

Leather and footwear industry in Albania - history, tradition and its challenges

Industrija kože i obuće u Albaniji – povijest, tradicija i njezini izazovi

Majlinda Hylli^{1,2*}, Ilda Kazani^{1,2,3}, Ermira Shehi¹, Genti Guxho^{1,2}

¹ Department of Textile and Fashion, Polytechnic University of Tirana, Sheshi Nënë Tereza, Nr. 1, Tirana, Albania

² Albanian Nanoscience and Nanotechnology Unit - Academy of Sciences of Albania

³ Albanian Young Academy - Academy of Sciences of Albania

*mhylli@fim.edu.al

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Abstract

This paper aims to give an overview of the history of the development of Albanian leather and footwear manufacturing sector covering the whole production chain from leather processing to footwear production as well as the perspective of this sector in the country and its challenges.

Keywords: leather industry, footwear industry, leather processing, footwear production, imports, exports

Sažetak

Ovaj rad ima za cilj dati povijesni pregled razvoja albanskog sektora proizvodnje kože i obuće koji pokriva cijeli proizvodni lanac od prerade kože do proizvodnje obuće, kao i perspektivu ovog sektora u zemlji i njegovim izazovima.

Ključne riječi: industrija kože, industrija obuće, prerada kože, proizvodnja obuće, uvoz, izvoz

1. Introduction

The leather and footwear industry has been going through important transformation periods over the past years. The development and transformation of this subsector have been categorized into three important periods of time: the first one before the Second World War, the second one during the communist regime in the country, and the third one after the 1990s.

These political and economic changes are reflected also in technology development and in the improvement of product quality.

The transition from small factories with fewer workers to larger ones influenced the increase in the number of employees and production both in the processed leather and footwear production. Innovations in technology during 1938-1990 and the construction of new factories carried out the development of a manufacturing sector for the whole full cycle, from the raw material to the production of different products.

The leather and footwear industry has had fluctuations regarding leather processing and shoe production, influenced by political and economic changes.

This industry had a very difficult period from 1990 to 2003, and it took more time to adapt to the new economic reality that was facing, but it had a very rapid development, especially the decade of 2005-2015, where the export was doubled and reached the top in 2018. In recent years leather and footwear industry in Albania has increased exports in natural leather and related products, being one of the largest exporters holding the main weight in the export income from about 48% to 62%.

Actually, together with the textile and garment subsector, this industry has a great contribution to the economy, with a sustained increase in export income of Albania.

However, the last years with the problems faced, such as the earthquake and the global Covid-19 pandemic, it has shown a positive trend, and the Albanian companies are more optimistic and together with the foreign investors they are focused on the green economy. They are aware that the leather and footwear industry is one of the main industries which contribute to the environmental pollution.

Moreover, even of the actual economic crises, they are expected to have a high expansion, due to the increase in order demands from the European partners.

Nevertheless, the challenges for the Albanian sector of leather and footwear production remain extensive.

2. History of leather and footwear production in Albania

The industrial processing and production of leather in Albania started after the first quarter of the XX century.

Earlier, the leather processing was done in a primitive and artisanal way. With the evolution of human being, the production processes have been improved and modernized, decreasing the time of processing and increasing the quality and physical-mechanical properties of finished leather.

The history of leather processing starts in Elbasan during 1466-1570. The city was the largest economy, military and civil center of Albania. In the 17th century there was a great development in the processing of leathers by the Tabakë family of Elbasan who was known for the processing, dyeing and finishing of leathers. At the end of the 17th century, the city of Elbasan had thirty-five craft workshops or "tabakhane" of leather. They were called so, since "Tabak" comes from the Arabic word "debbag", which means leather.

The skins were salted and conserved to preserve them from moisture and microbial degradation, and at the right moments, they went through the preparation process, further in tanning and retanning process until their complete after the finishing process. Than these leathers were classified, in order to be used in different destinations such as footwear, accessories such as bags, gloves or belts, and as jackets, furniture, etc.

In the middle of the 19th century in the main cities of Shkodra, Berat, Elbasan, Korça, there were a lot of processing and production artisan workshops where 5 to 10 people worked, even up to 15 workers. The work process remained the same as before without value added to the production.

During the second half of the XIX century, there were initiatives to set up manufacturing small factories with more advanced technology. The first machines for the processing of the local raw leather material have been bought from abroad. In the '70s, of the 19th century, the first mechanized industrial factories were established, working with motor power. Nevertheless, these factories were still remaining in the extended artisan units with a higher number of machines. Although with a more advanced technique, all these factories, without exception, had a small production capacity and each had a limited number of workers, some of them even less than the large artisan units.

Their weight to the total industrial production was almost insignificant compared to the small artisans or handicrafts production. In addition,

although the bourgeoisie possessed large monetary budget and although there was a free labor market, the new factories, such as manufactories, did not further increase production and did not turn into a modern industry. Additionally, some of them stopped their economic activity after a short time.

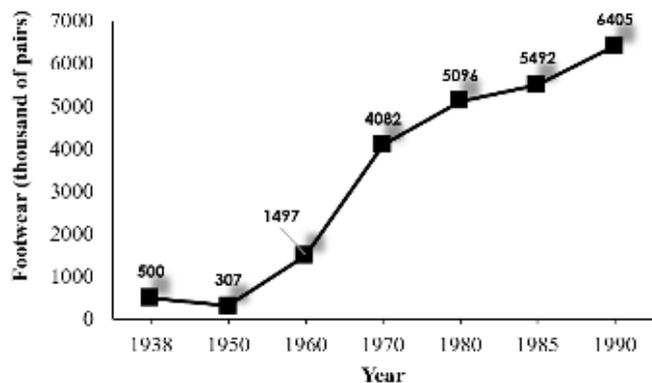
During the communist regime, some leather processing factories were attached to the footwear manufacturing factories; the whole cycle of production was closed in the same place. These factories were mainly distributed in Tirana, Shkodra, Korça, Vlore and Gjirokastra. The main leather products were military shoes, civilian shoes, soles, sandals and accessory items.

A fur factory of small cattle skins, mainly lamb skin, used for the production of jackets, furs and gloves was established in Tirana.

The positive impact of this small handicraft production remained significant until 90s.

In 1946 the first collective leather factory was established in Korca. It was built on the basis of the private leather processing small factories [1]. In 1947 in Tirana, was established the first footwear factory with a semi-artisanal technology of production. In 1957 in this factory the first line with a conveyor system was installed for the production of footwear with stitching from inside-outside. Later in 1972-1977, the footwear production factory in Tirana, was reorganized with specialized sections and expanded with machinery imported from China. In 1949 there was an improvement in the technology for the mechanized production of the sole, insole and machinery [1].

In 1953, the tannin extraction factory was built in Vlora, as an important step adding more value in the leather processing industry. A few years later in 1959, the second reconstruction and expansion of the factory took place, doubling the production capacity. During 1961-1965, supplementary products were added, the production of technical leather began for the needs of industry, transportation, agriculture, etc. A second enterprise, which was the second largest in Albania was built in 1963, in Korça, for the footwear production. Gjirokaster was also another important location for the leather and footwear production, with a factory built based on the existing leather processing factory (tannery), which was state-owned in 1947. The factory expanded its activity in the production of footwear, increasing the initial number of workers from 26 to 130.



Graph 1. Production of footwear 1938 - 1990 [2]

Graph 1 shows the footwear production in Albania during 1938 – 1990 in thousand pairs. There is a significant increase in production till 1990.

3. The leather and footwear production during the XIX-XX centuries in Albania

After 90's the collapse of the communist regime brought also a big transformation in the Albanian economy. The production model changed together with the methodology and production technology. Leather and footwear enterprises were mainly privatized.

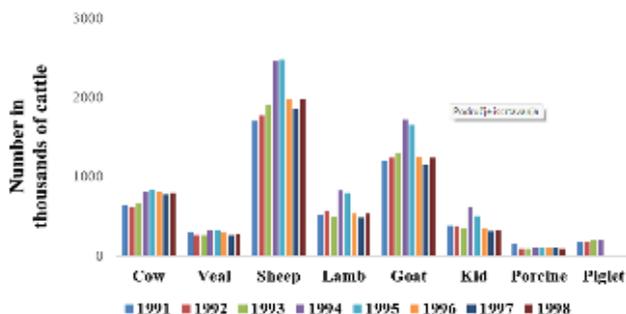
During the last two decades, the production was mainly based on "ordered production" or Façon model. Actually, the industry of garment and footwear manufacturing operates with two types of companies: companies producing and exporting part of the product work and companies producing and exporting the whole product. Five types of business models are known: M (Make); CM (Cut and Make); CMT (Cut Make and Trim); FP (Full Package) and OB (Own Brand).

In fact, the leather and footwear industry in Albania had a period of collapse in the period 1990-2003. Although it has taken a longer time than the textile

and clothing industry to adapt to the new economic reality created after 1991, this industry has had a very rapid development in the 2000s, where only in the period 2005-2015 the exports of this industry have doubled.

The first private factory was opened in Vaqarr, in 1992, which has worked until 1996. This situation continued until 1997. Then, after 1997, the line for the full assembly of complete footwear was set up. One of the private companies of that time, "Angelo Shoes", in Korça, was the most complete and worked with a closed production cycle [2-4].

Regarding the collection of skins from cattle, during 1991 - 1998, the main number is from the sheep's skins and the least demanded are those of pigs and goats, as can be seen in Graph 2. While during the years 1994-1995 it was an increase in demand for all types of leather, although in 1997 there was a significant decrease.



Graph 2. The skins taken from cattle over the years (in thousands of cattle) [3]

Regarding the number of companies operating in the subsector of leather and footwear, it has had a positive general trend until 2016, experiencing a light decrease since then now.

The table below shows the change in the number of operating companies in the country during the years 2010 – 2020.

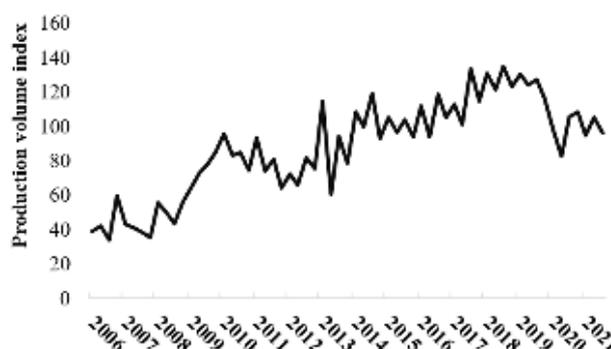
Table 1. General data for the leather/footwear industry in Albania 2010-2020 [5]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Activity											
Number of enterprises	120	142	206	167	210	257	301	272	240	241	226

Table 1 shows a decrease in the number of companies in the last years, most likely due to the Covid-19 pandemic. The advantages of Albania in the production and export of leather and footwear are the:

- Relatively lower cost of production, compared not only to western countries but also to neighboring countries. This is the reason why more and more European companies and brands are shifting their production from Asia to Albania;
- Geographical proximity to European markets. Delivery of final products to western European countries is faster and more flexible compared to Asian countries;
- Trained workforce;
- Knowledge of foreign languages;
- Complete production cycle.

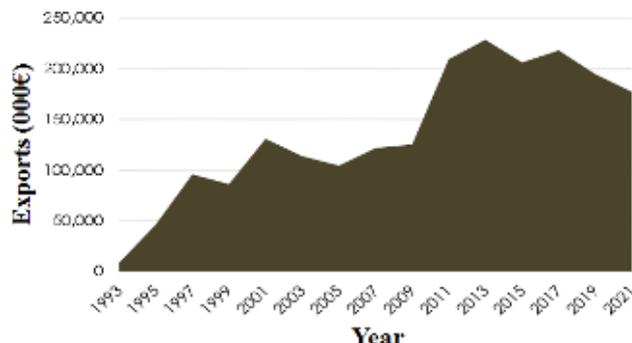
Furthermore, Graph 3 shows again the positive trend of the sector (two subsectors) showing the importance that this sector holds towards the whole Albanian economy.



Graph 3. Production volume index for leather and footwear sector [5]

4. Export of leather and footwear in Albania

Although it took longer than the textile and clothing industry to adapt to the new economic reality created after 1991, the leather and footwear industry had a very rapid development in the 2000s. During the period 2005 to 2015 the exports of this industry have doubled.

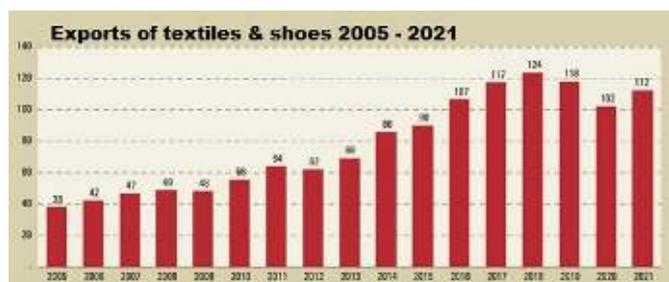


Graph 4. Exports of leather and footwear (mln Euro) 1993-2021 [4]

In 2019, the leather-footwear industry was one of the largest exporters in Albania (20% of exports) with an annual income of € 480 million [2] and more than 25,000 workers (6% of total employees in the country) [4]. In the same year, the number of footwear companies reached 241. Nowadays, the production is mostly made of natural leather shoes and the export destinations are countries such as Italy, Germany, Hungary, France, Spain, etc. Moreover, in 2019 Albania was 25th in the top list of the exporters of natural leather with a value of \$352 million [5].

Furthermore, today Albania is one of the largest exporters in the world of leather and footwear [5]. In recent years, this industry has also made rapid steps towards "Made in Albania" products, aiming not only Albanian market, but the markets of Italy and Hungary also.

Exports of textiles, clothing, leather and footwear today are 40% of exports in total and 50% of industrial exports in Albania's foreign trade (see Table 2). The value of footwear industry exports in 2017 was \$ 581 million, while in 2018 (this has also been the best year of exports in this sector) the exports in US dollars of the textile and footwear together was over \$ 1 billion. Again in 2019, exports of textiles and footwear were worth ALL (Albanian Lek) 118 billion (or about \$US 1 billion), and it is 37% of the total of \$ 2.72 billion worth of goods exported in the same year from Albania. The manufacturing industry today accounts for 15% of Albania's GDP and has 11.4% of the total employees in the country [4].



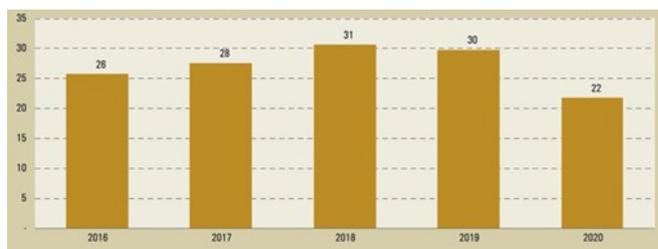
Graph 5. The progress of export of textiles and footwear 2005-2021 (mln ALL)

As it can be seen in Graph 5, the export of textile and footwear, had the highest increase in 2018, while it starts dropping in 2019, which was affected by the earthquake with high magnitude that damaged many companies' infrastructures, resulting in this way in a low export for this industry. Furthermore, one year later, due to the global Covid-19 pandemic, which influenced the global economy, as well the export of textiles and footwear was decreased, but in 2021 it shows a positive trend by increasing.

Table 2. Share of manufacture sector in Albanian exports (in thousand Euro) [5]

Export (million ALL)	2014	2015	2016	2017	2018	2019
Textile	1.662	1.659	2.077	2.635	2.988	3.474
Clothing	41.669	45.232	53.070	58.599	61.059	58.951
Leather and leather products	44.559	45.174	52.674	58.006	61.554	57.357
Total of textiles, clothing, leather, footwear	87.890	92.065	107.821	119.240	125.601	119.782
Total of exports	255.290	242.732	242.208	272.841	309.836	298.396
Percentage of exports in total	34%	38%	45%	44%	41%	40%

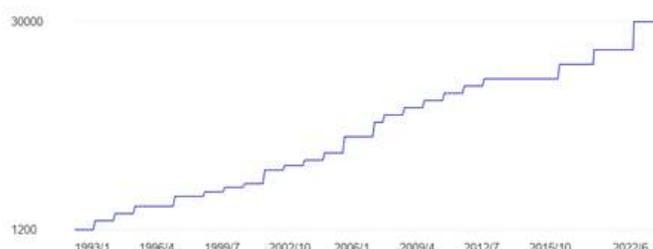
Footwear industry itself has a very positive trend in export share, and the Graph 6 below demonstrates this.



Graph 6. Footwear export, 2016 – 2020 (bln ALL).

5. Labor cost in the leather and footwear industry in Albania

The minimum wage in Albania actually is 30000 ALL, as per June 2022 [5]. Since 1993 min wage has been 1200 ALL, nevertheless it has been increasing continuously, as can be seen in Graph 7.



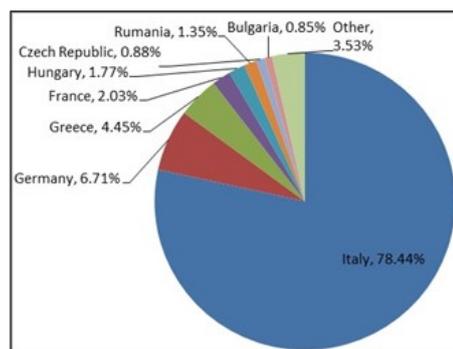
Graph 7. The wage given in leather and footwear industry

The minimum wages have been revised in Albania, with effect from 01 January 2022. The hourly minimum wage has increased from ALL 172.40 to ALL 182.73 per hour. The minimum wage has increased from ALL 30,000.00 to ALL 32,000.00 per month. As per Statista, Albania has the lowest hourly labor cost with 2.6 Euros, as per 2020 [6].

The most important groups of goods that are exported from Albania are: "Textile and textile articles", "Footwear" and "Mineral products". In 2020 these groups have occupied respectively 20.8 %, 16.8 % and 14.7 % of total exports.

The most important groups of goods that are imported from Albania are: "Machinery, mechanic and electric equipment" and "Textile and textile articles". In 2020 these groups have occupied respectively 15.0 % and 10.5 % of total imports.

The export destinations are shown in Graph 8.



Graph 8. Export weight of textiles and footwear according to the countries [4]

6. Actual situation and the main challenges in the leather and footwear industry in Albania

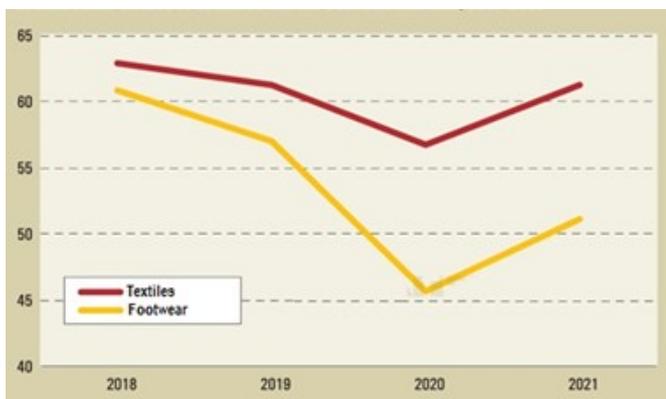
Early 2022, the textile, garment, leather and footwear manufacturing companies in Albania are facing with a tremendous increase of the order size from the foreign main partners. This increase is up to 200%, and the cause is the production location changes after the problems with the supply chain in Asia and high transportation prices. Well known international brand names like "Clarks", "Geox", "Dolce&Gabbana" etc. are increasing the orders for Albanian companies, but because of the reduced and limited

capacities, the companies are not able to deal with such high order sizes. There is a desperate need for a labor force in Albania, but in the other hand the high demand for production is pushing and motivating companies for technology investment and in better methods in human resource management.

This is the right moment for the leather and footwear sector, when the companies can add more value to their production chain, and for the first time after some decades the Albanian companies can select the orders. The lower labor cost in Albania cannot be an advantage anymore.

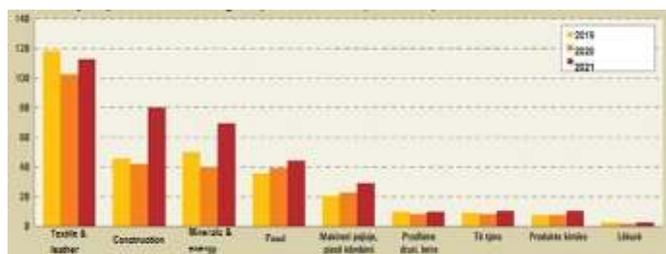
High and increased demand for products from Albanian companies after the Covid-19 pandemic, showed the lack or weak transport logistics. For Europe, "Balkans" could have been the "Factory" of the Continent and Albania, with an admirable and long experience in textile, garment, leather and footwear production could have been a big beneficiary. But, the high and increasing emigrating labor force, especially the youth, as well as the deficits in high technology are preventing this industry to increase the benefits and gains.

The export of footwear reached the top in 2018, and during 2019 and 2020 due to the earthquake that faced Albania and the global Covid-19 pandemic, the export of textiles and footwear was decreased, but in 2021 is increased, by showing a positive trend, as shown in Graph 9.



Graph 9. Exports (bln ALL), 2018 – 2021 for textiles and footwear

While, the graph 10 shows the trend of goods exports, according to different categories of goods [4] for the three last years (2019 – 2021). The first most important category is textiles and footwear.



Graph 10. Yearly exports based on groups of articles (bln ALL)

After Covid-19 pandemic period the order geography has been changing rapidly from countries like Germany, Great Britain, Spain and Portugal. The European companies ask for ready products without assisting the Albanian companies in many operations and processes, bringing in this way the rapid development of the full cycle of production and adding more value in the production chain. Before 2019 the closed/full cycle of production held 20-30% of the whole activity.

Lack of labor force, more incentives to add

In comparison to other sectors of the economy, the garment and footwear production is considered as the most difficult one, hard, time consuming, high exposure to hazardous chemicals and waste. According to INSTAT, in 2020 in the textile and footwear industry 57000 people were employed [4].

High demand for ecofriendly products

Green economy is in the focus of foreign investors and the textile and footwear sector is responsible for about 10% of the global pollution according to international data.

Traditional leather processing is known to produce a discharge with a high pollutant load. Today, new industrially tested technologies are available to reduce this pollutant load. They allow more efficient use of wastewater discharge systems and provide more economical treatment of residual

water. The reduction of the pollutant load is achieved through the implementation of advanced technologies with low emissions [7].

So the Albanian companies in textile, leather and footwear production have one more requirement, for ecofriendly products, from their foreign partners.

This year, after a difficult period for the sector in the country because of the rigid quarantine in Europe, the Albanian producers of leather and footwear are more optimistic. Although there are difficulties because of the high prices of the raw materials, transportation cost increase, energy, lack of operators, the industry in Albania is expected to have a high expansion because of the increase in order demands from the European partners. The challenges for the Albanian sector of leather and footwear production remain big.

7. Conclusions

The leather and footwear industry in Albania, is one of the most important categories of exports in the country, playing in this way a crucial role in the Albanian economy, by increasing the export income.

During its history of evolution this sector of industry had a period of collapse from 1990 to 2003, due to the new economic reality created. Compared to the clothing industry, to the leather and footwear industry, it took more time to adapt to this new economic reality, but in the following years it had a very rapid development. This industry has even doubled its export from 2005 to 2015. The export of footwear reached the top in 2018, and during 2019 and 2020 due to the earthquake that faced Albania and the global Covid-19 pandemic, the export of textiles and footwear was decreased, but in 2021 is increased, by showing a positive trend.

However, after these successive difficulties, the Albanian producers of leather and footwear are more optimistic.

Albania has many advantages in the production and export of leather and footwear, such as the relatively lower cost of production, compared not only to western countries but also to neighboring countries. This is the reason why more and more European companies and brands are shifting their production from Asia to Albania. Moreover, the geographical proximity to European markets and the delivery of final products to Western European countries is faster and more flexible compared to Asian countries. Albania has a trained workforce and likewise a complete production cycle.

Besides these advantages in comparison to other sectors of the economy, the leather and footwear production is considered as the most difficult one, hard, time consuming, high exposure to hazardous chemicals and waste.

Nowadays the foreign investors in Albania are focused on the green economy, because they are aware that the leather and footwear industry is one of the main industries which contribute to the environmental pollution. Consequently, the Albanian companies in leather and footwear production now have one more requirement from their foreign partners.

Although there are still difficulties because of the high prices created by the economic crises, for the raw materials, transportation cost increase, energy, lack of operators, still the leather and footwear industry in Albania is expected to have a high expansion, due to the increase in order demands from the European partners.

But still the challenges for the Albanian sector of leather and footwear production remain extensive.

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