

ALBANIAN POPULATION RECENT DEVELOPMENTS AND THE CHALLENGING OF HUMAN CAPITAL

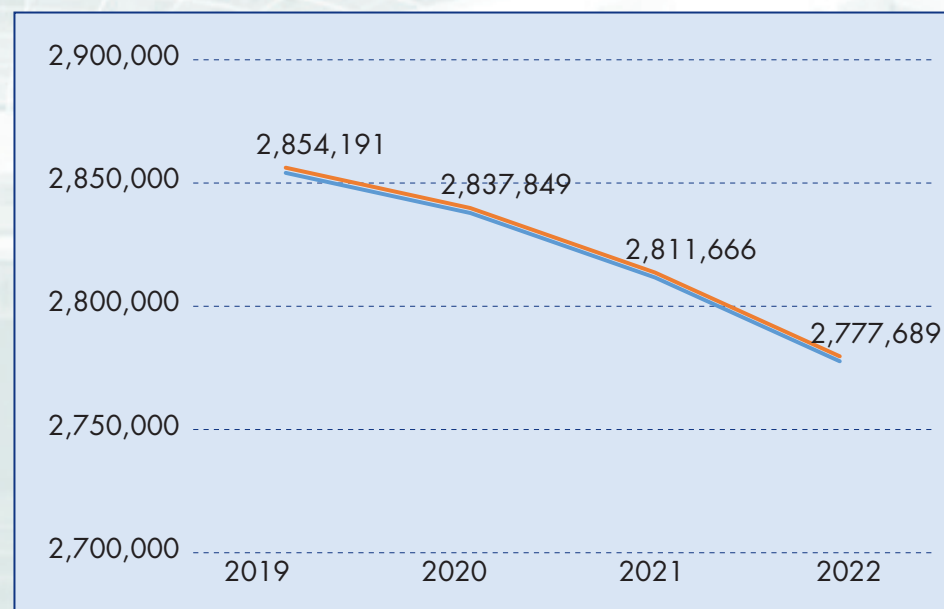
POPULATION SIZE AND THE PROJECTION

The past ten years (2011-2020), have been marked by a decline in the total population size of Albania. During this relatively short period, the population of the country decreased by about 78 thousand inhabitants, almost 2.7 percent. The number of males decreased by approximately 46 thousand (3.1%) and females by 32 thousand (2.2%). Changes in population result from two components: natural population growth and migration.

Albania is among the countries with the highest number of emigrants proportionate to the share of their population. INSTAT estimated that 1.68 million Albanians were living outside of the country, 884.7 thousand men and 799.1 thousand women. For the whole ten-year period, the crude net migration rate was -62.7, which means that for every 1,000 inhabitants, the country lost 62.7 persons due to migration.

Migration is currently the most significant component of Albania's population development, which determines the resulting nature of overall reproduction.

The decline of the population has also been observed during the last three years, despite the fact that the rate of decline is lower. During the period 2019–2022, with an average annual population change of -3.01%.



The projections of the Albanian population development over the period 2020-2050 - developed by (Kucera 2022) - serve as a basis for going to make a further analysis in this report alongside labour market and migration considerations.

The forecast results indicate that Albania's total number of inhabitants will likely decline almost linearly in the next three decades. Assuming the country's population amounted to 2.83 million persons at the end of 2020, its total number should reach the mark of about 2.34 million inhabitants by 2050. The reasons for such a drop are clear enough – low and decreasing natality due to a shrinking number of potential mothers and low fertility; a relatively high and increasing number of deaths caused by the increase of the number of older people; plus, high migration during at least the first third of the forecast period.

The decline in population size will be accompanied by continuing population aging, primarily determined by the initial age structure of the population. Is expected the population mean age to increase from its initial value of 39.4 years to 49 years in 2050.

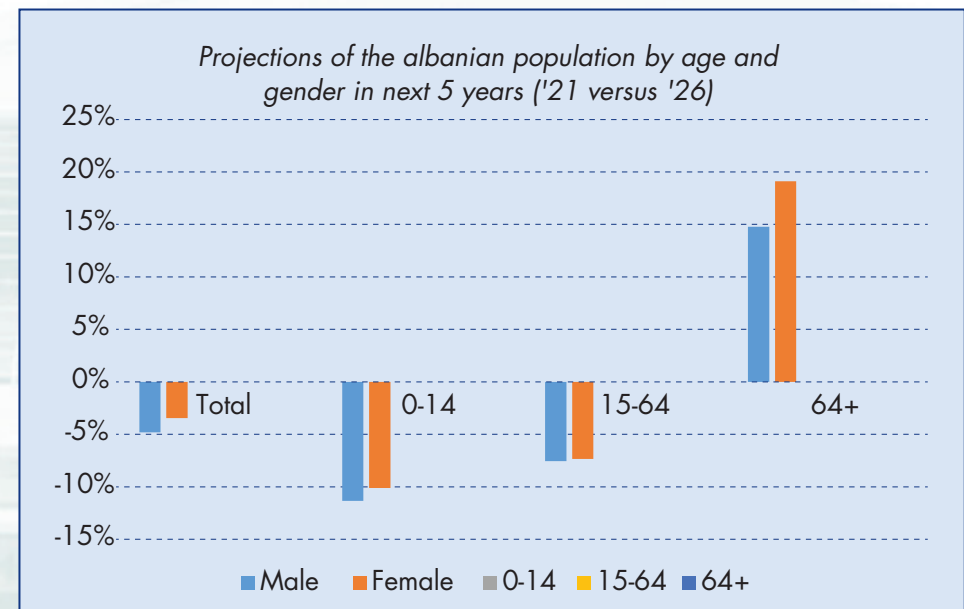
The only age group that will increase is that of people aged 64 and above, creating pressing needs for both the sustainability of the social security, as well as of the health care economy systems.

Albania is facing a situation characterized by an economy that not only grows but also creates jobs. However, Albania's social economic model continues to be deeply rooted in emigration and its benefits:

- through remittances, which at the micro level have acted as a poverty alleviation mechanism and at the macro level as the most stable flow of foreign currency inflows;
- The emigration process of Albanians has served at the macro level as a mitigating mechanism of the pressures of the high level of unemployment, also at the micro level in the deepening of integration through the knowledge and qualification of the emigrants returned to the country.

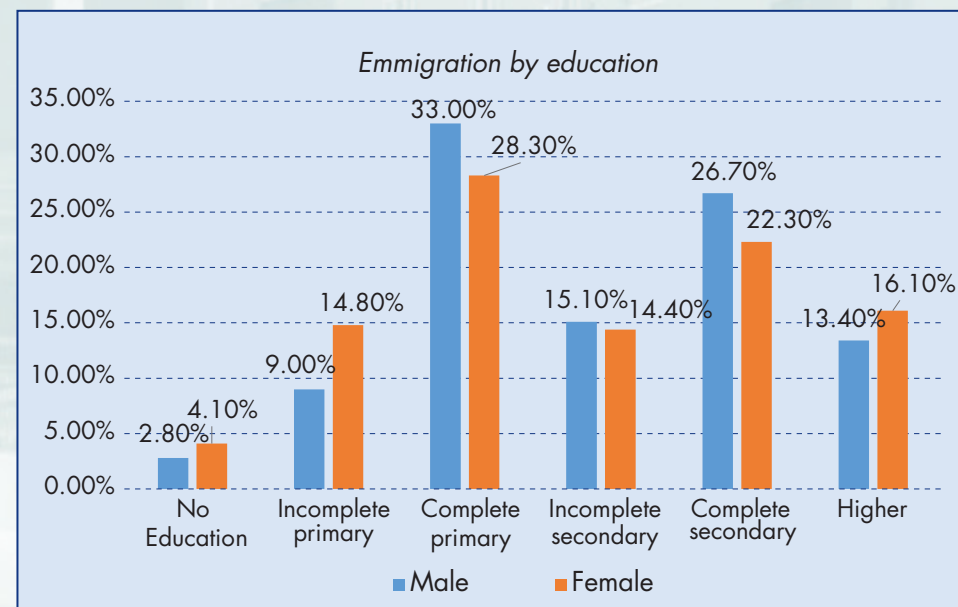
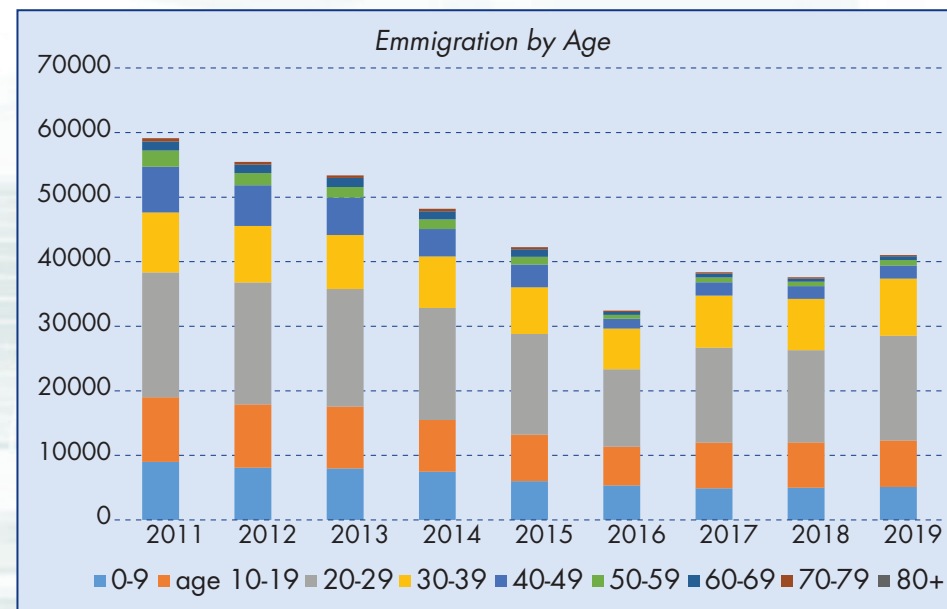
A lot of studied by BoA have confirmed that Remittances continued to constitute a very important source of foreign exchange in Albania, accounting for about 12.5% of (GDP) and 14.43% of consumption over the last 20 years. These transfers are a key component of the Bank of Albania's Balance of Payments, accounting for about 80% of current transfers. They are a source of income for 32% of Albanian families. Important for the Albanian economy is the fact that they have been the most stable and secure financial flow during these years.

Now with the consideration on population forecast and the still large scale of migration in place, and the continue trend of it, is time to start evaluate the negative impact of Albanian migration in economic development and mostly in labour market.

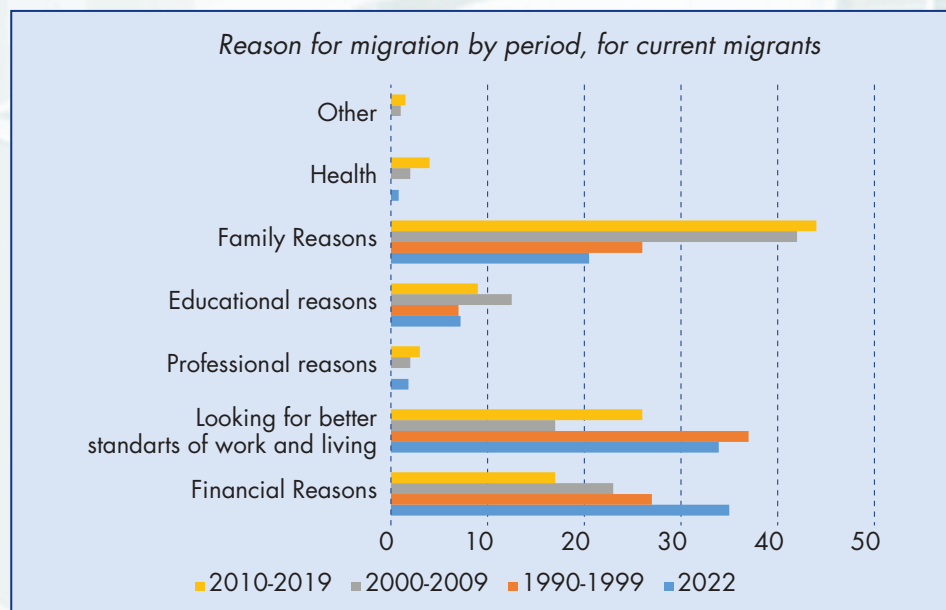


WHO IS MIGRATING?

The data show that the great bulk of emigrants is young, between 20 to 39 years of age. While the overall number emigrants has fluctuated over the years, the share of this age group remains constant. It is important to emphasize that this age group is seen as the most productive, in economic terms.



THE REASON WHY MIGRATE?



Over time the reasons for migration have changed.

After 2010 the pattern of migration changed. Before, it was more men who migrated independently; after 2010, migration became more a family-oriented phenomenon in which women and children who were left behind moved to be reunited with their husbands or father. This trend was also mentioned by INSTAT, which noticed that there is now more of a gender balance in migration as complete families leave the country. That being said, migration has been influenced by gender dynamics and dimensions.

This change may indicate a shift in the actual migration pattern of Albanians from mostly less-educated and low-skilled persons in the past to higher educated and higher-skilled persons in recent and future years.

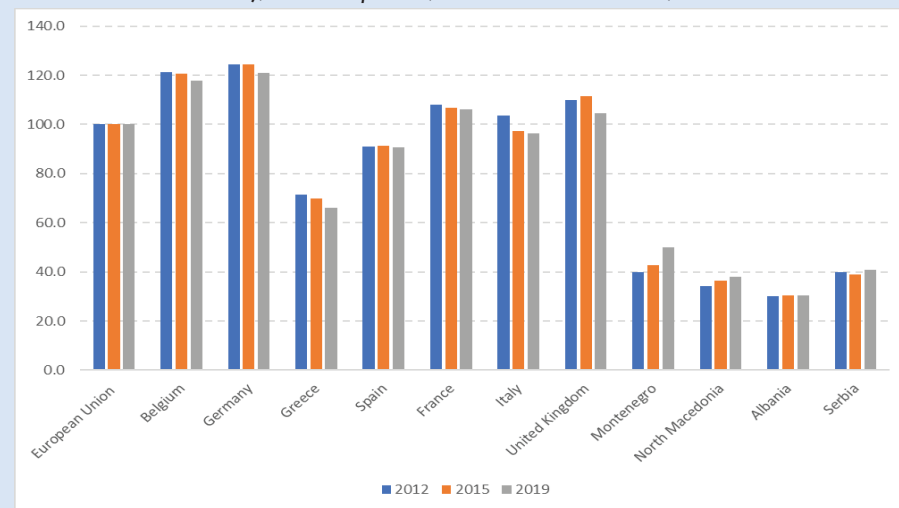
Macro conditions may play a major role in people's aspirations to leave the country and migrate to search for a better living standard.

The difference in economic conditions between Albania and the destination countries is the main attraction point for potential migrants.

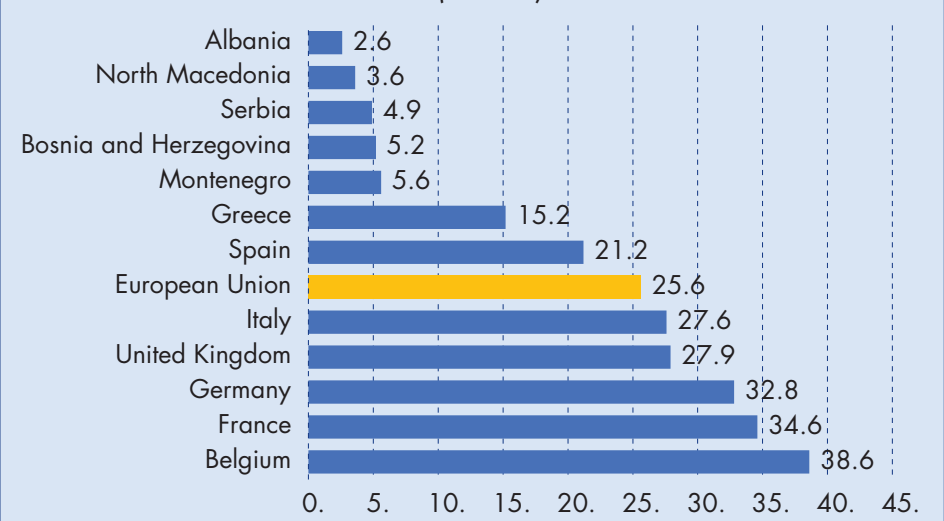
Between 2012 and 2019, Albania's GDP per capita was more than three times smaller than the GDP per capita of the whole European Union. Compare to Germany Albania's GDP per capita is even four times smaller.

The vulnerability of Albanian employment is also reflected in low wage levels. The average monthly gross wage in 2018 was the lowest in the West Balkan region. With EUR 397, Albania's wage level stood at 66 % of the average.

Percentage of EU27 total per capita GDP (based on million purchasing power standards), current prices, 2021-2015-2019, Eurostat.



Total average hourly labour costs for the EU and a selected number of countries (in Euros) Eurostat

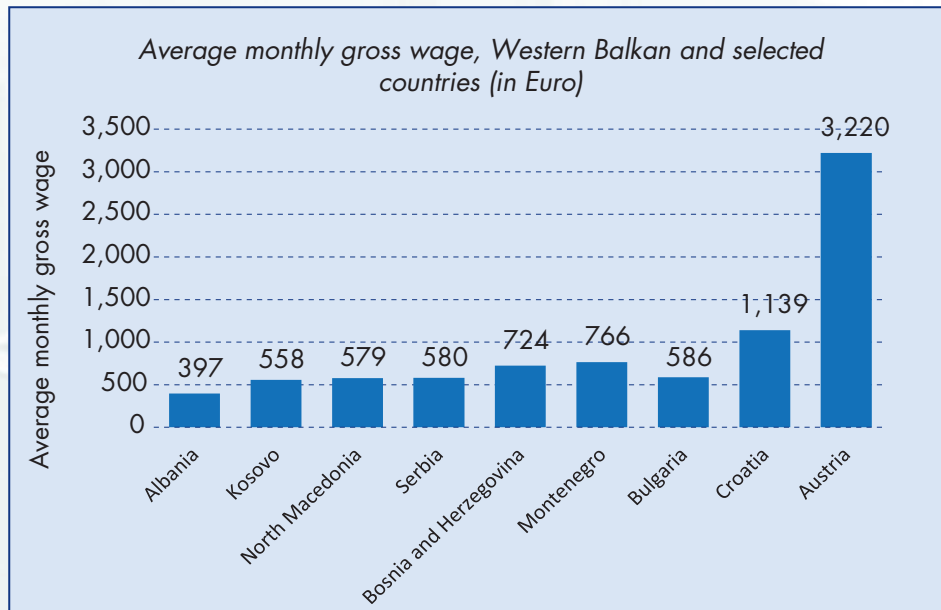


In addition, some other macro-structural factors contribute to people's willingness to migrate.

The 2018 Potential Migration Survey (PMS) conducted by the Centre for Economic and Social Studies (CESS) shows that the intention to emigrate is concentrated in the 18–40-year age group, among whom 52.0 % stated an intention to emigrate. Potential emigration was found to be higher among men 61.8 % (especially unmarried men – 64.6 %), than among women (48.3 % – especially married women – 59.5%) (Gëdeshi & King, 2018).

The survey also indicated a strong correlation between education and the desire to migrate. Potential migration in 2018 was higher among persons with secondary or higher education, which can be attributed to the higher employment chances of educated and highly skilled persons in the more advanced EU economies, as well as to dissatisfaction of qualified and educated people with their employment opportunities and work conditions in Albania. The 2007 PMS showed the opposite pattern: persons with primary education or less were more likely to migrate at that time. This change may indicate a shift in the actual migration pattern of Albanians from mostly less-educated and low-skilled persons in the past to higher educated and higher-skilled persons in recent and future years.

Another finding of the 2018 PMS is that persons in wage employment have a higher propensity to migrate than the self-employed, unemployed, and homemakers. This indicates that having a salaried job itself is not a deterrent for migration, nor that unemployment is a particular driver of migration intention. This supports the findings that work conditions, low wages, and lack of prospects are essential among the incentives for emigration. The recent studies based on the analysis of the PMS by King and Gëdeshi indicate that, next to more



general dissatisfaction with the country's education and healthcare provision, social security, civil service, justice system and political parties, key drivers of migration are linked to the functioning of the Albanian labour market.

TRENDS OF MIGRATION

This is not a temporary migration. Over the course of nine years, around 400 000 Albanian citizens are reported to have obtained citizenship in one of the EU countries. The aforementioned figures show that many Albanian emigrants in the EU do not see their migration as something temporary, but aim to settle abroad. In support of the tendency for non-temporary emigration is also the figure that during the period 2011-2020, 201,885 Albanian citizens applied for asylum in the EU, where 182,435 of them applied for the first time, even though the EU considers Albania a safe country.

The non-temporary migration flow is encouraged by two main factors: first, there is a very low desire to return home among Albanian emigrants abroad. Survey studies (Kamberi & Cela, 2019) show

that only one in four young people, 24% of them, plan to emigrate for less than five years. Most of them want to emigrate for a long time, or even never return.

Another driving factor, which prevents young people from returning to Albania, is the fact that the internal labor market cannot return their financial investments for education.

EU LABOR MARKET

The composition of Albanian emigration depends on a number of attractive and driving factors that operate both in the sending country and in the receiving country. As labor migration depends partly on the pull factors of the destination country, assessing the labor market needs of destination countries helps to understand current and future trends.

This trend can be reinforced due to the fact that even among the main destination countries the demand for labor, for professionals, for technicians, for qualified workers is increasing, and in a context of geographical proximity to EU labour markets with high wages, good coverage of labour market institutions, high demand for international migrant workers and emerging policies that effectively support international recruitment there is lack of competitiveness from Albanian market.

The European Commission estimates that the labour force will shrink by 18 million persons between 2015 and 2035 (Mortera-Martinez C. & Oppenheim B., 2018). To deal with this challenge, the EU has been developing a migration policy framework.

Italy has now become one of the prime labour migration destinations in Europe hosting a large migrant population. In the period 2018-2030, it is estimated by the forecasts of the European Commission, that 13,750,000 jobs will be opened in Italy, driven mainly by the demand for replacement. From 2020 to 2024, the Italian economic system will have to replace over 2.5 million people currently working, due to reaching retirement age or for other reasons. This figure, which is estimated and defines employment expectations based on possible annual GDP trends, will lead to a need for employment of 1.9 - 2.7 million workers (European Commission, 2022a).

The German labor market is in urgent need of qualified foreign workers in almost all fields from nurses and IT specialists to drivers and mechanics. According to the European Commission in March 2022, 839,000 job vacancies were reported in Germany. The "Baby Boom" after World War II means that 2 million net workers will retire over the next five years. In the forecasts of the demand for work in the next decade, it is predicted that about 1 million jobs are needed only in the "skilled craft" sector, which includes jobs with medium qualifications and mainly in hotels, hospitality, maintenance, that is, from sanitary workers to plumbers, cooks and specialists in heating - cooling systems. About 300,000 vacancies are expected in the "green job" sector, which is growing due to Germany's commitments to "zero CO2 emissions, only 2.2 million photovoltaic systems are currently in Germany.

On the website of the German federal government, it is explicitly stated that Germany is "dependent" on new health workers and in an emergency for medical personnel. This high demand for foreign workers and the very welcoming and supportive approach of the German government, especially with the approval of the new law "Skilled Immigration Act" which expands the opportunities of foreign professionals to work in Germany, making it easier to access the German labor market has really turned Germany into the "promised land".

Only this number, so necessary to fill the German labor market, is enough for even the most optimistic demography scenarios to consider that the "depletion" of human capital in Albania and the Western Balkans is not a thing of the future, but has already begun and only the rate and the speed of growth is debatable as human capital exhaustion is inevitable.

The UK is facing a significant labor shortage, mainly due to two main effects. First, after Brexit the labor supply decreased massively, excluding from the labor market especially low-skilled EU workers. Second, economic growth following the lockdown due to the pandemic has led to a situation of rapidly growing demand, exacerbated by a shortage of EU workers (including seasonal workers) who previously had free access to the labor market. work in the United Kingdom. With around 1.1 million job vacancies between July and September 2021 alone, UK labor shortages are inevitable and cut across all sectors.

IMPACT OF EMIGRATION ON THE ALBANIAN LABOUR MARKET

The over one million Albanian-born migrants in the EU and other OECD countries imply a large number of persons removed from the labour market in Albania.

Loss of demographic dividend

As emigration mostly involves the 20–39-year age group, it weakens the demographic dividend that the country could reap in the transition to an aged population. Such a dividend – defined as the increase in per-capita GDP – has given a boost to various economies, especially in Eastern Asia) and can materialise if there is **a higher proportion of persons in the economically active age group**.

The demographic dividend is a one-time opportunity that will not repeat itself and, for Albania, the window of opportunity to reap its benefits starts closing early this decade (INSTAT, 2014a). Emigration disproportionately extracts the economically productive population from the local economy and significantly increases the dependency ratio.

Loss of Workforce Skills

Another less obvious effect of Albanian immigration has to do with the deficiencies that are appearing in the work skills in the country. Interviewees for the Balkan Business Barometer 2021 (Regional Cooperation Council, 2021) noted that lack of appropriate skills and labor were among the most important factors limiting business activity and growth, resulting in limited productivity and development at the macro level.

The main message that emerges from these reports is that important sectors of the economy lack the right amount of labor, but there is also a more general concept that has to do with the lack of quality labor. In essence, this means that Albanian employers already face, and will continue for the foreseeable future, serious challenges in attracting low- and semi-skilled labour to fill rising labour shortages.

Emigration of highly skilled and highly educated persons has received special attention in the analysis of migration, given the large investments made in their education and training and their large potential for generating productivity, economic development and training subsequent generations. Therefore, an unbalanced loss of such human capital may jeopardise a country's development perspectives.

WHAT ARE THE POLICY OPTIONS TO ADDRESS AND COUNTER THIS IMBALANCE?

First, to increase productivity for the economy as a whole to demand fewer workers for the same output level. Second, to link productivity to wages in such a way that work pays in Albania making its labour market attractive; this measure should make the promotion of return migration effective and reduce incentives for the out-migration more responsible for brain drain. Third, to improve overall migration management system, and maybe turn Albania in a destination country rather than a transit country.

That it is essential to start acting accordingly and to study the demographic future and its contexts systematically and in deeper detail when developing policies. Solely through such a detailed and systematic study, it is possible to fully identify and assess the population perspectives, potential consequences of population development, and the possibility of averting or mitigating the unfavourable ones.