High-Skilled Migration, Main Causes, and its Potential Long-Term Economic Implications: Evidence from Albania

By

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Abstract

High-skilled workforce migration has become a dominant pattern of international migration and a contemporary challenge for developing economies. Considering that outward mobility of skilled workers' effects on migrant-sending countries are still unexplored in the literature, the evidence on economic implications from an origin country perspective is limited. Therefore, the aim of this paper is to explore the main causes of high-skilled migration in Albania and its potential long-term economic implications for the country's development. Our study is based on a qualitative research method and provides a comprehensive country-level analysis on education and labor market developments, skills/occupational mismatch, youth unemployment trends and international migration patterns. The study results suggest that the labor underutilization (caused by existing occupational and skills mismatch) and low wages in both informal and formal sectors of economy are the main driving force of high-skilled migration. Based on the current economic performance of Albania, we conclude that the longterm economic implications of skilled migration would consist of human capital shortages (brain drain), low productivity and economic stagnation in Albania.

Key words: Occupational/Skills mismatch; Labor underutilization, Skilled emigration; Human capital shortage

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Table of Contents

Introduction
1. Literature Review
1.1 Workforce Migration and its Potential Causes
1.2 Review of main drivers of highly skilled workforce migration
1.2.1 Role of occupational and skills mismatch
1.3 Potential impact of workforce migration on the "home" country's economy
1.4 Review of successful mitigation policies across countries
2. Overview of secondary data on educational, employment, and migration trends in Albania
2.1 Youth unemployment and occupational/skills mismatch in Albania
2.2 Workforce migration trends in Albania and its main drivers
3. Comparative analysis on migration - development indicators in Albania and other Western
Balkan countries
3.1 Remittances, FDIs and Technology Inflows
3.2 Return Migrants
3.3 Human Capital and Labor Market Indicators
3.4 Long-term Economic Impact of High-skilled Migration in Albania
4. Conclusion and Recommendations
References

List of Tables

Table 1. Summary of Economic Impacts of High-skilled Migration on Source Countries

Table 2. Conditions to participate in Skills Mobility Partnerships

Table 3. Main components of the Young Professionals Agreement (YPA)

Table 4. Number of graduates at each educational level, 2016-2021

Table 5. Registered jobseekers by gender, education level and age group

Table 6. Number of students enrolled in tertiary education by fields of study

Table 7. ETF Indicators of Vertical Mismatch (Provisional Data, 2021)

Table 8. Top five industries and skill losses in Albania due to net migration flows

Table 9. Main economic trends in Albania 2017-2021

List of Graphs

Graph 1. India Personal remittances, received (current US\$)

Graph 2. Albania- Gross tertiary education enrollment rate in %, 1991-2020

Graph 3. Albania - Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate), 1991-2020

Graph 4. Distribution of employment by economic sector (in %)

Graph 5. Unemployment of total labor force with advanced education (in%)

Graph 6. International migrant stock at mid-year by gender, Albania 1990-2020

Graph 7. Percentage distribution of the international migrant stock by age and year, Albania 1990-2020

Graph 8. Number of emigrants, immigrants and net migration in Albania

Graph 9. FDI net inflows and Remittances to Albania (BoP, current \$), 1992-2020

Graph 10. Current account balance, Net national savings (current \$), 2002-2020

Graph 11. ICT goods imports, Commercial service imports (in %)

List of figures

- Figure 1. Active enterprises by economic activity, 2020
- Figure 2. Graduated by field of study, 2020
- Figure 3. Unemployment rate by age groups, Albania 2020-2021
- Figure 4. Migration of partially migrant households by level of attained education, 2019
- Figure 5. Top reasons of the Albanian emigrants for selecting the destination country (in %)
- Figure 6. Potential migration by economic sector and profession (in %)
- Figure 7. Average years of schooling vs. GDP per capita (PPP based), 2000 to 2017
- Figure 8. GDP per capita vs. Daily median income (PPP based), 2010 to 2017
- Figure 9. Capital investment as % of GDP
- Figure 10. Ranking in imports and exports of high technology in Western Balkans, 2021
- Figure 11. Stock of Western Balkan countries' migrants abroad
- Figure 12. Labor market and human capital indicators

Introduction

During the last two decades, Albania has been characterized by high levels of workforce migration. Compounded by a challenging transition into the labor market of the tertiary level graduates, this trend is considered a severe threat to human capital accumulation and the economic growth of the country in long term. Although high-skilled migration has become a contemporary issue in many regions, the scholarly debate tends to treat this issue mainly from an advanced economy perspective, highlighting the potential economic benefits of attracting and retaining a skilled workforce. Meanwhile, long-term economic implications for migrant-sending countries are still under-explored and therefore, receive little policy attention from the affected countries' governments.

In this paper, we make use of international migration theories and brain drain literature to bring a qualitative research analysis that is based on country-level findings, reports on labor market developments, and other secondary data on youth unemployment dynamics, occupational/skills mismatch, and migration trends. This method helped us to conduct a comprehensive analysis on the potential impact that skilled migration could have in the Albanian economy and labor market development. For instance, in the Western Balkans region, we observe that the youth unemployment rate is twice as high as that of the working-age population (aged 15-64), and unemployment rates for those with tertiary levels of education are surprisingly higher than for those with lower secondary levels of education (World Bank, 2018). This means that increasing levels of educational attainment are not leading to higher employment rates for graduates. Gallup's latest surveys on net emigration between 2011 and 2019 in Albania, reveal that about 79% of young people want to leave the country particularly due to the challenging transition into the labor market. Meanwhile, the Vienna Institute for International Economic Studies (wiiw) reports that in the last decade, brain drain in Albania represented 40 percent of the migration flows, with 30 percent of them having a vocational education level. This group of outbound migrants is mainly concentrated in Germany, Italy, Greece, and the US. As could be expected, Albania ranked fourth globally regarding high-skilled workforce migration rates for the last two decades (OECD, 2020).

Therefore, the aim of this research paper is to primarily investigate the factors driving the high rates of skilled workforce migration in Albania, and then explore the economic implications of this type of migration for the Albanian economy in long-term. The research question aimed to

address is: What are the long-term economic implications of high-skilled workforce migration caused by the occupational mismatch in Albania? Our hypothesis is that high-skilled migration in Albania is mostly caused by labor and skills shortages and low wages – these two factors could drive the young workforce in two directions: either in career paths different from their educational background and qualifications; or in search of better employment opportunities abroad. The methodology used for our analysis is qualitative research on education, labor market developments and migration trends in Albania, incorporating empirical secondary data for the last three decades. Combined with a relevant literature review on skills mismatch and some documentary research in this area, our comprehensive analysis results are consonant with endogenous growth models that consider human capital as a crucial asset in ensuring economic growth of a country. Robert Lucas (1988), a distinguished scholar in development economics, emphasized that countries characterized by a low level of human capital tend to grow more slowly than countries with considerable resources in this respect. Meanwhile, countries rich in human capital have the potential to develop very quickly. Therefore, our findings suggest that the skilled labor shortages due to emigration represents a significant loss to the Albanian labor market and can negatively affect the socio-economic development and productivity level of the country.

Our study provides a comprehensive country level analysis on the factors driving workforce migration and its long-term economic impact on the economy of Albania. This would not only impart additional evidence to the existing literature but would also inform governments and policymakers on the long-term economic implications of brain drain episodes in countries facing similar problematics. Furthermore, this contribution should serve as an incentive for undertaking immediate measures with respect to the negative consequences (such as skilled labor force shortages) that large migration flows are generating; and creating policy instruments that would avoid (or at least mitigate) the extent to which brain drain affects migrant-sending countries' economy.

The paper is organized as follows. The first chapter brings an overview of the scholarly debate regarding the potential causes of workforce migration, and high-skilled migration in particular. This is followed by an in-depth discussion on occupational and/or skills mismatch as a major driver of highly skilled workforce migration, and then we provide an overview of policies that have been introduced in other countries to mitigate the long-term negative impacts of highly skilled workforce migration. Chapter two provides secondary data on youth unemployment, the extent of occupational and/or skills mismatch and workforce migration trends in Albania

and its main determinants. Chapter three provides a comparative analysis on migrationdevelopment nexus through an overview of economic performance indicators in Albania and other Western Balkans countries. Lastly, we provide a discussion on the potential long term economic implications of skilled migration in Albania. Chapter four presents main findings and the last chapter concludes with some final comments, and a set of recommendations for Albania on mitigating this problem.

1. Literature Review

1.1 Workforce Migration and its Potential Causes

Workforce migration is defined as the movement of people seeking work opportunities outside their country of birth for at least one year (UN Migration Agency, IOM). In literature, theories on international migration have been categorized based on the factors influencing it, such as sociological, economic, geographical, and institutional factors (Bijak, 2006); and the level of migration: micro, meso and macro level (Faist & Faist 2000; Hagen-Zanker 2008; Hammar et al. 1997). The neo-classical economic theory of international migration suggests that wage differentials between countries are the main driver of labor migration. Based on this model, the migration propensity for workers moving from low-wage countries towards high-wage countries is significantly high (Massey et al., 1993). Harris and Todaro (1969) also pointed out that the workforce decision to migrate is highly influenced by the availability of job opportunities abroad and expected income differentials in host countries. Accordingly, this group of migrants would not return to their country of origin as long as they continue to benefit from higher wages, and better career prospects in the host country (Massey et al., 2002).

This micro-level model is challenged by the *New Economics of Labor Migration (NELM)* theory, which provides a new approach to migration, by considering it not only as an individual decision but rather as a collective decision of households (meso-level factors) to make use of other labor resources and enhance their economic well-being; decisions that can be highly influenced by labor market failures in their origin country as well (Massey et al. 1993; Taylor 1999). However, *the Dual Labor Market Theory* introduced by Michael J. Piore (1979) suggests a controversial model to international migration, by implying that workforce migration is mainly attributable to external economic factors, such as labor demands of industrialized modern societies (known as pull factors in receiving-countries), rather than low wages and high unemployment in sending-countries (known as push factors). Lastly, the emerging empirical literature finds that apart from economic factors and income differentials, political and institutional factors (such as corruption and poor governance) in origin countries may also have a strong influence on the desire to migrate (Ashby 2010; Baudassé, Bazilier and Issifou 2018; Naghsh Nejad and Young 2016).

Based on these theories and models, we observe that is both internal and external economic factors that drive international labor migration and provide key insights when it comes to understanding the root causes of this prominent and complex issue.

1.2 Review of main drivers of highly skilled workforce migration

As demonstrated above, supply-push factors in origin countries, followed by demand-pull factors in host countries are equally important for analyzing cross-national border movements of individuals seeking better economic opportunities. In this study, our focus is on South-North migration (from poorer to richer countries) of the highly skilled workforce. Although there is no pre-agreed definition of the high-skilled migrants in the academic literature, we define the high-skilled workforce migrants, as individuals of working age who have attained some form of tertiary education and are able to cross international borders and integrate into another nation-state's labor market.

According to Rapoport et al. (2012) high-skilled migration has become a dominant pattern of international migration, considering it as the major aspect of globalization. Several theoretical analyses find that the propensity to migrate for high-skilled individuals is substantially higher than for the low-skilled ones (Sjaastad, 1962; Borjas, 2000; Wildasin, 2000). This type of migration is mainly observed in regions with discernible socio-demographic inequalities, such as countries having more high-skilled jobs than workers, higher wages, inclusive migration policies, and higher economic output; features that clearly open the path for skilled migration (Martin, 2017).

The migration hump paradox (Zelinsky 1971; Martin et al. 1996) suggests that early-stage economic growth and development of poor countries (such as increased salaries, free trade policies, foreign direct investments inflows) can also contribute to the increase in outmigration rates through the increased mobility to move of the workforce. More specifically, the increased socio-economic well-being would highly incentivize the out-migration of those who find limited employment opportunities or career prospects in the home country. However, as Clemens (2014) stated, this relationship between economic development and migration has an inverted-U shape, meaning that migration propensity rises only during the early stage of development, and falls when these countries reach the upper-middle income level. In his view,

a decrease in international migration can be anticipated only when the upper middle-income status has been achieved.

1.2.1 Role of occupational and skills mismatch

The problem with limited job opportunities and unemployment of the skilled workforce opens the debate on skills and labor market mismatch that we consider as the main driver of the highly skilled migration in Albania. According to the International Labor Organization (ILO), skills mismatch is a discrepancy between skills required by employers and skills possessed by the potential workforce. However, the concept of skill mismatch is very broad and can be used to describe vertical mismatch (over-education, under-education, over-skilling, and under-skilling) - skill gaps, skill shortages (unfilled and hard-to-fill vacancies) - the field of study (horizontal) mismatch - and skill obsolescence (lack of up-to-date knowledge or skills). In this sub-section, we analyze the skills mismatch role in workforce migration at a country level.

The empirical literature on education and occupation mismatches shows that a higher education system failing to prepare quality graduates with relevant skills for the labor market needs produces an under-skilled workforce (known as skill obsolescence) unable to adequately function in the marketplace (Berlingieri & Erdsiek 2012; Farooq 2011). Consequently, this group of workforce either remains unemployed, works in job positions that require lower levels of formal qualifications (occupational and skills mismatch) or seeks better employment opportunities abroad. This form mismatch is found to be more persistent in transition economies, whose higher education institutions still struggle with inferior quality education (Kiersztyn, 2013).

However, a skills mismatch problem might emerge also from labor market conditions that are unrelated to the quality of education systems. For instance, skills shortages and difficulties to fill vacancies at a firm level could be due to low wages, poor working conditions being offered, or ineffectiveness of the firm recruitment process (Brunello, 2021). As regards the role of labor market conditions on workforce migration, in a study concerning Central and Eastern Europe (CEE) countries, Kureková (2013) finds a strong relationship between unemployment and outmigration rates in a country, arguing that unaddressed labor market mismatches can potentially lead to higher out-migration rates. These results were obtained through a regression

analysis on the rate of out-migration and specific aspects of CEE countries' welfare systems relevant to migration decisions of workers, including the effect of education systems and skill mismatches on young migrants, for the 2004 - 2007 period. At large, a highly skilled and matched workforce is a prerequisite for a country's ability to innovate and for its healthy long-term growth (World Bank 2018). In case this condition is not met, outmigration is the only best solution for high-skilled individuals dealing with such labor market insecurities (Kureková, 2013). However, as Handel et al. (2016) noted, skills development alone is not enough when it comes to ensuring economic growth. Fostering job creation for the high-skilled is similarly crucial to ensure that the capabilities of the country's workforce are fully utilized.

1.3 Potential impact of skilled workforce migration on the "home" economy

The scholarly debate on international migration and brain drain is divided into 1) conventional models, which in general represent a pessimistic view on skilled migration effects for source countries, and 2) contemporary models that highlight the potential positive effects of circular migration on human capital formation. The first group of international migration models have suggested that the reallocation of the skilled workforce produces either neutral or negative effects in terms of growth, development, and productivity for source countries (Grubel and Scott 1966; Johnson 1967; Berry and Soligo 1969). Accordingly, when a country's economy is highly dependent on the number of educated people, brain drain episodes may reduce the average productivity level of that country (Miyagiwa,1991).

Furthermore, if education of the out-migrated high-skilled was to be funded by the public budget and not compensated through remittances or returned migrants, the source country would experience a fiscal deficit, followed by other domestic labor market distortions such as labor force shortages, informational imperfections, and technological externalities (Bhagwati and Hamada 1974; McCulloch and Yellen 1977). In the long run, a continuation of brain drain episodes implies that shortages in skilled human capital can significantly decrease the value of average productivity in source countries (Mountford, 1997). As such, receiving remittances with no return of skilled workers can also put origin countries' economic growth at high risk (Martin, 2017).

Meanwhile, contemporary models introduce a more balanced view on brain drain and human capital formation, by arguing that under certain circumstances gains from high-skilled migration can be higher than costs in origin countries (Mountford 1997; Beine et al., 2001 and

2003; Stark 2005). This view is mainly evidence-based and focuses on various channels such as remittances, return migration, human capital formation, and network effects on trade, FDI flows, technology adoption, etc. For instance, according to an early study concerning international migration to Western Europe during the 1960s and 1970s, regular remittance flows played a significant role for the national accounts of sending countries coming from labor migrants. These flows contributed to the provision of several development funds such as capital resources for migrants' family businesses and funded basic consumption needs including healthcare and education (Castels, 2000). Other empirical studies also argue that skilled migration can have a positive social impact through stimulating educational enrollment levels and increasing the number of individuals seeking higher wages and better job prospects; this, in turn, contributes to increased human capital accumulation and faster growth for developing countries (Beine et al., 2001; Barre´ et al., 2003; Schiff, 2005; Lucas, 2005; Stark et al., 2007). Recent evidence from the literature shows that due to the global increase in educational attainment levels, the stock of human capital in developing countries has indeed remained unaffected by the outmigration of skilled individuals (Rapoport, 2016).

Positive impacts	Negative impacts
Easing effect on the domestic market excess	Loss of skilled human capital and reduced
supply of labor by reducing unemployment	quality of economic output
Remittances inflow (increased incomes,	Reduced growth and productivity in the home
improved human development outcomes and	country
foreign exchange)	
Technology inflows, investments, and venture	Lower return from investments in public
capital from diasporas	education and disincentives to invest locally
Potential increase in trade flows between	Potential increase in income disparities in the
sending and receiving countries	home country may induce a 'culture' of
	migration
Induced domestic investment in education and	Loss of fiscal revenue from taxation of workers
human capital accumulation	
Potential return of skilled workforce may	Remittances may diminish over time and may
increase human capital, skills transfers, and	be potentially affected by inflationary pressures
links to foreign network	

Table 1. Summary of Economic Impacts of High-skilled Migration on Source Countries

Source: Migration and Development (2005), by Sriskandarajah, D. and the Institute for Public Policy Research

At large, theories on international migration suggest that the economic implications of highskilled migration largely depend on the socio-economic conditions, growth, and development trends in origin countries; making it a highly complex, multidimensional, and network-oriented phenomenon (Massey et al., 1993; Khosravi, A. et al., 2020). Accordingly, this type of migration could be either beneficial (by creating opportunities, sources of ideas, knowledge and skills, communications, and networks) or detrimental (imposing various constraints on socio-economic development due to human capital shortages). On that account, scholars recommend moving beyond the narrow conceptualization of brain drain and focusing more on the wide migration-development nexus (namely brain gain and circular migration) and its positive impacts on both home and destination countries (Haas, 2005; Agbiboa, 2012).

1.4 Review of successful mitigation policies across countries

According to the IOM World Migration Report, as of 2020 the number of international migrants was estimated to be almost 281 million globally, 60 million more than in 2010. Approximately, two-thirds were labor migrants, from whom 73 percent were of working age (between 20 and 64 years). This group of migrants comprised 3.6 percent of the global population in 2020, compared to 2.8 percent in 2000 and 2.3 percent in 1980. As reported by the 2021 Global Migration Indicators, over half of all migrant workers are concentrated in three regions: Europe (24.2%), Northern America (22.1%), and Arab States (14.3%). Countries that host the largest immigrant populations are the United States with immigrant population at over 50 million, Germany with the second highest population at 15 million, and Saudi Arabia, the third highest at over 13 million; while India, Mexico and China are ranked as countries with the largest number of emigrants living abroad (UN DESA, 2020). As such, the top five remittance recipient countries in 2020 were India, China, Mexico, the Philippines, and Egypt, highlighting India as the largest recipient since 2008 and US as the largest source country for remittances (World Bank, 2021).

Migration outflows affect these migrant-sending countries in various forms, mainly through changes in labor supply availability and changes in productivity. According to Katseli et al. (2006), the severity of migration shocks affecting income and productivity levels in migrant-sending countries, critically depend on the skill composition of the domestic labor force and its effective substitutability; credit market conditions; and migrants' characteristics (i.e., age,

gender, rural, urban). Meanwhile, Lowell et al. (2001) suggest that policy responses should focus on three channels: return, restriction, or recruitment. Apart from these three, they also emphasize long-term responses to brain drain through resourcing policies (or diaspora options) along with retention policies (such as building educational institutions and addressing skills shortages in the long run).

For instance, Skills Mobility Partnerships (SMP) initiative is an integral part of the EU Pact on Migration and Asylum with third countries encompassing government-to-government agreements on linking migration, education, and training. These partnerships aim to address skills needs mostly in origin countries through multinational firm global trainee schemes, youth exchange programmes, study scholarships and provision of seasonal work abroad. For the program to be beneficial to origin countries (beyond remittances), these partnerships are built on some pre-conditions that are summarized in the table below:

	Origin country	Destination country
	1. Training for origin and	1. Return migration
	destination countries' needs	2. Recognition of skills
Conditions for the	according to common standards	acquired abroad upon
programme to be	allowing for transferability of	return
beneficial to the origin	skills	3. Demand for skills
country (beyond	2. Training enhances	acquired abroad at origin
remittances)	employability at origin	4. Indirect transfers
	3. Some trainees either return or	(e.g.trade, technology)
	never migrate	

Table 2. Conditions to participate in Skills Mobility Partnerships

Source: OECD Migration Policy Debates, 2018

Global Skills Partnership (GSP) is an innovative form of SMPs, that aims to combat brain drain episodes in source countries. This form of partnership is an ex-ante agreement between two governments deciding on how to share the costs and benefits of skilled migration in a way that creates human capital in the origin country, meets the needs of the destination country, and does not restrict workers' freedom of movement. The main feature of the GSP is the "dual track" model, which offers a 'home' track for non-migrants, and an 'away' track for potential migrants. Trainees who choose the 'home' track, after training decide to reintegrate into the local labor market, with improved skills and higher earning potential; meanwhile those who choose the 'away' track have the right to migrate safely and legally in the destination country that financed/provided their training.

One example of a 'dual track' partnership (also called the *Origin Training Approach*) is the agreement between the German development agency GIZ (Gesellschaft für Internationale Zusammenarbeit) and the Kosovo government. Based on this agreement, GIZ is entitled to create new training institutions (or work with the existing ones) in Kosovo, and the target trainees are both potential migrants and non-migrants. In this agreement, Kosovo's role would be to contribute to the establishment these training institutions in the capital Pristina and provide vocational training for two groups of individuals: those who plan to migrate and work in Germany, and for the ones who want to (re)integrate into the local labor market. This two-sided approach allows for creation of skills at higher standards and faster human capital accumulation in the origin country, especially if the participating trainees decide to stay in Kosovo. The Origin Training model is currently under development and is expected to have a positive impact to the origin country's capacities in terms of productivity.

A similar form of partnership is the Young Professionals Agreement (YPA), established between Switzerland and Tunisia with the aim to address existing labor market shortages in Switzerland and enhance the skills and employability of Tunisian youth. In close collaboration with International Organization for Migration (IOM), this initiative offers short-term traineeship/internship opportunities for young Tunisian professionals in Switzerland's private sector companies and supports their job placement process after their return in Tunisia. As such, YPA has four main components summarized in the table below:

Table 3. Main components of the Young Professionals Agreement (YPA)

1. Developing partnerships between Tunisian and	2. Strengthening capacities of Tunisian career			
Swiss private sector companies, Tunisian career and	guidance centers, employment agencies and TVET			
employment centers and universities and diaspora	institutions to provide career orientation, training, job			
organizations to strengthen mechanisms for search,	search and predeparture preparation and orientation			
selection and placement of young qualified Tunisians	services to young Tunisians to increase their			
for the trainee positions in Swiss companies.	employability in Switzerland.			
3. Diaspora participation - developing mechanisms	4. Promoting awareness and enhancing knowledge			
and forms of diaspora participation in implementation	among the Tunisian and Swiss private sector on the			
of the Young Professional Agreement.	benefits of skills mobility partnerships,			
	implementation of Young Professional Agreement			

Source: Skills Mobility Partnership: Making Migration Work for Sustainable Development (Phase III), UN Migration, 2021

Considering that this is also a recent agreement, the expected outcomes from an origin country perspective would consist of reduced youth unemployment, less irregular emigration, and higher economic development for Tunisia (UN Migration, 2021).

As observed, these partnerships can take different forms depending on the approach that may be most effective for a given country of origin. Evidence from a non-EU country such as India has shown that the Indian government's ongoing efforts to take advantage of well-educated workers and capitalize on the skills and training acquired abroad have significantly facilitated the way for migrants to send remittances or return to India and contribute to the economy (Migration Policy Institute, 2022).



Source: World Bank Database, 2021

According to the World Bank database, India received USD 87 billion in remittances through formal channels in 2021, ranking the United States as the main source (over 20 percent) of these funds. This is a sixfold increase in remittances to India since 2001, mainly driven by the support from the diaspora and economic recoveries in countries of destination (Migration Policy Institute, 2022). Non-Resident Indians' (NRIs) savings in India have also been an important source for economic growth. These funds increased significantly when the Indian government started to issue special bonds to attract NRIs and others to invest billions of dollars in the country's economy from 1991 to 2000. Followed by the economic liberalization in the 1990s, as the high-skilled migration increased, remittance flows became an integral part of the Indian economy by helping the country in generating more jobs internally, strengthening national savings, increasing capital accumulation and investments, including business growth, technology transfers, and tourism.

2. Overview of secondary data on educational, employment, and migration trends in Albania

2.1 Youth unemployment and occupational/skills mismatch in Albania

Since the early 1990s, the Albanian economy has been characterized by high unemployment rates and challenging labor market transitions for the young high-skilled in Albania. Despite the progressive increase in tertiary education enrollment rates throughout the years, youth unemployment remained consistently high (see graphs below). If we look at these trends in more detail, the gross enrollment ratio in tertiary education peaked at 60 percent in 2014 and slightly decreased in the following years. However, the upward trend in tertiary enrollment rates, in general, did not reflect higher employment rates for the young high-skilled, as the latter continues to fall between the 30-40 percent range (Graph 3).



Source: World Bank Database, 2021

Recent data provided by the World Bank database show that nearly 30.3 percent of the young population aged 15-24 years old was reported unemployed in 2020, indicating an increase of 3.3 percent compared to the 2019 ILO modeled estimates. Meanwhile, the number of graduates obtaining a secondary/tertiary education level for the last two years is also lower than the number of graduates in the 2016-17 academic year (see Table 4). The latter can be explained by a shrinking of the university-going age cohort (as suggested by the increase in the median age of the population from 33 to 38 years), which may be a result of low fertility rates and large emigration flows. During the 2011-2020 period it is estimated that on average, 42 thousand

people emigrated every year for better work opportunities, education, and health care (INSTAT, 2020).

ISCED- 2011	Academic years	2016-17	2017-18	2018-19	2019-20	2020-21
	Graduated of :					
1+2	Basic education	36.546	37.795	34.982	33.618	32.179
3	Upper secondary:	36.436	35.278	34.021	31.662	31.136
	Professional only	4.281	4.189	3.807	4.862	3.831
5-8	Tertiary:	35.388	34.331	34.891	32.889	32.690
	Bachelor only	20.423	20.108	18.696	17.585	17.650

Table 4. Number of graduates at each educational level, 2016-2021

Source of information: Administrative data from Ministry of Education and Sport and the Ministry of Finance and Economy, Albania

However, the National Employment Service estimates show that the number of registered jobseekers obtaining a tertiary education level over the past 5 years has progressively increased (see Table 5). A similar trend is observed for the 21-34 age cohort, while unemployment by gender remains notably higher for female registered jobseekers.

T	004 -	0010	0010		
Year	2017	2018	2019	2020	2021
Registered jobseekers by gender					
Male	42.386	35.535	33.702	39.274	42.294
Female	47.394	39.151	37.228	43.647	45.125
Registered jobseekers by education level					
With primary education	50.250	42.676	39.582	46.420	48.752
With secondary education	34.260	27.102	26.062	29.803	30.834
With tertiary education	5.270	4.908	5.286	6.698	7.833
Registered jobseekers by age group					
16-19 years old	2.096	1.575	2.279	2.660	2.357
21-34 years old	23.148	18.650	18.594	23.527	26.136
35 years old and over	64.536	54.459	50.057	56.733	58.927
Total registered jobseekers	89.780	74.686	70.930	82.921	87.419

 Table 5. Registered jobseekers by gender, education level and age group

Source: National Employment Service, Annual average of registered jobseekers in Albania

In this section, we explore the main drivers of high unemployment rates among youth by looking at the available disaggregated data on the number of tertiary graduates by fields of study, along with the extent to which this supply fits with the national labor market demand by sectors of the economy.

National statistics on the distribution of employment in Albania by economic sector (see Graph 4), show that since 2016 the service sector has had the largest number of active employers. (43.43 percent as of 2019), followed by the agricultural sector (36.42 percent) and industry (20.15 percent). As of 2020, the small-medium enterprises (SMEs) in the service sector (with 50+ employees) contributed to 48.5 % of total employment in the country - with the Municipality of Tirana having the largest number of enterprises (INSTAT, Structural Survey of Enterprises 2020).



Source: Statista, 2022

As shown in Graph 4, services sector has been rising steadily due to flows in foreign direct investments (FDIs), concentrated mainly in energy sector, construction, textile industry, trade and services, nutritive-agriculture industry (INSTAT 2020).



Figure 1. Active enterprises by economic activity, 2020

Source: INSTAT Structural Survey of Enterprises 2020

According to the Structural Survey of Enterprises conducted by INSTAT in 2020 (see Figure 1), the largest employers in the labor market offer jobs in farmer activities, trade, tourism (accommodation, food service activities) and other services (such as government activities, transport, finance, and communication). Considering the four sectors of the economy¹, we see that these economic activities of the national labor market fall mainly into the primary and tertiary sector of the economy.

After analyzing the demand side of the national labor market, now we look at the supply side, namely the number of students enrolled and graduated by field of study. As we can observe from the Table 6, a considerable share of the Albanian students chooses to concentrate mainly

¹ Primary sector is the "extractive" industry, including agricultural activities, mining, forestry, grazing, hunting, fishing, and quarrying. Secondary sector is comprised of manufacturing industries, energy, processing, and construction jobs; while the Tertiary sector refers to the commercial services such as retail and wholesale trade, transportation and distribution, restaurants, clerical services, media, tourism, insurance, banking, health care, and law etc. The Quaternary sector of the economy consists of intellectual activities associated with technological innovation, government, arts and culture, libraries, scientific research, education, and information technology. Source: What Are Four Sectors of the Economy? (reference.com)

on Business Administration and Law, Engineering and Communication, and Healthcarerelated fields of studies.

Academic year	2017-18	2018-19	2019-20	2020-21	2021-22
Field of Study					
Education (S4)	10.689	10.062	9.062	8.367	8.085
Arts and humanities (S4)	15.441	14.348	12.537	10.972	9.536
Social sciences, Journalism, and Information (S3)	12.259	14.086	11.397	10.277	9.204
Business administration and Law (S3)	30.233	33.447	32.732	31.173	32.227
Natural sciences, Mathematics and Statistics (S4)	6.325	7.060	5.962	4.924	4.553
Information and Communication Technologies (S4)	8.228	10.016	8.883	8.341	8.458
Engineering, Manufacturing, and Construction (S2)	18.730	20.019	20.775	20.537	22.555
Agriculture, Forestry, Fisheries and Veterinary (S1)	4.564	4.999	4.158	3.458	2.770
Health and Welfare (S3)	19.837	20.727	20.199	21.195	22.130
Services (S3)	3.088	4.279	4.559	4.553	4.362
Total	131.833	139.043	130.264	123.797	123.880

Table 6. Number of students enrolled in tertiary education by fields of study

According to: "Fields of Education and Training ISCED-F 2013" Manual. Note: *S1, S2, S3* and *S4* stand for primary, secondary, tertiary, and quaternary sectors of the economy. Source of information: Administrative data from Ministry of Education and Sport

For the 2019-20 academic year, there were 32,889 students graduated from tertiary education, from whom 21,481 were female students (comprising over 65 percent of the total number of graduate students in tertiary education). "Business, Administration and Law" had the largest number of students with 29 percent or over a quarter of the total number of graduates, followed by "Engineering, production and construction" and "Health and welfare". The least preferred field is "Agriculture, forestry, fishing and veterinary" with only 3 percent of the total number of students attending higher education is more pronounced in the fields "Natural sciences, mathematics and statistics" and "Agriculture, forestry, fishing and veterinary". On the other hand, the number of students in the field of "Health and Welfare" increased by 5 percent.



Figure 2. Graduated by field of study, 2020

Source: Ministry of Education, Sport and Youth, INSTAT

As such, most of the Albanian students choose degrees that match jobs pertaining mainly to the secondary and tertiary sectors of the economy (the latter is the biggest sector offering employment). Therefore, based on the distribution of employment by sector data in Graph 4 and data on educational attainment by field of study in Figure 2, we can conclude that youth labor supply for the agricultural and industrial sectors is limited; while the oversupply of students graduating from engineering, manufacturing, and construction programs is likely to cause labor demand shortages (and can potentially lead to unemployment or skills mismatch for this particular labor force). This is reflected in Graph 4 data, where the number of active enterprises for engineering and construction, transportation, information and communication, is quite limited compared to the number of graduates in these fields.



Overall, this evidence on the number of graduates with educational backgrounds not matching the available labor market demand might also explain the growing number of registered jobseekers by education level in recent years (as seen in Table 5) and the constant high unemployment rate for those with advanced education (see Graph 5). As illustrated in the graph above, the unemployment of those with advanced education for the period 2007-2019 reached its highest level (19.2 percent) in 2015. In the same year, World Bank data shows that the total youth unemployment rate reached another record high (39.8 percent) after that of 1992 (48.3 percent). As could be expected, nearly 67,000 Albanian nationals applied for economic asylum, in 2015 (Gedeshi, 2020) As such, Albania ranked fourth among the top countries regarding the number of asylum seekers in the EU, mainly in Germany (OECD, 2019). We analyze migration trends in more detail in the next section. In short term, the discrepancy between supply and demand is likely to generate either higher unemployment rates for graduates or push them into gaining practical experience in jobs requiring different skills and qualifications than the acquired ones.

% of mismatched labor	2016	2017	2018	2019
force aged 15-24				
Albania				
Over-skilled - High	50.9	54.4	57.7	41.4
Over-skilled - Medium	12.0	8.6	8.2	4.5
Over-educated	17.8	19.9	20.6	13.0
Under-educated	20.8	21.2	21.4	26.9

Table 7. ETF Indicators of Vertical Mismatch (Provisional Data, 2021)

Source: ETF, 2021a. *Youth Disengagement and Skills Mismatch in the Western Balkans* Note: ETF empirical estimations are based on a modal educational level in a given occupational ISCO-08 group in each country, using the most detailed level information available (i.e. ISCO-08 1/2/3 digit-level data), fully harmonized with ILO recommendations.

Provisional data from the European Training Foundation (ETF) report for the Western Balkan countries show that in 2016, half of the tertiary graduates (50.9 percent) in Albania were employed in semi-skilled occupations, that require lower levels of formal qualifications than the acquired ones (see Table 7). Similarly, 12 percent of upper/post-secondary graduates have held elementary jobs. Based on these two values, we see that nearly two-thirds of the young Albanians were mismatched in 2016. More specifically, the over-educated individuals are those having a formal educational level that is above the average (ISCED) level required for a certain occupation in the country. Likewise, the under-educated individuals are those who hold jobs for which the modal value in a certain occupation in the country is typically above their

(ISCED) level of education. In 2019, 40 percent of graduates in Albania were labor marketmismatched (or employed in jobs that require lower levels of formal qualifications compared to the acquired ones). Accordingly, the report finds that such imbalances are generated not only by the incoherent policies of education systems but also by the poor quality and relevance of educational programs in addressing social inclusiveness goals, the absence of career guidance and work-experience gaining programs; and lastly by ineffective labor market matching services in the country (ETF, 2021b).

Based on this evidence, we observe a downward mismatch trend for the over-skilled workers, and an upward trend for the under-skilled workers, which overall, might suggest an increasing demand for higher/highly skilled workers in Albania. This disparity between supply and demand for labor, on one hand, implies that higher education institutions in Albania are neither building employable skills, nor maximizing students' earnings potential and labor market outcomes in general. On the other hand, it can also suggest a failure of the labor market matching system and an urgent need for job creation in fields for which there is an oversupply of labor. According to a World Bank report (2018), there is evidence of both quality problems in education systems and weak labor market matching system between employers and the education system. Based on the "Skills Towards Employment and Productivity Employer Survey" (STEP Employer Survey), conducted between April and October 2017 with 600 Albanian registered firms in 2016, employers are generally satisfied with the outcomes of the Vocational Education Training (VET) system; however, based on their assessment, young graduates who qualify for high-skilled jobs, lack up-to-date knowledge and practical skills. Furthermore, these SMEs ranked the inadequately educated workforce as their top third business obstacle, due to the inability of absorbing the increasing number of graduates.

The STEP Employer survey findings suggest that employers do not partner with educational institutions on training programs, as the Albanian SMEs and education systems are isolated from one another. Regarding their recruitment processes, firms generally rely on informal channels such as friends, family, and networks, due to employers' distrust in the quality of the education system and the value of a diploma (World Bank, 2018). The latest country progress report by the European Commission (2021) also confirms the persistence of skills mismatches in the country and highlights the need for adequate monitoring tools on labor market needs and business requirements. The report also suggests that due to COVID-19-related lockdowns and distance learning, the pre-existing skills and education gaps might have deepened further.

2.2 Workforce migration trends in Albania and its main drivers

In the last three decades, Albania has been experiencing massive migration flows, on both internal and international levels. In the historical context, these flows peaked in three periods of time, with the first wave occurring right after the fall of the dictatorship in March 1991. During this period, more than 24,000 unauthorized Albanians left the country and landed on Italy's shores. According to UNFPA (1997: 3), from 1990 to 1995, the number of emigrants represented 11 % of the total Albanian population. The severe socio-economic crisis and civil unrest that characterized the country in 1997-1998, sparked a second major outflow of migrants towards Italy and Greece. While the third migration wave (also called the "invisible" flow) happened during the Kosovo war crisis in 1998-1999 when a considerable number of Albanians started to seek asylum in several EU member states (mainly in Italy, the UK, Germany, and Belgium). This outward mobility towards a better future in other countries continues to prevail to this day, albeit in more sophisticated forms. Followed by the 2015 surge in asylum seekers towards Europe, emigration flows in Albania were mainly driven by extreme poverty and unemployment – factors that encouraged more than one-third of Albania's population to leave the country in the last three decades.



Source: United Nations Department of Economic and Social Affairs. International Migrant Stock 2020.

As reflected in Graph 6, as of 2020, the upward trend of these outflows since the 1990s brought the total number of Albanian emigrants to 1,250,451 with a higher prevalence among men. According to the Albanian Diaspora in Figures (2020) publication by INSTAT, this number could be as high as 1,684,135 individuals.

If we look at the disaggregated data on the international stock of migrants by age and years (see Chart 7), we notice that for the years 1990-1995 (columns in blue and orange), over 20 percent of the international migrant stock was composed of individuals from the 30-39 age group.



Source: United Nations Department of Economic and Social Affairs. International Migrant Stock 2020.

Starting from the 2000s onwards, the percentage of international migrant stock aged 15-39 is notably higher compared to older age groups. In general, the percentage of international migrant stock aged 15-34 has remained at constant levels throughout the 2000-2020 period; while the percentage of international migrants older than 34 years old has decreased over years. Largely, these trends suggest a higher migration prevalence among young age groups in Albania.

As of 2022, Albania has the world's highest migration rates, relative to its population, respectively, -**4.888** migrants per 1,000 people, a **0.18 percent increase** from 2021 (INSTAT, 2022).



As shown in the graph above, there is a negative net migration rate², meaning that the number of emigrants leaving the country is significantly higher than the immigrants' inflow, especially in the last two years. Respectively, the number of immigrants in 2021 was 9,195 and the number of emigrants was 42,048 people – an increase in the absolute value of net migration from -16,684 in 2020 to -32,853 inhabitants in 2021. This two-fold increase in emigration from 2020 to 2021 seems to be an outlier as the number of emigrants has been steadily decreasing since 2011.

As noted by INSTAT in the National Household Migration (NHM) survey in 2019, when unemployment increases and income from the informal sector drops, migration outflows tend to surge – considering international migration as the main coping mechanism against poverty and social exclusion in Albania. This evidence might partially explain the increase in the net migration rate from 2020 to 2021 in terms of unemployment, as the largest national employment contributors (namely trade and tourism services) were the most affected sectors by the COVID-19 pandemic (European Commission Albania 2021 Report). Data from the

² The net migration rate indicates the difference between the number of immigrants (people coming into a country) and the number of emigrants (people leaving a country) throughout the year.

National Labor Force Survey, indicate that unemployment rates in Albania increased sharply in the second quarter of 2020 and the first quarter of 2021 (12.5 percent and 12.6 percent, respectively) compared to the last quarter of 2019 (INSTAT, 2022). The unemployment rate during 2020-2021 was highest among the 15-24 age group (see Figure 3).



Figure 3. Unemployment rate by age groups, Albania 2020-2021

The NHM Survey (2019) observed the main migration movements of the Albanian population who have changed their place of residence from 2011 to 2019, including a sample of more than 20,000 households. Findings from a response rate of 79 per cent, revealed that the "sociodemographic structure of the 2011-2019 migration population is mainly composed of youth, unemployed, with a lower education and professional level than the general population, in search for better prospects for themselves and particularly for their children". The main factor explaining this socio-demographic composition of migrants is the high unemployment rate, underemployment, and low income from any job in the formal and informal sectors. Almost 36 percent in this group are often long-term unemployed. The survey also finds that "unemployment is higher for youth, and among those working 34 per cent carry out unskilled and low-paid work in the informal sector, which generates not only emotional stress but also uncertainties about the future. While 53 percent of members belonging to this group have completed only the compulsory nine-year education, do not have a profession, and carry out unqualified jobs". In all, the survey findings suggest that the share of low-skilled emigrants is higher than the high-skilled ones. As illustrated in Figure 4, international migration was higher for individuals with primary and secondary, while most of the tertiary-educated individuals chose to move within the country. As of 2020, it is estimated that 40 percent of the last decade's

Source: INSTAT, Labor Force Survey

migration outflows from Albania were comprised of secondary and tertiary educated individuals (WIIW, 2020).

Level of education		Emigrants since 2011	Immigrants From HHs whose head was present in 2011	Internal migrants since 2011				
				individuals aged 15 and over				
Total			177,347	96,755	95,666			
Low education ISCED 0-2	no educatio	no education						
	primary school		69,690	36,009	25,164			
	lower secondary (7/8/9 years)							
	10000	Vocational school		42,616	36,968			
education	secondary	Gymnasium (Secondary school)	70,896					
15010 5-1	post-secondary non tertiary							
Higher		Bachelor			30,453			
education ISCED 5-8	tertiary	Master	24,769	11,581				
		Doctorate						
Unknown		11,992	6,549	3,081				

Figure 4. Migration of partially migrant households by level of attained education, 2019

Note: Net emigrants and internal migrants since 2011. HH members who left their previous residence as a whole household are not considered. Immigrants including individuals who joined HHs in the target population before 2011.

Source: National Household Migration (NHM) survey, 2019

However, the Potential Migration Survey (2018) observes that in the last decade it is employed with higher education and higher incomes in Albania that have a higher desire to emigrate compared to low-skilled and lower incomes individuals. Although economic conditions continue to be major push factors (56 percent in 2018 compared to 65 percent in 2007), the survey finds that 'better education prospects' and 'no future perspectives in Albania' are the new emerging push factors of emigration outflows. This evidence suggested a general dissatisfaction of the respondents with the education system (the third-ranked among the push factors), low wages, social protection, and healthcare system in Albania (see Figure 5).



Figure 5. Top reasons of the Albanian emigrants for selecting the destination country (in %)

Source: The Center for Economic and Social Studies (CESS), Potential migration survey, 2018

In all, the report highlights that high unemployment rate, underemployment, low income from jobs in both formal and informal sectors poor living conditions, limited social protection and debts – remain the main driving forces of workforce migration for both unemployed/unskilled and employed/high skilled in Albania. This evidence shows that unemployment is not the only factor encouraging thoughts of emigration, nor does employment alone does not prevent migration. Low wages, work conditions, and little prospects for the future are also major driving forces of workforce outmigration in Albania.

As regards to the potential migration by economic sector and profession (see Figure 6), the survey results indicate a high propensity to migrate for those working in call centers (85 percent), healthcare (83 percent), trade services (67 percent) and construction (56 percent). In general, this evidence indicates a strong link between unemployment, underemployment (mismatched workforce), and skilled migration.

Nr	Sectors/profession	Move	Stay
1	Working in a call centre	85	15
2	Nurses	83	17
3	Construction	56	44
4	Clothing	53	47
5	Footwear	38	62
6	Salesperson	67	33
7	Shopkeeper	42	58
8	Teachers	27	73

Figure 6. Potential migration by economic sector and profession (in percent)

Source: The Center for Economic and Social Studies (CESS), Potential migration survey, 2018

Almost similar observations were reported by the World Bank and LinkedIn Big Data³ (2018), according to which, *Higher Education* and *Information Technology and Services* could be the most affected industries by skill losses due to net migration flows in Albania (see Table 8).

Table 8. Top five industries and skill losses in Albania due to net migration flows					
Net loss	Skill	Net loss			
-323	Computer Networking	-3072			
-330	Web Development	-2746			
-498	Development Tools	-2297			
-290	Data Storage Technologies	-2194			
-339	Tele-communications	-1691			
	Net loss -323 -330 -498 -290 -339	ries and skill losses in Albania due to net mNet lossSkill-323Computer Networking-330Web Development-498Development Tools-290Data Storage Technologies-339Tele-communications			

Note: The net gain or net loss in skills is a normalized migration rate among LinkedIn users, computed as the net gain or loss of members from another country with a given skill divided by the number of LinkedIn members with that skill in the target (or selected) country, multiplied by 10,000.

Source: 2018. "World Bank LinkedIn Digital Data for Development" by World Bank Group & LinkedIn Corporation, licensed under CC BY 3.0.

However, considering that these (subjective) findings do not represent official measurements of the population at large, we integrate into our analysis, average years of schooling, GDP per capita, and daily median income (all Purchasing Power Parity based), followed by a comparative analysis of these indicators in destination countries of the Albanian emigrants. This approach would allow us to illustrate more clearly the link between wage/income gaps and skilled migration at a country level.

³ Results from a Big Data collaboration between the World Bank and LinkedIn, a social media platform focusing on professional networking and career development with hundreds of millions of members from more than 100 countries. These data are based on self-reported (subjective) information and not on objective measurements of skills and represent the demographics and behaviors of LinkedIn users and not the population at large.

Figure 7. Average years of schooling vs. GDP per capita (PPP based), 2000 to 2017



Average number of years the population older than 25 participated in formal education. GDP per capita is

\$30,000

GDP per capita

\$40,000

\$50,000

\$20.000

0 years

\$10,000

In figure 7, we observe GDP per capita in current USD and average years of schooling per country from the Barro and Lee dataset. As the plot shows, income per capita increases after 9-10 years of schooling - except when economic downturns happen (such as the 2008 financial crisis effects in Greece and Italy). It is worth noting that despite similarities in average years of schooling between Albania and Italy, GDP per capita (or returns on education) in Albania has remained significantly low, probably due to the closed economy past. However, this implies the high level of GDP per capita for individuals with less than 10 years of schooling could be a major pull factor for low-skilled Albanians toward Greece and Italy. Meanwhile, the top position of Germany in both indicators suggests that their returns to education could be above the income level one could expect given the average years of schooling - a fact that clearly explains why Albanian tertiary graduates choose Germany as their main destination country. Historically, this outward mobility trend towards countries with higher returns on human capital has mostly been characterized by high-skilled students and professionals seeking better career prospects and a higher standard of living. Such was the case with the worldwide migration of healthcare professionals to developed countries (Buchan, 2008).

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Source: Lee-Lee (2016), Barro-Lee (2018) and UNDP, HDR (2018), Data compiled from multiple sources by World Bank



Figure 8. GDP per capita vs. Daily median income (PPP based), 2010 to 2017

Median incomes or expenditures are derived from household surveys. Some countries conduct surveys that ask for the household's income, while others ask for the household's expenditure. Both measures are adjusted for price changes over time (inflation) and for price differences between countries.

As regards the income differentials i.e. daily median income and GDP per capita in these countries, it can be inferred that the standard of living in Germany, Italy, and Greece is substantially higher than that of Albania (see Figure 8). We choose to compare the median household income as its value is not affected by the income of wealthy households and provides a more accurate estimate of the available income of the majority of households in these countries.

To conclude, based on the evidence provided in this chapter, we find that persistently high youth unemployment rates, low returns to education (i.e. low wages), and huge income differentials between Albania and migrants' destination countries are the major driving forces of skilled emigration in the country. These driving forces incline nearly 79% of young individuals in Albania to convey a strong desire to leave the country (Gallup's World Poll Survey, 2021). This survey ranked Albania in fourth place out of 152 countries in regard to potential youth emigration rates. A similar trend is observed in all Western Balkans countries where high-skilled outmigration has been steadily rising and is directed towards countries with higher returns on human capital (ETF, 2021).

3. Comparative analysis on migration - development indicators in Albania and other Western Balkan countries

To capture the long-term economic implications of the high-skilled migration for Albania, we collected secondary data on main economic development trends in the country and provide a comparative analysis on how these indicators have changed over time and varied over the Western Balkan (WB) region. According to the *Migration Observatory Collected Publications* (2019), the mass migration outflows from WB countries, especially from Bosnia and Herzegovina and Albania have contributed to several socio-economic patterns such as demographic decline, aging population, brain drain, and economic stagnation. In this context, we study the outward mobility effects in long run, by analyzing secondary data on remittances, FDIs, high technology inflows, return migrants, and other human capital development indicators to assess the contribution of each on GDP growth, income, and impact on the national labor market. This approach would allow us to explore more in-depth the migrationdevelopment nexus at the country level for Albania.

3.1 Remittances, FDIs and Technology Inflows

As discussed earlier in the literature review part, emigration's impact on development could be either positive by creating a virtuous cycle (a triple win outcome for the origin and destination countries, and for migrants themselves) or negative by creating a vicious cycle of human capital shortages, lower average productivity, and potential economic stagnation for sending countries.

In order to capture the long-term economic implications of the outward mobility of the highskilled workforce, the first indicator that we observe is remittances inflow from migrants residing abroad and foreign direct investments in the country for the 1992-2020 period. According to World Bank data (see Graph 9), the average value of remittances for Albania during the 1992-2020 period was 877.03 million U.S. dollars with a minimum value of 150 million U.S. dollars in 1992 and a maximum value of 1595.87 million U.S. dollars in 2008. Remittances have been among the most significant economic resources to help migrants' families in Albania (Barjaba, 2021). However, since 2009 these inflows show a downward trend and a slight increase from 2018 onwards. In 2020 remittances flow reached 1185.52 million U.S. dollars, representing 9.9 percent of Albania's nominal gross domestic product (GDP). Despite the significant share of remittances in GDP, remittances do not contribute sufficiently to the country's economic development, as the overall investment levels in Albania declined from 24.5% of GDP in 2015 to 22.9% of GDP in 2020 (Bank of Albania, 2021). A similar trend can be observed in Foreign Direct Investments inflows (FDIs), which in 2013 surpassed the value of remittances, with a slight decrease in 2020. Considering that remittances and FDI inflows enter the balance of payments, they are important indicators for overall economic growth. As shown in the graph below, until 2006, emigrants contributed, on average, four times more compared to foreign direct investors in the national economy. After 2010, this situation changed in favor of FDIs as remittances from emigrants were, on average, 1.3 times lower than FDIs (World Bank, 2021).



Source: Data from database: World Development Indicators, 2021

This was due to the severe 2008 financial crisis, and the subsequent reduction in income and high unemployment rates in two main host countries of Albanian migrants, namely Greece and Italy. However, these involuntary returnees are likely to have less development impact compared to the return of skilled migrants due to the absence of good economic conditions - this resulted in the failure of using return migrants' capital for investments (Gedeshi, 2018). As regards migrant returnees, a joint study by IOM and INSTAT in 2014, showed that only 8 percent of the Albanian surveyed returnees had invested in at least one project. The other 92 percent did not invest due to "insufficient capital/financial recourses required to start a business, no prior plan to invest, and lack of experience and training in investment". As such, nearly one-third of the Albanian returnees wanted to remigrate for better economic prospects abroad (INSTAT and IOM, 2014).



Source: World Bank and wiiw Report, 2020

If we make a comparison of capital investments value in Albania and other Western Balkans (WB) countries with similar migration trends (see Figure 9), we observe that as of 2020, Montenegro and North Macedonia have the highest capital investments in the region, followed by Serbia, Bosnia and Herzegovina and Albania.

In terms of technology imports and exports, Albania ranks 130th, and Montenegro ranks 113th. Meanwhile, Serbia (64th), Bosnia and Herzegovina (51st), and Macedonia's (50th) rankings are lower compared to Albania, suggesting a slow development of innovation and technology sector in high ranked countries, and a negative impact on services, business, and all other economic sectors (Open Data Albania, 2021).



Figure 10. Ranking in imports and exports of high technology in Western Balkans, 2021

Source: Open Data Albania (ODA), 2021

3.2 Return Migrants

In general, outward mobility from WB countries is one of the highest in Europe, with a total stock of migrants close to 4.6 million as of 2019 (UN Statistics, 2019). According to World Bank and wiiw Report (2020), EU countries have absorbed more than 75% of migrants from the WB region, especially Germany.



Figure 11. Stock of Western Balkan countries' migrants abroad

Source: United Nations, Department of Economics and Social Affairs, Population Division, 2019

However, return migration to Western Balkan countries is a dynamic process, which peaked in two periods: the first was after the end of the armed conflicts in Kosovo in 2000, and the second inflow during the global economic crisis and the subsequent high unemployment in destination countries, in 2009-2013 (Migration Observatory Collected Publications, 2019). According to the INSTAT-IOM survey (2014), during this period, around 134,000 migrants returned to Albania. Meanwhile, return migration in the 2016-2018 period, was characterized by the voluntary return of asylum seekers from EU countries such as Germany, Austria, and other countries. We are limited in providing further information on returnees' profiles of Albania due to the lack of disaggregated on the socio-economic characteristics of the last decade returnees, their skills, and previous employment in host countries. A similar limitation stands for the number of returnees to other WB countries, and their skills level due to administrative lack of sources on registering migrants departure/return. In this context, we cannot establish a link between return migrants and their contribution to the country's economic development.

3.3 Human Capital and Labor Market Indicators

The last indicators that we observe are human capital and labor market developments for the 2000-2020 period. For this analysis we make use of the World Bank and wiiw empirical report (2018-2020) on the relationship between migration and the above-mentioned indicators, by employing a system of equations that account for the effects of labor market variables and human capital on migration and vice versa. As such, the report provides key insights on skilled migration implications to employment, wages, human capital formation and national labor utilization for WB countries compared to EU15. One of the main findings of the report is the observed anomality of the high labor underutilization level despite the increasing levels of human capital – proxied by average years of schooling (see Figure 12). Here, labor underutilization is used as an indicator of the country's capability to utilize its human capital (ILO, 2013).



Figure 12. Labor market and human capital indicators



Note: No information is available on Kosovo about labour underutilisation, hence WB5 is indicated instead of WB6. EU15 comprise the EU member countries prior to the EU's Eastern Enlargement in 2004 and 2007. Sources: ILO; wiiw; Jobs Gateway database; UNESCO.

Another important finding of the report is the determinant role of human capital gaps in explaining outward mobility. More specifically, gaps in human capital employability and poor labor market conditions may act as a push factor for highly skilled workers in origin countries, especially toward countries with higher returns on human capital. Wage gaps also have an important impact on driving outmigration, as the sensitivity of working age population to wage differences and working conditions in EU countries is very high. This pattern is observed in all five Western Balkans countries, including Albania.

As regards emigration effects on national labor markets, the study suggests that there is a positive impact of migration on narrowing the gaps in labor underutilization, and a much stronger positive effect of migration in labor force participation. The latter is explained by the composition of migrants, whether they come from the inactive or unemployed group of workers. Accordingly, this finding suggests that in the Western Balkans' countries migration may occur more frequently among those who have a job, compared to those who are unemployed or inactive.

Regarding migration impact on the WB region human capital, the report finds both positive and negative effects of migration with respect to human capital gaps. As such, migration happening in a country with narrow human capital gaps would lead to human capital formation over time - highlighting that labor market conditions are more important in explaining human capital gaps than migration itself. In other words, reducing human capital gaps would not necessarily lead to less outmigration, as the highly educated/skilled workforce reacts more strongly to the huge gaps in wages and working conditions between destination countries and home country. As Mara (2019) noted, the high labor underutilization rate in all the WB countries, coupled with low earnings and poor labor market conditions, could discourage potential return migrants from investing home and makes better work opportunities, higher earnings, and life prospects abroad the main pull factors of skilled migration,

3.4 Potential long-term economic impact of high-skilled migration in Albania

In this section, we provide a short background on the main economic performance indicators in Albania (based on latest World Bank data available), followed by a brief summary of the main drivers of skilled workforce migration in the country (also outlined in the previous chapters). Based on the current economic trends, we conclude with a discussion on the longterm economic implications of skilled migration in Albania.

Indicator Name	2017	2018	2019	2020
Poverty headcount ratio at national poverty lines (%	23,4	23	21,8	
of population)				
GDP growth (annual %)	3,8	4,0	2,1	-3,9
Exports of goods and services (% of GDP)	31,5	31,5	31,3	23,1
Imports of goods and services (% of GDP)	46,6	45,2	44,9	37,8
Revenue, excluding grants (% of GDP)	25,7	25,4	25,1	
Current account balance (% of GDP)	-7,5	-6,7	-7,9	-8,8
Share of youth not in education, employment or	26,2	26,6	25,8	
training, total (% of youth population)				

Table 9. Main economic trends in Albania 2017-2020



According to World Bank data (see Table 9), the percentage of the population living below the national poverty lines in 2019 was 21.8 percent. Over the past 17 years, poverty headcount ratio at national poverty lines reached a maximum value of 25.4 in 2002, and a minimum value of 12.4 in 2008. Meanwhile the Gross Domestic Product (GDP) growth in 2020 turned to a negative value, due to COVID-19 border closures and other economic shocks. The most important sector contributing to GDP is services (60 percent) with banking, communications, and tourism; manufacturing industry (20 percent), and agriculture (20 percent) which is mostly dominated by small family-owned farms and employs nearly half of the labor force (INSTAT, 2022).



Source: Data from database: World Development Indicators, 2021

Remittances also have a big importance for the economy and account for around 8 percent of the GDP. In terms of expenditures, household consumption is the main component of GDP (78 percent), followed by gross fixed capital formation (26 percent), and government expenditure (11 percent). By contrast, net exports of goods and services account for -18 percent of total GDP (exports 35 percent and imports 53 percent) (INSTAT, 2022). Additionally, Albania has an ongoing current account balance deficit, implying large amounts of government debts to GDP, along with negative net national savings since 2015 (see Graph 10).

Regarding education, unemployment, and migration trends, at large, we have seen that the number of registered jobseekers obtaining a tertiary education level over the past 5 years has progressively increased, while the upward trend in tertiary enrolment rates did not reflect higher employment rates for the young high-skilled. The share of youth not in education, employment or training also remains at constant high levels (based on Table 9 data). Furthermore, the negative net migration rates in the last two years and the strong desire to migrate among youth in Albania, are also important indicator of the current economic conditions in Albania.

As we saw earlier in this paper, despite the significant share of international migrants' stock and remittances sent to the national account over the years, we found that international inflows do not contribute much to the country's economic growth. The lack of good socio-economic conditions and insufficient financial resources for investment are the main factors hampering remittances' contribution to investments and overall GDP. As a result, these inflows have been mainly used for household consumption. In case the Albanian government does not create a more inclusive environment for native investors with an emigration background, it could lose all the benefits that potential future remittances flow can bring to the country's economy. As regards the number and profile of return migrants, the only evidence available that we have has shown that most returnees are low-skilled and unqualified workers who have been denied asylum in EU countries or were left unemployed due to the severe effects of the economic crisis on the host countries' economies. Regarding FDIs, the last decade increase in these flows, could represent a promising source for the long-term economic development of Albania. Unlike remittances, these flows can contribute to higher investment levels by foreigners and more technology transfers between countries. In terms of imports and exports of high technology, we find that Albania still scores low compared to other countries in the WB region.

However, there is a significant increase in the value of Information and communication technology goods imports (ICT goods) and commercial service imports, in the last four years (see Graph 11).



Source: Data from database: World Development Indicators, 2021

Based on the current economic trends, labor market indicators in the WB region, and the above analysis of migration-development channels in Albania, it is difficult to see an optimistic scenario for the domestic economic growth in the upcoming years. Furthermore, we find a significant lack of data on the country level, which limits our study only to the available evidence. A further investigation on this topic would be crucial to provide the full picture of migration dynamics and implications at a country level. However, based on all the data that we could get, we conclude that the main drivers of skilled emigration in Albania are labor underutilization (including occupational and skills mismatches) and wage differentials with EU countries.

As such, high out-migration rates in Albania are not only a symptom of the malfunctions in education systems and labor market resolutions but also a cause of the slow economic growth and development. In other words, its long-term economic implications comprise a range of negative effects that would take the form of a vicious cycle of human capital shortages, lower productivity, brain drain, and economic stagnation. The only beneficiaries of this phenomenon continue to be host countries and migrants. As long as the Albanian government does not create sufficient incentives to attract remittances, encourage investment, retain emigrants and make

full use of the skilled workforce, the persistent international migration of the skilled workforce would result in detrimental effects on the country's economic development.

4. Conclusions and Recommendations

This qualitative research paper aimed at exploring the main drivers of high-skilled migration in Albania and its long-term economic implication for the country's development. We first tried to explain why the upward trend in tertiary enrolment rates did not reflect higher employment rates for the young high-skilled. We found that this trend could be explained by the large number of graduates with educational backgrounds not matching the available labor market demand. This could also explain the growing number of registered jobseekers by education level in recent years and the constant high unemployment rate for those with advanced education. Another important observation is that of labor market imbalances generated by the poor quality and relevance of educational programs in addressing social inclusiveness goals, the absence of career guidance and work-experience gaining programs, and lastly by ineffective labor market matching services in the country.

Additionally, we found a downward mismatch trend for the over-skilled workers, and an upward trend for the under-skilled workers, which overall, might suggest an increasing demand for higher/highly skilled workers in Albania. This disparity between supply and demand for labor, on one hand, implies that higher education institutions in Albania are neither building employable skills, nor maximizing students' earnings potential and labor market outcomes in general. On the other hand, it also suggested a failure of the labor market matching system and an urgent need for job creation in fields for which there is an oversupply of labor.

Furthermore, the COVID-19 economic crisis, is believed to be a major contributor to the increase in the net migration rate from 2020 to 2021 in Albania, in terms of unemployment, as the largest national employment contributors (namely trade and tourism services) were the most affected sectors by the COVID-19 pandemic. The high unemployment rate, underemployment, and low income from any job in the formal and informal sectors also explain the socio-demographic characteristics of the 2011-2019 migration population. This group of migrants was mainly composed of youth, unemployed, with a lower education and professional level than the general population, in search for better prospects. From these observations, we also found that in the last decade it is employed with higher education and higher incomes in Albania that have a higher desire to emigrate compared to low-skilled and lower incomes individuals. This evidence suggested a general dissatisfaction of the respondents with the education system (the third-ranked among the push factors), low wages, social protection, and healthcare system in Albania. In general, we observe that unemployment is not the only factor

encouraging thoughts of emigration, nor does employment alone does not prevent migration. Low wages, work conditions, and little prospects for the future are also major driving forces of workforce outmigration in Albania.

It is worth noting that differentials in returns to human capital between Albania and EU countries, could be major pull factors mainly for low-skilled Albanians irrespective of the average years of schooling. For example, the top position of Germany in returns to education clearly explains why Albanian tertiary graduates choose Germany as their main destination country. To conclude, based on the secondary data evidence, we find that persistently high youth unemployment rates, low returns to education (i.e. low wages), and huge income differentials between Albania and migrants' destination countries are the major driving forces of skilled emigration in the country. This pattern is observed in all five Western Balkans countries, including Albania.

As regards emigration effects on national labor markets, there could be a short-term positive impact of migration on narrowing the gaps in labor underutilization, and a much stronger positive effect of migration in labor force participation. The latter is explained by the composition of migrants, whether they come from the inactive or unemployed group of workers. Accordingly, this finding suggests that migration in Albania is likely to occur more frequently among those who have a job, compared to those who are unemployed or inactive.

Regarding migration impact on human capital, there are both positive and negative. As such, if migration occurs in a country with no significant human capital (skills) gaps, this will lead to human capital formation over time - highlighting that labor market conditions are more important in explaining human capital gaps than migration itself. Given that Albania is characterized by large human capital gaps in terms of skills mismatches and labor underutilization, migration would lead to human capital loss. Therefore, reducing human capital gaps would not necessarily lead to less outmigration, as the highly educated/skilled workforce reacts more strongly to the huge gaps in wages and working conditions between destination countries and home country.

As regards other migration - development nexus indicators, we could only observe the main indicators of the economy, remittances inflow, transfer of technology and to a lesser extent return migration. Overall, we find that despite the significant share of international migrants' stock and remittances sent to the national account over the years, international inflows do not contribute much to the country's economic growth. The lack of good socio-economic conditions and insufficient financial resources for investment are the main factors hampering remittances' contribution to investments and overall GDP. Additionally, net exports of goods and services account for -18 percent of total GDP (exports 35 percent and imports 53 percent) (INSTAT, 2022). Additionally, Albania has an ongoing current account balance deficit, implying large amounts of government debts to GDP, along with negative net national savings since 2015. As regards the number and profile of return migrants, the only evidence available that we have has shown that most returnees are low-skilled and unqualified workers who have been denied asylum in EU countries or were left unemployed due to the severe effects of the economic crisis on the host countries' economies. Regarding FDIs, the last decade increase in these flows, could represent a promising source for the long-term economic development of Albania. Unlike remittances, these flows can contribute to higher investment levels by foreigners and more technology transfers between countries. In terms of imports and exports of high technology, we find that Albania still scores low compared to other countries in the WB region.

Based on the overall analysis on the current economic performance of Albania and on potential migration-development channels, we conclude that it is difficult to see an optimistic scenario for the domestic economic growth in the upcoming years. However, given the significant lack of data on the country level, which limited our study only to the available evidence, we suggest a further investigation on this topic as it is crucial to provide the full picture of migration dynamics and implications at a country level. However, at large, we find that the main drivers of skilled emigration in Albania are labor underutilization (including occupational and skills mismatches) and wage differentials with EU countries.

The high out-migration rates in Albania are not only a symptom of the malfunctions in education systems and labor market resolutions but also a cause of the slow economic growth and development. Its long-term economic implications comprise a range of negative effects that would take the form of a vicious cycle of human capital shortages, lower productivity, brain drain, and economic stagnation. The only beneficiaries of this phenomenon continue to be host countries and migrants. As long as the Albanian government does not create sufficient incentives to attract remittances, encourage investment, retain emigrants and make full use of the skilled workforce, the persistent international migration of the skilled workforce would result in detrimental effects on the country's economic development.

Regarding our recommendations on preventing human capital loss and attract more remittances inflows, we believe that the successful Skills Mobility Partnership programs between Kosovo and Germany, could be a practical and beneficial solution to linking education with quality training and short-term employment abroad. This would allow for better skills and higher technology transfers to Albania, and at the same time encourage the young workforce participation in the national labor market. Another form to attract more investment from emigrants or encourage return migration is by making more financial resource available to the potential investors with a migration background and incentivizing savings. These two financial resources were found to be important sources for the economic growth of India.

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