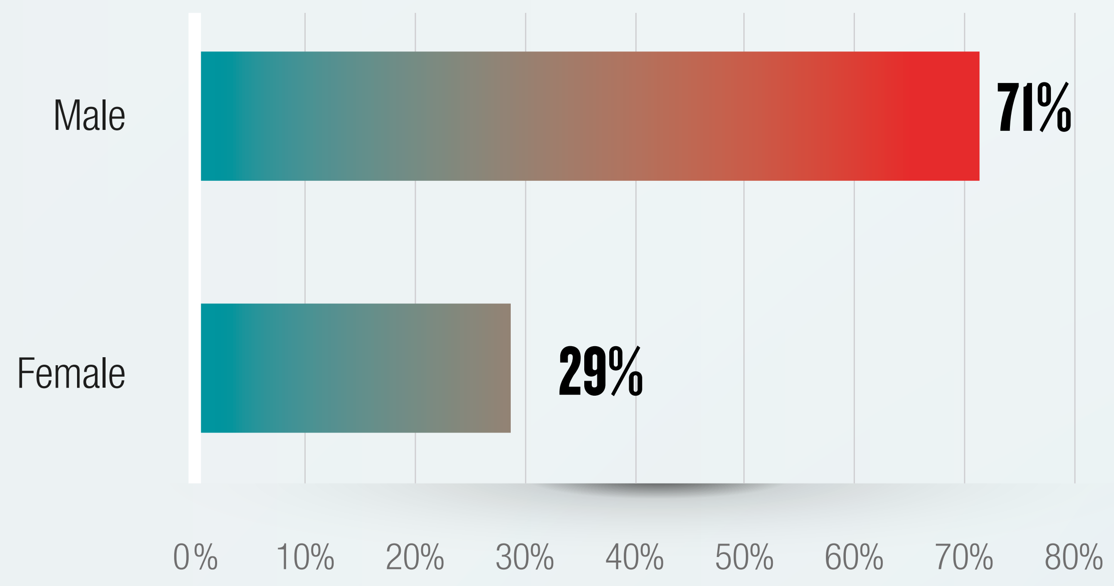
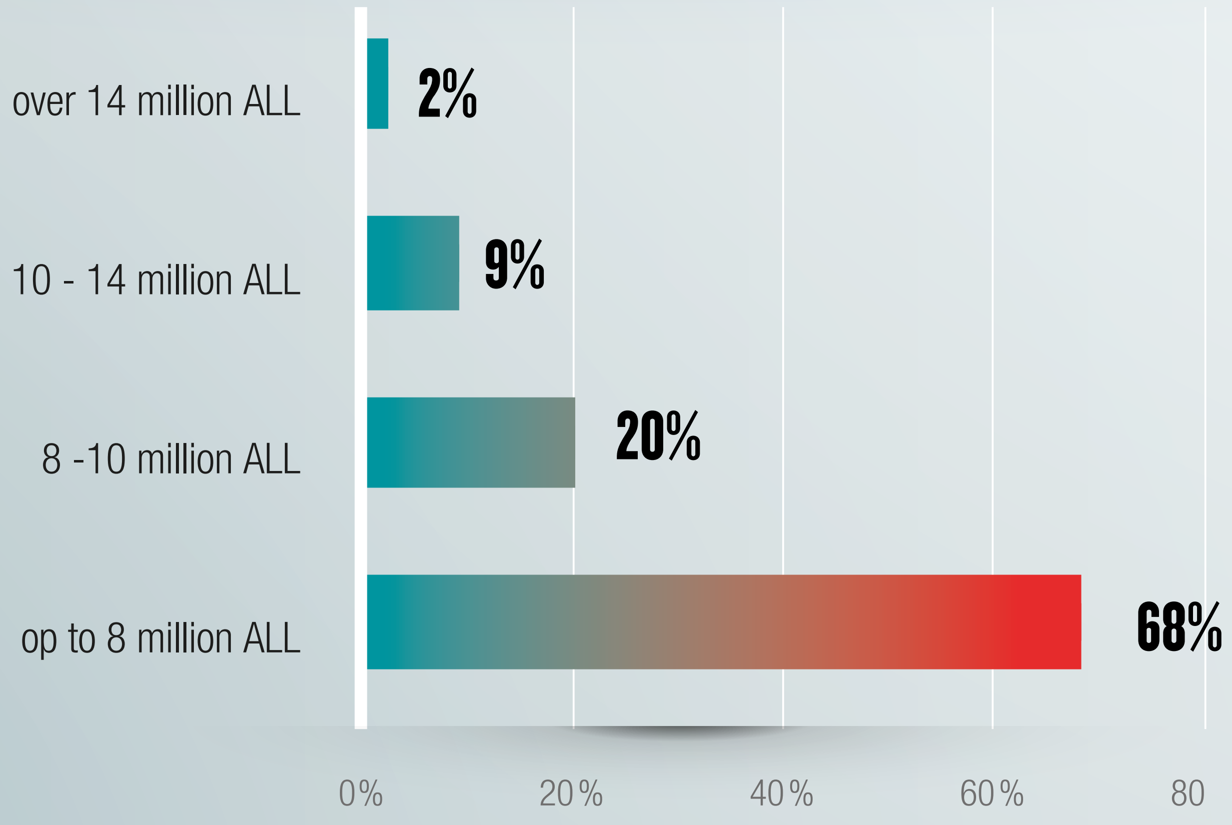
Organization of your business



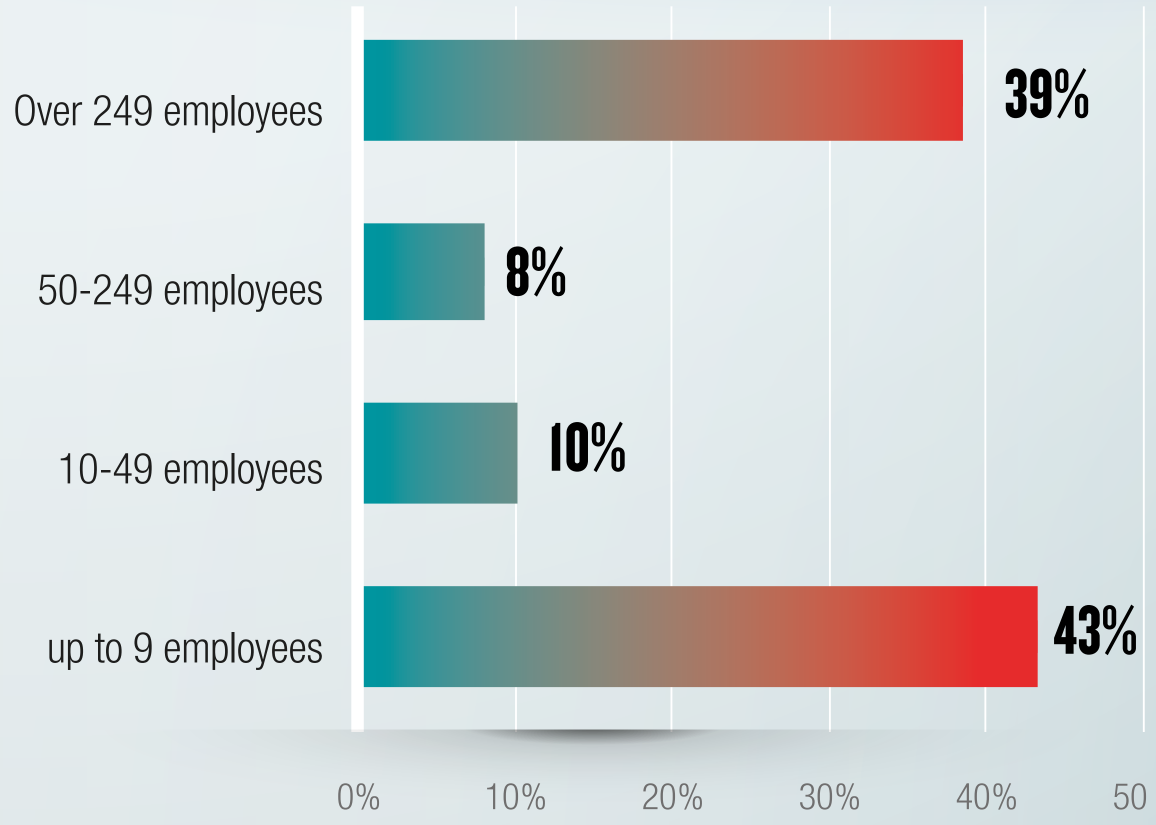
Largest shareholders/Partners of your business are:



Size of your business according to last year's turnover

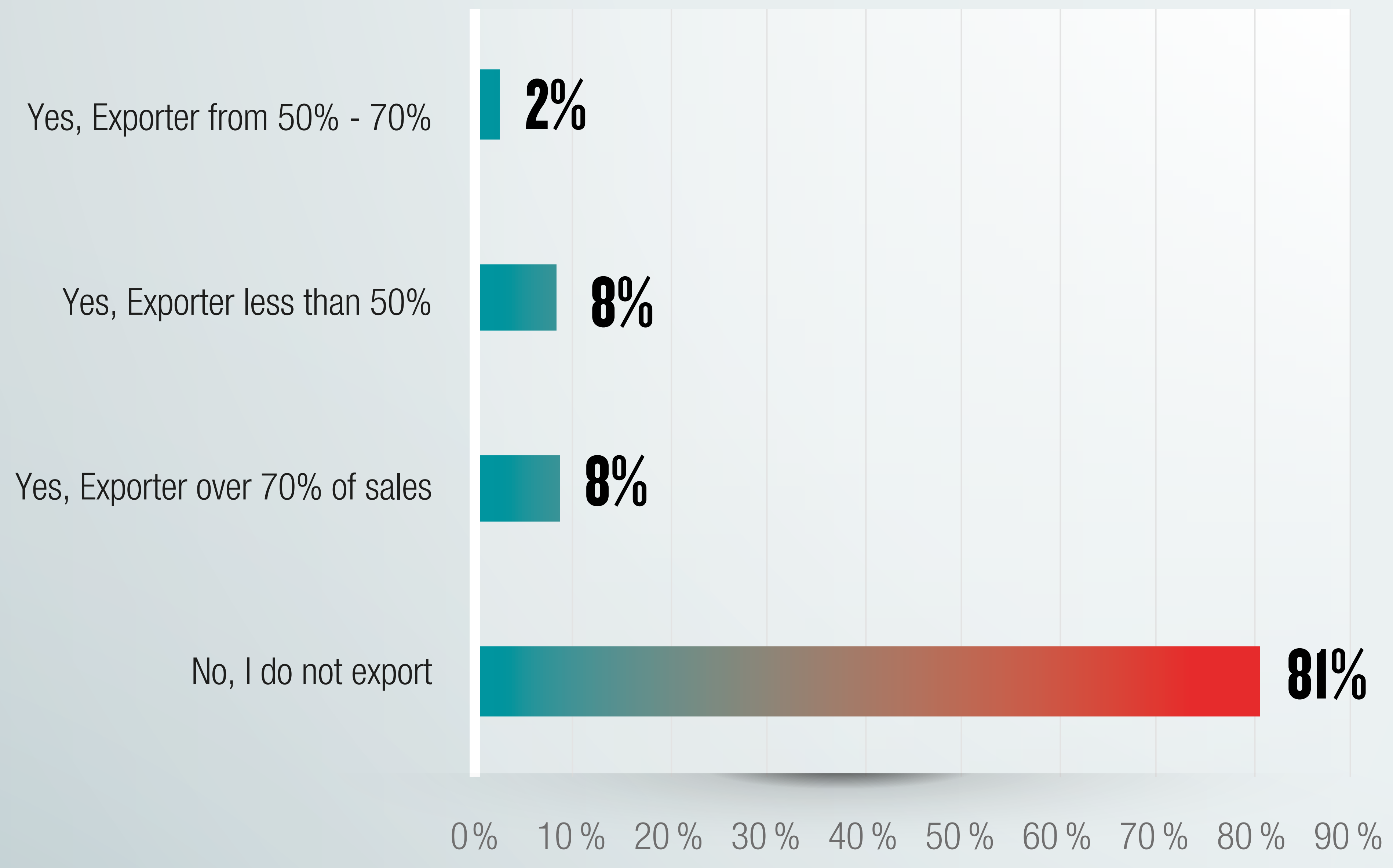


What is the average number of employees in your business?

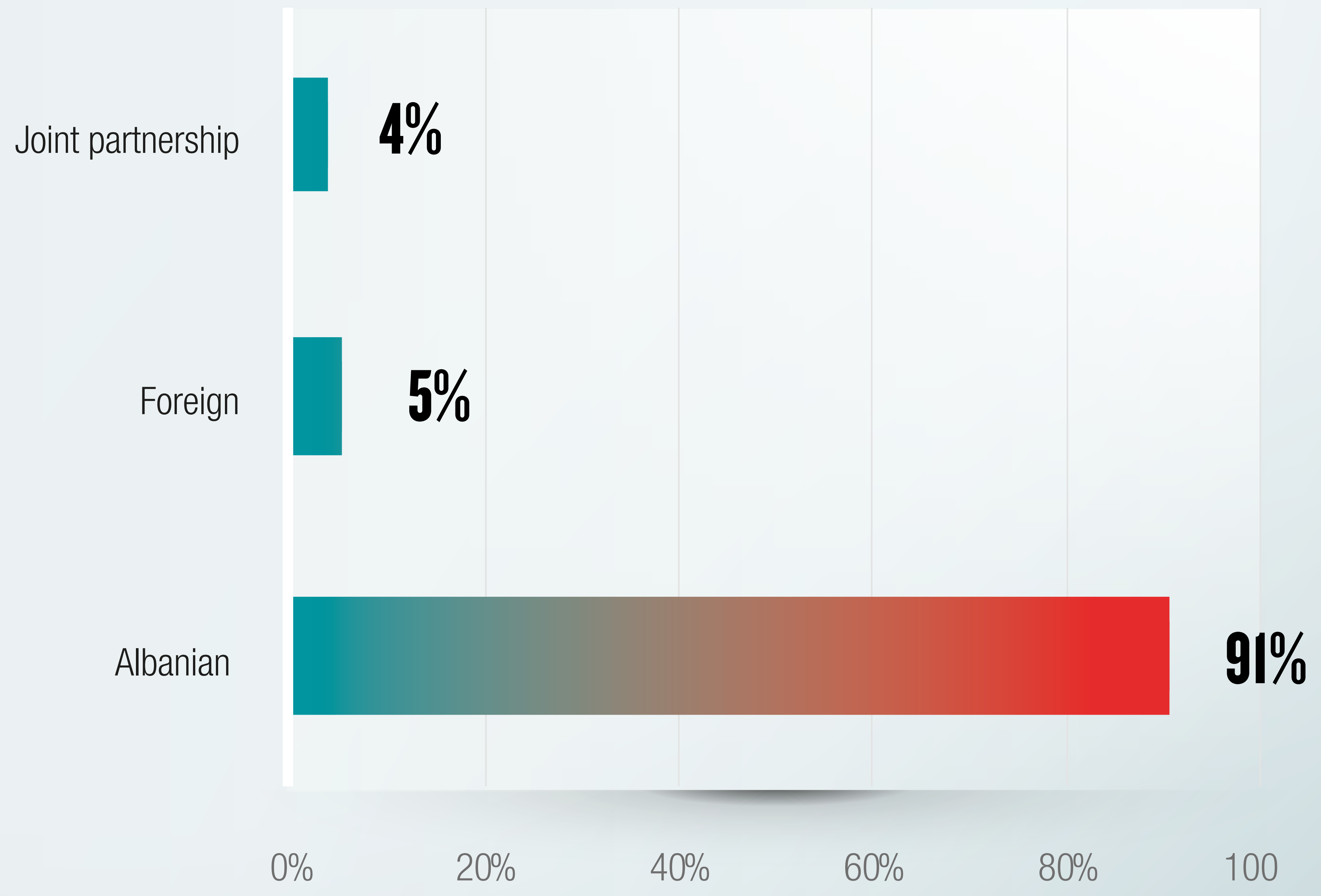


SAMPLE PROFILE
506 BUSINESS

Are you an Exporter?

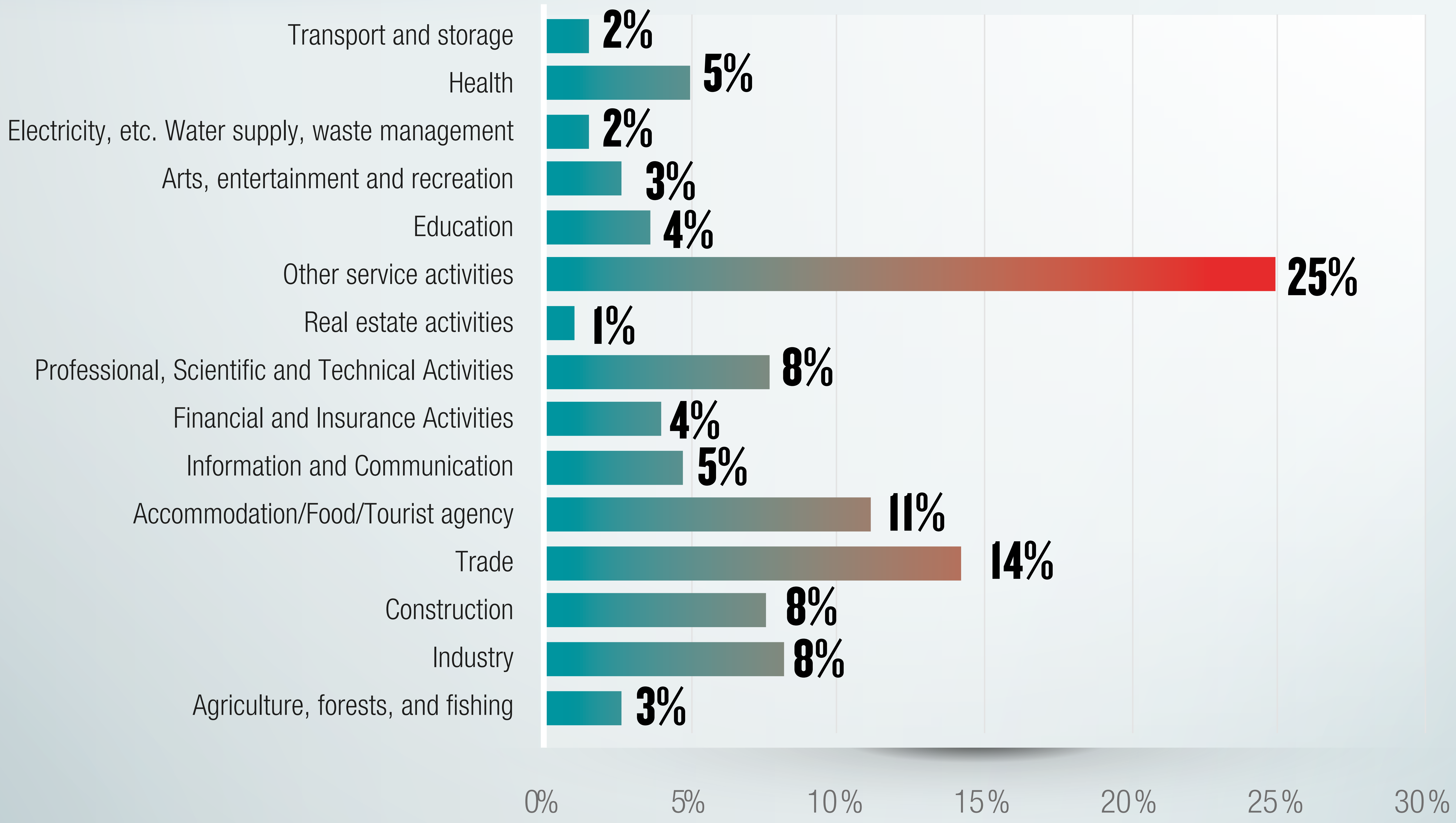


The largest shareholders/Partners (with over 50% of shares) of your business are:



SAMPLE PROFILE
506 BUSINESS

Main activity



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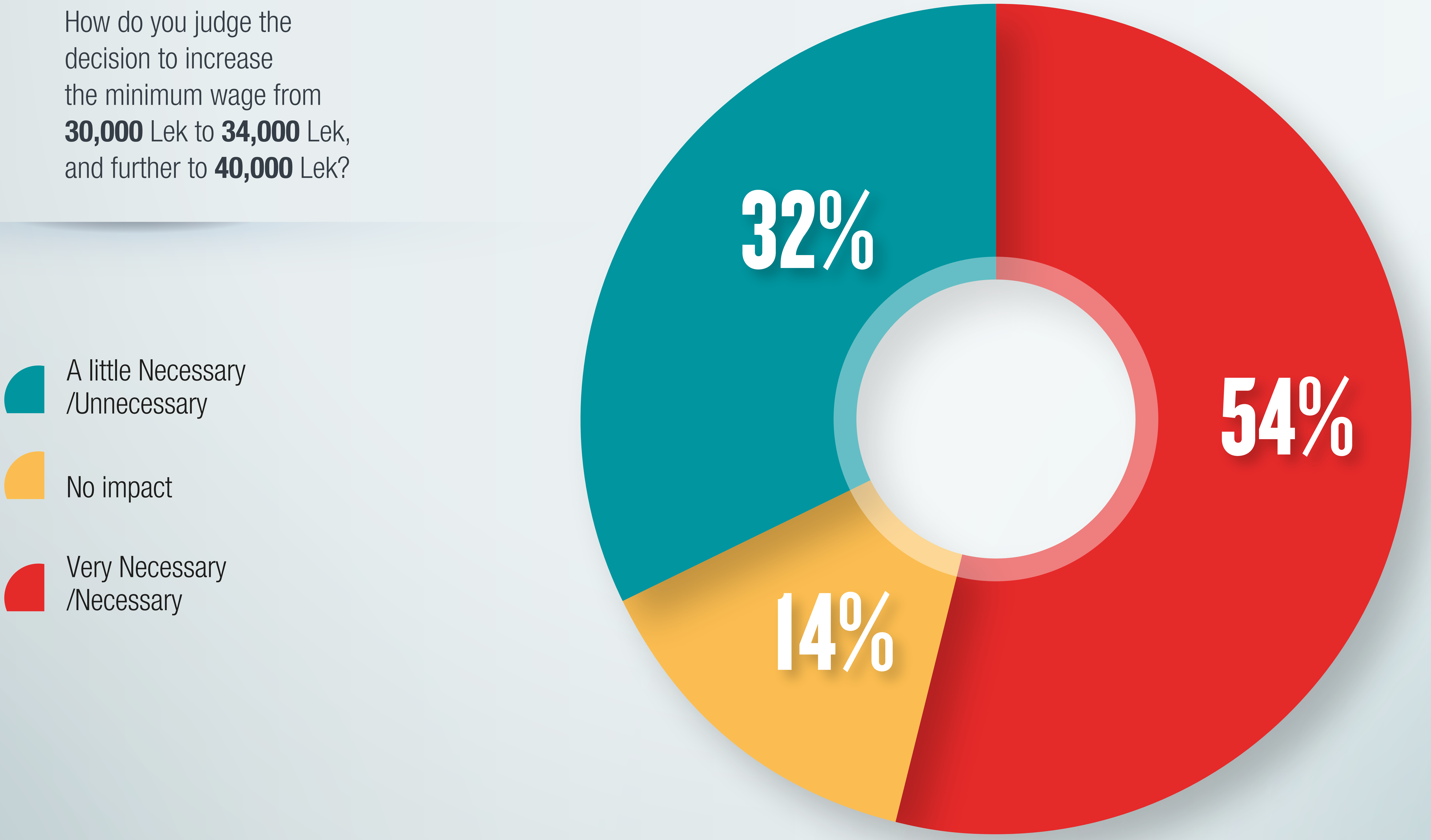
INCREASING THE MINIMUM WAGE

How do you judge the decision to increase the minimum wage from **30,000** Lek to **34,000** Lek, and further to **40,000** Lek?



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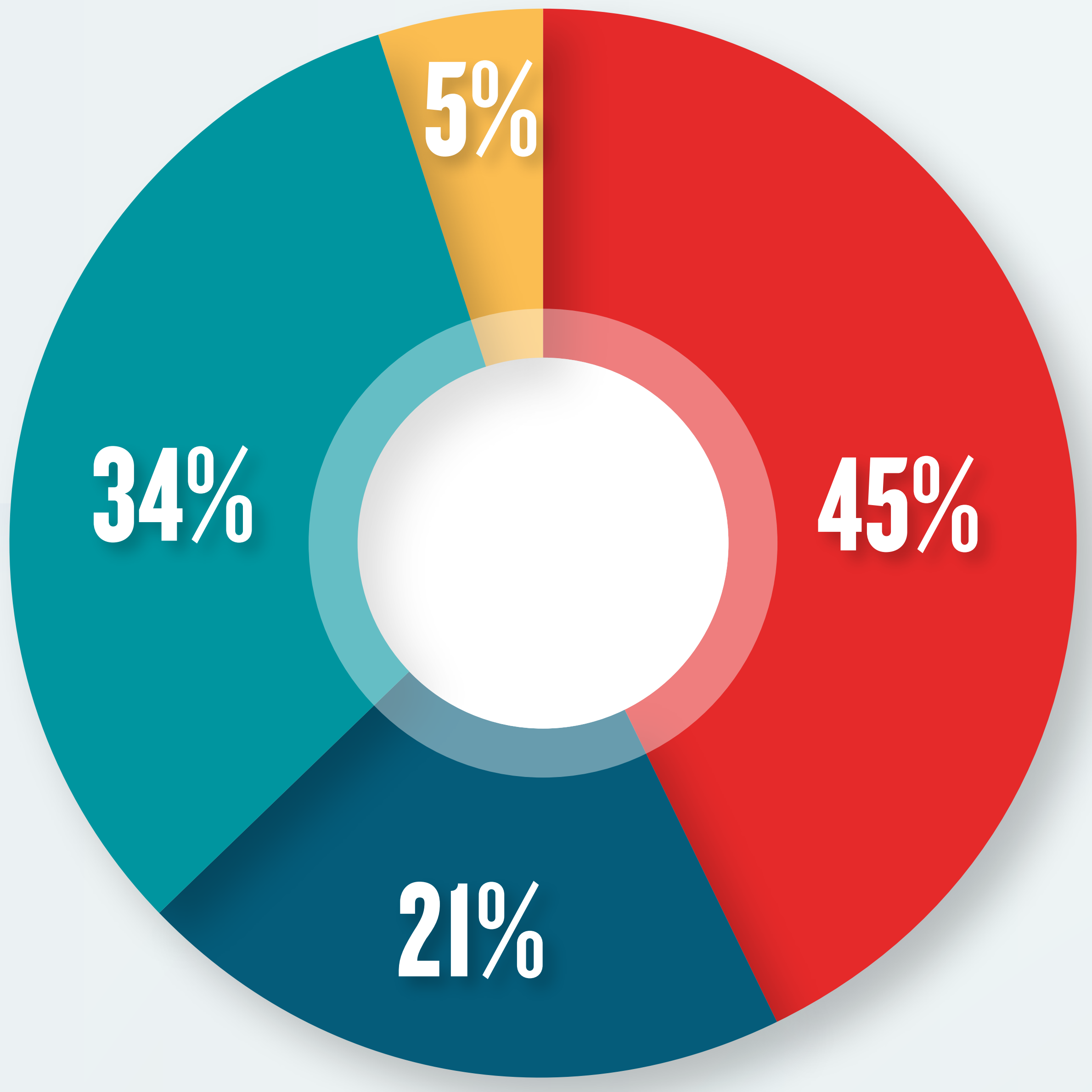
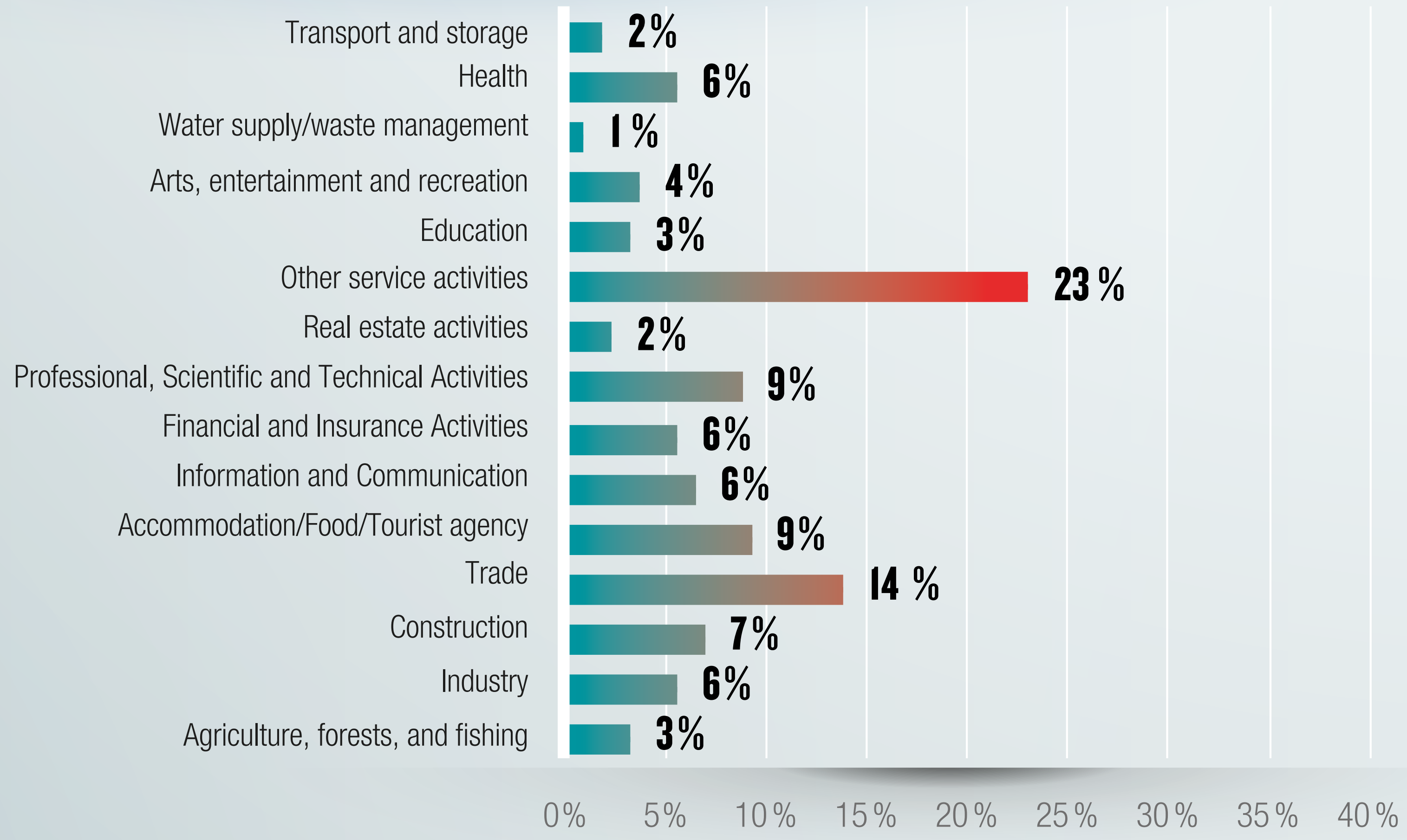
MINIMUM WAGE EMPLOYEES

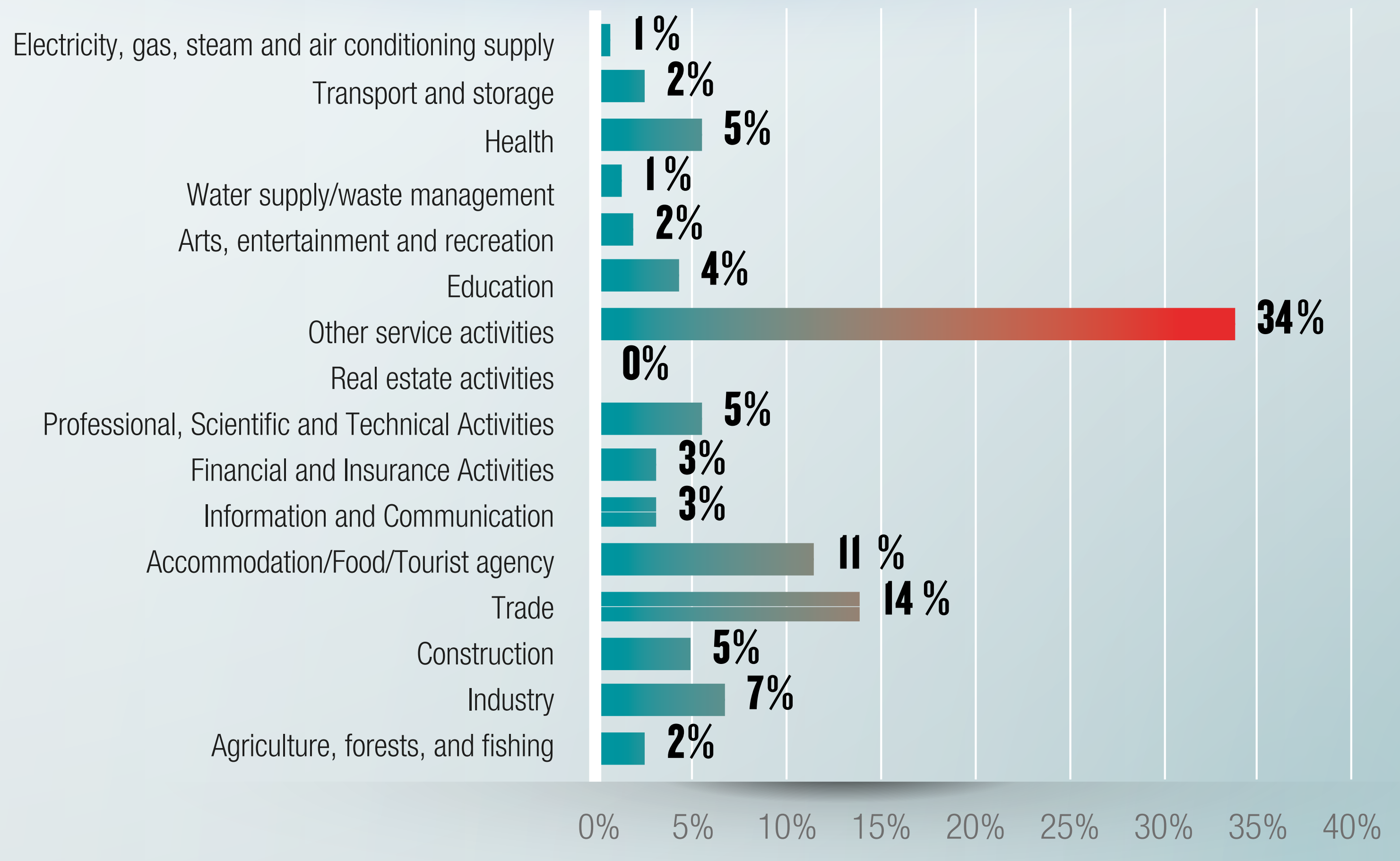
What is the % of employess with minimum wage (34.000 Lek) in your company?



up to 10% of employess



up to 50% of employess



MINIMUM WAGE EMPLOYEES

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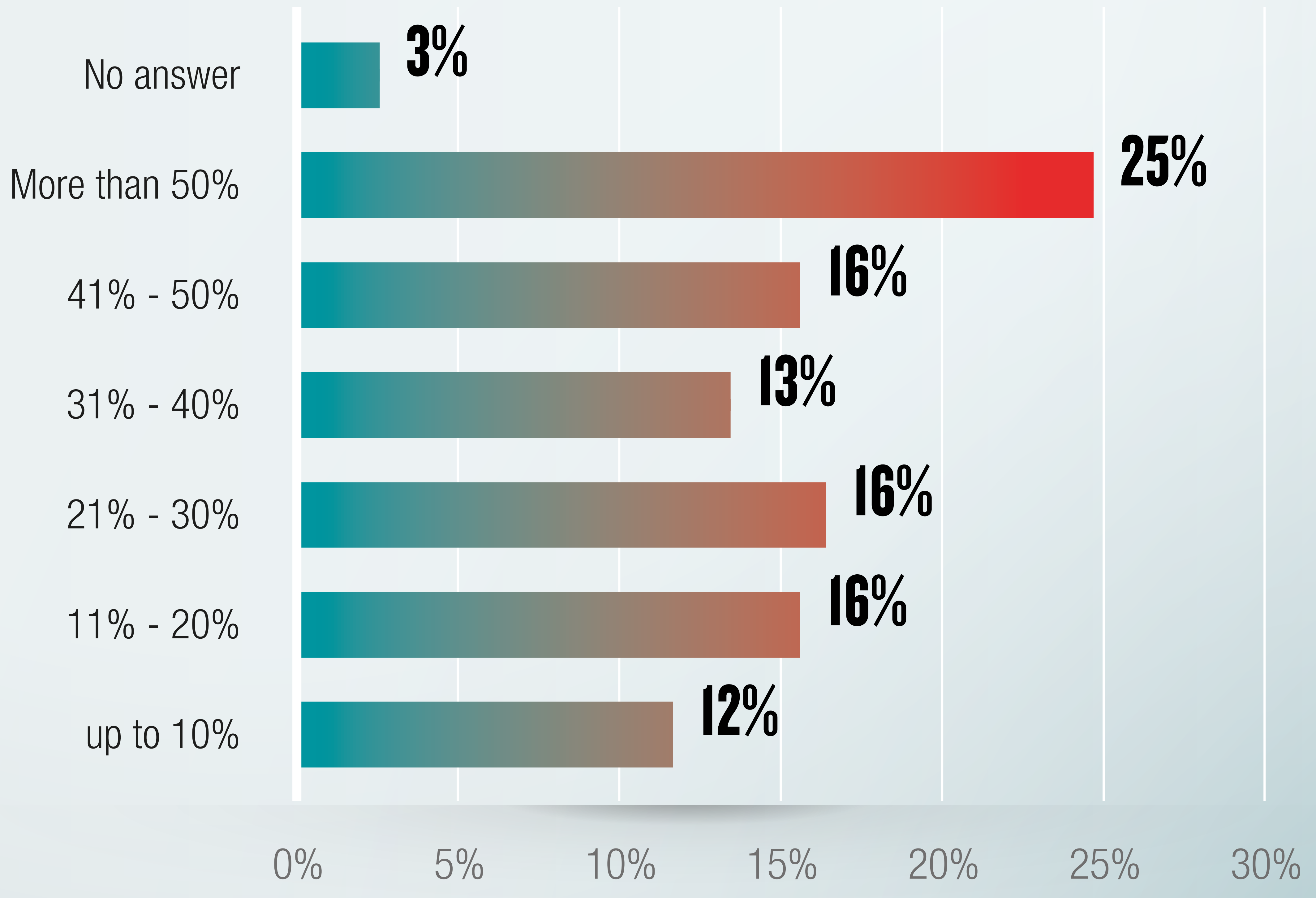
25% of companies state that salaries make **up more than 50%** of their expenses.

What is the % of salaries in your company's total expenses?



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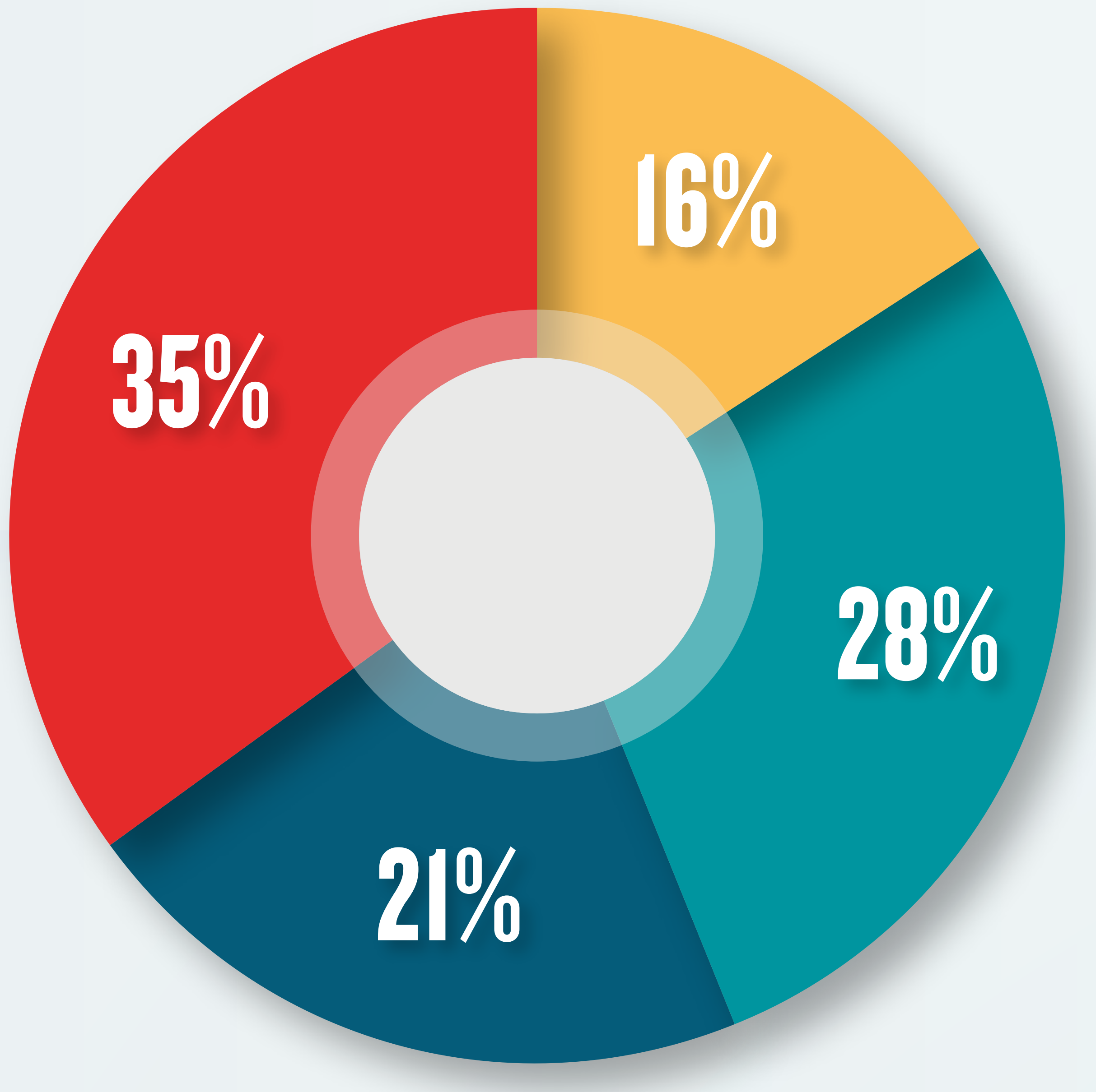
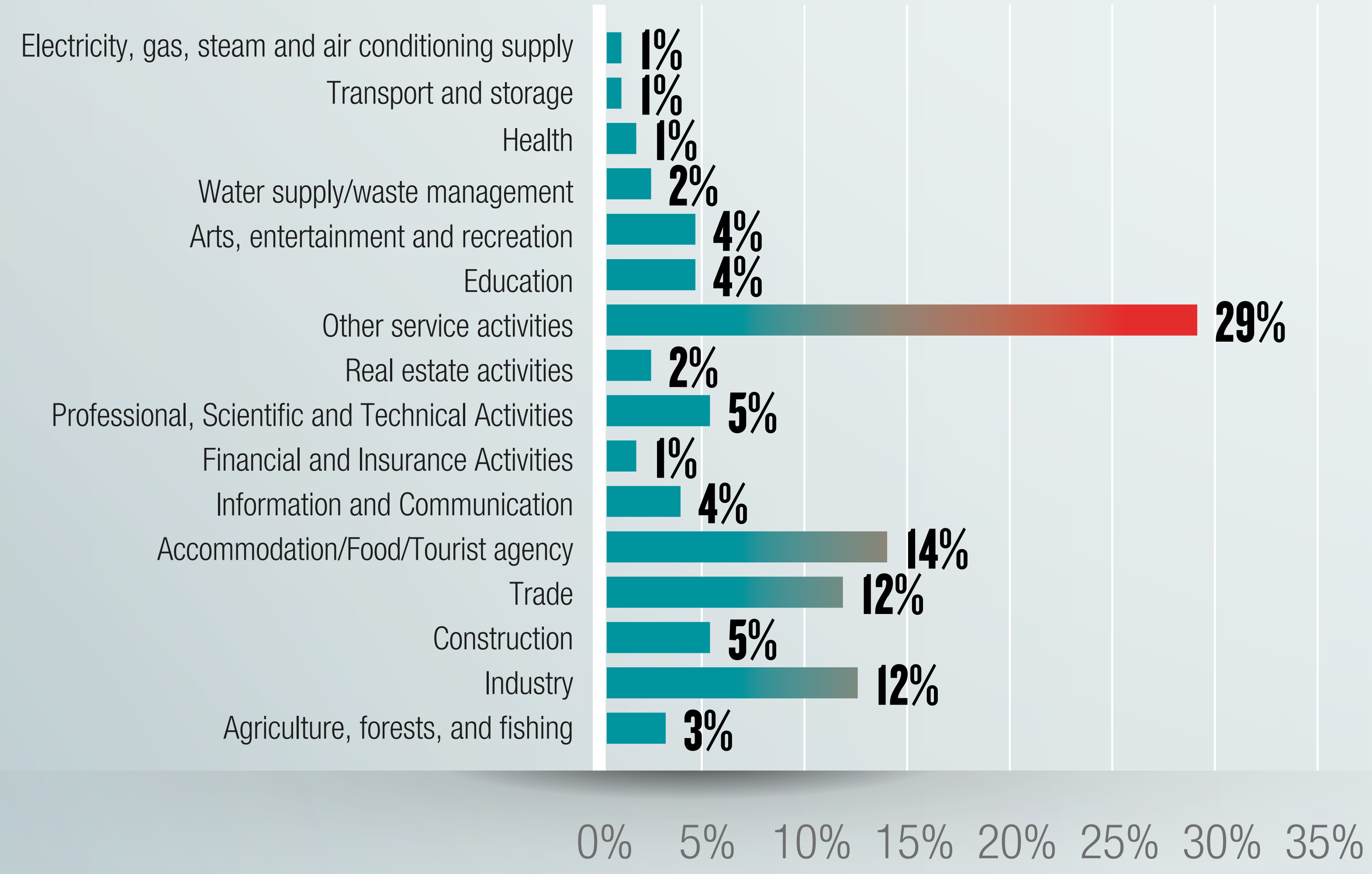
COST IMPACT

How much have your business costs increased just as a result of the increase of the minimum wage to 34,000 Lek?

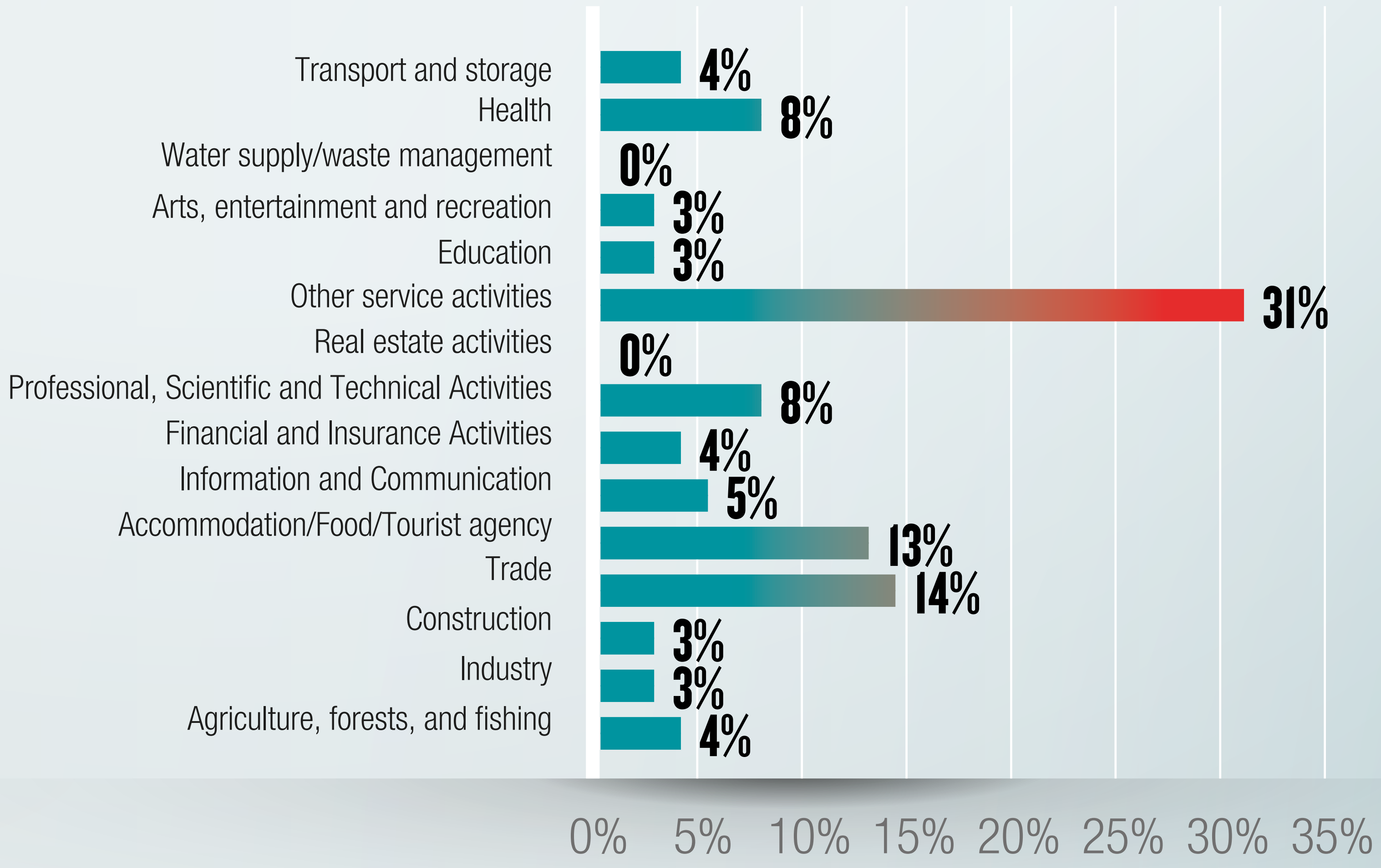
- more than 30%
- 10% - 30%
- 5% - 10%
- up to 5%



10% - 30%

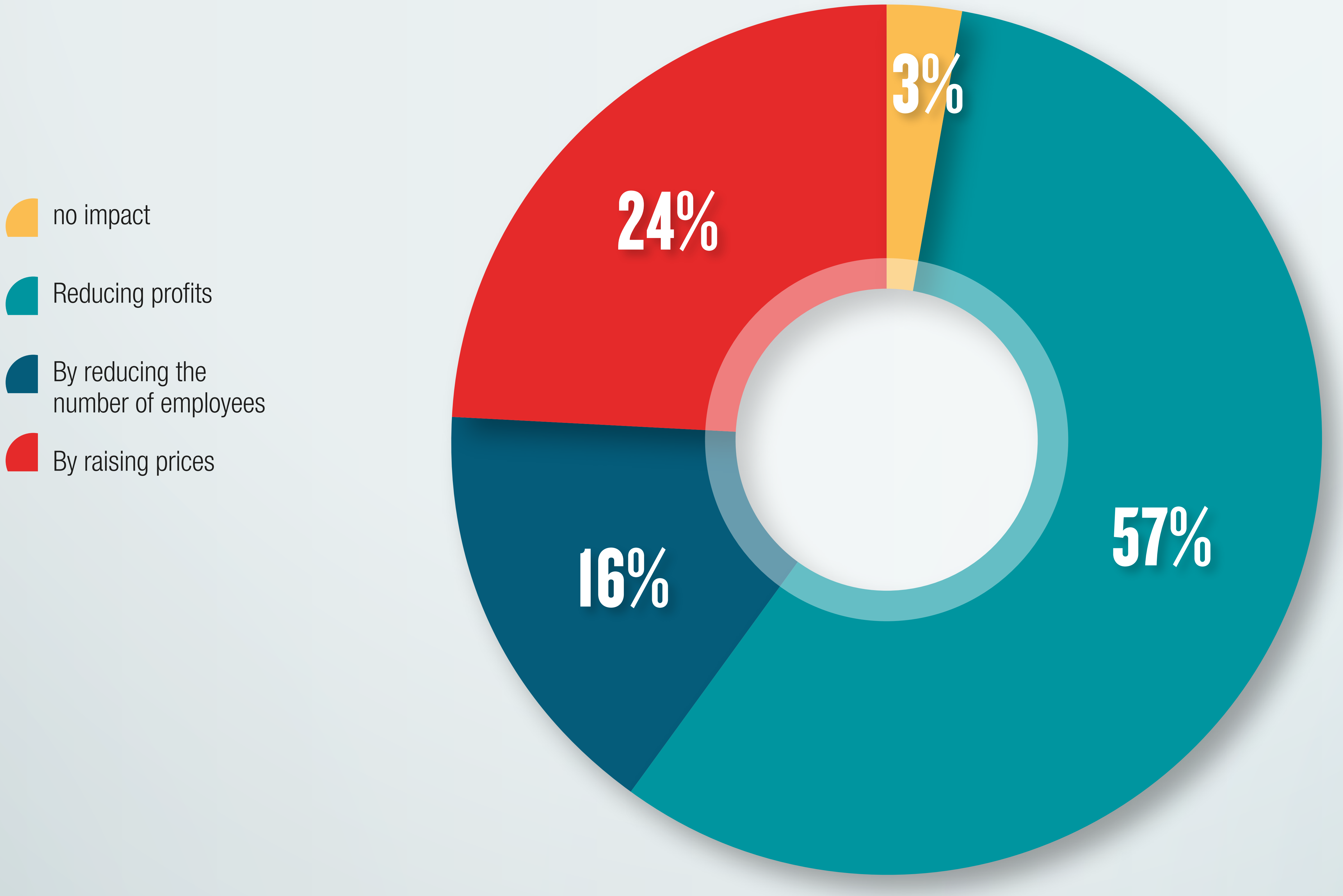


more than 30%



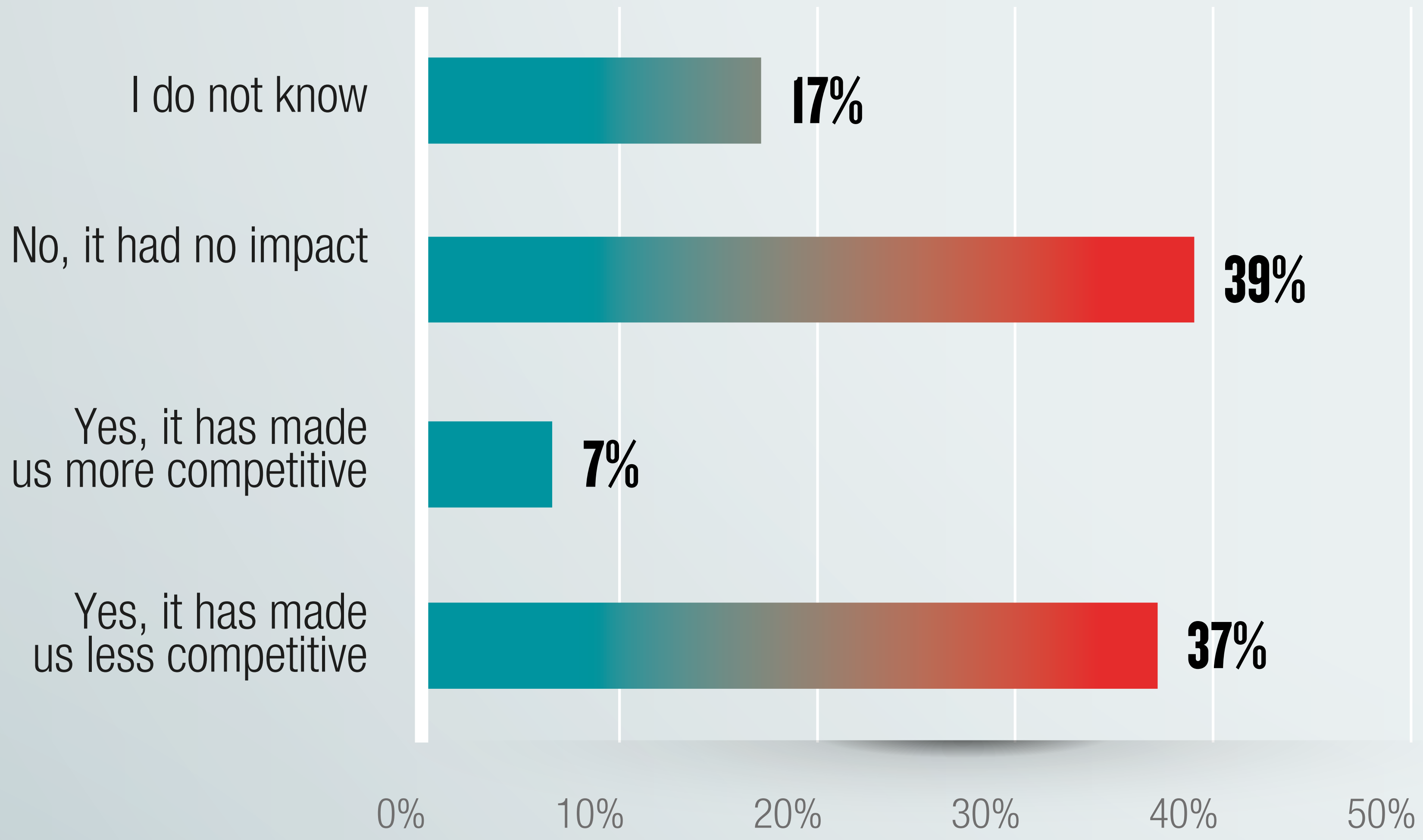
COST IMPACT

How have you coped with the increase in costs as a result of the increase in the minimum wage?

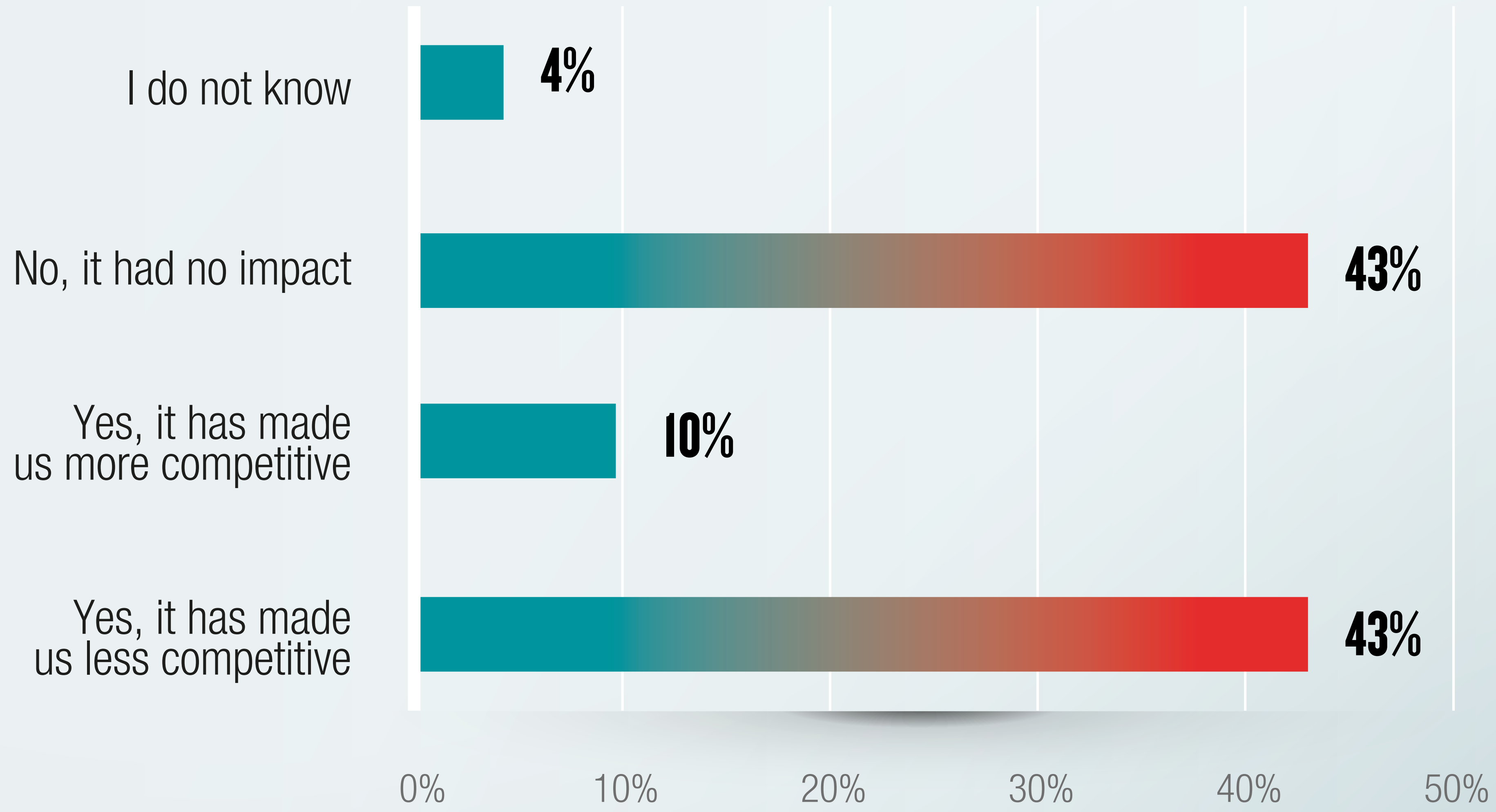


POSITIONING AGAINST COMPETITORS

Has the increase in the minimum wage affected your positioning against your competitors?



EXPORTERS - Has the increase in the minimum wage affected your positioning against your competitors?



MOTIVATION AT WORK

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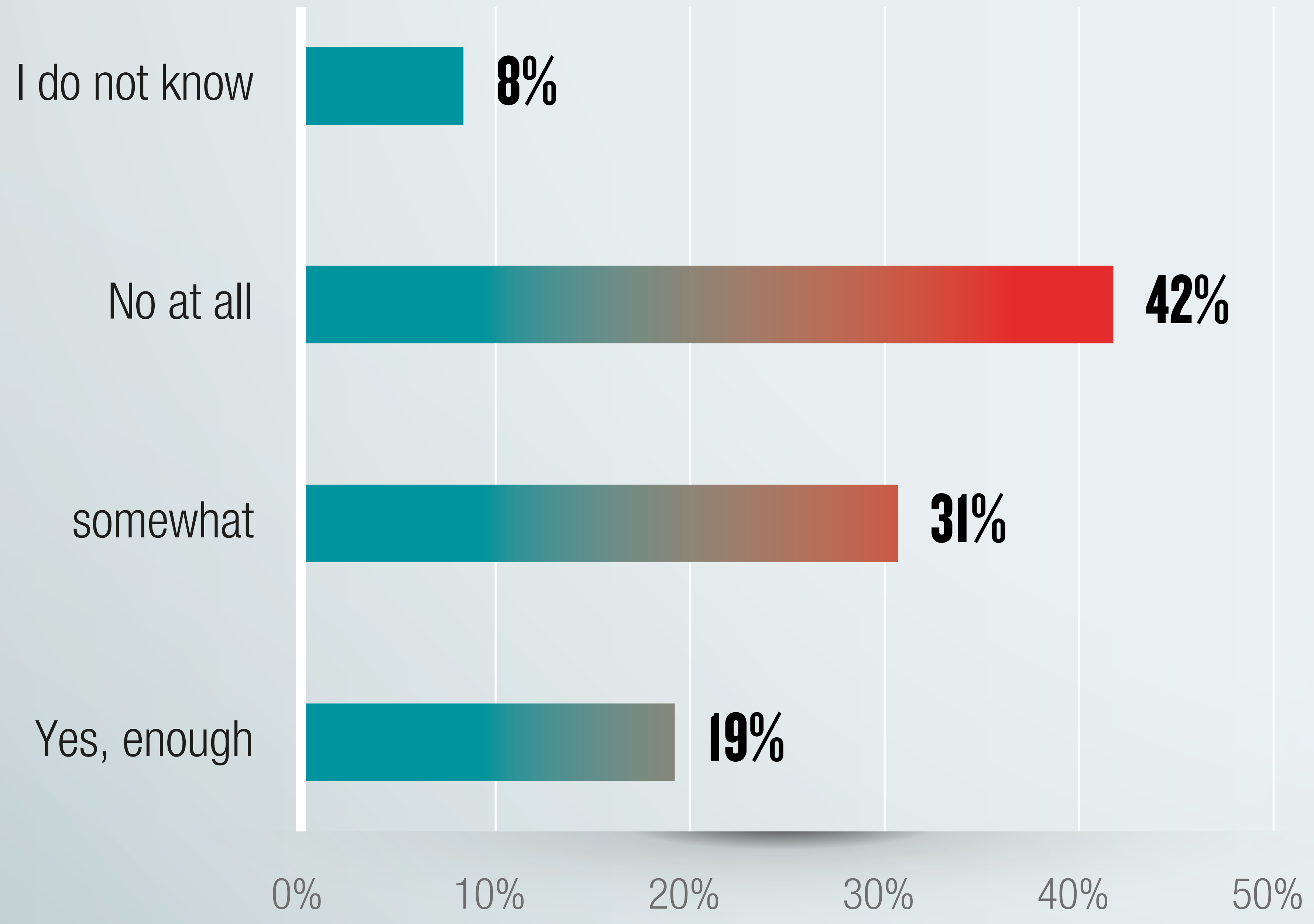
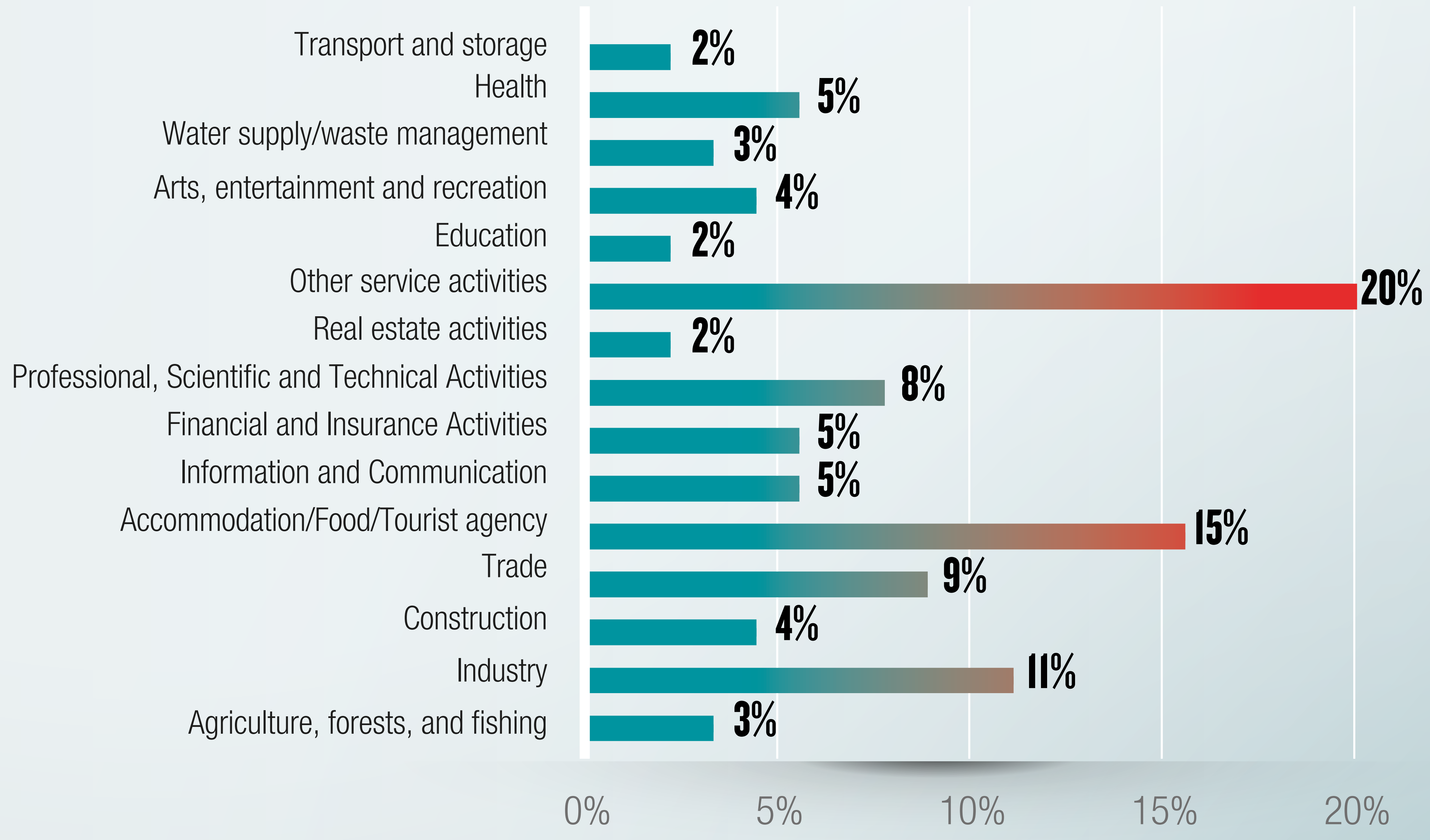
Do you think that the increase in the minimum wage has influenced the increase in the motivation of your employees?



Do you think that the increase in the minimum wage has influenced the increase in the motivation of your employees? **Yes, it has increased it**



PRODUCTIVITY AT WORK

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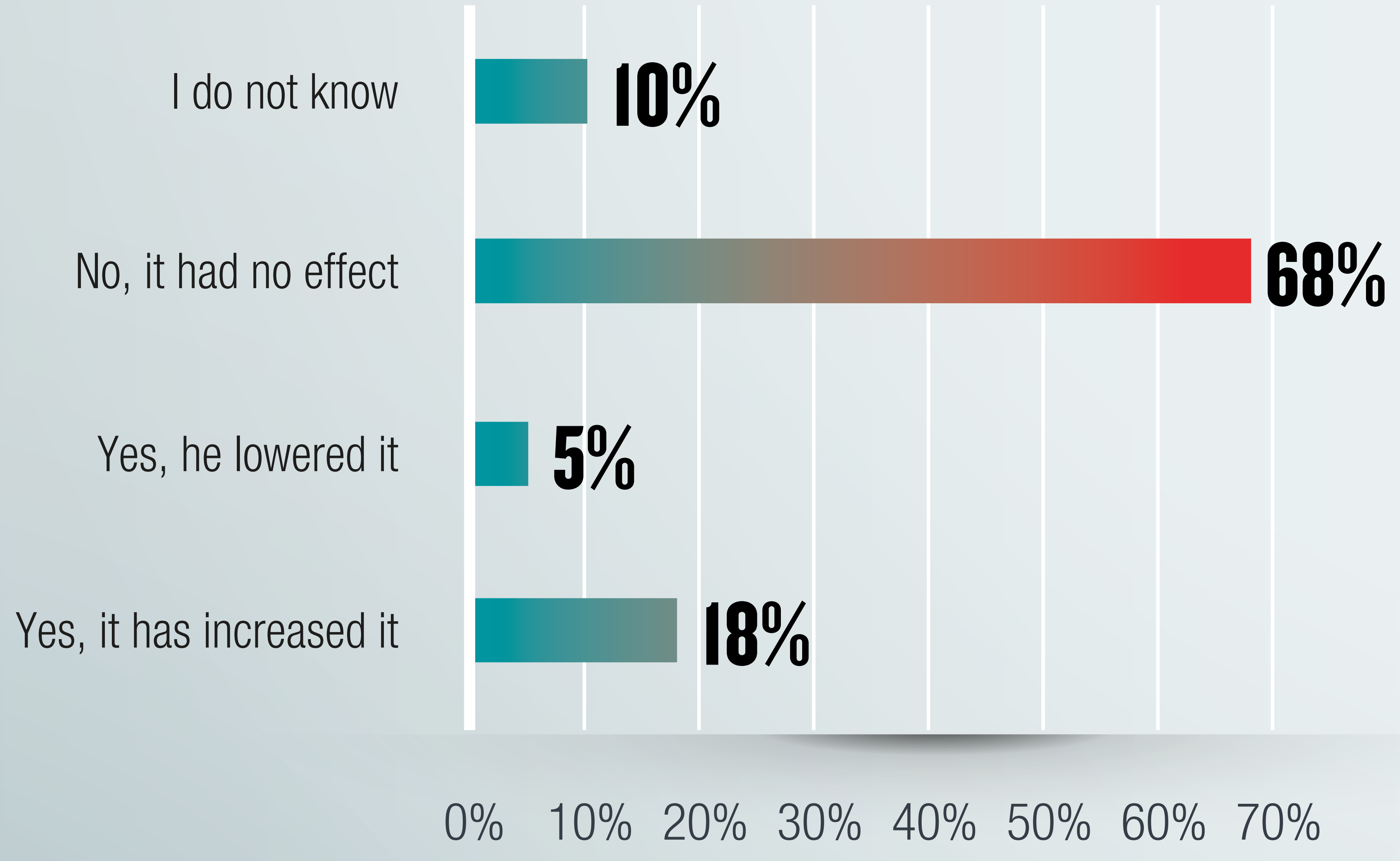
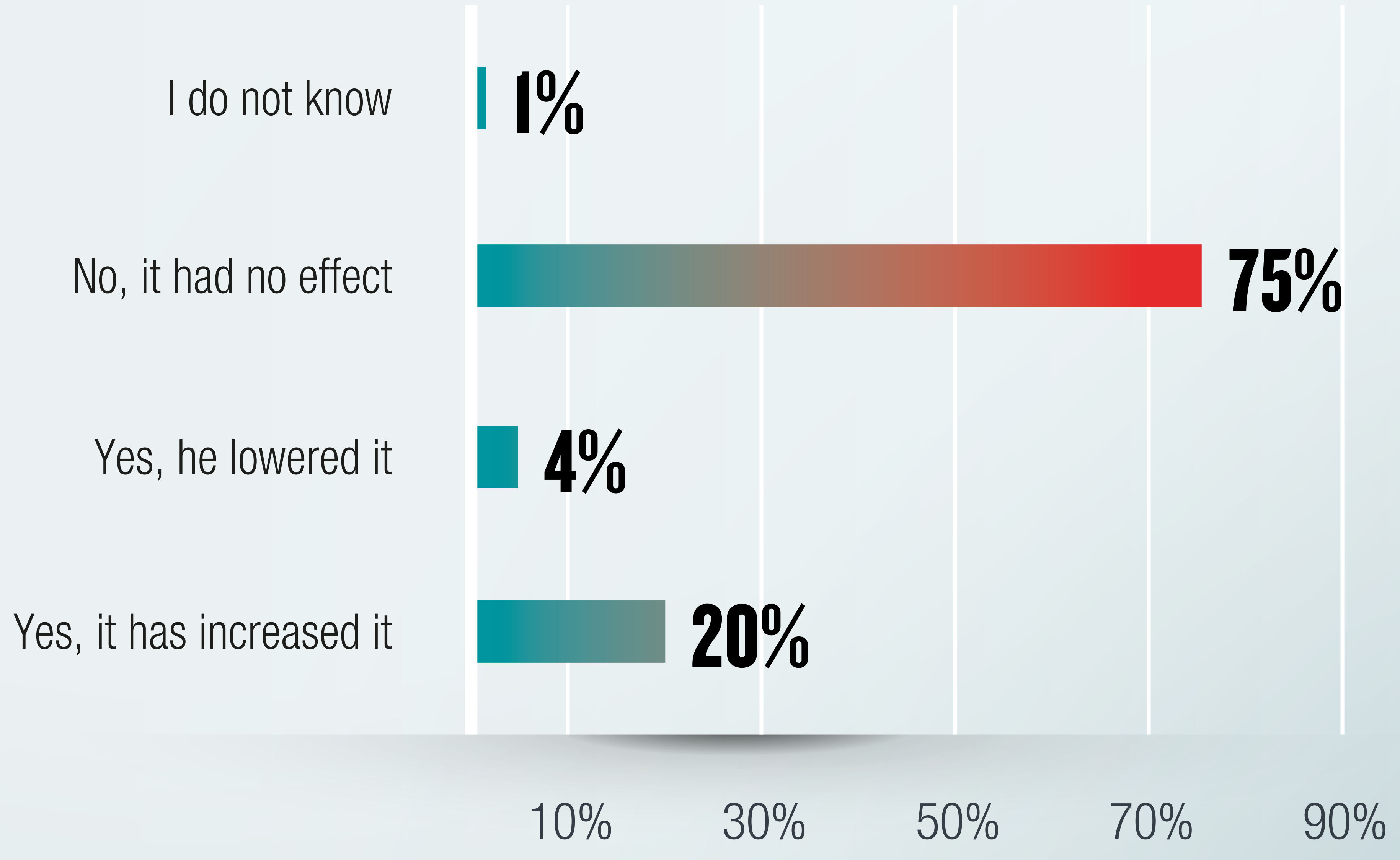
Do you think the increase in the minimum wage has affected the productivity of the workforce?

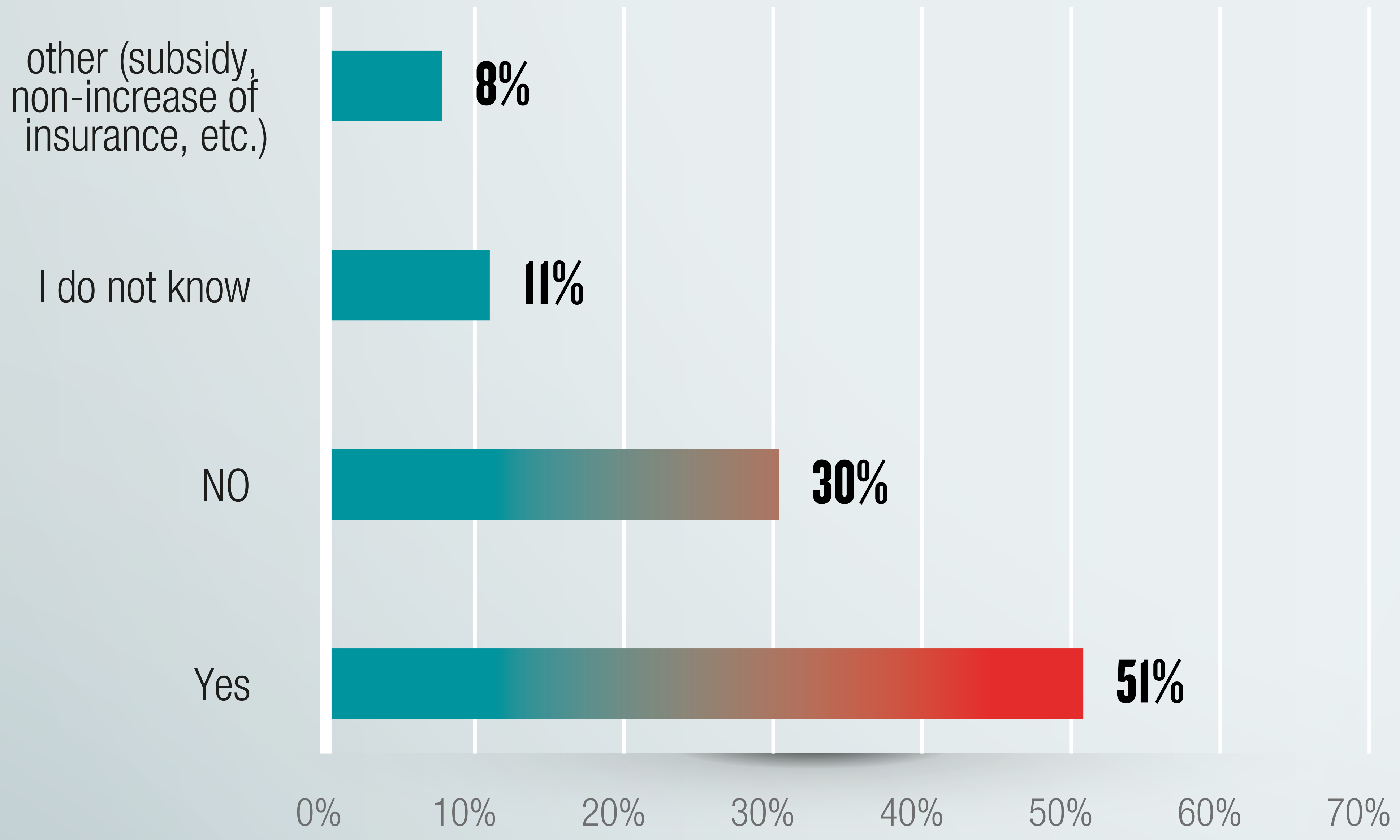


Exporters - Do you think the increase in the minimum wage has affected the productivity of the workforce?

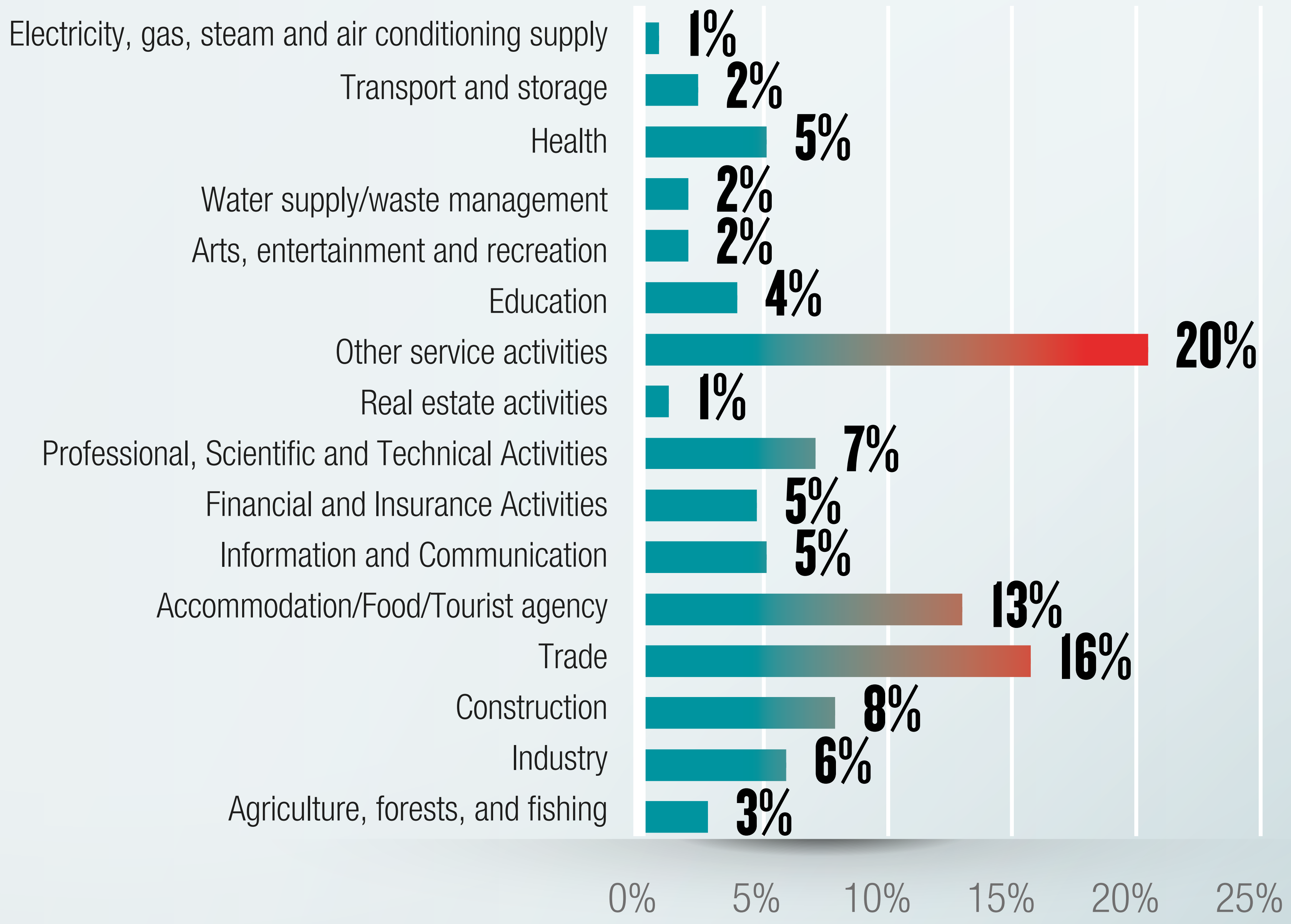


THE NEXT INCREASE OF THE MINIMUM WAGE

Do you support the further increase of the minimum wage in the country?



Do you support the further increase of the minimum wage in the country? **Yes**



MINIMUM WAGE AND THE IMPACT ON LABOUR FORCE

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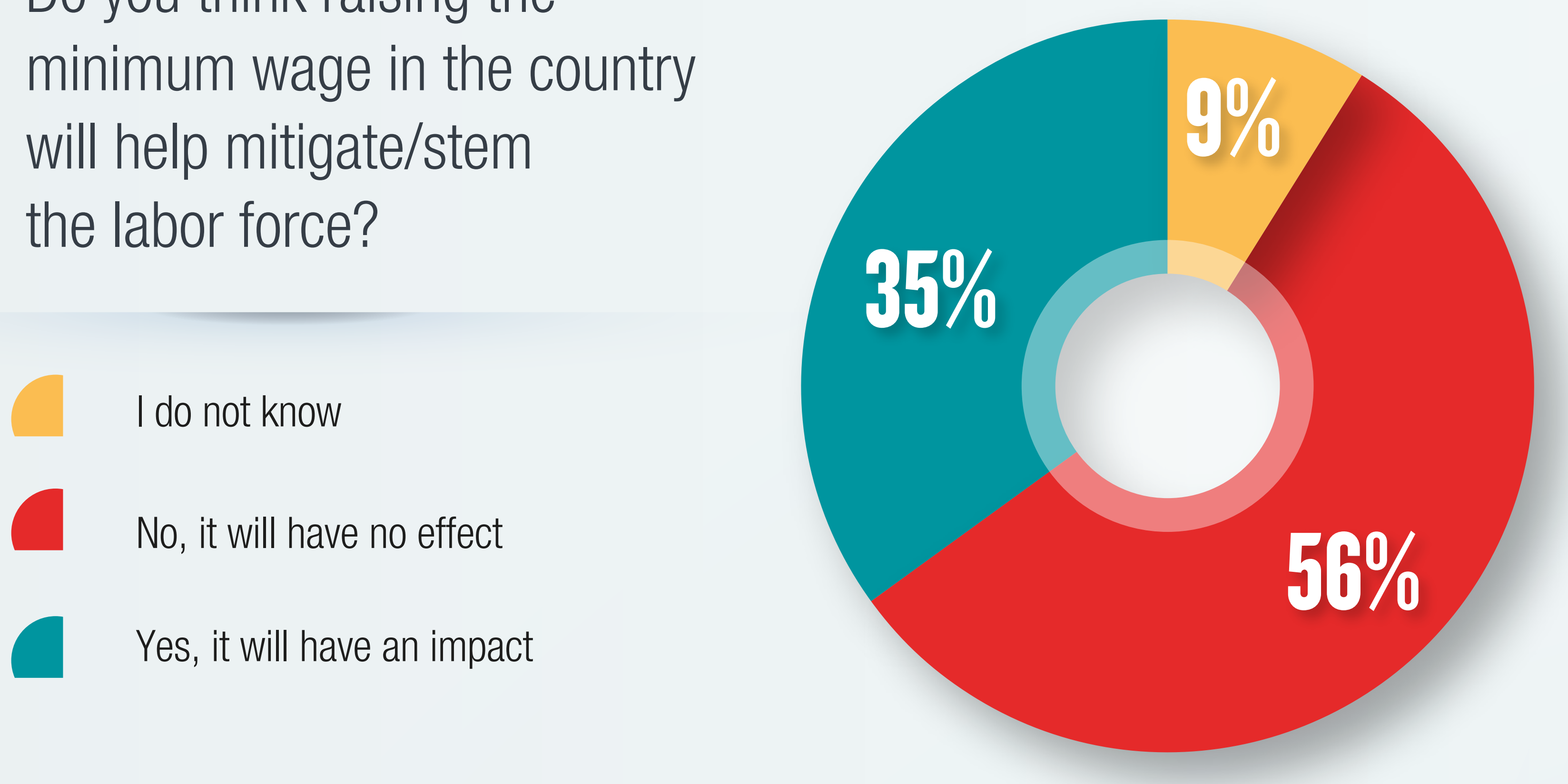
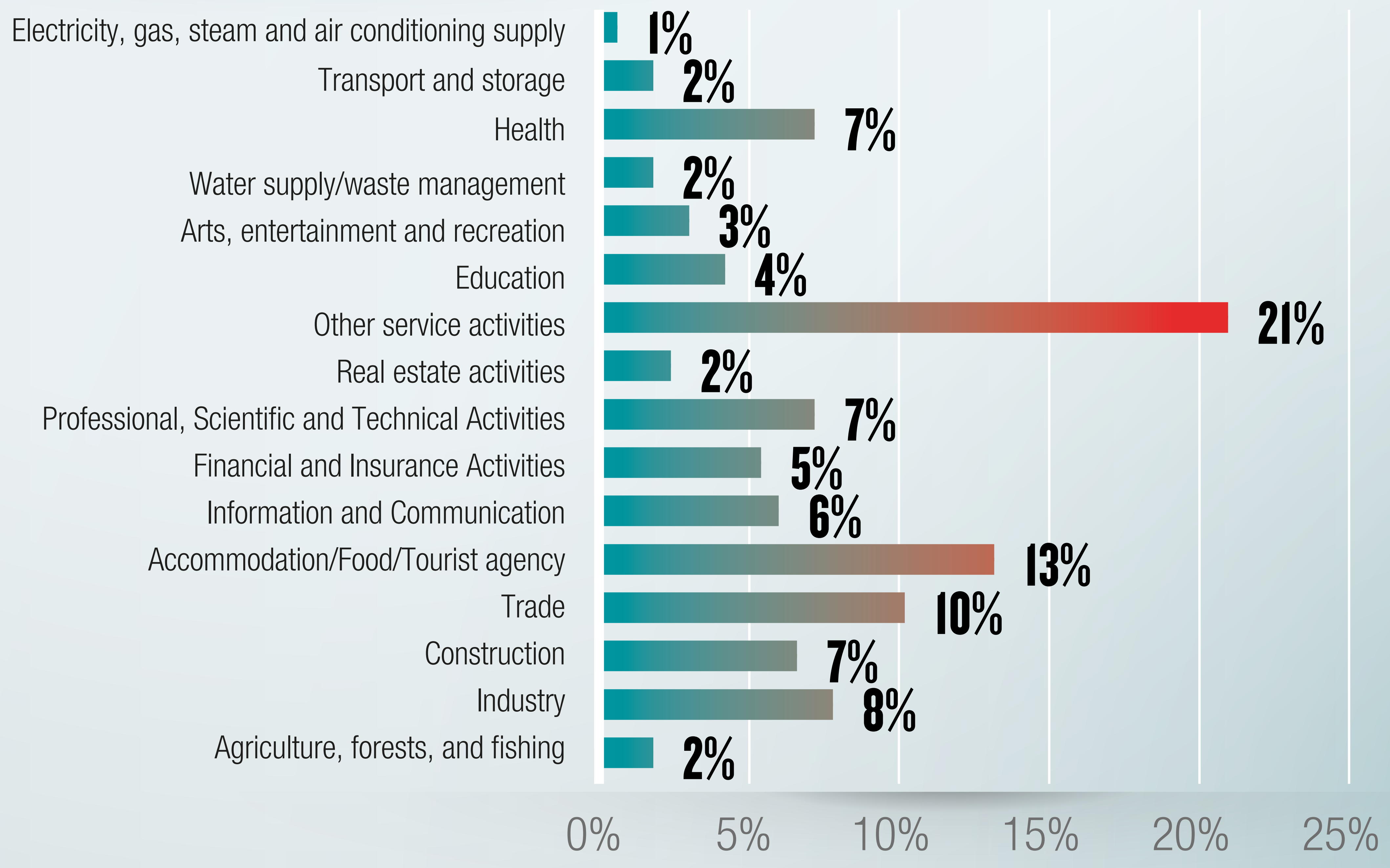
Do you think raising the minimum wage in the country will help mitigate/stem the labor force?



56% of companies believe that the rise in minimum wage will not have an impact on preventing the flight of the labor force.

35% state that it will have an effect in curbing the departure of employees, particularly in sectors such as services, tourism, trade, and industry.

Yes, it will have an impact



CONCLUSIONS - SURVEY

1. **Necessary increase:** Around 50% of businesses think that the increase in the minimum wage has been necessary/very necessary. This indicates that there is widespread recognition of the need to improve the wages of minimum-wage employees.
2. **A significant number of minimum wage employees:** A significant percentage of companies (34%) have more than 50% of minimum wage employees. This highlights the importance of the minimum wage increase for a large number of workers.
3. **Increase in costs:** The increase in the minimum wage has led to an increase in the costs of business activities for most companies *(84% experienced an increase of up to 30%)*. This has been met mainly by cutting profits, rather than laying off employees.
4. **The primary response to rising costs**, particularly in the trade and industry sectors, has been to minimize profits rather than resort to extensive employee layoffs.
5. **Impact on competitiveness:** Companies have a mixed perception of the impact of the minimum wage increase on their competitiveness. While 39% think it has had no impact, 37% think it has made them less competitive. This perception is more negative among exporters.
6. **Employee motivation:** Half of the companies perceive increased employee motivation at work (somewhat/enough), mainly in services, tourism, and industry. This suggests that higher wages can lead to increased employee morale and motivation.
7. **Productivity:** However, companies do not perceive an increase in productivity as a result of the minimum wage increase. Only 18% of them perceive an increase in productivity, mainly in services and tourism.
8. **Support for a further increase:** Despite the increase in costs, around 50% of companies support the further increase of the minimum wage, mainly in services, trade, and tourism. Around one-third of companies think that this will help curb the country's labor force, mainly in tourism, trade, and industry.

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ABOUT INVESTMENT COUNCIL IN ALBANIA

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

Secretariat of Albania Investment Council – Team
The work of the Investment Council is supported by the Secretariat, an independent body of professionals selected and contracted by the EBRD to directly engage with the business community.

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