

## Informality vs Politics; The Interactions Between Politics and Social Behavior in Albania, a Retardment for the EU Integration Process

Rifat Demalija

PHD Cand. European University of Tirana

### Abstract

Is there a causal link for the acceptance of the informality between political class and social behavior? This paper intends to tackle this question exploring the retardment of the integration process and social actors' behavior in Albania. In this regard, it is very important to understand the high level of informality in Albanian economy, social behavior and the nature of acceptance by political class. Despite the high level of informality, the will of Albanians to join EU remain high. According to the latest opinion polls<sup>1</sup>, 86.5% of the Albanians would vote in favor of the EU integration, the largest percentage in the EU integration aspiring countries. Political class, majority and opposition both, accuses each other for the retardment of the integration process, to get the highest support of voters, without bringing concrete solution for the informality and changing the situation. Informality in Albania continues to be a big concern for International Institutions which have been supporting and assisting the state institutions towards the formalization of economy. According to CIA World Factbook<sup>2</sup>, the informality in Albania may be as large as 50% of official GDP during last five years. Regardless of the high level of the informality, government representatives and economy analysts argue that Albania is a country that is not affected directly by the crisis. One of the main factors which help the development of the informality in Albania is the widespread corruption, low level of enforcement, bureaucracies in the administration, politicized administration, habitual change of legislation and electoral promises to change the tax system, citizen's interest for evasion and their adaptability. Another good example to argue our claim regarding the social behavior and links with politics is connected with the non-payment of the electricity not only by citizens, but also by state institutions. In contrast of formal social interaction of different social actors, informality should be read as social disorganization and one of the main obstacles that causes the retardment of the integration process.

**Keywords:** informality, integration, politics, interaction, social behavior.

### 1. Introduction

Informality in the economy of Albania continues to affect the EU perspective along the transition phase, leading towards inequality, while it had affected directly the labour market, productivity and growth, although the net effect is unclear. The debate about the definition of informal economy will not be part of this paper and we are going to refer the definition of *informal economy* to the illegal economic activity, not registered and hidden by tax authorities. International institutions have expressed their concern for high rate of informality, addressing corruption, low level of enforcement, bureaucracies in the administration, politicized administration, habitual change of legislation and citizen's interest for evasion as main factors in favor of informality. According to Stuart Henry, informal economy can be described by three basic characteristics: informal economy includes production, consumption and trading of goods and services, for cash or for a social reward. These are mostly part-time activities, and are unofficial, as they do not explicitly form part of the state accounting systems, and are not registered by its economic measurement techniques. Beyond this, characteristics are less generally applicable (Henry, 1982).

According to CIA World Factbook<sup>3</sup>, the informality in Albania may be as large as 50% of official GDP during last five years. Regardless of the high level of the informality, government representatives and economy analysts argue that Albania is a

---

<sup>1</sup> Albanian Institute for International Studies (October 2012), quoted by <http://www.balkanweb.com/shqipëri/2685/shqipëri-rritet-mbeshtetja-per-anetaresimin-ne-be-105588.html>

<sup>2</sup> [http://www.theodora.com/wfbcurrent/albania/albania\\_economy.html](http://www.theodora.com/wfbcurrent/albania/albania_economy.html). 2012 CIA WORLD FACTBOOK

<sup>3</sup> [http://www.theodora.com/wfbcurrent/albania/albania\\_economy.html](http://www.theodora.com/wfbcurrent/albania/albania_economy.html). 2012 CIA WORLD FACTBOOK

country that is not affected directly by the crisis. Although the high interest and good will of Albanian citizens to join EU, the informal economy and is one of the main factors which affect the retardment of the integration process. In this regard, it is very important to understand the high level of informality in Albanian economy, social behavior and the nature of acceptance by political class. Despite the high level of informality, inequality and the political and economic situation of EU countries, the will of Albanians to join EU remain high. According to the latest opinion polls<sup>1</sup>, 86.5% of the Albanians would vote in favor of the EU integration, the largest percentage in the EU integration aspiring countries. Political class, majority and opposition both, accuses each other for the retardment of the integration process, to get the highest support of voters, without bringing concrete solution for the informality and changing the situation.

The informal economy is a premise for less social protection, insecurity and vulnerability for the majority of the informal workers. Informal workers, which are serving mainly in small businesses, such as; bars, restaurants, hotels, casual day labourers in construction and agriculture, are lacking social insurances, maternity leave are informally employed, without secure contracts, worker benefits or social protection, sharing lack of legal recognition and protection.

Lack of political stability during transition created favorable conditions for informality. Most of governments in Albania after 1991, have been influenced the informal culture, without rules and control, using the informal actors to support their political elections. The collapse of pyramid schemes in the years of 1996 - 1997, increased the gap between the institutions and legal economy. According to the OECD (2004), the informal sector has been the most dynamic component of the economy in Albania. Informal activity has become a structure of the economy living with politics and becoming problematic for the EU integration. Corruption and low level of law enforcement are becoming part of culture and this is evolving over the time, affecting policy and development of the country.

On the other hand, there is also a claim that the informal sector helped the Albanian economy during the first years of transition by providing households with employment and supplementary income in the absence of other opportunities (Gërxhani, 2003). I claim that informal sector has played an important role not only for the economy but for the fact of building a social behavior. Informal economy had provided jobs and reduced unemployment, however informal jobs are low-paid with unstable income and with high risk of security. However, we accept the fact that informality in economy has played an important role for low income families, helping them to escape from extreme poverty and survive in a situation where governmental institutions does not care much to this category.

Retardment of EU integration process is affected by informality, where many aspects have affected the process, such as: lack of trust in public institutions, considered very often as inefficient and corrupt; constraints in starting and doing business; inadequate strengthening of the legislative and regulatory framework; low probability of being discovered as an illegal worker or fiscal evader, leading to cost-benefit calculations where a job in the informal sector is more attractive than a job in the formal and official sector; a widespread acceptance of informal work that makes its reduction almost impossible.

## **2. Methods**

The research methodology involves the collection and the analysis of materials relevant to the study. The basic way deals with: data collecting, data analyses and the analyses of the findings from the field work. To answer the main question, the study implies the method of analyzing theories and empirical work. Theoretical work is based on former studies related to informal economy, citizens apathy, long process of integration and critics towards this perspective, analyzing the social behavior and involvements of politics in the informality.

The empirical task is focused on the field work, using eleven interviews with civil society experts, trade union members and economic actors from business and government institutions.

## **3. Informal economy leading towards social apathy**

Civil society and trade unions have been suffering of legitimacy to raise the voice throughout the years of transition. This situation is also for the fact that people do not feel franchised with politics, they are not protected and socially secure by legal institutions and so they do not play a crucial role in the civic life. Seeing political debates, lack of trust of international institutions towards Albanian governments and institutions, political corruption and social disorder, people tend to feel that

---

<sup>1</sup> Albanian Institute for International Studies (October 2012), quoted by <http://www.balkanweb.com/shqipëri/2685/shqipëri-rritet-mbeshtetja-per-anetaresimin-ne-be-105588.html>

they are powerless and so they become natural not interested in a system that does not work for them. Workers in the informal economy lack a significant voice in government policy (Meier 2005). Having a high rate of informality in Albanian economy, have affected negatively the membership of trade unions, lacking trust and low level of cooperation. People don't trust trade unions in protecting their right, but they don't trust politicians which in many cases have been involved with civil society and trade unions and vice-versa.

The informality is transforming the social behaviour and the political system in Albania. One Civil Society experts<sup>1</sup>, accept that citizens' apathy as an obstacle to fight informality and attack the government for corruption or law enforcement. Many attempts are done in this aspect to increase the role of citizens, at both local and national level, but informality in economy has affected the social life and activism is no in the level of democratic societies. There is a crucial argument on this debate that social apathy is inter-related with informal sector, lack of interest and social protection provided by governmental institutions.

I have to claim the fact that numbers in democracy matter, when it comes to popular opinion, that shapes the political system. Unless everyone is interested in maintaining their position in decision making, their political power will be commandeered by those who benefit from doing so. Another fact I claimed above, which is contributing to social apathy is the corruption leading to a high level of distrust of politicians. The legitimacy of politicians and the political system for Albanian citizens is creating barriers for EU integration, opening new chapters of integration process and adding new conditions for the country to open the negotiations. Another interviewed civil society actor<sup>2</sup> claims that informal economy and social behaviour is politically supported. Politicians of different wings are interested to illegally support the informality, since this will be translated directly to citizens apathy, which directly helps corrupted politicians to stay in power.

### **Informality, an important factor for the retardment of EU integration.**

As I claimed above, the interest of Albanian to join the EU is the highest in the region, however this does not meet the criteria of joining the European Community. The European Union is a political organization that brings several benefits, but it required more than the desire to be part of it, requiring certain standards of sustainable economic, political and legal development. On April 29, 2009, the application of Albania for the EU membership was an important reference point for a country that 20 years ago had emerged from a repressive communist regime as one of most isolated in Europe. While on 24 of June, 2014 Albania obtained the EU candidate status. Although the progress made in different aspects, still Albania shows strong critical issues that slow down the EU integration process. Corruption, criminality, informality and low level of law enforcement, leading towards low democratic standards, makes a perfect barriers assembly of integration.

In 1996, EU and Albania were near the conclusion of an Association Agreement, which aimed to deepen the political dialogue and cooperation in a variety of matters, such as justice and home affairs, environment, transport, energy, etc. However, the complex dynamics of the Albanian political life, the disputed parliamentary elections of May 1996 and the deep financial and social crisis at the beginning of 1997, following the collapse of "financial pyramids, " reverberated negatively on the international level, thus determining the failure of the negotiations (Mediterranean affairs, 2009).

The increased level of public corruption, where officials are directly involved in illegal norms. In recent years, a rather extensive literature has developed showing that, in a system rooted in bribery and corruption, economic incentives are distorted, as government officials and favored private individuals receive a larger share of public benefits or bear a lower share of the cost of public goods. (IMF 2000), which results in lower private investments, lower government revenues, while increasing inequality and poverty.

Economic experts interviewed, claims that informal economic activities estimates about one-third of total output of GDP. Those interviewed experts of civil society and trade unions, claims the link between politics and informality, affecting directly the integration process of Albania in EU. Although these assumptions serve analytical purposed like consequences over political and economic performance, informality in economic field is more complex, when it comes to integration process. Political system exchanges two broad types of incentives with voters; direct material exchange (gifts, jobs, bribes at the enforcement stage, social policy entitlements), and/or indirect political dealings with public and private business (e. g. contracts, policies, favorable legislation). The first exchange is more likely when a majority of voters is poor or where social

---

<sup>1</sup> L. Shehu, Youth Worker and activists, interviewed on November 2016.

<sup>2</sup> B. Hoxha, Activist of civil society, interviewed on December 2016

policy benefits and patronage are matters of political discretion. Historical conditions, such as high initial income inequality and ethnic heterogeneity as well as institutionalization of the civil service after democratic mass enfranchisement, encourage this type of exchange (Kitschelt & Wilkinson, 2007). A political power that makes corrupt deals with informal producers, could not have legitimacy to move forward with the EU process, where economical and political high standards are required.

### Conclusions

On November 9, The European Commission had 'conditionally' recommended the opening of accession talks for Albania's bid to become member of the European Union. The retardment of process that has been present so far, it is likely to happen in the upcoming process as well, as political leaders and the society in general are not ready to adapt the standards required by European Community. I am skeptic for the fact that informality in many aspects of economic and social life, corruption and law enforcement is not showing improvements as such needed to move forward with the process.

The behaviour of social actors, business and political leaders seems to be in harmony and disfavor of the integration process. Albania is a EU 'Candidate Country' and a NATO member but suffers from widespread endemic corruption and lack of economic opportunities while most of its young people seek to emigrate to richer EU states as the rest of the Balkan countries. If the political machinery will continue to neglect and informally hidden with informal business, producing more corruption, lack of law enforcement and social insecurity, the process of EU integration for Albania not only will last for decades, but the will of citizens will not be the same as it is nowadays and political instability will appear time to time depending the political conflicts.

Political society, civil society and all important actors should change the behaviour with informality, as one of the main obstacles to destroy and retard the EU integration.

### References:

- [1] "Albania: Poverty Reduction Strategy Paper-National Strategy for Development and Integration," *IMF*, 2008.
- [2] Bogdani, M., and J. Loughlin. *Albania and the European Union: The Tumultuous Journey Towards Integration and Accession*, New York, NY: IB Tauris, 2009.
- [3] Gërçhani, K. (2003). Politico-economic institutions and the informal sector in Albania. Amsterdam Institute for Advanced Labour Studies (AIAS) Research Report 03/12.
- [4] Henry, Stuart (1982). The working unemployed: perspectives on the informal economy and unemployment. *Sociological Review*, 30: 460-477.
- [5] International Monetary Fund. 2000. *World Economic Outlook, May 2000* (Washington: International Monetary Fund).
- [6] Kitschelt, H. (2007). The demise of clientelism in affluent capitalist democracies. In H. Kitschelt & S. Wilkinson (Eds.), *Patrons, clients, and policies: Patterns of democratic accountability and political competition* (pp. 298-321). Cambridge, MA: Cambridge University Press.
- [7] Meier, Gerald M. ; Rauch, James E. (2005). *Leading Issues in Economic Development* (8 ed. ). New York: Oxford University Press. pp. 371-375
- [8] OECD. (2004). *The informal economy in Albania. Analysis and policy recommendations*. Central European Initiative (CEI).