

## RESEARCH ARTICLE

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**Social impact caused by european economical recession in food business operators of industrial zone Tirana-Durres in Albania**

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**Abstract**

This study aims to explore situation of the Albania Food industry in relation to the European recession to clarify mainly negative effects to food business operators along the corridor Tirana-Durres and to identify social problems caused by this impact. Effect of economical European crisis in food operators of corridor Tirana-Durres causing slightly increase of unemployment and increase of food prices. Our study has evaluated the unemployment situation and food retail prices using data analyzing methodology for three big food processing companies located in this area. From study results was concluded that unemployment is slightly increased a respectively was evaluated as following. For first company unemployment has been increased with 2, 8%, however for second company it was increased with 2, 1% and for third company it was increased with 1, 8%. Food retail prices produced by these companies are increased referring to food prices evaluated on 2009. Retail food prices are increased respectively for three food kinds. Beer retail prices produced by first company are increased with 3, 8%, dried sausages retail prices produced by second Company are increased with 2.5%. According to study results is confirmed also slightly increase of UHT milk product produced by third company with average value 1, 9%. Even though there is no big difference between previous values for unemployment and retail prices in 2009 and results found in 2010-2011 confirmed that social impact of crises is evident because of increase of unemployment and food prices cause decrease of incomes for families living in Tirana and in Albania.

**Key word:** social, impact, crisis, recession, food.

**1. Introduction**

Albania as other Eastern European countries is now toward developing a functioning market economy. It has already privatized agriculture, housing, small medium and food industries located in different areas of country [5]. According to studies reports it is achieved the highest growth rate among emerging market economies for the last three years [2, 5]. Even though growth at last years the Albanian economy has been affected directly from the world economic depression, even though the country GDP growth rate around 3,6% in 2009 [7]. It shows that the drop in macroeconomic figures such as the employment rate, private consumption, remittances are clear consequences of the fact the small-open Albanian economy has been directly affected by the crisis with delayed impact on the real economy, compared to the other countries of the region [5,7]. Albania is an agricultural country and as such the role of agriculture within the Albanian economy has historically been and will continue to be the predominant factor in its growth and development for many years. Actually, half of country's GDP comes

from the agricultural sector and it employs over 50 per cent of the total work force. Some 60 per cent of the population lives in rural areas [6]. The agro-food industry plays a very important socio-economic role in Albania. The agro-food sector is one of the most important sectors in the Albanian economy (EC 2011). Agriculture and the food and beverage processing industry represent the largest single sector of the Albanian economy. Agriculture and agro-processing employ a large labour force and contribute significantly to the GDP growth [1, 6]. For all these reasons, it is known that the world economic crisis has had major consequences for Albanian agriculture in particular and rural economy in general. The most recent data shows the crisis beginning in late 2008 and was accelerating in 2009 according to data of USAID 2009. Even if the crisis started in the USA and some European countries it has had impacts not only on these economy and agriculture [5] but also of other countries such as Albania. In fact, almost all individual national economies and especially the vulnerable transition economies of South East Europe have been affected. Other study reports in countries of South East Europe reported economical impacts

caused by European crisis. In Serbia, Montenegro world crisis caused slow growth of economy. In Serbia in agriculture and food processing industry have been reported cases of food price increase until 5, 8% [3]. Despite a period of steady growth with an annual average rate around 6% recorded between 2008 and 2009 the affect of world crisis in Albania is evident in different economy sectors [7, 8].

Albania was not prepared for the crisis because of the private sector is small, with low savings and modest exports. European crisis especially in Greece has affected the Albanian economy. The most affected sectors of economy are those using imported raw material as construction, food industry ect. Food business operators are affected by world crisis because of increase of production costs.

## 2. Materials and methods

This study was focused on evaluation of economical data and human resources of business activities of three food processing companies located in the industrial zone Tirana-Durres. As study material are used selected economical data regarding to retail food prices for three food kinds produced by three selected food processing companies. Collected data of food retail prices from 2009 until now are calculated and are compared with the retail food prices in January 2009. During 2 years study time are checked data for each four months calculating price value differences for three food kinds: beer, sausage and

UHT milk. Delivery bill data for each food kinds are supplied by financial unit of these companies. Average values for each month are used to calculated difference from retail food prices of January 2009. Evaluation of unemployment is estimated taking into consideration number of employers in 2009, in 2010 and in 2011. Even though the calculated values for unemployment estimation in our study are used other additional information supplied by statistical offices in municipalities and in the Ministry of Agriculture, and Rural Development as well as data from INSTAT. Published data of INSTAT regarding to food prices are used to compare study results. In order to be anonymous three food processing companies are coded: Food processing company I, Food processing company II and Food processing company III.

## 3. Results and discussion

This study was carried out from 2009 to 2011 estimating increasing of food retail prices and unemployment rate in three big processing factories in industrial zone Tirana-Durres in Albania. Results calculated for increasing of food retail prices and unemployment rate in 2011 are presented in above table. Analyzing the above data it is confirmed the indication of world crisis in food industry sector in Albania. The situation considerably in 2009, when the number of food business activities was increased the food prices were almost stable.

**Table1.** Evaluation of unemployment situation and food retail prices using data analyzing methodology for three big food processing companies located in industrial zone Tirana-Durres in Albania from 2009 to 2011.

<i>Food processing companies</i>	<i>Business activity</i>	<i>Increase of Unemployment</i>	<i>Increase of Food retail prices</i>
Company I	Beer production	2.1%	3.8%
Company I	Sausage and meat processing	1.8%	2.5%
Company III	Milk processing	2.8%	1.9%

The trend of food prices changed to be slightly increased during first 6 months of 2009. Calculated values of retail food prices produced by three companies in last 6 months of 2009 confirmed a difference respectively 1,2% (beer), 0, 5% (sausage) and 0, 9% (milk). At the end of 2010 the value differences of retail food prices was estimated respectively 2, 6% (beer), 1, 4% (sausage) and 1, 6% (milk). The increase of retail food prices for three food processing companies as significant indicator of crisis affect to Albania food business operators. According to the calculated values of retail food prices in 2011 was confirmed the retail food prices of three food kinds are increased respectively; beer

(2,8%), sausage (2,5%) and UHT milk (1, 9%). The heights values of retail prices are estimated for beer and sausage and it has been affected by the increases of raw materials prices. Even though effort of business food operators to reduce the production costs raw materials are import products and their prices is affected by European crisis. Anyway, it should be taken into consideration that agriculture and food business industries and services are more elastic to demand than agriculture therefore they can be more affected by the crisis [5]. It is obvious that due to the cause and effect relation present between the different sectors and the close connection between the markets, the effects of the crisis are rapidly spreading to other

areas of operation. Many of the impacts generated by the global crisis on agriculture in Albania are similar to those reported by other authors in developing, emerging, transition and developed countries [3, 7, 9].

Increase of unemployment in three big processing companies was confirmed by this study respectively for first company with 2, 1%, for second company with 1, 8% and for third company with 2.8%. These companies have employed more than hundred people and cut of jobs was very difficult for business operators because of social impacts. In many cases the food business operators decided to reduce the salaries than cutting jobs. However, there are many peculiarities due to the Albanian context and economical, political and social environment. The first signs of crisis in the labor market were already apparent towards the end of 2008, but a more significant impact was felt only in the first quarter of 2009 [3, 6]. Employment slightly decreased already in first quarter of 2009 there was a large decrease in employment. Fluctuations of employment in industrial sectors were quite high. In the crisis the greatest reduction in employment is in the construction sector and catering as is reported by UN in 2009. In food industries in addition to the crisis, increase of unemployment is caused by reducing of production costs [3, 7]. It is obvious that the primary sector, when it comes to salaries and employment, is among the industry's most affected by the global economic crisis, since food industry saw the highest drop in salaries but not in the highest reduction in the number of jobs in agricultural producers also need to find their own strategy to alleviate the effects of the crisis. Many successful individual strategies may lead to a faster recovery of the entire country. The primary coping mechanism adopted by the Albanian business during the crisis is to postpone or cut down on expenditures.

#### 4. Conclusions

Food business industry in Albania is affected by world crisis. According to study results carried out in three food processing companies in industrial zone Tirana-Durres, food retail prices and unemployment rate have been increased confirming the economic and social impact in family incomes.

Retail food prices are increased respectively for three food kinds: beer produced by first company with 3,8%, dried sausages produced by second company with 2.5%. According to study results was confirmed also slightly increase of UHT milk product produced by third company with average value 1, 9%.

Estimation of unemployment confirmed increasing with 2, 8%, however, for second company this value was estimated 2, 1% and for third company unemployment rate was 1, 8%. Even though there is no big difference between previous values for unemployment and retail prices in 2009 and results found in 2010-2011 impact of crises is evident in food business operators.

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