

The effects of public expenditure on the economic and social development of women in Albania

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Abstract— *While every economy is facing the problem of an increasing poverty and inequality, it looks like women are those who suffer the most of this tendency. The gender gap is evident in every region of the world. A large part of women in the workforce is unemployed, compared with the percentage of men; the gender pay gap is a problem for both developed and developing countries.*

In this article we will study the gender gap in some key indicators, such as health, level of education and labor market, as well as to analyze the effect of government expenditure to narrow the gender gap.

The methodology used in this article is that descriptive and comparative, and a quantitative analysis. So firstly, it is presented the progress of the indicators mentioned above, making a comparison with regional and developed countries, and the progress is confronted with public expenditure in these sectors. The figures show that while in Albania, the gender gap in education is narrowing, this is not reflected in the labor market, where the gender gap in the level of wages continues to persist. In some countries of the region we observe a tendency to narrow the gap, while in other countries the situation is deteriorating.

To support the outcomes of the comparative analysis, we realize an analysis of the correlation between economic and social indicators of women in Albania and government spending over the years. The article concludes with recommendations and some key issues that governments should bear in mind when implementing policies to narrow the gender gap and to improve the economic and social situation of women in Albania.

Keywords — *Albania, education, gender gap, health, labor market, public expenditure, social indicators.*

• Introduction

While every economy is facing the problem of an increasing poverty and inequality, it looks like women are those who suffer the most of this tendency. The gender gap is evident in every region of the world. America and Europe have a better performance; however, there is still work to do. Literature (Smeeding et al., 2002; Laframboise et al., 2003; Pressman, 1998; Pressman Steven, 2002; Wiepking & Maas, 2005) suggests that households headed by women suffer relatively greater poverty. Also, at the labor market we can find gender differences in terms of the type of work, wage and managerial positions. A large part of women in the workforce is unemployed, compared with the percentage of men; the gender pay gap is a problem for all countries of the ECE region, both developed and developing.

Fiscal policy, government spending and taxation, may affect the welfare of women and their prospects for economic empowerment. Sen (1997), Pressman (2002), Mandel, Hadas, and M. Semyonov (2005) etc., confirm that government spending through social programs improve gender inequality within the family and cuts in these programs generally affect women. Pressman (2002) concluded that government expenditures reduce the poverty rate of female headed households by about two-thirds and reduce the poverty rate of other households by about two-thirds. According to Rakauskienė and Krinickienė (2015) women and children, which make up about the two-thirds of the total population, receive from the state as little as approximately the one-third of

the total expenditure, including public sector wages, pensions and other social benefits. United Nations Economic Commission for Europe concluded that family benefits and pensions are important for female (more than male) poverty reduction and income maintenance for families. However, family benefits are still insufficient in many countries and are traditionally among the first victims of spending cuts during economic downturns.

A central argument in the discourse of policymakers, is that women play a fundamental role in development. The gender gap in education, political participation, and employment opportunities should therefore be reduced not only because it is equitable to do so, but also because it will have beneficial consequences on many other society-wide outcomes. Aiming for gender equality is a key driver in achieving any other development goals and has effects across on various aspects of well-being of both women and men (Sarah Carmichael, SelinDilli, Auke Rijpma, 2014). Therefore, it is important in the analysis of fiscal policies to be included the gender point of view to detect any form of discrimination.

In this article we will study the gender gap in some key indicators, such as health, level of education and the labor market, as well as to analyze the effect of government expenditure to narrow the gender gap. Public spending is a powerful instrument for promoting gender equality and improving the economic situation of women, especially through spending on social protection and education (United Nations, 2015).

The methodology used in this article is that descriptive and comparative, and a quantitative analysis. It is presented the progress of the indicators mentioned above, making a comparison with regional and developed countries, and the progress is confronted with public expenditure in these sectors. To support the outcomes of the comparative analysis, we realize an analysis of the correlation between economic and social indicators of women in Albania and government spending over the years.

- **Comparative Study: Economic and Social Indicators of Women**

In this section, we will try to make a presentation to some important indicators that show the development of women in Albania, in some countries of the region and in some developed countries. The aim of our research is to study the welfare of women, which is defined by certain indicators, rather than simply the level of their income. However, a disaggregated by gender database with the income level is hard to find. Also, the level of women's income does not give us a comprehensive overview of women's income; given that a substantial portion of women in many countries, do not participate in the formal labor force. Wherein indicators will stop for analysis are: indicators of health and public spending on health, education and government spending on education, as well as indicators of labor market.

The purpose of the comparison, is not just ranking countries per their performance, but also identifying the reasons and nature of government spending that allow some countries perform better than some others. Normally it expected that an increase in government spending, be accompanied by a progress of welfare for women. However, numerous studies have shown the existence of a very poor or non-existent relationship between them (Agenor et al., 2015; Christopher et al., 2002) and the main reason is that these policies are ineffective and, in some cases, are gender biased.

Albania is located in south-eastern Europe. GDP per capita has an ascending trend over the years. The level of GDP per capita in Albania continues to be low; regional countries such as Serbia and Montenegro have a higher level (see Appendix 1). Albania is still far from the level of GDP per capita of developed countries.

In Albania women are overrepresented in the ranks of poor. The level of poverty is greater for women, 31%, compared to 27.4% of men (see Appendix 2), and the gender gap in poverty is extended from 2008 to 2012.

- **Health indicators and public spending on health**

Health is a very important indicator. To measure this indicator, we use life expectancy on birth. We use the gap between women's and men's life expectancy, calculated by the World Health Organization. This measure provides an estimate of the number of years that can expect women and men to live in good health by considering the years lost to violence, disease, malnutrition or other relevant factors.

Figure 1: Life expectancy at birth, Albania

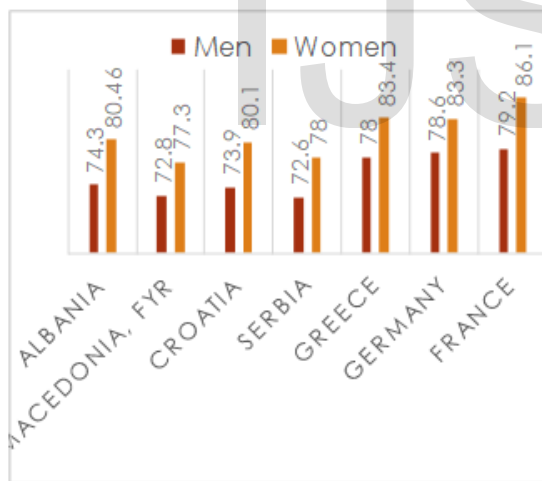
Source: INSTAT, 2018

Figure 2: Health Expenditure in Albania (% of GDP)

Source: World Bank, 2015

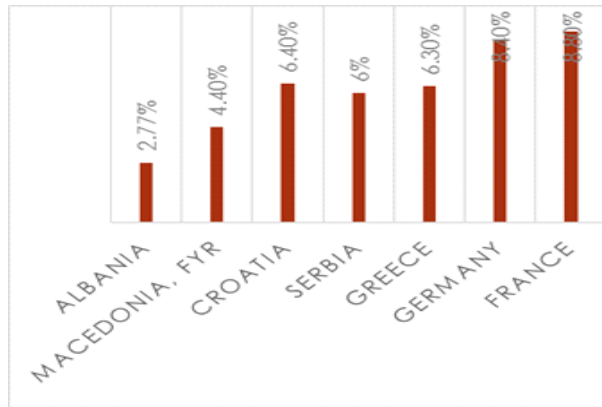
Looking at Figure 1, we may notice that over the years 2006-2014, life expectancy of women is higher than that of men. In figure 2 is presented public health expenditure as% of GDP. These public spending are in very low levels, while the Albanian health sector requires urgent changes. Due to unsuitable conditions, large gaps in hospitals, private expenditure on health (the individuals themselves) constitute about 51% of total health spending (public + private). This situation is much more serious for the poor, and a lot tougher for women, bearing in mind the gender gap in poverty in Albania.

Figure 3: Life expectancy at birth (2012)



Source: World Bank, 2015

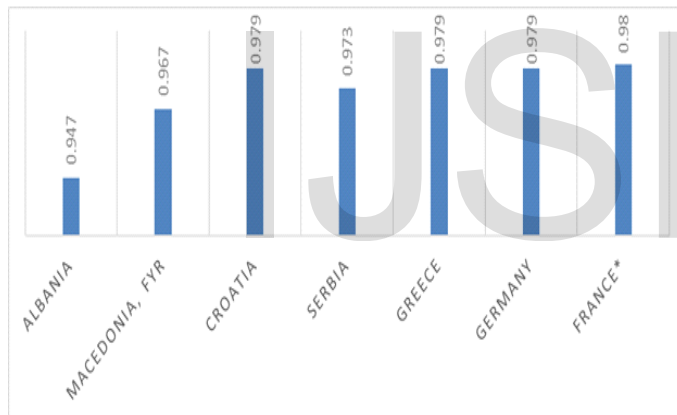
Figure 4: Public expenditures on Health (%GDP), 2012



Source: World Bank, 2015

In Figure 3 is given life expectancy to birth for the regional and two developed countries, and the situation looks well, given that the average life expectancy for Albanians is higher than individuals in the region; Greece only appears better than Albania. However, when we look at the figure 4, we notice that public spending on health in Albania, are the lowest in the region, our public spending is almost 1.7% lower than those in FYROM. While public spending of Germany and France are more than 3 times higher than those in Albania.

Figure 5: Health index on gender gap



Source: World Economic Forum, 2015

Comparing figure 4 and 5, we can observe a positive relationship between life expectancy and public spending on health; where the country with higher spending shows a better index on gender health gap. Albania ranks last, thus the country with the largest gender gap, and the lowest public expenditure on health. France is the country with the best situation, where the gender gap is the narrowest and its health public spending are much higher than those in Albania. This shows that spending on health for these countries can be effective; gender effective.

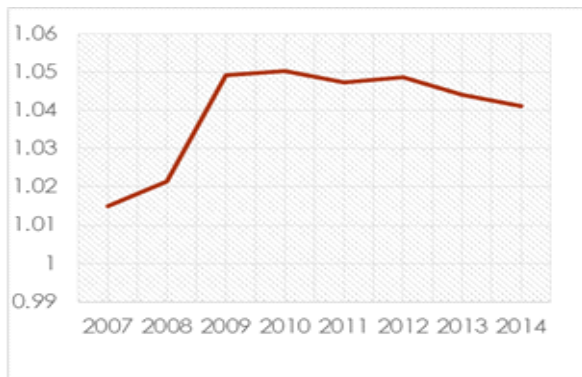
- Education indicators and public spending on education

The situation for Albania in terms of educations, looks better and having a positive progress. The number of graduates in higher education in 2014 increased almost twice compared to 2009, and we can point out the fact that high participation of women in higher education has been a trend which continues even in the last year; graduate women are 65% of total graduates. Even though among the whole population average years of education for women are lower than men: men have an average of 10.1 years of education, and women 9.7 years; there is no gender gap in education for the young generation. But there are still persisting problems in

education, where one of the most important is that female students usually choose areas of study which traditionally are seen as "women's work" and not those areas that are required in the labor market.

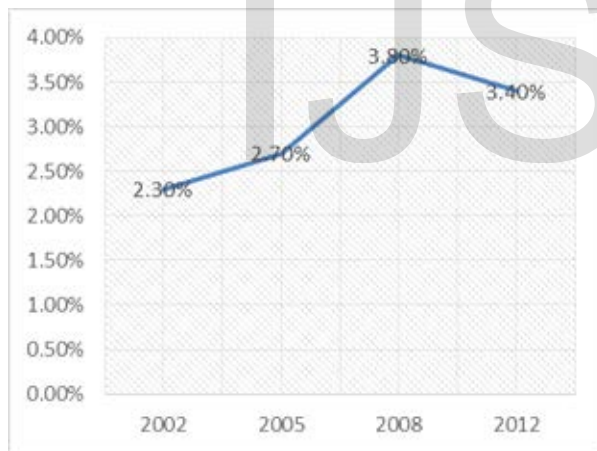
Education has an important role on the empowerment and welfare of women; according to World Bank (2015), more years of education are negatively correlated with the level of poverty for women and men and Martín and Egido (2013) concluded that higher education increases the probability of exiting from poverty by about 60 percent.

Figure 6: Gross enrolment ratio, gender parity index (GPI)



Source: World Bank, 2015

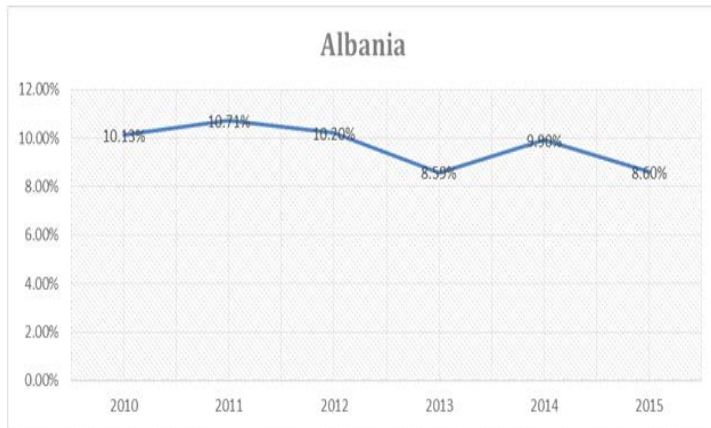
Figure 7: Private spending on education



Source: INSTAT, 2018b

In Figure 6 we can see what we mentioned earlier, that in Albania in recent years there is no gender gap in education; among young people, girls are those with more years of education on average than boys. In figure 7 are given private spending for education as a percentage of total expenditure. By the graph we may notice that the Albanian families have had a tendency to increase spending on education; and this is a positive signal. From 2008 to 2012 there is a reduction of the expenditure rate, probably due to the effects of the crisis and the fall of remittances, however, this level is higher than that of 2005. Observing both figures we can see that 2008 is the year when the private spending on education decreased and in the same period we can see a drop on GPI; maybe this can be explained with a tendency of Albanian families, who are more keen on educating their boys, instead of the girls (when they have to choose due to lack of money), because men are expected to earn more, when in labor market.

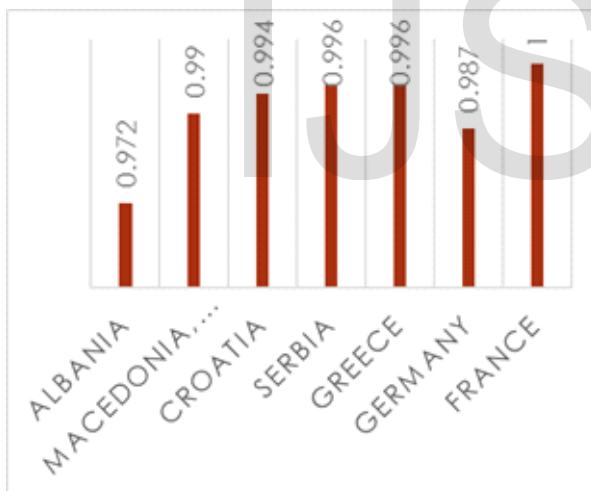
Figure 8: Government expenditure in educational institutions as % of total government expenditure



Source: Ministry of education, Author's calculations

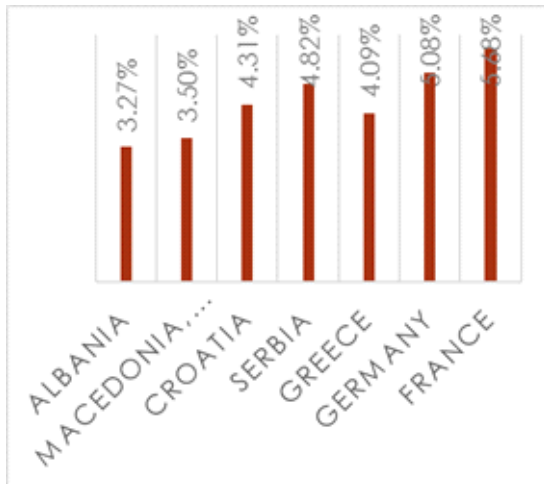
In Figure 8 we see public spending on education as a percentage of public expenditure. The highest level was reached in 2011; 10.71%. We see an increasing trend of the level of expenditure on education in 2014, although it remains well below the level of 2011.

Figure 9: Education Gender Gap



Source: World Economic Forum

Figure 10: Public Expenditure on education (%GDP)



Source: World Bank

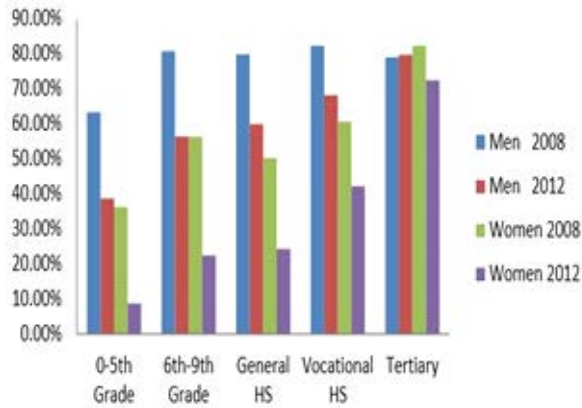
In Figure 9 is given the level of the gender gap in education and in Figure 10 are given public spending on education as % of GDP. Regarding gender gap index in education, we can say that Albania ranks last, having the worst performance compared with the region and the countries of Western Europe. France appears to have closed the gender gap and if we look at Figure 10, we see that France is the country with the highest rate of spending on education, 5.68%. Well, we can say that in this case public spending on education, have been effective in bridging the gap.

Albania ranks last in the terms of public spending on education. Of the two charts, we can distinguish a positive relationship between narrowing of the gender gap in education and public expenditure on education.

- Gender gap in labor market

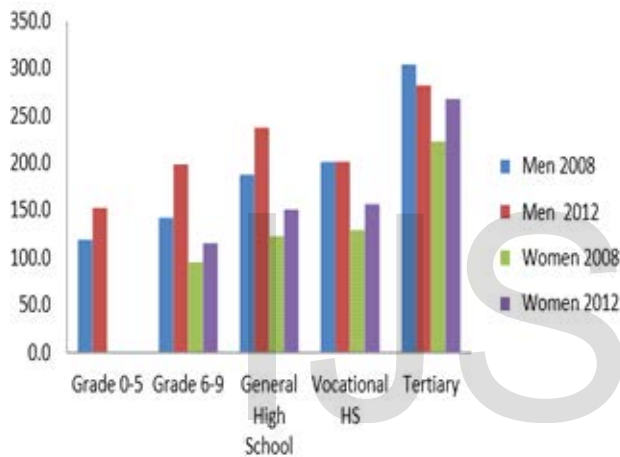
Albania has a very narrow gender gap in education, however, it is very important that this situation in education to be reflected on labor market; but unfortunately, women's labor force participation in Albania is much lower than men's and much lower than regional averages. In 2012, labor force participation was 58.7% for men, but only 27.6 % for women, less than half of the male level. Participation in the labor force and employment fell significantly from 2008 to 2012 with a very sensitive decline for women; we can say that women were the first to suffer the economic crises. Not only that men are over represented on labor market, but also they earn more than women, the ratio of income earned by women (as % of men income) in Albania is 0.55. Women were also more likely than men to work as an unpaid worker on a household farm or household business – 18.5 percent of female workers in 2012, compared to 9.3 percent of male workers. The majority of businesses in Albania are small and medium enterprises, only 17% of the owners or managers are women.

Figure 11: Employment rate by level of education, gender and year



Source: World Bank, 2016

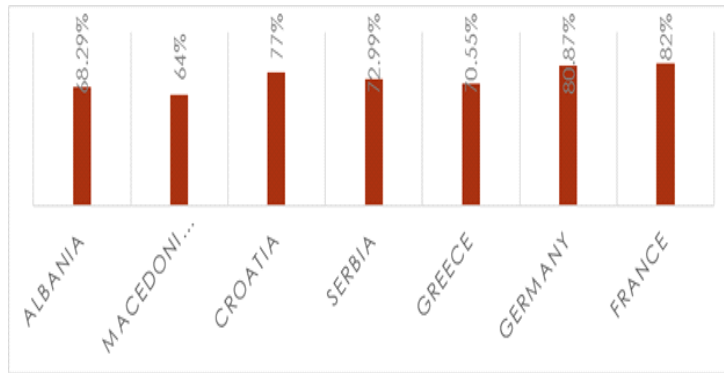
Figure 12: Hourly wages by level of education, gender and year



Source: World Bank, 2016

If we look at Figure 11; we can notice that for the same level of education, there are more male than female employees. The same view is for the years 2008 and 2012, and for each level of education. We can observe that the gender gap in employment is narrower between men and women that have a university degree. So, we can say that the labor market for jobs that require a certain level of education, gender discrimination is lower; while in jobs that do not require a higher education, seem to be preferred men much more than women. The same picture is repeated even if we look at salary rates for men and women with the same education level. For the same level of education, men are paid more than women. This gender gap in wage narrows between men and women that have a university degree.

Figure 13: Ratio of female to male labor force participation rate (%), 2014



Source: World Bank, 2016

In Figure 13 is given the ratio of female to male labor force participation rate. Albania is better compared only with FYROM; while it is worse than other countries in the region and developed countries. From the region, Croatia is the one that has the best performance in the labor market as regards the gender gap.

- Correlation between economic and social indicators of women in Albania and government spending over the years

In this section is estimated the correlation effect that exists between economic and social indicators of women in Albania and public spending over the years. The social indicators taken in analysis are: Life expectancy on birth for female, GPI (Gross Enrollment rate, Gender Parity index); Ratio of female to male labor force participation rate (%) and unemployment rate, Female; during the period 2004 – 2015. Of course, the estimation of a bivariate regression to test the explanatory power of government social spending in Albania on the female social indicators will be the focus of the next paper.

Figure 14: Correlation Coefficients

	GDP/Capita	Public Expenditure on Health (%GDP)	Life expectancy on birth, Female	Life expectancy on birth, Male
GDP/Capita	1			
Public Expenditure on Health (%GDP)	0.107199129	1		
Life expectancy on birth, Female	0.97900812	-0.027025525	1	
Life expectancy on birth, Male	0.96429323	-0.040072068	0.991954192	1

Source: Authors calculations

We can see a positive relationship between GDP / capita and life expectancy for both males and females. This may very well be explained by the fact that said earlier, that majority of spending on health are private expenses. Thus, an increase of per capita income, allows individuals to spend more on their health and consequently brings increased life expectancy. Also, a GDP / capita higher level means better living conditions. All these relate positively with longevity.

When we look at the correlation coefficient between public spending on health and life expectancy for males and females, is striking to see the negative link between them. Normally the expected signs should have been positive.

Resulting coefficient is quite small and negative which indicates that public spending on health have no effect or if they have effect; it is negative. This result shows that public spending on health are not effective.

The figure 15 presents the results of calculating the correlation coefficient between public spending on education; level of education and participation in the labor market. The variables we used in this case are: GDP / Capita; Public Expenditure on Education (% GDP); GPI; Ratio of female to male Labor force participation rate (%) Unemployment rate for Female and Male.

Figure 15: Correlation Coefficients

	GDP/Capita	Public Expenditure on Education (%GDP)	GPI	Ratio of female to male labor force participation rate (%)	Unemployment rate, Female	Unemployment rate, Male
GDP/Capita	1					
Public Expenditure on Education (%GDP)	0.150359658	1				
GPI (Gross Enrollment rate, Gender Parity index)	0.761271996	-0.493710441	1			
Ratio of female to male labor force participation rate (%)	-0.96141551	-0.244023143	-0.56944	1		
Unemployment rate, Female (%)	0.223280598	0.172712223	0.466203	-0.122159597	1	
Unemployment rate, Male (%)	0.605922328	-0.011617215	0.065932	-0.789914475	0.091622206	1

Source: Authors calculations

The results are the following:

- GDP / capita positively influences GPI (Gross Enrollment ratio, gender parity index); which means that the growth of income per capita; narrows the gender gap in education. This shows that the Albanians spend a significant part of their income on education.
- Public expenditures on education have a negative effect on GPI; which shows that the majority of public expenditure on education goes for men, increasing the gender gap in education. Policies on development of the education system in Albania should be gender aware.
- Public spending on education turns out to have a negative effect on the Ratio of female to male Labor force participation rate
- Public expenditures on education are ineffective; because they increase the rate of unemployment among women; while lower rate of unemployment for men. It seems that spending on education mostly benefit men.
- The results seem positive if we look at the relationship between GPI and rate of participation in the labor market; as narrower the gender gap in education, narrower the gender gap in the labor market; and lower the unemployment rate. We believe that this effect is mainly reflects market jobs that require a university education level; where gender discrimination is more moderate.

- **Conclusions and Recommendations**

The descriptive and comparative analysis of this paper showed that Albania has a poor performance, from a gender point of view, for all three indicators, health, education and labor market. The numbers showed that Albania is too far from the performance of developed countries (France and Germany) and ranks below regional countries compared (Serbia, Croatia and Greece).

Albania has a very narrow gender gap in education; but unfortunately, women's labor force participation in Albania is much lower than men's and much lower than regional averages. Not only that men are over represented on labor market, but also, they earn more than women.

Public spending on health are in very low levels, while the Albanian health sector requires urgent changes. Private expenditure on health (the individuals themselves) constitute about 51% of total health spending (public + private), situation, which is much more serious for the poor, and a lot tougher for women, bearing in mind the gender gap in poverty in Albania.

It looks like fiscal policy in Albania is not doing very well, *firstly* because public spending on education and health (as percentage of GDP) are the lowest among all countries taken in study and *secondly*, because of the results of the correlation effect analysis; where we concluded that public spending appears to be ineffective in a gender perspective. Public expenditures on education have a negative effect on GPI; which shows that men benefit most of public expenditure on education and also, increase the rate of unemployment among women.

Public expenditure on health have no effect on life expectancy on birth, or if they have; it is negative. Being at a very low level they are almost ineffective. Public investment on health should be reconsidered to improve the situation of the whole population and even more for women.

In this paper, we can conclude that government spending on health and education has had little effect on the welfare of women in Albania. The weak performance of social indicators of female, and especially in health and labor market participation indicators, it is explained by a) the low level of public spending and b) the way these resources are being allocated; the effectiveness of existing spending, including issues such as access, availability, efficiency, allocation, and targeting.

To improve the situation of women in Albania, initially the government should consider increasing the level of public spending on sectors that are important for the development of women as health, education and training to be easier women's integration in labor market. Secondly, and equally important, the government should find ways that government spending be effective in improving the conditions of Albanian women, increasing the access of poor women in health and education and strengthening of institutional protection of women. Thirdly, to have qualitative studies on gender gap, the availability of data disaggregated by gender should be increased.

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