

THE ROLE OF MIGRATION IN UNEMPLOYMENT REDUCTION IN ALBANIA

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Abstract: In this paper we try to analyze the trend of emigration, the evolution of middle age and the flow of unemployment in Albania. The statistical analyses show that in recent years there is a significant increase in emigration flow accompanied by a slight decline in unemployment and it turns out that according to Gallup (2020) Albanians rank first in the Balkans for the desire to leave Albania. The increase in the flow of emigrants on the one hand has a positive effect on the growth of remittances but on the other hand has a direct negative impact on the economy as much as 0.6% - 0.9% of GDP. Other results of this study show that emigration affects the "aging of the local population, it reduces the young and skilled labor force and increases the number of retirees, accompanied by a deterioration in the ratio of contributors and pensioners moving away from the previous ratio of 4 to 1 in 1990 to 1.5 to 1 in 2019 and to a projected ratio of 1.2 to 1 in 2030. Furthermore, the emigration flow is leading to a reduction of students in schools, and as a consequence leads to the closure of many primary schools, forcing dozens of teachers into unemployment and substantially reducing the number of university students by quite a bit.

Keywords: Unemployment, Emigration, Productivity, Albania

1 INTRODUCTION

It is a well-known fact, that in the era of globalization, emigration is increasingly seen as the norm rather than the exception or a localized or transitory event.

Economic globalization, which accelerated the transfer of goods and capital, can in no way restrain the movement of citizens, a basic right of every individual recognized by all as the right to emigrate in search of a job, an opportunity, better education or a better and decent life (IMR, 2017).

According to Eurostat data in 2017 the number of foreigners who entered one of the 28 EU countries was 4.3 million, the number of emigrants from the Western Balkans was 137000 individuals with the majority being emigrants from Albania with about 52000 persons in 2017 and about 653,000 in the last 11 years.

Growing emigration is certainly not just a problem of Albania or the Western Balkans. According to a *United Nations* (2017) report in recent years the number of international

migrants has increased significantly, from 173 million in 2000 to 220 million in 2010, to 258 million in 2017.

Emigration, if supported by coherent and coordinated policies, can contribute to the economic growth and sustainable development of the host country. It also has a positive impact in the short term on increasing the welfare of the country of origin, thanks to remittances sent to family members who are left back home. According to the MPI report (2018) the inflow of remittances to developing countries for 2015 reached 432 billion.

In Albania, the remittance flow for 2018 was 9.6% of GDP (€ 1.16 billion). Today 1.15 million Albanians live in emigration (according to the Bank of Albania, 2018: simply put 40.7 % of the entire population lives abroad and they help 26% of Albanian families), but on the other hand this net emigration according to the International Monetary Fund has had a negative effect on the GDP decreased it from 0.6 % to 0.9%. Thus, direct damage the net emigration has on Albanian GDP goes up to € 120 million per year.

Host countries on the other hand enjoy significant benefits from immigration as the latter has a positive impact on the growth of the new workforce; the immigrants are more dynamic; contribute to the pension system; to the reduction of the average age of the host country; etc. (UN, 2017; Håkansson 2000; Zaiceva, 2014; Alho, 2008).

Although the Albanian immigrants are often the most vulnerable in society, they are the first to lose their job in times of crisis and are the least paid¹. In Albania the working age population has decreased by 0.6% for the period 2015-2019 while the number of pensioners has increased by 12% for the same period.

On the other hand schools, universities and the economy together are suffering more and

more every year from the loss of the young population due to emigration.

Based on these considerations, We think it is interesting to understand and analyze the impact that emigration of Albanian citizens has on the country's economy and on unemployment.

The aim of this study is to highlight the growing trend of emigration, the effects it has on reducing the unemployment rate in the country and the negative effects it has on the country's economy by making some projections about the aging of the country's population and the impact this aging will have on economic growth.

The results achieved in this study are in line with the main literature on emigration (Muco, 2015; Håkansson 2000; Zaiceva, 2014; Alho, 2008 Merko et al., 2018).

2 FEATURES OF EMPLOYMENT IN ALBANIA AND ITS DYNAMICS OVER TIME

According to INSTAT data over the last 11 years the working age population in Albania went from 53% in 2007 to 63.6% of the population in 2018, or about 1.373 million individuals.

In the last five years the working age population fell by 0.6%. This decline of this age group of the population started in 2018 thus reversing a trend that lasted 9 consecutive years.

In 2019 the working age population was about 2.1 million, with a decrease of 3500 people compared to the previous year. This trend seems to continue in the coming years as the projections about the population according to age group subdivisions 15-19 and 20-24 years show a significant decline over the next four years. On the other hand, unemployment according to the World Bank report (2019) has followed a downward trend in all Western

¹ Muco, K. (2015). Gli stranieri in Italia: costo o beneficio, *Economia e politica*, 2015, vol.7 nr.10, p.2

Balkans countries, including Albania where the current number of unemployed reached 173 thousand, this is also due to the fact that only in the last 5 years the number of pensioners has increased by 12%.

Unemployment in Albania is expected to follow a downward trend in the coming years. According to the Ministry of Finance, unemployment is expected to fall below 10% in 2021 from the current 11.5%. This decline will come mainly from economic growth and continuous employment growth as well as from the slight reduction in the working age population, and perhaps also from the continuous increase in emigration and the fight against informality that remains a challenge for the entire Western Balkans countries according to WB.

If we look at the employment trend we will notice that from the beginning of the 2000s onwards employment has had an upward trend with small fluctuations between 50-60%, whereas from 2014 onwards employment has had an upward trend even though a percentage of this labour force does not receive a normal salary as they are self-employed.

In terms of employment expressed as a percentage of the labor force, from INSTAT data we see that employment has followed an upward trend until 2012, later on there is a considerable reduction below 85.7% from Q1 of 2013 to Q2 of 2016. This sharp decline in the level of employment reflects the slowdown in the country's economic growth.

From the beginning of 2014 onwards, the trend of economic growth has been accompanied by an increase in the rate of employment. This increase in employment has continued to the present day. According to the WB report from Q1 2017 to Q2 2018 in Albania have been created 38 700 new jobs out of 68000 new jobs in total in the Western Balkans. This increase in employment in Albania is mainly driven by women as they have filled 70% of the new positions.

According to the abovementioned report, Albania together with Montenegro have had an increase of 3.3% in employment, leaving behind North Macedonia with 2.1%. This increase is, however, lower compared to that of a year ago where we had an increase of 23,000 jobs. Employment growth rates have been different from those of economic growth in the region, more specifically 2.5% in 2017 and 3.9% in 2018. So, unlike employment, economic growth was lower for 2017.

If we look at employment by sectors, we would notice that in 2018 out of 38,700 employees in total, 8400 of them were employed by municipalities and the public sector with an increase of 5.1% compared to 2017 while the increase of employees in the private sector was only 1.5% compared to 2017. State employees reached 172 thousand individuals while those in the private sector reached 509 thousand with an increase of 7 thousand people compared to last year. According to INSTAT, the total number of employees is 1,134 million, of which 681 thousand classified as salaried employees, while 453 thousand are classified as self-employed in rural areas.

According to Eurostat data (2016) in Albania 26.5% of employees are in the public sector. Albania ranks after Norway (30%), Sweden (29%) and Denmark (28%). In the EU, public sector employment averages 16%.

In the agricultural sector the share of employment for EU countries varies from 2-4% while in Albania it reaches 40.9% of the total for 2016. Looking at the share of the agricultural sector in the GDP of our country and that of different countries to the EU we can say that we rank last in Europe in terms of productivity in the agricultural sector. In fact, productivity remains low in every sector of the economy in Albania (Muço et al., 2018). According to a study by Garo (2018) productivity in Albania is low, and there is an increase at times when there is a decrease in employment.

This downward trend in productivity is observed from 2014 onwards and on the other hand we have an increase in real wages by 6.6% in 2017, in fact productivity and real wage growth move in the same direction.

These facts lead us to think that perhaps the increase in employment has come as a result of the fight against informality or the reduction of the number of unemployed. In fact, the WB report (2019) affirms that Albania has made progress in the fight against the grey market in labour. Also, if we take into account the level of job-seekers we will notice that in 2010 there were 144 thousand, in 2015 there were 149 thousand, and they reached 119.7 thousand in 2017 and 89.7 thousand in 2018.

The decline of job seekers according to INSTAT data for the period 2015-2017 has been 40%, this decrease pertains to the age groups 16-19 years and 20-34 years, i.e. the young and middle-aged adults namely students and young people who emigrate abroad.

Referring to Garo's study (2018, p.33) we can see that over the last 17 years, for every increase of real GDP by 1% there is a decrease in the unemployment rate by 1.3%. This result shows that to some extent the law of Okun (1962) holds also in Albania.

3 CAUSES OF INCREASING EMIGRATION AND ITS COSTS

Albania, like all other countries in the Western Balkans, has been a major source of illegal economic migrants, but often not only, seeking work in rich European countries. Originally in the '90s, but this trend seems to have returned sharply again in recent years as well. According to Eurostat data in 2017, the number of emigrants from the Western Balkans was 137,000 individuals, the majority of whom were Albanian emigrants with about 63,000 persons in 2018 and about 653,000 in the last 11 years. Every day more and more Albanian citizens are feeling the need to leave their

country in search of a better future, this because of poverty; inequality; lack of democracy, lack of rule of law and impossibilities of choice (Sen, 2014 ranks the possibility of choice as the basic criterion of poverty).

Never before has emigration been a "problem" as it is today for Albania. We treat it as a problem not because emigration is considered negative in principle but because in recent years in Albania there is a sharp reduction in population, an increase in the average age, a reduction in live births and a reduction in the labor force.

According to UN data (2017), the world population or that of Southeast Europe is constantly growing whereas the Albanian population has shrunk from 3,281 million inhabitants in 1990 to 2,862 million in 2019.

Bosnia and Herzegovina, Croatia or Slovenia have also experienced a downward population trend, but the population decline of these countries has been relatively much lower than that of Albania, on the contrary, the population of Slovenia and Croatia has increased since they became part of the EU.

If we look at emigration by age group we will notice that over 2/3 of people who have left Albania for good, according to UNICEF are under the age of 30, while those under the age of 20 make up 16% of emigrants. Referring to Håkansson studies (2000); Zaiceva (2014) or Alho (2008) we can say that the vast majority of emigrants are young and they have a very positive impact on the host country as they reduce the average age and affect the increase of birth rate while for the country of origin in this case Albania the effects are quite the opposite. Moreover, these effects are likely to worsen in the future, as according to a study published by UNDP in 2018, 52% of Albanians want to emigrate compared with 2007, where only 44% of the population had the desire to emigrate.

In Albania, the increase in the desire to emigrate is among the highest in the world. We

rank behind only Togo, Sierra Leone, Congo and Syria and are almost on par with Haiti as potential migrants. The desire of the population to flee Albania is no longer related only to the level of poverty or unemployment like that of the '90s, today it happens for reasons of food and health security, or due to the loss of confidence that tomorrow will be better. Desire and departure become even more painful and costly for the country when students and intellectuals leave.

According to the data of the Center for Educational Services, every year almost 20% of the best high school leavers apply to study abroad, not to mention tens of thousands of other well-educated young Albanians, who seek their fortune outside Albania (this September about 4800 high school leavers left the country). Many experts of economy see this phenomenon as a drain of energy, knowledge and momentum for change as the vast majority of them leave the country never to turn back again.

According to UNESCO data (2018) about 17,400 Albanian students or 12.5% of the total number of Albanian university students study outside the territory of Albania, this indicator ranks us first in Europe. The problem is not why they leave, the problem is the fact that the vast majority of them do not return to Albania. On the other hand, according to INSTAT data in the school year 2018/2019 were registered a total of 641161 pupils and students, a decrease of 16.7% compared to the school year 2014/2015 or over 107 thousand students less. A large decrease was observed in the number of students in primary education where for the school year 2018/2019 were enrolled 167 thousand students, a decrease of 12.7% or over 21 thousand students less in 4 years.

If we were to compare the enrollments of the 2018/2019 school year with those of 1991 we would see that we have a reduction of about 30% for all the levels of education. Only in the last 5 years there is a decrease in school enrollment by 12.3%.

The same can be said for the number of high school leavers, as the latter are also in "free fall", dwindling from 39,600 that were in 2014-2015 to 35,000 in 2018-2019 accompanied by a decrease in the number of students in Albanian Universities with 19% for the period in question. This situation will most likely go from bad to very bad.

Today, the Albanian population aged 0-19 is about 700 thousand from about 790 thousand in 2015, with a decrease of 13.2%. If the trend will be the same for the next 10 years, it is predicted that the population of this age group will drop by 140,000 people, which means that the number of teachers in primary and high schools will be reduced by over 30% in the next 10 years.

As if this was not enough, according to a study conducted by Gedesh and King in 2018, about 180 students who have graduated in Nursing and Medicine seek to leave the country to go to Germany every year, but not only. In the last three or four years, about 30% of them have left.

When students in the auditoria are asked what they will do after finishing school, over 70% of them answer that they want to leave Albania.

The rationale for leaving is almost the same for everyone. Low salary, lack of future and career advancement and loss of hope that this country will have a sustainable development in the future and improve the provide the well-being of citizens.

The formation of these graduates has had a cost for Albania, as the state invests about 493 Euros per year for each student until they graduate, not to mention here their monthly expenses, or the registration fee that everyone pays every year.

All these expenses for education in Albania benefit Germany, Italy, America, etc. So, a poor country like Albania finances the education of tomorrow's professionals only to lose them once they graduate and leave for big countries.

This hemorrhage of the Albanian population according to the IMF (2019) amounts to 0.6% -0.9% of GDP.

On the other hand mass emigration along with the reduction of births is leading to the collapse of the social security system.

According to INSTAT data in 1979 in Albania there were only 76 thousand people over the age of 65. In 2011 this number quadrupled reaching 318 thousand. Currently the number of people over the age of 65 is 403 thousand people.

Whereas in 2031 this number is expected to reach over 600 thousand people, so there will be an increase of over 50% in the number of retirees. While the number of retirees is growing rapidly, the number of people of working age seems to be in a steady decline according to INSTAT, declining from the current 1.76 million to 1.56 million in 2031.

If before 1990 the ratio was 4 contributors per pensioner this indicator is currently around 1.5 contributors per pensioner.

4 CONCLUSIONS

In this paper we examined the declining trend in unemployment and the economic impact of increasing emigration in Albania and we also tried to verify through descriptive statistics whether there is a link between falling unemployment and the flight of young Albanians.

From the statistical analyses it was noticed that in the period Q1 2014 - Q1 2019 the working age population has decreased by 0.6% whereas the number of pensioners increased by 12%. Over the last 5 years there has been a steady increase in employment and a sharp decline in unemployment.

By comparing these two indicators it emerged that the decline in employment has also come about due to the increase in emigration of young people and professionals and not only due to the increase in employment.

It was also seen that the increase in emigration does have positive effects on remittances or an indirect positive impact on the reduction in unemployment, but on the other hand there is a cost ranging from 0.6-0.9% of GDP.

Other results of this study show that emigration has a negative impact because it increases the average age of the local population, as well as it increases the number of retirees accompanied by a deterioration in the ratio of contributors and pensioners, from 4 to 1 which was in 1990 at 1.5 to 1 in 2019. Also the emigration flow is leading to the closure of many primary schools but not just pushing dozens of teachers into unemployment.

Looking at these indicators we can suggest that the government should urgently intervene to curb emigration and return the "brain" in the country before it is too late, which can be achieved

- by raising salaries for young people or reducing taxes for all those employers who employ young people up to the age of 25;
- by awarding bonuses to young newly-married couples to purchase a house as it happens in Croatia;
- by awarding tax-free payments for newborns (€ 100-200 per month per baby until they reach adulthood) as it happens in Hungary or Macedonia;
- extra payment for all those graduates who return to give their contribution in Albania, especially for those who will work for public administration. Doctors and nurses who are fleeing en masse can be offered 5-year mandatory contracts in Albania for all those who decide to study in the country.

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