

THE SHRINKING REMITTANCES FROM ALBANIAN MIGRANTS AND THE SPECIAL GREEK CASE

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Abstract

Remittances from our migrants abroad are still of great importance to Albanian economy. Our migrants facing Greek economic crises is a case at issue. ILO data show they are facing job losses, less working days per month and even loss of social benefits which in turn affect their status as legal emigrants.

This study shows how their remittances to their families in Albania are shrinking fast. Special attention is paid to the fact of some of them evaluating a return in Albania to open a private activity with their meager savings instead of just surviving in Greece.

Shrinking remittances and personal savings of the migrants as an additional source of investments in Albania constitute the main target of this paper. Through statistics, interviews, facts and figures we illustrate one of the aspects of the influence of the Albanian migrants plight on our national economy.

Keywords: Savings, Migrants, Remittance, Statistics, National economy

Introduction

The famous scholar Aristide Zolber took Albania and North Korea as an example of a world with zero migration in 1989¹. Only a couple of years latter Albania became an example of mass migration country. By 2000 more than 800 000 Albanian had migrated mainly to Greece, Italy and Germany². One of the characteristics of this massive migration was the remittances i.e. the money sent home to their family members from the migrant Albanians. Such remittances constitute a great source of economic growth in Albania because the mass migration as well as the sheer mass of the remittances being bigger than the FDI and the foreign aid together.

We should bear in mind the conclusion of the scholar Moreno-Fontes Chammartin³ that to have massive remittances does not necessarily mean economic growth. Remittances are transferred private money and it takes well conceived government stimulus to channel them into productive investments. The existence of solid institutions to absorb this remittance money and the means to make such money available to local entrepreneurs are essential for them to have a sizeable impact on the economic development of a country like Albania

Our paper is divided in three parts:

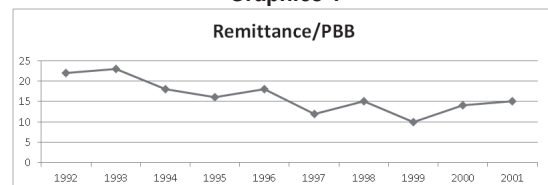
- I. Facts and data on these remittances up to 2003. How they grew up, and their importance to the macroeconomic stability of the Albanian economy.
- II. A study and a display of the plight of Albanian migrants in Greece and the causes of their remittance shrink
- III. The remittance trend during the last five years and the appropriate conclusion

I. Remittances from 1992 to 2002

The remittances enjoyed an “uphill” trend during the 1991 to 2002 period occupying a “front bench” in Albania’s GDP. Their share in the GDP varied from 10 to 22% during this period. According to The National

Bank of Albania they reached 443 million Euros in 2001 to a 15% of GDP⁴ compared to the equivalent of 107 million Euro (i.e. German marks, Italian liras, British Pounds etc.) in 1992 but at that year they contributed to 22% of GDP.

Graphics 1



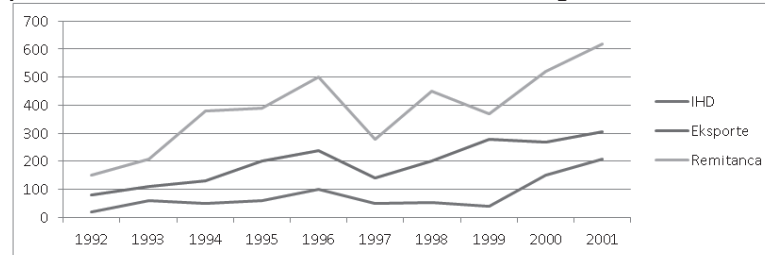
Another indication of the importance of the remittances is their ratio to FDI (Foreign Direct Investments) and the foreign aid. Judging by the Annual Report of the Bank of Albania we become aware of the fact that FDI amounted to 774,7 million USD while the remittances 3924,2 million USD, that is some 5 times higher for the period 1992-2002. Roughly the same goes for the foreign aid received by Albania, thus in 2002 Albania received some 180 million USD but the remittances amounted to 3.4 times more.

¹ ZOLBERG A., The next waves: migration theory for a changing world, International Migration Reviews, 1989, 23 (3).

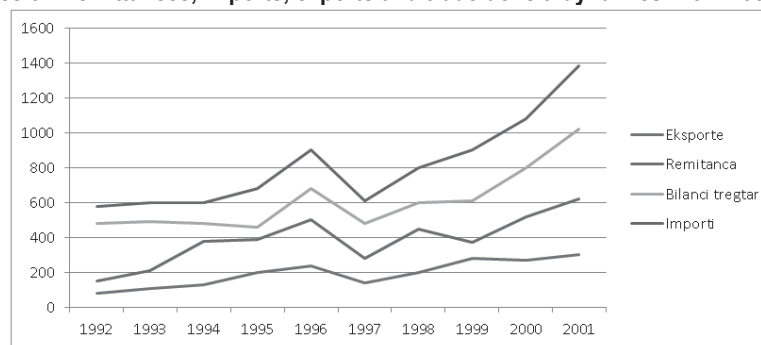
² INSTAT., Preliminary results of the Population and Housing Census 2001

³ Moreno-Fontes Chammartin and Cantú-Bazaldúa 2005

⁴ Annual Report of National Bank of Albania, 2001

Graphics 2 : The trends of the remittances, FDI and foreign aid from 1992 to 2002

The importance of the remittances should be studied in correlation to the exports as well. In 2001 the remittances brought to Albania twice the hard currency received from the exports amounting to 200USD per capita. Understandably the remittances played an important part in financing the Albanian imports and in mitigating the balance of payments deficit. They have also propped up Albanian Lek exchange rate to different hard currencies. The boom in construction and service industry was partially financed by the remittance money too. Thus the remittances have their share in the macro economic stability of Albania.

Graphics 3: Remittances, imports, exports and trade deficit dynamics from 1992 to 2002

Taking into the consideration the data of the Graphics we can come to the conclusion that the remittances were the main factor shaping the characteristics of the Albanian transition from a socialist economy to a market one that is the inner consume is larger than the national product.

II. Albanian migrants in Greece and their shrinking remittances

One of the by-products of the global crises is a shrinking of the remittances flow to the families of the emigrants in the countries of their origin. This is a world wide trend but the countries in the Western Balkans are among the worst affected. They are affected by the shrinking of the remittances and by the sheer of the size the remittances compared to the GDP. Just before the global crises (in 2008) the remittances in Serbia consisted of 5,6 billion dollars and 12,6% of GDP, in Bosnia 2,2 billion dollars and 12,7% of GDP, in Albania 1,3 billion dollars and 10,9% of GDP. The World Bank data show that the worldwide remittances shrank by 5,5% in 2009. Albania was worst hit by this remittance falling in 2009. Her remittances fell by 12% compared to Croatia where they fell by 8% still above the worldwide average but a better performance than Albania.

Our paper will try to explain the cause of the fall of the remittances from our migrant workers in Greece. We have studied in detail the pinch of the crises felt by our migrant workers in Greece. We shall also offer a detailed picture how their earnings are adversely affected by the economic turmoil which has engulfed Greece from late 2009.

Before jumping to conclusions we have carefully studied the raw data collected by directly interviewing Albanian migrant workers in Greece chiefly in Athens but also some of them in Iannina area as well. We have also made use of studies conducted by Greek scholars and commissioned by ILO regarding the impact of economic crises on the earnings of foreign migrant workers in Greece.

The drastic austerity measures adopted by the Greek government hit hard the income of the migrants leading to immediate shrinking of remittances, and even to consume reduction. These measures constituted of wage cuts, reduction of certain types of welfare allowances, tax increases. A large number of our migrants in Greece were regulated ones by 2009 when the global crises began hitting hard Greece and were directly affected by these government measures. Even the illegal emigrants suffered from some of the government measures.

What hit hardest the Albanian migrants earning respectively their remittances to Albania was the steep increase in unemployment with all its aspects and manifestations. Unfortunately the hardest hit sectors of Greek economy: construction industry, retail and hospitality-tourism industry are the principal sectors where the male Albanian get their primary and their secondary (part time jobs). The illegal Albanian workers were affected too as they also generally work in construction and agriculture sectors. The unemployment worsened the economic status of our migrants in Greece lowering their power of negotiations. They generally face the dilemma: get whatever job is offered or remain unemployed. They have to accept lower wages, longer

working hours, cuts in insurance tickets paid by the employer leading to the risk of changing these emigrants into illegal ones. True a lot of Albanian migrants still hold only 2 years stay permits. Without insurance ticket they cannot renew these permits. Albanian female emigrants are less affected by unemployment as their work sectors such as social and health care, like home maids, senior citizens attendants, part time baby sitters etc.

In order to understand the real size of the remittances from our migrant workers in Greece we should bear in mind that according to Greek Interior ministry by Dec. 31, 2010 there were 390.890 legal Albanian emigrants out of an estimated 485.000 legal and illegal Albanian migrants. They constitute 68.9% of the total number of foreign migration in Greece. True the illegal emigrants being in a more precarious position earn less and send less remittances home, but their sheer number do make an impact in the flow of hard currency entering in Albania. We should add to this number also some 35.000 to 40.000 Greeks nationals of Albania origin, who do have family members in Albania and having a more consolidated legal status in Greece generally earn more and in a safer way, leading to another stream of remittances towards Albania. The Albanian citizens in Greece constitute some 3,2% of total resident population. By December 2011 there were 11.355 less valid work permits to Albanian emigrants i.e. either they had returned to Albania or they have shifted down to the status of illegal emigrants with an obvious fall to their personal earnings and remittances.

According to the Greek Labor force survey the unemployment rate for legal Albanian migrants was 8%(4% men and 13% women) in 2005 and in 2006. It was 7%(5% for men and 11% for women) in 2007 and 2008. It climbed to 12% (11% for men and 13% for women) in 2009 and it soared to 18%(17% for men and 19% for women) in 2010. This surge in unemployment had a telling effect on migrants earning and the remittances they sent home. If we take into account the inequality between the wages of Greek workers and Albanian migrant ones 30-40% in general waged work and services but only 6-15% in construction sector we can have a clearer picture of the real situation of Albanian migrant earnings.

The effect of the crises is forcing Albanian migrants to adopt a strategy of survival. They change the work sector accepting even lower wages(i.e. lower income and lower or not at all remittance back home). They are changing life habits by lowering consumption and stopping sending money to Albania, trying to find part time second jobs without insurance and badly paid ones etc. etc. Naturally they prefer underemployment to utter unemployment in such time of crises. Generally Albanians would receive 50€ plus welfare stamps in construction sector per day. Now they have to accept 30-40€ without insurance. The cleaning ladies, a typical position filled by Albanian women in Greece used to receive 40-45€ daily without welfare contributions now they are down to 30€ even less. One can imagine what happens to family budget and possible remittances with such lowered wages.

Typical is the case of an Albanian in Glifadha Athens. In his interview he explains that he is married to an Albania and

he is living in Greece for some 16 years. He lost his job in a factory. His wife works only twice a week(5 times a week before the crises) as a cleaning lady. He still has his Friday and Saturday job as a waiter, but tips are no more a big thing as in the past.

Now he cancelled his plan to buy a small seaside flat in Albania, and he sent only 400€ for the last 6 months of 2011 for the studies of his younger sister. This is the typical situation of a rather well to do Albanian reducing remittances home to a trickle. Yet there are Albanians who in a special show of solidarity with their family members are ready to lower their consumption in Greece to be able to keep up that trickle of money sent back home. Due to Albanian mentality a lot of our migrants are ready to cut expenses on leisure, clothes, even to stop paying their welfare insurance only to send some remittances though smaller ones and more rarely.

Crises style FDI

According to our interviews there is a growing number of migrant Albanians in Greece(some 16% of the interviewed), who are thinking of returning to Albania considering staying in Greece less advantageous than returning home. Of course, they have problems with their children accustomed to Greek way of living and a certain feeling of being foreigners in their home country. Yet the interviewed migrants some legal and some illegal ones are preparing to pull their savings, sell some of their furniture and home appliances and return to Albania. This is a kind of crossbreed between a onetime super remittance and a foreign direct investment. These migrants plan generally to open their small businesses in Albania making use of their savings, their skills and experience acquired in Greece. Only very few of them are thinking of finding a job in Albania making use of their skills, the language etc. they learned in Greece. Generally the latter think of making use of special type of skills such as construction industry ones, the Greek cuisine or the gardener's skill. The sum total of such a one time remittance might not be impressive but in a cash starving Albanian economy they are most welcomed. It is estimated that in case of a return of 4 000 families with an average of 15 000€ savings each Albanian economy will have some 60 million Euros of investments, most evenly distributed not just poured in one road construction, hydropower project or waste depositing or processing scheme. Such small investments create a lot of jobs, a lot of small incomes, and a spur in the consumption of first necessity goods resulting in a healthier retail sector. Most of those wanting to return own a house or a flat in Albania staying empty most of the time without generating income at all. Round 20% of those migrants willing to return own a flat in Greece. They are willing to rent their flats, most of them at least sparsely furnished, thus generating an income and a continued source of remittance. They think the rent money of their flats in most of the cases will come close to the remittances they managed to send to their beloved ones in Albania after they felt the pressure of the Greek crises.

The cost of transferring money from Greece to Albania has fallen due to several factors. Generally the remittances are

small ones and can be transferred in cash by courier i.e. a relative, a friend et. Returning home. The banks and other agents like Money-gram and Western Union competing with one for the transference fees of these remittances have caused a lowering of such fees. The branches of Greek banks in Albania have the remittance transfers one of their principal sources of income, that's why they keep their service fees low and the time of transfer short.

III. Remittances trend in the last five years and related conclusions

Normally the global crises has affected the remittances of Albanian migrant workers. There is a downward trend of such remittances the last five years, changing their ratio to exports and FDI. According to the report of The Albanian National Bank there is a sharp fall of remittances lately. Anyway such a drastic shrunk of remittances has not resulted in a drastic worsening of trade balance. Naturally one raises the question: Where did come from the money to make up for the lost remittances?The money derived from two sources:

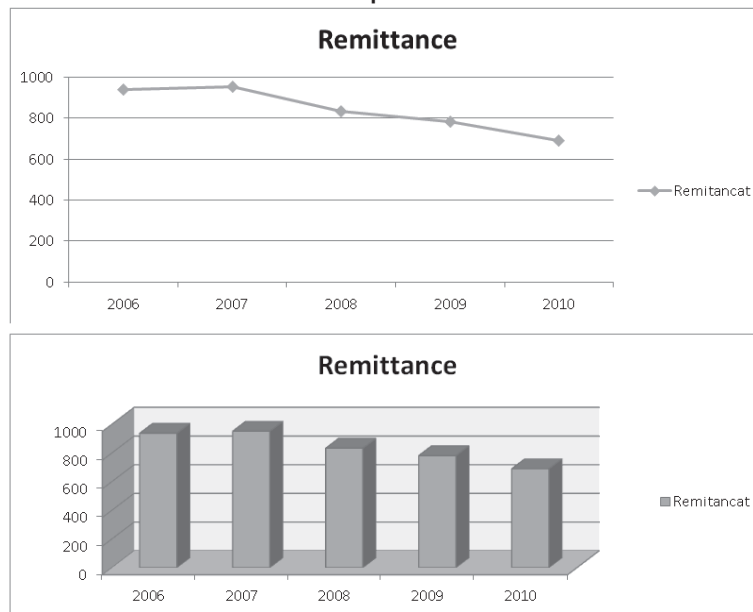
1- An increase in exports due to a change in the prices of certain typical Albanian export goods on world market such as chromium ore and steel and pig iron. The specially wet winter 2010-2011 boosted Albanian exports of renewable energy produced by hydropower stations

2-Increased FDI. Such an increase was not a result of a few big foreign strategic investors but of hundreds and hundreds of small investor, who are simply ex Albanian migrants coming home for because of the crises making their migration not worthwhile anymore. Their small life savings brought home serve to make investments generally of self employment. Such investments are materialized generally in the service sector, though not necessarily only there. Such micro FDI remind us of the tiny drops of rain quite insignificant one by one but when joining together they become a flood. Anyway this cash injection in the Albanian economy unlike the remittances of our migrant workers is a one time job not a continuing process. The beneficiary effects of this cash injection happens and does not repeat itself.

Table 1

Year	2006	2007	2008	2009	2010
Remittance	937,2	951,7	833,3	781,3	689,8

Graphics 4



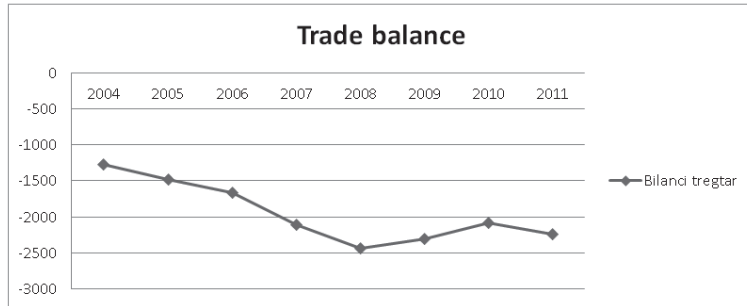
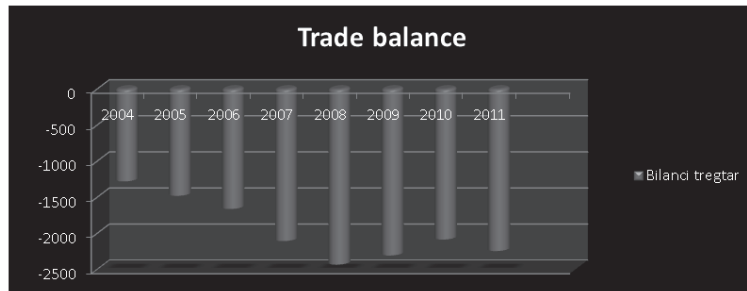
Source : Banka e Shqipërise ,Annual Report of the National Bank of Albania, 2012

Judging by the above figures lately the remittances are continuously shrinking compared to a few years ago. The remittance balance had a 91.5 millionEuros deficit in 2011 according to the data made public in the report of The National Bank of Albania. This account shows a downward trend for some four years. In 2010 it registers a fall of 12%compared to 2009, and a 29% fall compared to 2006, serving as an illustration to aforementioned conclusion. The fall in remittances being on of the components of the trade balance has affected it as well. Thus the trade balance witnessed a 159 million Euro deficit in 2011 compared to 2010 i.e. a 7,6 %difference, but quite considerable compared to 2004 that is a 75%.

Table 2

Year	2004	2005	2006	2007	2008	2009	2010	2011
Trade balance	-1277	-1477	-1659	-2104	-2431	-2304	-2083	-2242

Graphics 5



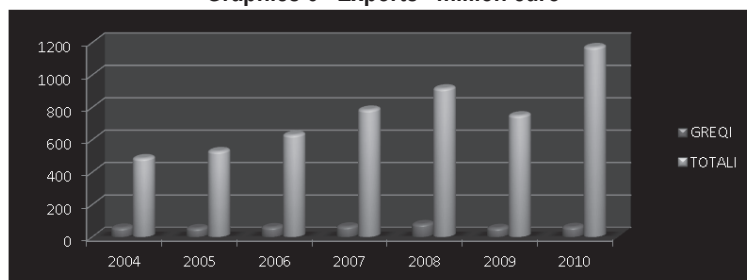
Source: Banka e Shqipërise, Agregate » STATISTIKA TE SEKTORIT TE JASHEM » BILANCI I PAGESAVE, Bilanci i pagesave euro, 2012

THE REPORT OF The National Bank of Albania shows an increase in exports. There is a fall in 2009 compared to 2008 but the general trend is upwards. The increase is present in exports in general as well as exports to Greece. There is 56% increase of exports in total and a 11% increase in 2010 compared to 2009 only for the exports towards Greece. These figures clearly show the upward trend of exports Compared to 2004 we have a 141% increase in total and only a 7% increase towards Greece generally due to internal economic problems of Greece. The trend for the period 2004 to 2010 is an upwonds one with 107% in total and only 16 % towards Greece.

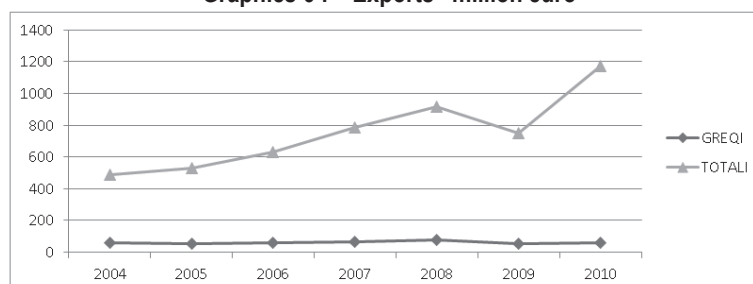
Table 3 Exports million euro

Year	2004	2005	2006	2007	2008	2009	2010
GREEK	58	55	61	65	80	56	62
TOTAL	486	530	631	786	917	751	1172

Graphics 6 Exports million euro



Graphics 6 : Exports million euro



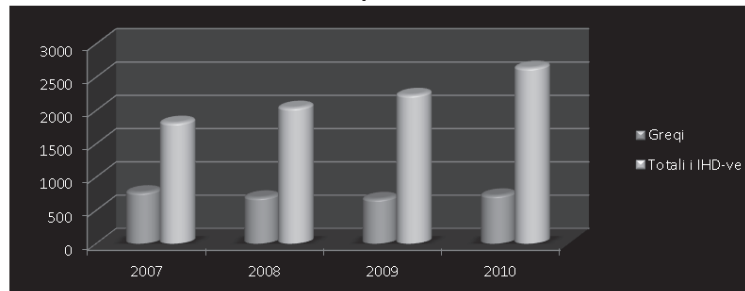
Source: Banka e Shqipërise, Agregate » STATISTIKA TE SEKTORIT TE JASHEM » TREGTIA E JASHTME, Eksporti sipas shteteve EURO, 2012

Let us have a quick look at FDI comparing them to the remittances. The total sum of FDI in 2010 was 2,6 billion Euros or some 18% higher compared to a year ago. Regarding Greece we have 724 million Euro or 7.9% higher than a year ago. In general, in a cumulative sense FDI resulted 40% higher in total in 2007-2010 or round 45% higher than 2007. Regarding Greece the FDI shows a downward trend in cumulative sense that is 5,4% lower in the period 2007-2010 or 6% lower than 2007. Understandably such a fall is a reflection of the deep economic crises engulfing Greece.

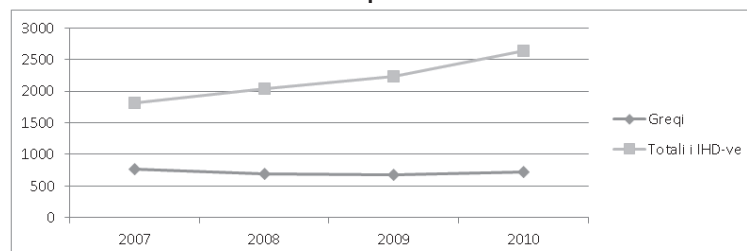
Table 4 : Foreign direct investment (FDI) million euro

Year	2007	2008	2009	2010
Greek	771	694	671	724
Total IHD-ve	1815	2040	2233	2640

Graphics 7



Graphics 7



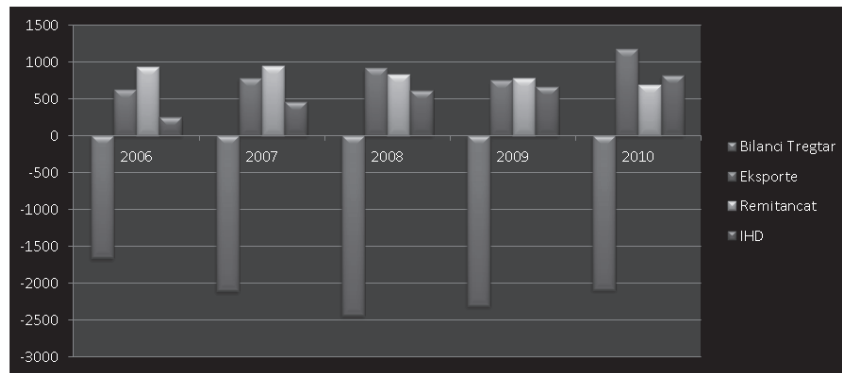
Source: Banka e Shqipërise, **Agregate » STATISTIKA TE SEKTORIT TE JASHEM » POZICIONI I INVESTIMEVE NDERKOMBETARE, Investimet e huaja direkte në Shqipëri sipas shteteve, 2012**

Let us try to have a comparative analyses of revenue, remittances , FDI and exports and their influence on the trade balance. Table number 5 the graphics number 9 show the trend of the above factors in the period 2006-2010. The correlation among remittances, FDI and exports is well illustrated there. Up to 2006-2007 the remittances were the top contributor to the trade balance thus in 2006 they were 48% higher than exports and 2.7% higher than FDI, in 2007 21% higher than exports and 1% higher than FDI. In coming years the remittances not only shrink but also their specific weight compared to the other two factors falls.

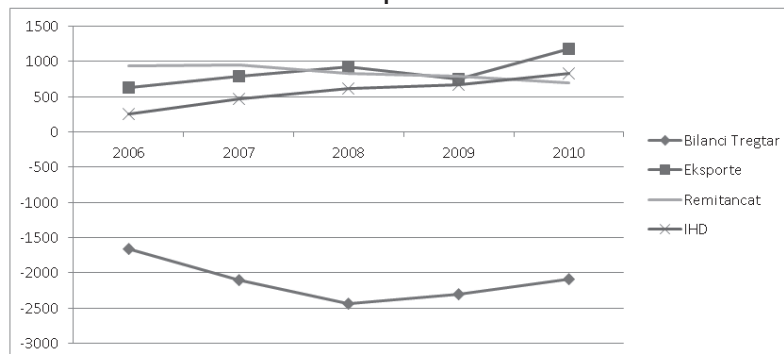
Thus in 2010 the remittance revenue is some 41% lower than revenue from exports due to the migrant workers especially in Greece sending less and less money home, some of them returning in Albania for good. The same holds water for FDI. The revenue from remittances was 0.2% lower than FDI in 2010. Only one year ago the revenue from remittances was higher than FDI.

Year	Trade balance	Exports	Remittance	FDI
2006	-1659	630,7	937,2	250,3
2007	-2104	786,3	951,7	463,7
2008	-2431,5	917,5	833,3	609,8
2009	-2303,7	750,7	781,3	668,2
2010	-2082,7	1171,5	689,8	822,6

Graphics 8



Graphics 8



Source: Banka e Shqipërisë, Agregate » STATISTIKA TE SEKTORIT TE JASHEM » BILANCI I PAGESAVE, Llogaria financiare euro, 2012

Conclusions

- The previous unknown phenomenon of migration brought a blessed revenue in the form of remittances. They keep increasing for more than ten years in succession from 1991-2002. They are extremely important to the Albanian economy as they bring to Albanian economy more hard currency than FDI and foreign economic aid put together. The remittances are also greater than Albanian exports for each year of this period. Thus they are essential to the macroeconomic stability of the Albanian economy.
- The global economic crises played havoc with remittances to the Western Balkans countries. Albania was one of the worst hit countries because a large part of its remittances originated from Albanian migrant workers in Greece. They suffer heavily under the burden of Greek economic crises. They face unemployment in different forms. They may lose their jobs, work less working hours per day or days per week, or they may lose their main job but retain their second job. They may be forced to accept lower wages or even jobs without social benefits tickets. Thus they are forced to modify their way of living by even stopping or lowering the remittance money sent home.

- Some of them are planning or have already decided to return home, replacing the remittance money with life savings transformed into a sui generis FDI i.e. investing their money to self employment in Albania.
- The present trend of the remittances in Albania is uphill up to 2007 and then downward trend up to nowadays. The investments of the life savings of the migrants returning home for good is a temporary phenomenon. The increase in exports due to temporary causes such as rainy weather for the export of renewable energy, or favorable prices on the international market for chief Albanian export goods such as mineral ores.

Recommendations

We **STRONGLY RECOMMEND** that the

- ❖ Albanian economy should find a new ways and means to make up for lost remittance money. Borrowing recklessly, or reducing consumptions and imports are not a way out.
 - ❖ Increasing and diversifying exports aiming at an export orientated economy model of development
 - ❖ Luring more tourists especially elite ones
 - ❖ Changing the backward Albanian agriculture into a source of revenue and hard currency through exports
- Might be some of the way outs from the problematic situation of ever shrinking remittance money.

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