

## The Relationship Between Labor Market Migration and Human Capital in Albania

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**Abstract** – The countries of the Western Balkans are characterized by a declining population, driven by low birth rates, population aging and continuous migration. Emigration from the region has been constant since the 1990s, evolving from irregular migration for work purposes among persons with low to medium skill levels for work to regular migration for purposes of family reunification, students studying abroad and, more recently, migration for work purposes of persons with a high level of skills. In 2020, the European Training Foundation (ETF), together with the Vienna Institute for International Economic Studies, launched a regional study entitled 'Dynamics of migration from a human capital perspective in the Western Balkans'. Its aim was to shed light on the triangular relationship between human capital formation, labor markets and migration, and to determine how the education system currently works and how the labor market affects migration in each country. The study included an analysis of existing literature and reports and the development of tools to analyze available data on Albanian migrants based on existing international statistics. Given the growing educational profile of Albanian migrants, avenues for bilateral agreements with the main destination countries for the management of skilled migration can be explored. The new EU Pact on Migration and Asylum (EC, 2020) may represent an opportunity to develop such a dialogue.

*Keywords* – Migration, Albanian Population, Demographic And Social Characteristics, EU

### I. INTRODUCTION

Since 1991, from the beginning of the post-socialist transition, Albanian migratory flows have reflected the dynamics of macroeconomic conditions in the country. During the last two decades, GDP growth averaged 6.2% in 2000 - 2008, 2.3% in 2009 - 2014, when the effects of the global economic and financial crisis spread to Albania, and 3.1% in 2015 - 2019.1 In 2019, the growth of GDP was 2.2%, after which the economy contracted by 3.8% due to the Covid-19 pandemic in 2020.

In the absence of higher GDP growth, the per capita income gap in Albania compared to the EU average has not narrowed. In 2019, GDP per capita in Albania was 31% of EU average.2 Such levels of GDP growth do not facilitate the growth of public investments in education, health, social protection and other services for the population.

Despite the volatility of GDP, unemployment in Albania, especially youth unemployment, has been at double-digit levels throughout the 30-year period. In 2019, the official unemployment rate was 11.5%, while youth unemployment (15-24 years) was 27.2% (INSTAT, 2020a). According to INSTAT (2020a), almost 1 in 4 young people is not in employment, education and training (NEET).

High unemployment, low wages, insecure and unskilled jobs in the informal sector, insecurity and emotional stress, working conditions and the lack of a future perspective generate poverty and cause dissatisfaction in many segments of society. According to all studies, macroeconomic factors such as unemployment and poverty have traditionally been the main factors of Albanian emigration.(1).

International migration has played an important role in exporting part of the Albanian labor force mainly to neighboring countries (Greece, Italy) and, in return, has led to significant remittances in the economy..(2).

Therefore, two questions arise. The first question is related to the past. How would the situation in Albania have been without immigration? Certainly, under the hypothesis of zero immigration, the country would have been stuck in a deep social and economic crisis, with very high unemployment and extreme levels of poverty, an even more massive rural-urban migration than that seen after 1990, overpopulation of some urban and coastal areas, and a general chaotic political and social situation.

From this point of view, remittances from Albanian migrants have alleviated poverty, improved some of the country's macroeconomic indicators and a small part (10-12%) has been invested in the economy (de Zwager et al., 2005; de Zwager et al., 2010). Migration, therefore, has played a role in rescuing Albania from economic, political and social chaos. What about the future? Will the emigration of educated and skilled young people have implications for Albania's development? This is the second question that we will try to answer later in this paper by analyzing the interaction of international migration with education and labor market trends. (3)

Following a common analytical framework and applying it to the case of Albania, this paper focuses on the triangular relationship between international migration, human capital formation and the labor market.

In this triangular relationship, where each element interacts with other elements, international migration is certainly the most flexible and dynamic variable. Therefore, it must be analyzed in order to capture the different forms it takes as a result of the influence of the other two factors, but also to see its contribution to the changes of different relationships. After this analysis, policies should be developed and aimed at maximizing the positive implications of migration and minimizing the negative ones.<sup>1</sup>

## II. MATERIALS AND METHOD

In general, there are no official (long-term) migration statistics based on the country's own statistics in the case of Albania, especially regarding the skills composition of migrants. Therefore, data on skill-differentiated net migration are approximated and calculated through a cohort approach which identifies and tracks age groups over time.

This innovative methodology relies on the idea that in the absence of fertility and mortality, any population change is the result of migration, so that migration dynamics can be inferred from population changes observed in official statistics. It uses data from the Labor Force Survey (LFS), whose rotational design does not allow a person to be tracked over time, but whose stratification and weighting scheme allows the identification of representative groups (age groups) that can be followed over time.

Given zero fertility and no (substantial) mortality, changes in the size of an age cohort between two consecutive years provide a good approximation of net (cohort-specific) migration per year. In this context, an increase in the size of an age cohort is an indicator of net immigration, while a decrease in the size of an age cohort, on the other hand, is an indicator of net emigration. It uses national VHS data for the years 2011-2019 and focuses on the sub-population of persons aged 15-39 which is characterized by zero birth rates, low mortality and strong migration dynamics. (4)

In the first year of the analysis period, this sample population is divided into five different five-year age groups: 15-19, 20-24, 25-29, 30-34, 35-39 and each group is then followed over time until 2019. Each year,

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<sup>1</sup> INSTAT estimates that the population of Albania on January 1, 2020 was 2,845,955 inhabitants ( INSTAT, 2020c ) To calculate the number of Albanians abroad, INSTAT uses the indirect method based on the comparison of two populations, resident population and civil registry population. The civil registry population was used as the base, as it includes everyone

each group ages by one year and finally, in 2019, it has aged by 9 years. Analysis results for the period 2012-2019. In addition, starting from 2011, each year a new group of 15-year-olds (newcomers) is included in the survey population, which ages by one year each year.

Each of these cohorts of newcomers each year from 2011 onwards (i.e. those reaching the age of 15 at the survey entry stage in 2011, 2012, etc.) is also tracked and counted separately on an annual basis until 2019 to ensure that all relevant age groups, even those younger than the five-year age group mentioned above (and who would be part of the potential labor force) are included in the net migration estimate these new age groups.

Due to the stronger dynamics of migration in later years, for each of the newly introduced groups in the survey only those persons who are 18 years old are analyzed above. The cohort-based approach is applied to the subpopulation of persons aged 15–39 years, as well as to further disaggregation into the following four levels of educational attainment: lower (primary secondary or lower secondary), general secondary (upper secondary education/gymnasium) secondary VET (higher vocational education and training), and higher (higher education). (5)

In the analysis at the most detailed level of educational attainment/ISCED, complex differences in educational abilities/composition can be observed especially between the two youngest age groups and the newly included in the survey (ie those under the age of 25). These changes are associated with the transition to higher education levels, as people graduate from one of two types of secondary education and either move from lower level to general secondary education or vocational secondary education or graduate from higher school, therefore, they pass from general high school or vocational high school to high school. (6).

### III. SOCIAL-DEMOGRAPHIC STRUCTURE OF ALBANIAN MIGRATION

INSTAT data show that 25.3% of Albanian migrants fall into this category of young people younger than 19 years, 46.3% are 20-44 years old, 23% are 45-64 years old and only 5.4% are older than 65 years old. Regarding gender, 52.5% of migrants are men and 47.5% are women (INSTAT, 2020)

The level of education of immigrants also varies by host country. According to DIOC, less educated and low-skilled people tend to migrate mainly to the consolidated destinations of Greece and Italy, where they can find unskilled work, even in the informal sector, using networks of their social. Meanwhile, more educated and skilled people migrate mainly to advanced economies in Western Europe and North America, which have adopted more favorable migration policies for highly skilled people. (7)

According to the educational structure of Albanian migrants in several OECD countries, Greece and Italy were home to almost 81% of Albanian migrants in 2010, where the share of migrants with higher education was 7.7% and 9.1%, respectively. In some advanced countries of Western Europe and North America, the percentage of highly educated migrants ranges from 36% (France, United Kingdom) to 70% (Canada). Also, in the USA 36.8% of Albanian migrants had higher education in 2010/11 and, according to the authors of a study, were "more educated than non-Albanian Americans with comparable demographics" (Nedelkoska & Khaw, 2015). Meanwhile, the share of migrants from Albania with higher education (25-64 years) was much higher than that of the general population, bringing with it important implications for economic growth (8)

Finally, the emigration rate of persons with higher education<sup>12</sup> is higher than the overall emigration rate in Albania and among the highest levels in the whole world. Thus, in its 2016 edition of the Migration and Remittances Factbook, the World Bank ranks Albania among the first countries in the world (instead of 15th) in terms of persons with higher education as a percentage of the total (BB, 2016). In 2010/11, according to the same source, about 31.3% of Albanian citizens with higher education were thought to be immigrants. Meanwhile, in 2015/16 the emigration rate of persons with higher education was 38.1% or +14.6 percentage points more compared to 2000/01, ranking Albania in the 8th place globally and the fourth for the greatest growth between the two periods (d'Aiglepierre et al., 2020).

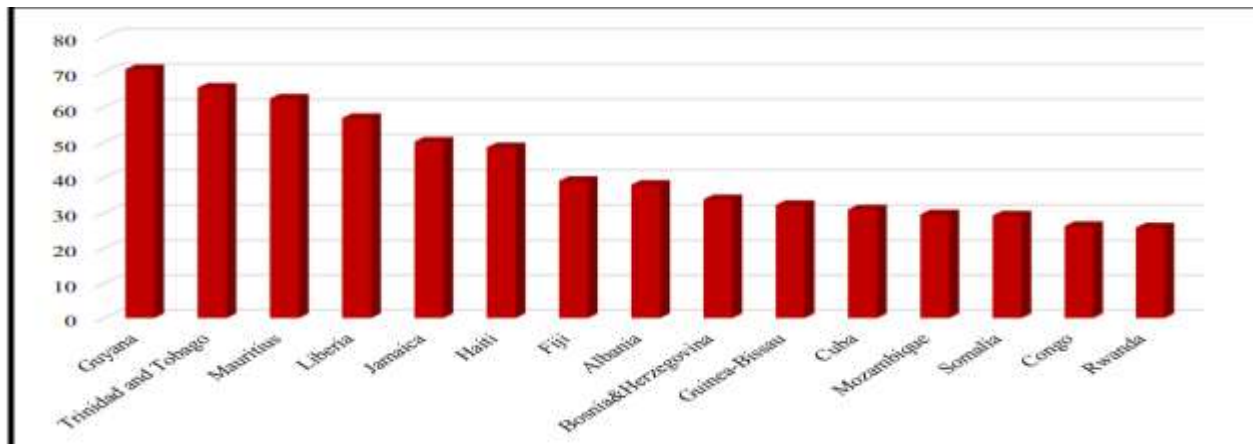


Figure 1. The first places in the rate of emigration of persons with high work skills, 2015/16 (in%)<sup>2</sup>

#### IV. INTERNAL UNIVERSITY EDUCATION AND VET POLICY AFFECTING IT IN INTERNATIONAL MIGRATION

The supply of capacities for university studies within the country has increased rapidly, but this process has not been accompanied by new jobs. According to data from INSTAT, the number of students in Albanian universities increased from 27,359 in 1990 to 40,267 in 2000, to 134,877 in 2010 and 139,043 in 2018 (Gërmenji & Milo, 2011; INSTAT, 2015a, 2019). This rapid increase in the number of students (by more than three times during 2000-2010) was due to the combined effect of the expansion of capacities in public universities and the creation of many new private universities. According to a survey of 1,650 students in almost all public and private universities in 2019, 79% of university students (average age 22) in Albania intend to migrate abroad. (9)

Intention to migrate is related to how students envision their future. On the one hand, it is a reflection of the real economic, social and political situation in Albania; on the other hand, it reflects the perceived opportunities available in the host country. The intention to emigrate is higher among some groups of students in certain fields of current studies, such as medicine (91.5%), informatics (84.4%), nursing (83%) and engineering (79.2%), which is explained by more many opportunities for employment in the desired country of migration (Figure 2).

But the intention to migrate is relatively high overall. This high trend is worrying and should attract the attention of society. Ultimately, this may cause staff shortages in certain professions, which are much needed in Albania.

<sup>2</sup> d'Aiglepierrre R. et al., 2020. Note: The immigration rate is calculated as the ratio between the number of immigrants living in OECD countries and the total sum of the resident population and immigrants living in OECD countries.

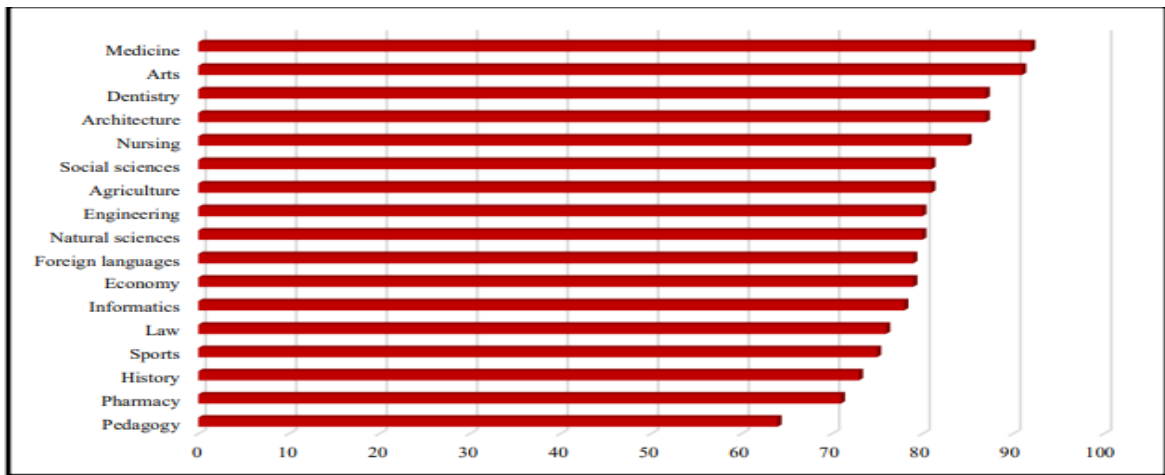


Figure 2 . Intention to migrate by field of study (in percentage )<sup>3</sup>

Similar to the previously mentioned driving factors, 65% of university students wish to emigrate from Albania for economic reasons (e.g. improving living standards, finding a job, working conditions, seeking an international career, a better social security system).

Another measure of 17% of students want to move abroad to continue their studies (masters, specialized studies, etc.). While another 17% give other social reasons such as 'there are no real prospects in Albania', 'I don't like living in Albania', 'family reunification', 'better health care services', etc. (King and Gëdeshi, 2020a).

## V. CONTRIBUTION OF SKILLS ACQUIRED ABROAD TO CAPITAL SUPPLY PEOPLE OF THEIR OWN COUNTRY

The international migration of Albanians, especially starting from the end of the 1990s, goes hand in hand with their return. During the last decade, the return of migrants peaked twice: in 2009-2013, when more than 134,000 Albanian migrants returned as a result of the global economic crisis<sup>4</sup>; and in 2016-2018 when thousands of Albanian asylum seekers (mainly in Germany and France) returned to their country (Gëdeshi and King, 2020). The return of migrants is a potentially very important process for the economic and social development of Albania. Returnees bring financial capital (savings), human capital (technical skills and knowledge, mentality and new ideas, work habits, etc.) and social capital. (10)

A study by ETF of Albanian returnees showed that they had acquired skills from their many years of experience abroad (mainly in construction, services, agriculture, manufacturing, etc.) and 16.5% had trained or studied in the host country. The study showed that migrants returning from advanced Western European countries (Germany, United Kingdom) were twice as likely to have received training there, compared to those returning from Greece (ETF, 2007).

Regardless of the human capital they had acquired in the country of migration, there is no agency in Albania to certify the skills that people learn informally and unofficially (mainly in work) including migrant skills. If such a system existed, it could facilitate the validation and certification of skills learned outside of school that could help raise the profile themselves in the eyes of employers and to find work in accordance with their profession and qualifications.

<sup>3</sup> King and Gëdeshi, 2020a

<sup>4</sup> INSTAT and IOM, 2014

## VI. RESULT AND POLICY APPLICATIONS

Albania is characterized by a very high level of migration, ranking it among the first countries in the world for the participation (as a percentage of the current population) and the intensity of international migration.

Although groups from all socio-economic backgrounds and different levels of education have emigrated out of Albania, the brain drain has been increasing in the last decade. Young people in their 20s, the most educated and qualified people, emigrate to the advanced countries of the EU and North America.

The global economic crisis and favorable immigration policies in Germany and some other countries are some of the contributing factors. Based on international databases (IAB/DIOC), the report showed that in the first two decades, Albanian immigrants, mainly concentrated in Italy and Greece, had completed low and medium levels of education. Albanian migration continues and is likely to do so in the future. Therefore, if it is impossible to stop migration trends, policies should aim to make Albanian migration more circulation and receive the advantages of the diaspora.

Despite some positive trends in recent years, the labor market in Albania needs deep structural changes and important reforms in public and private sector employment. Double-digit unemployment rates, low wages, high levels of informal work, high levels of work-related vulnerability, lack of skilled jobs, lack of career advancement opportunities and job insecurity are some of the driving factors that generate migrant flows from lower-skilled workers to brain drain. The state should focus especially on employment policies that affect middle and skilled workers who are more and more inclined to emigrate. Thus, substantial reforms are needed in the Albanian labor market in order to mitigate strong trends of migration.

In particular, the youth of Albania needs a clear perspective for the future, in order to minimize the number of those who see emigration as the 'only solution'. Given the growing educational profile of Albanian migrants, avenues for bilateral agreements with the main destination countries for the management of skilled migration can be explored.

The new EU Pact on Migration and Asylum (EC, 2020) may represent an opportunity to develop such a dialogue, as it proposes the launch of Talent Partnerships with interested third countries to help increase mobility useful international (specifically the Western Balkans), and of an EU Talent Pool for skilled third-country nationals.

This policy suggestion is made in the belief that skilled migrants (through higher savings and remittances, investment and higher human and social capital) contribute more, upon return, to themselves, their country of birth and to the host country (a triple win situation).

Therefore, primary and nine-year education and training of potential migrants may be an option, which can be achieved in close cooperation with the host country. In this case, the host country can invest in Albania - within the framework of bilateral agreements - in vocational training and education, hoping that not all trained human resources will want to leave.

Recognition of education and training by host countries is another measure that would facilitate employment and provide higher income for Albanian migrants. Official channels and employment agencies can play an important role in this regard. They can facilitate and minimize the transition period until a job is found in the official sector in accordance with the level of education and qualification of the migrant.<sup>34</sup> In this case, we would not have a brain drain, but a win-win situation for him. all parties.

## VII. CONCLUSION

The COVID-19 pandemic has plunged the Albanian economy into the deepest recession since the beginning of the post-socialist transition in 1991 and the events that followed the collapse of the pyramid schemes in 1997. COVID-19 was the second shock to hit Albania's economy after a devastating earthquake in November 2019.

Compared to the 2019 level, GDP contracted by 3.8% in 2020 as tourism and services contracted sharply. The unemployment rate increased by 0.2%, while labor force participation decreased from 60.4% in 2019 to 59.5% in 2020. Remittances also decreased by 9.6% during the period January - September 2020 compared to the same period in 2019 (Bank of Albania, 2021).

According to the World Bank (2021), the increase in social spending and post-earthquake reconstruction has partially mitigated the impact of the pandemic on poverty in 2020 and 2021. Given that the global campaign of

vaccination will take years, growth in tourism and travel is likely to remain limited. In that case, in 2021 the GDP will increase by about 4.4%, while exports, consumption and investments start to recover (World Bank, 2021).

The services sector, led by tourism, and construction are expected to lead the recovery, mainly due to investment in reconstruction. In the coming years, private consumption will become increasingly important for economic growth.

However, many families still struggle with poverty, inequality and vulnerability in Albania. According to the World Bank (2020d), 34.6% of Albanians lived in poverty in 2019 (less than USD 5.5 per day per capita in PPP 2011).

The development of several possible scenarios analyzed by the World Bank shows an increase in the level of poverty in Albania by 4 to 8 percentage points, reaching about 40% in the first scenario (optimistic) and 44% in the second scenario (pessimistic). or in the increase of the poverty category with 115-230 thousand people who reach the poverty line in the country (World Bank, 2020d). Thus, in the best scenario, poverty in Albania in 2020 would reach the levels of 2012 (39.1%), while in the worst case, poverty would reach the levels of 2005 (42.6%). In both World Bank scenarios, the middle class will shrink.

The expansion of poverty will affect most households living in urban areas, especially those working in the service sector. The question that must be asked in this case is what will happen to the migration situation when, with the end of the COVID-19 crisis, travel to EU countries would resume?

In this case, we must refer to the experience of the global economic crisis. As a result, the economic push factors for emigration increased (unemployment, less income and remittances, poverty), but the traditional destinations for Albanian migration (Greece, Italy) offered fewer opportunities due to their own economic crises.

As a result, the mass of potential migrants shifted towards Germany and other EU countries in the mid-2010s.

The economic push factors for emigration to Albania continued to accumulate even during the COVID 19 crisis.

Migratory flows to EU countries also continued, but at a more moderate pace, due to the ban on travel.

As a result, the intensity of emigration outside Albania can be i high once restrictive travel measures are lifted, including low-skilled workers and a mix of brain drain.

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