INTERNAL MIGRATION OF LABOR AS A REGULATORY MECHANISM IN THE AREA OF A SINGLE CURRENCY. THE EUROZONE AND ALBANIA

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Abstract: The purpose of this paper is to provide the impact of mobility labour market in social and economic aspects. Labor market flexibility is defined in different ways by different authors. Some define flexibility as the speed at which the labor market can act as a regulatory agent in response to an economic shock. Others identify flexible labor market as a mechanism that helps in establishing a stable equilibrium, with a low degree of structural unemployment. Increasing labor market flexibility also occurs through the distribution of the labor force, between employers, countries or different tasks. This can be achieved through the promotion of geographical mobility of labor across regions and across borders. This article makes clear how the geographical mobility of labor is a regulation mechanism in the economy, which helps him adjust to economic shocks.

Keywords: labor market, migration, European integration

INTRODUCTION

The last development of the theory of OCA, said that the relative wage flexibility and capital mobility economies offer alternative ways for economy to adapt with economic shocks. Most importantly, if these mechanisms are strong enough, then a currency area may be able to respond
effectively to asymmetric shocks even if geographical mobility of labor is lower. The combination of high capital mobility and wage flexibility encourage capital to derive toward regions with high unemployment. Low geographical mobility in the EU may not be a big obligation, so it is sometimes perceived. However, it remains particularly important if other mechanisms regulating regional disparities are weak. Some reasons put forward to the low level of geographical mobility throughout the EU and the decline of migration rates in recent decades.

These includes:

1. The general increased unemployment all over Europe since 1970, has a little incentive to move to a region of unemployment "lower" if opportunities are still limited [Pissarides and McMaster, 1990].
2. Narrowing of income per head across the EU: the gap between wages or income has been narrowed between EU member states, it has decreased incentives to migrate.
3. Structural factors: this includes the role of the housing market regulations and transactions costs, high use of fixed-term contracts, which carry a decrease in job security and in this way discourage labor mobility.
4. Cultural factors, such as language barriers and family networks. This article lists a number of reasons which explain the low level of geographical mobility throughout the EU - and the lower migration rates during last decades. Also it will be given a picture of the mobility of the labor force in Albania in relation to past and current trends of motion.

FREE MOVEMENT OF LABOR FORCE

Geographical mobility of labor is an regulation mechanism in the economy, which helps it to adapt with economic shocks. Geographical mobility also has an impact in socially aspect, it may strengthen or undermine family and social networks.

Labour mobility is important to help people who can find work when they need it. If we can compare the mobility between EU countries and the US states we can see that mobility is weaker in Europe than in the US. Also has contrasts of the geographical mobility in the euro area with the UK and US [HM of Treasure 2002a]. This could constitute as a big obstacle for general flexibility of the labor market in Monetary Union, only when other characteristics of labor market flexibility are stronger. A study of the United States treasure shows the way that the geographical mobility of labor power was an important mechanism for economic regulation in the US. So after a shock to the US economy, migration has been the main mechanism by which the employment rate was returned to its original level.

Other authors noted that the labor movement for all European countries may remain lower than the volatility of the US labor. As long as labor mobility will be
the main source of economic regulation shocks in the European area, shocks will be bigger and longer because of the regulatory effect mobility of the labor market is not very effective.

Adjustments of shocks effect of relative unemployment in Europe will have more time in the space of the common European currency. This can turn into a process of painful and Macroeconomic costs that come from low geographical mobility have moved representatives of EU member states to develop the suitable and easily policies to increase geographical mobility of labor in the single currency area. But for some, low geographical mobility in the EU can not be a significant absence, as previously perceived. However, geographical mobility is preferable because it opens up new opportunities for work and training. Geographical mobility in the existing monetary unions should be high, so that monetary unions of work may be more successful. On the contrary, lower mobility rates in the euro area will raise some concerns about its sustainability as a single currency area.

In his original work, Mundell has analyzed the response to the riots economies in terms of fixed exchange regimes rate. In his original work, Mundell has analyzed the response to the riots economies in terms of fixed exchange regimes rate. His analysis assumes that nominal wages and prices were slow to fix the economy if the relative wage flexibility was limited. According to that case in a fixed exchange regime, the mobility factor, including geographical mobility of labor must be provided an adjustment mechanism after a regional stroke asymmetrical. In particular, geographical mobility will impose the unemployed to move from a depressed area into a bloom restore balance.

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The combination of high capital mobility and wage flexibility encourage capital to derive toward regions with high unemployment. Low geographical mobility in the EU may not be a big obligation, so it is sometimes perceived. However, it remains particularly important if other mechanisms regulating regional disparities are weak. Some reasons put forward to the low level of geographical mobility throughout the EU and the decline of migration rates in recent decades.

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2. Narrowing of income per head across the EU: the gap between wages or income has been narrowed between EU member states, it has decreased incentives to migrate;
3. Structural factors: this includes the role of the housing market regulations and transactions costs, high use of fixed-term contracts, which carry a decrease in job security and in this way discourage labor mobility. [see Davies and Hallet 2001] and HM Treasury [2002a] for an overview.

4. Cultural factors, such as language barriers and family networks.

**Characteristics of the labor market mobility**

A fully flexible economy would be one in which price adjustments and then the amount will immediately answer from a stroke, in order to ensure full utilization of resources. For the labor market, perfect flexibility means that after any changes in the economic environment, labor market should be reorganized immediately to achieve an efficient use, for unemployment to remain at the level of structural unemployment.

In practice, there are costs and obstacles for an immediate adjustment, which is examined in detail in Section 4 of the institutional environment. That factors will depend from the time that require relative prices and quantities are fully reflected in the new economic environment.

This adjustment period will be these period of use that aren't optimal resource level. In the labor market, this means as an increase in unemployment. In the case of a flexible labor market, the adjustment period will be short, as a rapid movement of prices and quantities to restore the balance. But for the less flexible economy, this period of adjustment will be more extended.

This means that policies must be directed to maximize the flexibility of the labor market. However, the arguments go across the labor market, recognizing the flexibility of capital and product market.

A higher degree of flexibility in the labor market means a faster adjustment to economic shocks. So the economy must spend a shorter period to reach a balance, or eliminate the output gap, the actual production should remain closer to that potential. Therefore it is much needed a better flexibility of the labor market. However, there are differences in the degree of flexibility between different regions of a union. Economic literature shows how such differences can affect the transmission mechanism of economic shocks. A stroke that primarily has a symmetrical effect throughout the Monetary Union will be transformed into an asymmetric shock, if in a region adapted much more quickly than another.

However a greater flexibility in all areas will help to ensure more effective process of adaptation including the area of a single currency. It is important that the existing euro area, must be flexible in order to realize completely the benefits of Monetary Union to achieve further progress in the fulfillment of the Lisbon plan.

General characteristics of the labor market include:

1. Geographical labor mobility, which means the ability or willingness of workers to travel, or to change the place of residence in order to find a job.
2. The flexibility of employment, which means the ability of employers to adapt work rules, relating with specific work conditions. Which involve the use of part-time work.

3. Functional flexibility, which means the ability of the labor force to perform various tasks, to receive and apply different skills, making it possible to enable performing wide range of jobs, and easily adapt to technological change.

Geographical mobility of labor was mentioned as a key mechanism in the regulation of the first versions of the theory of (OCA). Later developments of the theory of OCA's, emphasized that real wages relatively fleksibilile nominal and capital mobility can provide alternative ways for economies to adjust to economic shocks. If these mechanisms are quite strong in an area of a single currency, they may be able to efficiently respond to asymmetric shocks even if geographical mobility of labor is low.

However, a big flexibility in any dimension will give the opportunity the labor market to operate more effectively and to raise its ability to adapt with changing economic conditions.

The importance of free movement of the labor force

During the last 30 years the global economy, suffered from strokes. They have been largely symmetrical in nature and have resulted in significant increase of unemployment since the 1960’s, however, economic adjustment paths were different [Lagos 1994, Pissarides 1997, Forstater 2000]. Labour market performance is a key element for economic and social prosperity. A flexible and efficient market work, combined with the macroeconomic environment, sustainable means an economy that is really, more competitive and more productive. It also means an economy that is better able to respond to economic change. In particular, the labor market:

1. Is the key for the sustainable rates of the economic growth and contributes to the overall competitiveness and productivity.

2. There is a significant impact on the welfare of individuals and families

3. It can help in the fiscal burden, especially if it has an aging population, especially when the high employment rates are useful for the sustainability of public finances and pension systems.

If a country wants to join the European Monetary Union, it means that the national interest rate and the nominal exchange rate can not act as a mechanism of adjustment of economic shocks. This would mean that the economy in this country will have difficulties to answer shocks in the economy. It is important that the forces of the economy should be able to adapt to other tools as may be adjustments in, labor market and capital markets. "For a successful membership of a country in the monetary union is necessary to labor markets, products and services should work effectively. Losing the internal control over monetary policy and the exchange rate, as a tool to adapt with shocks, It has made a greater adjustment burden falling on the
factors of labor markets ". Economic regulation indicators in a particular country caused by an asymmetric stroke may ask for a change in the real exchange rate and relative wages between the countries to keep the adverse impact of unemployment and low level of production. For outside countries monetary union, this can be achieved through regulation of the nominal exchange rate, or by regulation of production factors and goods with an appropriate monetary policy. Without the nominal exchange rate and a single currency, it would mean a less flexible economy.

THE BARRIERS TO LABOR MOBILITY WITHIN THE EU

The experience of previous waves of EU expanding, suggest that increased cross-border of labor mobility pursuant to the moderate expansion must especially in the medium and long term. Moreover, further economic studies estimate a possible increase labor mobility in the course of EU expanding. These experiences and general forecasts coincide with the low level of geographical mobility of labor within the EU. Referring to the European Commission [April 2008]" the rate of movement of EU citizens is about half the rate of movement of citizens of the US. This study of the European Commission, for geographical mobility of labor in the European Union puts the percentage of workers from Member States of the EU who live in another member state from their country of origin at 1.5%. Temporary movement is the most frequent of labor mobility in the EU. There were several reasons that have contributed to low level generally of international labor movement in Europe, which may continue to limit the growth of labor mobility within an enlarged EU.

In economic literature, often is cited that the reason for obstructing international labor mobility in the EU are: the existence of legal and administrative barriers, the absence of familiarity with the languages and cultures of other European monetary costs of moving and accommodation, inefficient market, limits of pension right, absence of the international recognition of professional qualifications and school non-formal and absence of transparency of countries.

It’s difficult to think that all those reasons, or if not all, but at least remove some of these barriers between member states of the EU. In fact, some barriers, such as recognition of qualifications, can be too high for citizens of the EU-10 during the start of the expansion even though they may be reduced by the time [European Commission 2006)]. These barriers for this reason has the right to restrict the cross-border movement of labor within the EU. Belgium established restrictions on labor migration from the EU-8, applying its system of work permits. Denmark established restrictions on labor migration from the EU-8. Migrants can enter to that country looking for job, but they were unable to insurance benefits during this period to find a job. If they were incapable to find a job, or if they lose their job, that remove immigrants the right of a residence permit in Denmark. Germany has put constraints on labor migration from the EU-8. It has kept its existing system of work permits.
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Such as continual quotes for temporary workers in construction and agriculture as the Polish seasonal workers.

France has put constraints on labor migration from the EU-8. It has kept its existing system. Where permits are issued based on a certain number of criteria, including labor supply, salary and qualifications of the applicant. Migrants from the EU-8 have the same social insurance procedures for French citizens and can make family reunification. Different rules apply to the seasonal workers, students. Ireland opened its door to immigrants from the EU-8, puts constraints on receiving social benefits. This change in the legal status and the job market was made to ensure the same rights for all applicants for work as for those immigrants from the EU-8 that were settled in Ireland after 1 May 2004 and for those immigrants from the EU-8 who were before 1 May 2004, legally or illegally in Ireland [EIRO 2004] Migrants from the EU-8, and all other countries of the EU except the United Kingdom, don’t benefit from social assistance to Ireland for the first two years of work. The situation was different in the United UK, for citizens of EU-8 did not require special certificate until they can be employed in Ireland. Italy has put constraints on labor migration from the EU-8.

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THE MOVEMENT OF THE LABOR FORCE IN ALBANIA

The migration phenomenon is probably the most important political, social, and economic development in post-communist Albania, and has been a dominating fact of everyday life in the last decade. Many facts documented since 1990 around a fifth of the total population has left the country to live abroad. Also Albania has experienced of a big-scale migration from rural to urban areas. Migration from rural to urban or international in Italy or Greece, is the most common strategy of face living in the country, and it serves as an important valve to avoid unemployment and other economic difficulties resulting from the transition to market economy. Official
estimates of remittances are the biggest source of foreign exchange, greater than combined value of exports and foreign direct investment, constituting 14% of GDP [IMF 2002].

The rural areas of migration is seen as a potential solution of poverty problem in rural areas of Albania. Illegal migration is also a source of tension between Albania, the European Union and its neighbors. Migration from Remittances results, as a necessary ingredient in the recipe for development of Albania. Ultimately, improvements in Albanian economy, in rural areas in particular, will serve as a major factor in the stabilization of migration flows and reducing the Albanians trends to migrate. This positive fact for the movement of workforce serve as a support element for our country if he would join the Eurozone.

The past and current trends in the workforce movement

Albania has a long history of immigration extending back by centuries. The earliest movements were Albanian immigrants in Italy in the year 1448, the soldiers who were given to the king of Naples from military commander Skanderbeg, the Alliance of Albanian nobles and Albania's national hero.

The death of Skanderbeg in 1468 until the early years of the 16th century, nearly a quarter of the Albanian population left their homes as a result of the Ottoman conquest. Many of these arbereshes (Arberesh this term is used to determine the descendants of emigrants to the 15-16 century and the language they speak), who immigrated to Italy at several cities in the southern regions, where ethnic Albanian communities are still present today [Barjaba al 1992, Piperno 2002].

Throughout the 19th and 20th century have migrated a number of Albanians for political and economic reasons. This migration was mainly directed towards destinations of two countries, near and far, including Serbia, Romania, Bulgaria, Egypt, United States, Argentina and Australia. During the communist period (1944-1990) migration waves were stopped even in virtual manure. The emigration was officially forbidden and harshly punished. The latest wave of migration began in 1990 and is still developing. The initial spark was the fall of the communist regime. In this time, stopped controls on internal and external migration, and the breaking of centralized economy and planned to market economies issued a demographic change at an unprecedented pace, many individuals and families all started migrating to cities or they decided to leave the country. The initial political instability, social unrest and economic fall led to increase of Albanian migration in recent times, with about 300,000 individuals who leave the country from March, 1991-1992, mainly at Greece and Italy [Piperno, 2002, Pastore , 1998. The stabilization of the political and economic situation after 1992 reduced migratory flows, which however remained significant. Inflation fell to less than 10 percent in 1995 from a high of 226 percent in 1992, unemployment fell from 28 percent to 12 percent, annual real GDP growth went from -7.2 percent about 9 percent from 1993 to 1996.

Remittances became a key component of the Albanian economy, with rapid private transfers and represents an increase of GDP over the period 1995-1999 in
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terms of official shipments as part of GDP, Albania was the receiver of the sixth largest in the world. In terms of remittances per head, Albania ranks 14th [Gammeltoft 2002]. Demolition of national pyramid schemes at end of 1996 this caused another increase in international migration. Pyramid schemes had their origins in a poor credit system of formal and informal market fed at part large remittances. Over 2 million deposits were made at these schemes, which represent more than half of GDP in 1996, as people who have sold their homes, livestock and other assets in order to invest in the promise to get a return on 40 percent each months at investments. The fall began on Nov. 19, 1996, and took four months, causing unrest in which 2,000 people were killed. The country fell into anarchy, control of the military and police lost control. Tens thousands of Albanians left the country, starting from Vlora region where the first riots broke out, and then spread across the country in March 1997. Many of these immigrants were repatriated, and a multinational force led by Italy helped restore order to prevent a mass exodus [Pastore 1998]. Across the traumatic political and social impact of this crisis, the economic consequences were relatively short-lived. Inflation increased and GDP fell to 7 percent in 1997, from 1998 to 2002 the economy recovers.

The return of political stability and economic growth helped in stopping and stabilized the migratory flow. Official estimates count, at the end of 2001, Albanians constituted 10.5 percent (144,120) of 1,360,000 immigrants with a residence permit at Italy, making Albania the second source of migrants from a single country. Family reunion permits, estimated at 26 percent of all residence permits, and the Albanians were the largest group at this category. From the 232,816 permits issued in 2001, 27,949 (about 12 percent) continued to be Albanians. The number of Albanians at Greece appears to be much higher. Two large legalization programs at 1998 and 2001 led to a total of 720,000 applications, of which the Albanians represent about 60 percent, or 430,000.

Considering that 720,000 immigrants have applied for legal residential permission until in the end of 2001, 585,000 of them, had work permits, so combining estimates for the two countries, from 2001 the number of Albanians who live legally at Greece and Italy was about 570,000, or about one-fifth of present day.

Modern Albanian migration

In the transition period, since 1990, from the totalitarian regime to democracy, Albania has experienced a migratory trend with many turns and changes. However, at this summary we need to face some major problems that deserve special look: "brain drain", smuggling and human trafficking, remittances, return with desire of Albanian emigrants abroad, the movements legitimate and unauthorized for economic reasons. The data on Albanian migrants abroad cannot be found easily despite being continuously mentioned on news as one the Eastern European countries with the largest number of migrants [GIZ 2012]. The main reason for this is that most of this migration has been illegal and therefore not properly recorded. Until late 1990s, the data is either scarce or missing.
Table 1. Albanian migrants one the Eastern European countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
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<tbody>
<tr>
<td>Italy</td>
<td>502,546</td>
</tr>
<tr>
<td>Greece</td>
<td>410,441</td>
</tr>
<tr>
<td>Germany</td>
<td>14,106</td>
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<tr>
<td>Belgium</td>
<td>4,932</td>
</tr>
<tr>
<td>Spain</td>
<td>1,910</td>
</tr>
<tr>
<td>Austria</td>
<td>1,840</td>
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<tr>
<td>Switzerland</td>
<td>1,196</td>
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<tr>
<td>Sweden</td>
<td>931</td>
</tr>
<tr>
<td>Netherlands</td>
<td>571</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>539</td>
</tr>
</tbody>
</table>

Source: own elaboration

Of course this transition period brought the economic and social consequences. So, the population is decreasing, its natural growth at 2001 was 12 / 1,000 and fertility level of 18 / 1,000, compared with 19.6 / 1000 and 25.2 / 1,000 at 1990. The ratio of the total population lives in urban centers, 36% at 1991 to 49% at 2001. This marks a high level of internal migration in rural -urban centers. Barjaba [2013] estimates about 1.4 million Albanians to be international immigrants, compared to 2.8 million living in the country. He states that most of them live in Greece (600,000-700,000), and Italy (480,000), with lower figures in US, Canada, and EU countries. The latest complete OECD [2013] data show that the largest number of Albanians in Europe lives in Italy, followed by Italy and Greece.

**Labour mobility, can call a potential element for Albania, of moving towards the Eurozone**

If real wages are rigid, the burden falls on employment asymmetric shocks. In this case, the opposite effects from asymmetric hits can be adjusted with high mobility, especially labor factor.

From the facts mentioned above and results that mobility of labor in Bangladesh is quite high, because of a large part of the population who live and work in EU countries. Since 1990, 500,000 to 600,000 Albanians have left the country and emigrated to developed countries, mainly in EU countries. This corresponds to more than 15% of the population as a whole, 26% of the working age population and 35% of the workforce.

Countries that Albanians have preferred to migrate, are mainly those that are geographically near Albania, specific economic regard, historical and cultural. Almost 80% of Albanian immigrants are placed in Greece and Italy, working in agriculture, construction, trade and the activities of firms. Others have chosen Germany, England, France, Belgium and some have migrated to the US and Canada. Most of them are already certified, which means they have easier to go at any time. Immigration has helped to mitigating the consequences of transition and declines at
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real wages. It has also helped to moderate the pressure on active population and reducing the unemployment rate.

The economic impact of the movement is a big factor as money and income from seasonal work abroad form a large and sustained GDP Albania (nearly 15%). And they are nearly two times more than the amount of exports.

CONCLUSION

A perfect Labor market flexibility, means that after every change at economic environment, labor forces should be reorganized immediately to achieve an efficient use, that unemployment remains at the level of structural unemployment. A flexible and efficient market work, combined with the macroeconomic environment, sustainable means an economy that is really, more competitive and more productive.

Free movement of labor within the community should be one of tools with which the worker can ensure the possibility of improving living, working conditions and promoting his social advancement. Social policies in the EU are closely related with the labor movement inside the common market mobility of the labor market can provide an important mechanism of regulation within the European Monetary Union, where in the absence of monetary policy and exchange rate, mobility market work will be useful in promoting the ability of labor markets to regulate fluctuations in macroeconomic indicators and asymmetric shocks. Although the free movement of all EU member states is guaranteed by law, geographical mobility is still limited and can not act as an important adjustment mechanism. The degree of labor mobility in Europe appears to be too low to act as a mechanism to restore the balance of the labor market between European regions, in this way, based on arguments of different studies presented in this paper say that labor mobility is not an important regulatory mechanism of asymmetric shocks to the European economy. Migratory Movement phenomenon is probably the most important political, social, and economic development in Albania.

In the past 15 years, international permanent migration abroad, has been massive. The economic impact of the movement is a major factor as money and income from seasonal work abroad form a large and sustained GDP Albania (nearly 15%) and they are nearly twice as the amount of exports. Migration, Remittances by turns, result as a necessary ingredient in the recipe for development of Albania. This positive fact for the movement of workforce serves result as a support element for our country if will join the Eurozone.

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