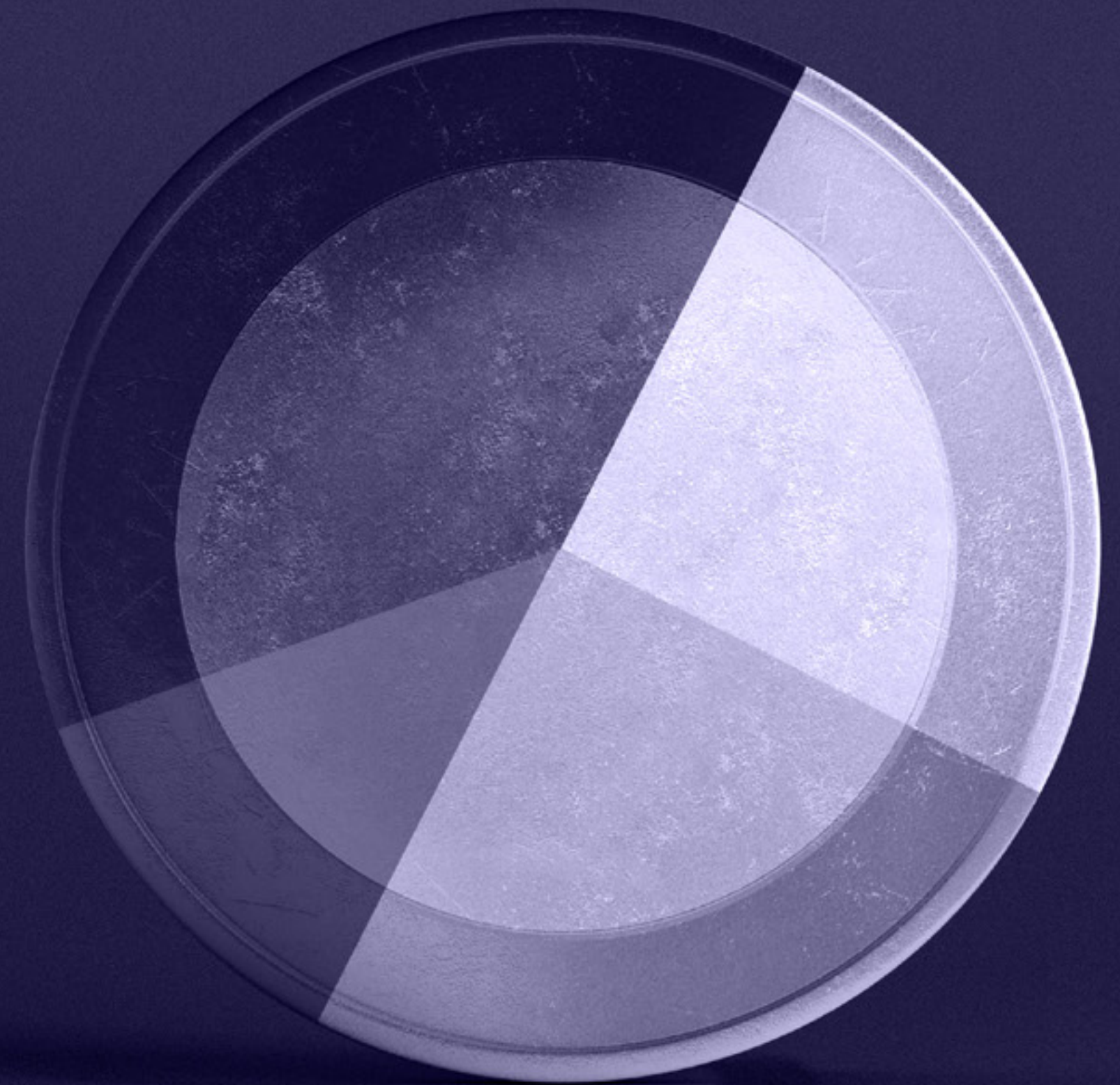


Cost of Youth Emigration

Western Balkans
Democracy Initiative

 Funded by
UK Government



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Foreword

This research study into the “Cost of Youth Emigration” is the first of its kind to provide evidence about Albanian emigration and to answer one simple question: How much does youth emigration cost Albania?

This is a very simple question but it touches upon a very complex issue. Although there has been research into the various reasons for emigration, which is a complex global phenomenon that has existed since the beginning of humanity, there has been very little or no data or other evidence about the actual cost of emigration.

This research study presents an assessment of the costs and the financial impact on Albania and the losses generated by the alarmingly high number of

people who leave Albania every year. The research quantifies the effects and implications of emigration on the overall Albanian economy and the losses in gross domestic product (GDP), while taking a closer look at how remittances are spent.

The intention is to present this evidence to various stakeholders, the wider public, the media and state and non-state actors. We hope that the evidence will be used by a broad alliance which could then present policy solutions on how to tackle and decrease the cost of youth emigration and its negative effects. We also hope that the study will initiate a wider discussion on the topic of youth emigration.

The study was conducted by the Institute for Development and Innovation, a Serbian think tank

which is supported by the Westminster Foundation for Democracy (WFD). The Foundation is grateful to the Institute for Development and Innovation for this extensive and in-depth study, and to the British government for supporting the completion of the study.

The WFD is the UK public body dedicated to supporting democracy around the world. In August 2018 the WFD launched a new three-year regional initiative for the Western Balkans titled the “Western Balkans Democracy Initiative”. The initiative is funded by the British government’s Conflict, Stability and Security Fund.

Emil Atanasovski
Director Western Balkans
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Country Representative Albania
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Introduction

Extraordinary human migration on an international level is one of the main characteristics of the modern world. International migration is not a new phenomenon.

People have always moved in search of a better life and new possibilities. With the industrial revolution in the nineteenth century, migration took on a new character, as populations started moving massively from rural to urban areas, both within and across borders. During the last few decades, migration has become even more apparent, considering its global reach, role in home and foreign policies, as well as its significant consequences on countries emigrated from and immigrated to. For the countries being emigrated from, the departure of people causes concern due to the loss of population, especially people of fertile age and the “brain drain” on the one hand, but on the other it creates hope that the money and knowledge obtained by migrants abroad could support social and economic growth. For the countries being immigrated to, the arrival of migrants leads to an increase in the available workforce, but also to the formation of national minorities, which can essentially change the social, cultural, economic, and political fabric of society, especially in the long term.

Even though today migration is primarily an economic phenomenon, it manifests in many forms. Many highly qualified experts and entrepreneurs benefit from the opportunities offered by a globalised economy, since destination countries compete amongst themselves to attract these experts through privileges when entering and

staying in the country, whereas the ordinary workforce and refugees often experience discrimination and exclusion. In addition, family reunions, i.e. the entry of spouses, children and other relatives of previous primary migrants, are still the largest individual category of entry in many countries. Also, new forms of mobility have appeared: mobility after retirement, a search for a better (or different) lifestyle, etc.

The awareness of the influence of migration on socio-economic events creates the need for migration management in countries on both sides of that path. To fully assess the nature, scope, and characteristics of this phenomenon, as well as its consequences, appropriate data is required. However, administrative and statistical sources of data have numerous limitations, since these are collected in different ways with different methods and definitions in different countries, and they can often vary between different institutions in the same country, depending on their purpose.

This work uses public demographic statistics, education statistics and macroeconomic data to attempt to quantify the impact of the current emigration trend on the economy of Albania, and to set a basis for future detailed and deeper analysis.

Three key questions that the analysis is trying to answer are:

1. What are the average higher education expenses for people?
2. What is the opportunity cost in terms of potential gross domestic product (GDP) growth generated by the annual population emigration?
3. Does the migration flow have positive effects on the economy of Albania and, if so, what and how large are they?

Key findings

After the Second World War, Albania was practically a completely isolated country. In the early 1990s, it started incorporating democratic changes and opening to the world, which triggered intense international migration of the Albanian population. One of the basic features of this migration, besides its intensity, is its informal character, given the large number of undocumented migrants, which makes their number difficult to estimate. In 2017, the United Nations estimated the number of Albanian migrants living and working abroad at 1.15 million.

Since 2015, the Institute of Statistics of Albania (INSTAT) has conducted annual estimates of the number of immigrants and emigrants based on the migration module that is part of the Labour Force Survey. The Organisation for Economic Cooperation and Development (OECD) also provides another reliable source on migration flows. However, this data does not provide information sufficient for an adequate analysis of different structures of the migrant population. Therefore, with the aim of quantifying the economic effects of migration through the costs of education and loss of potential GDP on the one hand and the inflow of remittances on the other, for the purposes of this research, different scenarios were simulated based on different assumptions.

The education of an Albanian that ended in 2018, depending on the completed level, cost around €6,000 for primary school, €9,300 for secondary school and around €18,300 for completed academic studies. The average cost of completed postgraduate studies (PhD) in Albania was around €32,000.

The total education costs of people who leave Albania in one year vary from €330 million to €504 million, depending on the educational structure.

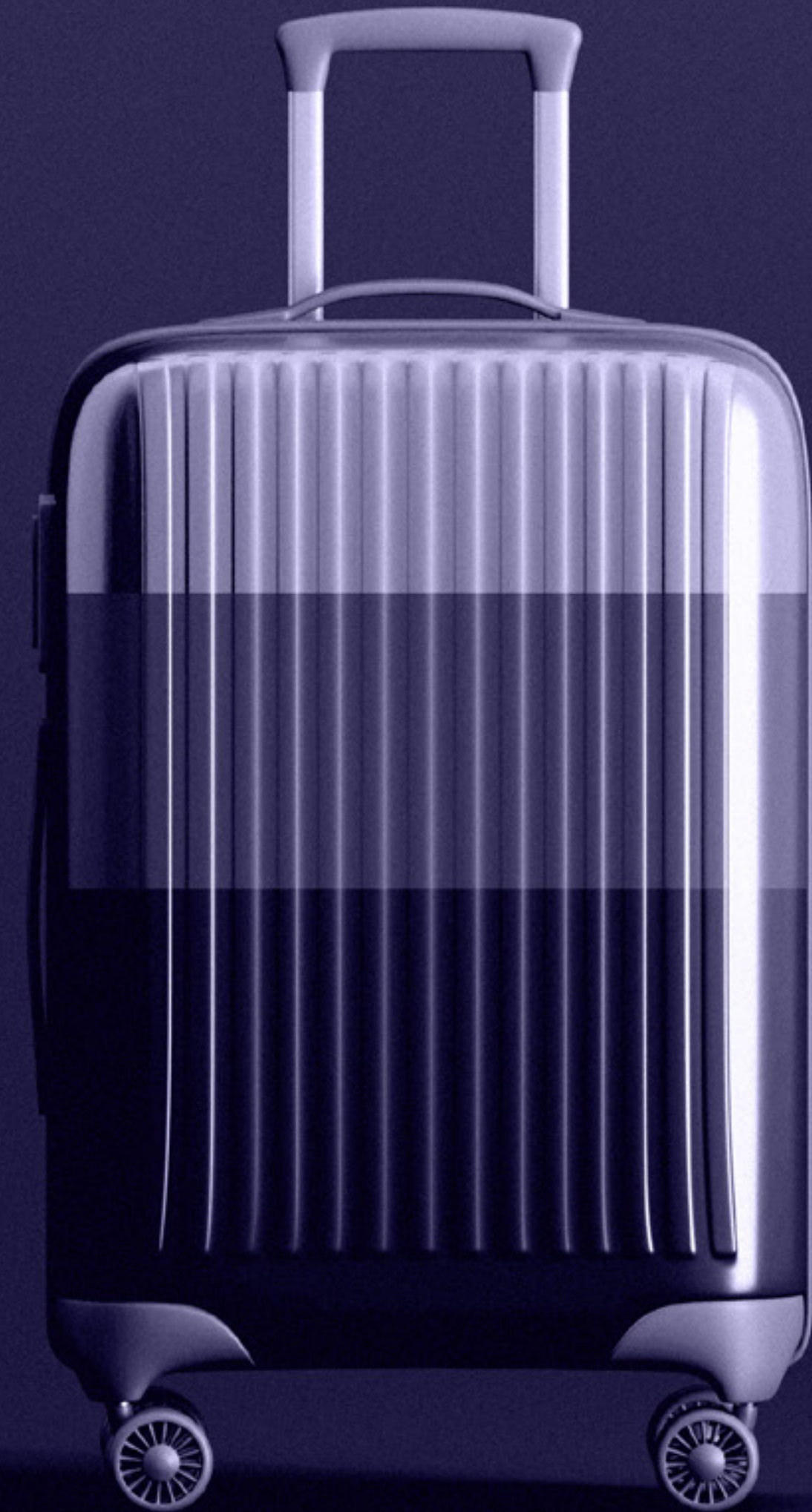
The study started with the average annual outflow of 41,700 people. After correcting the data based on age, the number of 37,540 working-age migrants was reached. Assuming that they all achieved their goal – employment in 2018 – by using the average amount of gross value added per employee, the study found an opportunity cost of €456 million in terms of lost gross value added, which is a direct negative effect on potential GDP.

After adding the indirect and induced effect, due to the inability to prevent annual emigration through employment, the annual gross value added lost measured €559 million. This means that every work-capable person who leaves Albania on average takes around €14,900 of some potential future annual GDP with them.

On the other hand, the most important direct benefit of migration flows are remittances. In terms of income from remittances and other personal transfers, Albania is one of the top countries in Europe, with a seven-per-cent share in GDP. If other sources coming from abroad are added (social transfers and income from the work of Albanian residents abroad), the contribution to GDP reaches 10 per cent.

However, despite their significant share in GDP, remittances do not sufficiently impact overall economic growth, and are not a generator of future development, since the investment component is not strong enough. Namely, remittances are used for personal consumption in households, while only a small amount is used for business investment.

1 The migration statistics



After the Second World War, Albania was practically isolated from both developed Western countries and other communist countries. In the early 1990s, the decades-long totalitarian regime ended, and Albania started undergoing unstoppable changes and opening to the world. This has resulted in considerable economic growth in the last three decades. As a result, Albania has been transformed from one of the poorest European countries to a country with a medium income, reducing its poverty levels by half.

However, this has also led to considerable social and demographic changes. During the period of isolation, there was virtually no international migration from or to Albania, so the fast population growth can be attributed entirely to a high natural increase, which exceeded two per cent a year until the early 1990s (INSTAT, 1994). In the first decade after the democratic changes (1990-2000), the fertility rate fell below the replacement level (INSTAT, Public Health Department and Macro ICF, 2010). Also, the end of isolation encouraged the population to move, and many Albanians migrated to Tirana and other cities, as well as to other countries, in pursuit of a better standard of living. The main destinations before the 2008 world economic crisis were Italy and Greece. Afterwards, migrants became more interested in other developed countries.

The nature of this phenomenon makes it difficult to properly collect data on the scale and structures of migration. Therefore, different sources need to be used and compared so as to accurately analyse and follow this phenomenon. INSTAT started making annual estimates of migrant numbers in 2015, based on the migration module which is part of the Labour Force Survey. Combined with census data, which collects data on the people who depart the country, these estimates offer a basis for analysing the characteristics of the migrant population. Also, statistical data from different international organisations dealing with these matters, and national statistical offices of host countries are used.

This data is certainly helpful in understanding the effects of migration flows. However, to reach final conclusions, it is necessary to be cautious and consider the frequent inconsistencies of certain indicators among different methodologies and sources.

The OECD estimates that in the period 2012-2016 around 200,000 people left Albania and went to one of 36 member countries of this organisation, which is around 42,000 people annually. This data includes all people who left the country, including the people who left the country temporarily, who left to study, or were sent on intercompany transfers, as well as other forms of temporary labour migration¹. Also, when interpreting this data, it should be noted that there was a huge spike in the number of migrants in 2015. The total number in 2014 (around 35,000) rose to over 90,000, only to return to 37,000 in 2016. This increase of almost 56,000 people was due to the number of Albanians who moved to Germany. There is no reliable information as to why the interest of Albanians in Germany suddenly increased that year, and it is also interesting to ask why that interest decreased the following year.

One possible explanation is that Germany became attractive because of its advantages that attract migrants, such as an organised welcoming system and generous financial aid while they wait for asylum. It also has the reputation of being a serious and organised country that offers the best living prospects. Although Italy and Greece are closer and easier to reach, they do not offer the “future” that Germany does.

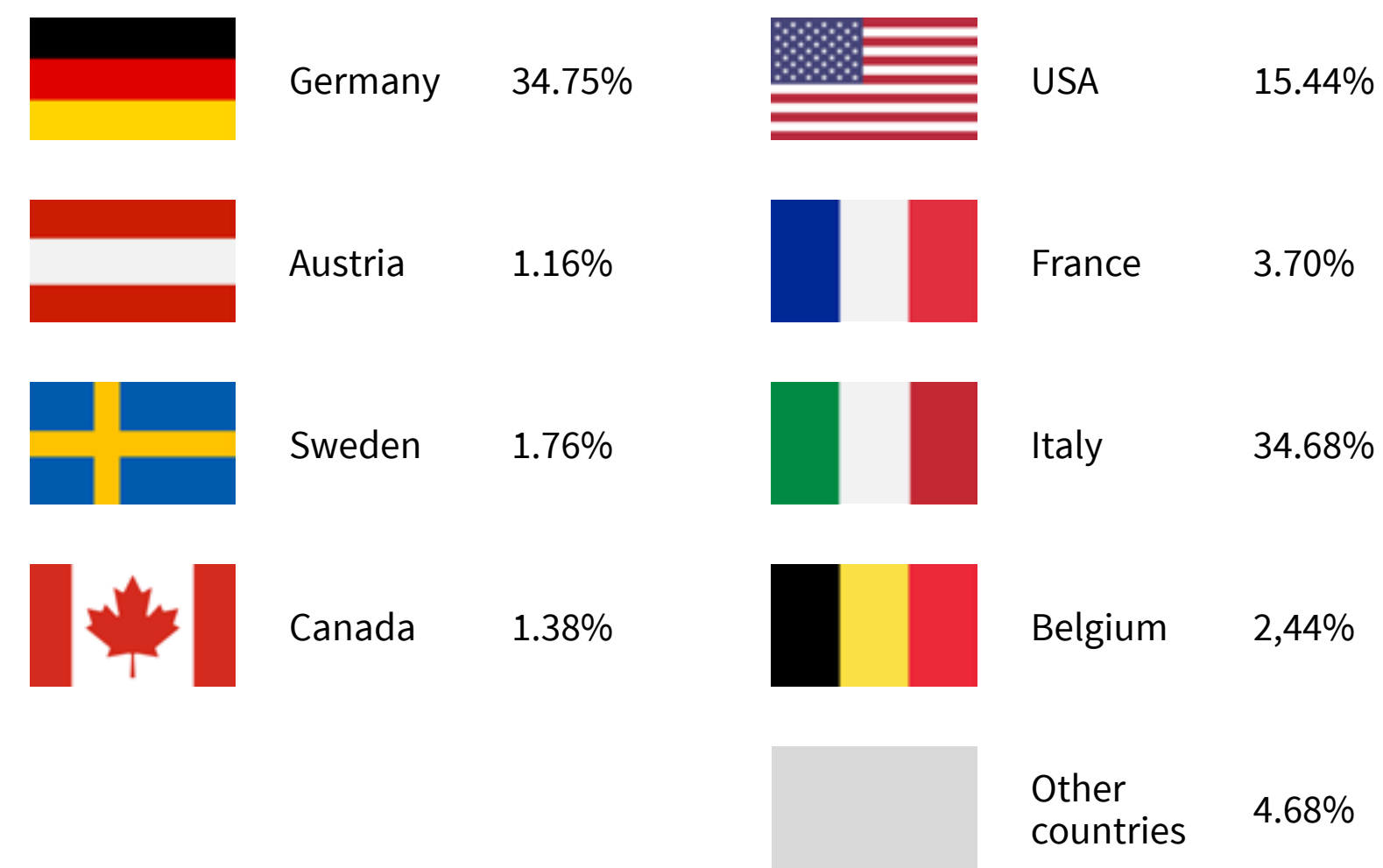
It is also important to note that in 2014 Germany classified Bosnia, North Macedonia and Serbia as “safe countries of origin”,² and it was expected the same would be done with Albania and Montenegro the following year. Therefore, Albanians rushed to leave as soon as possible, as they expected that the conditions for obtaining asylum would get stricter.

In 2015, 69,000 Albanians were registered in Germany, whereas around 22,500 people returned to Albania the same year (almost 20,000 more than the previous year), and around 40,000 the year after, which more or less cancels out the increased inflow, suggesting that most asylum requests were denied. During the above mentioned five-year period, more than 80,000 people returned, or around 16,300 annually. By comparing these two numbers, the average annual net outflow of around 25,400 people is reached.

1.
For forms of temporary migration, please see the *International Migration Outlook 2018*, OECD, pp. 25–34. Also, the detailed metadata for each OECD member country is shown on pp. 315–319 of the report in question.

2.
The German constitution defines “safe countries of origin” as those “in which, on the basis of their laws, enforcement practices and general political conditions, it can be safely concluded that neither political persecution nor inhuman or degrading punishment or treatment exists”.

The structure of Albanian migrants
by destination country³, 2016 (%)



In the same five-year period (2012-2016), the Institute of Statistics of Albania estimated an annual outflow of around 18,500 people, based on the Labour Force Survey data, the migration module, combined with the population projections for 2011-2031.

3.
It is important to note that OECD data has no information on Greece, even though it is a member country and traditionally a destination country for Albanians.

Source: OECD

DATA ON EMIGRATION, IMMIGRATION AND NET MIGRATION, 2012-2016 (INSTAT)

Year	Emigration	Immigration	Net Migration
2012	52,307	32,534	-19,773
2013	49,425	28,624	-20,801
2014	46,525	24,740	-21,785
2015	41,443	20,843	-20,600
2016	32,532	23,060	-9,473

The International Organisation for Migration (IOM), the United Nations (UN) agency which deals with international migration, recorded around 1,150,000 Albanian migrants across the world in 2017. As the total population in the country is currently around 2.9 million, it practically means that every fourth Albanian lives abroad. This number was reached in less than three decades, because at the time the country “opened” in 1990, there were around 180,000 Albanian migrants in the world, of whom 154,000 were in the nearest neighbourhood: Greece, Italy and North Macedonia.

Source: INSTAT

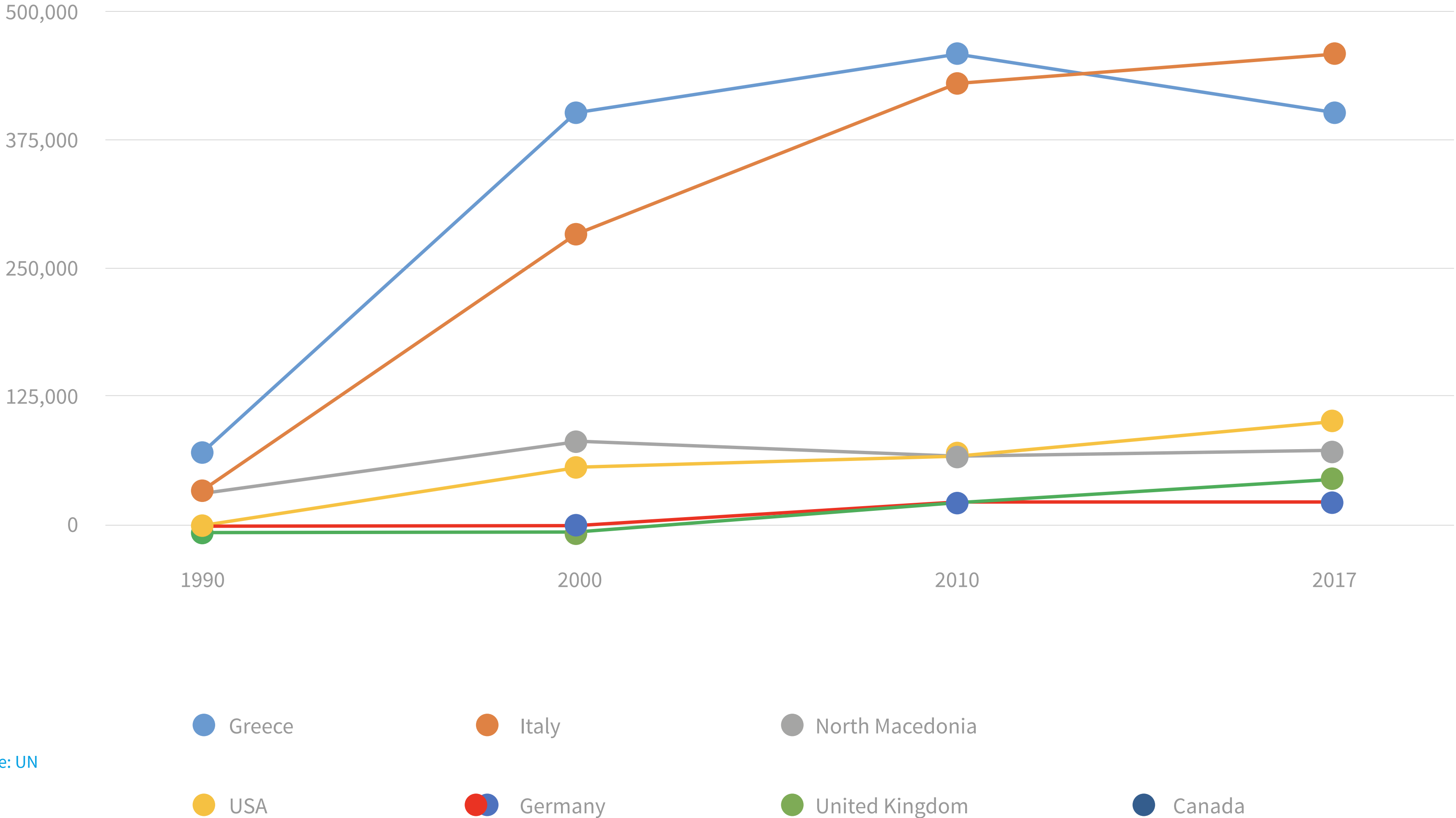
STOCK OF ALBANIAN MIGRANTS

Country	1990	2000	2010	2017
Greece	63,963	400,253	465,034	429,428
Italy	44,937	274,410	447,515	455,468
North Macedonia	45,001	69,367	70,230	67,924
USA	5,627	39,644	72,085	90,381
Germany	5,211	11,394	14,597	18,102
UK	156	2,227	13,075	30,157
Canada	398	6,205	13,610	15,823

In the 10 years after 1990, the number of Albanians outside their home country increased by 4.5 times, exceeding 820,000, and went on to rise by another 330,000 people by 2017. By destination country, most Albanians reside in Italy (455,000) and Greece (430,000). For almost three decades, North Macedonia has had a stable number of migrants from Albania (around 70,000). After 2010, Albanians have increasingly been focusing on the USA, the UK, Germany and Canada.

Source: UN

Stock of Albanian migrants



Source: UN

2 The economic nature of migration



Some of the characteristics of Albanian society are poverty and unemployment. According to the World Bank,⁴ around 30 per cent of Albanians live below the poverty line, and half of them live in extreme poverty. The chances the economy will improve are slim, as young people, who can actually spur development, are rapidly leaving the country. They state the lack of prospects and hope for a better future as the main reason for departure.⁵

A comparison of basic macroeconomic indicators of countries in the region and of attractive destination countries confirms the poor economic prospects and highlights the factors of emigration from this region.

The high unemployment rate among young people, where only every third person can hope to find work, is certainly not a good environment for the most mobile part of the population. Those who do find a job will still not want to stay in the country, as average earnings do not cover the average consumer basket. Average earnings in Albania are many times lower than in developed countries.

4.
Macro Poverty
Outlook, Spring
Meetings, 2019.

5.
[https://www.fes.de/
en/youth-studies](https://www.fes.de/en/youth-studies).

UNEMPLOYMENT RATE OF YOUNG PEOPLE IN 2017 (%)			
Countries where people migrate from		Countries where people migrate to	
North Macedonia	46.7 %	Germany	6.8 %
Albania	31.9 %	Switzerland	8.1 %
Serbia	31.9 %	USA	9.2 %
Montenegro	31.7 %	Austria	9.8 %
Croatia	27.4 %	Slovenia	11.2 %
Romania	18.3 %	Sweden	17.9 %
Bulgaria	12.9 %	France	22.3 %
Hungary	10.7 %	Italy	34.7 %

Sources: World Bank

AVERAGE NET EARNINGS IN 2018 (€)			
Countries where people emigrate from		Countries where people immigrate to	
Albania	316 €	Switzerland	4,502 €
North Macedonia	395 €	USA	3,008 €
Serbia	420 €	Sweden	2,458 €
Montenegro	511 €	Germany	2,360 €
Bulgaria	574 €	France	2,225 €
Romania	579 €	Italy	1,878 €
Hungary	688 €	Austria	1,848 €
Croatia	841 €	Slovenia	1,128 €

Sources: National statistical offices and authors' estimations.

GDP PER CAPITA IN 2018 (US\$)			
Countries where people migrate from		Countries where people migrate to	
Albania	5,254	Switzerland	82,839
North Macedonia	6,084	USA	62,641
Serbia	7,234	Sweden	54,112
Montenegro	8,761	Austria	51,513
Bulgaria	9,273	Germany	48,196
Romania	12,301	France	41,464
Croatia	14,869	Italy	34,318
Hungary	15,939	Slovenia	26,234

In terms of GDP per capita, the measurement of the standard of living, the score of Albania is half the score of the least developed European Union (EU) countries, and 10 to 16 times lower than in developed countries. This huge difference in the standard of living is one of the reasons why many people choose to seek asylum in EU countries despite being aware that they will not get it, counting on the benefits that these countries provide during the process, which are often higher than the income in their home country.

Sources: World Bank.

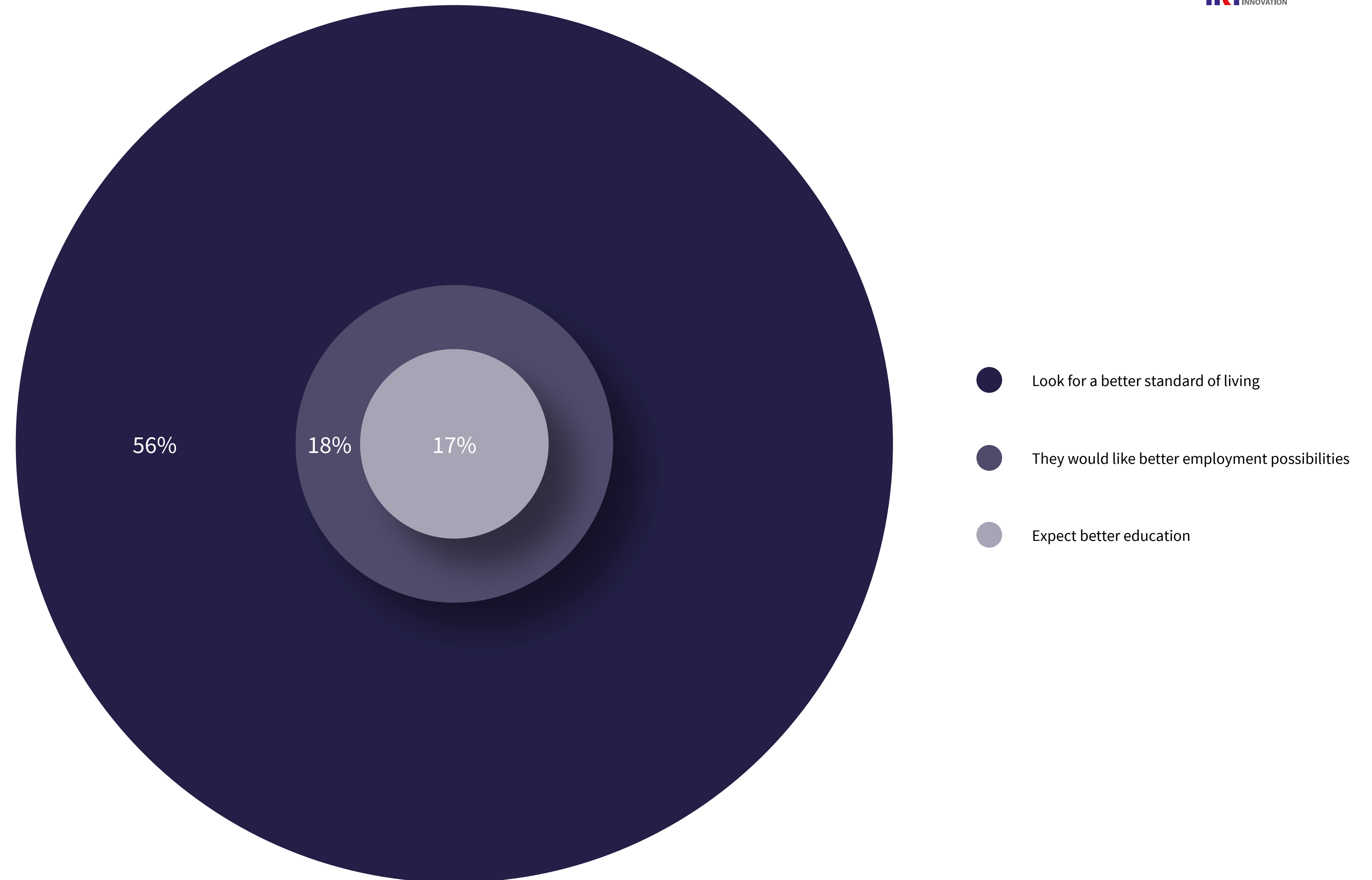
The study on young people in Albania in 2018-2019 analysed field research data as part of a wider, regional project Youth in Southeast Europe in 2018. It offers additional information that confirms the economic motivation of migrants. The unemployment rate of young people is a permanent problem. In fact, 61 per cent of people aged 22 to 29 are unemployed, despite actively seeking employment. This segment of the population mostly completed their education and is now facing the difficult struggle of looking for a job.

According to this research, more than 40 per cent of young people in Albania have a strong desire to move abroad, and most of them will never return. Another 20 per cent of young people have a moderate desire to leave. More than half of those who desire to leave (56 per cent) state that the main reason is to look for a better standard of living. Another 18 per cent state they would like better employment possibilities, while 17 per cent expect better education.

Germany is absolutely the most desirable destination for all those people, followed by the UK, Italy and France.



Reasons which students quote for leaving the country, in percentages



Source: “FES Youth Studies Southeast Europe 2018/2019”
(<https://www.fes.de/en/youth-studies>).

3 The costs of population emigration



Economic migration is not exclusive to undeveloped and developing countries; but emigration in developed countries is accompanied (and sometimes even exceeded) by immigration that maintains a balance both in the workforce and in the demographic structure.



This is not the case in the Balkan countries where migration is predominantly oriented outside of the country, as this imbalance strongly affects the development of the economy and society. For this reason, long-term planning in various areas is necessary, with the goal of decreasing the negative effects and maximizing the benefits of migration, such as the knowledge and experience gained and money transfers.

The most direct cost a society faces is the loss of funds invested in education, especially due to the increase in youth emigration, and the brain drain. These people are highly educated and trained, and their departure results in their own progress, but also in a serious loss for the economy of the country they are leaving. Society invests in the education of an individual over a long period of time, for nine to 18 years or longer depending on the education level. Through emigration, that investment turns to a loss, i.e. it becomes an investment in the destination country which receives an educated individual without having to spend any funds on their education. Also, the departure of a young, highly educated and qualified workforce decreases a country's ability to develop, as these individuals are innovators who could create new products, markets, and jobs and generate GDP growth. Another consequence is the loss of gross value added per potential employee, along with the decrease in total consumption, which directly reduces GDP: people who leave the country do not add value nor do they spend in the country, which negatively affects the demand for products and services from other economic participants. Finally, since they are not creating or spending, they do not pay taxes in their home country, which is another loss for the country which could have used that money to further improve education, among other things.

On the other hand, the primary benefit of emigration is the direct inflow of funds from abroad through remittances. Their benefits are numerous, as remittances make up a considerable part of the GDP of many developing countries, some of which become dependent on these funds. They help increase productivity and economic growth and decrease poverty. By increasing the income of households, remittances also lead to greater consumption, which could have a multiplying effect on total demand and production. These income sources, unlike loans, do not need to be returned and no interest needs to be paid. Also, a popular opinion is that they are a more stable form of financing than foreign direct investments, as these can be unstable in developing countries.

It is important to note that migration benefits, from the viewpoint of individuals, as well as of the sending and receiving countries, are not always used in the best way. Many highly educated migrants fall victim to so-called brain waste, since their skills and potential are not used sufficiently, or at all, because they work jobs that require lower qualifications in their destination countries. That way, their contribution to the host country, as well as their income level and the experience they gain (which could potentially be transferred to the home country), are considerably lower than had they been working in jobs for which they were qualified.

How much is the total cost of an education that ended in 2018?

3.1

In the attempt to answer this question, this study started with the official statistical data of national accounts that INSTAT provided for the period 2001-2018, which is in line with the internationally accepted methodology defined by the European System of Accounts (ESA 2010). With this research goal in mind, we used the data of GDP by production approach according to the European Community's revised statistical classification of economic activities (NACE Rev2) to analyse output and intermediate consumption of the education sector.

METHODOLOGICAL NOTES

The output is the total value of products created and/or services performed during the period under review. The output of education is predominantly created by the state sector (especially in primary and secondary education) and belongs to non-market output. This is the output provided to others for free, or at prices that are not economically significant. According to the national accounts concept, non-market output is calculated by the input-cost method or by the following formula: employee compensation + intermediate consumption + consumption of fixed assets + other consumption taxes (paid) – other production subsidies (received) + business surplus.

Other than that, besides non-market output, the national accounts data also contains values of market output. This type of output mostly comes from the private sector (private schools, faculties or universities); but another part is also created in the state sector (especially in higher education). It is important to note that INSTAT includes estimates of the non-observed economy in its calculations, which means that the stated amounts also include the costs for education activities outside regular flows (e.g. private lessons, translation services, additional courses, etc.).

In the next iteration, the output of education is increased by the accompanying costs, which are methodologically not included in the initial education output data, but are directly or indirectly linked to education. This first refers to costs of dormitories provided by the state, which are defined in national accounts as part of the accommodation and food service sector output. In addition, state costs regarding student scholarships are included, which are defined as part of the financial intermediation sector. In the last iteration, the analysis includes gross fixed capital formation, such as investments in buildings, equipment, etc. By taking all these components of education into account, we obtain a synthetic indicator that is very close to the total amounts used for education in an economy in terms of value and concept. The yearly costs were estimated for the period 2001-2018 and then discounted by the reference interest rate in order to even all the costs in the observed period with today's value of money. To distribute this synthetic indicator of total education costs by the level of education, we used the budget data on the amounts used for these purposes.

In parallel, INSTAT has information on the number of students in primary and secondary schools and universities for every year in the relevant period in order to calculate the costs allocated per unit. This data set allowed us to estimate the costs per education level, and the answer to the question: On average, how much did the primary, secondary and higher education of an individual (who graduated in 2018) cost the state?

It is also important to note that this average should not have significant deviations in primary and secondary education, whereas the deviation significantly increases in higher education. This is actually a synthetic indicator of education costs as it has a part of each academic education level. More precise estimates could be done in separate faculties and colleges, specialist profiles and postgraduate levels, which will be a topic for future papers.

THE RESULTS

The results obtained from the application of the aforementioned methodology show that the education of an individual which ended in 2018, covering primary school (nine years) through secondary school (four years) until the end of academic studies (which lasted five years on average), cost around €18,000. The costs of a four-year secondary education that ended in 2018 were somewhat over €9,000, whereas a nine-year primary education cost around €6,000.

The estimate of PhD education costs is not easily done due to the unavailability of detailed information in the necessary structures. Based on the available information, it is estimated that approximately €32,000 on average is spent for the education of a PhD.



Source: Authors

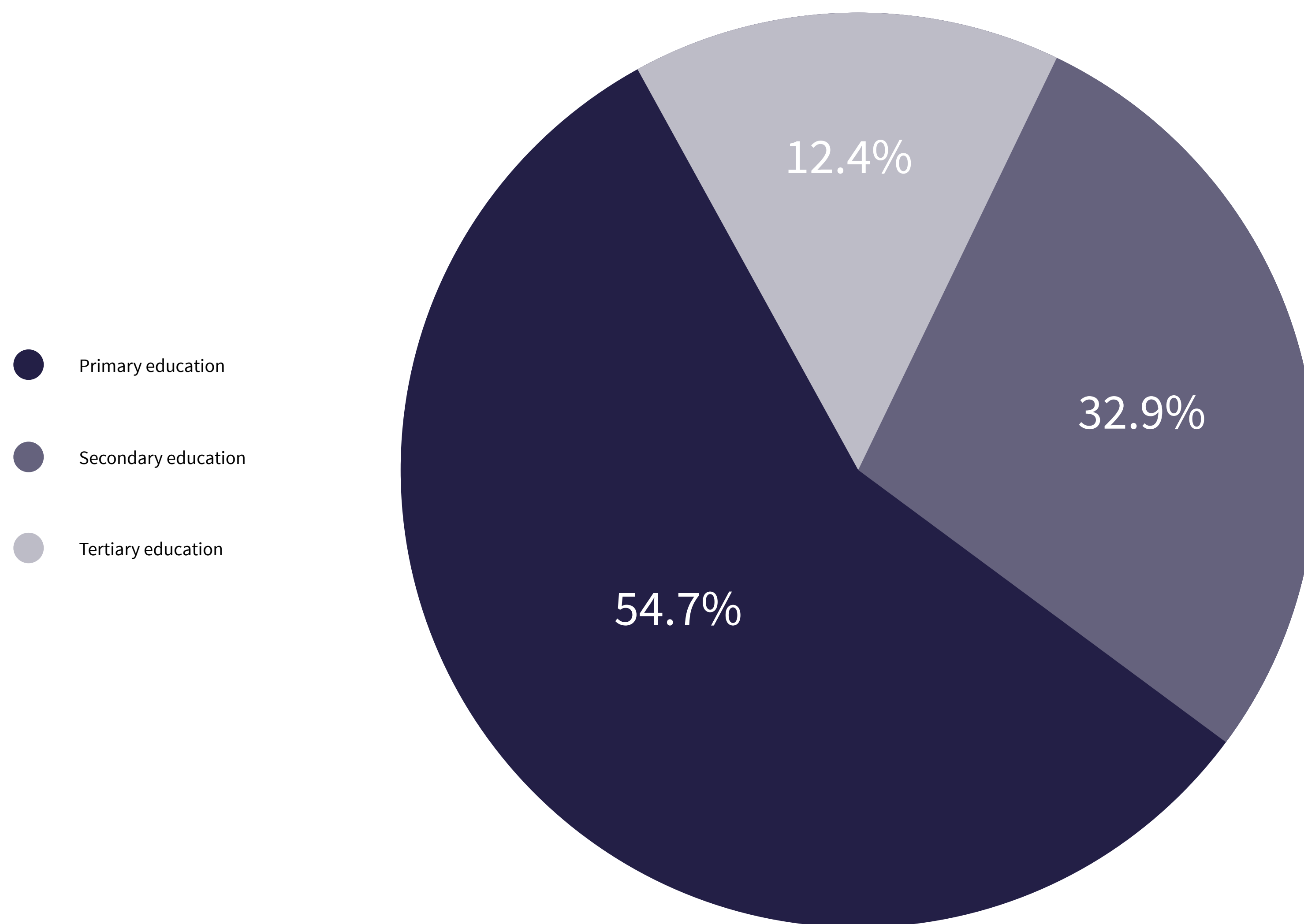
Even though the use of average values in data analysis can blur the image or be interpreted in different ways, please note that these amounts are only the first step towards the quantification of negative migration balance effects. The group of people with faculty degrees is quite heterogeneous in terms of costs per faculty, length of studies, the degree level, accompanying study costs, etc. In that sense, the existence of yearly emigration data on the age and education structure of migrants, their return plans, and whether they are individuals or families would significantly improve this calculation. However, from a macroeconomic standpoint, any deviation from the current quantifications would not drastically change the conclusions reached by this method. Also, by observing the yearly costs, the study found strong stability in this data series which enables consideration even of those who graduated before 2018.

As stated, according to OECD data, the average yearly outflow of population from Albania in the period 2012-2016 was around 42,000 people. There is no detailed age and educational data for this group, or at least it is not publicly available. In order to estimate the education cost of this group, the study first excluded all people younger than five and people with incomplete primary or secondary school education (our estimate used the approach in which, for example, a child in the sixth grade and a child in the third grade are counted as those who graduated).

The basic population age structure was used as a framework for this estimate, and was modified with the assumption that the number of emigrated children is less by half than the number of children in the population. As a basis for the educational structure of the migrant group for Scenario 1, we used the educational structure of people older than 15 according to the 2011 census of Albania.⁷

7.
Out of the total number of people older than 15, we have excluded people with no education.

The population age structure according to the education level, 2011 Census – Scenario 1

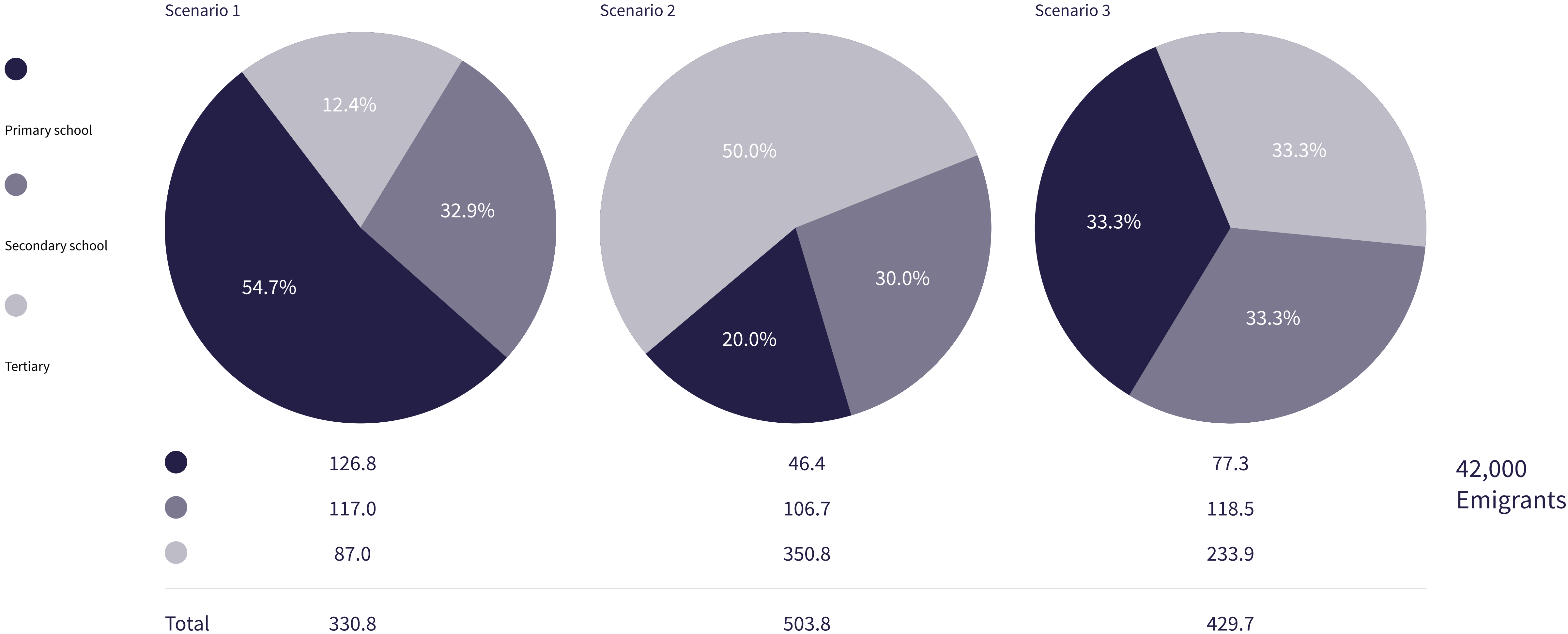


To reach as precise an estimate of education costs as possible for the entire migrant group, and given the lack of educational structure data for this group, we have created several alternative scenarios for this paper.

Scenario 2 is based on the fact that the number of highly educated people leaving the country has increased in the last couple of years, so this stratum has the most significant weight of 50 per cent. Secondary school students were assigned 30 per cent and migrants with primary schooling 20 per cent. Scenario 3 is based on the assumption that all education levels have the same weight in this group.

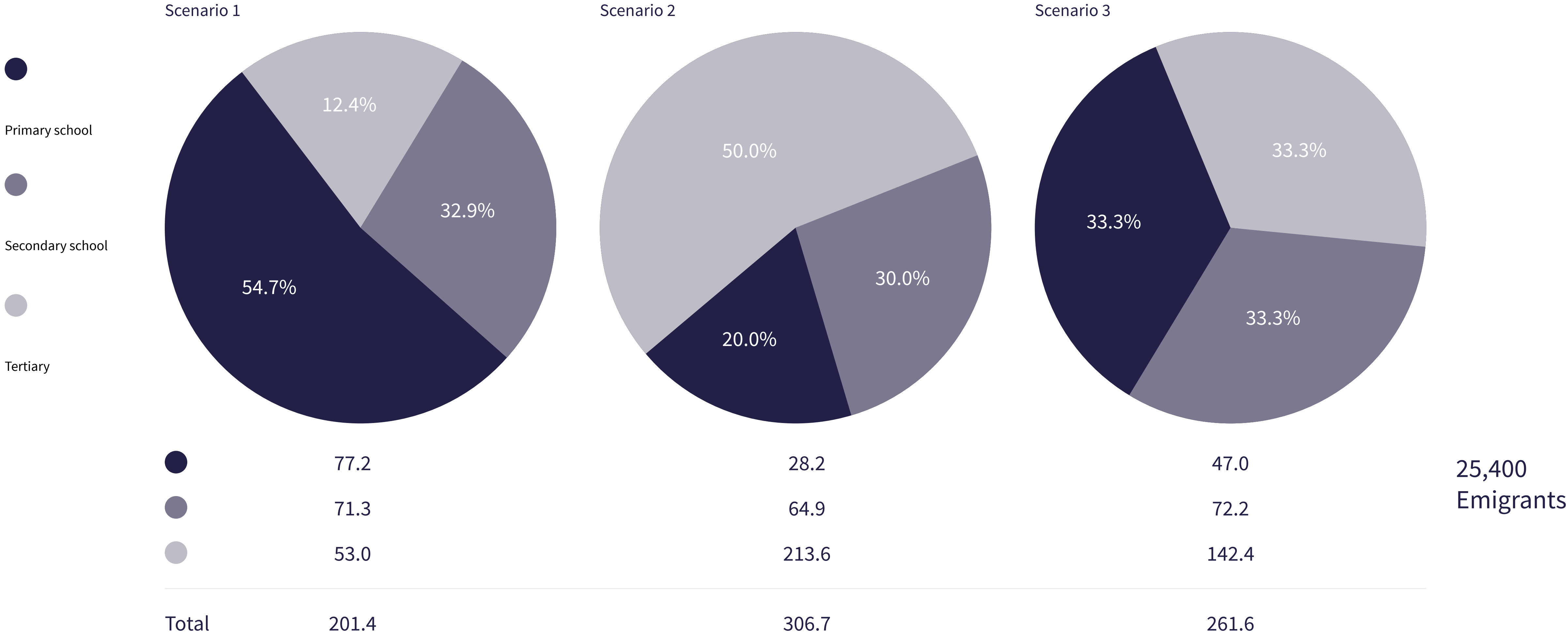
The results show that the total education costs of people who leave Albania in a single year, depending on the educational structure, vary from around €330 million to €504 million.

Education costs of the total population outflow
per selected educational structure (€ million)



As stated in the introduction, this data includes all the people who left the country, from temporary workers and students on exchange to those who are in professional training. With this approach, the OECD publishes data on immigration flows. Due to the twofold nature of this process, the average annual net outflow from Albania is around 25,400 people. Another adjustment was made to this group by subtracting children under age six and adults with no education. The education costs applied to this number of migrants varied from €201 million to €307 million.

Education costs per selected educational structure
compared to the “migration balance”



Detailed statistics of those who leave or return do not exist, and it is not known whether these are temporary workers, foreign pensioners returning, or people temporarily moving for professional training, etc. This makes it considerably difficult to precisely quantify the final effect of the migration flow. Nonetheless, the effect of the total outflow should be considered seriously because, no matter what the current nature of these departures is, they are a step closer to permanent emigration, especially if policies and measures of developed countries are taken into account.

With the lack of a sufficient workforce, developed countries devise various policies to attract the working-age population. According to the 2017 report, EU countries have introduced new measures and amended older measures to make it easier for workers from other countries to stay.

Their goal is to make up for the lack of qualified workers seen in some countries. That is why Austria amended the Law on Residence and Settlement in 2017 with the purpose of making it easier for workers from developing countries to access the employment market and integrate into society. Estonia developed

the “Work in Estonia” strategy, with the goal of attracting highly qualified workers.

Germany started informing migrants in additional ways and organised professional courses and training, all with the purpose of enabling working migrants to access the legal job market more easily and to hire them for the long term. Italy signed a memorandum of understanding with the chambers of commerce of some developing countries and founded the Employers’ Association as well as other institutions in order to simplify hiring procedures for the highly qualified people from these countries.

EU countries are making procedures for accepting students from non-EU countries easier as well. The basic measure is to facilitate access to the job market for students, but also for those who graduate. Furthermore, administrative procedures related to studying in EU countries are simplified, as are those related to staying in the country after graduating. Sometimes EU countries target a specific developing country and create specific policies to attract the young and students from that country. In order to attract students who would work and study at the

same time, Austria has increased the number of permissible working hours for students to 20 hours a week. Also, once they graduate, foreign students can stay for an additional year in Austria in order to find a job. These measures encourage the young and work-capable people from Albania to continue their education or to develop their careers in one of the EU countries.

The destination countries of highly educated people undoubtedly benefit from their arrival and involvement in the economic and social system. This “gain” is much greater than the “loss” of the home country. Not only is the lack of workforce resolved, but higher costs of education in developed countries also have to be taken into account. According to 2015 Eurostat data, the yearly cost to the state and households for secondary education in France was around €11,000, in Germany around €10,500, whereas a little less than €800 per student was spent in Albania. The difference is also apparent when we look at academic education, as Albania spent around €1,800 yearly on a student, while the UK spent 12 times more, Sweden 9.3 times more, Austria, France and Germany around seven times more, etc.



TOTAL EDUCATION COSTS IN 2015 PER STUDENT (€)		
	Higher education	Secondary education
Albania	1,822 €	774 €
Germany	13,137 €	10,457 €
France	13,333 €	10,900 €
Austria	14,074 €	9,410 €
Sweden	17,011 €	9,100 €
Great Britain	21,682 €	8,796 €

Education costs represent costs over an extended period in the past. However, the departure of a certain number of people abroad has a strong current direct and indirect effect on a country’s economy and is the generator of lost gains in the future, which is in a way the exact definition of opportunity cost. Even though this cost is related to individuals’ decisions, this analysis attributes it to the entire society. By leaving to the demographers and sociologists the recognition and description of effects of migration flows on population ageing and the development of the total society, this study focuses on identifying the magnitude of the impact on the economic component of social progress. With that intention, this study connects the average number of people who leave Albania on a yearly basis with GDP as the measure of economic activity of a country.

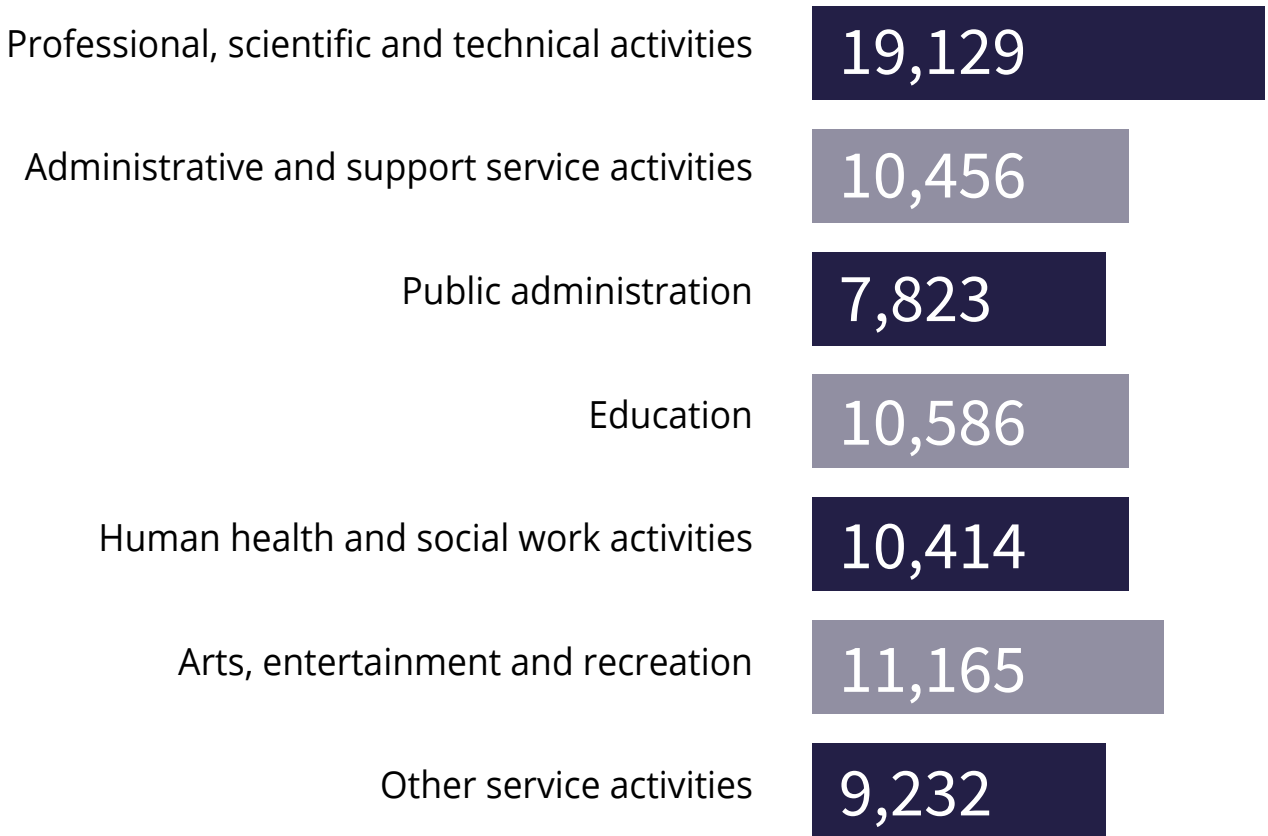
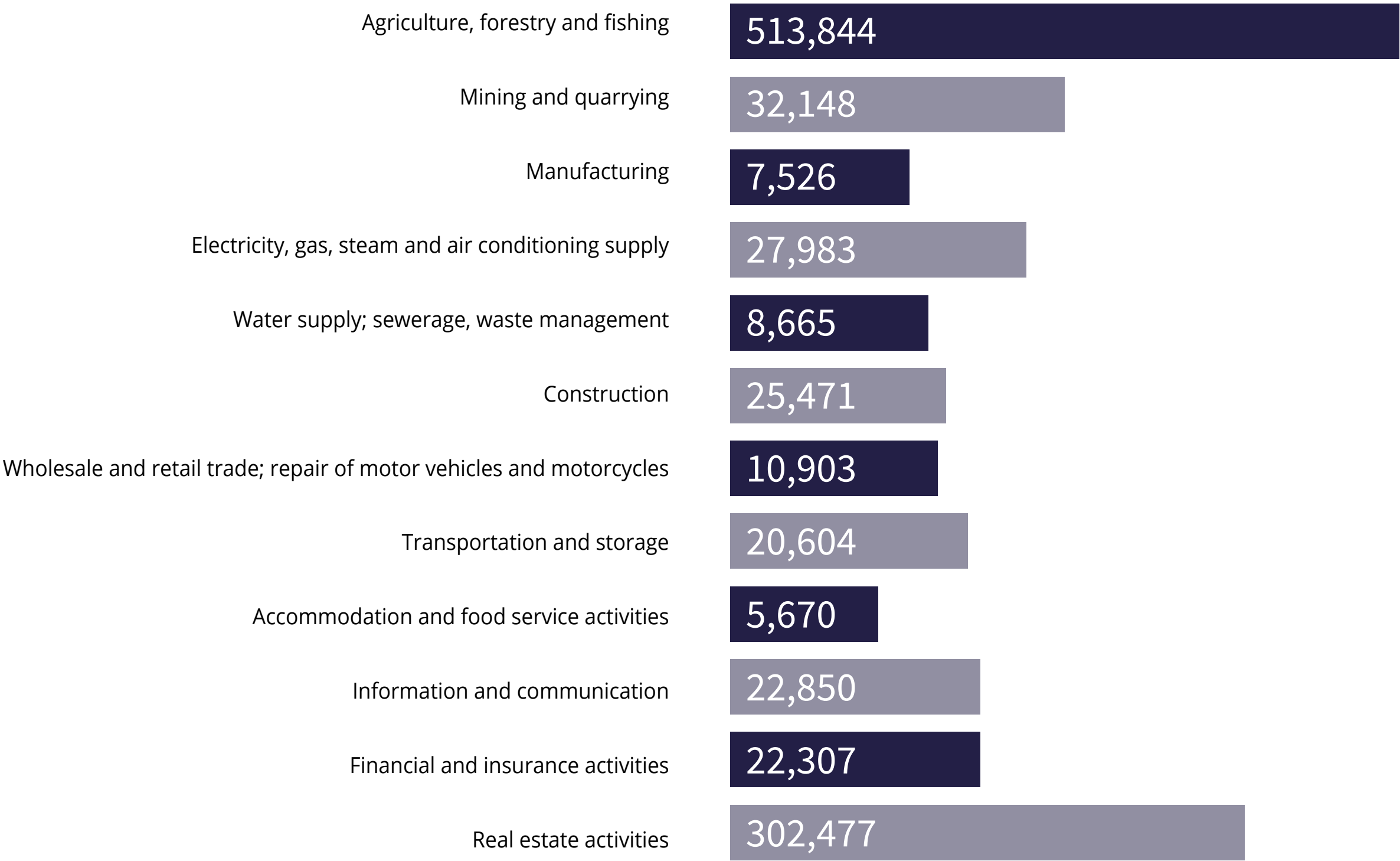
How big are the effects on economic activity?

3.2

According to the production approach of measuring economic activity, GDP represents the total created gross value added by resident institutions during one year, where taxes are added and subsidies are subtracted. Gross value added is actually the total value of produced goods and services subtracted by intermediate consumption, meaning the operational, material, and non-material costs that were incurred during production or service provision. Official data on the created gross value added and the total number of employees gives the production indicator – gross value added per employee.

This indicator significantly varies from one line of work to the next, which is determined by whether it is labour- or capital-intensive. It should also be noted that the value of this indicator depends on the quality of coverage of employees by line of work. The following table shows the gross value added per employee in each line of work. Due to the specificity of measuring agricultural production, and the specific methodology of measuring economic activities in the real estate business (because of the imputed rent concept), these two have been omitted from the observation. The 2018 data show that gross value added per employee was around €12,000 on average.

GVA per employee (€)
2018



Average for total economy
excluding agriculture and
real estate

12,136

The study uses the average total yearly outflow of 41,700 people, modified by the appropriate age structure to use only the data for the working age population. After correcting the data based on age structure, and taking into account that the majority of the working-age population is mobile, the study reached the number of 37,540 people. The next assumptions were that the reason for their departure – not being able to find work in their own profession, or any work – did not exist, and that the economic dynamics created the conditions to hire them, so that they were considered employed persons during 2018. By using the average amount per worker, the study found an opportunity cost of around €455.6 million in terms of lost gross value added. This is a direct negative effect on the potential GDP of the country.

Having in mind that the departure of all these people also implies a decrease in total consumption and aggregate demand, which finally negatively affects the volume of manufacturing and services, and by extension gross value added and GDP, this gives the indirect influence of migration flows on economic activity. By using the data on annual net earnings, and the number of active workers who emigrated, as well as the elasticity coefficient between personal consumption and the newly created value, this indirect effect is estimated at €78.4 million.

Other than the direct and indirect effects, macroeconomic analyses also often use the so-called induced effect. Having in mind that it encompasses a large number of indirect reflections on economic flows, its quantification is almost impossible. For example, if these people had stayed in the country, it would have increased the demand for doctors, teachers, dentists, hairdressers, etc., whose salaries would create additional aggregate demand, which would in turn stimulate the economy, turning this entire flow into a vicious circle of effects that are impossible to observe and evaluate in their entirety. The departure of these people is also an opportunity cost for the state as their future taxes are lost. This means income taxes, social security taxes, value added taxes and excise as the largest budget income sources. By using the available data on the number of workers, total personal consumption, the budget income and their relationship, this amount is estimated at €86.1 million. As this money would have been spent via consumption in the next iteration (goods and services, capital investment, increases in salaries and pensions), it would also have stimulated the economy.

That is why this effect is also included in the group of induced effects so, by using the graded fiscal multiplier, we estimate it at €25.8 million.

The results show that due to the inability to prevent the annual outflow directly and indirectly through employment, the potential annual gross value added loss was over €559 million. To put it simply, by leaving Albania, every work-capable person takes approximately €14,913 of some potential future GDP with them.

Effects of migration on economic
activity per person, in euros



Source: Authors

The economic benefit of population migration

3.3

Even though international migration creates political controversies, from the economic aspect it is completely justified. According to UN Secretary-General Antonio Guterres, migration is a strong source of economic growth, movement, and understanding that enables millions of people to seek new opportunities and bring benefit to the countries to which they move, as well as to the communities from which they come.

From the viewpoint of a country facing population inflow, benefits are obvious, as migrants help increase income per capita and the standard of living. Highly qualified migrants have multiple talents and expertise, whereas lower-qualified migrants do basic jobs for which there is a lack of workforce.

However, even though this study gives less attention to positive effects on countries being emigrated from, they cannot be denied. Just as the countries being immigrated to experience both positive and negative effects, this process has a twofold effect on the national economy of the emigration countries.

The most important direct benefit of migration flows is remittances. Remittances are the money transferred by migrants to the people close to them who remained in the home country. Their income often improves the quality of life of the recipient, while also considerably influencing the GDP of a country such as Albania. In terms of income from remittances, as well as other personal transfers that influence GDP, Albania is one of the top countries in Europe, with a seven-per-cent share in GDP. If other sources from abroad are considered, like social transfers and income from temporary Albanian employees working abroad, the contribution to GDP reaches 10 Per cent. For the sake of comparison, the net income from foreign direct investment in 2018 was around 8.2 per cent of GDP.

INCOME FROM ABROAD BY TYPE OF INFLOW									
€ million	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	1,198.4	1,114.4	1,104.2	964.8	1,073.2	1,165.1	1,179.8	1,158.0	1,237.0
Workers' remittances and other personal transfer	1,023.6	975.8	985.8	775.6	823.2	893.9	900.1	872.5	927.5
Compensation of employees of Albanian residents from abroad	174.9	138.7	118.4	189.2	250.0	271.2	279.7	285.5	309.5
% GDP									
Total	13.3	12.0	11.5	10.0	10.8	11.4	11.0	10.0	9.7
Workers' remittances and other personal transfer	11.4	10.5	10.3	8.1	8.3	8.7	8.4	7.5	7.3
Compensation of employees of Albanian residents from abroad	1.9	1.5	1.2	2.0	2.5	2.6	2.6	2.5	2.4

Source: Central Bank of Albania

It should be noted that this data was recorded by the Albanian Central Bank. There are no precise data on funds transferred through informal channels; but it is assumed that most Albanian remittances are informal, in part due to socio-economic exclusion of rural households, and in part to low financial literacy. Even though remittances have a positive effect on the balance and stability of the local currency, their contribution to economic growth depends on the type of consumption they are used for. Considering that in Albania they are predominantly used for personal consumption – financing basic necessities – they do not affect economic growth as much as they could. According to the INSTAT household consumption survey, around 50 per cent of a household budget is used for food and non-alcoholic beverages, while more than 10 per cent accounts for expenses for water, electricity, and rent.

Therefore, these funds cannot be seen as a generator of future development or additional growth until the investment component becomes stronger. This is largely influenced by the use of informal means of fund transfers, since formal means would enable access to basic bank services and investment products for the households that receive remittances. That way, the remittances would directly influence the level of financial involvement of the population, which is estimated to be around 40 per cent in Albania as opposed to the global average of 69 per cent.

This source of finance in Albania has been decreasing in the last few years. After the “opening” of the country in the 1990s, migrant remittances increased significantly, peaking at 27 per cent of GDP. In the 2000s they declined to between 10 per cent and 20 per cent of GDP, and finally from 2008 until today they decreased from 14.5 per cent to 10 per cent, which is still high. Besides significant growth in GDP in euro terms during this period, this drop also happened due to family reunions and/or the loss of the older generation.

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The IDI mission is to encourage the development of the Republic of Serbia through growth based on knowledge, innovation and entrepreneurship, with the aim of increasing the quality and quantity of the work force.

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