ENTERPRISE ATTITUDE TOWARDS PRIVATE PENSIONS SCHEMES IN ALBANIA

Survey Report

December 2015
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Foreword

The publication “Enterprise attitude towards private pensions schemes in Albania”, brings the results and analysis of the survey, which was conducted in private enterprises in the whole territory of the Republic of Albania.

The Financial Supervisory Authority (FSA), begins the series of publications on the analysis of surveys with this publication. For the FSA, observations are a new method by which to follow developments in financial markets, as well as the evolution of perceptions and attitudes of users of products offered by these markets. While, the analysis of survey results provides the necessary information for the construction of strategies and action plans for the FSA. Despite the modest initial results, they are considered as important, because they form the basis on which the FSA will measure the impact of policies and actions.

The survey analysis, which is available to the readers, has been conducted in order to promote the development of voluntary private pension market in Albania. This publication encloses three important parts, such as the following:

- The analysis of survey results, their arguments, accompanied by some recommendations;
- Annexes methodology, which support the validity of the survey results;
- The basis of the survey data, which support the validity of the survey analysis.
1. Preface

The Albanian Financial Supervisory Authority (AFSA), in cooperation with the World Bank (WB), has undertaken an important project in the private pension schemes market entitled “Pension supervision and coverage”, funded by FIRST Initiative and the AFSA. This project aims at implementing the recommendations of the Financial Sector Assessment Program (FSAP) 2013, and has two main components:

- Developing a risk based supervision methodology for the private pension scheme market;
- Improving employers’ understanding and role, as a means of expanding coverage of private pension schemes, and supporting the AFSA in stimulating employers to establish pension plans for their employees.

Coverage expansion is a key element for the success of this project, but also a fundamental element for the long-term financial health sustainability of this sector. In addition, the preconditions for coverage expansion will also support the development of the risk based supervision system.

In this regard, there are two initial priorities: first, the sold product should be adequate for the employer and second, data collection should be adequate to later support an effective campaign to engage employers and employees in these schemes.

In June 2015, the AFSA in cooperation with the Albanian Statistics Institute (INSTAT) undertook a field survey to study the level of employer knowledge and attitude, including also the level of knowledge and attitude of a group of employees, with regard to private professional pension schemes. In order to achieve useful and meaningful results in expanding the private pensions market, the survey focused on enterprises employing at least 20 people. The size of these enterprises creates the conditions for a pensions plan to be considered as a real viability by these enterprises. To ensure the widest representation possible, enterprises were selected from all fields of economic activity, and from the entire country. Another selection criterion was the division according to domestic and foreign capital, in order to assess whether capital origin impacts the general attitude towards these schemes.

State capital funded enterprises were not included in this selection process, because the objective was to understand the private enterprise approach, where decision making is directly dependent on factors such a economic climate, general knowledge, size of business, etc. These selection criteria provide a clearer overview of employer attitude to participating in these schemes, which are not impacted by state decision-making.

2. Results of the questionnaire analysis

The questionnaire used for this survey was composed of twenty questions grouped into four sections (see Annex 1):

- **Section A** – contains questions on general enterprise information, and whether these enterprises provide employer pension programs.  
- **Section B** – contains questions to gather information from those enterprises that do not currently provide employer private pension plans.  
- **Section C** – contains questions to gather information from those enterprises currently providing employer pension plans.  
- **Section D** – contains questions to gather general closing information.

The questionnaire was not developed to gather quantitative information, but is focused on tracking perceptions and assessments of factors supporting, or impeding the provision of employer pension plans. In addition, even though to a more limited extent, the questionnaire aims at gathering information on the level of employee interest to contribute to such alternative pension schemes.

2.1. General enterprise information

Section A of the questionnaire contains seven questions that gather general information on the composition of enterprise staff, according to specific features in function of the analysis. This section also gathers information on whether employer pension plans are provided, and the level of employer and employee awareness regarding professional and personal pension schemes. Information in this section has been collected for 2,074 enterprises, which employ a total number of 174,903 employees, or 16.8% of the total employed workforce in the country during the first quarter of 2015.\(^3\)

2.1.1. Staff composition in the surveyed enterprises

The analysis of the enterprise staff composition focuses on the following features:

- **Size of staff**, based on which the “size of the enterprise” has been determined. This figure is the basic feature for the analysis of the surveyed staff. As was explained in the preface and the methodological component of this report (see Annex 2), staff was selected in enterprises employing more than 20 people.\(^4\) Enterprises employing a considerable number of staff are those requiring more attention, and should be involved in the pension schemes in order to enable the expansion of the private pensions market;

- **Enterprise economic activity.** This feature determines the main economic activity of the enterprise, and provides a map of the location of the enterprises according to their activity field.

- **Geographic region.** This feature provides a regional location of the enterprises in accordance with the new territorial division of the country. It determines the region where the enterprise exercises its activity, and provides a map of the geographical dispersion of the enterprises.

- **Enterprise ownership.** This feature shows the enterprise ownership in accordance to the origin of its foreign, or domestic capital.

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\(^2\)Throughout the report, the terms “professional pension plan” and “employer pension plan” are used with the same meaning.  
\(^4\)It should be noted that specific enterprise categories have been excluded from the selected staff survey. Thus the number of pension plans analyzed in this study is lower.
Year of establishment. This feature provides the “age” of the enterprise as an approximate indicator of its market or economy maturity, and provides a mapping of the temporal dispersion of the enterprises.

In the rest of the report the results analysis subgroups are grouped based on these features. In analyzing the survey results based on these enterprise staff composition features, we were able to gather useful information on the development of adequate strategies for the expansion of the private pensions market. Consequently, the results serve as the raw material for strategies of the policymaking authorities, and the AFSA first and foremost, and for the marketing strategies of the pension fund administration associations.

The analysis of surveyed enterprise staff information is further detailed by aggregating various features of its composition. The criterion determined for the provision of information of aggregated features is a level of 10%. Each feature present under this level has not been identified. Percentages have been estimated on the total of the baseline feature according to which the aggregation is carried out, and not on the total of enterprises.

In addition, the information gathered from aggregation is provided when it has added value for analysis purposes. This implies that the aggregation structure has considerable deviations from the baseline staff composition surveyed, and consequently provides useful information that can be used in the policy-making process.

According to the size criterion based on the number of employed staff, enterprises are considered as medium. More than half of the enterprises (56%) have a total staff of less than 50 persons. Very large enterprises, with more than 250 staff, make up only 6% of the surveyed enterprises (see graph 1).

Thus, we can say that based on staff size, surveyed enterprises are in the bottom half of size.

Graph 1: Structure of surveyed enterprises according to size (in % of the total number of enterprises)

It was noted that according to the aggregation of the size and capital origin the enterprise staff numbers based on the size criterion are relatively stable in Albanian capital enterprises. On the other hand, it was noted that in foreign capital companies there are more enterprises that can be classified as large and very large (see graph 2).
Graph 2: Structure of surveyed enterprises in accordance to size and capital origin (in % of the total number of enterprises surveyed according to the size feature)

Enterprise economic activity, according to economic activity field NVE Rev 2 (INSTAT), is classified into 9 fields (see table 1):

Table 1: Enterprise economic activity fields

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Economic Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Agriculture, forestry, fisheries</td>
</tr>
<tr>
<td>B</td>
<td>Mining and quarrying</td>
</tr>
<tr>
<td>C</td>
<td>Processing industry</td>
</tr>
<tr>
<td>D</td>
<td>Electricity, gas, steam and air conditioning supply</td>
</tr>
<tr>
<td>E</td>
<td>Water supply; sewerage, waste management and remediation activities</td>
</tr>
<tr>
<td>F</td>
<td>Construction</td>
</tr>
<tr>
<td>G</td>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
</tr>
<tr>
<td>H</td>
<td>Transportation and storage</td>
</tr>
<tr>
<td>I</td>
<td>Hospitality and food service activities</td>
</tr>
<tr>
<td>J</td>
<td>Information and communication</td>
</tr>
<tr>
<td>K</td>
<td>Financial and insurance activities</td>
</tr>
<tr>
<td>L</td>
<td>Real estate</td>
</tr>
<tr>
<td>M</td>
<td>Professional, scientific and technical activities</td>
</tr>
<tr>
<td>N</td>
<td>Administrative and support services</td>
</tr>
<tr>
<td>O</td>
<td>Public and defense administration, compulsory social insurance</td>
</tr>
<tr>
<td>P</td>
<td>Education</td>
</tr>
<tr>
<td>Q</td>
<td>Health and social work activities</td>
</tr>
<tr>
<td>R</td>
<td>Arts and entertainment</td>
</tr>
<tr>
<td>S</td>
<td>Other service activities</td>
</tr>
<tr>
<td>T</td>
<td>Home services</td>
</tr>
<tr>
<td>U</td>
<td>International organization activities</td>
</tr>
</tbody>
</table>

*Source: INSTAT*

The enterprises in this study are mainly focused in three activity fields, such as processing industry (28.9%), construction (16.6%) and trade (15.8%). The group of enterprises involved in administrative and support services are also considered as relatively important with (9.5%), while the rest of the activity fields are represented relatively weakly form 0.2% to 4.2% (see graph 3).

Graph 3: Structure of surveyed enterprises according to economic activity (in % of the total number of enterprises)
When considering the enterprise activity in the geographical territory, more than half of the enterprises (52.2%) are located in the Tirana region. Other relatively relevant regions are Durrës with 12.4%, and Fier and Shkodra with 7.9% and 7.1% respectively. It can be noted that 64.6% of the enterprises are active in the Tirana and Durrës area alone (see graph 4).

**Graph 4: Structure of surveyed enterprises according to activity geographical location (in % of the total number of enterprises)**

Albanian capital enterprises lead the category of enterprises surveyed according to capital origin with 85.2% (over 50% of their capital is of domestic origin). The rest, some 14.8%, are enterprises with more than 50% foreign origin capital.

The establishment of enterprises has increased steadily, but the major concentration of new establishments was focused in the 2001-2010 period. Almost half of all surveyed enterprises were established during that decade (see graph 5).
Graph 5: Structure of surveyed enterprises according to time of establishment (in % of the total number of enterprises)

This finding was to be expected when taking into account that Albanian economy entered the market economy system in 1991. However, the establishment of a functioning market that acts based on the relevant legislation, and is supervised and regulated by public institutions requires time. Time is also necessary for the legislation and market regulatory institutions to create the adequate business climate. For these reasons, enterprise establishment resulted to be more vibrant after the year 2000. This fact is further supported by the tendency to increase the number of foreign capital enterprises, which are usually attracted by increased business environment sustainability.

2.1.2. Staff of surveyed enterprises according to pay scale

Among the surveyed enterprises, the majority of employees (63.5%) have a salary in the 0-35,000 ALL monthly interval, 21.6% have a salary in the 35,000 – 65,000 ALL monthly interval, and the rest have a salary higher than 65,000 ALL monthly (see graph 6).

Graph 6: Employee structure according to pay scale interval (in % of the total number of employees in surveyed enterprises)
If we take under consideration the number of enterprises, it can be noted that the majority of them (60.1%) have salaries in all three intervals mentioned. 21 enterprises (1%) pay their employees over 35,000 ALL in all cases (intervals 35-65 thousand ALL and more than 65,000) using one interval or a combination of them, 32.9% of the enterprises pay their employees using one or a combination of the lower intervals (less than 65,000 ALL monthly), and 6% of the enterprises have salaries falling into the two extreme intervals.

From the combination of salary intervals and economic activity, it can be noted that employee salary levels in the surveyed enterprises are not always in line with the general pay scale structure. The lower level salaries are paid mostly by enterprises in the “agriculture, forestry, fisheries”, “processing industry”, and “water supply”, etc. activities. The highest-level salaries are concentrated in enterprises active in “mining and quarrying”, “professional, scientific and technical activities”, “financial and insurance services”, and “information and communication”. On the other hand, the mid-level salaries are concentrated in enterprises active in “electricity, gas, steam and air conditioning supply” (see graph 7).

**Graph 7: Disaggregation of employee number in surveyed enterprises according to salary level (in % of the total number of enterprises according to economic activity)**
2.1.3. Level of knowledge regarding pension plans

During the survey, efforts were focused on determining the knowledge level (through self-assessment or self-identification) of professional and personal pension plans, from both the employer and employee point of view. The respondents were able to provide this assessment for employees as well, because the questionnaire was sent to the enterprises allowing them an adequate amount of time to collect employee assessments (see Annex 2).

The survey results found that there is a relevant lack of knowledge and awareness of these schemes from both the employers (approx. 1/3) and the employees (approx. half). The higher lack of awareness on the part of the employees was expected, because they are far less in contact with the legislation when compared to the employer and this is even more pronounced in the conditions where union organization and activity is irrelevant.

In addition, the portion of respondents that had knowledge of the schemes, were only somewhat aware of these schemes. Employees’ level of knowledge is again lower than that of the employers.

When ranking these results in a knowledge index, with 0 corresponding to the “I have no knowledge” category and 4 corresponding to the “I have very good knowledge” category, it was
found that the level of knowledge for both groups is under the average level of 2, but is higher among employers than employees (see table 2 and graph 8).

Table 2: Pension plans knowledge index for each category

<table>
<thead>
<tr>
<th>Knowledge category</th>
<th>Index value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer knowledge of professional pension plan</td>
<td>1.64</td>
</tr>
<tr>
<td>Employee knowledge of professional pension plan</td>
<td>0.91</td>
</tr>
<tr>
<td>Employer knowledge of personal pension plan</td>
<td>1.60</td>
</tr>
<tr>
<td>Employee knowledge of personal pension plan</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Graph 8: Employer and employee level of knowledge of pension plans (in % of the total surveyed enterprises)

2.1.4. Pension plans provided

Very few of the surveyed enterprises provide pension plans (22 enterprises or 1.06%), while the other 98.94% of them do not provide such plans. This finding was to be expected when taking under consideration how limited the private pensions market has historically been, in relation to the financial market.

The profile map obtained from the combination of the capital origin with the provision of pension plans shows that the group of enterprises not providing pension plans is in line with the general structure of the surveyed enterprises. Thus, the majority of enterprises (85.9%) that do not provide pension plans are Albanian. This structure changes in the group of enterprises providing pension plans, because 18 of the 22 enterprises (or 81.8%) that provide such a plan, are foreign companies. This result is based on the argument provided in section I.3, which identified that the employer knowledge and the tradition of doing business has been such that it has impeded the expansion of the private pensions market. It is understandable that this feature is more pronounced in Albanian capital companies. However, we should stress that the provision of pension plans remains very limited in both groups of enterprises, with 5.9% of the foreign companies and only 0.2% of the Albanian companies providing such plans (see graph 9).
The group of enterprises providing pension plans is concentrated in two economic activity areas, namely the administrative and support services field, and the financial and insurance services field, where foreign companies exercise their activity, some of which are part of international groups. These companies are concentrated in the Tirana region and are considered large, because they employee between 50 and 249 staff.

On the other hand, the group of enterprises not providing pension plans is active in all the economic sectors and regions and these companies are of various sizes.

In conclusion, the analysis of the general information on the surveyed enterprises found that there is almost a barren landscape as regards the provision of pension plans by employers. In addition, the level of both employer and employee knowledge regarding these plans is lower than the average level.

As a result, the development of any campaigns that would raise the awareness and the interest of both employers and employees, and would provide knowledge on pension plans would be useful.

Depending on the features of the surveyed enterprises, this campaign could be initially focused in the Tirana region, or even the Tirana-Durres region, which are considered as the regions with the most relevance and sustainable economic activity, and regions that employ the largest number of staff.

2.2. Information on enterprises not providing professional pension plans

Section B of the questionnaire was composed of eight questions gathering information on the main reasons why these enterprises have no pension plans, the profile of the enterprises not providing pension plans, and also on understanding the factors that have impeded the enterprises from providing such plans, and to understand future trends. In total there are 2,052 enterprises in this group. These are all enterprises not providing professional pension plans and make up 98.9% of the total number of surveyed enterprises.
2.2.1. Enterprise interest in professional pension plans

Out of this group of enterprises, only 14% of them have considered developing a professional pension plan. The enterprises that have expressed more interest are concentrated in the “financial and insurance services”, “health and social work activities”, and “agriculture, forestry, fisheries” fields with 41%, 32% and 31% of the cases respectively (see graph 10).

**Graph 10: Frequency of enterprises that have considered providing pension plans according to economic activity (in % of the total enterprises not providing pension plans)**

The group of enterprises that have considered providing pension plans is naturally led by the financial and insurance services field of activity, based also on the fact that this field has a higher level of understanding of financial products when compared to other economic activity fields. This finding is also in line with the tendency of the enterprises that do provide pension plans and at the same time reinforces the conclusion of section 2.1, that enterprises that are part of foreign groups and have more than 250 staff have a higher tendency to provide pension plans. More concretely, the tendency to provide pension plans was noted in 25% of the companies employing more than 250 staff and in 28% of the companies that are founded on foreign capital.

However, these enterprises have not made pension plans a reality under the impact of a series of factors, the most relevant of which are the following: “lack of fiscal facilitations”\(^5\) (46%), “priority has been given to other benefits provided to employees” (43%); or “the development of a pension plan is considered as very costly by the employer” (36%). At the same time, the second group of relevant factors, behind the cost factor, includes trust in the financial system and the pension market institutions (see graph 11).

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\(^{5}\)The survey studies the situation in 2014, and does not consider the funds fiscal treatment correction.
Graph 11: Ranking of the factors supporting the development of pension plans according to the number of enterprises choosing the factor

Out of the 21 surveyed sectors, according to the fields of economic activity, 82% of the cases, where the impeding factor was the lack of fiscal facilitations, consist of enterprises active in five sectors, namely wholesale and retail trade, repair of motor vehicles and motorcycles; construction; processing industry; administrative and support services; and mining and quarrying. In the majority of these sectors enterprises have also noted the “priority has been given to other benefits provided to employees” and “the development of a pension plan is considered as too costly for the employer” factors. The three factors that have impeded the development of pension plans have been recorded in high frequency in the Albanian capital enterprises that employ less than 50 staff.

2.2.2. Employee interest in professional pension plans

Information was solicited in the group of enterprises that do not provide pension plans on whether there have been initiatives or requests from employees for the company to develop such a plan. The survey shows that employees have shown little interest for these schemes. Employees have requested companies to consider the development of a pension plan in only 19 of the enterprises, or 0.93% of the total enterprises that do not provide a pension plan (see graph 12).

Graph 12: Enterprises where employees have shown interest in the development of a pension plan, according to economic activity
Taking under consideration the relatively low demand from employees for such plans, a question was raised on the perception of enterprises on the most efficient methods to convince employees. According to the companies’ perception, the factors impacting interest are better information, mainly in written forms, for employees and also presentations on how these schemes work and the benefits employees could reap from these savings methods.

This information process is reinforced with a third impact factor such as awareness raising (i.e. information) on the insufficiency of the state paid pension in meeting the needs for income after retirement.

The second group of important factors relates to the improvement of trust in the Pension Fund Administration Associations (PFAA) and the financial system in general (see graph 13).

This shows the need for the development of marketing and awareness campaigns and proactivity on the part of the PFAAs, using written and direct presentation methods to get in touch with employees, which as a method has been employed by approximately 72% of the surveyed enterprises.

**Graph 13: List of factors enterprises believe could stimulate employees to request pension plans according to the number of enterprises choosing the factor**

2.2.3. Supporting or impeding factors to the development of pension plans by enterprises

In general, it is evident that a very small group of enterprises have, or are interested in pension plans. The reasons for this situation have been identified from the perception of the enterprises regarding the factors supporting, or impeding the development of pension plans.

**Supporting factors.** It was found that the factors that could support pension plan development and that the enterprise needs to consider have approximately the same level of impact and are related with the need for a sustainable work force (increase of employee loyalty level to the company, a message to employees that the enterprise is committed in them for the long-term, and stimulation of savings on the part of employees. Of lesser relevance, but at the same time of importance, is the cost related factor, which is that of tax breaks (see graph 14).
Impeding factors. An important factor impeding pension plan development is that plan development is considered too costly and related to this factor, the plans are not considered to bring any benefits to the enterprise (this clearly shows that cost factors are considered an impact). Almost at the same level, however less relevant, are factors such as employees not wanting such schemes and employees benefiting in other forms. The third group of factors is the one related to the trust in financial institutions providing and supervising such products (see graph 15).

According to their perception, for companies to be more interested in providing pension plans to their employees, the factors with the most impact are better knowledge of the functioning and benefits of these schemes (information), followed by employee request for these schemes and the improvement of tax breaks. The second group of factors is related to the trust in the financial system, while competition or employee concerns for the future are less relevant (see graph 16).
2.2.4. PFAA Activity

In order to review the reasons behind the limited expansion of the private pensions market, the issue has not only been addressed from the demand perspective (employer and employee), but from the supply perspective (pension fund administration associations) as well.

It was found that supply is relatively limited. In this respect, only 14.1% of the surveyed companies have been contacted by a PFAA, while the other 85.9% were never contacted. Among the PFAA companies active in Albania, the most contact has been initiated by Sigal Unika Group Austria (45.1% of the cases), followed by SiCRED (39.9%), and lastly Raiffeisen with only 15% of the cases. This result is to be expected if we take under consideration the expansion pace of each fund in the market from the year 2011 to June 2015. Thus, market participation is a direct result of the strategies followed by the associations.

* * *

In conclusion, the analysis of the factors impeding the development of pension plans by enterprises showed, as expected, that the lack of fiscal facilitation implementation plays the major role in this impediment, because it makes the promotion of the product practically impossible. With the remediation of this impasse in the 2015 fiscal package, the situation has been corrected and could improve.

Another group of impeding factors that need to be overcome relates to the lack of trust in the financial system in general, which can be improved through a long and effective enhancement process, and the development of a positive background in the provision of a quality pension product by market operators. In general, the reputation risk in this segment is considered as high, since the system is based on a long-term trust relation requiring a high level of professional ethic from market operators, and continuous and effective risk administration oriented supervision.

The low level of knowledge mostly noted in domestic capital enterprises is another impediment to overcome through the provision of written information and increased direct contact, presentations, or awareness campaigns on the benefits of these schemes. These elements should be at the core of PFAA marketing actions or strategies in their efforts to expand the market.
The expansion of pension schemes in the long-term period would considerably lower service provision costs, thus impacting the sustainability of this financial market segment.

2.3. Supply of existing pension plans

Section C of the questionnaire contains nine questions gathering information on some features of the pension plans provided to employees by their employers in those surveyed enterprises declaring to provide such plans. In this section the information concerns 22 enterprises that provide pension plans, which have a total of 2,303 staff or 1.3% of the total staff of the surveyed enterprises.

2.3.1. Structure of surveyed enterprises providing pension plans

The analysis of the structure of the enterprises providing pension plans according to structure features is limited, because of the low number of features in this subgroup. As a result, the results of this section should be considered with reservation and could not necessarily represent tendencies present in the future.

The survey aimed to gather information in the timeframe when the enterprises started providing pension plans. They started providing them from 2011 and on. Even those enterprises that had pension plans in their packages prior to 2011 started applying these plans in 2011.

All enterprises providing pension plans are located in the Tirana region, and are mainly involved in administrative and support services (16), as well as financial and insurance services (6). As noted in section II.2.1, the majority of enterprises providing pension plans are foreign capital companies. All of these companies employ between 50 and 249 staff.

2.3.2. Features of pension plans provided

In addition to the number of enterprises providing pension plans being low, this supply becomes even more irrelevant when considering that 14 enterprises do not provide pension plans for their entire staff, compared to the 8 enterprises providing these plans to all their permanent staff. All of these pension plans are provided in accordance with the legislation in force and are managed by PFAAs.

In all cases contributions are on a 1 to 1 ratio between the employee and the employer. In 20 enterprises the employee can choose to contribute a higher amount than agreed, without additional contribution from the employer.

In 14 companies these contributions are determined in percentages of the gross wages, while in the other 8 companies they are determined as a fixed amount according to the enterprise salary categories. Contributions paid as a percentage of gross wages (14 enterprises) vary from 2 to 4 percent (including 4%). Among the enterprises using fixed amount contributions, 6 of them pay contributions over the 4-6% interval (excluding 4%), while the other 2 pay modest contributions below 2%. These findings reflect or reinforce the perceived concern that such schemes are costly for the enterprises.

It is also perceived that this tendency will persist in the midterm period (next 3 years) as well, because 20 enterprises have responded that they have no plans to consider an increase in contributions, against 2 companies that might undertake such a revision. The main reason why a consideration to increase contributions is not undertaken relates to the fact that contributions are
considered sufficient (16 enterprises), while the rest (4 enterprises) have responded that it would be costly (see graph 17).

**Graph 17: Reasons impeding a consideration to increase contributions according to the number of enterprises choosing the option**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions are sufficient</td>
<td>16</td>
</tr>
<tr>
<td>Too costly</td>
<td>4</td>
</tr>
<tr>
<td>Not favored by the current fiscal system</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
</tbody>
</table>

(in graph: vertical axis: from the top: Contributions are sufficient; too costly; not favored by fiscal system; other)

Contrary from enterprises not providing pension plans, the survey shows that the majority of enterprises providing pension plans (16 enterprises) have identified the improvement of fiscal facilitations provided, and employee awareness of the state pension sufficiency as factors stimulating the revision of pension contributions. Other factors include a request from the employee (6 enterprises); increase of contributions from competitors (4 enterprises) and lastly, trust in the financial system and pension market institutions (2 enterprises). This shows that the group of enterprises where this financial product is more tangible identifies more clearly short and long term factors supporting savings for pension, such as cost factors and those maintaining a reasonable level of income (see graph 18).

**Graph 18: Preference for factors that could drive the enterprise to increase pension contributions according to the number of enterprises choosing option**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Number of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee concern for insufficient state pension</td>
<td>16</td>
</tr>
<tr>
<td>Improved fiscal facilitations</td>
<td>16</td>
</tr>
<tr>
<td>Employee request</td>
<td>16</td>
</tr>
<tr>
<td>Increased contributions by competitors</td>
<td>16</td>
</tr>
<tr>
<td>Improved trust in financial system</td>
<td>16</td>
</tr>
<tr>
<td>Improved trust in PFAAs</td>
<td>16</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
</tr>
<tr>
<td>Limitations</td>
<td>16</td>
</tr>
<tr>
<td>Increased understanding of alternative schemes</td>
<td>16</td>
</tr>
</tbody>
</table>

2.4. Closing information

Section D of the questionnaire contains four questions gathering information on the enterprise perceived level of trust, with regard to financial institutions acting in the private pensions market such as the AFSA, as the regulatory and supervising authority, and the three pension fund administration associations. The reason behind the questioning on this perception is related to the
fact that trust in the financial sector plays an important role in the expansion and sustainability of the sector. At their core, financial relations are relations of trust and without this element financial markets cannot develop, including the private pensions market. The information in this section has been gathered for 2,074 enterprises.

The analysis of survey results detailed in sections 2.2 and 2.3 above showed that financial system and especially pension market financial institutions trust factors have an important impact on employer decision making and attitude regarding the provision of pension plans.

When directly asking for a rating of the level of trust for the AFSA, the Raiffeisen Invest PFAA, the Sigal Life Uniq Group Austria PFAA, and the SiCRED PFAA, the survey found a considerable lack of knowledge regarding these institutions (more than 1/5 of the surveyed enterprises). As regards administration associations, the lack of knowledge reflects their marketing and approach strategy towards enterprises. Thus, there are fewer enterprises that have no knowledge about the Sigal Company (26.2%) than the SiCRED Company (32.3%) and the Raiffeisen Company (33.4%). These findings are in line with survey results on the level of contact these companies had with enterprises (see graph 19).

**Graph 19: Assessment of level of trust in financial institutions in the private pensions market (in % of total surveyed enterprises)**

![Graph 19: Assessment of level of trust in financial institutions in the private pensions market](image)

Trust in these institutions has been generally assessed below the average level. If this assessment were expressed in a trust index with value 0 representing “I have no information on the institution” and value 5 representing “I highly trust the institution”, the index values would vary from 1.86 to 2.25 (average value = 3). In the meantime, the level of trust difference, estimated as a percentage difference of the enterprises responding they “highly trust; trust; have average trust” and those enterprises responding they have “little and very little trust”, varies from 18.3 to 32.8 percentage points. However, it seems that a combination of a larger variety of factors, than just the marketing strategy and the level of knowledge for the institution, impacts the level of trust in these institutions (see table 3).

**Table 3: Trust index and level of trust difference* for administration associations**

<table>
<thead>
<tr>
<th>Administration association</th>
<th>Index value</th>
<th>Trust level difference (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sigal</td>
<td>2.25</td>
<td>32.8</td>
</tr>
<tr>
<td>Raiffeisen</td>
<td>1.91</td>
<td>25.2</td>
</tr>
<tr>
<td>SiCRED</td>
<td>1.86</td>
<td>18.3</td>
</tr>
</tbody>
</table>
As regards the AFSA, it was found that the group of enterprises that have no knowledge on this institution is smaller than the other institutions in the pensions market (21.1% of the surveyed enterprises) and the level of trust in this institution is closer to the average level (2.77). This indicator reinforces enterprise perception, identified during the analysis of survey findings, which responded that they have more trust in the financial system in general than PFAAs.

Enterprises expect the AFSA and the PFAAs to provide more information. Enterprises consider written information more effective (77.3%). In addition, other information provision methods such as presentations to management (64.4%) and employees (61.8%) are considered important. On the other hand the use of dedicated information call centers (13%), and other information methods (3.5%) are less preferred (see graph 20).

**Graph 20: Information provision method preference according to number of companies choosing the option**

![Graph showing information provision method preference](image)

In conclusion, the analysis of the information gathered on the level of trust perceived by enterprises and preferred information means shows that in general private pension market institutions should increase their public presence. This implies using a more active approach in contacting employers and employees to provide more information on pension plans. In this context, administration associations should be more proactive with their marketing strategies.

On the other hand, the organization of awareness campaigns combined with the development of written information in a simple language and easy to read formats and provision of direct contact points through pension plans presentations, would be helpful in increasing the level of knowledge for this product.

Lastly, the AFSA has an important role in both the consumer education process and the strengthening of trust in the financial markets it supervises. These objectives are best served by:
- The establishment of sustainable private pensions market supervisory structures, efficiently organized and supported to improve their quality and expertise;
- Following a careful licensing policy, because pension markets are very susceptible to consumer reaction and impact the wellbeing of the population;
- Improving the supervision methodology for which the WB project has been developed;
- Increasing public presence and stressing education and consumer protection elements in midterm action plans.

3. Conclusions

In conclusion of the analysis of the results of the enterprise survey it is possible to say that:

- Fiscal factors, especially up until 2014 have impeded the pensions market development;
- Business climate and cost factors are additional elements considerably limiting the demand for private pensions market products;
- The level of knowledge on private pensions market products is very limited for both employers and employees;
- Trust in the financial system is weak.

It is clear that the private pension market development requires the establishment of a sustainable macroeconomic environment to stimulate demand and supply for private pensions market products. However, the current circumstance combination requires action to be focused on stimulating supply.

On the demand side the correction of pension products fiscal treatment will establish a more favorable climate that will drive demand.

In addition, it seems useful, in the short-term period, to undertake another enterprise survey to study cost factors in more detail. The results of this survey showed that these factors are relevant during employer decision-making processes to provide pension plans. As a result, a more detailed analysis of these factors, especially from the PFAA side, would assist in refining action strategies to drive demand. On the other hand, the attitude and tendency of individuals towards private pension market products, with direct individual surveys, should be studied.

There are a number of actions that can be undertaken from the supply side. First, there is a necessity for more aggressive marketing campaigns and increased contact with enterprises. These contacts should preferably be direct, mainly through presentations with employers and employees to explain the products provided by the private pensions market. These campaigns should clearly be organized by the PFAAs. A positive element supporting marketing campaigns that should be mentioned, is the favorable fiscal treatment provided for these products from January 2015.

Based on the features of the surveyed enterprises, this campaign could initially focus on the Tirana region or somewhat beyond that to include the Tirana and Durrës region, which are considered as the regions with the main and most sustainable relevance in the country’s economic activity and that employ the largest number of staff.

Secondly, it is necessary for suppliers to start an employer and employee education campaign using mainly written information, but also presentations. The PFAA and the AFSA need to be active and cooperating actors in this campaign. The AFSA should increase its public presence and stress the education and consumer protection elements of midterm action plans more.

However, in order for short-term measures to produce sustainable results, they should be followed by long-term interventions. Thus, it is necessary to reform the entire pensions system in the country. This implies expansion with alternative pension schemes and stimulation to increase savings. The two main objectives of this reformation in Albania are as follows: (i) continued stimulation of the third pillar and (ii) reform of the second pillar.
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