

GLOBAL CRISIS AND MIGRATION MONITORING A KEY TRANSMISSION CHANNEL TO THE ALBANIAN ECONOMY

**A JOINT STUDY BY IOM AND UNDP
WITH THE SUPPORT OF WB**

Prepared by

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*The author is particularly grateful to Mr. Nicolaas De Zwager
for his contributions to the report*

Tirana, September 2010



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Abbreviations

BoA	Bank of Albania
CERI	Centre d'Etudes et de Recherches Internationales
CESS	Center for Economic and Social Studies
EC	European Commission
ETF	European Training Foundation
EU	European Union
GDP	Gross Domestic Production
HH	Household
IASCI	International Agency for Source Country Information
IFAD	International Fund for Agriculture Development
INSTAT	Institut for Statistics (Albania)
IOM	International Organization for Migration
OECD	Organization for Economic Cooperation and Development
UNDP	United Nations Development Programme
WB	World Bank

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Executive Summary

The economic global crisis - which started as a financial crisis in the US sub-prime mortgage market in mid-2008 and which is perhaps one of the most severe since the Great Depression of 1930s¹ - has affected almost all developed industrial countries and in particular those where Albanian migration has been concentrated. International migration constitutes a major economic factor in Albania, mainly through the remittances channel, which in 2007 represented about 12 percent of the GDP¹.

This paper seeks to address several main questions: How does the economic global crisis influence the Albanian economy through the channels of international migration? What will be the effect on remittances? Moreover, how will Albanian migrants react to conditions of a deepening and potentially lengthy economic crisis - will they stay in the host countries or will they return to their homeland?

In answering these questions, the paper is based on a desktop review of the most recent literature on migration and the crisis,² as well as on quantitative techniques (2,470 surveys with long term migrants) and qualitative ones (interviews and Focus Groups (FG) with migrants) carried out during the period December 2009 - January 2010. Furthermore, the report compares the quantitative data with another baseline, conducted using the same methodology one year ago,³ to provide information for analysis.

¹ Buletini i Bilancit te Pagesave 2008, Banka e Shqiperise, 2009

² An extended bibliography will be provided at the end of this paper

³ **de Zwager, N**, et al, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

Empirical data shows that almost $\frac{3}{4}$ of Albanian migrant households are affected by the economic global crisis. The impact is reflected in a “decrease in working days or working hours” (46%), “loss of employment by a member of the family” (14%), “personal loss of employment” (9%) and “increase in prices and cost of living”. Taken together, these factors are reflected by a “lowering of household income” (54%) and contribute to the decline in their socio-economic status. The data further reveals that 58% of migrants experienced a “worsened” financial situation compared to one year earlier, and 10% say that the current situation is “much worse”.

As observed in similar countries⁴, the short-term impact of the economic global crisis in Albania covers at least three main areas.

The first impact concerns the **decrease for remittances** that migrants send to Albania. The results clearly show that the number of House Holds sending remittances has decreased by 11%. In addition, the average amount of remittance by those HHs still sending decreased by about 4%. These two factors, related to the reduction of remittances, are felt more strongly among migrant HHs in Italy - where the economic crisis, at least in 2009, was more severe than in Greece. Consequently, remittances from Albanian migrants during 2009 have diminished by about 109 million Euros (16%).

This reduction trend will continue as a result of the financial crisis in Greece in 2010. Assuming that the response of Albanian migrants in Greece will be the same as that of the migrants in Italy in 2009, the decrease in remittances may be substantial (estimated to be about Euro 112 million). When considering such a scenario, two additional factors need to be taken into account. First, a lower number of migrants in

⁴ **Rua T A.**, Migration, Remittances and Development in Times of Crisis, UNFPA, Peru, 2010

Greece have realized family reunification to date, compared to Albanian migrants in Italy. Second, a significant number of migrants in Greece originate from the eastern part of the country and from rural areas where poverty levels are still high. In these conditions, Albanian migrants in Greece presumably have a higher obligation to remit in order to continue supporting their families, even when their incomes in migration may fall.

A decrease in the flux of remittances would cause serious hardship in Albania and negatively influence some of the macro-economic indicators. This would ultimately lower the standard of living for many households.

The second impact is the **possibility that part of the migrant stock might return to Albania** due to the deepening of the economic crisis in the host countries. Historical experience, especially the two major economic crises of the second half of the 20th century – the Oil Crisis of 1973 and the Asian Financial Crisis at the end of the 1990's – show that during recession periods migrant stocks in host countries essentially remain more or less constant. It seems unlikely that massive returns of migrants to their countries of origin will occur, a view expressed by Catherine Wihtol de Wenden. Migrants prefer to remain in their host countries, knowing the difficult economic conditions they would face in their motherland. Despite this, anecdotal evidence shows that in 2009, some return migration has taken place because of the economic crisis. The survey shows that only a small number of Albanian migrants consider returning, and even when return is considered, it is as a final option and postponed for as long as possible.

The third area of impact is a **decrease in the flow of migration**, mainly because of high unemployment rates, a lack of opportunities and restrictive policies on migrant workers pursued by host countries.

In the mid and long-term, this impact is observed in saving practices and the restructuring of the migration cycle. Saving practices are particularly interesting to study, considering that this constitutes one of the major objectives of migration⁵. Comparing 2009 to 2008 data, the average annual savings of Albanian migrant HHs effectively decreased by 12%. The decrease in savings, in turn, affects the term of the migration cycle, either shortening it or extending it.

The Albanian economy, despite impressive GDP growth rates since 2000, is not immune to worsening external conditions because external factors are not the only ones that explain these negative consequences of the financial crises. Since the end of the 90's different researchers – in particular the publication of IOM (2005) by de Zwager *et al.*, - have warned that Albanian migrant remittances, which had experienced a rapid increase, would decrease in the future as a result of a '*maturation of the migration cycle*'⁶.while valuing the role that remittances have played in macro-economic stabilization and lowering of poverty for many households in Albania, they stated that this monetary amount injected to the Albanian economy- (in the absence of more favorable social and economic conditions) - was mainly used for importing consumer goods, rather than as investment in domestic production. Almost all the studies

⁵ **de Zwager, N.**, et al, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010).

⁶ **Civici A., Gedeshi I., Shehi D.**, Migration, agriculture and rural development in Albania, Bulgaria and FYR of Macedonia: the case of Albania. ACE-Phare Programme No. P-96-6070R, 1999; **Gedeshi I.**, The Role of Remittances from Albanian Emigrants and their Influence in the Country's Economy, Eastern European Economics, Vol. 40, N. 5, September-October 2002, M. E. Sharpe; **Gedeshi I., Mara H.**, The encouragement of social-economic development in relation to the growth of the role of the remittances, UNDP & Soros Foundation, 2003;**de IOM Tirana:** 2005, Competing for Remittances, De. Zwager, N., I, Gedeshi,, E. Germenji., Nikas, C.,

and the experience of other countries show that a ‘remittance economy’ – if we borrow the expression of R. Skeldon⁷ - cannot continue in eternity.

This paper does not intend to provide a pessimistic overview of the situation. Rather, it seeks to argue that the economic global crisis and its negative consequences in Albania should be seen as an opportunity to implement new reforms and policies. In a recent publication, de Zwager *et al.*⁸, found that financial remittances are only a small part of the wealth produced during the past two decades of Albanian migration. The author states that the yearly savings of the Albanian migrants are almost five times higher than remittances. Further, their high return potential (49 percent), and the accompanying financial, human and social capital, can create a new impetus for economic and social development in Albania. However, it is a precondition that “suitable local conditions and migrant/saver-specific incentives [must] exist, or can be created”⁹.

⁷ **Skeldon R.**, Interlinkages between internal and international migration and development in the Asian region. *Population, Space and Place*, 12(1): 15 – 30, 2006

⁸ **de Zwager, N.**, et al, *Market Analysis: Albania – Maximising the Development-Impact of Migration-related Financial Flows and Investment to Albania*, Vienna, August 2010

⁹ *Ibid*, page 5

Global Crisis and Migration – Monitoring a Key Transmission Channel for the Albanian Economy

1. Introduction

This study is organized into four sections, followed by conclusions, highlighted issues and recommendations. The first section introduces the objectives and the methodologies used. The second summarizes the process of Albanian migration and describes the socio-demographic characteristics of Albanian migrants and their households. The third section describes and analyzes the impact of the global economic crisis on Albanian migrants and migration, based on quantitative and qualitative data. The fourth part analyzes the consequences of the economic crisis by focusing on remittances and the potential return of migrants. The study concludes with the relevant conclusions and recommendation it section five and six. This study is further based on a rich bibliography, as well as quantitative and qualitative data of various surveys and interviews carried out by the Centre for Economic and Social Studies (CESS) over the 2005-2010 period.

2. Aims of the Study

This research project aims at exploring how the current financial and economic crisis has affected Albanian migrants and migration, including their ability to continue remitting and investing in Albania. This report offers an estimate of the impact of the economic global crisis on Albanian migrants, and the effect of that impact on this key economic transmission channel for the Albanian economy.

The immediate objective of this report is to put forward conclusions and offer recommendations to Albanian institutions on how to maximize the flow of remittances to Albania and how to put them to productive use, taking into account the objectives of the National Action Plan for Migration and the National Action Plan on Remittances, as well as the effects of the current crisis.

3. Methodology

The study is based on the analysis of both primary and secondary data. It includes a review of the existing literature, and qualitative and quantitative methods (cross-referenced). The qualitative and quantitative methods include (a) focus group discussions with migrants; (b) semi-structured interviews with migrants; and (c) a quantitative socio-economic survey with 2,474 migrants. Each of these techniques was used to verify the results of the others.

The survey methodology was adapted from the previous research carried out by CESS, in collaboration with the International Agency for Source Country Information (IASCI),

in 2008/2009¹⁰. This large-scale survey of 2,202 migrants provides the baseline data against which the findings from the current survey are measured.

Literature review: A review was prepared based on a wide range of literature on migration and the impact of the global economic and financial crisis. All sources used are listed in the bibliography.

Socio-economic survey: A survey with 2,474 migrants was carried out in the last days of December 2009 and on the first days of January 2010. During this period a large number of Albanian migrants, mainly from Greece, Italy and other European countries, return to Albania to celebrate the traditional winter festivities. The survey was carried out at the main ports of entry to Albania (namely: Kapshticë, Kakavijë, Port of Durrës and the Rinas Airport). Most of the migrants crossing the border at Kapshtice and Kakavije come from Greece, while those entering through the Port of Durres come mainly from Italy. The number of interviews conducted at the border points with Greece and Durres Port reflect the estimated number of Albanian migrants in Greece and Italy, respectively. At Rinas Airport, the survey targeted migrants residing in other countries of Europe. This method allowed for an adequate diversification of the study sample.

The questionnaire contained 54 questions to gather quantitative data on:

- the socio-demographic characteristics of interviewed migrant;
- financial characteristics of the migrant's household (incomes, expenditures, savings and remittances);

¹⁰ **de Zwager, N,** et al, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

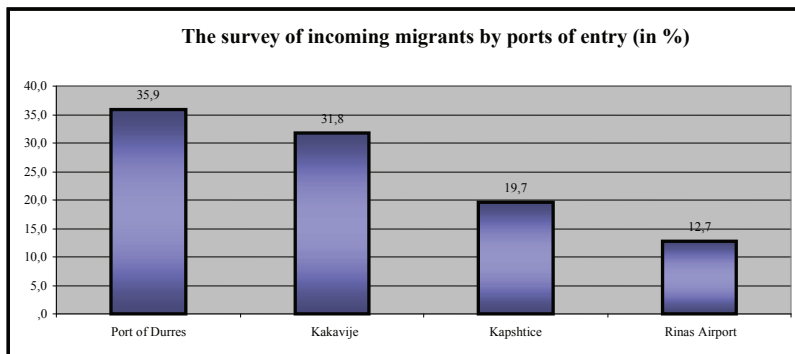
- the migrant's investment behaviors';
- the impact of the economic global crisis on the household; as well as,
- strategies for coping with its consequences on the HH.

The survey was carried out by a trained and experienced CESS team of professional surveyors. The surveyed migrants were selected based on (a) having had more than one year in migration, (b) being more than 18 years old at the time of interview, and (c) having worked or previously worked in the host country. Beyond this, the selection of migrants for interview at the major border-crossing points was random.

The interviewers surveyed the migrants while they were waiting in the customs area. The interview method was face-to-face, with interviewers reading each question and noting down the answer. The interview lasted on average 12 minutes. The survey process was monitored by trained and dedicated supervisors. The supervisors checked all data before being added to the SPSS database.

The survey, as designed, has certain limitations. It excludes a) short-term migrants, b) irregular migrants (i.e. who cannot freely travel between country of origin and country of destination) and c) those who, due to the difficult economic or other circumstances, may choose not to visit their home country.

Figure 1: Percentage of migrants surveyed in ports of entry



Source: CESS Migrant Questionnaire, 2009/2010

Focus groups with migrants: The research team carried out six focus group discussions utilizing semi-structured questionnaires. These were designed to gather qualitative information about the impact of the economic crisis on the migrant HHs as well as their coping mechanisms. Focus group participants were long-term migrants of different ages, education, socio-economic status and occupations. Seven to twelve migrants participated in each focus group.

Interviews with migrants: 39 semi-structured interviews were completed with migrants of different ages, genders, educational levels, occupations, economic and social statuses. The interview aimed to gather information about the impact of the socio-economic crisis on migrant HHs and their coping strategies. Various quotes have been included in this report, all with fictitious names.

All data presented in the following pages were gained under the current survey, and compared against the available baseline data stipulated above, unless specifically mentioned and sourced otherwise.

4. Findings Emerging from the Field Survey

4.1 Socio-economic characteristics of Albanian migrants

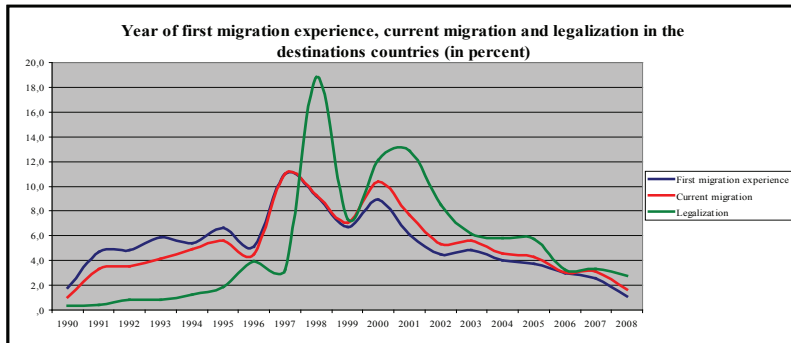
Over the preceding two decades, mass-migration phenomena have been at the very core of the political, economical and social changes occurring in Albania. At the end of 2009, about 1.2 million people¹¹ or more than 25% of the Albanian population, and more than 35% of the labor force were estimated to be living abroad, mainly in Greece and Italy. Smaller numbers were spread throughout different European countries as well as USA, Canada and Australia. No other country of Central and Eastern Europe has been similarly affected by international migration, and within such a short timeframe. It has turned Albania into a country *on the move*, as characterized by Carletto *et al.*,¹² or into a “sort of laboratory for studying new migratory processes”, according to a description by Russell King.¹³

¹¹ **Gedeshi, I.**, The Relationship between Migration and Socio-Economic Changes in Albania, **DER DONAURAUM 3/2008**

¹² **Carletto, G., Davis, B., Stampini, M., Zezza, A.**, “A Country on the Move: International Migration in the Post-Communist Albania”, *International Migration Review*, Volume 40/4, 767-785, 2006

¹³ **King, R.**, Albania as a laboratory for the study of migration and development. *Journal of Southern Europe and the Balkans* 7, no. 2: 133–56, 2005

Figure 2: First migratory experience, year of migration in current host country, and year of legalization



Source: CESS Migrant Questionnaire, 2009/2010

Albanian migration is characterized by a very high intensity that peaked periodically during the 1990s because of a combination of economic factors and some endogenous and exogenous shocks. The first peak is noted between 1991 – 1994, primarily associated with the collapse of the socialist system, the opening of the border of the country immediately after a long period of political self isolation, and economic reforms with elements of shock therapy aiming at macro-economic stabilization, liberalization, privatization and restructuring of the economy. The application of these first reforms, as in most other countries of Central and Eastern Europe, brought a brutal crisis. This crisis was marked by rapid and severe decreases in GDP, mass unemployment, hyperinflation, and privatization. This was accompanied by a rapid de-industrialization of the country. Together, these elements constituted what is known as a “transition crisis”¹⁴. According to our survey almost 20% of respondents migrated during this period.

The second peak follows onto the domino-style collapse of

¹⁴ **Ditter, J-G.**, L’Albanie, de l’autarcie à la mondialisation, Revue EurO-rient, Numéro spécial, Printemps 2008

the “savings pyramid schemes” late 1996 and early 1997. At this time two-thirds of Albanian families lost large percentages of their savings,¹⁵ triggering large-scale political and social unrest. Almost 16% of the surveyed migrants migrated during this period.

The third peak is marked by an exogenous shock when in March 1999 the crisis in Kosovo came to a head. At that time almost half a million Kosovars crossed the border into Albania.¹⁶ Consequently, the reforms and reconstruction attempts started in 1998 slowed markedly, leading to the migration of 30% of all migrants surveyed.

Overall, almost 65% of surveyed migrants migrated in the decade prior to 2000. After 2000, the flux of migration from Albania followed a diminishing trend. This decline in migration can be attributed on the one hand to the continuing improvement in the economic situation of Albania (for instance from 2000 to 2008 there was a real average annual GDP increase of about 7%) and on the other hand to a strengthening of migration control mechanisms and legislation in Greece and Italy.

Studies show that economic factors such as difficult living conditions, unemployment and low salaries represented more than three-fourths of motives to migrate (push factors).¹⁷ The macro-economic situation of Albania in the 90s was very different from that of the decade following the millennium. Unemployment in Albania was 26% in 1992 and 22.6% according to the Census

¹⁵ **Jarvis, Ch.**, Grandeur et Decadence des Pyramides Financiers en Albanie, *Finances&Development*, Mars 2000, Vol. 37, No. 1

¹⁶ **Barjaba, K., King, R.**, Introducing and theorising Albanian migration. In *The new Albanian migration*, ed. R. King, N. Mai, and S. Schwandner-Sievers, 1–28. Brighton: Sussex Academic Press, 2005; **Carletto, G., B, Davis., M, Stampini., Zezza, A.**, A country on the move: International migration in post-communist Albania. *International Migration Review* 40, no. 4: 767–85, 2006

¹⁷ **European Training Foundation.**, The contribution of human resources development to migration policy in Albania, 2008

of 2001.¹⁸ Real wages dropped drastically in the early and late 90s. Almost 26% of the population lived below the poverty line, while 4.7% lived in extreme poverty.¹⁹ At the end of the 90s, 149,000 households or about 20% of the country's households lived with the assistance of "economic aid" provided by the state, and Albanians "did not yet see light at the end of the tunnel of transition".²⁰ Consequently, migration was economically driven - a form of "survival migration", as characterized by Barjaba.²¹ However, in parallel with the difficult economic situation, other factors played a decisive role. These include such issues as political uncertainty and violence, personal freedom, education and professional career development and others.²²

Empirical data show that Albanian migrants are mainly young, male and educated (with more than half of them having completed secondary and tertiary education before migration). As in earlier CESS reports, this survey confirms that Albanian migrants in Italy originate mainly from the western and urban parts of the country, while those in Greece tend to originate from the south-eastern and rural regions.

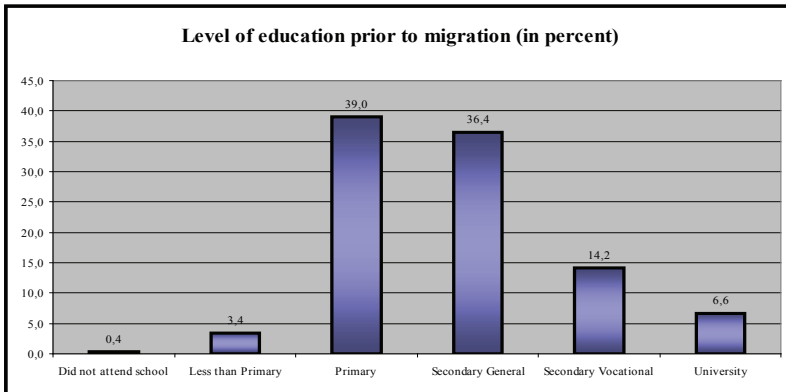
¹⁸ **INSTAT.**, Albanian Population in 2001, REPOBA, 2002

¹⁹ **World Bank.**, Albania - Poverty Assessment, November 2003

²⁰ **UNDP.**, Albania Country Report, Tirana 1998

²¹ **Barjaba, K.**, Albanian State Emigration Policy, Paper presented at the International Conference on Albanian Migration and New Transnationalism, Centre for Migration Research, Sussex University, 6-7 September 2002

²² **Vullnetari J.**, **Albanian Migration and Development: State of the Art Review**, *IMISCOE Working Paper No. 18, September 2007*

Figure 3: Level of education completed prior to migration

Source: CESS Migrant Questionnaire, 2009/2010

Albanian migration is commonly achieved in several phases. Almost 15% of respondents migrate several times and for short periods prior to establishing permanently in a host country. For example, 32.8% of those currently residing in the UK and 28.5% of those in Germany had initially migrated to Greece and Italy. Further, 6.6% of those that are currently in Italy had initially migrated to Greece. In general, the trajectory followed is to migrate from lower income towards countries with higher incomes and living standards. Labrianidis *et al* reported,²³ “many migrants see Greece as a transit country, or as a first step before migrating somewhere else” or, in the words of Russell King, “the key to open the gate”²⁴. In fact, short-term migration in Greece has often served to finance long-term migration to a further country.²⁵

²³ **Labrianidis, L., Lyberaki, A.**, Albanian immigrants in Thessaloniki: paths of prosperity and oversights of their public image, Paratiritis, Thessaloniki, 2001

²⁴ **King, R.**, Albania as a laboratory for the study of migration and development., Journal of Southern Europe and the Balkans., Vol. 7., No 2., August 2005

²⁵ **European Training Foundation.**, The contribution of human resources development to migration policy in Albania, 2008

Amnesties and other forms of status regularization in Greece and Italy, mainly during the 1998-2001 period, stabilized the Albanian migrants in these countries²⁶. Empirical data shows that 96% of married Albanian migrants in Italy and 90% of those in Greece have realized family re-unification. The average size of migrant households is 3.2 persons, usually consisting of husband, wife and one or two children. A small fraction of migrants, mainly in Greece, include their parents in their migration HH, thereby creating an extended household. Almost 1.8 persons, usually husband and wife, work and secure the household income. Children go to school, and financing their education constitutes one of the main objectives for saving for many migrant families. Most of the migrants speak, “fluent” (42%) or “good” (52%), the language of their host country, showing a high level of integration. Meanwhile, 36% of migrants residing in UK, Germany and Italy, have received language and/or professional training. Some have taken university courses. Consequently, migrants have gradually improved their socio-economic status²⁷, and today it is possible to describe a ‘maturation of the process of migration’.²⁸

The main sectors of employment of Albanian migrants are construction (35%), services (21%), manufacture/industry (17%), domestic help (15%) and agriculture (10%). There exists a job sector division by gender among the migrants. Males mainly work in construction (49%), services (19%) and manufacture/industry (18%). Females work mainly in domestic help (53%), as well as in services (26%) and manufacture/industry (13%). Distinctions exist amongst sectors of employment for those that migrate to Greece and Italy, UK and Germany. Compared to Greece, there is a larger percentage of migrants in Italy and

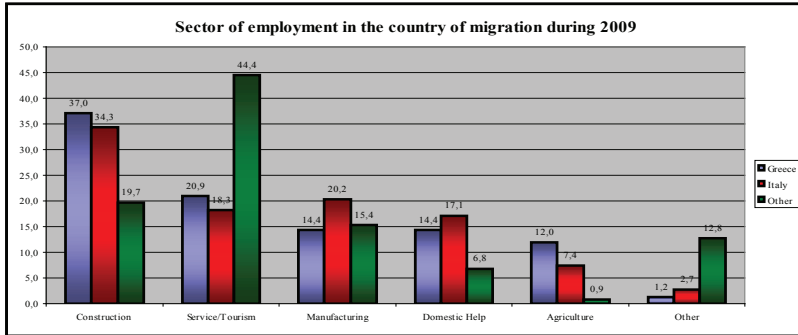
²⁶ **Vullnetari, J.**, Albanian Migration and Development: State of the Art Review, *IMISCOE Working Paper No. 18, September 2007*

²⁷ **European Training Foundation.**, The contribution of human resources development to migration policy in Albania, 2008

²⁸ **IOM Tirana:** 2005, Competing for Remittances, De. Zwager, N., I, Gedeshi,, E. Germeñji., Nikas, C.,

other EU countries that work in manufacturing and services (UK), while a lower percentage works in agriculture.

Figure 4: Employment sectors of Albanian migrants in host countries



Source: CESS Migrant Questionnaire, 2009/2010

Another distinctive feature is that 56% of the migrants in Italy and 59% of those in UK and Germany say that they work as qualified workers, against 43% in Greece. These distinctions can be largely explained by the characteristics of the economy of the host country. Greece for instance, has had a higher demand for unqualified work in construction, agriculture and services.²⁹

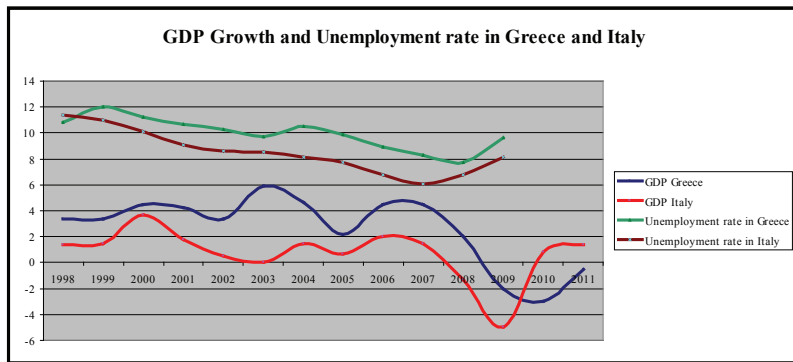
Of note, empirical data from this survey indicate that about eight percent of Albanian migrants have created businesses in their host country. These businesses are mainly in construction (43%) and services (29%).

²⁹ **Lambrianidis L., Lyberaki A.,** Back and forth and in-between: Albanian return-migrants from Greece and Italy, *Journal of International Migration and Integration*, 2004

4.2. The impact of the global economic crisis on Albanian migrant households

Starting from mid to late 2008, the world economy has been involved in a financial and economic crisis, maybe the most severe since the Great Depression of the 1930s. To paraphrase Robert Zoellick, president of the World Bank, what started as a financial crisis in the housing market of the USA quickly turned into an economic crisis including the most important economies and financial centers of the world and has evolved into a full-fledged employment crisis. Zoellick pointedly wondered to what extent this crisis will turn into a “human and social crisis”.³⁰

Figure 5: GDP growth and unemployment rates in Greece and Italy (1998 – 2011)



Source: Eurostat, 2010

The two primary countries of destination for Albanian migration have been severely impacted by the global economic crisis. GDP in Italy dropped to -1.3% in 2008 and to -5.0% in 2009, while unemployment reached 8.4% in December 2009.³¹ Greece actually saw an increase of 4% of the GDP in the first half of

³⁰ Quoted in **King, R., Vullnetari J., 2009.** Remittances, return, diaspora: framing the debate in the context of Albania and Kosova, Southeast European and Black Sea Studies

³¹ Eurostat, 2010

2000, but this dropped to -2.0% in 2009 (-2.4% according to some experts in the last quarter)³². This signaled Greece's entry into its deepest and most severe recession of the last 30 years. Unemployment rose from 8.8% in February 2009 to 9.2% in June and 10.2% in December 2009³³. Since then, the impact of the crisis on Greece has only deepened, in large part because of the sovereign debt crisis and commensurate severe cutbacks in public spending (10% of the state budget in 2010).

In Albania, INSTAT data from the end of 2009 showed GDP growth rates slowing from quarter to quarter³⁴. In 2009, GDP growth was only 4.9 percent versus 7.8 percent for the same period in 2008³⁵; and the perspective does not look positive for 2010 (see below). The impact of the global economic crisis on Albania is further demonstrated by the deterioration of other key indicators of economic activity. Foreign debt in 2009 reached 23.1% of GDP, from 17.9% in 2008³⁶. Foreign direct investment decreased in 2009 and is predicted to decrease further in 2010. Exports, three-quarters of which are headed for the EU area, dropped because of reduced demand there³⁷. Remittances from migration, which officially dropped for the first time in 2008 by 12%, fell a further 6.5% in 2009.³⁸

These factors in turn contributed to a lowering of the incomes collected by tax offices and customs. In response, the Albanian government revised its budget in February 2010 by eliminating 25 billion Albanian Lek in expenditure. Meanwhile unemployment and inflation rates are increasing.³⁹

³² **Bastian, J.**, Economic Fact Sheet Greece 2009/10, Eliamep, February 2010

³³ Eurostat, 2010

³⁴ INSTAT, 2010

³⁵ Banka e Shqiperise, Raporti Vjetor 2009, Tirane 2010

³⁶ Banka e Shqiperise, Raporti Vjetor 2009, Tirane 2010

³⁷ Banka e Shqiperise, Raporti Vjetor 2009, Tirane 2010

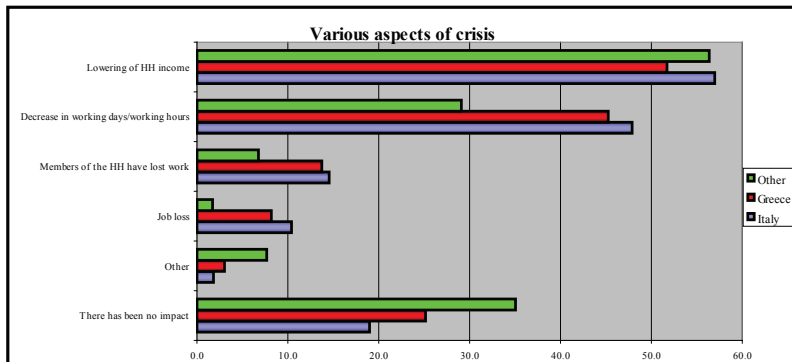
³⁸ Banka e Shqiperise, Raporti Vjetor 2009, Tirane 2010; Buletini i Bilancite Pagesave 2008, Banka e Shqiperise, 2009

³⁹ INSTAT, 2010

How does the economic crisis in the two main host countries (Greece and Italy) impact Albanian migration, and what consequences will these have in transmitting their effects to the Albanian economy via these very migration channels? What will be the effect on remittances? Moreover, how will Albanian migrants react to conditions of a deepening and potentially lengthy economic crisis - will they stay in the host countries or will they return to their motherland? As the following pages demonstrate, such queries are not exclusive, nor are there any straightforward answers.

When asked in what ways their HHs had most felt the impact of the economic crisis, the respondents, with small variations reflecting conditions in their host country, responded: “decrease in working days or working hours” (46%), “loss of employment by a member of the family” (14%), “personal loss of employment” (9%), “increase in prices and cost of living”. Taken together, these factors reflected in a “lowering of household income” – a response category selected by 54 % of interviewed migrants. In contrast, only 23 % of respondents felt that by the time of interview, the effects of the economic crisis had not affected their HH.

Figure 6: Impact of economic crisis on Albanian HH in migration in 2009



Source: CESS Migrant Questionnaire, 2009/2010

Unemployment

In most EU countries, especially in those most impacted by the current economic crisis, unemployment amongst migrants is more prevalent than that of the local population⁴⁰. Migrants are often “last hired, first fired” and have the socio-economic profile and demographic characteristic of employees that are most vulnerable to unemployment and underemployment during an economic crisis.⁴¹ They commonly work in cyclical sectors of the economy such as construction, manufacture, hotels and restaurants. They are often younger, less qualified and less educated than the local population, and are more likely to work in informal sectors or without regular work contracts. According to an OECD study of 2009, this profile results in vulnerability, so that in conditions such as the current global economic crisis, migrants “can be selectively fired”.⁴² At the beginning of 2009, the level of unemployment among migrants in the EU countries was estimated to be some five to eleven percent higher than that of the native population.⁴³ Statistics show that during April 2009, the unemployment level in Spain was 15% but among migrants, it reached 28%.⁴⁴ In Ireland, the unemployment level in the first quarter of 2009 was ten percent, while among migrants, primarily from Eastern Europe - mainly Poles and Romanians – it was 18%.⁴⁵

⁴⁰ **UNDP.**, Human Development Report 2009. Overcoming barriers: Human mobility and development

⁴¹ **Fix, M., Papademetriou, D. G., Batalova, J., Terrazas, A., Yi-Ying Lin, S., Mittelstadt, M.**, Migration and the Global Recession, A Report Commissioned by the BBC World Service, Washington, DC: Migration Policy Institute, September 2009

⁴² **OCDE.**, Perspectives des migrations internationales, Paris 2009

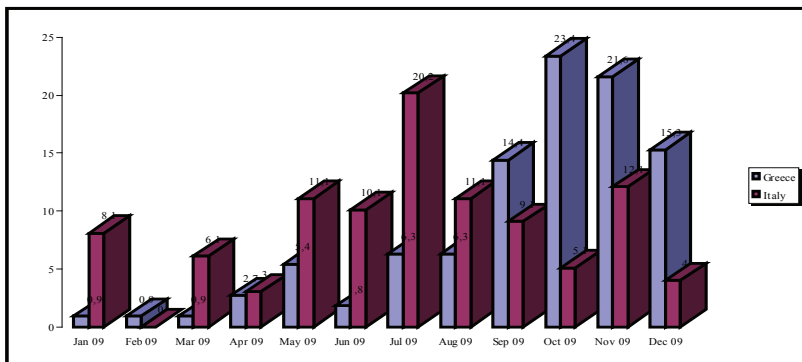
⁴³ **European Commission.**, Employment in Europe 2009, Directorate-General for Employment, Social Affairs and Equal Opportunities

⁴⁴ **UNDP.**, (2009) Human Development Report 2009. Overcoming barriers: Human mobility and development

⁴⁵ **Krings, T., Bobek, A., Moriarty, E., Salamońska, J., Wickham. J.**, Defying the recession? Polish migrants in Post-Celtic Tiger Ireland., Centre on Migration, Policy and Society, University of Oxford, Annual Conference 2009

Empirical data from the present survey shows that the average unemployment level of Albanian migrants at the end of 2009 was nine percent, or slightly higher than the general average within the two primary host countries. The level of unemployment was higher among Albanian migrants in Italy (11%) than those in Greece (8%). On the other hand, the data also indicates that the unemployment level was rapidly increasing in Greece during the last months of 2009. This reflects the deepening economic crisis in that country. As can be seen in Figure 7, almost 75% of unemployed Albanian migrants in Greece lost their employment during the last four months of 2009, while in Italy “only” 30% of Albanians lost their jobs in the same period.

Figure 7: Period of unemployment (in months)



Source: CESS Migrant Questionnaire, 2009/2010

In addition, 14% of migrants reported “one or more members of their household in migration” losing their place of employment over the previous year. As a result, and at the end of 2009, it is possible to estimate that about 22.5% of the Albanian migrant HHs had at least one unemployed member who had been employed the year before.

Analysis shows that unemployment has most impacted the young (up to 24 years old) and those over 50; skilled migrants

in Greece and the unskilled ones in Italy; as well as more recent migrants. Arben, a young man from Kamza who works in Italy explains: *“The economic crisis has affected most of the migrants that I know. However, those that have migrated for a long time have more acquaintances and can find work easier. Regarding recent migrants, finding a job is very hard for them”*.

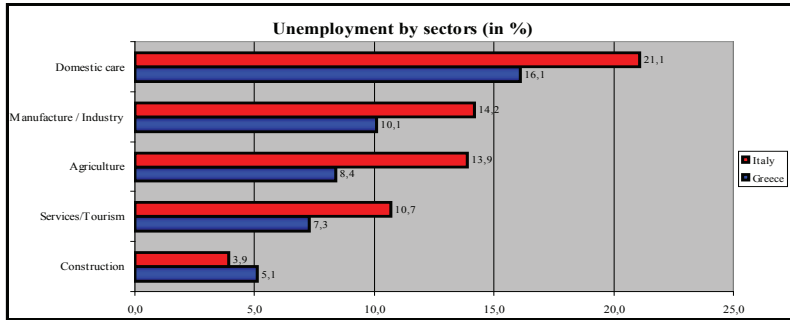
Almost every sector where large numbers of Albanian migrants work has seen a rise in unemployment to some degree, but the most affected sectors are domestic help and manufacturing - especially those industries producing for export. As women predominately work in these two sectors, this partly explains the higher level of unemployment among them (16% compared to men's 6%).

In domestic help, Albanian female migrants are more likely to be involved in maintaining the houses of middle class employers and taking care of the elderly (rather than babysitting, nannying or au pairing).⁴⁶ As a consequence of the economic crisis, more families that are affluent can no longer afford to employ migrants to clean their houses. Mimoza a migrant in Greece explains this when she says: *“The crisis is felt primarily through the availability of work; and at the moment Greeks are not offering employment to the same degree. They themselves have started to save and do not take servants for their houses [...]. Due to the economic crisis Greek families have reduced employment of migrant women for cleaning their houses”*.

On the other hand, those Albanian migrant women employed to take care of the elderly seem to be less vulnerable to unemployment because they are not easily replaced.

⁴⁶ **Catherine, V.**, Femmes immigrées en Grèce. Double vulnérabilité et précarité, Revue Interrogations ? Numéro 4. Juin 2007

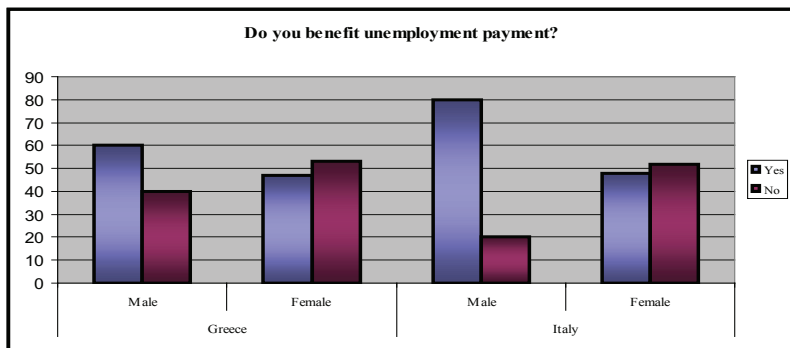
Figure 8: Rate of unemployment of Albanian migrants in Italy and Greece, by sector



Source: CESS Migrant Questionnaire, 2009/2010

The risk and consequences associated with unemployment are most prevalent amongst the most vulnerable groups of migrants, including irregular workers, those working in the informal sector or doing casual work, and those not in possession of regular working contracts. These groups do not benefit from the mutual support often offered by social networks amongst migrants in the host countries.

Figure 9: Level of unemployment payment receipt by respondent in main host countries and by gender (in %)



Source: CESS Migrant Questionnaire, 2009/2010

The empirical data show that only 57% of unemployed Albanian migrants benefited from unemployment insurance payments in Greece and Italy. The number of beneficiaries is lower in Greece (53%) where the informal sector is relatively larger⁴⁷ than in Italy (61%). Further, unemployment benefit coverage is lower for women (50%), especially in Greece where the prevalent work sectors are housekeeping or part-time work in services, mainly in hotels and restaurants (Figure 8).

A large majority of unemployed migrants believe that they have “few chances” (63%) or that it is “impossible” (17%) to secure employment in the place of migration within the first six months of 2010. This percentage is significantly higher among female migrants than among males. This can be explained by the tight labor market and lack of real choices for women in the two primary host countries. A Greek scholar, Vassilikou Catherine, states that in Greece the market offers to migrant women “mainly one profession: housekeeping”.⁴⁸ The words of Besnik, a long-term migrant in Greece, supports this: *“In difference with the men that can do every kind of job, Albanian women have fewer chances to find a new job place. (...) Their choices are limited...”*

In many cases, an increase in unemployment within a given sector results in the displacement of the migrants to another sector, but with significantly lower incomes. This mobility is observed especially in the construction sector, which is severely affected by the economic crisis, and towards agriculture or other sectors.

⁴⁷ **Triandafyllidou, A., Lazarescu, D.**, The Impact of the Recent Global Crisis on Migration. Preliminary Insights from the South Eastern Borders of EU (Greece)., CARIM Analytic and Synthetic Notes 2009/40, Series on the Impact of Economic Crisis

⁴⁸ **Catherine, V.**, Femmes immigrées en Grèce. Double vulnérabilité et précarité, Revue Interrogations? Numéro 4. Juin 2007

Official Greek statistics show that in 2007 the average value of a working day for males engaged in construction was 56 Euro, while in other sectors this was 36 Euro.⁴⁹ Consequently, when displaced from one employment sector to another, the migrants' income lowers significantly. Sokol, a migrant that works in construction highlights this phenomenon: *"In Greece, within the region I live in, many migrants that had worked in construction were made redundant. Today, many of them are working on farms, but their incomes are much smaller and there is work for only a few months. [...] If for one working day in construction they earned 50 Euro, in agriculture it's 35 Euro a day. There are other villages where migrants are earning 20 Euro a day, and the Greek farmers insist they work for more than 8 hours per day."*

Others move from higher to lower skilled jobs. This is the case with Luan who said: *"Until recently I worked in a small factory in Athens and received 1,200 Euro per month. It closed down and now I have to work as night watch in a trade magazine. The work does not correspond to my education and skills, and the salary is much lower"*.

Underemployment - in working days and hours

Forty-six percent of migrants stated that one of the consequences of the economic crisis was a "shortage of working days or hours" which in turn lowered household incomes. According to the migrants, this reduction in working days/hours is experienced most in the agriculture sector (52%), in construction (50%) and

49 **Triandafyllidou, A., Lazarescu, D.**, The Impact of the Recent Global Crisis on Migration. Preliminary Insights from the South Eastern Borders of EU (Greece)., CARIM Analytic and Synthetic Notes 2009/40, Series on the Impact of Economic Crisis

in housekeeping (48%). It is somewhat less evident in Italy (48%) than in Greece (45%). Petrit, a migrant who works in construction in Greece expressed his concern, *“During the last months we worked 20 days at the most; while before we worked with extra hours during the day and almost seven days per week. If we were far from the city we worked on Sundays as well since in the city it was forbidden to work on Sundays”*.

Saimir, a migrant that works in an egg producing enterprise in a city of Italy cites another example, *“Due to the economic crisis I now work only four days a week, down from the six that I used to work some months ago. [...] Of course my salary has diminished from 1,200 Euro per month I used to receive, and today I earn only 800 Euro.”*

Some other migrants from Italy say, *“the enterprise where they work was closed the previous 2-3 months, but the entrepreneur gives them 80 % of the salary although they do not actually work.”*

The situation is worse for irregular migrants, i.e. those that work in the informal sector or do casual jobs. Sandri, a migrant who every day goes to ‘Omonia Square’ (the place where migrants find informal and casual work), as he calls it, says: *“Before I used to work some days a week. Now, although the daily pay rate has been reduced, I am finding less and less work”*.

Many others work second jobs, a phenomenon that is widely spread among migrants in Greece. Mimoza tells about her relatives in Greece: *“My mother has been in Greece since 1991. She takes care for an aged lady and at night, she works as bartender. Her income, between 800 and 900 Euro per month from the primary job, increased to 1,300 to 1,400 Euro because of the second job. [...] Meanwhile my uncle was working in construction. His job was good and the income was high - up to 1,300 Euro per month. He was also doing other jobs such as house painting, hydraulics or mechanics. So he was doing two to three jobs simultaneously”*.

Bashkim, a migrant for several years in a tourist area of Greece tells of his experience: *“In the construction firm where I worked I was employed for six days a week and I was paid 50 Euro a day. On Sunday, I worked only for myself and could earn more than 50 Euro for the day. [...] However, I also did other jobs during the week such as painting, repairs, and so on. As a result, I could earn about 2,000 Euro per month from all these sources. [...] Now I see no future and everything seems harder. My income is much lower”*.

Other migrants report that in conditions brought on by the economic crisis, the price of work per unit of production has been reduced and thus their income has diminished. This was confirmed by Agim, a migrant who worked for years in the construction sector in Greece, where he says: *“Our incomes have shrunk considerably. Completing one cubic meter of concrete (standard measurement unit in construction) earned 50 Euro before, but now the price has dropped to 30 Euro. [...] Actually, we work more but earn less. [...] There are other migrants that are unemployed and accept the jobs for lower payment”*.

The crisis has also worsened their economic and social status. The average salary of migrants in Greece – for the same job – is often lower than that of local hires. This difference is smaller in construction, but higher in other sectors. In 2007, for instance, the average salary of Albanian migrants was 85% of the average salary of equivalent Greek workers, while in other sectors this percent was much lower⁵⁰. With the economic crisis Triandafyllidou and Lazarescu state that this difference has not only increased but migrants fearing unemployment can and do accept even lower salaries.⁵¹ Consequently, many

⁵⁰ **Gropas, R., Triandafyllidou, A.**, Discrimination in the Greek workplace and the challenge of migration, Elliamep, September 2008

⁵¹ **Triandafyllidou, A., Lazarescu, D.**, The Impact of the Recent Global Crisis on Migration. Preliminary Insights from the South Eastern Borders of EU (Greece)., CARIM Analytic and Synthetic Notes 2009/40, Series on the Impact of Economic Crisis

entrepreneurs in conditions of increasing competition are more interested in using cheaper and more flexible workers (i.e. those that accept to work without social insurance and regular contracts), often found amongst migrants rather than between local workers.⁵²

Under the current economic conditions, many migrants may not regularly receive the full amount of their salary or other agreed-upon payments. Rroku, a young man working as a cook in a restaurant in a small city of Italy, says: *“I am also faced with difficulties in receiving my salary at the end of the month. These problems started in April (2009 note of the authors); one month the owner gives me half, then a quarter of the salary [...]. There were cases when my salary was paid out in eight parts.”* Similarly, Emil, working in construction in another city of Italy, complains that his employer *“has, for several months, not given me my full salary. [...] I cannot complain because it is also hard to find another job.”*

Diminishing household income and savings levels

The combination of increases in unemployment, decreases in income for the same job performed, reductions in working hours/days, and shifts from higher paying sectors to lower ones, have – in one way or another - negatively influenced household incomes for many migrant families and have contributed to the decline in their socio-economic status. Fifty-two percent of migrant families in Greece state that their household incomes decreased during 2009 because of the economic crisis.

⁵² **Ratha, D., Mohapatra, S., Silwal, A.**, Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10 % in 2009, Migration and Development Brief 10, Migrant and remittances team, Development Prospects Group, The World Bank

At the same time, everyday basic expenditures have increased as the prices of goods and services have gone up. Niku, a long term migrant in Greece says: *“During this year the house rent and prices have increased rapidly...”*

The empirical data show that because of these two factors, 58% of migrants had a “worsened” financial situation compared to one year earlier and 10% say that this situation was “much worse”.

Figure 10: Estimate of financial situation of Albanian migrant HHs comparing 2008 and 2009

	Greece		Italy		Other		Average	
	Freq	%	Freq	%	Freq	%	Freq	%
Much better	9	0.7	2	0.2	0	0	11	0.4
Better	132	9.6	11	1.1	5	4.3	148	6.0
Same	346	25.1	233	23.9	40	34.5	619	25.1
Worse	823	59.7	554	56.9	64	55.2	1,441	58.4
Much worse	69	5.0	173	17.8	7	6.0	249	10.1
Total	1,379	100.0	973	100.0	116	100	2,468	100.0

Source: CESS Migrant Questionnaire, 2009/2010

In December 2008, de Zwager *et al.*, within the framework of a project with IFAD⁵³, carried out a survey with 2,202 migrants returning to Albania for their Christmas and New Year holidays. The survey contained detailed questions on the migrants’ income, expenses, savings and remittances. A comparison of the results of the two surveys⁵⁴ shows that the average incomes of households of Albanian migrants in Greece diminished by about 11% from 2008 to 2009 – or from 2,123 Euro per household to 1,897 Euro - while the household budget increased by an average of 4.1%) (Figure 11).

⁵³ **de Zwager, N.** et al, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

⁵⁴ Both surveys are following the same methodology

Figure 11: Comparison of incomes, expenses and savings of migrant HH in Greece in 2008 and 2009

	2008	2009	Difference in %
Average monthly HH income	2,123	1,897	10.7
Average monthly HH expenditure	1,365	1,310	4.1
Average monthly HH savings	758	587	22.6
Average yearly HH savings	9,096	7,044	22.6

Source: CESS Migrant Questionnaire, 2009/2010;
de Zwager *et al* 2008/2009

This negative trend is reflected in a significant decrease in the financial savings of the Albanian migrant HHs. When comparing 2009 with 2008, the average annual savings of Albanian migrant HHs - one of the major objectives of migration - effectively decreased from 10,176 Euro to 8,988 Euro per annum. Arjan, a former migrant who returned from Greece at the end of 2009 due to effects of the economic crisis maintained: *“The last years I worked in construction [...]. In November (2009 note of the authors) I had about six hundred Euro left after expenses. Meanwhile, one year ago I could save 1,200 to 1,500 Euro at the end of each month. Therefore, I had no continuing interest to stay away from my loved ones”*.

The survey data show that savings have reduced more in Italy, where 76% of migrant HHs report that they have saved less than a year ago, compared to Greece (66%) and other European countries (61%).

Figure 12: Savings levels of Albanian migrant HHs in 2009

	Greece		Italy		Other		Average	
	Freq	%	Freq	%	Freq	%	Freq	%
Higher	107	7.7	6	0.6	9	7.7	122	4.9
Same	345	25.0	214	21.9	37	31.6	596	24.1
Lower	914	66.1	740	75.9	71	60.7	1,725	69.7
I don't know	16	1.2	15	1.5	0	0	31	1.3
Total	1,382	100	975	100	117	100	2,474	100

Source: CESS Migrant Questionnaire, 2009/2010

The reduction in average incomes and savings of migrant HHs in host countries has two direct impacts. First, it leads to a lower flow of remittances to Albania, and second, it affects the term of the migration cycle, by either shortening it or extending it.

4.3 Remittances

The yearly flow of remittances sent to Albania through formal and informal channels has noticeably increased since 1990, in parallel with the rising number of migrants. According to Central Bank of Albania estimates, remittances by Albanian migrants reached 1,304.5 million USD by 2007 - rising from 150 million USD in 1992 (increasing by 870% over 15 years).

After 1990, the value of remittances ranged between 10 and 22% of Albania's GDP (almost the size of an economic sector), and were higher than exports, net foreign direct investments and official development aid. These effectively covered almost half the trade deficit,⁵⁵ representing the main foreign financial source, and one of the main factors determining the extroversion of the Albanian economy⁵⁶. When measured as a percentage of GDP, the economic international institutions place Albania in the 20 leading remittance-receiving countries in the world, and between the first countries in Eastern Europe and the Former Soviet Union⁵⁷.

At the micro-level, the most important role played by remittances relates to the economic survival and poverty alleviation of many

⁵⁵ Bank of Albania, 2008

⁵⁶ **Samson I.**, Albania experience among transition trajectories, Working Paper, Grenoble 1996; **Ditter J-G.**, L'Albanie, de l'autarcie à la mondialisation, Revue EurOrient, Numéro spécial, Printemps 2008

⁵⁷ **World Bank.**, Migration and Remittances. Eastern Europe and the Former Soviet Union. Edited by Ali Mansoor, Bryce Quillin, 2006;

Albanian HHs. They constitute the main factor in distinguishing between “poor” and “non poor” households⁵⁸.

As noted, remittances continue to have a large and positive impact on the macro-economic stability of Albania, by contributing to financing the large and increasing trade deficit of the country. These large financial flows also assisted in the fiscal consolidation and supported the value of the Albanian currency (Lek)⁵⁹.

Analyzing the use of remittances in Albania shows that they continue to be used primarily to support basic daily needs (food, clothing, etc.) of receiving HHs, and thereafter to improve living conditions (buying furniture, home equipment, etc), and lastly to expand or build a new house. A part of remittances are also used to organize important household/social events (such as weddings, baptisms, funerals, etc.), while a small component might be deposited in the bank system or, more likely, saved in cash at home⁶⁰. Only small parts of remittances are used to invest in economic activities⁶¹, mainly in micro-enterprises

⁵⁸ **De Soto H., Gordon P., Gedeshi I., Sinoimeri Z.**, Poverty in Albania. A Qualitative Assessment, The World Bank Washington D.C., 2002, p. 39

⁵⁹ **Muço M., Papapanagos H., Sanfey P.**, The Determinants of Official and Free-market Exchange Rates in Albania during the Transition. *Journal of Comparative Economics* 27(3), 534-552, 1999; **de Zwager N., Gedeshi I., Germerji E., Nikas Ch.**, Competing for remittances, IOM, 2005

⁶⁰ **De Soto H., Gordon P., Gedeshi I., Sinoimeri Z.**, Poverty in Albania. A Qualitative Assessment, The World Bank Washington D.C., 2002; **Gedeshi I.**, Role of remittances from Albanian emigrants and their influence in the country’s economy. *Eastern European Economics*, 40(5): 49-72, 2002; **de Zwager, N.** *et al*, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010); **de Zwager N., Gedeshi I., Gërmenji E. and Nikas C.**, Competing for Remittances, IOM, Tirana, 2005; **Vullnetari J.**, Albanian migration and Development: state of the art review. IMISCOE Working Paper 18, 2007

⁶¹ 12% according to the ALSMS 2002 and 11.8% according to 2007 ETF study

within the service sector⁶².

On a larger scale, remittances are mostly used for the import of consumer goods and 'non-productive' investment, such as housing. Consequently, they have improved the living conditions of many families in Albania but have had a limited role in sustainable development or job creation. Based on these features, and the limited development impact of both migration and resulting remittances, de Zwager *et al.*, concluded "migration creates pressure for more migration"⁶³.

Starting from the end of the 1990s and based on empirical data, researchers had predicted that remittance flows related to Albanian migration - although steadily increasing at the time - would begin to diminish over the medium term⁶⁴. This prognosis was based on effects associated with the 'maturation of the Albanian migration cycle'. Introduced in 2005, de Zwager *et al.* describe this phenomenon by analyzing factors such as: ongoing regularization of migrants' status in the countries of migration, rapidly increasing rate of household unification in migration, general integration in the host country, and, weakening of relations with the country of origin⁶⁵.

⁶² **de Zwager, N.**, *et al.*, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

⁶³ **de Zwager N., Gedeshi I., Germenji E., Nikas Ch.**, Competing for Remittances. Tirana 2005, p. VII

⁶⁴ **Civici A., Gedeshi I., Shehi D.**, Migration, agriculture and rural development in Albania, Bulgaria and FYR of Macedonia: the case of Albania. ACE-Phare Programme No. P-96-6070R, 1999 **Gedeshi I.**, Role of remittances from Albanian emigrants and their influence in the country's economy. Eastern European Economics, 40(5): 49-72, 2002; **Gedeshi, I., Mara, H.**, The Encouragement of Social-Economic Development in Relation to the Growth of the Role of the Remittances, UNDP, Tirana, 2003; **de Zwager, N., I. Gedeshi, E. Germenji, and C. Nikas.** 2005. Competing for remittances. Tirana: IOM Tirana

⁶⁵ **IOM Tirana:** 2005, Competing for Remittances, De. Zwager, N., I, Gedeshi,, E. Germenji., Nikas, C.,

It is forecast that these factors will continue to reduce the quantity of remittances, where the stock of migrants does not increase⁶⁶. Taking this long-term trend into account, it is evident that a 'remittance economy'⁶⁷ cannot be considered sustainable. In 2005, two researchers, Christos Nikas and Russell King, warned that an economic crisis in Greece, as one of the main destinations of Albanian migration, would lead to a rapid decrease in remittance values, and thereby transmit negative consequences to the Albanian economy.⁶⁸

Confirming the above predictions, Bank of Albania data show the pace of remittance increases slowing during the middle of the current decade, and dropping significantly by 2008 - in part as a result of the global economic crisis, and in part due to the structural reasons indicated above. In 2008, the Bank of Albania estimated that remittances fell to 830 million Euros (120 million Euros less than in 2007). According to the same official source, this was followed by a further drop of six percent in 2009.⁶⁹

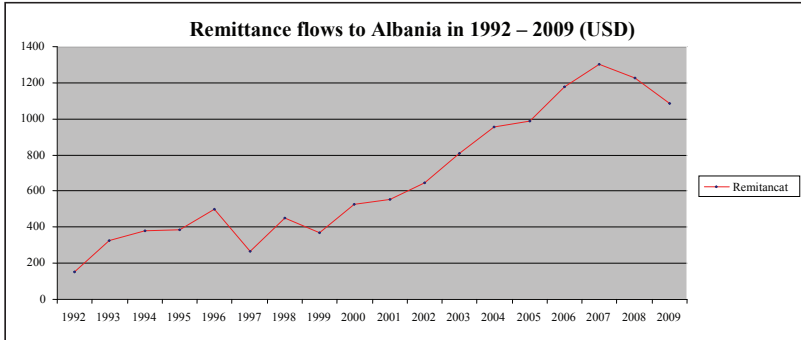
⁶⁶ In 2011, this trend can be expected to be counterbalanced – at least in part - by an increase in numbers of migrants as a result of the expected visa liberalisation for Albanians in EU member states.

⁶⁷ **Skeldon R.**, Interlinkages between internal and international migration and development in the Asian region. *Population, Space and Place*, 12(1): 15 – 30, 2006

⁶⁸ **Nikas, C., King, R.**, 2005. Economic growth through remittances: Lessons from the Greek experience of the 1960s applicable to the Albanian case. *Journal of Southern Europe and the Balkans* 7, no. 2: 235–57

⁶⁹ Bank of Albania, 2010

Figure 13: Remittance flows to Albania in 1992 – 2009 (USD)



Source: Bank of Albania, 2010

Remittance values in 2009

Within the context of the economic global crisis, economists from the World Bank continued to project and monitor the drop in the global flow of remittances. In March 2009 it was predicted that remittances would shrink from 5% to 8.2% in high-migration countries with medium incomes, including Albania.⁷⁰ Three months later, due to the worsening of the economic situation and employment in host countries, they revised the prognosis to a global drop of 7% to 10%, and in some countries of Eastern Europe with 15%.⁷¹

⁷⁰ **Ratha, D., Mohapatra, S.**, Revised outlook for remittance flows 2009–2011. Migration and development brief 9. Migrant and remittances team, Development Prospects Group, The World Bank, 2009

⁷¹ **Ratha, D., Mohapatra, S., Silwal, A.**, Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10% in 2009, Migration and Development Brief 10, Migrant and remittances team, Development Prospects Group, The World Bank; **Ratha, D., Mohapatra, S., Silwal, A.**, Migration and Remittance Trends 2009 A better-than-expected outcome so far, but significant risks ahead, Migration and Development Brief 11, November 2009, Migrant and remittances team, Development Prospects Group, The World Bank

But what does the data say about Albania? Empirical data from the current survey show that 61% of Albanian remittance-sending migrant HHs reported remitting less in 2009 when compared to the previous year. In 2009, this drop was significantly larger amongst Albanian migrants in Italy, where 73% reported fewer remittances sent, when compared to HHs in Greece (54%).

Figure 14: Comparison of estimates of HH remittance levels to Albania 2008 - 2009 (%)

Nr		More	Less	Same	Don't know
1	Greece	13.3	54.0	22.3	10.3
2	Italy	2.1	73.0	19.6	5.3
3	Other	7.2	62.9	22.7	7.2
4	Average	9.1	61.1	21.4	8.4

Source: CESS Migrant Questionnaire, 2009/2010

Within the context of the structural discussion above, two obvious factors directly influence the volume of remittances sent to Albania: The first is the actual number of HHs that send remittances, and the second is the amount these HHs send.

As noted earlier, in 2009 increasing unemployment, decreasing working days and hours, decreasing incomes and increasing prices combined significantly to lower HH savings rates. This, in tandem with an increased sense of economic insecurity, has significantly contributed to the drop in both – the number of remitting HHs and volume sent to Albania.

Mirjeta, a migrant residing in Italy says, *“In the conditions of the economic crisis we have lowered the remittances sent for our parents in Albania. We used to send to my mother in law, who lives alone, every month 100 Euro. Starting from last year (2009 note of the author) we told her that we cannot send money anymore to her. Now that I am visiting Albania, I will only give her 50 Euro because this is all I can. [...] In December, when someone else from the family comes, we*

can send her again [...]. First, we need to fulfill the requests of our children that reside here because in the end the sacrifice is firstly made for them. However, if the mother of the husband or my mother would say we need money to survive we would of course find that money. However actually we have drastically reduced the transfers”.

Anecdotal sources speak about fluxes of “negative remittances” during this economic crisis. One case was reported by Ana, a migrant in Italy: *“I know of migrants who started to ask their families in Albania for money. For instance, last year the family of a friend of mine was in a very bad economic state due to unemployment, so they started to fall into debt. [...] They have still to pay their house loan to the bank. [...] The family of her sister from Albania helped them by sending them money...”*

A comparison of our results with those of the survey of de Zwager *et al*⁷² conducted exactly one year earlier clearly shows that the number of HHs sending remittances has decreased by a very significant 11%. In addition, the average amount of remittance by those HHs still sending decreased by about four percent. These two factors related to the reduction of remittances are considerably higher among migrant HHs in Italy- where the economic crisis, at least in 2009, was more severe than in Greece.

⁷² **de Zwager, N.** *et al*, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

Figure 15: Comparison of migrant HH remittances in 2008 – 2009 (by % and value)

No	Countries	Percentage of HH that send remittances		Average amount of remittance per HH that send	
		2008	2009	2008	2009
1	Greece	79,3	72,9	2089	2095
2	Italy	76,6	57,4	2009	1710
3	Other	70,5	62,4	3548	4610
4	Average	77,5	66,3	2149	2074

Source: CESS Migrant Questionnaire, 2009/2010; de Zwager et al 2008/2009

Using the same HH approach and method of de Zwager *et al*⁷³ to estimate the volume of remittances in 2009, and comparing these figures against the 2008 findings, allows for an approximation of the impact of the economic crisis on overall remittance values. The result of this evaluation shows that in 2009 remittances may have diminished by about 117 million Euros from the 2008 baseline⁷⁴. Furthermore, when correcting for slight sample differences between the two HH surveys, an estimated 109 million Euro drop in remittance values, or about 16%, can be identified for 2009. This is the second year running that a significant decrease in overall remittances of Albanian migrants has been calculated using this methodology.

4.4 Looking forward to 2010

It is forecast that during 2010 remittances from Albanian migration will continue to shrink because of the rapidly deepening economic crisis in Greece and the structural

⁷³ This calculation of de Zwager *et al.* was based on the hypothesis that the number of Albanian migrants is 1.2 millions spread in 404.000 households

⁷⁴ This number is much higher than that estimated by the Bank of Albania and must be carefully interpreted

reasons introduced above. This prognosis is shared by 18% of the migrants interviewed (but almost 26% of those from Greece) when asked to predict whether they will send home more or less remittances. In addition, about 59% of surveyed migrants reported that they “did not know” the future value of their remittances (i.e. in 2010). Nearly 71% of migrants in Italy could not predict their remittance intentions in 2010. This uncertainty can, in large part, be explained by the high level of insecurity that is caused by the economic crisis in Italy; in particular regarding their employment and income prospects.

Figure 16: Forecast migrant HH remittance values for 2009 – 2010 (in %)

Nr		More	Less	Same	Don't Know
1	Greece	7.3	25.8	17.1	49.7
2	Italy	11.7	9.4	8.0	70.9
3	Other	25.0	7.8	8.6	58.6
4	Average	10.0	18.3	13.0	58.7

Source: CESS Migrant Questionnaire, 2009/2010

It is also anticipated that the ongoing deepening of the economic crisis in Greece will result in a further reduction of both the number of HH remitting, as well as lowering the average value of transfers of the remaining remitters. Assuming that the response of Albanian migrants in Greece will be the same as that of the migrants in Italy in 2009, the decrease of remittances may become significant. For instance, a 25% decrease of remitting HHs, combined with a decrease of 15% of the average value of the remittances, would result - with other factors remaining constant - in a drop of about 110 to 112 million Euro in overall remittance value.

When considering the above scenario, two additional factors need to be taken into account. First, because of a number of migration-related factors, a lower number of migrants in Greece have realized family reunification to date, when compared to Albanian migrants in Italy. Secondly, a significant number of

migrants in Greece originate from the eastern part of the country and from rural areas – i.e. where poverty levels are higher. In these conditions, Albanian migrants in Greece presumably have a higher obligation to remit in order to keep supporting their families, even when their incomes in migration may fall. In addition, it is important to note that according to repeated surveys⁷⁵, remittances actually represent a relatively small part of the overall migrant HH budget in Greece (about 9%).

Will migrants return?

Historical experience, especially the two major economic crises of the second half of the 20th century – the Oil Crisis of 1973 and the Asian Financial Crisis at the end of the 1990's – show that during recession periods migrant stocks in host countries essentially remain more or less constant (this stock can even increase due to family reunification).⁷⁶

The Financial Crisis (1997–1999) had only a modest influence on migration in the Asian region. The Oil Crisis of 1973 had a marked impact on many sectors where migrants were employed in Europe, such as construction and manufacturing. Nevertheless, this period is not marked by massive returns. Moreover, analysts such as Dobson, Latham and Salt (2009) observe that during the Oil Crisis migrants originating from higher GDP per capita countries - such as Italy, Spain and

⁷⁵ **de Zwager, N.**, *et al*, DEVINPRO Albania and Kosovo: Developing Innovative Intervention Strategies, Policies and PPPs in regard to Labour Migration, Remittances, Savings, and Investment Dynamics, IASCI, on behalf of IFAD, and consortium of financial intermediaries, Tirana Albania (2010)

⁷⁶ **DRC on Migration, Globalisation and Poverty.**, Migration and the Financial Crisis: How will the Economic Downturn Affect Migrants?, February 2009, N. 17; **Krings, T., Bobek, A., Moriarty, E., Salamońska, J., Wickham, J.**, Defying the recession? Polish migrants in Post-Celtic Tiger Ireland., Centre on Migration, Policy and Society, University of Oxford, Annual Conference 2009

Greece - had a higher tendency to return compared to migrants from lower GDP per capita countries – for examples Turkey, Portugal and former Yugoslavia.⁷⁷

In line with the above experience, Catherine Wihtol de Wenden⁷⁸ predicted that during the current economic crisis, massive returns of migrants to their countries of origin will be unlikely. It is held that large-scale return will be more likely in those cases where migrants can move freely within the EU space. According to the same source, migrants with highest return intentions are the young, the less skilled, the single, couples without children and seasonal migrants. Other types of migrants prefer to stay in their host countries, knowing the difficult economic conditions they would face in their motherland.

How will Albanian migrants act?

During the survey, migrants were specifically asked to select and rate the three most important strategies for coping with the impact of the economic crisis on their HHs in their host country. A large number of respondents selected either “reducing HH expenditures in the host country” or “finding a second job or working overtime” as their primary strategy. The answer categories “finding a second job or working overtime” and “use of savings until they find another job” were selected by many respondents as their secondary strategies. Finally, a number of respondents selected “reducing remittances” and “return of their HHs” as tertiary coping strategies.

⁷⁷ **Dobson, J., Latham, A., Salt, J.**, (2009) On the Move? Labour Migration in Times of Recession (Policy Network Paper). London: Policy Network

⁷⁸ **Eeckhout Van L.**, La crise ralentit les flux migratoires vers le Nord, Le Monde, 1/7/2009

Figure 17: Planned strategies for managing the effects of the economic crisis, while in the country of migration

Possible strategies for facing the crisis	Most important	Second most important	Third most important
Reducing of household expenditures in host country	49.4	12.4	3.2
Finding a secondary job or working overtime	17.7	28.3	3.8
Use of savings to face living until finding a new job	3.2	14.6	14.8
Reducing remittances sent to family/parents/relatives in Albania	2.0	9.0	13.7
Return to Albania of a part of the household (children parents)	0.9	1.1	4.1
Return to Albania (of the whole HH)	2.8	1.9	11.8
Other	0.2	0.0	0.2

Source: CESS Migrant Questionnaire, 2009/2010

Despite the fact that return of the “complete household” to Albania is not a favored option, anecdotal evidence shows that in 2009, some return migration has taken place because of the economic crisis. Arben, a migrant that worked abroad for many years says, *“In the area of Greece where I used to live, five out of 30 Albanian families residing there have returned home because of the economic crisis.”*

An even smaller number of respondents to the survey favored “bringing a part of their families to Albania” should the crisis continue to impact negatively on their HH. The objective of this strategy being to reduce daily expenditures in the host country (for instance by living in smaller flats, or dividing costs with 2-3 friends) while remaining in migration. This option, while relatively unlikely, is somewhat higher in Greece than in Italy. Artan, a migrant from Greece says: *“A friend of mine returned his family to Albania, changed house and now lives with his cousins in order to save money. He works and supports his household now from abroad”.*

In conclusion, and to answer the question titling this chapter – it is unlikely that mass return of Albanian migrants as a direct consequence of the economic crisis can be expected.

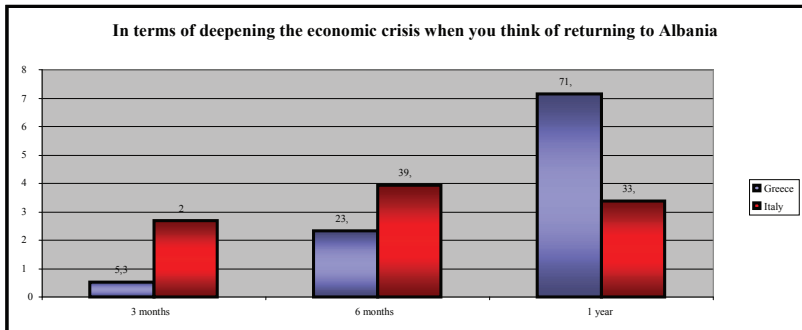
Who will return to Albania?

As can be seen from Figure 17, the return of the HH, or parts of it, represents the last option in the coping strategies for Albanian migrants.

Of those respondents that might consider return as a strategy, migrants from Greece are more likely to consider this option, when compared to HHs in Italy or other countries.

Most migrants considering the necessity to return assess their financial situation in 2009 as “bad” or “very bad”. This is most likely the result of their higher level of unemployment and under-employment described above, leading to reduced incomes and savings.

Figure 18: Projected time to return of respondents that are considering this option (in %)



Total Frequency: 293 of 2,468 respondents (11,8%)

Source: CESS Migrant Questionnaire, 2009/2010

As shown in Figure 18, the majority of migrants considering return as an option will postpone this eventuality for as long as possible. About 65% of migrants considering return might happen within the year (i.e. 2010), while 26% say that this can happen within the first six months.

There are some differences in the projected timeframe of potential returnees, depending on their country of migration. These can be explained by perceptions of the impact of the crisis between Italy and Greece. In Italy, where the economic crisis is considered to have been more severe in 2009, more than one-third of Albanian migrants that consider return as a possible necessity expect this could happen within the next six months. While in Greece, where unemployment and other negative fallouts became more immediate in late 2009, more than two third of migrants project a later possible return date.

This difference between the two primary host countries reinforces the impression that Albanian migrants will delay their return for as long as possible. This “wait and see” attitude makes it difficult to predict how migrants might act in the future. Clearly, it is the interplay between environmental factors that will continue to determine prospective return rates. First, the degree of deepening and eventual length of the economic crisis in the host countries, and particularly the impact on those sectors where Albanians are predominately employed. The corollary factor is the concurrent economic and social situation in Albania, representing the return environment faced by migrants. Should the socio-economic situation in Albania deteriorate because of the global economic crisis, migrants are less likely to return.

Repeated quantitative and qualitative surveys by the authors, and notwithstanding the impact of the economic crisis discussed above, show that a significant number of Albanian migrants do wish to return to their motherland after they have reached their

migration objective and concluded their migration cycle. This group of potential returnees, however, might be encouraged to move their return forward due to the effects of the economic crisis.

Some members of this group of migrants may choose to hasten their return if the effects of the economic crisis disturb their migration-related savings objectives. Erion, who intends to remain in migration for five more years in order to save to invest in Albania, exemplifies this. *“However, if the crisis deepens and unemployment rises, we can also return next year. [...] We cannot stay unemployed and consume our savings”.*

Possible consequences of return migration

Despite the fact that no massive return is likely to happen, we can draw some scenarios regarding the possible consequences of the return of migrants.

The first is that returning migrants can put further pressure on already high and increasing unemployment rates in Albania. At the end of 2010, INSTAT estimated unemployment at about 13%, up from 12.7% at the end of 2008.⁷⁹ According to the survey, 47% of those migrants that might decide to return as a direct consequence of the economic crisis would seek employment in Albania. Of these, 28% wish to work in their profession within the private sector, 10% in the public sector and 62% will “work at whatever job is offered to them”.

A second scenario - perhaps more optimistic - is related to the transfer of accumulated savings and to the creation of new working places by the migrants themselves, should they be prepared and wish to invest their financial, human and social capitals in Albania. World experience shows some positive examples. During the Gulf War of 1991, for instance, many

⁷⁹ INSTAT, 2010

Indian migrants returning to their motherland, brought savings, and accumulated experience with them. In Jordan, the return of qualified migrants from the Gulf countries positively affected the economic performance of that country.⁸⁰

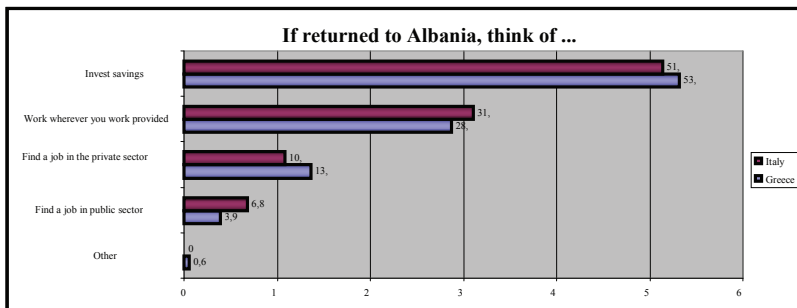
Previous experience in Albania shows that returned migrants create small enterprises, mainly in the service sector.⁸¹ Confirming this trend, data from the survey show that 53% of migrants who wish to invest their savings intend to do so mainly in: small commerce (47%), in agriculture (15%) and in construction (11%).

This potential opportunity is founded on the precondition that the social, economic and institutional environment exists in Albania so that returning migrants can effectively use their human and financial capital. World experience in this area is extensive and can be studied to learn best practices. In the Philippines, for instance, migrants returning due to the economic crisis are offered facilitated credit lines to open their own business. Moreover, returned migrants are given access to training programs in support of their enterprise. In rural areas, budgets for infrastructure have been increased and micro-credit programs expanded. In Tajikistan, the Ministry of Labor provides credit to migrants that want to create small enterprises and sees this category as potential for creating new work places.

⁸⁰ **Ratha, D., Mohapatra, S., Silwal, A.**, Migration and Remittance Trends 2009 A better-than-expected outcome so far, but significant risks ahead, Migration and Development Brief 11, November 2009, Migrant and remittances team, Development Prospects Group, The World Bank

⁸¹ **European Training Foundation.**, The contribution of human resources development to migration policy in Albania, 2008; **Lambrianidis L., Lyberaki A.**, Back and forth and in-between: Albanian return-migrants from Greece and Italy, Journal of International Migration and Integration, 2004; **Kilic T., Carletto G., Davis B., Zezza A.**, Investing Back Home: Return Migration and Business Ownership in Albania, Working Paper, 2007; **World Bank.**, Albania: Urban Growth, Rural Stagnation and Migration. A Poverty Assessment, Tirana, 24 July 2007

Figure 19: Integration Strategies for managing return to Albania as a result of the economic crisis



Source: CESS Migrant Questionnaire, 2009/2010

A third possible scenario is where a part of the family (parents, children, women) return to Albania, which might then be accompanied by an increase of inward remittances in order to support the resulting increase in daily HH expenses in Albania.

The three scenarios introduced above can occur simultaneously, or not at all. In the end, it is in the interest of the Albanian government to maximize the positive consequences of the return process and to minimize the negative ones; thereby capturing a greater part of the inherent development impact.

5. Conclusions

The preceding pages explored the current financial and economic crisis and its effect on Albanian migrants and their commensurate ability to continue remitting and investing in Albania. In summary, the evidence shows that in 2009 Albanian migrant households, especially those in Greece and Italy, experienced substantial reductions in their household

income levels, which in turn affected their ability to save and therefore remit. As a result, in 2009 remittances diminished for the second year running. According to the methodology adopted for this research, the value of remittances diminished by Euro 109 million for the year, and this can be expected to drop further in 2010.

In response to the crisis, Albanian migrants adopted measures to counteract their decreasing remittance values, such as shifting employment between sectors and lowering their expenditure in the place of migration. Looking forward and expecting an extended period of a soft economy, they are considering other steps, although only a small proportion of migrants consider returning all or part of their families to Albania.

Should the crisis deepen or stretch out for any substantial amount of time, as forecast by many analysts, the core migration-related objectives of Albanian migrants may be frustrated. This will then have implications regarding migration cycles and return intentions. In turn, this will affect remittance values as well as investment intentions. Migration is and will continue to be one important channel by which the impact of the economic global crisis is transmitted to the Albanian economy.

If it is indeed the intention of Albanian institutions to maximize the flow of remittances to Albania and encourage their productive use, then this evolving situation will require close monitoring and targeted interventions.

Work experience abroad, even for comparatively short spells, facilitates the accumulation of financial capital and useful skills. However, as Albania's experience to date has shown, reaping the benefits of return migration is not something that happens automatically. The development of effective reintegration programs for those migrants considering return, due to the economic crisis in their places of migration, including improved

reception and advice on investment opportunities, and access to business support and credit for entrepreneurship remain important.

6. Recommendations

Based on the above findings and conclusions the following recommendations are made to stakeholders interested in the Global Crisis and its impact upon remittance and migration, these recommendations take into account the objectives of the National Action Plan for Migration and the National Action Plan on Remittances.

The ongoing global crisis has hastened a systemic downward trend in remittances linked to the maturation of the migration process. If Albania is effectively to capture the development opportunities presented by migration, the current situation makes the recommendations put forward in the above-mentioned National Action Plans and in this section more challenging and more important than ever.

1. Facilitate an increase in the formal remittance flow to Albania through efforts to continuously expand Albanian bank services for remittances, and by encouraging service improvement and lowering costs for cross border financial services in both Albania and migrant host countries. Additionally improved services by MFI's and other non-bank financial institutions are recommended. Improving formal remittance flows allows migrants additional access to information on financial and investment services and interest rates, to allow migrants and their families' further financial benefit from savings.

2. Related to the above, facilitate an increase in the percentage of savings held in Albania by migrants. This,

through improved financial products and savings services, supported by an appropriate regulatory environment to provide a secure savings environment and improve trust in savings institutions located in Albania. Private sector initiative is required to develop more attractive investment products for migrants, e.g. pensions, development savings accounts, Guarantee Funds or General Diaspora Funds, alongside public sector catalysts and regulatory support. Introduction of targeted favorable exchange rates and higher interest rates may incentivize migrant remittance. Effective information dissemination among migrants and their families on available investment opportunities and incentives is a necessity.

3. National investment funds directed at migrants, managed by commercial banks and guaranteed by governments, possibly in co-operation with international financial institutions, could be used to channel savings to Albania. They could be earmarked for infrastructure projects, social services etc. Such joint trust funds would address any lack of trust in Albanian savings institutions on the part of migrants, and provide some level of guarantee against default. In this way, it would provide for a safer vehicle in the context of a small and relatively undeveloped financial market.

4. Improve and publicize investment opportunities, micro finance and credit and small business development and support existing return intentions by providing information and services that allow migrants to ‘return better’. In addition, receive and integrate returning migrants as potential entrepreneurs and potential employees and leverage the development impact of migrant contributions by filling information and research gaps:

- a) Capturing new competencies, gained skills, and social capital more efficiently by providing: awareness-raising of labor demand and job offers, assistance with securing employment or job-seeking skills, qualification certification, financial literacy training, and additional professional training in line with market

demands. b) Facilitate investment support for entrepreneurial business development, assistance may be required with local business start-up regulations, labor market and business practices. c) An adaptation scheme for returning migrants for business startups in order to utilize and valorize experience gained abroad. Targeted tax incentives/benefits and loan subsidies for investments into business and development types of projects may help in attracting money back (i.e. for rural development). d) Localized investment development, through emigrant associations collecting contributions for local investment

5. Establishing dialogue and partnership between Albania and primary Countries of Destination and mainstreaming migration into the national development strategy of Albania as well as the official development assistance strategies of Italy and Greece. One way of doing so is through Bilateral and Multilateral Labor Agreements. Such agreements could include information on savings and investment opportunities, reintegration services and programs, possible collaboration on financial transfers, transfers of pensions and other social security-based savings accumulated by the migrant during the period of migration.

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