

Remittances Still Vital for the Albanian Households

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This policy brief discusses how remittances affect the vulnerability status of recipient households in Albania. Both quantitative and qualitative analysis provide strong evidence that supports the role of remittances in reducing vulnerability in Albania across all its dimensions.



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In 2014, the Regional Research Promotion Programme started its consolidation phase of fostering and promoting social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) and selected 21 regional research projects embedded in such thematic areas as Migration, Governance/Decentralisation and Welfare State/Social Disparities. This Policy Brief summarizes the main features and outcomes of one of the projects supported under the RRPP initiative (2014-2016).

Problem – rationale for action

Over the last two decades, Albania has made remarkable progress in reducing poverty. In effect, as the Albanian Living Standard Measurement Survey (ALSMS) have shown, the poverty incidence halved from 25.4 to 12.4 percent of the population between 2002 and 2008. Remittances have been an important source of income in explaining this poverty reduction. Deemed as a kind of income protection for the Albanian receiving households, their role in ensuring the survival of many households is unquestionable. Starting from a baseline value of 150 million \$ in the early nineties (or 22 percent of GDP) they

reached their peak at 952 million \$ in 2007 (or 12% of GDP). Nevertheless, they started to decline in 2008 mainly because of the global economic and financial crisis in the main receiving countries (Italy and Greece) as well as the intensification of family reunification or creation of new families among Albanian migrants. Such as decline in remittances as well as a clear slow-down of economic growth seem to have reversed the trend of overall poverty in Albania and brought it to a level of 14.3 percent in 2012 according to the last estimates made on the latest wave of household survey results (LSMS,

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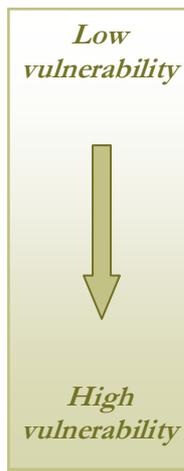
Quantitative Analysis

Vulnerability index is constructed based on the following facets:

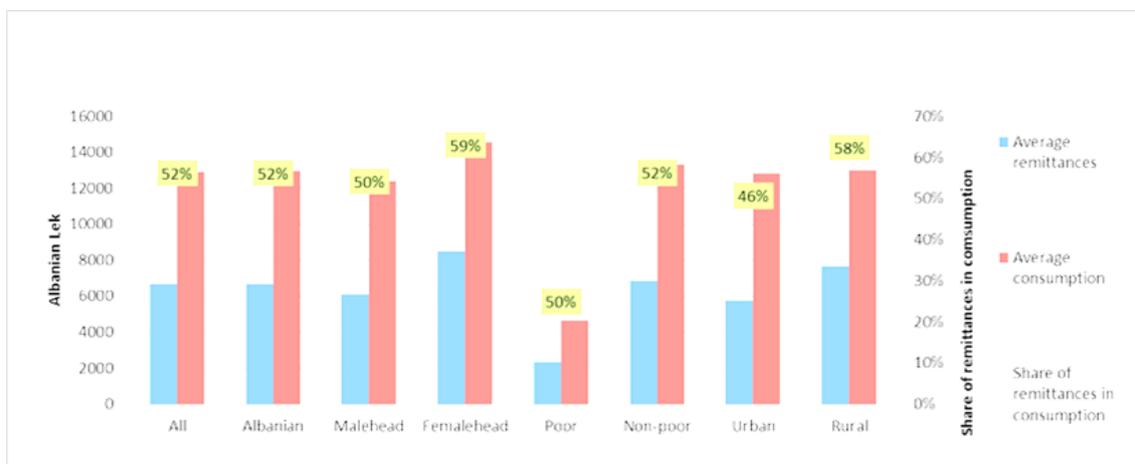
1. Income poverty, as the most direct measure of the well-being and the only direct income-based vulnerability indicator;
2. Unemployed couple is identified for both spouses who report not to work for different reasons, excluding those who do not work for the reason of being in old-age retirement, study, disability or military status;
3. Single (lone) parents;
4. Households with bad health conditions;
5. Households with bad housing conditions;
6. Households who are undernourished;
7. Households with endangered health condition of members;
8. Households without availability of different forms of leisure.

The distribution of the vulnerability index using the ALSMS sample suggests that 32% of the households do not experience any of the vulnerability facets. Similarly, 32% of the sample results to experience only one of the facets of vulnerability, 20% at least two, 8% report at least 3 while the rest that confirms to experience more than 3 facets of vulnerability are less than 6%.

Vulnerability index	Frequency (%)
1	32.26
2	20.31
3	8.33
4	4.86
5	1.66
6	0.38
7	0.02



Further statistics about remittances and their share in total consumption is presented in the following figure, with the amount of remittances placed in the left vertical axis and the share of remittances in the right vertical axis. In overall, the average amount of remittances on monthly basis is above 6000 Lek (approximately 42 Euros per month) amounting to 72.000 Lek per year (approx. 515 Euros). Disaggregated further by gendered head of household, Figure below shows that the average consumption and the average monthly amount of remittances is higher among female-headed households compared to male-headed ones and as expected, the share of remittances to consumption is relatively higher for female-headed households than male-headed households, 59% versus 50%.



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Vulnerability patterns in Albania

Facets of vulnerability	Indicators	Receiving households	Non Receiving Households
Poverty	Poverty in relative terms	8.26	25.07
At risk of poverty	Households with both unemployed spouses with at least one child	6.24	19.01
Housing status	Private apartment/house	97.8	93.19
	Rented apartment/house	1.65	3.86
	Other	0.55	2.95
	Bad housing condition	2.75	7.78
Nourishment and clothing	Undernourishment	5.14	15.84
	Bad clothing condition	20.55	32.2
Health	Bad health condition	7.71	5.59
Leisure	Bad Leisure	42.2	36.17

Table of vulnerability patterns in Albania suggests that households who receive remittances are better off than the others for most of the vulnerability indicators.

⇒ First, in terms of relative poverty, remittance-receiving households are found to be three times less poor than the others.

⇒ Similarly, receiver households are more likely to own apartments than to rent them compared to non receivers. Besides, receiver households are significantly less exposed to vulnerability with respect to housing conditions (three times less than in the case of non-receivers, or 2.75% vs 7.78%).

⇒ Bad clothing conditions and undernourishment are relatively higher among non receivers, whereas bad health conditions and bad leisure conditions tend to be higher among receiver households.

Quantitative Research Findings

All estimation results support the important role of remittances in reducing vulnerability in Albania. Remittance-receiving households are 10% more likely, on average, to report zero-vulnerability compared to others, i.e. that none of the vulnerability conditions prevailed. The effect of remittances gets lower and vanishes, respectively, for higher levels and for the highest level of non-income vulnerability. Such findings indicate that not only remittances affect poverty by smoothing every-day consumption, but their positive effect is extended also towards other non-income facets of vulnerability, such as health, housing and leisure. These results were confirmed for different measures of remittances, different weighting of the vulnerability index and for different compositions of the consumption underlying poverty.

Qualitative research



The qualitative data were collected through 20 interviews conducted with family members from remittance-receiving households. These interviews were conducted with the purpose of providing a detailed view about:

1. The causes and reasons of migration considering the relationship between origin families and migrants
2. The importance of remittances on the improvement of socio-economic situation of the families left behind by considering several aspects such as living conditions, nutrition, clothing, education, health.

The interviewees unanimously and decidedly affirmed that *migration is the only way of survival*. One of

them says: *“They migrated because it’s a hard time. They had no job here, my salary wasn’t sufficient to cover their needs. I couldn’t do more.”*

Improving living conditions, having newly built houses or maintaining the existing one by earnings from/in migration is one of the most significant elements indicating the impact of migration in improving the quality of life. *“He cared for all. He has covered all the expenses of sisters’ weddings; took care of all the expenses of the house, until he got married. Even now he continues to send money, but not like before”*

Another important aspect emerging from the analysis of interviews was the concern about **health related needs** and allocation of remittances for

health care expenses. Quite a number of migrants send medicines to their parents that they believe to be of better quality. *“Well, I spent more than 50 Euros for medicines. If he will not send the money, he will send the medicines”*.

An important aspect of the use of remittances is the food. Having higher financial possibilities leads to the enhancement of the quantity and quality of food. The level of income allocated to food expenses, depends not only on the monthly level of household income but also on the amount of money brought by migrants. A clear example of the impact of remittances on food expenditures is given by an interviewee: *“In my family of origin we are 10 members, but what we spend in a month, in my husband’s family is spent in a week”*

POLICY BRIEF 4

All the interviewees admitted to have experienced difficult situations in the last five years. Nevertheless, while the reasons behind these difficulties were different, they were all faced in the same way, through remittances. The main life difficulties faced by the interviewees in the last five years were: health problems, job loss, business bankrupt and death.

First, almost all the interviewees acknowledged that remittances underwent a decreasing trend in the last decade. The main explanations on this trend were: economic crisis especially in Greece, family reunifications or creation of new families in migration, migrants' children have grown up and have more demanding needs. We present a detailed analysis of such results.

“Migration is getting difficult and remittances we receive are not at a satisfactory level ... they (migrants) face more expenses, paying for car insurance, other documents etc. “

A perfect resume of all the opinions exposed was made by a man who, through teardrops, said:

“I think that to intertwine all these ideas is really good. Because in any angle of the world, there are people who seek a better living out of their home countries, but not with this flux as in Albania. I think that migration has not had brought good consequences to the country because should all stayed here, a better development would have been possible for Albania. Because if we are so productive workers in other countries, why we don't invest all these capacities in our country? Even though half of my family lives abroad, I both see the positive and the negative sides of migration”

They work, actually did work because nowadays even there the economy is going down, they worked, earned better than here but I have suffered a lot their departure because I was left alone with my parents. That's what divides the families and results to fewer possibilities of contacts. I couldn't often meet my sister and my brother who are abroad, it happened only once or twice in two years, and that's really sad, I have suffered a lot they haven't been present in my life. I would have liked to have them here as a whole family but we grew up as a family whose members were absent.”

Policy lessons

Several policy lessons could be drawn from the conducted analysis:

- Remittances in Albania play a large social role for the receiving households, softening the incidence of poverty and vulnerability. Their sudden stop may have detrimental and long-lasting negative effects onto receivers and their families;
- The central and local government – e.g. Centers for social work – should work with receiving households to develop coping strategies in case remittances cease contributing to household budget. One advice could be enabling receiving households to engage in a socially-useful work, hence earning and slowly activating onto the labor market;
- Another advice could be motivating receiving households to consider applying for self-employment grants/loans from the Government, hence erecting a microenterprise, with the remitted and government funds, so as to ensure self-sustainability over the long haul.

One of the main findings of the study is that receiver households in rural areas benefit a lot from remittances and this is the primary resource of survival. However a value added in their lives would be if the utilization of remittances moves away from being a passive supporter—by smoothing consumption—and turning into an active supporter—assisting not only getting out of poverty, but improving their future by investing in activities which can offer permanent and stable earnings.

In this context a policy advice for the local government and authorities is to introduce programs and alternative funds which could contribute to invest remittances in agricultural activities which appear to be rentable and in demand or are particular for the region.



Albanian Centre
for Socio-Economic Research

This policy brief is a result of the project “Migration as social protection: Analysis of Macedonian, Albanian and Serbian remittance-receiving households”. The objective of the project is to investigate if remittances sent to these three countries serve as informal social protection for the household members left behind, and to advise policy-makers for framing remittances into the social security system. This document is supported by the Regional Research Promotion Program and the University of Fribourg and the Policy Bridging Initiative of the International Centre for Policy Advocacy (ICPA) – Budapest.

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