



**ANNUAL REPORT**  
**BUSINESS SERVICES**  
**SECTOR IN ALBANIA 2021**



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# INTRODUCTION

The purpose of this report is to provide a comprehensive review of the business services sector in Albania, including an overview of the different subsectors in the context of investors' needs, salaries in the industry, and the main problems companies face. A broad definition of the industry has been adopted in the report, including the activity of companies providing business process outsourcing (BPO) and IT outsourcing (ITO), shared services centres (SSC), research and development centres (R&D).

This report gives an overview of the Business Service Sector in Albania, including a detailed analysis of each of its subsectors. We will provide key information about the country and its macroeconomic indicators, followed by a more thorough examination of the BPO and ITC. They have been growing at a steady pace due to increased demand for business process outsourcing services from SMEs and large enterprises and the increasing need for cost-effective and quality services from the customers. We will take a look at the relevant legislation and financial framework, the office and the labour market, essential for every company. Next, we will present the ABSL's survey findings, focusing especially on the pandemic's impact on companies and employers alike.

We used both quantitative and qualitative methods for completing the study. An essential element related to the preparation of this report was a survey directed to companies

operating in the business services sector. The information obtained through this survey allows for generating aggregate statistical studies related to the activities of the entities. Qualitative methods included content analysis of secondary sources such as reports, public statistics etc. This report is the most comprehensive study conducted in Albania on the industry, and we are sure that Albanian and foreign companies and investors will find helpful information on its pages.



# FOREWORD



Dear readers

It is our great pleasure to introduce you to the first Albanian Business Services Report 2021, in which we present and describe the Business Services industry in Albania. Even though the COVID-19 pandemic hit global economies hard, and many investors suspended their investments, some other new projects emerged during this time. It is true that many companies were found unprepared for the unprecedented disruptions that happened worldwide on a large scale and in a short period of time - and Albania was no exception. However, the business services industry was able to switch to remote working, proving its agility and effectiveness in delivering services at the same quality as before. Against all the odds, the sector stood its ground; and

centres proved themselves capable of swiftly adapting to the sudden challenges.

This small country has become one of the most attractive destinations in eastern Europe even though it still has a long road ahead. We are living in the digitalization era where everything can be done online, and I believe that this relatively new industry will further mature, becoming one of the most important pillars of the Albanian economy. This is possible due to market saturation being lower than in other countries, the increase in the available talent, and the low costs.

The Albanian business services sector is a highly important segment of the economy,

service that's why it has become paramount to redefine our role in supporting the interests of the industry. Our association's aim has been to support the businesses and lobby for the interests and development of the sector. However, ABSL Albania can now implement a more positive impact by becoming an essential centre for exchanging knowledge, good practices, and enhanced dialogue between all sectors players. The goal is to make Albania a globally competitive market regarding the business services industry. This is the future!

On behalf of the ABSL Albania board, we thank each and every one of those who contributed to this report including the Helvetas Risi Albania project, ClityStats, EY, Vigan Group, Giants SMI, PAMEX, DigitSapiens, Design Bright, and project management team of ABSL Albania. We believe that it brings the necessary awareness and knowledge to businesses, potential investors, and government authorities to better understand the business services industry in the country, its central features, challenges, and potential.

**Arjodita Mustali**  
President of **ABSL Albania**



# EXECUTIVE SUMMARY

The Albanian Business Services Sector has yet to reach a maturity level; however, it is one of the top emerging markets in the region. Companies have a clear tendency to broaden the scope of high-value-added activities and place greater emphasis on talent management and innovation. In order to keep up with new trends both in the business services and labour markets, gradual transformation of corporate strategies, operational practices and cooperation with governmental authorities are needed.

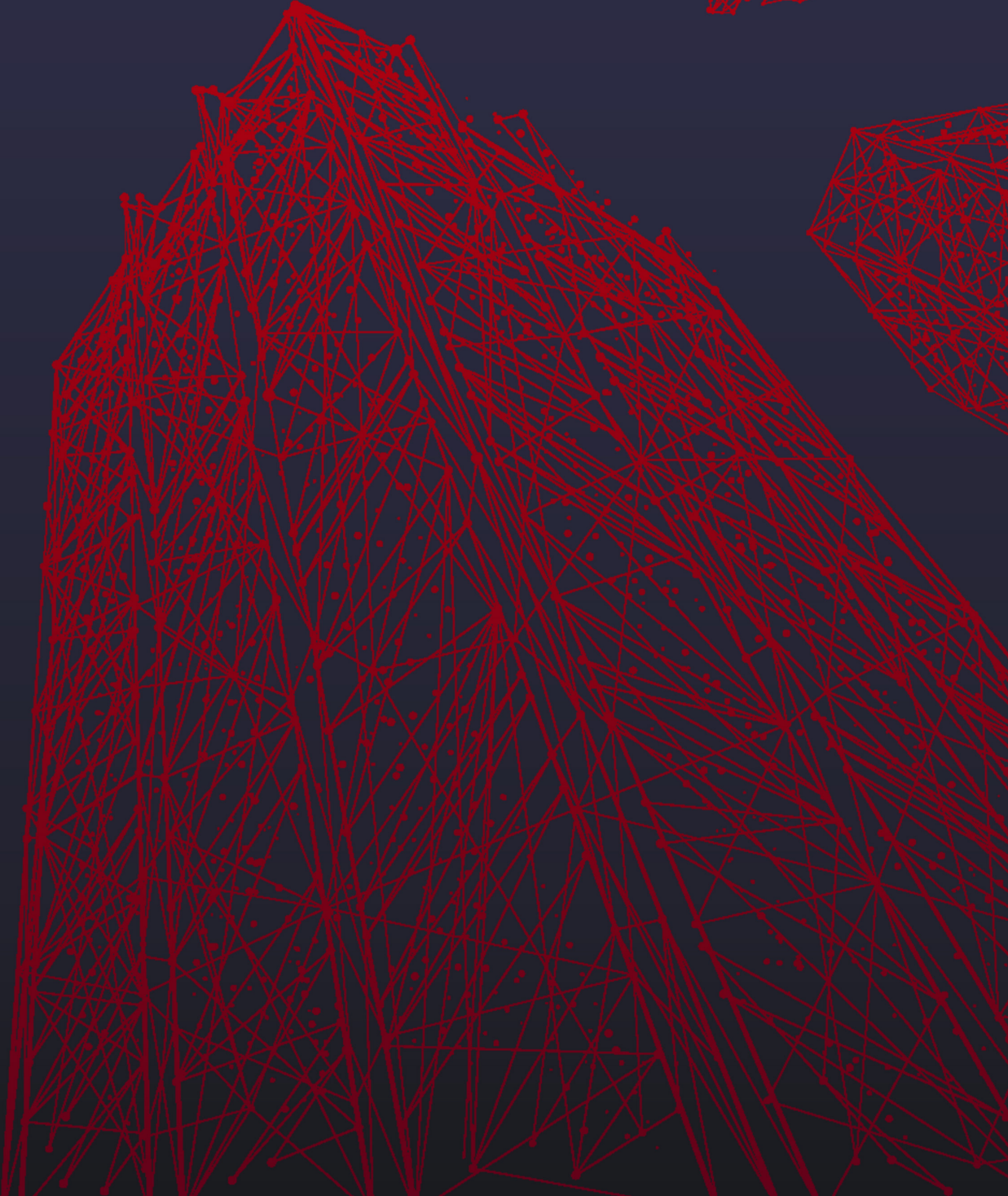
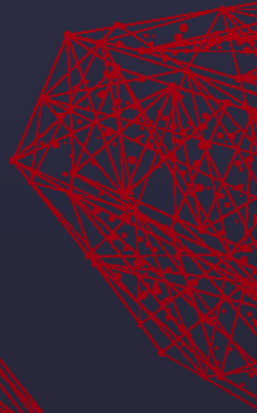
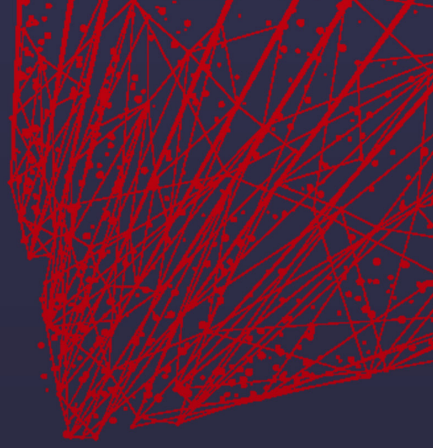
This 2021 report is based on the literature that exists about the Albanian Business Services Sector, the results of the ABSL survey conducted among sector companies in June-July 2021, and the result of a strategic foresight conducted with selected specialists. Since it is one of the most important and dynamically developing sectors of the economy, we believe its role will continue to grow even after the pandemic.

From the answers the 62 respondents gave to the survey, we conclude that the BPO sub-sector continues to be the most predominant form of operation. The BPO firms are also the largest, with an average of 126 employees per firm. The majority of the activity is centred in the capital city of Tirana, followed by Shkodër, Elbasan, Fier, and many other cities etc., and the main services offered are customer service, telemarketing and digital marketing. The sector has been transitioning from the traditional call center model of the BPO sector to a hybrid service delivery model, which also

managed the crisis caused by the pandemic better than other categories. However, fulfilling the ever-growing demands of new talent and retaining qualified employees is fundamental for these centres. That's why they have to focus on improving their recruitment processes and training programs.

As the use of data analytics has become extensive in this field, these companies have difficulties finding specialists for specific roles, such as data analysts, senior managers and software engineers. They make up an increasingly more significant proportion of the workforce sought by centres. For this reason, in order to successfully target future talents, they have to increase the collaboration between industry stakeholders and educational institutions. There needs to be a rise in the awareness and attractiveness of the sector that can help in hiring the youth and other more skilled and experienced professionals.

To conclude, we can say that the Albanian Business Services Sector has been able to create a competitive edge due to its highly skilled, multilingual workforce and low costs. However, the economic instability, high emigration, and a lack of proper physical and digital infrastructure remain critical problems for these companies. Flexible adaptation and the common efforts between all stakeholders are crucial for the sector to achieve operational excellence and to make use of it for future growth.



# CONCEPT AND METHODOLOGY OF THE REPORT

The primary objective of this report is to provide comprehensive information about the activities of shared services centres (SSC), business process outsourcing (BPO), IT outsourcing (ITO), and research and development centres (R&D) service centres in Albania and an overview of the market. To achieve this objective, we have used both primary research through conducting a quantitative survey and secondary research through literature review.

## DATA FROM PRIMARY SOURCES - THE SURVEY

The survey focuses on topics of interest to the sectors under analysis based on the experience of other countries with similar reports (ABSL Poland 2020, ABSL Czechia 2020, ABSL Latvia 2020), but also focusing on ITO - BPO sector characteristics of Albania.

The survey was conducted by ABSL Albania using the Survey Monkey in June and July 2021. It was completed by 62 Albanian and foreign companies with a total of 9'568 employees in their business services centres, representing 30% of all people employed in the sector. The results presented in this report concern the activities of foreign business services centres whose parent companies have their headquarters in Albania as well as those Albanian companies operating in this sector.

## DATA FROM SECONDARY SOURCES

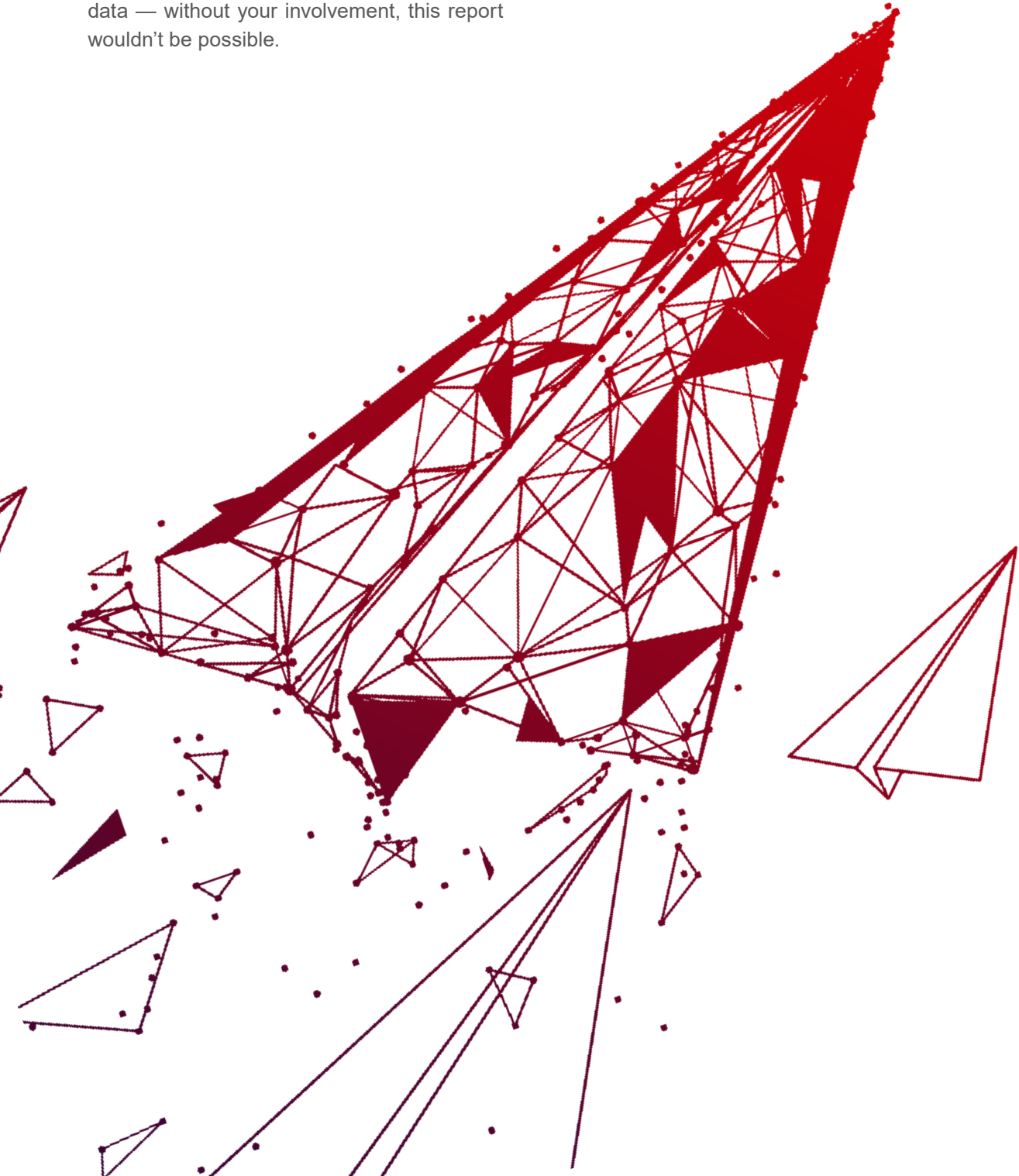
Beyond the data derived from the questionnaire, the focus of the study is to conduct an overview of the market using key industry indicators in more aggregate terms. Key areas of interest for the study are:

- Real estate market, more specifically in the analysis of cost and availability of offices or other premises for commercial activities
- Local and regional labour market, focusing on its size and characteristics
- Skills and education
- Macroeconomic indicators
- Albanian Diaspora as a resource for human resources
- FDI
- Impact and recovery from the COVID-19 pandemic
- Impact of the sector on the Albanian economy and growth potential.

This data were collected from various databases and sources such as:

World Bank  
Invest in Albania  
Century21  
OpenCorporates  
INSTAT  
Zoominfo  
Risi Albania  
Bank of Albania  
ABSL Albania

ABSL Albania is grateful to every single company that took part in the survey, every expert that offered their professional opinions and expertise, and our strategic partners who enriched the content with their insights and data — without your involvement, this report wouldn't be possible.



# INTRODUCTION AND COUNTRY PROFILE

## KEY FACTS - ALBANIA

Albania is a small country not fully integrated into global capital flows, but that has shown strong economic performances. There are three sectors that contribute most to the national GDP: Agriculture (36.09%), Construction (20.24%), and Services (43.66%) which is the central pillar of the Albanian economy as of 2021.

**Agriculture 36.09%**

**Construction 20.24%**

**Services 43.66%**

Area: 28 748 km<sup>2</sup>

Population: 2.865 million

National currency: Albanian Lek (ALL)

GDP per capita: 5400 Euro

Economic growth rate: 2.3%

Inflation Rate: 1.6%

Unemployment rate: 11.7%

Airports: Rinas, and Kukës

Position in global competitiveness report 2019 (World Economic Forum): 82

Position according to "The index of Political Stability": 46

Source: INSTAT, 2020, 2021, World Economic Forum



## A MACROECONOMIC SNAPSHOT OF ALBANIA

Albania has shown a fundamental transformation from a formerly closed country that was one of the poorest in Europe to a country that has revitalized its growth and economy. The macro-economic forecast for Albania continues to be positive, despite the recent challenges caused by the Covid-19 pandemic and by the devastating earthquake of 2019. The Gross Domestic Product (GDP) in Albania expanded by 2.30 per cent in the first quarter of 2021 over the previous quarter. (INSTAT, 2020) According to the IMF's updated forecast, GDP growth is expected to

stabilize at 4% in 2022. The internet access among businesses is at 98.3%, while for individuals it is a bit lower (84%). However, these rates are expected to exceed in the following years. (INSTAT, 2021)

## THE MAIN SECTORS OF THE ALBANIAN ECONOMY

Agriculture is an important economic sector for the economy because it contributes 18.5% of the GDP and employs 36.1% of the workforce. (World Bank, 2020) Even though it suffers from a lack of modern equipment and highly fragmented land ownership, Albanian agricultural production concentrates on wheat, oats, corn, potatoes, vegetables, dairy products, etc.

The industrial sector accounts for 20.2% of the GDP and employs 20.2% of the active population. This sector concentrates on food

processing, timber work for construction, textiles and clothing, transport, hydraulic energy, etc. According to the World Bank, the manufacturing sector's value is estimated to contribute to 6.3% of the country's GDP.

On the other hand, the services sector represents 48.6% of the GDP, employing 43.7% of the workforce. Trade, transport, hospitality services and the BPO sector are some important branches of the Albanian economy. The government has implemented critical structural reforms that support equitable growth, raise productivity and competitiveness in the economy, create more jobs, improve governance and public service delivery.

Enhanced regional connectivity and access to regional and global markets, coupled with export and market diversification, also help promote faster growth of the business service sector.

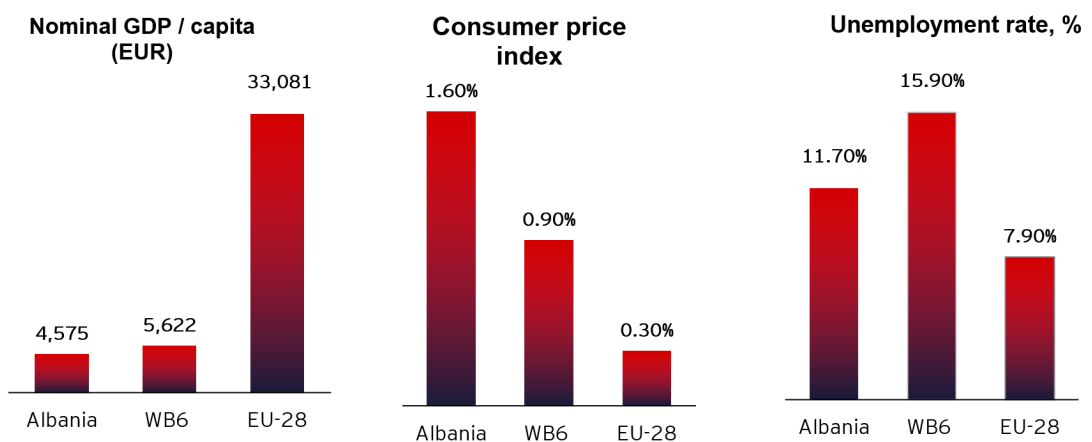


Figure 1: Macroeconomic stats about Albania

Source: INSTAT, 2020, 2021, World Forum

### Key population stats

- Population aged between 20 and 39 years old is estimated to be c. 840k, accounting for 30% of the total population.
- Population aged between 0-19 years old is estimated at c. 670k, accounting for 23%.

Source: INSTAT, 2021













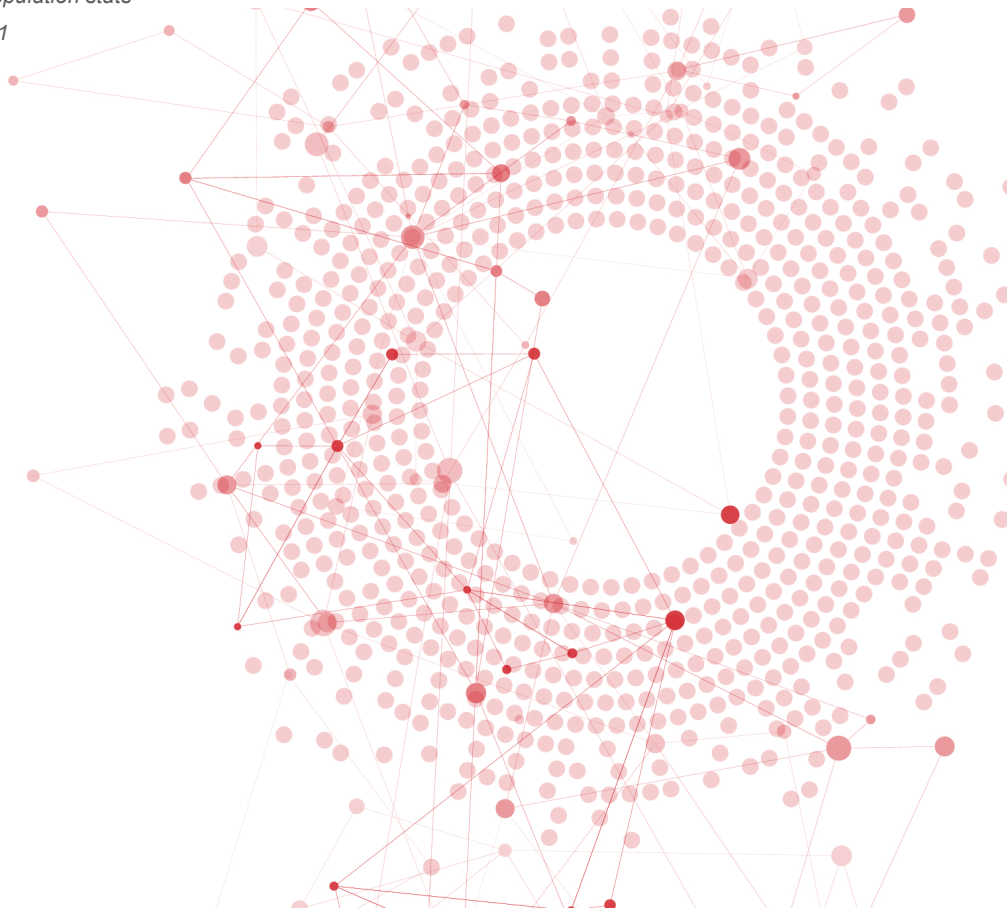
Total Population		Population density		Median age	
Albania	2.8m	 105 / km <sup>2</sup>	 36.4		
Kosovo	1.7m	 165 / km <sup>2</sup>	 30.5		
Montenegro	0.6m	 47 / km <sup>2</sup>	 38.8		
N. Macedonia	2.1m	 83 / km <sup>2</sup>	 39.1		
Serbia	6.9m	 100 / km <sup>2</sup>	 41.6		
B&H	3.3m	 64 / km <sup>2</sup>	 43.1		

Figure 2: Regional population stats

Source: INSTAT, 2021



## INTRODUCTION TO THE BPO, ITO, R&D, SCC SECTOR IN ALBANIA

While the business services industry is considered one of the fastest-growing worldwide, Albania has lately become among the top emerging locations in the Balkans and Europe. Major companies operating in the sector are also some of the largest employers in Albania. In the last years, Albanian business services have doubled in size and complexity. The exceptional growth has been fueled initially by lower labour costs, legal environment, and access to a large pool of talents.

Albania is one of those countries that has shown immense growth in the business services sector within the Eastern European region and has even more potential unfulfilled. In past years, we have witnessed the arrival of a number of foreign investors and the establishment of new service centres, which further develop and expand the number of functions they support. While investors previously were attracted by the lower costs in the country, they can now benefit from other advantages such as the excellent location, availability of a high-quality workforce, favourable tax system, etc.

Over time the cost benefits became more noticeable, predominantly centred around the quality of the workforce, their multi-language skills, the increased expertise and professionalism to deliver more advanced services making Albania a very competitive location even by the international standards.

Albania has a long history of improving its business services industry, going back to the beginning of the year 2000. It all started with Call Centers as the top outsourced activities in the country, making BPO one of the most critical sectors.

However, other sectors such as shared services centres (SSC), IT outsourcing (ITO), and research and development centres (R&D) have attracted more attention helping the entire industry grow sustainably over the years. This has allowed the sector to mature and be able to handle more complex functions and competencies, attracting more and more companies to set up operations in Albania.

As the capital city, Tirana is the largest and most established business services hub in Albania, followed by Durrës, but also Fier, Elbasan and Korça. Lately, there have been more than 3000 active companies operating in the BPO, SCC, ITO, R&D sectors in Albania. Their services are used by internationally renowned brands such as Apple, Vodafone, eBay, Lufthansa Group, Adidas, Barclays, Groupon, Air France, and Alitalia. The majority of the clients are in Italy, UK, France, Spain, Germany, USA, Austria, and Switzerland. (Confindustria Albania, 2021)

The structure of services provided by these sectors in Albania is quite diverse. Companies support a wide range of services

to different clients from around the world, representing a variety of industries.

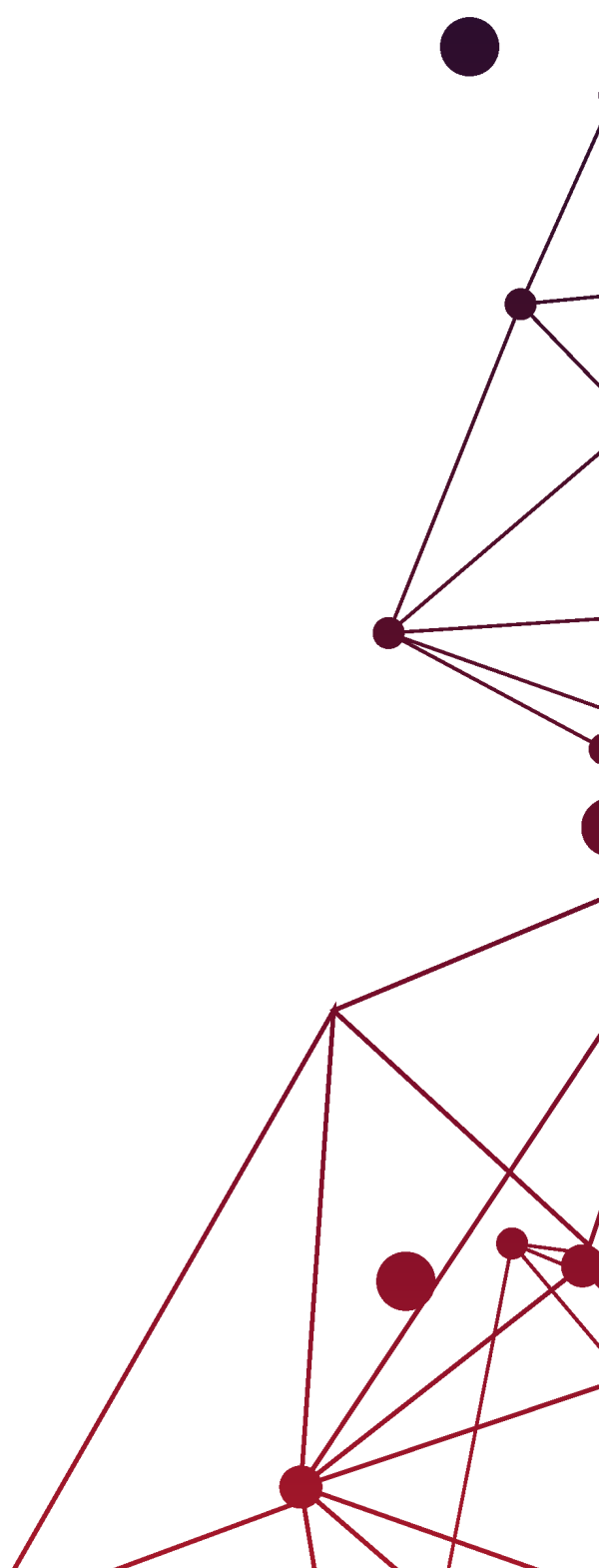
**The main services provided are:**

- Customer service
- Financial data entry and analysis
- Marketing services
- Software development.

**The vast majority of entities provide services in these verticals:**

- IT & software operations
- Finance and accounting
- Telecom, Media and entertainment
- Travel, tourism, and logistics
- Retail and eCommerce
- Utilities
- E-commerce.

However, despite its growth, there is still room for improvement and expansion. The country is currently stronger in customer services but is also maturing its capacity towards other corporate functions. The opportunities are endless if Albania and the industry need to experience more profound change faster to position themselves in the global market. The pandemic really showed us how necessary the digital transformation is for the economy, and by using new technologies, even small organizations can take on a truly global character. Companies can either adapt in this day and age or be left behind by their competition. The massive growth in remote work was not only something temporary or a side effect of Covid-19; it is the new normal.



# 1. THE LEGAL AND FINANCIAL FRAMEWORK IN ALBANIA

The report set out analyses of legal and regulatory framework on Business Service sector business in Albania, focusing on the BPO, ITO, R&D, Shared Services to present a general overview of the legal framework applied for the Business Services Sector. The regulatory framework regulating the Business Service sector plays a key role in developing the Business Services Sector in Albania. In this report, you can find some essential laws and regulations on starting a business, dealing with licensing, paying taxes, employment rules, etc. It looks at key elements of the applicable regulatory framework and provides some necessary comments.

## 1.1 ANALYSIS OF LEGAL AND REGULATORY FRAMEWORK

The BS sector is subject to the general legal and regulatory framework applicable in Albania. We provide below an overview of the company law, registration and licensing regulations, as well as employment legislation relevant to the Business Services sector.

### 1.1.1 ALBANIAN COMPANY LAW

The general Albanian Company Law regulates the Business Services Sector. The current Company Law was introduced

in 2008, replacing the previous legislation entirely on the subject. It mirrors EU Directives, and for those matters not regulated by European Law, it follows the example of laws in Germany and England.

#### Albanian business forms

**Sole trader**  
**General partnership**  
**Limited liability partnership**  
**Limited liability company**

The company Law regulates the main type of business forms, from the sole trader to joint-stock companies, also guiding the registration of representative offices for foreign companies. The legal structure impacts the business registration and statutory requirement and the personal liability of the entrepreneur(s). There are no restrictions for foreigners to establish a business in Albania or have local officers/directors.

Foreign companies can do business in Albania by setting up subsidiaries and branches. Albania's most common business form is the Limited Liability Company (SHPK), the preferred form for the Business Service Sector. The SHPK is a company founded by people whose liability for obligations

undertaken by the company is limited to their contribution in the subscribed capital. Each member acquires his/her share in proportion to his/her contribution. The subscribed capital is divided between the members accordingly, and the minimum required capital is ALL 100 (USD 1).

### 1.1.2 REGISTERING A BUSINESS IN ALBANIA

Registering a business in Albania is easy and does not require burdensome procedures. The National Business Centre (NBC) functions as a one-stop shop; it is responsible for incorporating companies, licensing requirements, and maintaining the Commercial Register. Registration with NBC also serves as registration for tax, social security and health insurance purposes, as well as with the labour authorities. The rules for registration of a commercial company apply to both Albanian and foreign nationals. In general, the following requirement applies for registering a business in Albania:

- **Unique name**
- **Description of your business activities**
- **Memorandum of Association**
- **Business address**
- **Shareholder information**
- **Director information**
- **Minimum share capital**

This application for the business registration is done online and takes about 24 hours to complete after all required information and documents are provided. When the registration is completed, the NBC issued the business registration certificate, which contains the

unique number of business identification (NUIIS). NUIIS is used for tax and customs purposes and dealings with social security and health insurance authorities, labour inspectorate, and other governmental authorities. There are no restrictions when registering a new business. Even one sole person can register a company as self-employed and a sole shareholder of a legal person.

The registration of the business name through NBC does not give the unique right to use that trademark. Businesses need to take certification from the General Directory of Industrial Property to safeguard their name, trademark, and patents.

### 1.1.3 LICENSING IN ALBANIA

Law governs the licensing system on Licenses, Authorizations and Permits in the Republic of Albania, as amended, which sets out 46 categories of licenses, permits and authorizations. This is a horizontal Law governing 13 significant areas, such as:

- **National security and public order**
- **Health and food**
- **Environment and natural resources**
- **Mining, hydrocarbons and energy**
- **Territory and environment**
- **Cultural heritage**
- **Transport**
- **Industry**
- **Education and science**
- **Social and employment care**
- **Notary and other legal services**
- **Financial services, betting, lotteries and gambling**
- **Tourism**

- **The NBC has simplified and streamlined the procedures for obtaining licenses and permits, thereby reducing the administrative barriers for businesses. Several activities fall out of the NBC jurisdiction and are regulated by sectoral legislation, such as Banking**
- **Non-bank financial services**
- **Broadcasting and telecommunications**
- **Air/maritime/railway transport services**

#### 1.1.4 EMPLOYMENT LEGISLATION

Albania has been a member of the International Labour Organization (ILO) since 1991 and has ratified ILO Standards, which includes eight conventions aiming to enhance social protection and strengthen dialogue on work-related issues.

**There are no licenses required for the Business Services Sector**

The Labour Code is the backbone of the Albanian labour law framework. In contrast, a large variety of other legislative instruments (decisions of the Council of Ministers, instructions and regulations) complement it in regulating employment relations. Albania's Labour Code governs the contractual rights and obligations of employees and employers.

#### ► EMPLOYMENT CONDITIONS

The minimum age for employment in Albania is 16. The statutory minimum wage is the minimum hourly rate paid to an employee, which currently stands at ALL 30,000 (approx. EUR 245) for normal working time (i.e., 174 hours per month), and ALL 138 (approx. EUR 1.13) per working hour.

#### ► EMPLOYMENT CONTRACTS

Employment relations are governed by the employment contract, an agreement signed between the employer and the employee that sets out their respective rights and obligations. The following are the different types of employment contracts available:

- **Definite-term contract**
- **Indefinite-term contract**
- **Collective contract**
- **Part-time and telecommuting employment contract**
- **Domestic employment contract**
- **Probationary contract**

As a general rule, an employment contract is entered into for an indefinite term. The signing of a definite-term contract should be justified by objective reasons related to the temporary nature of the work for which the employee is hired. If the parties do not precisely determine the contract's duration, the employment contract shall be treated as an indefinite-term contract.

#### ► EMPLOYMENT AGENCY

The Labour Code also introduced the concept of the Temporary Employment Agency (the Agency) in 2016. The Agency is

an employer that hires for temporary work at a hosting enterprise (the Host) based on an employment contract.

The Agency will perform its rights and duties together with the Host, which can be any employer that temporarily hires an employee selected by the Agency. The employee who has an employment contract with the Agency cannot perform the same type of job for the same Host for more than two years. The Agency and the Host's written agreement should contain terms on the duration of employment, workplace, job description, and service fee. Any agreement that prohibits or limits the hiring of the employee by the Host or that forces the employee to pay a fee to the Agency for being hired is invalid.

### ► ORGANIZATION OF WORKING TIME

The Labour Code defines working time as the period during which the employee is at the employer's disposal, including the period during which the employee conducts professional training allowed by the employer. The Code also stipulates that every employee is entitled to:

- **A minimum daily rest period of 11 consecutive hours for any 24 hours**
- **A break where the working day is longer than six hours**
- **A minimum uninterrupted rest period of 24 hours for each week**
- **Standard weekly working time of 40 hours (48 hours – if overtime is included)**
- **Paid annual leave of at least four weeks**

### ► MATERNITY LEAVE

Albanian Labour Code protects female employees during pregnancy time and maternity leave. The employer must provide assistance to them during working hours such as adequate work conditions, paid breaks up to 2 hours during working hours, no working 35 days before giving birth and 63 days after, prohibition of night work, and protection against dismissal. In addition, female employees that have worked more than twelve months are entitled to a maternity leave of one year, starting 35 days before giving birth, which is covered by the mandatory Social Security Contributions scheme. For the first six months of maternity leave, the employee is paid at 80% of her net salary, up to the maximum salary for social security purposes; the remaining six months are paid at 50% of the net salary.

### ► PARENTAL LEAVE

The Labour Code also dictates that the employee who has worked for more than one year for the same employer is entitled to an unpaid parental leave not exceeding four months until the child reaches the age of six. In case of adoption, parental leave is given within six years from the actual adoption, but not after the child is 12-year-old.

### ► DISMISSALS

Both the entrepreneur and their employees have to stick to the established notice periods. Such periods vary from two weeks to three months, depending on the duration of service in the respective business and the contract arrangements. Exceptions to the termination

rules are valid only if there is a compelling reason to do so. When employment relations are terminated due to factors not attributable to them, the employee is entitled to a seniority bonus and compensation for untaken leave and unpaid wages.

Special bans on dismissal are in place where the employee is serving their military service, benefiting from payment of temporary disability at work from the employer or the social security for a period up to one year, or is on leave granted by the employer.

### ► STAFF WELFARE

Albanian legislation requires businesses to meet a variety of social rules contributing to staff welfare. The Labour Code sets out the employees' rights in relation to non-discrimination, gender equality in the workplace, health and safety at work, maternity leave, harassment, etc. Employers who breach these obligations face penalties.

### ► NON-DISCRIMINATION

To ensure the rights of foreign citizens who work in Albania, employers are not allowed to discriminate against foreign nationals (especially from EU countries) when recruiting, staff meetings or regarding any other working conditions.

The Labour Code prohibits employers from discriminating on the grounds of race, colour, gender, age, religion or belief, sexual orientation, pregnancy, residence, HIV/AIDS disease, political convictions, national or social origin, family connections, fiscalisation or mental disability, which prejudices the individual's right to equal employment or

treatment. Employers are further required to make reasonable accommodation at work for workers with disabilities.

### ► GENDER EQUALITY

Employers must treat men and women equally, particularly regarding access to employment, working conditions, promotion, and pay.

### ► HEALTH AND SAFETY AT WORK

Employers are responsible for providing a safe and healthy working environment for workers. The Labour Code lays down rules regarding the protection of the safety and health of workers. These include general principles concerning implementing preventive measures to guard against accidents at work and occupational diseases, consultation, balanced participation and training of workers and their representatives.

Albania's social security services pay benefits for absences due to illness or work accidents, in some cases supplemented by employer contributions. When the employer has failed to register the employee with the social security service, they will face all expenses the latter has made due to an accident or occupational disease and all damages arising from non-registration.

Albania actively supports voluntary dialogue between employers and employees and associations representing them. Employers must consult staff representatives on certain issues, e.g., when planning collective redundancies.

## ► LABOUR PROTECTION

During pregnancy and maternity leave, female employees are protected by measures, such as paid breaks up to 2 hours during working hours, special working conditions, a total ban on working 35 days before giving birth and 63 days after that, prohibition of night work, protection against dismissal.

## ► MONITORING OF WORKING CONDITIONS

The State Labour Inspectorate is responsible for enforcing the provisions of labour legislation, the collective contract and the employee's protection at work. In particular, the Inspectorate is responsible for implementing the conditions on the protection of employees in the exercise of their profession, the duration of work, pay, safety, hygiene and welfare, and the employment of children, minors and women.

## ► LAY-OFFS

The Law on Stimulation of Employment, which aims at pursuing general policies to sustain full productive and freely chosen employment, sets out specific obligations of employers, including:

## ► DUTY TO REPORT

The employer must report to the relevant employment office every vacancy in the enterprise within seven days of its arising. Such a report must specify the age, education, professional preparation and skills required for the job. In the event of impending bankruptcy, the employee must report to the relevant Employment Office

once they become aware of bankruptcy and no later than the expected date of the activity closure. In cooperation with the State Labour Inspectorate, the National Employment Service monitors the implementation of the obligations.

## ► OBLIGATION TO STIMULATE EMPLOYMENT

The employer must register every employee in the respective Labor Office to fill the available vacancies. The employer is entitled to filling the vacancy with the candidates offered by the Labor Office or with other suitable candidates.

## ► NOTIFICATION IN CASE OF COLLECTIVE REDUNDANCIES

When employers dismiss staff, they must follow specific rules depending on the number of dismissals. The Labour Code defines 'collective redundancies' as the termination of employment relations by the employer, for reasons not related to the employee, where the number of redundancies over a period of 90 days is at least:

- **10 in establishments employing up to 100 workers**
- **15 in establishments employing between 100 and 200 workers**
- **20 in establishments employing more than 200 workers**

Any employer contemplating collective redundancies must hold consultations with the workers' organization to reach an agreement. An employer in breach of the dismissal procedures is liable to pay the employees compensation of up to six monthly wages.

## 1.2 ANALYSIS OF THE FINANCIAL AND FISCAL POLICIES

### FINANCIAL ANALYSIS

After successfully registering the business, all the information about the new company is transmitted automatically to other public authorities as tax authorities. Also, the business can use all the online services through e-Albania (Law Nr. 9723 of 03/05/2007). The registration of employees should be done 24 hours before employees' starting work.

Based on new legislation on Accounting and Financial Statements, which is harmonized with the EU Directive 2013/34, businesses in Albania are obliged to use their currency in their own accounting. Still, when communicating with the tax authority, all the declarations should be in Albania currency, Lek (ALL). Albania has implemented the IFRS standards. The following companies are required to apply IFRS/IAS:

- Commercial companies listed on the stock exchange, as well as their affiliates subject to account consolidation
- Commercial banks, financial institutions, insurance and reinsurance companies, securities, funds, as well as other companies that are licensed to perform investment activities in protection, even when they are not listed on the stock exchange; and
- All the other companies that have fulfilled the following thresholds in the last couple of years:
  - Turnover equal or more than ALL 1.25 billion
  - The average number of employees of more than 100

All other companies may choose to apply either the National Accounting Standards or the IFRS/IAS.

In general, companies must submit annual financial statements (together with the corporate income tax return) to the tax authorities by 31 March of the following year. In addition, companies need to submit their annual financial statements to NBC at the latest by 31 July of the next year. The Law on Statutory Audit, the Organization of Profession of Chartered Certified Auditors and Certified Accountants № 10091 of 5 March 2009 regulates and defines the thresholds for statutory audit.

Specifically, the following entities need to have their financial statements audited by chartered certified auditors:

1. Any commercial companies, regardless of their form, which prepares their financial statements in compliance with the IFRS;
2. All joint-stock companies that apply the National Accounting Standards for financial reporting
3. Limited liability companies, which implement national accounting standards for financial reporting and, at the end of the accounting period, for two consecutive years, exceed at least two of the following indicators:
  - The total assets reach or exceed ALL 50 million at the end of the relevant accounting period.
  - The turnover from economic activity in that accounting period reaches or exceeds ALL 100 million.

- The company has, on average, 30 employees during the accounting period.

The Albanian Law on Foreign Investments provides that foreign investments in Albania are not subject to preliminary authorization. Such investments are treated based on equal treatment similar to domestic investments, except for investments in real estate. In all events, foreign investments benefit from equal and impartial treatment and complete protection and security. In addition, foreign investments benefit from equal treatment as ensured by the provisions of international law.

## OVERVIEW OF THE FISCAL, LEGAL FRAMEWORK

### INVOICING PROCESS – FISCALIZATION

Recently, a new law has been announced related to the Fiscalisation process in Albania, simplifying the invoicing process for the business. Now, a newly established company does not need to purchase pre-printed invoices from tax authorities. The law does not include any change in the tax system. It required the taxpayer to upgrade the reporting format with new technology without affecting the business activity. The new system will bring more transparency in doing business for both sides, taxpayers and tax authorities. The business services sector is more involved in B2B and B2G transactions, consisting of non-cash and e-invoicing. The application of the new system shall become effective from:

**1 January 2021 for non-cash transaction between taxpayers and public bodies- B2G**

**1 July 2021 for non-cash transactions between taxpayers with each other (including e-invoicing)**

The invoices shall be issued at the time of supply of the goods and services, no later than 72 hours after receipt of the payment. If the services offered by the company are on a regular or continuous basis, the company may issue a monthly invoice, which should be declared within the 10th of the following month.

### PERSONAL INCOME TAX

Albania's personal income tax is assessed under Albanian Law no. 8438 of 28 December 1998 on Income Tax. According to this Law, residents in Albania are subject to tax on their worldwide income. Non-residents are subject to tax on income derived from Albanian sources only.

The following individuals are considered a resident for tax purposes in Albania:

- Individuals who have a permanent residence, family or vital interests in Albania
- Albanian citizens serving in a consular, diplomatic or similar position outside Albania
- Individuals who reside in Albania consecutively or non-consecutively for at least 183 days during a tax year, regardless of their nationality or country of vital interests. The calculation of the residence period in Albania includes all days of physical presence, including holidays. Residents of countries with which Albania has entered into double tax treaties regarding income and capital may benefit from the provisions in such treaties.

### Taxable income includes:

- Employment income
- Self-employment income
- Dividends
- Interest from bank deposits or securities
- Royalties
- Income from rentals and leases of real property and loans
- Income derived from transfers of ownership rights over immovable property
- Income derived from transfers of quotas or shares
- Income derived from gambling and other games of chance
- Employer-provided stock options
- Capital gains

### Exempt income

The following types of income are exempt from personal income tax:

- Income received from obligatory and voluntary schemes for life insurance, pensions, health insurance and allowances for families or individuals with no or low income.
- Scholarships received by students.
- Allowances received for diseases or disasters, up to 20% of the annual employment income earned by the recipient.
- Benefits in cash or in-kind granted to former landowners as remuneration for an expropriation affected by the government for the public interest. This exemption must be proven by legal documentation explaining the nature of the income.
- Income excluded by international

agreements approved by the Albanian Parliament

- Indemnities received by former landlords and political prisoners
- Life and health contributions made by employers for the benefit of employees
- Compensation for damages ordered by final court decisions
- Prizes received from the government for achievements in science, sport or culture.
- Incomes from the transfer of ownership titles over agricultural land by a registered farmer to another farmer or an entity engaged in agricultural activities
- Contributions made by employers to private pension schemes for their employees, up to ALL 250,000 per employee annually
- The return of investment, including capital gains, made through an insurance policy
- Deductible expenses
- Tax residents can claim deductions for tax purposes for the following expenses:
- Voluntary contributions to pension fund schemes and life and health insurance premiums
- Interest on bank loans used for the education of the taxpayer and their dependent family members
- Healthcare expenses for the taxpayer's medical treatment and their dependent family members who are not covered by the health insurance scheme
- Tax on buildings

Companies incorporated in Albania or having their place of effective management in Albania are subject to corporate income tax on their worldwide income. Foreign companies are subject to tax on profits generated from activities performed through a permanent

establishment (PE) in the country and on income from Albanian sources.

Taxpayers with a turnover exceeding ALL 14 million (approximately EUR 113,000) are subject to corporate income tax at a rate of 15%. From 1 January 2018, the corporate income tax rate will be 5% for software production and development companies. Small businesses (taxpayers with an annual turnover up to ALL 14 million – approximately EUR 113,000) are subject to a reduced profit tax rate of 0%.

The assessment is based on the financial statements prepared in compliance with the local accounting standards or the International Financial Reporting Standards (IFRS), subject to certain adjustments for tax purposes as specified in the Albanian Tax Code and other supplementary legal acts. All necessary and reasonable business expenses, which are properly documented, are deductible.

The BS sector usually operates at leased premises, making considerable leasehold improvements. For accounting purposes, leasehold improvements are depreciated based on their useful life. For tax purposes, they use the declining balance method at the rates stipulated by the CIT law, i.e. 5% for non-removable leasehold improvements, treated as fixed assets and 20% for movable ones. This results in a difference, which cannot be deducted for tax purposes.

Based on the Albanian Income Tax Law, all residents and branches or fiscalisation representatives of foreign entities are obliged to withhold tax on the payments of dividends, profit distributions, interest,

royalties, rents, technical services (including construction, assembly, installations and the related supervisory work), consultancy and management fees when the amount is paid to individuals and non-resident entities other than those registered for income tax purposes in Albania. Withholding tax also applies to capital gains realized by individuals or non-resident entities from selling shares to resident entities.

However, BS Sector carries out services in relation to IT, cloud, which based on Albania tax authority practice are taxable. The government may consider implementing fiscalisation incentives related to these services to support the innovative businesses and make this sector more attractive.

Furthermore, a different approach should be implanted concerning the supply of off-shelf software. Currently, the incomes received from the supply of off-the-shelf software are considered royalty in Albania, without considering “copyrights”. The BSS use this standard software as part of their business operations without having the right to change it or transfer it to other persons. These rights remain with the originator of the software. Thus, these payments should not be taxable as royalties.

## VAT

On 1 January 2015, a new Value Added Tax (VAT) Law entered into force, aiming to align Albania's domestic law with the European VAT rules.

Albanian VAT generally applies to the following transactions:

- The supply of goods and services performed by a taxable person in Albania
- Importation of goods into Albania, regardless of the status of the importer
- Services purchased by taxable persons in Albania from service providers whose place of business is outside Albania

Certain supplies of services rendered to non-taxable persons in Albania by providers whose place of business is outside Albania, such as digital services and services related to an immovable property located in Albania. Any person (entity or individual) who makes supplies in the course of the person's independent economic activity is liable to VAT. A taxable person established in Albania is obliged to register for VAT purposes and charge VAT when the annual turnover in the previous 12 months exceeds ALL 10 million.

According to the Albanian VAT law, a non-established business in Albania that supplies goods or services within the country must appoint a local VAT representative if it is liable to account for Albanian VAT on its supplies.

The standard VAT rate for taxable supplies is 20% and applies to all taxable supplies of goods and services unless a ministerial decree introduces a reduced or zero rate for specific supplies. As of June 2017, a VAT reduced rate of 6% applies to the supplies of accommodation services by the accommodation facilities. The reduced VAT rate of 6% applies to all the supplies made within the five-star accommodation structures, which hold an internationally known trademark. A supplier of zero-rated supplies may deduct the VAT paid on inputs. The use of goods or services purchased or

produced in the course of business activity for private purposes constitutes a taxable supply to the extent that the VAT on those supplies was deducted.

The tax period is the calendar month. Purchase and sales ledgers should be submitted monthly by the 10th day of the following month. VAT returns must be submitted monthly by the 14th day of the following month. The deadline for VAT payment is the same as the deadline for filing VAT returns. For a newly registered taxpayer, the first tax period begins on the date of the registration, as stated in the certificate of registration, and ends on the last day of that month. VAT payable by a taxpayer for a tax period equals the VAT on the total taxable value of supplies made during the tax period, less any input VAT allowed as deduction.

A taxable person may recover input tax, which is the VAT that the taxable person paid to purchase goods and services used to provide taxable goods and services in Albania. A taxable person may also recover VAT related to the overseas supply of services (outside the scope of Albanian VAT) that would have been taxable if made in Albania. A taxable person generally recovers input tax by deducting it from output tax; the VAT charged on supplies made. Input tax includes VAT charged on goods and services supplied in Albania, paid on imports of goods and applied to reverse-charge services.

Taxable persons who have not received partial or total payment for taxable supply supplies may claim the VAT charged as input tax if such debt remained outstanding for more than six months, the amount has been

written-off. A court has declared the debtor insolvent. Albania refunds VAT incurred by VAT-registered persons. Non-established businesses may not obtain refunds of VAT incurred in Albania. Taxpayers making exempt supplies only cannot claim a refund of the input VAT incurred in the course of their business activities.

A taxpayer may claim a VAT refund if both of the following conditions are satisfied:

- The taxpayer carried forward the relevant amount as a VAT credit balance in the next three consecutive months.
- The amount claimed exceeds ALL 400,000.

A special incentive applies to the new capital investment, which allows taxpayers to defer the payment of VAT on the importation of machinery and equipment (regardless of the type of their economic activity), to the extent the importation does not qualify for any of the exemptions listed above in section "Rates". The VAT payment may be deferred for up to 12 months from the moment of importation. For projects with an investment implementation phase longer than 12 months, deferral of VAT is extended upon fulfilling the requirements set out by the Ministry of Finance in Albania.

## FISCALISATION INCENTIVES

As mentioned before, the BS sector plays a vital role in the Albanian economy, contributing enormously to our economic growth. For this reason, the Albanian government has implemented some fiscalisation incentives, as below:

- Losses can be carried forward for three consecutive years
- Exemption from simplified tax profit for small businesses with an annual turnover from 0 to ALL 14 million.
- VAT registration turnover threshold is over ALL 10 million.

Furthermore, Albanian taxpayers who carry out activities on the development/deployment of software (tech companies) will be subject to a 5 % income tax from 15 % applicable for others. Albania applies the lowest corporate income tax rate within the Balkans to create an attractive environment related to IT investment. Meanwhile, other countries CIT rates are:

**Bosnia and Herzegovina - 10%**  
**Kosovo - 10%**  
**Montenegro - 9%**  
**North Macedonia - 10%**  
**Serbia - 15%**

Taxpayers will apply the 5 % rate only on activities related to software development/production, activities specified as below:

1. Software design, which includes the process of envisioning and defining software solutions, analysis, and architectural patterns
2. Software architecture system design development and maintenance which consist of system programming, coding, installation, component integration, documentation, finding and fixing software bugs, modification, components maintenance, and system support

3. Software testing which includes testing of functionality, workload, performance, acceptance, availability, and security of the software system
4. Communication system design and development, which includes analysis, planning, design, implementation, deployment, and maintenance of computer networking systems (LAN / WAN / WLAN / MAN / SAN / CAN).
5. CISO related responsibilities which include analysis of customer security requirements, the design of the architecture, installations and component configurations, security testing and related maintenance;
6. System migration development which includes transferring relevant data and infrastructure from old technology to new technology
7. Improvement/upgrade of information systems
8. Operating, managing, support for use, training and technical / IT audit for software systems.

The taxpayer will apply the 5 % rate only if registered in the NBC as a tech company, specifying the activities mentioned above in the company statute. Other activities performed by the company should be related to the IT field. Other activities not associated with the IT performed by the same company should be recognized and registered by a separate taxpayer identification number. The tax rate for other activities will be the standard rate, i.e. 15%.

In addition, the taxpayer should notify the respective Regional Tax Directory related to the activities performed by the company for

the application of the 5% rate. In order to apply the reduced rate, taxpayers shall clearly reflect in the notes to the financial statements the income generated by the activity/activity for which the 5% tax rate is applied and the expenses incurred.

## 1.3 ANALYSIS OF OTHER RELEVANT LEGISLATION

### 1.3.1 PROTECTION OF PERSONAL DATA

In Albania, the processing of personal data is protected by the law. The authority responsible for protecting personal data in Albania is The Commissioner for the Right to Information and Protection of Personal Data which is independent. Cases of data processing in contradiction with the provisions of this law do not constitute any criminal offence and are subject to a fine. The Commissioner shall impose the Fines when he finds that the obligations outlined in the law are infringed.

Based on the Albanian legislation in force, the transfer of personal data to countries that have an adequate level of protection (e.g. EU, EEA countries, countries-signatories of Council of Europe Convention 108) is exempted from any prior authorization or notification obligation to the Albanian Data Protection Commissioner (the "Commissioner").

The international transfer of personal data to countries that do not have an adequate level of data protection may occur without the Commissioner's prior approval. This is possible when the controller presents sufficient protection of the privacy, the fundamental rights and freedoms of

individuals under the Binding Corporate Rules (“BCR”). There is no explicit obligation regarding the obligation of the controller to submit the BCR for prior approval.

It is essential to highlight that protecting data belonging to EU citizens and residents goes beyond the EU countries. The GDPR regulation applies to organizations that handle personal data even if they are not established in an EU country. This means that the regulation has an extra-territorial effect.

Lately, Albania has started to operate in the insurance market that uses outsourced services such as call centres. Based on Albanian legislation, the companies which work for the insurance market as outsourced services should have a license from the Financial Supervisory Authority.

### 1.3.2 CYBERSECURITY

Albania ratified the Convention “On cybercrime” in 2002 and undertook measures in relation to cybersecurity as part of the “National Security Strategy, 2014 – 2020”, and approval of “Cybersecurity Policy Document for 2014 – 2020”. In 2017, Albania adopted a law on cybersecurity, which mirrors the EU Directive 2016/1148 “Concerning different measures for a high common level of security of network and information systems across the Union”.

The law “On cybersecurity” aims to increase the level of safety in networks and information systems by determining the safety measures to be adopted by critical information infrastructure operators and important information infrastructure operators, their

rights and obligations. The Law stipulates the obligation of critical information infrastructure operators to establish a Cyber Security Incident Response Team (CSIRT). In contrast, integral information infrastructure operators should appoint at least one person responsible for cybersecurity incidents.

The National Authority for Electronic Certification and Cyber Security (NAECCS) is Albania’s central authority on cybersecurity. NAECCS is responsible for monitoring the compliance of the information infrastructure operators with the requirements of the Law “On cybersecurity”. Operators of critical infrastructure of information and operators of the essential infrastructure of information are obliged to report immediately any cybersecurity incident to the NAECCS. The Law on Cybersecurity also provides the protocols to be followed in case of a cybersecurity crisis at the national level.

### 1.3.3 AML FRAMEWORK

To reduce the threat and risk of money laundering (ML) /TF posed by legal persons, Albania has made a significant transformation during these years on anti-money laundering and combating financing of terrorism (AML/CFT) legal framework, which came following a MoneyVal recommendation. All legal persons will be obligated to register their beneficial owners with the National Business Centre.

This register aims to bring transparency to companies and their owners that operate in Albania. Based on the law, a beneficial owner is an individual who directly or indirectly owns or controls the legal person. The laws give the right to the tax authority

to verify the information disclosed by taxpayers. In addition, the National Business Center will impose fines for non-compliance to the legal person and representatives for failure to comply.

Companies involved in insurance and brokerage activities are considered Reporting Entities based on the AML/CFT Law in force. As REs, they should perform the due diligence for their customers before entering into a business relationship and report to the responsible authority for suspicious transactions. Furthermore, business services operating for investment companies are subject to the license requirement.

#### **1.3.4 THE NEW DRAFT LAW IN INNOVATIVE STARTUPS**

The Albanian government is working on drafting a new law that aims to support and develop innovative startups. According to the draft law presented to the public for consultation, new policies, fiscal incentives, a friendly ecosystem will apply to innovative startups. The budgetary stimulus consists of the exemption of local taxes and simplified profit tax for small businesses.

#### **1.3.5 CRYPTOCURRENCIES LAW**

Albania passed in 2020 a law “On financial markets based on distributed ledger technology”, which aims to regulate cryptocurrencies to exploit the benefits offered by them and deal with potential risks, such as scams, illegal trading, and money laundering and market manipulation.

The Law on cryptocurrencies provides a legal framework for regulating the infrastructure on which the Distributed Ledger Technology (“DLT”) is based. The Law stipulates the conditions for the licensing, the activities of operators and stock markets and their supervision. It also provides the requirements for the emission of digital tokens and cryptocurrencies, their authorization, trading and third-party custody services providers, as well as the prevention of abusive market practices.

The Albanian Supervisory Financial Authority and the Albanian National Information Society are both responsible for the licensing of cryptocurrencies, for the regulatory and compliance aspects and technological requirements aspects, respectively.

# 2. CONDITION OF THE BUSINESS SERVICES SECTOR (BSS) IN ALBANIA IN 2021

## 2.1 THE BPO SECTOR OVERVIEW

The business services sector (BSS) has grown from almost nothing several years ago to an industry employing more than tens of thousands of workers in different cities. It is dynamic with an endless aptitude for economic development. Looking closely at the BSS industry in recent years, we can confidently say that Albania is moving up in the value chain. Companies have raised the number of high value-added positions by implementing digitalisation.

The Business Process Outsourcing sector is a new and developing sector in the Balkan countries. Also, in Albania, this sector has seen steady growth since its inception and currently employs 30,000 professionals, and achieves annual turnover values over \$500 million. (Confindustria Albania, 2021)

The Business Process Outsourcing (BPO) alone counts tens of thousands of professionals across 400 outsourcing companies. Clients of this sector are companies from the UK, USA, France, Spain, Germany, Austria, Switzerland and Italy. Shared services centres (SSC) and

Research & Development centres (R&D) are less developed in the country; however, lately, there has been an increased interest from clients in these fields too.

**10% of the workforce engaged in the BPO sector work in companies with more than 100 employees.**

**15% of them work in companies with more than 250-1000 employees.**

**30% in companies with 100-250 employees.**

**45% in firms with less than 100 employees.**

There is also a significant increase in the number of information services, including firms that are part of the BPO. This increase is quite significant, especially after 2017, and it should be noted that the number of these companies is higher than the other two categories in the last three years. One other important aspect is that the growth is stable and gradual over the years, highlighting the sector's sustainability.

In 2010, only 61 companies were registered in the information services sector, while in 2019, their number went to 1612. The growth

is tremendous in just ten years, and it is predicted that it will continue to grow in the coming years. The sustainability of the market and the increased number of firms are good indicators of a healthy sector that attracts new investors to the country. It increases the competition and has also played a vital role in improving the working conditions and raising salaries for the employees. Based on an even more detailed division of the sector according to INSTAT, we can see the impact of each of the categories separately. As it can be seen from the data, the industry has experienced a continuous increase starting from 2013 in terms of the number of firms.

There is an increase in the importance of information service activities, from it being almost non-existent in 2013. Advertising and market research maintains a constant value with a very small reduction compared to 2013 and 2014. At the same time, information technology services, office administration and other supporting activities for enterprises have experienced the most significant growth momentum. In the last year, both of these categories have experienced an increase in the total number of registered firms.

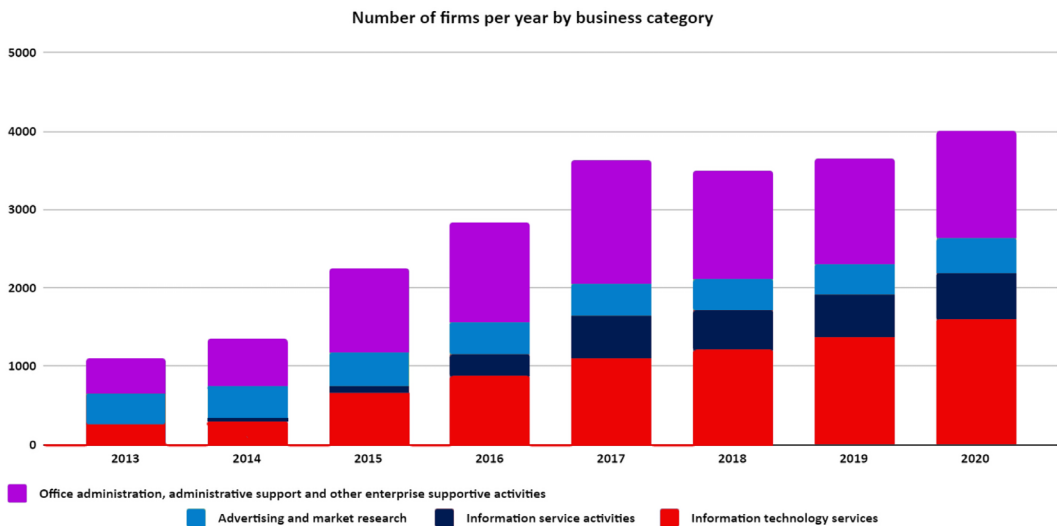


Figure 3: Number of firms per year by business category / Source: INSTAT | The graph by: TheCityStats

ITO companies (NACE 62 & 63) show remarkable growth in terms of investments, sales and number of employees. Although positive rates of growth are also seen in the BPO / BSS sector these are smaller in magnitude as this part of the sector is already well developed and quite sizable. Overall, the entire sector shows signs of strong continued growth in terms of employment, investments and revenue (sales) and shows great promise and fast expansion in new branches within ITO such as informatics services, programming and computing.

The graphs below use standardized 2-digit NACE codes to identify relevant sectors in compliance with INSTAT terminology<sup>1</sup>.

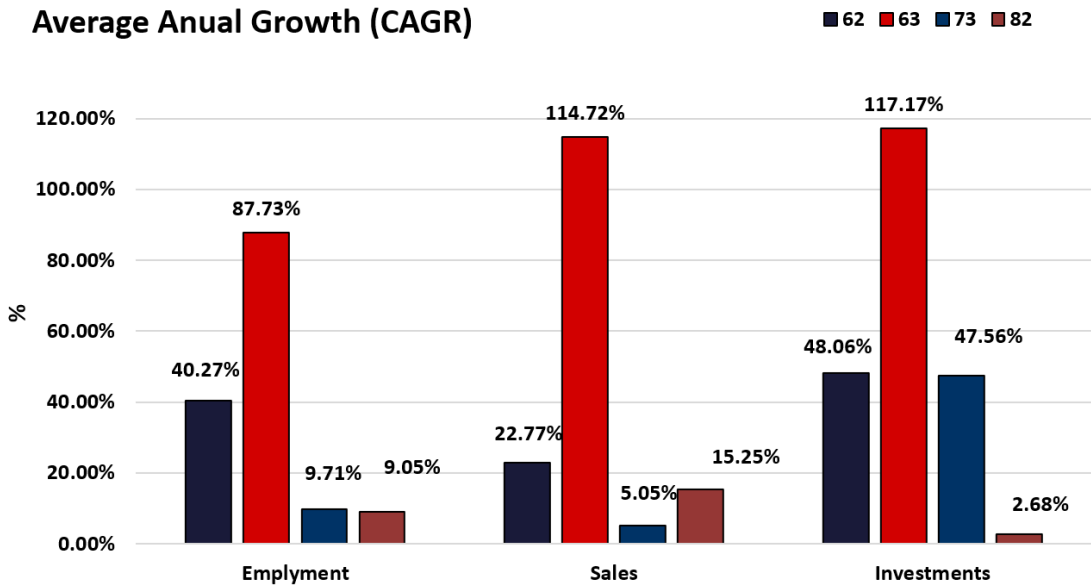
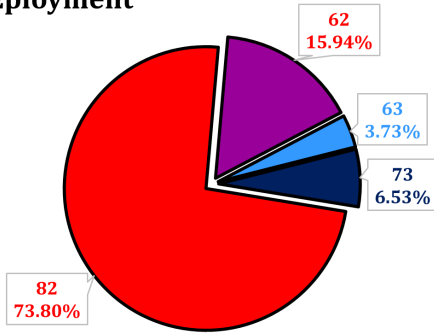


Figure 4: Average annual growth (CAGR) Source: INSTAT, 2019

Although ITO companies have been growing tremendously, as of 2019 the majority of the sector is still characterized by BPO / SSC companies, dominating all operational indicators: 80.33% of all those employed, 83.15% of gross investments and 70.78% of net revenue (sales). The business services industry altogether in 2019 employed over 35,000 people and had over 500 million euros in sales. Despite the large amount of turnover in the sector, investments remain fairly low at only around 4.06% of total revenue and even lower in investment intensive industries such as ITO (2.34%).

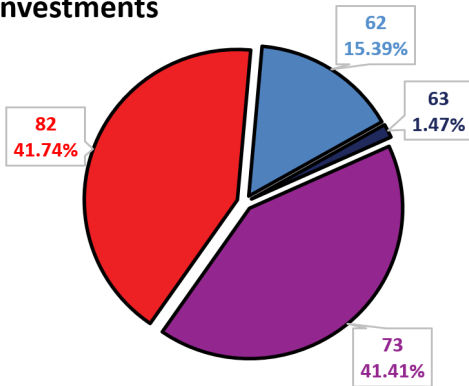
<sup>1</sup> 62 - Computer programming, consultancy and related activities  
 63 - Information service activities  
 73 - Advertising and market research  
 74 - Other professional, scientific and technical activities

### Employment



As seen in the line graphs below and growth averages above it is evident that sales have been growing in all the sectors, but this cannot be said about productivity. Net annual sales per employee, which can serve as a measurement of productivity have been almost constant in all cases. The lack of improvements in productivity can be a symptom of the relatively low rate of investment and suggests that the increase in production (sales) we see is fuelled by the work force participation rather than investment and innovation.

### Investments



There is a sustained demand for the services in the BPO and ITO sectors, and Albanian companies are increasingly facing pressure on their resources and margins, impacting their ability to meet that demand. For instance, capabilities and technology shortages are starting to affect their ability to grow and scale. Nonetheless, Albania remains one of the least saturated business services locations in Europe. And it is this, alongside the favourable market conditions, which makes the country an ideal destination for companies looking to grow their operations.

### Sales

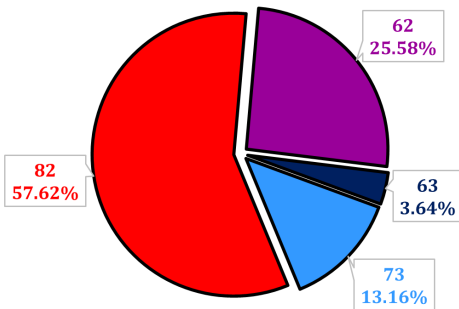


Figure 5: How each category sub-sector presents itself

Source: INSTAT, 2019

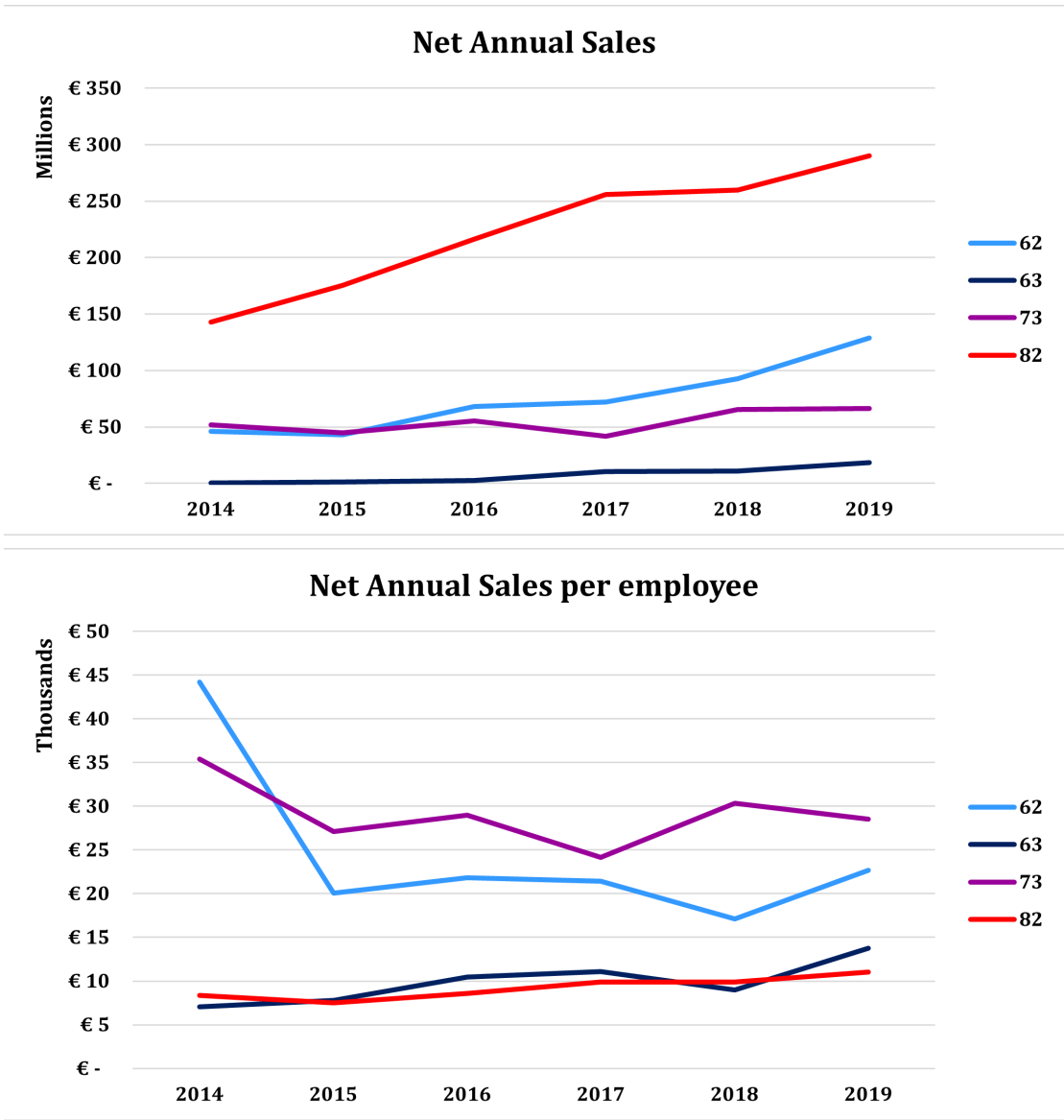


Figure 6: Net annual sales Source: INSTAT, 2019

Albania’s top central hub is Tirana, the capital city which is host to the best and most prominent universities in the country. It is the most extensive metro area with a solid logistics and talent pool, making it a draw for different companies. But, although the BPO and ITO sectors employ a large percentage

of the Albanian youth, there remain ample untapped resources for the business services industry players to utilize.

Even though Albania continues on the trajectory of negative net migration of well-educated talents (also known as the “brain

drain”), due to the increased presence of large international companies offering diverse job opportunities, young Albanian professionals are pursuing their careers in their home country. However, there is still room for improvement in making the labour force more prepared for the market demands.

On the other hand, many foreign individuals come to Albania for employment or investment reasons. As can be seen from the data below, there is a significant increase in residence permits for employment reasons, specifically three times more than in 2005. This is an excellent indicator of Albania’s ability to attract foreign individuals to invest or work in the country. However, since most of them come from developed countries, it is fundamental to use their experience to further improve the condition of Albanian business or prepare them for international markets.

### Foreigners in Albania for employment reasons

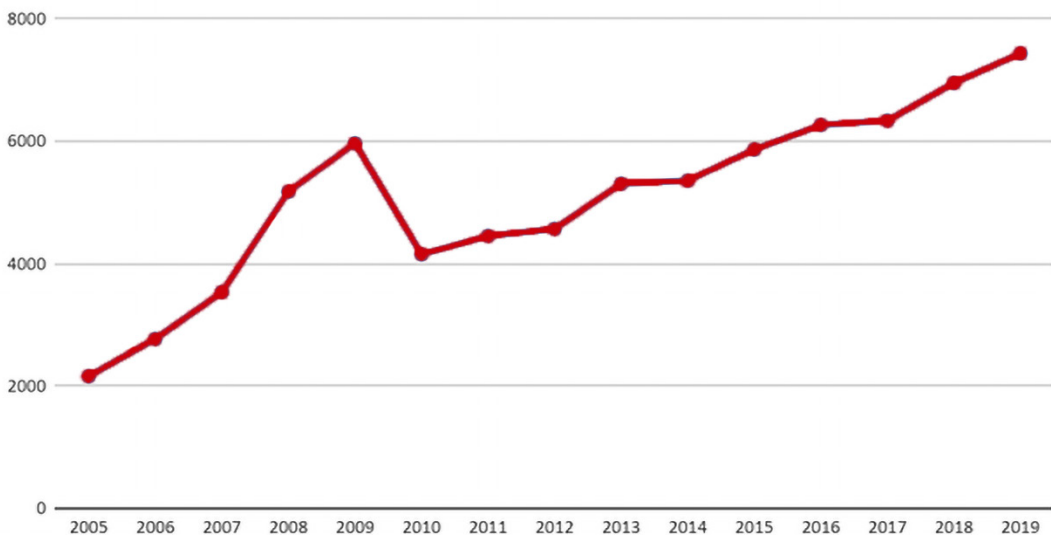


Figure 7: Number of foreigners in Albania for employment reasons along the years

Source: INSTAT | The graph by: The CityStats

## 2.2 GENERAL OVERVIEW OF ALBANIA & THE ITO SECTOR

The Albanian IT industry has fairly matured thanks to the development of technology and the increased demand of international markets for services such as software, web development, web design, and others in a fast-growing sector. These changes have fundamentally shifted the mindset of young Albanian students to focus on degrees related to IT like:

- Computer Science,
- Information & Communication Technology,
- Business Information,
- Telecommunication Engineering,
- Digital Design etc.

Seeing the ever-growing demand for IT services and the many possibilities this market offers, these young people are influenced to study the degrees mentioned above. They are more inclined to search for information to acquire new professions to work with foreign clients. This is how they can get a far better salary than Albanian companies manage to give them for the same set of skills. What matters most in this industry is being skilled and having the necessary digital skills.

According to a RisiAlbania, Albanian youth speak at least English, Italian and French fluently. This phenomenon has happened because they are compulsory subjects from elementary school to university; and because

Albanian people are fond of English and Italian TV stations.

Currently, 3,089 active companies are operating in the ICT sector in Albania, of which 752 registered in 2019. About 488 people work in the telecommunications sector, 1,371 in IT programming and consultancy and 539 in information services. The number of foreign companies active in 2019 reached 279. Albania has become one of the leading destinations for ICTBPO services in Eastern Europe, thanks to its urban culture, availability of resources, infrastructure and attractive tax incentives for investments.

The low costs of operations and workforce are another crucial reason companies have chosen Albania for their investment. Young IT graduates accept job offers with a monthly salary starting from four hundred dollars as a monthly salary. Of course, it is different from hiring a freelance developer or designer from another part of the world. The living costs in Albania intrigue many company owners who choose the country to reduce their overall expenses. An energetic style of living, new things to experience is what Albania also offers compulsory subjects from elementary school to university; and because Albanian people are fond of English and Italian TV stations. The low costs of operations and workforce are another crucial reason companies have chosen Albania for their investment. Young

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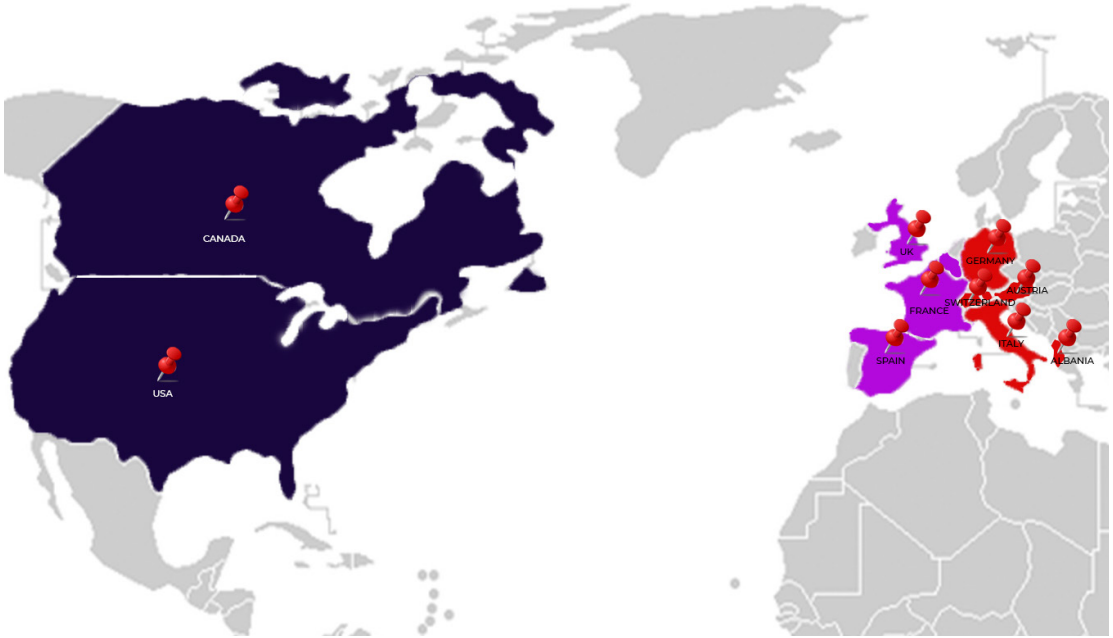
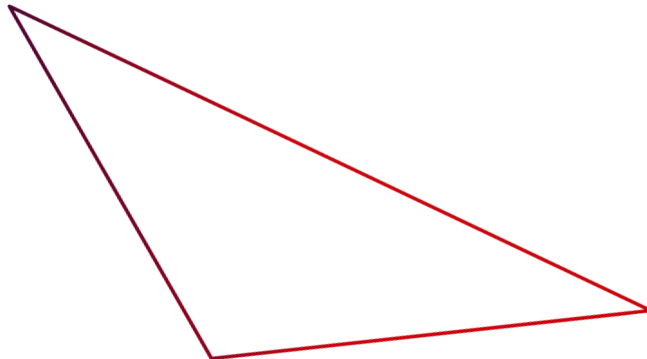


Figure 8: Target geographic markets for Albania

Source: (RisiAlbania, 2017) Albania in Yellow and its clients and potential clients as explained in the map.



## 2.2.1 FACTORS POSITIVELY AFFECTING ITO'S GROWTH IN ALBANIA

According to Free Apply (the World's largest University Catalogue,) (21) 32 universities with 461 study programs, 177 Master programs at 31 universities and 65 PhD programs at 14 universities operate in Albania and supply the job market with plenty of graduates each year. Nearly more than 160,000 students are enrolled in the universities each year.

Most Albanian students attend classes such as social sciences, business courses, and law school. Still, every passing year, society is learning from well-developed countries and the importance of science, technology, and mathematics (STEM) majors that ensure professional jobs.

School / academic year	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Field of Study</b>						
<b>Education</b>	11,236	11,779	10,689	10,062	9,062	8,367
<b>Arts and humanities</b>	17,095	17,278	15,441	14,348	12,537	10,972
<b>Social sciences, journalism, and information</b>	13,073	10,004	12,259	14,086	11,397	10,277
<b>Business, administration, and law</b>	41,523	36,471	30,233	33,447	32,732	31,173
<b>Natural sciences, mathematics, and statistics</b>	6,719	7,816	6,325	7,060	5,962	4,924
<b>Information and communication technologies</b>	8,260	7,487	8,228	10,016	8,883	8,341
<b>Engineering, manufacturing, and construction</b>	18,005	18,480	18,730	20,019	20,775	20,537
<b>Agriculture, forestry, fisheries, and veterinary</b>	8,383	7,086	4,564	4,999	4,158	3,458
<b>Health and welfare</b>	21,550	20,900	19,837	20,727	20,199	21,195
<b>Services</b>	2,433	2,306	3,088	4,279	4,559	4,553
<b>Unknown field</b>	0	0	0	0	0	0
<b>Total</b>	48,277	41,410	31,833	39,043	30,264	23,797

Table 1: Students in higher education regarding fields of study | Source: (INSTAT data)

IT studies are included in nearly every major such as Economic Information at the University of Tirana, the Faculty of Economics; Information, Information Technology, and Information & Math Engineering at the University of Tirana, the Faculty of Natural Sciences; the Business Information Agricultural at the University of Tirana and many other majors on the Polytechnic University of Tirana such as Telecommunication Engineering and Geoinformation Engineering.

The private ecosystem of skills development is growing. In June 2021, Tirana Municipality, the Albanian tech community, and other investors initiated the first discussions towards the latest project, "The Multimedia School" - a school focused on technology, digitalization, and media. Albania's BPO and ITO environment has great potential and is continuously growing; that's why so many investors have started cooperating with the government and many tech community representatives. This cooperation aims to create different communities, projects, and tech spaces to teach youth technology, digital arts, software development, robotics, etc.

Another important project was created by the British Council, which has organized a few important projects and events, among them the "Call for Coding Club Support Consultants on 21st Century Schools program in Albania." It has operated not only in Tirana but also in other cities with the purpose to teach the Albanian youth about coding and western culture. Another objective of this project is to maintain good relationships with Albania and see the country's development of its capacities, considering the fact that seven in ten companies in the UK outsource to third parties.

There are numerous tech spaces and places where youth can gain experience and improve coding abilities. Tech spaces such as OFIÇINA, an organization that until 2021 has accelerated 72 startups and assisted more than 150 entrepreneurs, helping organizations in aspects, attracting investments. Another co-working place is Collab, eight hundred square meters of Collab are dedicated to 30+ members and 50+ workstations.

In Albania, big companies like IKUB have their specific academies where they manage to produce talents for themselves and the IT market in general. From 2013 until 2021, IKUB's academy has accepted six thousand registrations, and 80 graduated students have been employed there. ICTSlab is a regional center of innovation, a multifunctional laboratory focused on informal education which focuses on young people's challenges for the 21st century.

Thirty million children throughout the world are part of the programs that ICTSlab has to offer. Here in Albania, ICTSlab has been cooperating with the whole tech community not only to provide tech-related courses for children but also to educate people about the use of technology and prepare them for digitalization.

AlbaniaTech, is an online platform that gathers Albanian Startups, creating a safe place where the community can focus on innovation, building networks and sharing inspiring success stories. It provides support to them not only in the early stages while also contributing to different stakeholders such as the government, different NGO programs, universities, or investors.

## 2.2.2 MAIN IT SOLUTIONS USED IN ALBANIA

The most used software in Albania is as below:

- **Those of a financial and accounting nature. For instance, there are three main accounting packages available used by more than 90% of Albanian companies, such as Finance 5, Alfa Accounting, and Bilanci.**
- **POS and inventory solutions (there are several competing packages);**
- **As well as human resources management solutions**

Other common services are web-based solutions, such as websites, web portals, e-commerce, mobile solutions, and to a lesser extent, e-businesses solutions. The main products offered by Albanian companies are cross-functional solutions, mainly financial and accounting software. In contrast, ERP solutions are recognized very little and used modestly by the private market, as seen in a research (Rezart DEMIRAJ, Rezarta SHKURTI (PERRI)).

Software development firms are not generally involved and, for that matter, not specialized in industry-specific solutions. Local demand, particularly in the banking, telecommunications, and manufacturing sectors, is usually met by foreign companies or by a consortium of international companies with local ones. (RisiAlbania, 2017) Specific solutions are mainly offered to the public sector, specifically e-government applications and information management systems. Technology-specific products are in the early development phase, as only a few firms have recently entered mobile applications, cloud computing, etc.

## 2.2.3 ALBANIAN GOVERNMENT'S INVESTMENTS IN TECHNOLOGY: OUTSOURCE OR IN-HOUSE BUILT-IN SOLUTIONS

Albania's major investments in technology were mainly made in five areas: government services, education, health, and finance. As mentioned in the report above, the government made a significant investment in its portal e-Albania. E-Albania offers public services of many kinds, starting from property, insurance, taxes, and business services. To sum up, e-Albania simplifies the public services provided in the fiscalisation governmental offices and offers them online. This platform was and continues to be developed and managed as an "in-house" built-in solution from AKSHI (NAIS) and the software development company dev.al.

The government made another significant investment in health to create the portal of the family doctor, first known as e-Vizita, which means e-visit. There were different platforms for different services. For instance:

- e-Vizita was for visits to the family doctor and speciality doctors,
- e-Receta for medical prescriptions to provide patients with prescriptions online and to

control the medicine delivered to avoid using the same prescription in several different pharmacies.

- e-Referimi for doctors referring patients to different public hospitals or public clinics that dealt with a specific condition
- AHIS which is an electronic register of insured people.

Lately, all four portals were combined into one; the e-Vizita platform offers all the services mentioned above, reducing the time and hassle for both patients and doctors. Just like e-Albania, e-Vizita is a software product developed by dev.al and managed by the government. This portal helped the government find potentially infected patients during the pandemic to isolate the cases and administer cases.

Akademi.al is an online learning platform created by an Albanian graduate in Information Technology University College London, in cooperation with the Education Sports and Youth Ministry. Following the COVID-19 situation, the Akademi.al creator Dean worked with MASR (the ministry) to provide students with over 900 hundred lessons in science and math during the quarantine. Since then, the cooperation has worked on adding more classes and up to 5000 videos.

This platform can be used by teachers, students, and educational institutes that conduct online teaching. Due to social distancing restrictions, this platform facilitated both teachers and students' learning/teaching processes during the pandemic. Akademi.al declared on social media that from the beginning of the 2020 school year until November 2020, 350'000 users

were registered. This massive attendance happened because of the need for an optimal learning process during a crisis. After the lockdowns were lifted, Akademi.al have managed to provide more videos and lessons about traditional school subjects and even music and software. Lately, the new reform "Fiscalisation" ("Fiscalisation") is taking place in Albania. "Fiscalisation" is a set of measures which aims it aims that all businesses declare digital invoices. The government created a new law and activated it at the beginning of 2020, but it was postponed in January 2021 because of the pandemic. For the new reform to function properly, the government allowed software development companies to create software that supports Fiscalisation.

After creation, the government would test the software to check if it had all the needed features and if it supports the whole process. If the testing were successful, the company would be given a license to allow them to sell it to different businesses. This pushed software development companies in Albania in a healthy competition to create simple and easy solutions for every kind of client, be that a small company or a big corporation. In the end, the main objective was to reduce their paperwork and deliver a fast and efficient experience.

Public services and the efficiency of their distribution have a significant effect on the economic and social development of the country and the different sectors of the industry. Today, all ministries have their websites and databases where electronic legal acts and regulations, updates on ministry activities, strategic documents, and different reports are published electronically.

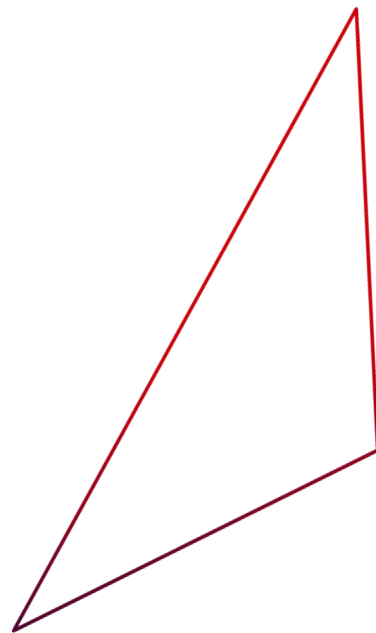
## 2.2.4 NEW TECHNOLOGIES INTRODUCED IN IT SECTOR IN ALBANIA

With technology and software development, automation has become part of nearly every department, especially in ITO companies. Since the Albanian workforce and the youth are oriented towards technology and know one or more foreign languages, the country has become the “perfect” environment for IT automation. The Albanian markets’ demand for IT and software are still not enough for the IT companies. For this reason, they are shifting their focus toward ITO due to the high demand from foreign countries.

So basically, IT automation is the process of developing software and different systems to facilitate repeated operations and reduce manual and tiring intervention. This process makes it easy delivering the IT infrastructure and applications by creating automated processes out of the manual processes that require human intervention. Using IT automation, the software sets up and repeats instructions, methods, or policies. By doing so, it saves time for the workforce and enables the IT staff to focus on strategic work. Understanding the evolution of cloud services and virtualised networks that demand fast, complex administration, automation has become an essential strategy that provides the IT teams with speed, stability, and security.

The demand for ITO services keeps increasing, and the sector requires progressively further automation. However, the automation process is new in Albania, and it is mainly used in few procedures such as testing,

configuration, deployment, and cloud provisioning. Since many companies are growing, developers and other employees require additional automated tools and processes. Foreign companies have a more structured and well-developed IT sector and use automation to cut expenses and empower the workforce’s efficiency. There is not much information on automation departments in ITO in Albania because most of the companies are very private about sharing data and information.



# 3. IN-DEPTH DEVELOPMENTS IN THE BUSINESS SERVICE SECTOR

We conducted a quantitative survey with firms from the business service sector in order to obtain in-depth information on recent developments. We used a questionnaire to collect a range of quantitative and qualitative assessments focusing on closed-ended questions with one or more alternatives and the Likert scale for qualitative reviews and opinions. It included twenty-four questions in different areas divided into four sections and was completed by 64 Albanian and foreign companies.

The results presented in this report concern the activities of business services centres whose parent companies have their headquarters in Albania. Each entity was assigned to one of the primary types (BPO, SSC/GBS, IT, R&D), taking into account the dominant profile of its operations. Contact centres providing services to external customers were classified as BPOs.

IT centres were defined as entities that outsource IT solution services (e.g. system, application or infrastructure maintenance, technical support) and/ or develop and sell (implement) software for external customers (software development). Particular business

services centres were treated as separate units for analysis, even when located in the same city. Accepting the geographic criterion, that is, the requirement of being located in two different places would have eliminated information about centres of different types, e.g. IT and BPO together in the same location.

## 3.1 OVERALL SECTOR CHARACTERISTICS

From the answers the companies gave, we conclude that the BPO sector continues to be the most predominant form of operation, with 54.84% of all sampled firms accounting for almost 90% of all employed people across all firms. Furthermore, BPO firms are also the largest, with an average of 126 employees per firm, from all the firms with 500+ employees falling in this subsector.

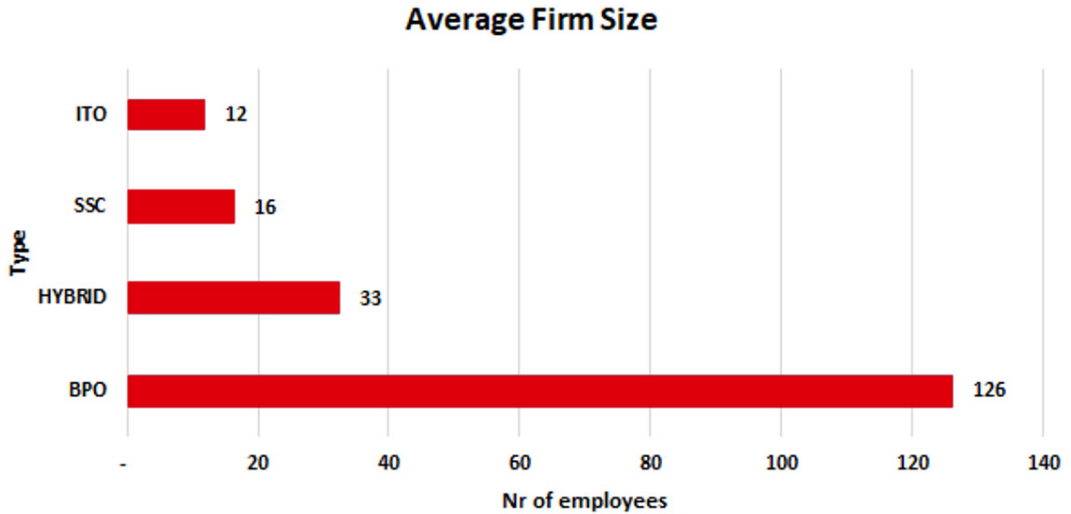


Figure 9: Average firm size per subsector  
 Source: ABSL Albania’s survey, 2021

Getting more female employment is one of the challenges faced by many enterprises today. The issue of getting more women in the office is a concern that affects not only the company itself but also the individuals that comprise it. However, the data we collected shows that there is no visible gender gap in the ITO, SCC or Hybrid subsector. Meanwhile, the BPO companies tell a whole different story, where females make the majority of the employees, as shown in the picture below. However, we will get into more detail in the HR and recruitment chapter.

## Number of male and female employees per subcategory

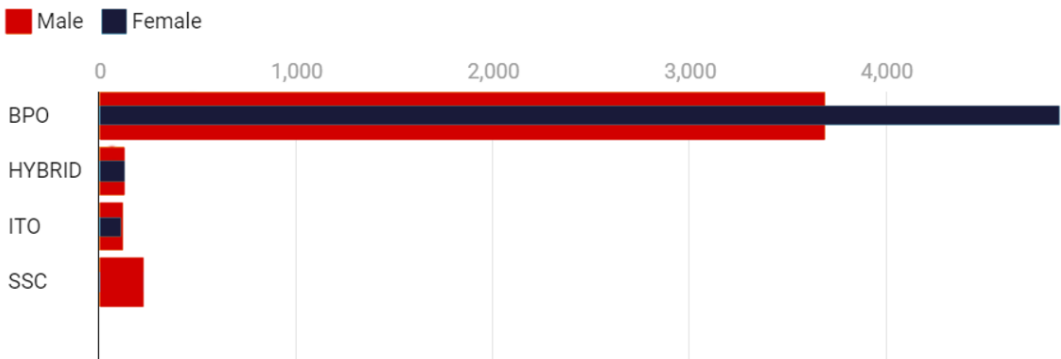


Figure 10: Structure of Employment per subsector  
 Source: ABSL Albania’s survey, 2021

The sector continues to be a major promotor to youth employability, with over 90% of all employees across all sampled firms being between 18 and 35 years of age. Established businesses recognize that investing in youth is investing in the future of Albanian society. After all, the youth are at the forefront of creativity, innovation, better approaches to technology, self-development and are more adaptable to change.

### Age structure as a percentage

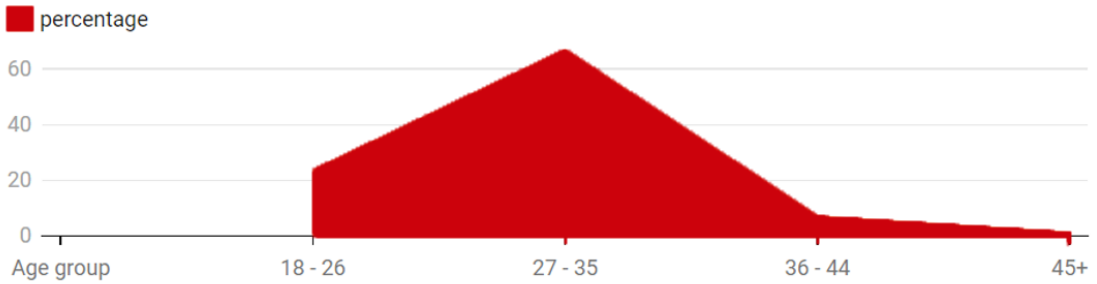


Figure 11: Age structure of the whole Business Service Sector

Source: ABSL Albania’s survey, 2021

Active business services centres are predominantly concentrated in the metropolitan area in Tirana (63%), confirming what other researchers have concluded. This means that the capital city remains the largest employment centre in Albania, followed by Shkodër, Fier etc. These other cities serve mainly as branches of the primary centres with headquarters in Tirana. Out of all sampled companies, only 8% are exempt from this rule.

### Distribution of Active Centers

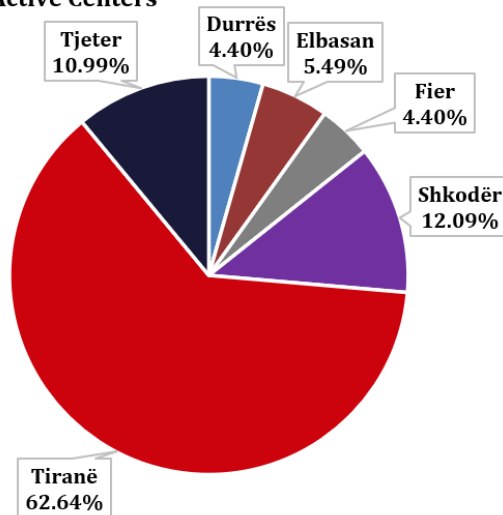


Figure 12: Distribution of active centres in different cities

Source: ABSL Albania’s survey, 2021

Most of the active centres outside of Tirana are associated with a limited number of firms as typically they only operate in 1 region (up to 80%). Although to a limited extent, SSC and BPO companies are the most likely to have multiple centres in different areas. The data from the ABSL survey suggests that all sampled companies with operations in 4 or more regions are BPO companies, as it can be seen from the figure below.

### Number of business centers for each subcategory

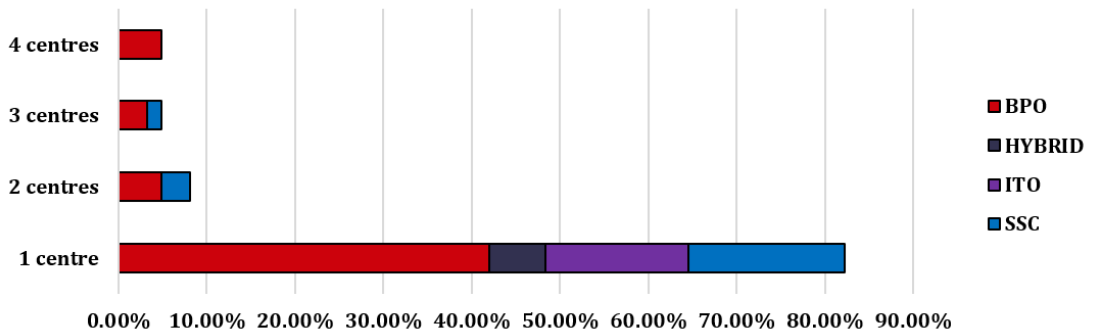


Figure 13: Type of firms by number of business centres

Source: ABSL's survey, 2021

Regarding capital structure and ownership, the majority of the sample have Albanian company shares (see the two pictures below). Moreover, 63% are made by over 90% of the local capital. This local character of the firms is also reflected in the low presence of foreigners in managerial positions (21.64%). It is much more likely to encounter foreign managers in companies with primarily foreign capital (83.33%) than Albanian capital (7.50%).

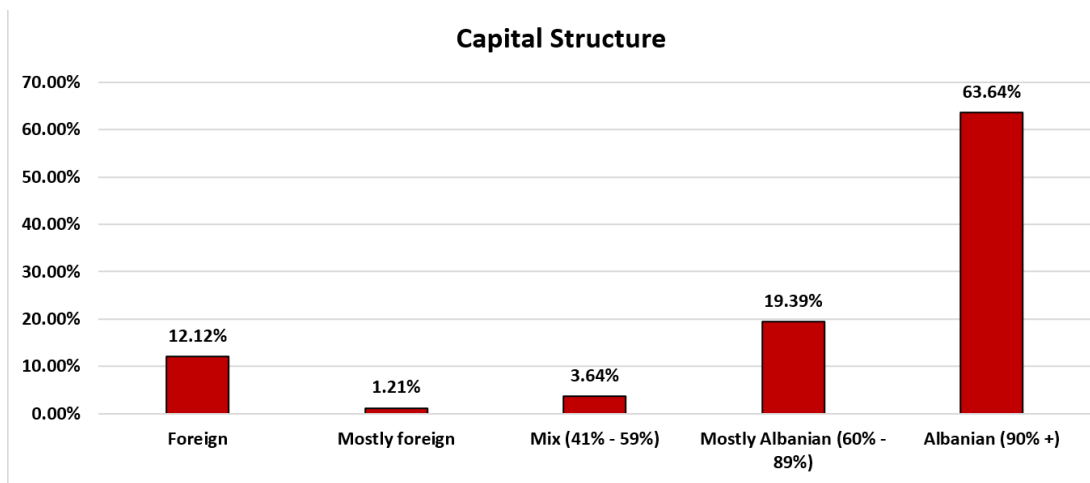


Figure 14: Capital structure of the business centres

Source: ABSL's survey, 2021

## % of firms with foreigners in high managerial positions

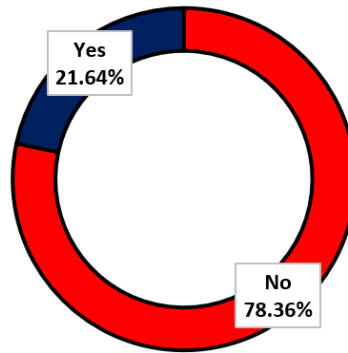


Figure 15: Percentage of foreigners in high managerial positions

Source: ABSL's survey, 2021

One of the most dominant characteristics of the service sector is the use of different languages to communicate with potential customers. From the data we gathered, the most used language (after Albanian) is English and Italian.

## Most used languages

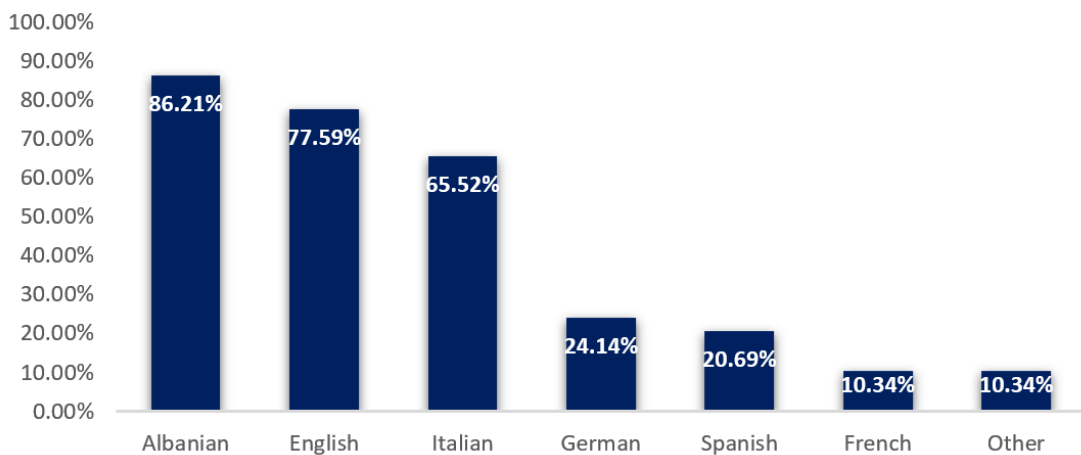


Figure 16: The most used languages in the sector

Source: ABSL's survey, 2021

But what impact does the presence of foreign managers have on the average number of foreign languages used? Companies with foreign employees in executive roles use, on average, more foreign languages than those without. The majority of the clients are in Italy and Albania, which is understandable due to the strong influence of the BPO firms.

The fact that Albania is the second most major market which these companies serve is a positive indicator of the orientation of the Albanian economy toward the services sector. From the data gathered, on average, the number of foreign markets served is higher for companies with foreign managers than those without (see the figures below).

### Average number of languages used & presence of foreign managers

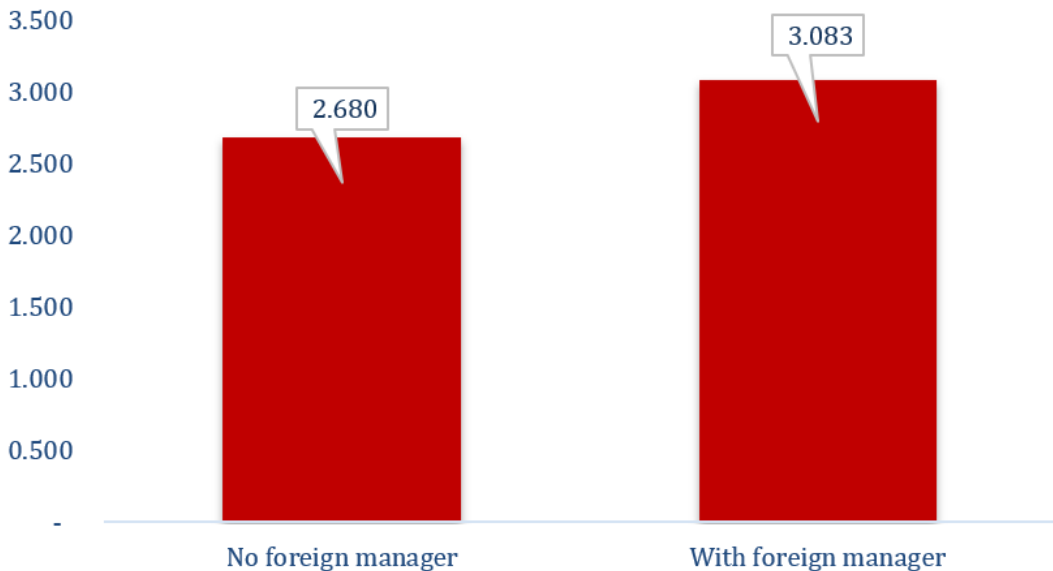


Figure 17: The average number of languages used related to the presence of foreign managers.

Source: ABSL Albania's survey 2021

### Average number of Countries served by presence of foreign managers

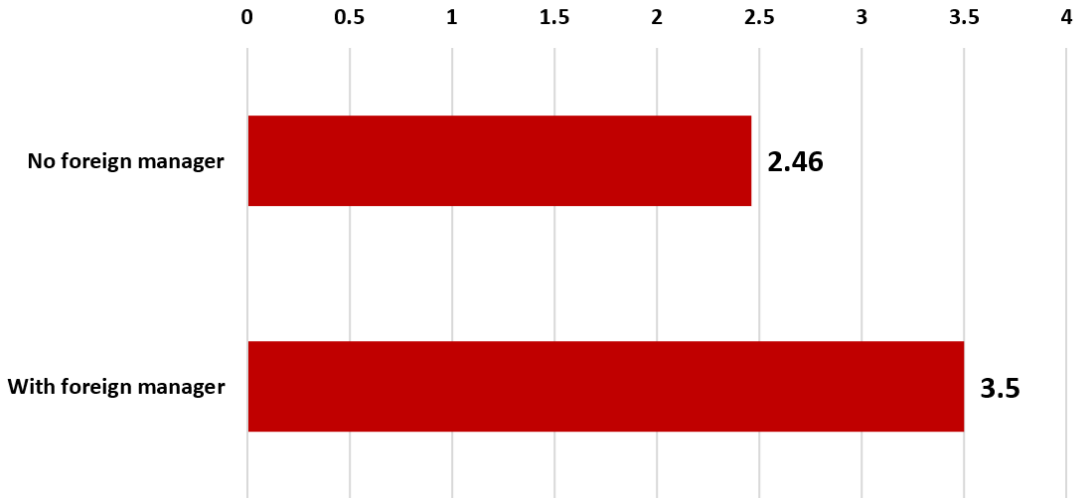


Figure 18: The average number of countries served related to the presence of foreign managers

Source: ABSL's survey 2021

The number of countries served in a business service centre with foreign client managers is larger than in a business service centre with local client managers. Foreign client managers have more overseas experience with international customers and feel more confident in this role than local client managers. This makes the former eager to expand their range of countries and services, while the latter gets stuck in their national preferences and tend to serve only the largest markets.

From the data gathered, customer service, telemarketing, and digital marketing are the top three services. But which are the primary industries these companies serve? According to their answers, they get most of their customers in the online commerce and sales market. Ranked second is telecommunication, followed by technology and information. This conclusion supports the results from another important research as that of Confindustria "Scheda paese Albania: Settore ICT/BPO." (Confindustria Albania, 2021)

## 3.2 INDUSTRIES SERVED AND THE SERVICES OFFERED

Another critical element worth analysing is the importance that different services these companies offer have for their overall activity.

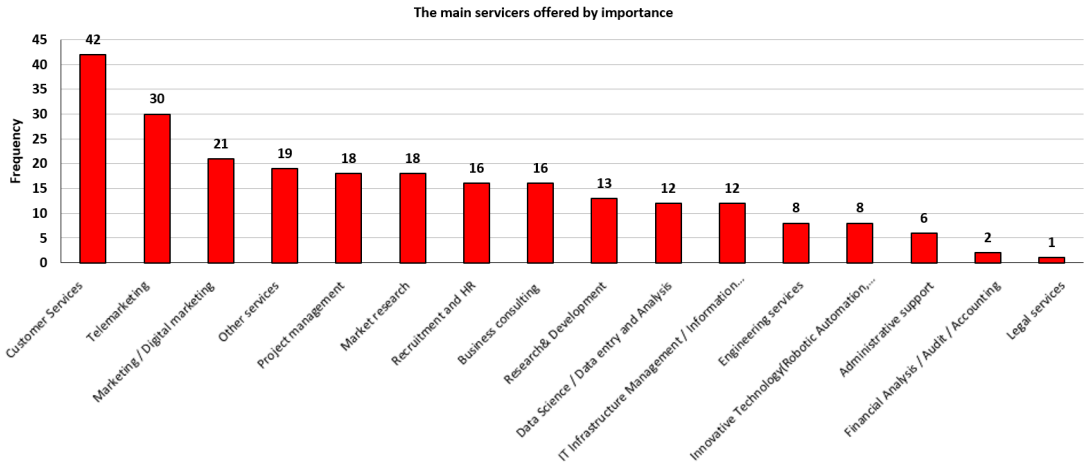


Figure 19 The main services offered  
Source: ABSL Albania's survey 2021

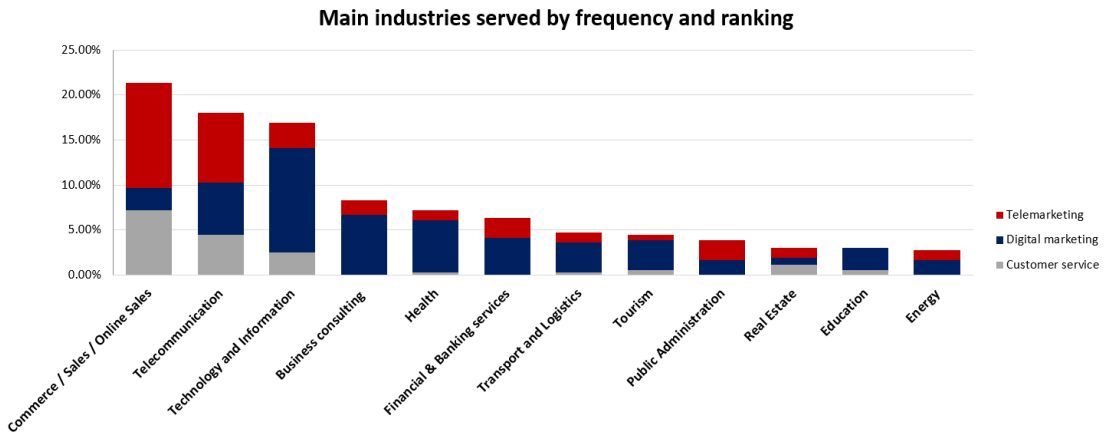


Figure 20: Main industries served- considering the three most important services offered  
Source: ABSL Albania's survey 2021

Successful businesses have become increasingly reliant upon using online marketing as a core component of their business strategy in today's economy. The premise is that the internet provides a way for a company to instantly connect with a customer base much more significant than previously possible. The most important sales channel is online or offline marketing (20.39%), followed by sales agents (19%) and call centres (17%). Other forms of reach, including networking events, word of mouth or even mediators, are also rather popular.

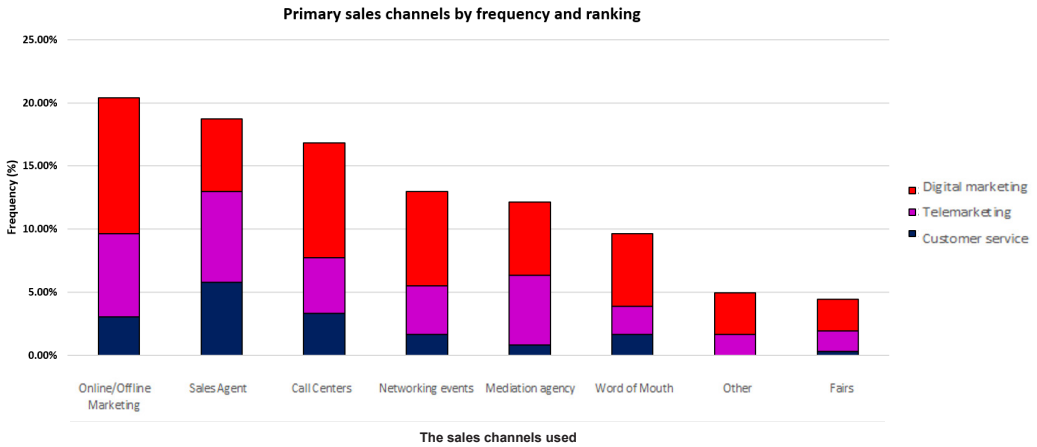


Figure 21: The most important sales channels for the three most important services offered  
 Source: ABSL Albania's survey, 2021

Seeing the highly dynamic business environment influenced by rapid technological advancements in recent years, it is fundamental for businesses to have a strategy in place. From the analysis, we conclude that the BPO companies focus more on market expansion strategy where they promote and increase the number of their existing services in existing markets. The primary strategy of Hybrid firms is diversification, thus the launch of new products and services in emerging markets. The ITO and SSC companies have mixed strategies for the future. What can be considered problematic is the reluctance of other businesses (except for hybrid ones) to launch new products or services.

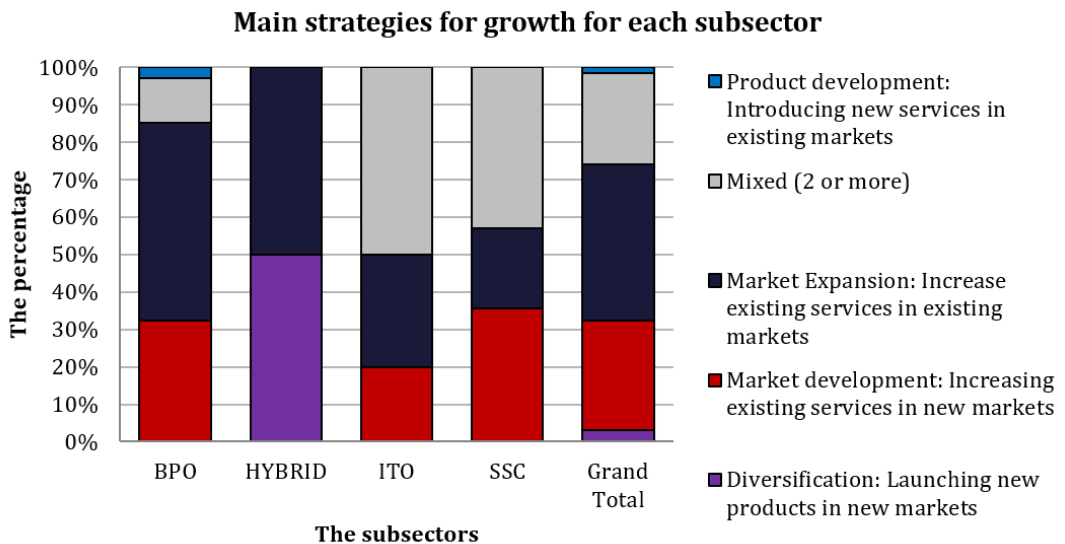


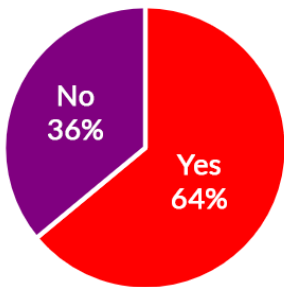
Figure 22: Main strategies for growth for each subsector / Source: ABSL Albania's survey 2021

### 3.3 HUMAN RESOURCE DEVELOPMENT AND RECRUITMENT

One of the key elements that make or break a business is undoubtedly the staff, especially for the business service sector. That’s why companies must invest in improving the technical skills of their employees, regardless of the industry they operate in. The data gathered from the survey show that businesses either use internal structures or hire external firms for the training.

The internal structures consider the needs of the organization and its employees and are seen as a better way to equip the staff with the necessary skills and capabilities to increase productivity. Our data shows that 67% of firms have internal training structures. Meanwhile, only 64% of firms have a dedicated budget for employee training.

Budget for employee training



The existence of employee training structure

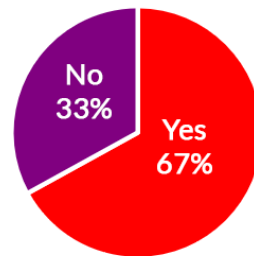
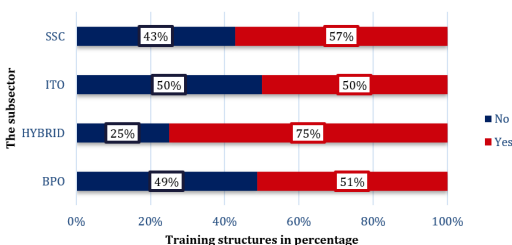


Figure 23: Employee training structures and budget / Source: ABSL Albania’s survey, 2021

If we look specifically at each subsector (the figures below), we see that Hybrid firms pay more attention to establishing structures for employee training; meanwhile, firms belonging to the ITO sector are ranked the last in this direction. Meanwhile, most of the SSC companies don’t have a budget dedicated to employee training.

Establishing employee training structures for each subsector



Budget allocation for employee training for each subsector

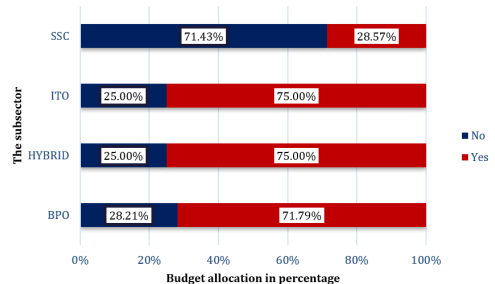


Figure 24: Employee training structures for each subsector / Source: ABSL’s survey, 2021

Automating processes is vital in the fast-paced business environment because it is associated with increased efficiency, productivity and innovation. An important element in this regard is the use of software programming languages. As expected, ITO firms use more software and programming languages than other business categories, while Hybrid firms have the lowest number.

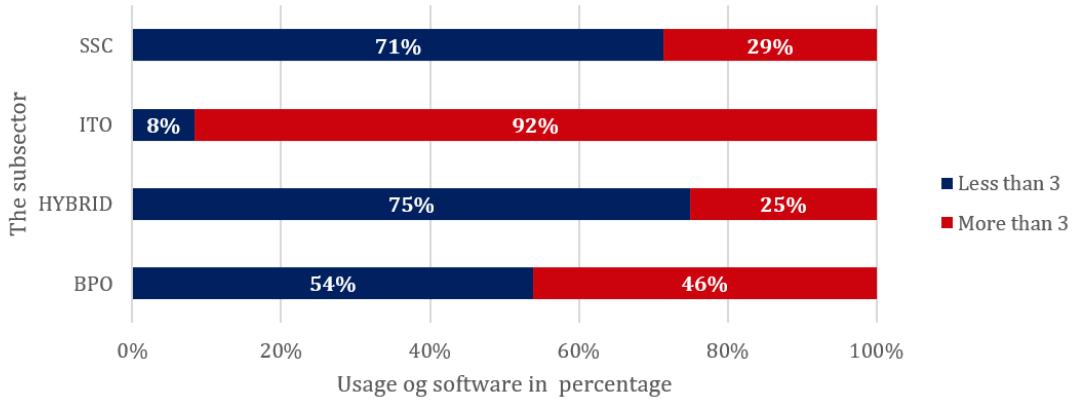


Figure 25: The usage of software or programming languages for each subsector  
survey, 2021

Source: ABSL Albania's

In many cases, the high turnover rate is the root of many problems that negatively affect firms' daily operations. As one might think, different categories of businesses have different turnover rates depending on their characteristics. If you look at the table below (Fig 9.4) you can see that hybrid firms have very low turnovers, and most of them belong to the category 0-5%. In comparison, ITO firms have the highest turnover rate, which is understandable since they have fewer employees, and even the most minor changes within the staff can significantly impact the organization. Recently, the emigration of IT professionals has become a major constraint for the ITO companies.

Annual turnover rate	BPO	HYBRID	ITO	SSC	Grand Total
0% - 5%	28.21%	75.00%	16.67%	42.86%	30.65%
5% - 10%	43.59%	25.00%	41.67%	42.86%	41.94%
10% - 20%	23.08%	0.00%	8.33%	0.00%	16.13%
20% +	5.13%	0.00%	33.33%	14.29%	11.29%
<b>Grand Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Figure 26: The annual employee turnover rate / Source: ABSL Albania's survey 2021

When it comes to finding different professionals for qualified job positions, things are not always easy for the recruitment team. The data collected indicates that it is easier to find a financier if a company wants to fill a vacant position. In comparison, they have more difficulty finding Senior managers, sales agents and Data scientists, for which they have to wait months before finding someone truly qualified. We notice that businesses are paying more attention to hiring employees with analytical skills.

**Difficulty finding professionals (1- Very difficult, 5- Not difficult at all)**

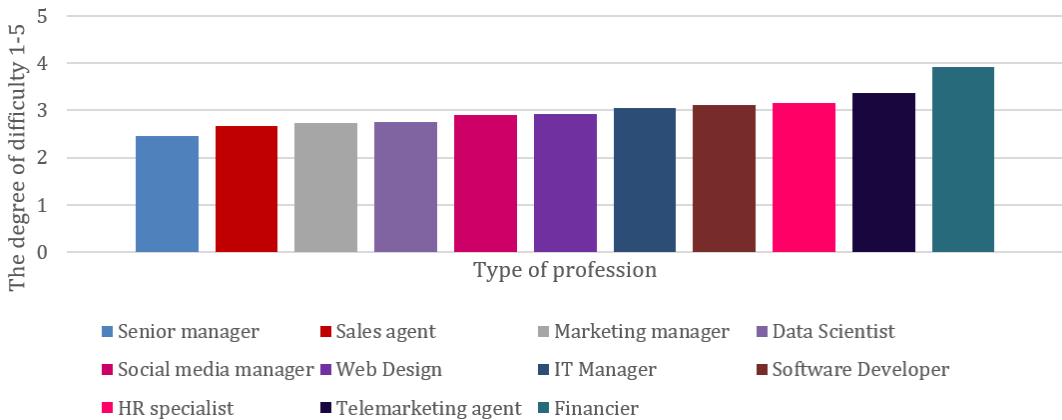


Figure 27: Difficulty in finding professionals / Source: ABSL Albania’s survey 2021

To conclude, the Enterprises of the BPO, IT and R&D face several limitations to productivity that will need to be addressed in the medium term and long term to help the sector attract more investors. The HR department is crucial for a BPO company because they handle different essential tasks such as:

**Staff Recruitment  
Training  
Talent Retention**

Investments in human capital and quality education and training systems are critical for building an innovative and competitive economy. It offers more quality jobs, opens new job positions and absorbs more clients in the BPO, IT and R&D sectors.

As in many other countries, in Albania, higher skill levels are associated with better outcomes for the labour market because they are crucial to enforcing business climate and fostering job creation in the BPO sector. While analytical skills are necessary, so are soft skills since they have strong and long-lasting effects on the employment and earnings of a professional.

Skills gaps exist in almost all industries where highly qualified people are required for a specific job, but the supply is insufficient. Ongoing training is a must in the age of digital advancements for the current and the new employees because it boosts work performance and innovation.

Unfortunately, there is little interaction and collaboration between educational institutions and the BS companies. Investments in human capital, education quality, and training programs are at the core of an innovative and competitive sector with high-quality jobs. The workforce engaged in this industry should be trained with the industry best practices to ensure excellent service delivery. For this reason, the orientation of the BPO and IT sector is towards continuous improvement and further innovation. Labour market efficiency and flexibility, skill base, meritocracy and parity at the workplace are crucial to enhance Albania's inherent capacity to absorb new opportunities in the BPO, R&D and IT sector.

### 3.4 GENDER AND SOCIAL INCLUSION



**56.18%**

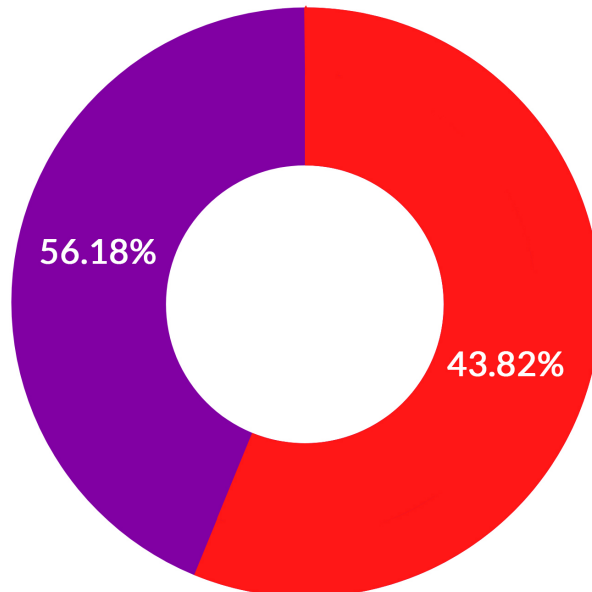
of firms with at least 1 female executive



**43.82%**

of firms with at least 1 male executive

### Global Gender Ratio (F/M)



■ Females

■ Males

The business service sector is gender and socially inclusive. However, one way of determining gender inequality is by looking at the representation of men and women in management positions. If we look at the structure of employees categorized by gender, there is male dominance in senior management roles in the BPO (despite it having a majority of women employed) and ITO sectors.

Nonetheless, the gender gap is lower for SSC and Hybrid companies; in the latter, 57.14% of executives are females. Overall, if we look at the bigger picture, women are not well represented in higher roles (38%) than their male colleagues (62%). Meanwhile, women dominate in the BPO and SSC sectors compared to the other two categories for the specialist positions. There is no significant gender gap for the SSC and Hybrid companies for other job positions.

**The structure of employees categorized by gender - Senior Executive**

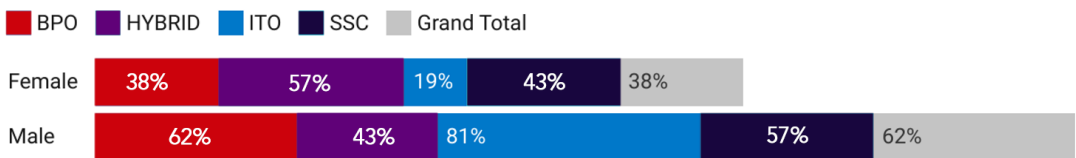


Figure 28: The structure of employees categorized by gender / Source: ABSL’s survey 2021

**The structure of employees categorized by gender- for different job positions**

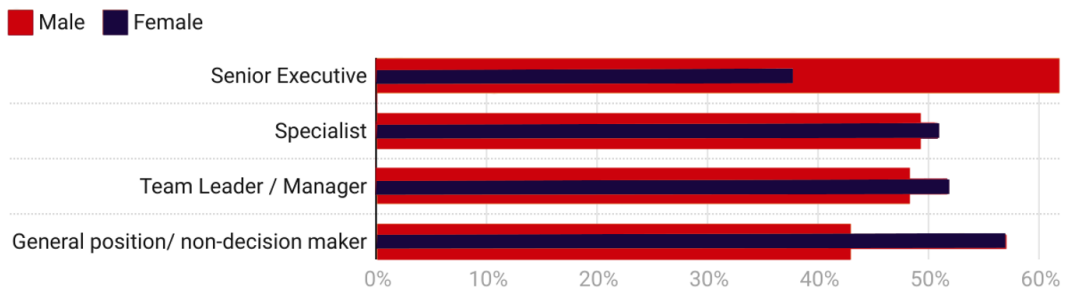


Figure 29: The structure of employees categorized by gender / Source: ABSL’s survey 2021

### 3.5 BUSINESS ENVIRONMENT

An essential element that we need to analyse is the external aspects of the business, such as the general economic situation in the country and abroad, opportunities to access funds and new markets, the relationship with public administration, etc. It is also imperative to see the perceived relevance of their impact at different time periods for comparison purposes. The survey helps us see if there is an improvement or deterioration of the business environment.

The general business climate is crucial for analysis because it impacts both the new investments and the expansion of existing ones. From the survey, we can conclude that businesses believe that the environment has improved compared to five years ago, from 2.65 to 2.94 (on a scale from 1 being extremely bad, to 5 representing extremely better) The same situation is presented regarding relations with the government, where we have improved from 2.47 to 2.85. However, the data suggest a slight deterioration of the situation in terms of the labour market. Firms view emigration as a significant concern that creates problems in finding employees, especially qualified ones. What needs to be emphasized is that this situation has not really changed these past five years.

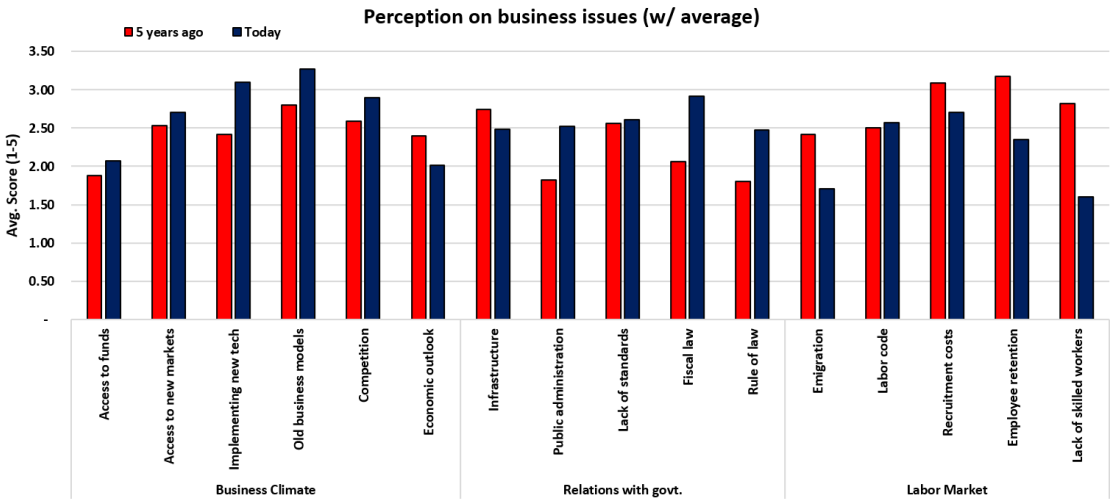


Figure 30: Perception on different business issues / Source: ABSL's survey 2021

We saw the general condition of the sector as a whole, but different business categories have different opinions. For instance, SSC and HYBRID firms consider the relationship with the state as the most positive nowadays.

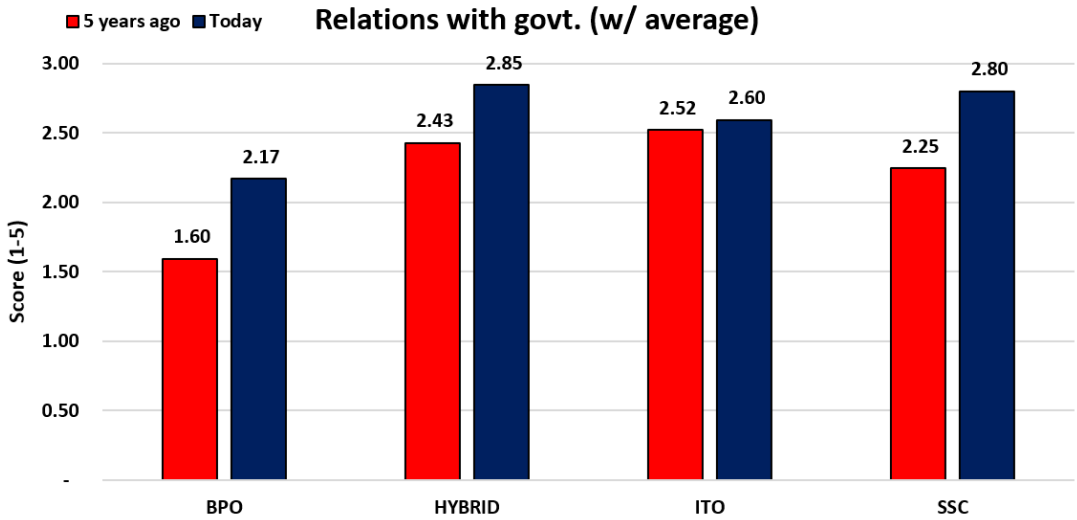


Figure 31: Relations with the government

Source: ABSL's survey 2021

Regarding the labour market, we see that all categories believe that the situation has deteriorated. They also see a decline in the labour market's condition due to emigration and the lack of qualified employees, especially

for BPO or ITO firms. In the Hybrid subsector, the labour market is considered to be deteriorating but not with significant changes. On the other hand, the SSC subsector does not show any substantial changes.

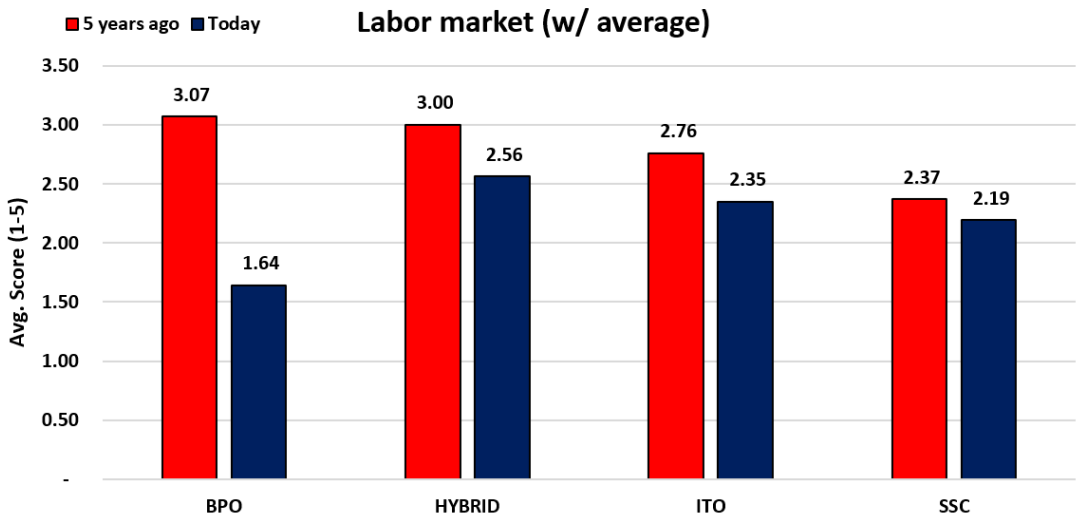


Figure 32: Perceptions about the labour market / Source: ABSL's survey 2021

Regarding the general business climate, perceived by the whole sector, there is a decrease in the rating for all indicators. This decline proves that large firms which have an even larger number of employees perceive that the situation is less favourable compared to the average of the sector as a whole.

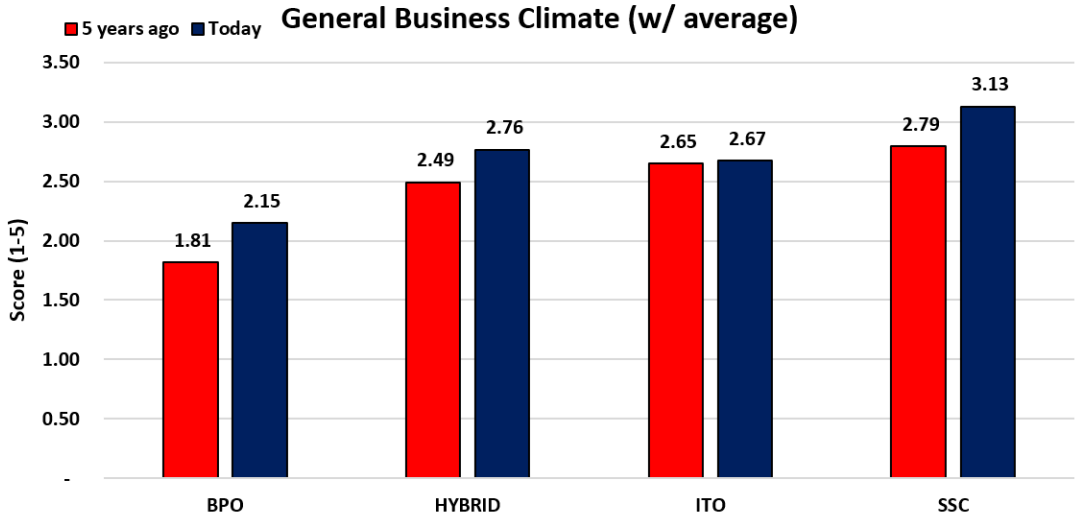
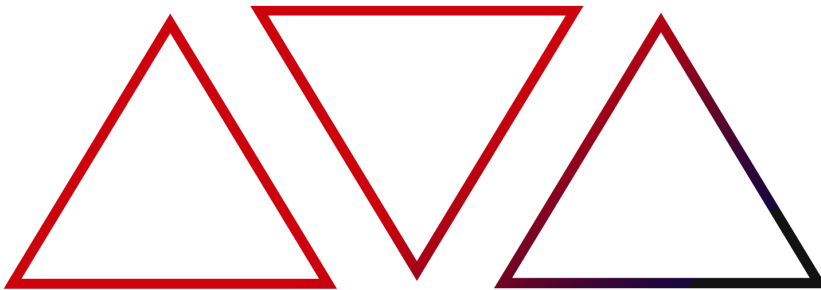


Figure 33: Perceptions about the general business climate / Source: ABSL's survey 2021



# 4. THE OFFICE MARKET, THE LABOUR MARKET AND EDUCATION

## 4.1 THE ALBANIAN OFFICE MARKET

The business services sector (BSS) remains one of the key drivers of the office market in the country. Riding on the wave of current high business demand, many service providers have increased their capacities in Tirana. While meaningful economic growth has made a return to the region over the last few years, this has helped facilitate the stabilisation and development of the commercial property markets, even in Albania. This growth comes as a result of lower operational costs, particularly relating to labour costs, whilst offering a high quality, multilingual, productive workforce and international standards of office spaces.

### KEY FIGURES (AS OF 2021)



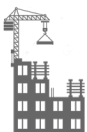
**107k** sq.m of office stock



**8.9%** vacancy rate



**23.5€** prime rent per sq.m per month



**37230** sq.m under construction

Source: Colliers, CBRE, CSI

These factors, along with current tenant favourable conditions in the major cities, help support the country's continued attractiveness for new businesses and the expansion of the current ones that have been successfully operating here for many years. The real estate market in Albania started functioning after the '90s. Despite the economic growth of other cities, Tirana (77%) has the highest concentration of commercial and non-commercial buildings, while the remaining office stock (23%) is located in the capital's outskirts. (Colliers, 2021) Even though the secondary cities don't have developed business districts, it is expected that this will change as the business services sector grows.

Albania's construction sector is expected to be one of the main contributors to GDP growth in the following years. The activity is expected to intensify in the construction and real estate market due to many projects currently under development in the capital and coastal areas. As of now (June 2021), the office supply in Tirana is calculated to be 137,565 m<sup>2</sup>. During 2020, an additional 30,458 m<sup>2</sup> quality office space was built, significantly increasing the total supply by 28.4 %. More specifically, it consisted of 13,232 sq.m of class A, 6,300 sq.m of class B+ and 926 sq.m of class B office space in Tirana. (Colliers, 2021)

An in-depth analysis of the real estate market shows that it has shown a great deal of resilience and growth over the years. The average annual growth of this sector (9.9%) outperforms the general economic outlook of the country. It has experienced a great deal of digitalization following global trends, meaning that various agencies and individuals list

properties for sale or rent online. To get a more comprehensive picture of this market, we took a sample of 2,374 commercial properties listed for rent between September 2020 and June 2021 in Tirana. Although the average rent for type A and B offices in the capital city remains at an average of 16 euro / m<sup>2</sup>, when it comes to high-end office spaces, the average rent is 35 euro / m<sup>2</sup>. (Colliers, 2021)

The location, in addition to the distance from key points, are the main determinants when it comes to rental prices. This is clearer when comparing the average price within the city's 11 'urban' municipal units at 7.56 euro / m<sup>2</sup>, with the rural units where the average rent is 4.92 euro / m<sup>2</sup>. However, these rates vary considerably even within the 11 urban municipal units, especially in some areas which serve as primary trade and business centres. Statistical and machine learning techniques applied to the pool of sampled units shows that for each additional km of distance from the city centre, the rent per m<sup>2</sup> falls on average by 9.4%, even after controlling for factors such as structure, zone or area.

The rent of office spaces depends mainly on their location and the building it is found in.

The most expensive areas in Tirana include:

- The Artistic Lyceum.
- The Former Block (ish-Blloku)
- The area near the Public Radio and Television.
- The area near the Parliament.

Zone	Sampled Properties	Avg Rent Price (m2)
Blloku	453 €	8.88
Sheshi Skënderbe / Center	182 €	8.06
Rruga E Durrësit	57€	8.06
Rruga e Elbasanit	94€	7.96
Myslym Shyri	117 €	7.89
Blv. Bajram Curri	59€	7.75

Source: Data from Century 21, The CityStats, 2021

It is rare to find a property for rent in these areas for less than Euro 500 per month. Buildings like ABA Tower, Vaso Pasha, or the Twin Towers only serve for commercial purposes. There are other elements that have an impact on the price, such as administration, the heating system, the quality of construction work, water and power supply, etc. Thus, startups and businesses that are not particularly dependent on street exposure to offer their services can reduce their costs considerably by renting spaces further away from the city centre and high-end areas.

Like the Covid-19 pandemic negatively affected many aspects of the economy, it did impact the office market too. The complete lockdown imposed by the Albanian government during the first quarter set this market into a pause mode for approximately three months. That's why the vacancy rate in office space recorded one of the highest rates (24.3%) during the last decade. (Colliers, 2021) Additionally, the many restrictions implemented later on were not in the office sector's favour, even though the urban regulation entities issued many constructions permits throughout the year.

The high vacancy rates forced landlords to take a more client-oriented approach towards the tenants compared to offering the very basics to their clients in the past. Moreover, the demand for office space experienced some changes too, specifically the type of demands. Companies require smaller office space and more flexible lease terms. However, an exception to this is the large corporations that continued with their planned expansions even during the pandemic. These tenants look for high-quality buildings in good locations that offer A+ conditions and the possibility to increase their spaces if needed.

The increasing trend continued in the second half of 2020, where 1,054,000 sq. m of the total built-up area was granted a permit at a national level compared to 999, 784 sq.m of the total built-up area in 2019. Albania's construction sector and the real estate markets are expected to intensify their activities due to big projects under development in the capital and other areas.

As mentioned above, Albania has always been attractive to international companies interested in investing in the BSS sector, even during 2020. New companies entered the market amid the pandemic who plan for future expansion, further strengthening the country's position in the region and emphasising the untapped potential the county carries in this sector. In this context, the office market continues a growing trend, with many multinational and local companies opening new offices or expanding their existing ones in Tirana.

## 4.2 THE LABOUR MARKET AND EDUCATION

Albania's education system has seen a lot of progress since the 2000s. It is well developed and is constituted of both public and private institutions comparable to European standards. Traditionally, there has been an emphasis on different social sciences, business courses and even legal studies in Albania. Gradually, society is recognising the importance of science, technology, engineering and mathematics.

In the 2020-2021 academic year, there will be 123,797 enrolled in all tertiary programs, a 5% drop from 2019-2020. 78.7% of these students are attending public tertiary education. Female students are the majority of university attendees, constituting 60.4 % of all tertiary students. From 2020-2021, female students make up 74,821 of the total number of tertiary students. In addition, 74,382 students are enrolled in bachelor's programs in the same time period, marking a decrease of 10.0 % from 2019-2020. Roughly 25% of all students are

enrolled in "Business, administration and law". The least popular field is "Agriculture, forestry, fisheries and veterinary", which only includes about 2.8% of students. (INSTAT, 2021)

However, the overall number of students attending these classes has gradually decreased each year. On the other hand, there is an increase in enrolment for those study programs directly related to the services sector. This increase is due to the rise in demand from this sector for professionals and experts. Within five years, the number of students enrolling in such programs has almost doubled.

This is very important because as the industry grows, so will the demand for a skilled and prepared workforce for what the market needs. Moreover, as mentioned in a previous chapter, Albania is one of the most multilingual nations in Europe due to migration over the post-communist era. Other reasons include the emphasis on learning foreign languages in the education system, cultural affinity and exchanges with neighbouring countries, and the more significant effects of globalisation. (ETF, 2019)

As per the latest survey conducted from INSTAT, it is identified that age-groups of 25-34 years old and 35-44 years old do possess extensive knowledge over foreign languages. Out of a sample of 417k individuals aged 25-34 years old, it is found that 59% of this sample knew one or more than one foreign language. On the other hand, out of a sample of 330k individuals aged 35-44 years old, it was concluded that 44% of them possessed knowledge of 1 or more foreign languages. By taking advantage of the multilingual

capabilities of its population, Albania aims to attract foreign investors who can export the already present services to a broader market in Western Europe. (INSTAT, 2021)

Albania's success lies in the countrywide provision of career opportunities and skills development. There is a high level of tertiary-educated graduates who are constantly looking for opportunities to grow their skills. The Business Services sector is set to become an increasingly important area of employment and not only for newly graduates. New technology is changing the qualifications for certain jobs. Knowledge-based jobs like consulting and professional services require higher qualifications than low-skill, transactional jobs like data entry.

However, since the automation isn't relatively high, the focus is on expert-level and junior employees. Companies who are recruiting for executive positions usually need to wait up to three months, like data scientists, for instance. Junior employees with processing skills typically don't take longer than one and half months to find. However, competencies will become the critical currency for people to thrive in the future. This means that education is imperative to keep up with the changing labour markets.

The business services sector in Albania attracts significant foreign investment and is considered strategic for the Albanian. The local talent pool offers the skills and competencies needed and is specialised mainly in Finance and Accounting, Customer Services and IT. Albanian is the country's official language, whereas English and Italian are the most popular foreign languages spoken. Some

other common languages such as French, Greek, German have also started gaining more importance lately.

A skilled workforce is a crucial factor in the economic development and competitiveness of a country. However, producing a skilled workforce has been challenging for many countries, including Albania. Issues that have led to this poor performance include:

- **Poor application of skills in the world of work, especially among young people,**
- **The lack of skilled workers' availability in the labour market,**
- **The migration of skilled workers to other European markets.**

After the pandemic, the situation is expected to worsen. Removing students for over two years from university facilities and implementing online learning methods has caused a significant issue for the future of the workforce. After all, students need practical lesson hours to get a complete insight into what the market demands and the required skills.

### 4.3 THE LABOUR MARKET AND SALARY

During the first quarter of 2021, the unemployment rate has continued the downward pace of recent years, marking a decrease of 0.1 p.p compared to a year ago. The data from INSTAT suggests that the decline is approximately 2% every year. However, it remains unclear whether this decline in unemployment has come as a result of emigration or as a consequence of increased employment.

It is also worth noting that there is a great potential of this age group that should be exploited as they are one of the main age groups that give a rapid development to the services sector. A very important help in reducing unemployment, among other factors, has been provided by the services sector, utilizing the knowledge and level of education of young people and the fact that a large part of students knows 2 or more foreign languages.

salaries were recorded in the “Financial and insurance activities” sector, followed by “Information and Communication”. While, the lowest wages were reported in the “Agriculture, Forestry and Fishing” sector (according to INSTAT). Despite positive growth in recent years, Albania remains the country with the lowest average wages in the region alongside North Macedonia.

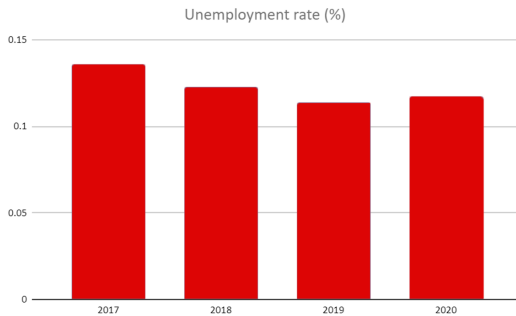


Figure 34: The unemployment rate (%)

Source: INSTAT, 2020 / The graph by: The CityStats

Even though the Albanian lek decreased at the beginning of the pandemic, it has strengthened and reached the average rate of ALL 121.8 per euro in 2021. (Bank of Albania, 2021) Response measures taken by the government such as increased social assistance benefits, credit guarantees, wage subsidies, or other broad-based reform programs have prevented the poverty increase focusing on macroeconomic and fiscalisation sustainability.

The average gross monthly salary for a paid job during the first quarter of 2021 is 447 EUR (54,951 ALL), increasing by 5.2%, compared to the same quarter a year ago. The highest

#### Gross monthly wages in EUR (as of 2020)

Countries	Min. Wage	Avg. Wages
Albania	444	213
North Macedonia	450	282
Kosovo	466	130
Bosnia & Herzegovina	755	208
Montenegro	770	331
Serbia	773	343

Source: INSTAT, MOKSTAT, KSA, SORS, ASBH, MAKSTAT

The average monthly salary for an employee in the private sector was 412 EUR (50,330 ALL), with an increase of 1.8% compared to a year ago. Meanwhile, the monthly average wage for an employee in the public sector was 555 EUR (67,769 ALL) - an increase of 1.9% compared to a year ago. The minimum wage remains at 30'000ALL or 241 euros. (INSTAT, 2021)

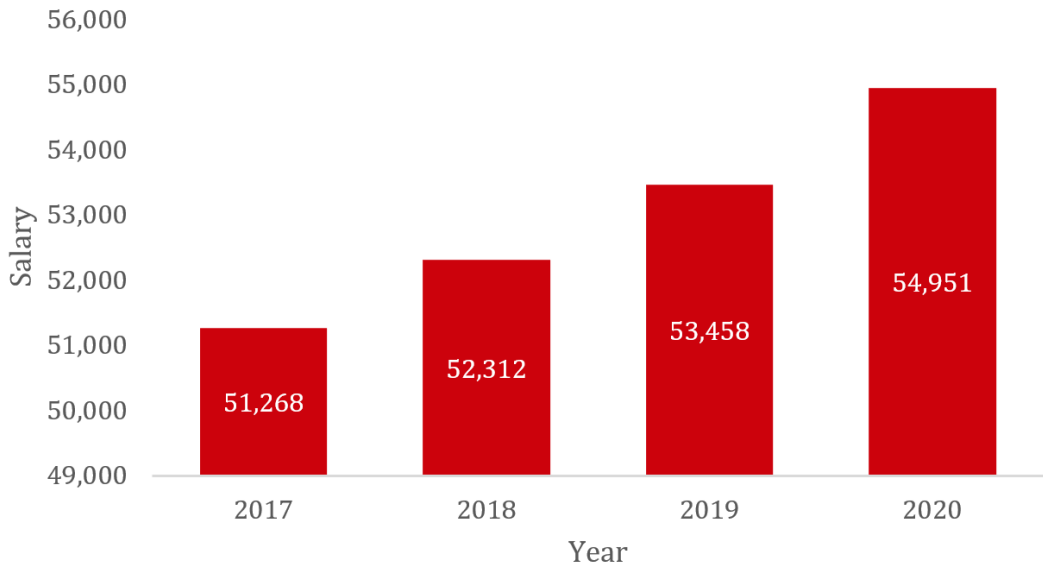


Figure 35: Average gross salary (in lekë)

Source: INSTAT, 2020| The graph by: The CityStats

Using the job advertisements in various platforms published recently, we have obtained an average salary for some of the most important professions. From the analysed data, we saw that some positions such as call centre operator, sales agent, and real estate agent, in addition to the wage, have a series of rewards based on their performance. We noticed that Social Media Managers have the lowest average salary, which is explainable because many companies still do not have a job position dedicated to this profession.

The second position with the lowest average salary is that of the financier, which can be explained due to the market being oversaturated. An important detail to note is the increase in the average salary for job positions related to IT and Data Analysts. As more and more businesses are moving towards standardization and transition of processes to more advanced methodologies,

their need and demand for IT experts and data analysts continue to increase. It should be noted that compared to previous years we have an increase in the average salary, but it still remains at low levels meaning that it is an attractive factor for foreign investors.



Figure 36: Average salary by job position in euro  
Source: INSTAT | The graph by: The CityStats

Since communism fell in Albania, the country has been facing an alarming phenomenon: the massive emigration of the population. About 1,684,135 individuals are registered outside the territory of Albania, of which 884,719 males and 799,416 females. Approximately 39% are employed, 10% are unemployed, and the rest are inactive. 47,417 is the number of those immigrants who have acquired the citizenship of a European Union. Italy and Greece are the two most important countries with the highest number of Albanian emigrants, where 428,332 live in Italy and 480,851 in Greece. About 36% of Albanians living in Europe belong to the age group 30-49. USA, Germany, the United Kingdom and Belgium are some other important destinations for Albanian immigrants. (Agjensia Kombetare e Diaspores, 2020)

The main reasons the population decides

to emigrate are mostly related to economic factors (57%). (Agjensia Kombetare e Diaspores, 2020) Despite the country's economic progress, people feel like financial stability is not achievable; that's why they choose to leave. According to the National Agency of Diaspora (Agjensia Kombetare e Diaspores), approximately 17% of people say that they migrate for a better education. In fact, there is an increasing trend of Albanian youth who want to study abroad, mainly in Western, more developed countries. But, while some return home after finishing their studies, this is not always the case. Given the positive effects that globalization brings mainly in the service sector, it is in the country's best interest to build supporting programs for those who, for financial reasons, cannot start their own business.

# 5. FACING THE COVID-19 PANDEMIC

## 5.1 THE IMPACT OF THE PANDEMIC ON BUSINESSES

Businesses have considered the Covid 19 as one of their biggest concerns lately because it has negatively affected all their processes and operations. Moreover, there is a general optimism about the future where companies expect to return back to normal and soon. However, it should be noted that within the services sector, certain categories such as e-commerce have seen their income increase during this time. So, not all types of companies were affected the same way. Results from the survey

indicate that COVID-19 has not impacted all subsectors the same. Especially Hybrid and BPO companies don't really believe that the pandemic affected their business. The same is not valid for ITO and SSC companies which averagely report a more unfavourable effect on their operations. These differences in the perceived impact may also serve as an indicator of the resilience and adaptability they have in coping with new challenges and situations.

**Perceived Impact of COVID - 19 (1 - Very unfavourable, 5 - Very favourable)**

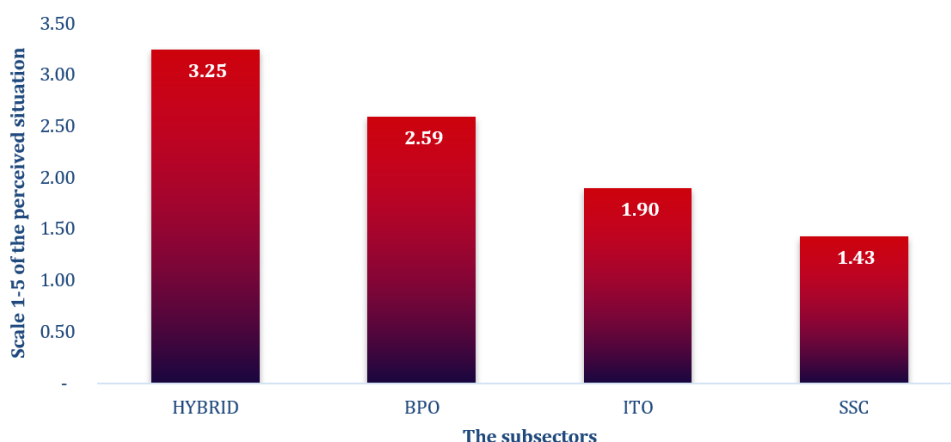


Figure 37: Perceived impact of Covid-19 (1- very unfavourable, 5-very favourable)  
Source: ABSL's survey 2021

## 5.2 THE IMPACT OF THE PANDEMIC ON EMPLOYEES

The pandemic has really brought unprecedented challenges to the entire world, including Albania as well. Everything changed almost overnight, with many companies shutting down their activities and other businesses relying on remote working as a way of withstanding the changes Covid-19 caused. Over the last years, we have noticed an increase in diversification of services where more organizations have incorporated digitalization into their business models.

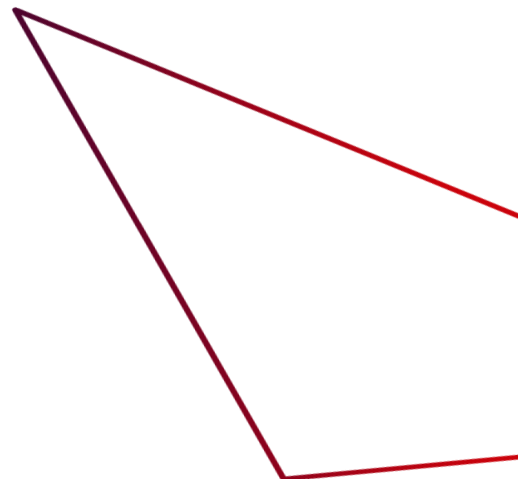
When it comes to the business services sector, the pandemic was perceived as an opportunity to prove how flexible, adaptable, and highly resistant to shocks it is. A substantial shift towards remote working or work from home was effectively and quickly implemented. Why? Because at the core of this industry stands outsourcing. This means that those companies that were using remote working as a benefit for their employees soon saw it to be a great advantage helping their business activity during the lockdown period.

As the COVID-19 pandemic wiped out jobs and emptied offices across the world, companies in Albania that provided remote and lower-cost services for multinationals emerged as winners in the new business order. This crisis showed that more things could be done remotely, benefiting the industry in the medium to longer term.

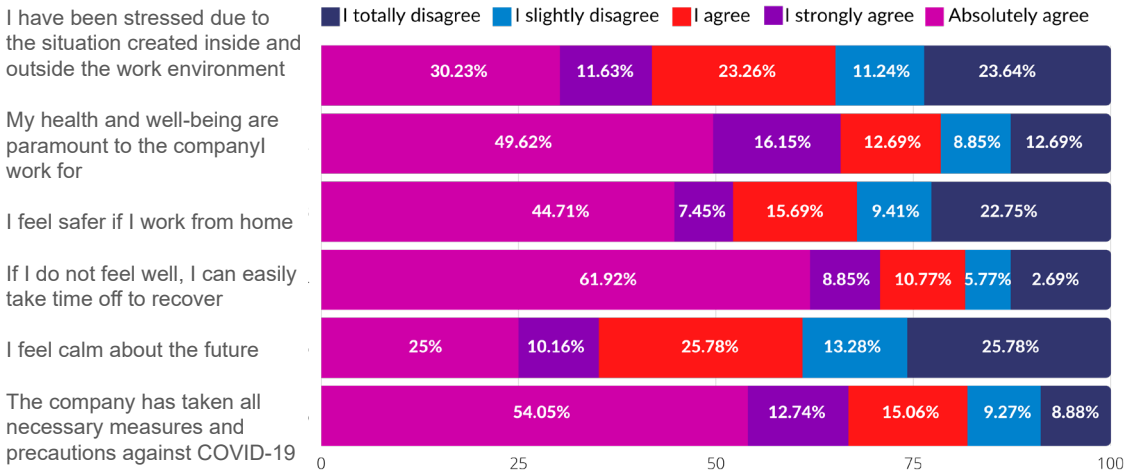
In addition to its impact on global public health, COVID-19 has caused a major economic shock. The reductions in demand and employee health concerns were the main

reason many businesses closed their doors, while the disruptions in the supply chain were less of a factor. The uncertainties about the future really affected the way people worked, lived or socialised. From a survey conducted by TheCityStats, we found several issues that impacted businesses during the pandemic.

As can be seen from the data, most of the surveyed employees have been anxious several times during the pandemic, directly affecting their productivity at work. The majority have worked from home for a while and have taken on additional tasks in order to replace other employees with health problems. Despite the difficulties created by the pandemic, they don't have any complaints about how the restrictions were put in place. In fact, they have shown a great understanding of the measures taken to avoid or minimise social interactions. However, most of them believe that the government could have done better to protect their rights as workers (64.34%) and that their employers have violated some of these rights in the workplace according to governmental regulations. (56.67%.)



## Well-being and health



## Working conditions

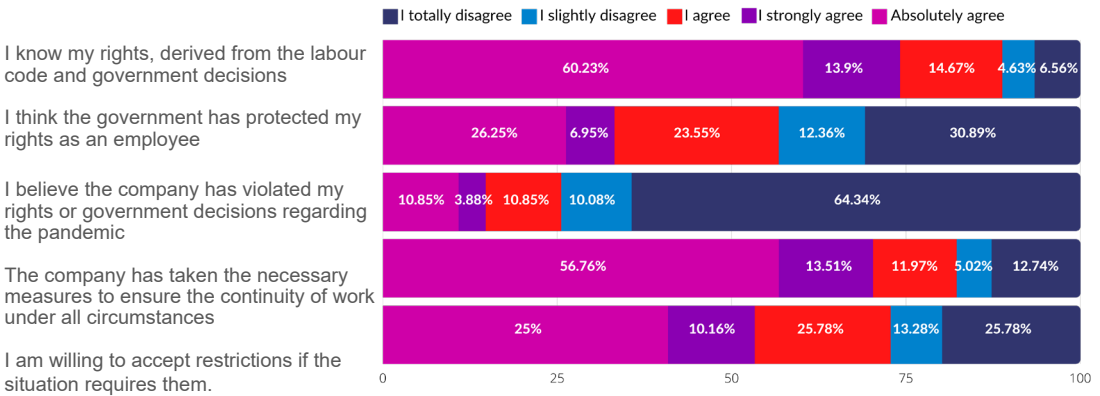
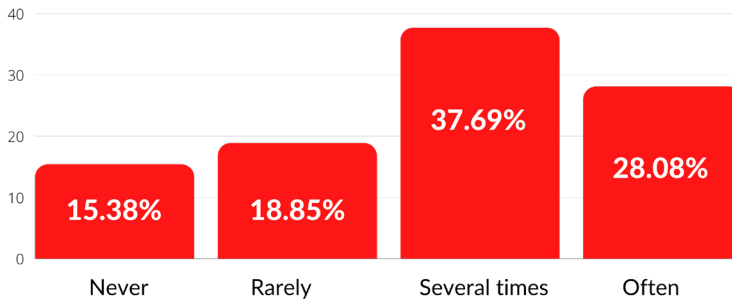


Figure 38: The impact of the pandemic on wellbeing, health and workplace  
 Source: The CityStats, 2020

It's impossible to think about the Covid-19. There seems to be an ongoing threat of a deadly pandemic, and people are reminded on a daily basis, by media and officials alike, of the risk and how best to guard against it. That's what the survey (figure below) shows too. 65.77% of the respondents have been worried about their health or the health of their loved ones. The situation has not been particularly helpful in the workplace where they were pushed to adapt to working from home; however, the majority (88%) claim they have felt discriminated against. 94% of them have been blackmailed or threatened by their employers, and 92% have even lost their jobs due to the pandemic.

### How many times have you been worried about you or your family's health?



### Have you experienced any of the following situations in the workplace during the pandemic?

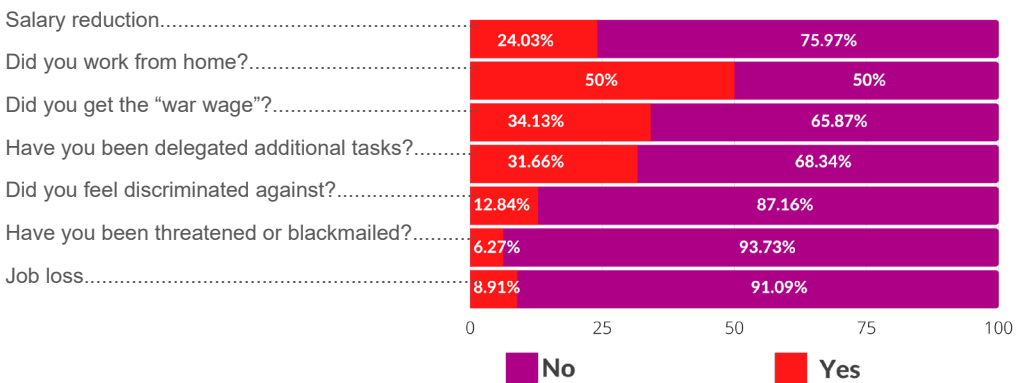


Figure 39: Concerns or problems caused by the pandemic / Source: The CityStats, 2020

## 5.3 THE BUSINESS ENVIRONMENT

The business environment in Albania has been affected by different internal and external factors such as employees, customers' needs and expectations, supply and demand, management, clients, social trends, market trends, economic changes, and most of all, the pandemic effect. As with many other countries in the world, COVID-19 has undeniably changed the Albanian economic outlook. This statement is also supported by a recent study made by the UN regarding the Albanian post-pandemic situation. According to this report, the economy was projected to grow at 3.5% in 2020; however, the GDP contracted by 5% during this period. (see the table below).

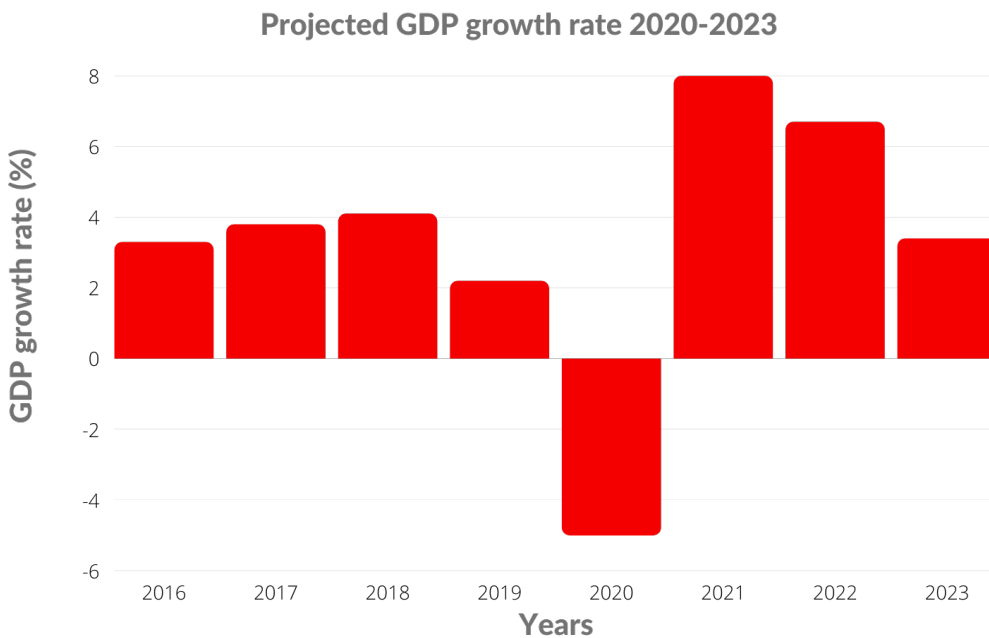


Figure 40: Projected GDP growth rate 2020-2023 / Source: UN, 2020

So, if we look at the bigger picture, data suggests that the economy was already fragile, and the two disasters (the earthquake and the Covid-19 pandemic) only worsened the crisis. The general economic situation was further damaged because Albania was already dealing with setbacks caused by natural catastrophes compared to other countries.

## 5.4 MEASURES BUSINESSES OF THIS SECTOR HAVE TAKEN DURING COVID-19

Some of this report's data was taken from a (AIDA, 2020) conducted by the Albanian Agency of Development and Investments (AIDA) on 200 companies, where 51 of them belonged to the ICT sector, and 47/51 ICT companies were based in Tirana.

As it is widely known, COVID-19 changed almost overnight worldwide, impacting many areas and industries. The same thing happened in Albania, and considering that it is a small and developing country on the verge of joining the European Union, its consequences were more significant here. Out of 200 companies, 64 of them had closed their businesses partially. Forty-three of them had permanently closed it, and 48 companies didn't stop their activity at any point during the coronavirus time.

These companies were from sectors such as agro-processing, food export, and ICT. Out of the 200 companies, 45 of them had not taken any action regarding the workforce. Forty-two companies applied the remote working strategy for their employees, 21 applied for issuance of leave, and 23 reported they had to fire employees.

The first days were challenging because there were not enough instructions from the government, UN, and World Health Organization. The situation of businesses was in chaos, and many people risked or lost their jobs. When measures presented by the government were finally made public, and instructions were given, companies managed to adapt to the new situation.

Focusing on ICT and ITO, the businesses of this sector survived and did surprisingly well during the quarantine.

Companies provided technological infrastructure for employees such as computers and internet connection and covered most of their expenses due to the government's financial support. This helped the ITO sector to bloom during tough times.

- Regarding employee management, the ITO sector managed to save itself with ICT solutions using different tools. The most widely used were: **Zoom**,
- **Microsoft Teams**
- And communication apps like **Slack** and collaboration tools like **Trello** to facilitate management and make it easy for staff to handle their tasks.

As the study shows, the rapid pace of business and technological changes during the pandemic have put upskilling/reskilling programs in Albania's centre of all industries. To sustain their business, mobilizing internal talent is fundamental and the most effective solution, with 44 % of participants claiming they had planned upskilling their workforce and a third of them (32 %) focused on reskilling.

The most critical managerial skills needed to develop during unprecedented times are adaptability/ resilience and communication collaboration. At the graduate level, the most essential skills are customer focus and team spirit. Two are the key moments from this study that represents how the present and the future of the sector looks like:

- Remote working is here to stay. That's why more than half of the companies (51 %) are embracing a hybrid working style, and 16.5 % are operating fully remote. The challenge ahead is to precisely identify workforce skills needed and design effective upskilling programs.
- When focusing on sector-specific findings, the study shows that Hospitality/tourism has been the most negatively affected industry by Covid-19. In contrast, the BPO sector had the highest rate of external hiring during the pandemic.

So, even though the crisis created by COVID-19 brought many challenges in Albania, the ICT & ITO sector were able to overcome, adapt, and develop itself further.

## 5.5 KEY DRIVERS FOR CHANGE

Luckily, most businesses in Albania had started investing in digital transformation before the pandemic (especially those operating in the BPO, ICT sectors). Meanwhile, other companies were forced by the crisis to integrate technology into their processes. The BPO sector had the highest rate of external hiring during the pandemic in Albania. Remote job positions were mainly occupied by graduates. However, being unprepared for the consequences of the pandemic, the latest technology adaptation, and for remotely managing their people, companies needed to develop essential skills immediately.

The closure of borders and the export and import restrictions forced the country to rely only on domestic production, which affected

the demand and supply in the market. Consequently, businesses began to look at supply opportunities within the Albanian territory. Since the resources were inadequate compared to the unlimited customer needs, people couldn't find different types of products in the market. For this reason, most of the service companies had to change their own strategies and adapt to the new market conditions. They had to take a proactive approach if they wanted to survive in the new era, but not all succeeded.

The pandemic negatively impacted small and large businesses alike but also provided growth opportunities in areas such as e-commerce. In order to increase resilience, companies have increased their usage of digital technologies and change their business models. The importance of adopting new technologies and becoming oriented toward innovation was proven again, this time the hard way.

## 5.6 THE PANDEMIC IS NOT OVER IMPACTS AND CHALLENGES

Due to the pandemic, most companies worldwide were forced to take protective measures for their employees and ensure business continuity: remote working. Although the Albanian companies that operate in the business services industry adapted faster to this new situation, it goes without saying that it was affected by the crisis. This happened because the most important clients in Europe, Asia, or the USA either put their projects on hold or cancelled them. However, this was at first because the cost-savings that the outsourcing industry brings to the table

weren't overlooked. That's why in the medium and long term, we expect accelerated growth.

However, things weren't particularly easy for the country. The economic situation caused by the pandemic worsened in the second quarter of 2020, according to data from (European Commission's Directorate-General for Economic and Financial Affairs, 2020) According to this report, Albania had an economic contraction of 10.2%, followed by a contraction of 3.5% year on year in the third quarter. This recession was driven by a contraction in investment and a significant fall in exports of 35%. (IMF: World Economic Outlook Database, 2020) This decrease may be explained by the large share of Albania's exports to Italy (48%), which in itself fell to a notable recession of almost 18% in the second quarter of 2020. (WITS World Bank)

Albania was somewhat affected in the first wave of the pandemic during the second quarter of 2020. Albania's first case of COVID-19 was detected early on, thanks

to its close ties to Italy, which allowed it to develop preventive measures before cases were reported in other countries. With the rapid growth in the number of infected per day by the virus, the Government imposed a series of restrictions to control its spread. While the situation was under control until mid-December due to these actions, it started again to deteriorate with the first days of January 2021. All these restrictions were heavily affecting businesses as well.

Although the pandemic affected Albanian companies less severely than many of its neighbours, 71% of them reported a decrease in demand. This is less severe or comparable with Greece, Moldova, Italy but worse than Slovenia or Croatia. These countries have economies similar to Albania but with different stages of transition or advancements. According to the same data from the World Bank, amid the crisis, sales went down by 52% on average (see table), which is similar to Moldova, Italy and Georgia, but worse than Greece, Bulgaria, Slovenia and Croatia.

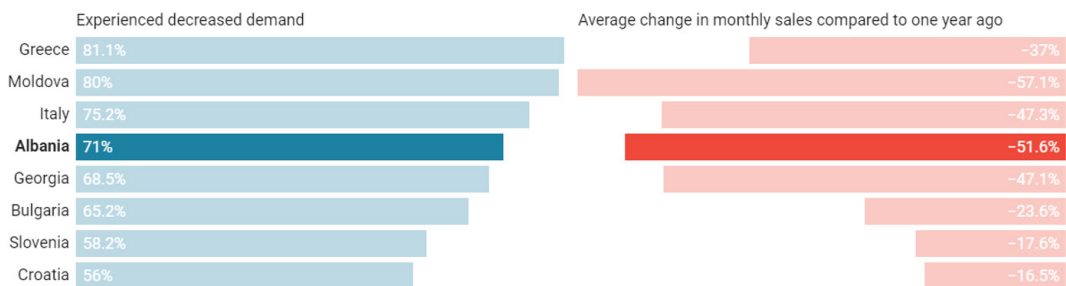


Figure 41: The impact of the pandemic on demand and sales compared to other countries  
Source: (World Bank, 2020)

Due to increased uncertainties, 28% of firms in Albania were forced to reduce full-time employment by an average of 11%. This cut in the number of full-time workers is worse than in Greece (2%), Italy (3%), or Croatia (4%) as seen in the table below. The government's support packages' structure on the business environment may explain these significant differences with the neighbouring countries. For instance, while Italy precluded layoffs and provided short-time work programs, the Albanian government offered wage subsidies for layoffs in different firms.

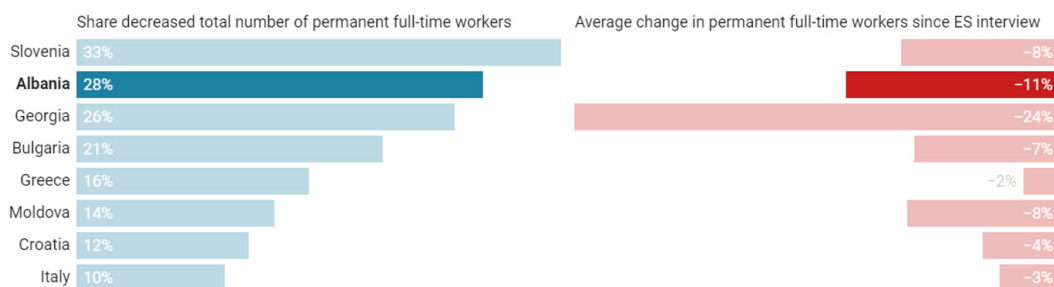


Figure 42: Changes in permanent full-time workers compared to other countries

Source: (World Bank, 2020)

It's without saying that the Covid-19 pandemic hit firms' finances hard. While liquidity and cash flow availability have been a problem worldwide for most companies, 58% of firms have reported delaying payments to their suppliers in Albania. This share is considerably higher than the other countries above-mentioned. Moreover, nearly 40% of these firms anticipate falling in arrears in the following months. This share is higher than in Georgia, Bulgaria, Slovenia and Croatia, similar to the levels of Greece and Italy, and lower than in Moldova.

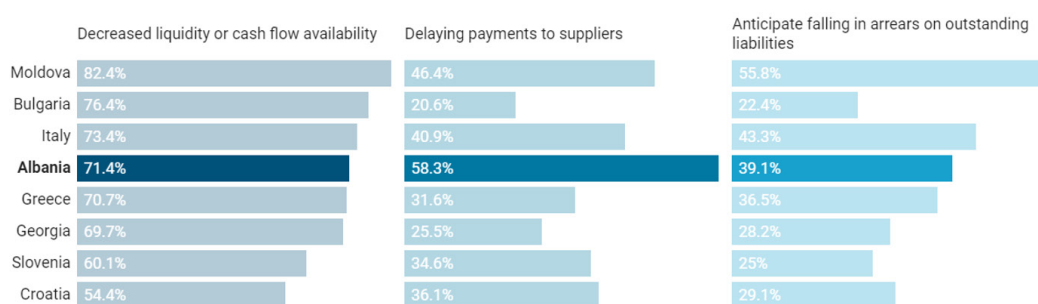


Figure 43: The pandemic's impact on firms' finances, compared to other countries

Source: (World Bank, 2020)

In an effort to mitigate the effects of the pandemic, the government developed three financial plans to help businesses suffering the consequences of low demand. More than 80 million euros were given to companies with difficulties paying employee salaries in the first economic plan. The income taxes for all businesses with a turnover of up to 118 million euros whose

activities were impacted by the pandemic were rescheduled. The balance sheet submissions were postponed for a period of up to 3 months.

The second plan included a state guarantee of 138 million euros for tourism, the garment industry and manufacturing businesses as a risk-sharing mechanism between the government and banks. Meanwhile, the due date payment for tax on profits instalments was postponed for almost all enterprises. The third financial plan included the employment promotion programme, which would try to cover a part of reemployment costs for businesses.

The government also gave more money to firms through credit guarantee schemes, where businesses could use commercial bank overdrafts to pay salaries as well as to obtain working capital and investment loans more quickly. This helped 21% of those firms that received support. This is worse than Italy and Greece, but better than the other four countries. 21% benefited from the deferral of debt obligations, while only 11% and 7% received cash transfers and fiscal relief, respectively (as shown below.)

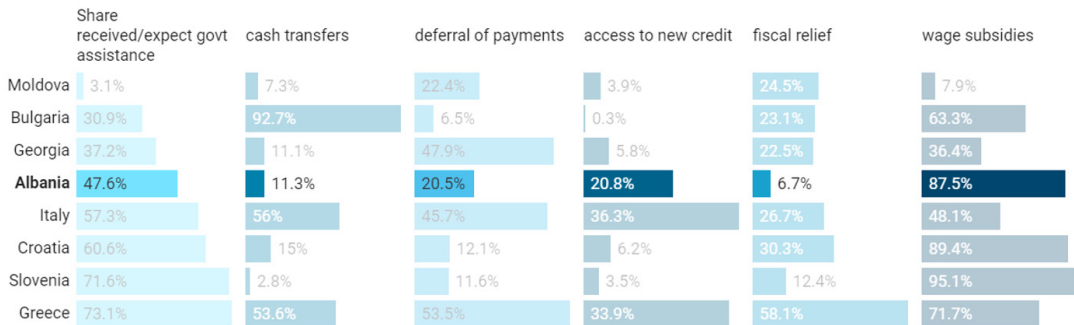


Figure 44: Firms that had access to government assistance, compared to other countries

Source: (World Bank, 2020)

With nearly half of firms in Albania receiving government support, coverage of government assistance in Albania has been relatively narrower than in Greece, Italy, Slovenia and Croatia but still broader than in the other countries shown in the graph above. However, if you compare the size of the government as a share of the GDP, Albania's government seems to have offered relatively stronger support than many other countries.

# 6. CHALLENGES OF THE FUTURE: DIGITALIZATION

77% of Albanian firms have reported making small but consistent adjustments to their strategy following the unprecedented situation caused by the pandemic. However, despite recent strong digitalization, moving towards online activity or remote work has been relatively complex for most of them. Data from the World Bank suggests that only 18% reported starting or increasing online business activity, which is lower than

Georgia and Moldova, comparable to Greece, Italy, Slovenia and Croatia, and better than Bulgaria. Meanwhile, only 15% of Albanian firms reported shifting to remote work, roughly half the average in the majority of other countries. These findings indicate challenges faced by Albania's private sector in leveraging digital technologies and online platforms to promote their products and services.

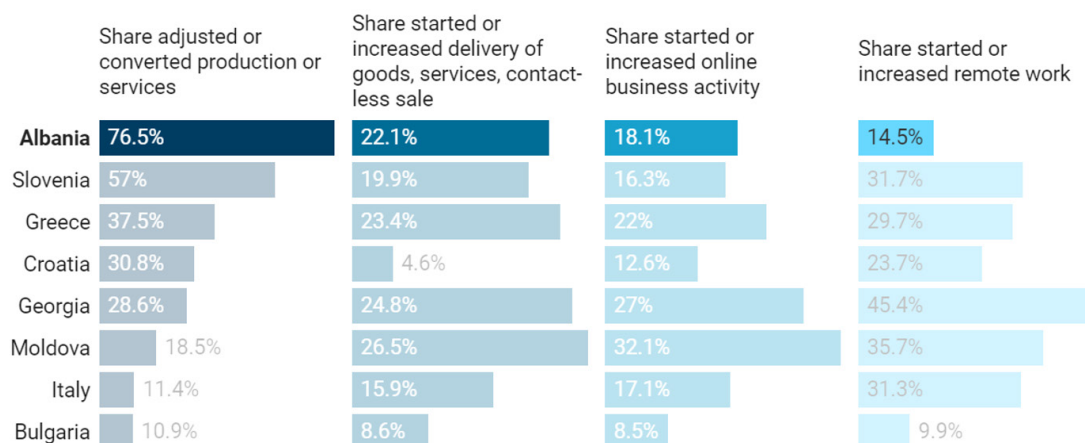


Figure 45: Adaptation measures of the firms toward the pandemic  
Source: (World Bank, 2020)

Worldwide, digitalisation has quickly become a key driver of how to conduct business in the private sector. However, Albania remains mainly a cash-based economy. Hence, if these firms want to recover faster post-pandemic, they need more and more to rely on digital transformation and the increased use of technology. This requires investment in the digital infrastructure and a boost of the e-capabilities of business enterprises of different sectors.

- **As science, technology, and innovation are considered to be fundamental factors for a knowledge-based economy, those companies that want to develop a competitive advantage must:**
- **Create capacities to develop basic and applied scientific research,**
- **Adapt and implement technologies in economic structures,**
- **Creatively develop new products and services,**
- **Use innovative technologies and disseminate them to the public**

While the world still works on containing the pandemic, firms are doing whatever is needed to ensure business continuity and survival. Innovation in all its spectrum provides an excellent opportunity to boost the private sector recovery from COVID-19. In this regard, blockchain technologies, design thinking and behavioural insights, and the gig economy as parts of the overall framework of the 4th industrial revolution need to be prototyped and scaled up to increase the productivity of Albania's business environment and its overall competitiveness. At the micro-level, transformational change initiatives which

support the businesses ensure innovation in business practice, re-skilling and up-skilling, and behavioural insights will need to be implemented.

Across different sectors, some businesses were placed in mortal peril, while others managed to sustain their growth without a noticeable decrease in their sales (as shown by the survey's data). It all depended on the sector, the security of the supply chains, and the reliance on technology to overcome some challenges and barriers. Those who did survive utilised the simplest of available technologies — WhatsApp, Teams, or Zoom — and flexibly adapted their interactions to focus on the critical challenges of controlling costs and using digital means as enterprises to service their clients.

As it was mentioned along the chapters, remote work is here to stay. And while it may be challenging for the Albanian Business Services Sector to fully rely on working from home, a hybrid approach may be crucial. The Covid pandemic truly showed some companies how unprepared they are for such unprecedented times. However, it also showed them that it is possible to adapt faster and that it is possible to grow and thrive even during global emergencies. In this sense, greater flexibility is necessary for working within the organisation and with their clients.

The world is undergoing significant changes, which have had a substantial impact on how the business services sector operates. As we will leave the pandemic behind, it is vital that organisations create the internal capacities that allow them to change their business models quickly,

respond to external changes and be resilient to external shocks if/when other disruptions occur. Since the business climate becomes increasingly complex and changeable, the future belongs to organisations that are agile, adaptable and resilient.

Thus, organisations with an already existing digital presence managed to explore ways of extending their client base, adapt their offerings to survival rather than growth. Launching technology-driven initiatives and enabling remote work - that's what the future holds. However, for most organisations in Albania, technology is not the issue; the transformation is. Unless organisations make fundamental changes, technology will do nothing for them.

The pandemic brought radical changes to different sectors in the world as well as in Albania; that's why the detailed analysis of this topic was seen as a must. It helps us see the bigger picture of the state of the business and the changes that they need to implement in the future. If these businesses want to increase their profit after the pandemic, they will need a long-term strategy from the best specialists on the market who can offer the support they need.

It is expected that they will increase the use of technology and innovative processes to increase efficiency in the near future. As the pandemic will come to an end, we will be able to see whether businesses will continue to stay in this course toward digitalisation or go back to the traditional way of operation. The pandemic brought many negative impacts, but if we had to choose one positive thing, it would definitely be the digital transformation.

The many restrictions that took place forced companies to make giant steps toward taking their businesses to a whole new level of technological advancements. These changes would normally require years or even decades to happen! Why? Because they had no need for technology as long as they could control their processes and interact with their clients/customers.

To conclude, in the long term, responding and recovering to the situation caused by the pandemic simply won't be enough. Swift digital transformation is vital for all businesses that want to pandemic-proof and future-proof their organisations. The landscape of the different industries is changing fast. Disruption, disintermediation and digital transformation are words that have been on the lips of everyone from CEOs to CMOs, from VCs to startup founders. We're in the midst of a revolution – and it's spreading at a rapid rate around the globe. Those firms that refuse to embrace and integrate digital transformation within their development and strategy will soon fall behind those that do.

Technologies are converging, digitisation is expanding into new industries, the workforce is changing, the competitive environment is intensifying, and new opportunities are emerging. That's what trends are driving the world, and that's where the Albanian Business Services sector should focus - this is the blueprint for future success.

# SUCCESSFUL STORIES



## Confindustria Albania

[www.confindustriaalbania.it](http://www.confindustriaalbania.it)

Confindustria Albania is a non-profit organisation. It contributes to promoting economic, political, social and cultural initiatives with the Institutions and Organizations to pursue wider aims of growth and development. It favours the progress and development of businesses, collaboration between them, and promotes the affirmation of entrepreneurship. Confindustria Albania is a success story. They are one of the main organisations on the promotion, development and collaboration of businesses in Albania.



## Localeyes Albania

[www.localeyes.com](http://www.localeyes.com)

LocalEyes has 20 years of localisation experience gained through working with top-ranking companies such as Apple, IBM, and Amazon. They offer an unrivalled combination of multi-language skills, services, and solutions. They are at the core of global digital transformation in the localisation business and definitely one of the main successful business stories to share in this report.



## Vigàn Group

[www.vigangroup.com](http://www.vigangroup.com)

Vigàn Group is one of the main contributors and investors of this report. They are one of the main innovation business hubs in Albania. Vigàn Group has supported many startups, businesses and collaborated with many international companies. Vigàn Group invests in talent acquisition and training; that's why they are at the top of their industry.



## Unit Center

[www.unitcentershpk.com](http://www.unitcentershpk.com)

Unit Center started as a company that helps SMEs and Start-Ups build a scalable business through outsourcing services. They offer outsourcing solutions to set up a scalable business and expand their resources quickly without requiring hiring new staff, investing in additional office equipment. A top-notch contact-centre company in Albania.



### Easy Albania

[www.easyalbania.com](http://www.easyalbania.com)

Easy Albania has recently created an App. The app was born as an idea during the pandemic. The Easy Albania App comes as part of the multidimensional company Easy Albania, focusing on customer service. Easy Albania has more than ten years of experience in the industry, and recently the e-commerce business will offer new solutions to known problems.



### We Are Fiber

[www.wearefiber.com](http://www.wearefiber.com)

We Are Fiber has over 700 employees, a young and flexible group working across six branches in Tirana. They have a multilingual team whose members are chosen according to technical and soft skills to offer top-notch customer care, outbound services, functioning data entry and business smartsourcing.



### ZZ Group

[www.zzgroup.company](http://www.zzgroup.company)

With more than 11 years of experience in the field, ZZ Group now is operating these sectors, Banking Services Sector, Travel and Hospitality, Healthcare Services, Hi-Tech/ IT Solutions, Telemarketing and Sales Services. Their methodological approach to business solutions brings them as a success story in this country report.

# COMPANIES & ORGANIZATIONS INVOLVED IN THIS PROJECT

Co-Founded and supported by:



RisiAlbania is an innovative project, supported by the Swiss Agency for Development and Cooperation, SDC, in partnership with the Ministry of Finance and Economy and implemented by Helvetas and Partners Albania. The project works to provide more employment opportunities for young women and men in Albania, aged 15-29, in a socially inclusive and sustainable way, through interventions in main pillars like: Job Demand; Skills Supply; Career guidance & Intermediation; Gender & Social inclusion.

[www.risialbania.al](http://www.risialbania.al)



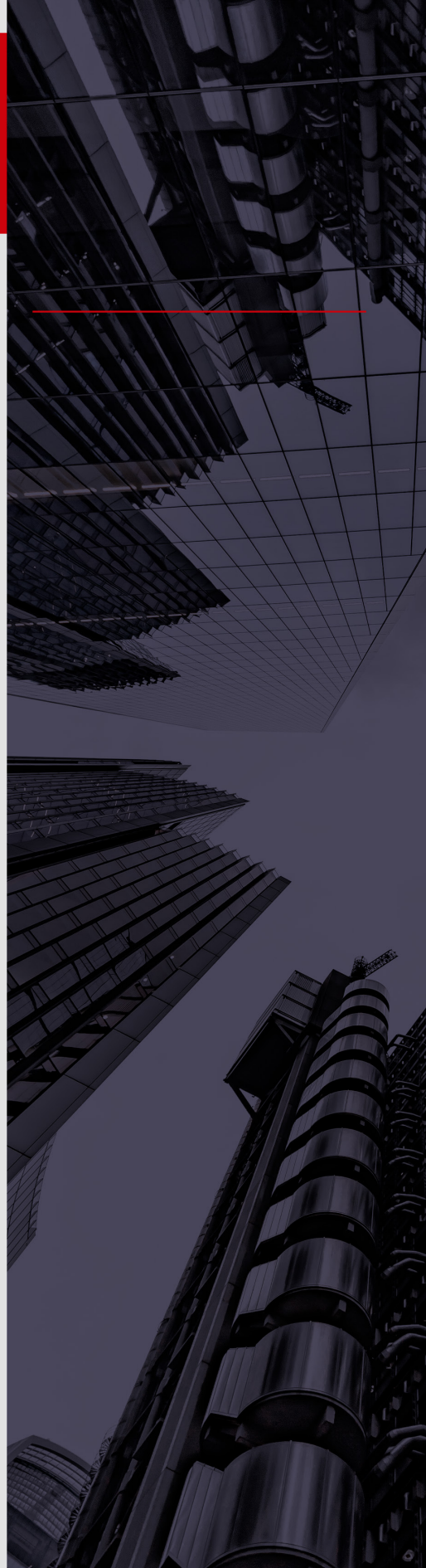
The Association of Business Service Leaders in Albania (ABSL Albania) is an organization operating in the Business Services (BS) sector, especially focusing on the Business Process Outsourcing (BPO) sector, the Shared Services Center sector (SSC), the Information and Technology Outsourcing sector (ITO), and the Research and Development sector (R&D). ABSL Albania association's aim is to support the businesses and lobby for the interests and development of this sector.

[www.absl.al](http://www.absl.al)



Vigàn Group is an outsourcing services company specialized in Knowledge Consulting, business transformation, and technology services based in Tirana, Albania. They are focused on the ethical leveraging of labour and aim to make businesses leaner, unlock capital for growth and take over the time-consuming and high resource-driven aspects of businesses.

[www.vigangroup.com](http://www.vigangroup.com)



## COLLABORATORS



EY, purpose is Building a better working world. The insights and quality services they provide help build trust and confidence in the capital markets and in economies over world. Through their four integrated service lines — Assurance, Consulting, Strategy and Transactions, and Tax — and their deep sector knowledge, they help clients to capitalize on new opportunities and assess and manage risk to deliver responsible growth.



The CityStats is a company that operates in the business analytics and consulting market. Their main goal is to provide private businesses & organizations with services in the field of data analysis, market analysis, polling, research, etc., by implementing the latest techniques, technologies, and knowledge in the field.



DigitSapiens mission is to make hiring dedicated teams and easy and risk-free process. Every team in their company is unique and hired based on the client's requirements and needs. Besides software development they support their clients with back-office, recruiting, solve administration questions, manage HR processes, accounting, and legal issues.



Distinctively re-engineer revolutionary meta-services and premium architectures. Intrinsically incubate intuitive opportunities and real-time potentialities. Appropriately communicate one-to-one technology after plug-and-play networks. Quickly aggregate B2B users and worldwide potentialities. Progressively plagiarize resource-leveling e-commerce through resource-leveling core competencies. Dramatically mesh low-risk high-yield alignments before transparent e-tailers.



Giant SMI is a full-service B2B marketing agency based in Tirana. Known as a Sales and Marketing incubator, offering companies brand identity services and strategies.



Design Bright has come to be counted as a digital marketing company with professional expertise in various fields. Through careful analysis and research, dedicated management, and content strategies, they help companies grow and enhance their business.



# ABOUT ABSL

## ABSL ALBANIA

The Association of Business Service Leaders in Albania (ABSL Albania) is an organization operating in the Business Services (BS) sector, especially focusing on the Business Process Outsourcing (BPO) sector, the Shared Services Center sector (SSC), the Information and Technology Outsourcing sector (ITO), and the Research and Development sector (R&D). The Albanian business services sector is a highly important segment of the economy, that's why it has become paramount to redefine our role in supporting the interests of the industry. Our association's aim has been to support the businesses and lobby for the interests and development of this sector.

## WHAT WE DO

ABSL Albania is a trusted partner, advisor and key player for many companies in the business services sector. We work hard to ensure perfect conditions for business development through close public-private cooperation to foster growth.

## ABSL INTERNATIONAL

ABSL is a global organization founded in 2009 in Poland, aiming to represent the biggest Business Services sector companies, under a unified name (ABSL). Over the years, ABSL has extended its operations in other countries, with ABSL organizations now operating in the Czech Republic, Romania, Bosnia and Herzegovina, Latvia, Switzerland, and recently in Albania.

The main objectives of the Association, on a global scale are:

- To give the Business Services industry a common voice to help shape its environment and destiny;
- To collaborate with the local and national authorities;
- To enhance the industry dialogue and collaboration of stakeholders.





# ABSL MEMBERS



# HELPING BUSINESSES GROW IN A COMPETITIVE WAY

We aim to set the standards and directions in the industry, helping businesses grow in a competitive and sustainable ecosystem.



Call us  
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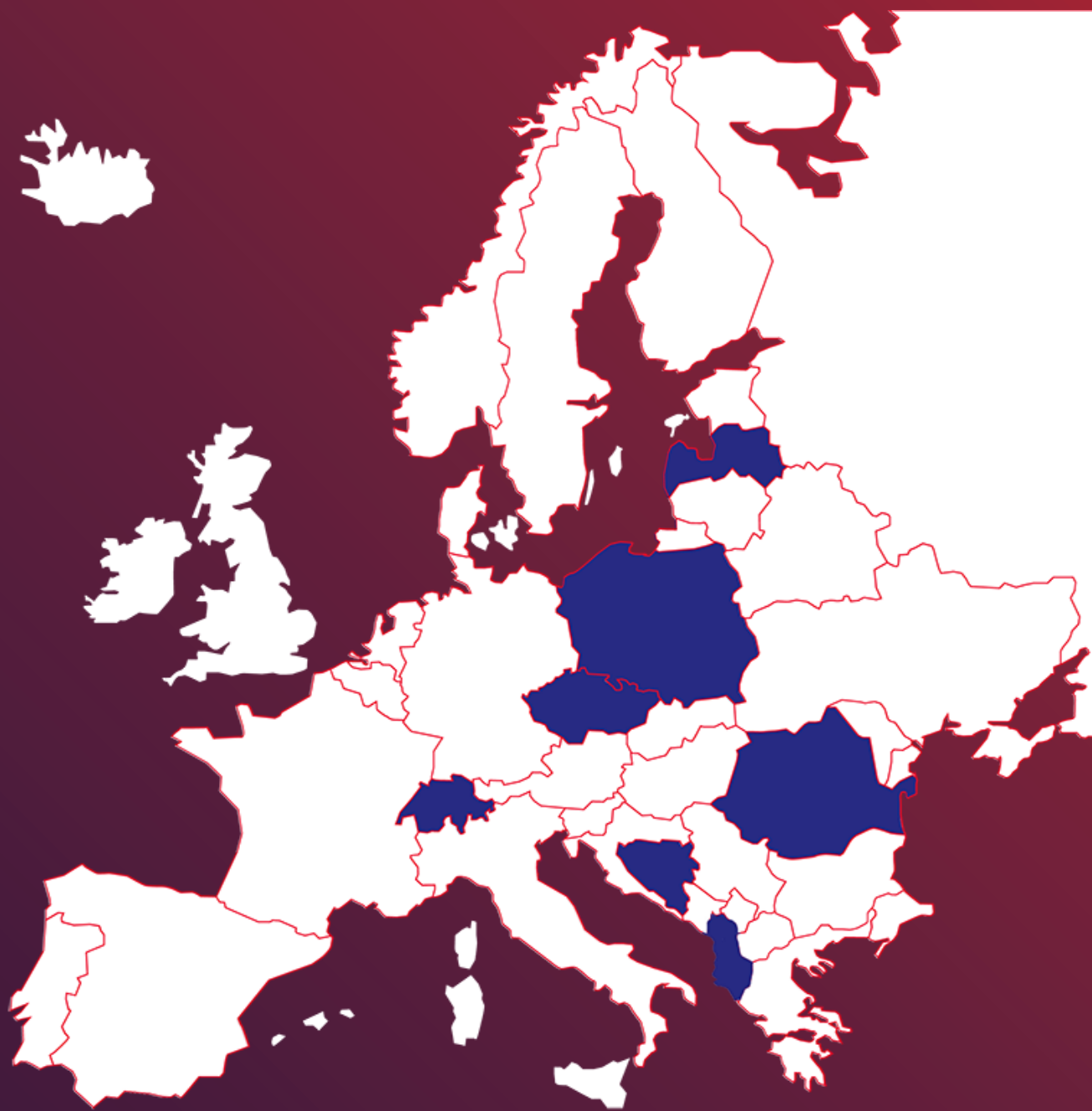
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