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**“THE EFFECT OF IMMIGRATION ON EMPLOYMENT AND WAGES:
ITALY AS HOST COUNTRY AND ALBANIA AS HOME COUNTRY”**

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Introduction

The phenomenon of immigration has taken on a great relevance in the world, especially because of the globalization which has played an important role as it incentivizes and in some sense facilitates the transition of people abroad for many reasons: students eager to acquire specific education and training; workers or people unemployed looking for a job and better living conditions; individuals moving for family reunification; refugees asking for asylum.

It's interesting to consider that most of the countries experiencing the migration event were primarily sources of emigration and thereafter they have become attractive for immigrants. An example of this overturn is Italy, which was firstly a country of emigration, and then became a country of immigration. There are different factors that emerge causing this reversal transition of people, as, for instance, the improvement of living standards of the source countries.

The migration fluxes are going to increase over time, becoming the rule, no more the exception. And the developing countries are those above all involved in this transition. The immigrant people coming from the less advanced regions of the world are considering the migration as the mean, and not the alternative, to reach the growth and wealth of the home countries. In this way, the principal vehicle to enrich the home country is through remittances.

Additionally, entering new lands enables the individual to improve his or her own skills and abilities, as required in the competitive labour market.

It's very prominent the impact that the migrations have on both the source and the target countries. These changes affect their societies, the demographics, the economies, the policies, the labour market outcomes and any other aspect concerning the countries themselves.

One of the principal reasons for which people decide to migrate is to search for a job or improve the economic conditions that are the worst in the native county. Then, there will be reviewed the literature about the topic, in order to explicit the effect of the migration phenomenon in the labour market outcomes, focusing on the employment level and the wages that are perceived by people living in the target country. Not only, but also the home country is consequently affected by the *emptying* of the migrant people.

The literature has always been more engaged in investigating the results of this fact at host country level. For this reason, specific evaluations must be done at home country level too.

Firstly, it will be provided an economic perspective of the labour supply-demand model as it's affected by the entering of immigrants in the host country. And considering the different shocks of the labour demand and labour supply in hypothesis of short run and of long run; and

in hypothesis of perfect substitution and of complementarity between natives and immigrants of the target country. This section will be useful in better understanding thereafter the practical situations occurred in the reality.

Secondly, after introducing the economic side of the topic, these effects will be contextualized in time and space. Indeed, the principal attention will shift to the European countries' situation, with specific focus on Italy, as host country. Italy has become a target country for most individuals coming from developing states, intensifying the immigrant flux. There will be useful to exploit the data and information about the labour market outcomes, as well as the presence and the immigrants' weight on the Italian economy. There will be stressed the differences among professional sectors and among the immigrants' presence across Italian regions; the reasons for which Italy is a preferred target country and other relevant consequences.

The following part of this work requires a preliminary consideration: Italy is an appealing destination especially for people coming from under-developed countries, as Albania, Romania, Serbia, Ukraine, Poland, Morocco, China, and others. For personal choice I want to focus on Albanian as the home country, which looks at the Italy with hope for the individuals and for the Albanian society as whole. The better living and working conditions as well as the geographical proximity are the push factors of emigration.

It worth also notice the potential aspects that the return migrants could have on the home country (that is Albania) and the changes that occur at employment level as well as at wages level. And this last consideration could bring important insights about the economic growth of the source state.

Alongside this journey, there will emerge the importance and the prevalence of substitutability and complementarity effect between immigrants and native workers in the host country, with specific considerations when the contexts change, and this will be better explained in the first section of this work.

While it worth makes the same consideration also for the last sections of this work: the predominance of the perfect substitutability or of the complementarity between native workers, so the non-migrants, and return migrants in the source country, underlying the results emerged in the literature concerning the Albanian territory.

Given the Covid-19 outbreak and the delicate time periods each population of the world is living, there will not be missed to mention the effects that this pandemic has had on the labour market outcomes of natives and immigrants, in the host and home country.

Preliminary Definitions

In order to have a better comprehension of the concepts that run overall this essay, it's useful to give some preliminary definitions:

- The working age population is 15 or older (15-64), up to the retirement age. The retirement age is subject to different reforms, especially in Italy, reaching the age 67 on average.
- The employed people are those workers that must have been at a job with pay for at least one hour or worked at least 15 hours on a nonpaid job (as family business or farm) and are temporarily absent from work. Also, those without a regular contract are employees.
The employment rate is the employment-population ratio, so the fraction of population that is employed.
- The unemployed individuals are those in a temporary layoff from a job or have no job but be actively looking for work at least once in the previous 4 weeks before the interview (reference week) and are willing to start working in the next 2 weeks.
The unemployment rate is the fraction of labour force participants who are unemployed.
- Given that an unemployed is the one who is “actively looking for work” in the past 4 weeks, a person who have given up and stopped looking for a job are not counted as unemployed but as out of the labour force, then those that are inactive.
- The labour force is composed by both employed and unemployed. The most people are considered employed, regardless the number of hours of work. Then the size of labour force does not consider the *intensity* of work.
The labour force participation rate is given by the number of individuals aged 15 to 64 years old (then the working age population) who participate to the labour market divided by the totality of number of individuals with the same age.
- In a perfectly competitive labour market, the firms are wage takers, then they have no power to determine the cost of labour. The equilibrium wage and equilibrium level of employment is reached with the intersection between labour demand and labour supply.

Section I: Labour Supply – Demand

Model: an Economic Review

Labour Demand and Labour Supply Model with Immigrants

The economic theory of labour demand and labour supply model is very clear in describing the impact that the entry of foreign-born individuals could have on the host country labour market. But it may happen that the theory is not a perfect mirror of the reality. Indeed, the peculiarities of each country are important factors to reject or to confirm the general findings. In this way, the basic simplifying assumptions will be relaxed, in order to get closer to reality. Short run and long run differences will be recalled, as well as the substitutability and complementarity between the natives and migrant workers. To conclude, there will be reported interesting considerations of economist authors that relaxed some simplifications of the theoretical model.

The labour supply curve, as well as the labour demand, can be affected by some external shocks, as the immigrant influx in the country. It is worth to specify that labour market differentiated by regions is different from the labour market differentiated by industries. The former is crowded by people who compete for the same job positions, then the workers are considered as *perfect substitutes*. While the latter clearly separates the jobs, for instance a nurse cannot compete with a surgeon. Then the workers of different industries can be considered as *complements*.

To introduce the immigration, it is better to have a broader perspective of the presence of immigrants worldwide, but this topic will be better explained in the next parts of this essay.

Around 20% of population in Australia, Canada and New Zealand is born in a foreign country. The share gets lower if we consider some European countries (except Italy), as France, and US, with a share of immigrants around 8% - 12% of the populations¹, and concluding with Italy that has a share of foreign-born population between 5% and 10%. Indeed, after running a literature review, one of the main issues that is going to be reported in this essay is the Italian case as host country. Italy is interesting under this perspective because even if the share of foreigners in Italy is relatively low compared to the other countries, there dominates a misperception of their presence that leads to overestimate their heavy on the Italian population.

Considering these shares of foreign-born people, it is necessary to understand which is the effect of their presence on the labour market outcomes of natives. It depends on type of immigrants and natives present in the country. Then substitutability or complementarity occurs.

¹ Di Giovanni, J., Levchenko, A. A., & Ortega, F. (2015). A global view of cross-border migration. *Journal of the European Economic Association*, 13(1), 168-202.

Natives and Immigrants are Perfect Substitutes in the Short Run

Supposing that immigrants² and natives are equally skilled, equally productive in the same tasks and then they are competing for the same job position. In other words, they look at the same labour market. This means the immigrants and the natives are perfect substitutes and the employer would be indifferent in hiring the native or the immigrant worker.

Given that we are considering the short run, assume also that the amount of capital is fixed. In the figure 1 is graphically shown what happens to the labour demand and labour supply curves.

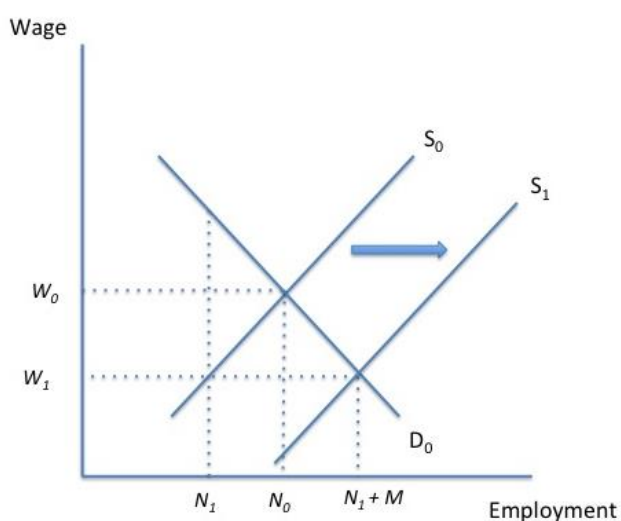


Figure 1: The short run impact of immigration when immigrants and natives are perfect substitutes.
Source: Personal elaboration.

The immigrant influx determines an increase in the labour supply that makes the labour supply curve to shift out, to the right, from S_0 to S_1 . The total level of employment increases: passing from N_0 , that was the optimal level of employment of natives before the entry of immigrants, to $N_1 + M$, that is the actual level of employment, summing the natives to the immigrant ones. The wages fall, from w_0 to w_1 . Then the movement occurs down along the labour demand curve to reach the new equilibrium point. But at a lower wage (w_1) few native workers are willing to work the same job at a lower wage rate. The consequence is that some natives drop out the labour market because they are convinced that it is not worthwhile to supply work at those conditions. The reservation wage of natives is higher than the level reached. Then the native workers pass from N_0 to N_1 . For this reason, it is erroneously thought that immigrants take job away from natives, provoking the negative effect of immigration.

² We assume that immigrants are typically the foreign-born individuals. However, the immigration concept will be better defined once introduce the Italian case. For instance, in Italy the immigrants are only those coming from extra-EU countries targeting European countries.

Natives and Immigrants are Complements in the Short Run

Suppose now that natives and immigrants are not equally skilled. To simplify, let us say that natives are more productive in some jobs, while immigrants are most well-performing in other types of jobs. In other words, they are not competing in the same labour market.

In absence of immigrants, the natives should perform both types of jobs. While in presence of foreign-born workers, natives can specialize in tasks that better suit their skills and competencies. In the figure 2 is graphically shown what happens to the labour demand and labour supply curves as the immigrants enter the labour market of natives.

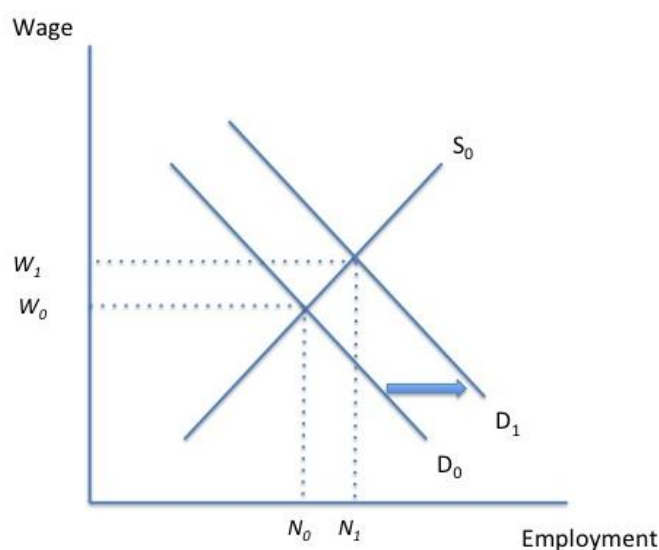


Figure 2: The short run impact of immigration when immigrants and natives are complements.
Source: Personal elaboration.

The immigrant influx determines a shift out of the labour demand curve for native workers. Indeed, the graph shows the labour market situation of the natives only. The level of employment increases: passing from N_0 , that was the optimal level of employment of natives before the entry of immigrants, to N_1 , that is the actual level of employment of natives.

The wages rise, from w_0 to w_1 . Then the movement occurs up along the labour supply curve to reach the new equilibrium point.

This change in the labour market is due to the fact that immigrants make natives more productive: as immigrants are going to be hired in the labour-intensive jobs, the natives can improve their skills so to occupy the high-skilled jobs. This means that the marginal productivity of labour of native workers increases and then employers demand for highly productive native workers.

In opposition to the negative impact of immigration in the labour market outcomes for natives when they are perfect substitutes, here the results show that the foreign-born workers increase the productivity of natives, then stressing a positive influence.

The robustness of this conclusion is confirmed by the real labour market. For instance, consider the Italian one. The portion of native workers in high-skill jobs is higher than foreigners, and data confirm this. Indeed, the immigrants employed in high-skill jobs get lower by 5 percentage points during the time period of 10 years (2007 – 2017), while more than 30% of them is hired in low-skilled jobs³. The gap between natives and foreigners in terms of skilled jobs is higher in Italy compared to the other European and OECD countries, where the share of immigrant workers in high-skilled jobs enhances. This positive trend reflects the high-demanding tasks required by the labour market.

Natives and Immigrants in the Long Run

Running the literature review, introduce now the labour market in the long run. The capital is no more a fixed input, but it can be adjusted according to the changes in the labour inputs. We are always focusing the analysis on the receiving country and, as initially, the immigrants and natives are supposed to be perfect substitutes. We saw that in the short run the wages fall. As we move to consider the long run, the employers are free to hire more workers at that lower wage level, improving the profitability of the firm and becoming more labour-intensive. Accordingly, the investment in capital will increase, then leading to a rise of the capital stock. Then, as the initial labour supply curve that shifts out, in the long run the labour demand curve shifts out too. This movement tends to attenuate the negative impact of immigration that reduces the wages in the short run. To have an economic perspective, let's introduce the Cobb-Douglas production function:

$$Y = AK^{\alpha}E^{1-\alpha}$$

Where Y is indicating the level of output, α is a parameter that assumes values between 0 and 1, A is the technology adopted, K is the capital stock, while E is the level of employment.

It is worth notice that the Cobb-Douglas production function takes the assumption of constant return to scale, in other words the capital doubles if the labour doubles. The ratio of the two inputs (K, E) is constant.

³ OECD/European Union (2018), *Settling In 2018: Indicators of Immigrant Integration*, OECD Publishing, Paris/European Union, Brussels.

Remember that the price of labour, as the price of capital, in the competitive labour market equals the marginal productivity of labour and the marginal productivity of capital respectively⁴.

As stated before, the labour demand curve shifts to the right, but it is necessary to understand to which amount it shifts. Assuming the constant return to capital, the rate of return to capital r falls back at the initial level, in other word the return to capital is fixed in the long run. Consequently, holding the constant return to scale, also the $\frac{K}{E}$ ratio is fixed in the long run, then the wages turn back at the initial level too, to be consistent with the constancy.

In the figure 3 is graphically shown what happens in the long run to the labour demand and labour supply curves as the immigrants enter the labour market of natives.

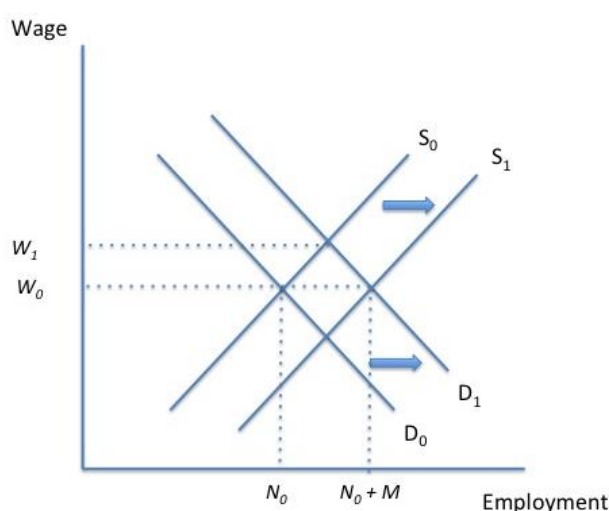


Figure 3: The long-run impact of immigration when immigrants and natives are perfect substitutes.
Source: Personal elaboration.

It is evident that the new level of employment is given by the sum of the initial level of natives employed before the immigration influx and the foreign-born workers. In other words, the employment of natives remains unchanged. The level of wage rises, after the falling in the short run, achieving the initial level of equilibrium.

Concluding, considering these assumptions, the immigration has no effect in the labour market outcomes of natives in the long run, in terms of employment and wages.

⁴ Thanks to some mathematical handlings, it's possible to end having the value of marginal product of capital, that is: $r = \alpha A \left(\frac{K}{E}\right)^{\alpha-1}$

And the value of marginal product of labour, that is: $w = (1 - \alpha)A \left(\frac{K}{E}\right)^{\alpha}$.

Some Useful Considerations

These considerations help to understand the impact that immigrants have on the labour market outcomes of natives in the receiving country.

Several authors have considered this topic relaxing the assumptions or complicating further the analysis. The findings concerning the perfect substitutability and the complementarity between foreign-born workers and natives have been analysed and it happened that some authors' conclusions contrast with others.

A lot of studies have been made in order to adjust and to reach a final consensus, but it's not really feasible to pursue it, as the considerations, the data, the assumptions made for each analysis could differ.

To provide a better comprehension of these contrasting results, it is a duty to give some examples of analyses that bring to dissimilar findings.

Some of the best known authors that have contributed in the studies of labour economics, and especially in the impact that the immigration influx could have at host country level, giving the basis for the understanding of the relevant topic, are George J. Borjas, David Card, Giovanni Peri, just to mention a few. In order to understand the possible complications that these studies could bring, there are to be considered some of their papers.

All the following studies will be useful in understanding and catching some insights also about the current labour market, especially focusing on the Italian case as target country of foreigners. There will be mentioned peculiarities of it in order to introduce already here the Italian case. A stronger focus of the country will be provided in the next sections.

In the early '90s David Card and Joseph G. Altonji focused on the effect that immigrants have on the less-skilled natives⁵, so to understand whether their entry was a good or a bad for the native individuals. This analysis was based on data of 1970s and 1980s and considering the US metropolitan areas. The analysis demonstrated that the immigrant influx enlarges the share of foreign-born labour force, resulted in an equivalent increase in the labour supply, provoking a supply curve to shift out. This happened particularly in the industries where the low skilled native workers were employed. Just to simplify the meaning, an increase of 1-point percentage in the immigrants' portion in the host country labour force is translated in an increase by 1-point percentage in the labour supply in the relevant sectors.

⁵ Altonji, J. G., & Card, D. (1991). The effects of immigration on the labor market outcomes of less-skilled natives. In *Immigration, trade, and the labor market* (pp. 201-234). University of Chicago Press.

This finding could confirm what has been stated in the general and basic results of the impact of immigrants in the level of employment and wages when they are perfect substitutes. However, the reality was more complicated, because there could occur that the less-skilled natives were very few in the job positions targeted by immigrants. Also, the exit of native workers from these industries was compensated by the on-going influx of immigrants there.

Nevertheless, it is worth noting that immigrants could increase both skilled and unskilled labour force of the host country. Basically, given that our essay is going to explicit the relevant topic especially considering the foreign born individuals coming from developing countries rather than the developed ones, it's assumed that those of the first group are in general characterized by a low level of education (or by a low educational attainment), while those coming from well-developed countries are communized by a greater educational distribution.

Indeed, jumping to the present situation and extending these considerations to the Italian country, some official data confirm the presence of different types of immigrants on specific sectors, as the building sector and industry sector. Also, the intensity of the occupational rates is higher for immigrants than for natives⁶. The difference by occupational sector is quite evident: highly qualified professions are counting very few immigrant workers, while the low-skilled job positions are mostly occupied by immigrants. This could define a sort of *segregation workforce*: the foreigners are basically employed in specific sectors, while natives in others. The wage rate also plays a crucial role in defining this result: the immigrants hired in the relevant professional sectors are paid at low wage rates. Indeed, the natives are likely to accept at least a higher reservation wage. On the other side, foreigners are willing to accept the minimum, because they are firstly moved by the necessity of find a source of earnings.

Anyway, some complications in the estimation of the foreigners' presence in the host country could be due to the foreigners' acquisition of Italian citizenship that categorizes the workers as Italian instead of immigrants.

It is worth to remind that there could be some situations where some findings contrast others because of different reasons. The variables, the periods of consideration, the censuses observed, and many other factors, if changed, can overturn the results of the others. Then the limitation of each study could imply different conclusions.

Considering this peculiarity, let us start again from the initial model: the labour demand curve is a downward sloping curve, it defines the negative relationship between wages and

⁶ Rapporto annuale 2019. La situation del Paese. ISTAT Istituto Nazionale di Statistica.

employment. The increase of labour force as immigrants enter the labour market determines a labour supply curve to shift outward and it must lower the wages of natives.

Some analyses support the negative impact of immigration on wages of natives, indeed the studies run concluded that immigrants lower the wages of natives by 3-4%⁷.

This theory can be dismantled: the effects depend on other factors, as the characteristics of workers, for instance their degree of education. The impact of immigrants on native workers' wages could be very small⁸.

The different conclusions depend on the different assumptions: the supporter of the negative impact of immigration assumed to hold capital fixed, for instance, while the supporter of little, if any, impact of immigration on natives' labour market outcomes assumed the long run adjustment of inputs.

An important characteristic that must be always taken into account is the educational attainment. It is used as a yardstick of human capital that the individual accumulates throughout the lifecycle during the school and academic years, and training at job. Sometimes, it is associated with the skill level and the productivity of individuals. Nevertheless, the years of education not necessarily provide a good mirror of the abilities of workers. Just think about two individuals that attend the same years of school: the one attends a high-quality school, while the other one completes a low-quality school.

Then the education of individuals, both foreign-born and native ones, plays a crucial role in determining the implications. Consequently, it is possible to pool workers in two groups, the high-skilled and low-skilled. The imperfect substitutability could occur between natives and foreigners that have the same age and education levels. Then workers could differ because of their abilities, rather than the years of schooling.

For some job positions, the main differential factor is the English language knowledge (Peri and Sparber, 2009). In other words, when immigrants lack this skill, this incentivizes native workers to shift their position in jobs that require communication skills, while the foreign-born workers tend to be mostly involved in manual jobs. This could be a valid demonstration of imperfect substitutability between equally skilled workers, where skills only define the level of education.

⁷ Borjas, G. J. (2003). The labor demand curve is downward sloping: Reexamining the impact of immigration on the labor market. *The quarterly journal of economics*, 118(4), 1335-1374.

⁸ Card, D. (2012). Comment: The elusive search for negative wage impacts of immigration. *Journal of the European Economic Association*, 10(1), 211-215.

The economic theory of the labour demand and supply model stresses a negative effect of immigrants on natives' labour market outcomes. The reality is different as it has been possible to glimpse. The education and human capital accumulation in general play the role of the primary differentiation factor⁹ and the negative effects of immigrants on natives do not hold.

The skill differentials push workers to specialize in some tasks. Immigrants can have some types of prowess that natives miss and vice versa. On one hand, the complementarity boosts efficiency; on the other hand, the firm also gains advantages from the skill differentials. Indeed, the employers can be attracted to develop new jobs in response of the workers specializations. Not only the efficiency, but also the productivity grows¹⁰.

This finding stress further the untruth of the idea that immigrants steal the jobs to natives.

Shifting our attention to the Italian case, the skills differentials are translated into ethnical segmentation of the Italian labour market. Indeed, the under-qualified jobs and riskier jobs¹¹ are mostly performed by immigrant workers, counting more than 30% of them employed there. While less than 14% of them is hired in jobs that require high qualifications¹².

The manual jobs, sometimes called *immigrants jobs*, are typically paid at low cost and natives can advance toward tasks of greater importance.

The natives are not threatened by the presence of immigrants. The latter are going to compete between immigrants themselves for the same job positions.

To move further in our considerations, there cannot be missed out the concept of elasticity of substitution¹³. It becomes critical for the evaluation of the wage effect of immigration. *The elasticity of substitution is defined as the degree to which the number of products sold changes when the price of another similar product changes, which shows to what degree the two products can replace one another*¹⁴. Within this context, the definition is applied to natives and immigrant workers instead of the *product* inserted in the definition.

⁹ Constant, A. F. (2014). Do migrants take the jobs of native workers?. *IZA world of labor*.

¹⁰ Peri, G. (2014). Do immigrant workers depress the wages of native workers?. *IZA world of Labor*.

¹¹ With risky job is intended the one that requires physical effort; jobs that are repetitive and monotonous; jobs located in unappealing places.

¹² Ministero del Lavoro e delle Politiche Sociali. Direzione Generale dell'immigrazione e delle politiche di integrazione. IX Rapporto Annuale, Gli stranieri nel mercato del lavoro in Italia. Roma, Presidenza del Consiglio dei Ministri, 2019.

¹³ Borjas, G. J., Grogger, J., & Hanson, G. H. (2008). *Imperfect substitution between immigrants and natives: a reappraisal* (No. w13887). National Bureau of Economic Research.

¹⁴ Definition from Cambridge Business English Dictionary © Cambridge university press.

The elasticity of substitution between immigrants and natives is the measure by which firms can substitute natives with immigrants in the production process: the higher the elasticity, the more substitutable are immigrants for natives¹⁵. If the value of elasticity is high, the immigrants reduce the wages of natives. If the value of elasticity is small, the immigrants increase the natives' wages. If elasticity is equal to 1, the immigrants and natives are perfect substitutes.

The elasticity of substitution assumes two dimensions: between immigrants and natives and between high school dropouts (already participating the labour market) and high school graduates (still enrolled at school).

For what concern the first type, it is assumed that, as long as foreign-born individuals enter the target countries, they increase by the same portion its labour force. Also, the imperfect substitutability between equally skilled immigrants and natives holds¹⁶. The increased number of immigrants has little impact on natives while the competitiveness occurs among immigrants themselves.

For what concern the second type, high school dropouts and high school graduates are treated as perfect substitutes. Considering them as *equal*, the low skilled immigrants are going to compete with a broader base of labour force participants: not only the dropouts but also graduates.

The conclusion is related to the way in which these two groups are aggregated or disaggregated: for instance some (Ottaviano and Peri, 2007) argue that immigrants and natives are imperfect substitutes, but this result depends on the heterogeneity in the labour market attachment. Other authors (as Borjas, 2008) support the perfect competition between them as the elasticity assumes an infinite value, then immigration lowers the wages as result of the labour supply shift out.

In the same way the high school dropouts and high school graduates cannot be considered as equivalent. The dropouts are those that have attended less than 12 years of education and are likely to be already involved in the labour market. While high school graduates are those that are still enrolled in high school and are going to conclude the years of education, then are not getting access to labour-income yet.

¹⁵ Bansak, C., Simpson, N. B., & Zavodny, M. (2015). *The economics of immigration*. Routledge.

¹⁶ Card, D. (2012). Comment: The elusive search for negative wage impacts of immigration. *Journal of the European Economic Association*, 10(1), 211-215.

Excluding the enrolled students from the high school pool reduces the number of native workers in the low skilled group and reflects a higher level of earnings¹⁷.

A useful insight to the argument has been given by the recently recalled George J. Borjas, some years ago¹⁸.

As always, let's start with the general assumption that higher level of immigration lowers the wages of competing native workers, while increases the wages of native complementary workers. The former situation occurs when foreign-born workers and natives are pooled in the same low skilled group, while the latter occurs as the low skilled immigrants are complementary to the high skilled natives. The latter case reflects a positive effect of immigrant influx in the host country as the natives' productivity increases, generating a higher marginal productivity of labour. This is something that does not surprise, as demonstrated when taking the first steps toward this topic.

Some studies confirm the general thought now described; others reject these results. Another main factors to take into consideration when pursuing these analyses is the elasticity of labour demand. And the level of elasticity reflects whether it prevails the substitution or scale effect.

Substitution Effect and Scale Effect: a Brief Recap

The labour demand curve is downward sloping, reflecting a negative relationship between wages and the number of employees hired. In other words, as the wage increase, the employer will cost more to hire additional employees. Also, given that the labour demand curve is the product of the marginal productivity of labour and the price, these two factors are positively related. Indeed, an increase of the prices leads to an increase of the level of employment.

Suppose that wage reduces, the scale and substitution effects will explain what happens to the employment level.

A reduction in the level of wages reflects a lower cost of labour for the employer, then the demand for labour will increase as labour becomes relatively cheaper than the capital. As the cost of production gets smaller, the *scale effect* dominates: the amount of output, call it q , will increase.

¹⁷ Borjas, G. J., Grogger, J., & Hanson, G. H. (2008). *Imperfect substitution between immigrants and natives: a reappraisal* (No. w13887). National Bureau of Economic Research.

¹⁸ Borjas, G. J. (2013). The analytics of the wage effect of immigration. *IZA Journal of Migration*, 2(1), 22.

Consequently, the lower wages make the labour to be relatively cheaper than the cost of capital, then the firm is incentivized to substitute the capital with the labour input, making the firm more labour intensive. As it is easy to catch, this process explains the *substitution effect*. At the end, the employment will increase as the wages are reduced. The general findings confirm that the scale effect outweighs the substitution effect.

Recalling the difference between the long run and short run elasticity of labour demand, there is a general consensus that the short spell period estimates an elasticity around -0.4 to -0.5 points, then to an increase in the cost of labour by 10 percentage points the employment is less responsive (is reduced by 4 or 5 percentage points)¹⁹.

In the long run the elasticity is more pronounced, underlying a higher responsiveness of employment level to the variations in the cost of labour. Then the coefficient is estimated to be around -1 point. The wages and employment change, in opposite directions, by the same amount.

After this brief recap of the relevant concepts, let us recall the previous study²⁰. The context is characterized by a competitive labour market, where the equilibrium between labour demand and labour supply curves occurs. Remember that the labour demand elasticity is in some instances associated with the product demand elasticity. Indeed, the low product demand elasticity means that consumers are not very responsive to changes in the output's price, because there are very few substitutes in the marketplace. As consequence, the low elasticity of product demand reflects a low elasticity of labour demand²¹.

But, as the immigrants enter the receiving country, demographic changes occur and then consumer base is subject to modifications.

To address this issue, just think when foreigners enter the labour market: they will broaden not only the workforce but also the consumer base as they become new consumers of the relevant products or services realized. This will be better explained thereafter.

¹⁹ Borjas, G. J. (2015). *Labor economics*. Boston: McGraw-Hill.

²⁰ Borjas, G. J. (2013). The analytics of the wage effect of immigration. *IZA Journal of Migration*, 2(1), 22.

²¹ Recall: that the labour demand curve is given by the product between the price of the output and the marginal productivity of labour, that results in the value of marginal productivity of labour: $p * MP_E$. An increase in the price of output (p) will shift upward the labour demand curve. The labour demand confirms a positive relationship between the price of output and the level of employment.

The above-mentioned study is based on specific constraints to comply with. Firstly, the analysis is run on specific data (US data); secondly, is used a finite number of variables; thirdly, it generates an approximate result.

Additionally, the focus is on a competitive labour market. But different implications could exist in the reality: for instance, a share of the foreign workers could be employed by firms with market power, as monopolists. To simplify, these complications are ignored.

Now, let us introduce another issue analysed by the author: consider the existence of two types of products, not only one, the output domestically realized, q , and the output that is imported, y . The aggregate product demand will be given by the sum of these two.

If there was just one type of product, let us say q , the elasticity of product demand was very low, then consumers would have continued to acquire the product regardless its price. But having two products that are substitutes will increase the elasticity of product demand.

As anticipated, also the consumer base changes: the consumers of these products could be not only the domestic workers, but also the foreign-born workers.

It is assumed that the portion of immigrants entering the country increases by the same amount both the consumer base and the workforce. This case is called *product market neutrality*²².

If this neutrality does not hold, the elasticity that relates the number of consumers to the number of workers is different from 1: the immigrants will increase the workforce by a specific amount, but the consumer size for the home product (q) will increase by a lower percentage than the increased workforce. This reflects the preferences of immigrants, who in this latter situation would prefer to purchase the imported products (y).

If the now-mentioned elasticity is different from the unity, as in the latter case, the negative effects of immigration in the long run could not completely disappear. For instance, if the elasticity is lower than 1, the increased size of consumer base is lower than the increased size in the workforce. Then the workers will be more than consumers, provoking a permanent wage reduction.

This consideration also requires a specific focus when foreign-born workers send remittances to their home country, then enriching the home country instead of the host country where they work. This mechanism will be better described and contextualized soon.

²² Borjas, G. J. (2013). The analytics of the wage effect of immigration. *IZA Journal of Migration*, 2(1), 22.

Another assumption relaxed in the author's paper is the homogeneity of the labour as input of production function. Initially it has been ignored that the workers could differ between each other because of the different skills and abilities they own.

Now the author assumes a realistic perspective. It does not exist only one type of workers, but there are assumed two groups of workers, that belong to different skills groups. Then immigrants of different group of workers could affect the labour supply in different ways.

To sum up, this paper has considered additional parameters to assess the impact of immigration, as the change in the size of consumer base, in the size of workforce, the relationship between these two groups, and the introduction of another type of product, the imported one, that could turn the tables.

What About Italy?

Up to now there has been recalled and shown some of the most important studies pursued by the well-known authors of labour economics. They put the basis for a real understanding of the topic, starting from general considerations about the phenomenon of migration and following with complicating the cases, in order to give a real perspective of what happens in the labour market when a country is targeted by the foreign-born workers.

Of course, each analysis has its own peculiarities, because of the different variables, censuses, time periods considered. Then, it is important to contextualize each consideration made, because of the differences cross-countries in the labour markets. For instance, skill mismatch as well as the interventions of unions could provide different conclusions.

Our purpose is to provide a general representation of the European countries considering the useful insights provided by the above-mentioned authors. Similarities and differences will occur with the previous analyses.

Nevertheless, the migration phenomenon is touching each country of the world, in terms of both receiving and sending countries. The globalization has facilitated this freedom of movement of people, for instance because of less borders' states or because of some international agreements. These factors will be better analysed alongside this essay, especially considering the Italian territory, and introducing several policies undertaken in the 2020 period due to the health emergency status of the world.

The Italian country has some peculiarities that other European countries miss, in terms of migration and labour market outcomes. The main interest is to provide the dynamics of Italy

as target country and stress the specificities that concern the natives' labour market outcomes and how they change according to the entry of immigrants.

A good starting point to better understand how it starts and how the labour market reacts to the foreigner's inflow is to consider some Italian studies of the late 90s²³.

Even if it is about more than 20 years ago, it could provide a good perspective of how this phenomenon has been shaped initially and whether it is still defining the current situation. The analysis was mainly focused on a group of homogeneous manual workers, aged 40 years old or less, present in the labour market in the first years of the 90s. This reflects the weak attachment of women to the labour market of the time.

Starting with the economic model of demand and supply of labour in presence of immigrants, it is assumed that they are typically less skilled workers than natives.

This implies that the immigrants have little opportunities of improvement in the labour market. Their condition is due to several factors: the unfamiliarity with the natives' labour market; the acceptance of each type of job, even the most unpleasant ones; the understatement of the immigrants' productivity of labour and their qualifications.

The basic idea of low qualified immigrants trapped into low-skilled jobs is rooted on the complementarity effect with the natives. The Italian labour market is characterized by its high level of segmentation: extra-EU workers are concentrated in specific economic sectors, as we will see in detail in the next sections. The negative side is the little possibility of occupational improvement for foreigners. Indeed, the segmentation tends to enforce instead of blurring the country of origin differentials. Some call these job positions *immigrants jobs*.

Nevertheless, the immigrant labour is a valuable resource for the country. The level of employment keeps on increasing for them and a curiosity that differentiates Italy from the other OECD countries is that the employment rate of immigrants is higher than the employment rate of natives.

This unbalance is strengthened by the segregation workforce, which confirms the highest presence of immigrant workers in building and agricultural sectors; also, the personal and

²³ Venturini, A., & Villosio, C. (1998). Foreign Workers in Italy: Are They Assimilating to Natives? Are They Competing Against Natives? An Analysis by the SSA dataset.

public services are provided hugely by foreign women²⁴. The native workers are going to be flanked by immigrants instead of substituted by them²⁵.

Employment Assimilation

The foreign-born workers tend to better off their living and working conditions in the host country as long as they stay there. The lower is their instability, the higher is their *employment assimilation* to the natives. Indeed, their turnover rate reduces as their experiences in the job positions increase²⁶.

The employment assimilation is also favoured by the regularizations that had occurred in Italy in the late 80s and in the early 90s. These regulations facilitated the well-establishment of foreigners in Italy.

Consequently, the probability of job separation tends to lower with the tenure. Indeed, the workers experiencing the first regularization gets higher stability than those entering the labour market during the second regularization, as time passes²⁷.

Nowadays the employment assimilation becomes possible as long as immigrants stay in the host country and improve the skills as the Italian language and absorb the Italian culture. Indeed, Italy is one of the few OECD countries with the highest occupational assimilation. In other words, the immigrants are likely to be hired with the same probability of natives. This occupational assimilation is basically driven by the less-skilled immigrants. The average tenure time required to boost the assimilation is estimated to be 5 or 6 years of residence in Italy. However, with the tenure, the immigrant workers hired in low-skilled jobs experience improve but their permanent job position remains at a lower grade compared to natives.

When considering the other European countries, the extra-EU foreigners are facing more difficulties in employment assimilation compared to EU foreign workers. It is almost intuitive to understand that this unbalance is due to the differences in skills of the two categories.

²⁴ Ambrosini, M. (2019), “Ecco i veri nodi dell’immigrazione in Italia”, <https://www.lavoce.info/archives/60804/stranieri-in-italia-ecco-i-veri-nodi/>. Visited on 11.04.2020

²⁵ Constant, A. F. (2014). Do migrants take the jobs of native workers? *IZA world of labor*.

²⁶ Venturini, A., & Villosio, C. (1998). Foreign Workers in Italy: Are They Assimilating to Natives? Are They Competing Against Natives? An Analysis by the SSA dataset.

²⁷ Ibidem.

Additionally, many of the European countries experience the opposite of Italy: the employment assimilation is faster for the high-skilled foreigners²⁸.

This way, the situation gets worsen for educated immigrants that are not able to prove their higher education. Despite the employment assimilation and higher stability, the foreigners tend to stay permanently on their manual jobs and are less likely to upgrade their job positions²⁹.

The employment assimilation of immigrants could become a winding road to run if we consider the negative effect that illegal migrants have on regular ones. This is amplified when both categories are concentrated in the same neighbourhoods. Indeed, studies estimated that a 1% increase of immigrants living in the segregated areas would reduce the probability to get hired by 2%³⁰. There would be better not to concentrate all the immigrants in the same blocks, instead provide the possibility for them to locate near Italians, to avoid the occurrence of negative externalities.

Wage Assimilation

Not only the employment, but also the wage tends to be modified. The employer does not know the real level of productivity of immigrants. In order to lower the risk, the foreign worker is paid at the lowest wage possible. The tenure time plays a positive role here too. As long as the immigrant is maintaining the same job, the employer starts to know the real level of productivity of the worker and guarantees an appropriate level of wage. Then the discrimination put in place initially tends to lower and it is possible to talk about *wage assimilation*³¹. However, the branches fully crowded of immigrant workers are those that pay low wage rate.

To worsen the immigrant situation is the fact that the segregation workforce places them in the economic sectors that are mostly hit by economic crisis. Not surprisingly, they suffered most the recession period of 2008, and a larger share of immigrants was counted on the low-

²⁸ Frattini, T., Fenoll, A., & Siragusa, K. (2017). Migration observatory report: Immigrants' integration in Europe. *Italy: Amici del Centro Studi Luca d'Agliano*.

²⁹ Ambrosini, M. (2019), "Ecco i veri nodi dell'immigrazione in Italia", <https://www.lavoce.info/archives/60804/stranieri-in-italia-ecco-i-veri-nodi/>. Visited on 11.04.2020.

³⁰ Boeri, T., Phillippis, M. D., Patacchini, E., & Pellizzari, M. (2015). Immigrants, residential concentration and employment in eight Italian cities. *VoxEU. org*, 24.

³¹ Frattini, T., Fenoll, A., & Siragusa, K. (2017). Migration observatory report: Immigrants' integration in Europe. *Italy: Amici del Centro Studi Luca d'Agliano*.

income population. It would be interesting also to consider the effects of the Coronavirus on the labour market of immigrants. This would be mentioned along the essay.

Black Labour Market

Up to now there has not been mentioned the black labour market in Italy. The reason why it worth to recall it is that the largest part of workers involved in the black labour market are immigrants. This is due to different factors and one of them is that this category of workers is less reluctant in accepting low level of wages, that natives refuse to.

The economic sector mostly affected by the irregular workers is the agricultural one. Indeed, it was estimated that almost 18% of agricultural workers have not a regular contract³². Not surprisingly, the agricultural is one of the economic activities hugely crowded by immigrants. The fact is that the irregular immigrants depends on the demand for them. It has also been thought about a relationship between the shadow economy and the irregular immigrants, called as *strategic complementarity* because they depend on each other: the largest the shadow economy, the highest the demand for irregular immigrants. The attractiveness of the non-regular status is due to the tax evasion and cheap cost of immigrant workers³³ for employers.

The shadow economy is an interesting topic because of the huge impact on the economic wealth of the country. In 2013, it was counted a share of 13% of the GDP coming from the shadow economy. The official data now estimates that in the 2017 is slowly reduced reaching 12.1% of GDP, that is 211 billion euros in absolute terms³⁴.

Of course, it has profound implication at contribution level. Just think about all the tax evasion and the missing contributions to the state.

Even if the existence of the shadow economy plays an important role for the immigrants and for the Italian wealth, this essay would be focused on official data provided by the Ministries and Statistical Institutions. Consequently, the black market would be voluntarily ignored in our analysis, because of the difficulties to measure it. But, when it would be possible, it will be mentioned. Additionally, we want to pay attention to the current situation in the country as will be the focus of the next sections.

³² Santeramo, F. G. (2016), “Sulla pelle degli immigrati: il sommerso in agricoltura”, <https://www.lavoce.info/archives/42725/sulla-pelle-degli-immigrati-i-numeri-del-sommerso-in-agricoltura/> Visited on 11.04.2020.

³³ Pensieroso, L., Mariani, F., (2019), “Gli immigrati? Calano se si riduce il sommerso”, <https://www.lavoce.info/archives/57463/gli-immigrati-irregolari-calano-se-si-riduce-il-sommerso/> Visited on 11.04.2020.

³⁴ ISTAT, (2019) “Economia non osservata nei conti nazionali”, <https://www.istat.it/it/archivio/234323> Visited on 11.04.2020.

Summary

The predominance of the substitutability or complementarity effect between natives and immigrants depends on the variables considered, on the censuses studied, on the individuals' characteristics and on the countries' characteristics, of both home and host ones.

Typically, those that emigrate are leaving a home country where economic instability prevails. Even if the immigrants tend to perform low-paid jobs in the host country, they earn even more than if they rest in the home country. For instance, a useful example could be provided if considered the wage earned by an Albanian worker in the home country and in the host country when performing the same job. It has been chosen Albania because it is still considered a developing country, it is a good representation of the typical immigrant that enters a developed country, as Italy, in order to get better living conditions. In the 90s, a fragile period for this Balkan state, the average pay received by the worker was 1:15 in proportion. In other words, the wage the Albanian worker earned in Italy was 15 times higher than the one gained in Albania, performing the same job. Now the gap gets lower to 1:4, thanks to the economic developments and external sources of income that helps the Balkan state.

But the immigrants are often misperceived by natives. This widespread thought is contrasting the general findings of the economic reviews. In Italy, the misperception of the presence of immigrants as share of the total population is source of controversies. It worth specify that usually immigrants are associated with asylum seeker or refugees, but they represent only a small portion of the total. Indeed, the job searching and the educational attainment push foreigners to move there. Another peculiarity is that European foreigners entering the country are not subject to the same limitations and controls of the extra-EU migrants.

Improving policies that deter the immigration in the host country could be even harmful for the developed countries. Some scenarios have been hypothesized assuming a reduction in net migration. In response to this scenario, the GDP is destined to get lower over the years³⁵.

At the end of the story, the immigrants are not stealing the natives' jobs. Instead, they are performing works that natives are typically reluctant to do.

In order to adjust the public opinion, it's duty to rely on the official data about the presence of migrants in Italy.

³⁵ Lisenkova, K., Mérette, M., & Sanchez-Martinez, M. (2013). The long-term economic impacts of reducing migration: the case of the UK migration policy. *National Institute of Economic and Social Research*, 1-31.

*Section II: Italy as Host Country and
the Albanian Immigrants*

Immigration and Emigration

There has been a lot of talk about the phenomena of immigration and emigration, then let us provide the detailed definition of these topics, and understand the difference between foreigners in general and immigrants in detail.

The *immigration* is the movement of people from their country of origin to a target country and is considered in the perspective of the host country. The same but opposite phenomenon is the so-called *emigration*, considered with the perspective of the home country.

These two phenomena affect both the home and host country's population, economy, labour market, and other aspects.

Most of the times, the immigrants are typically individuals coming from non-EU states that will establish their residence in a European country. These people could be asylum seekers as well as workers looking for better living conditions. The immigration flow results to be a consequence of global inequalities between the poor and rich countries.

For what concerns the Italian country, the foreign-born individuals are of two categories: the communitarian people (coming from EU) and non-communitarian (extra-EU), called immigrants. Given that Italy is attractive for the immigrant people, we will use foreign-born and immigrant concepts as interchangeable, unless explicitly expressed.

An Historical Background

The immigration (and emigration) experienced as result of globalization is crucial in understanding why and how the population's movements have started and have changed over the years sharpening the modern life.

Globalization and immigration are two interrelated phenomena, they are cause and effect of each other. The economy, the capital's freedom of movement, the individuals' freedom of movement, the mass communication as other typical factors of the globalization, favoured and incentivized people to go elsewhere to find better living conditions than those offered by the country of origin.

There were many immigration fluxes occurred in the previous century, but the one interesting to consider for the topic of our essay has started in the late 80s. The main characters involved are those individuals coming from the developing countries that are going to get residence in Italy, Germany, UK, France, and other developed countries.

In terms of policy implications is relevant to mention the *Schengen Agreement*, an international treaty signed in 1985 in Schengen (Luxemburg) by the Belux regions, West Germany, and France. Thereafter other European countries entered in the treaty. The purpose of this agreement was to gradually abolish all the controls cross-borders of the participating countries, freeing the movements of people and goods. The Schengen participants operated like a single state³⁶.

Generally, at the beginning of these population movements, the policies of the receiving countries were favouring the entry of the immigrant individuals. But this optimism was not lasting for a long period. As consequence, the additional restrictions to migration caused the issue of illegal immigration. This unfavourable atmosphere was enforcing the sense of threat felt by natives toward the foreign-born individuals, and as consequence reinforce the irregularities and provoking as high crime rate of foreigners.

The extremization of this fear mixed to hate toward foreigners was translated into the reintroduction of the control borders in some of the countries of the Schengen Area, as result and response of the European migrant crisis of 2015 due to the high number of refugees³⁷.

There are other factors introduced by the migration flows that affect both in positive and in negative the markets and societies all over the world.

Just to mention few of the advantages as result of immigration, they are: the employment in low-skilled jobs, in order to favour natives to be occupied in high-skilled jobs and demonstrating the natives' higher productivity (to confirm the complementarity between natives and immigrants); at the same time, the more the employees, the higher their contribution to the countries' GDP; the advantages are not only for the host country, but also the home country's GDP, because of the remittances sent to their non-migrant families.

Of course, the disadvantages are not missing: the principal one is the irregular immigration. This is going to increase the illegal activities and the black labour market, enlarging the share of shadow economy in the country. Is difficult to have official data about it. And, unfortunately, the crimes go to enrich this scenario too. As usually happens, the disadvantages weigh more that the benefits. And what contributes to this scenario are the misperception that natives have toward the immigrants' presence in the host country and the fear of natives to

³⁶ About this agreement, it's necessary to open a small parenthesis: the Coronavirus emergency (2020) has driven the EU countries of the Schengen Area to the closing of borders for individuals' movements, unless urgent. The extra-Schengen borders are blocked, making the EU as an isolated area. While, the goods' movement is left free in order not to harm further the economy of the countries involved.

³⁷ The countries that have reintroduced the control borders were: Austria, Denmark, France, Germany, Norway, Poland e Sweden.

lose their jobs, simply because immigrants are more compliant in accepting the bad working conditions, as lower wages or riskier jobs. This leads to the erroneous thought that immigrants steal the job from natives. For what concern this issue, basically the foreign-born workers are mostly employed in less-skilled job positions, as it was possible to see along this essay.

European Countries and Immigration

The data reported about the foreign populations living in the European countries date back to the 1st of January 2018. The figure 4 will provide a good representation of the incidence of foreigners in the populations of the European countries³⁸.

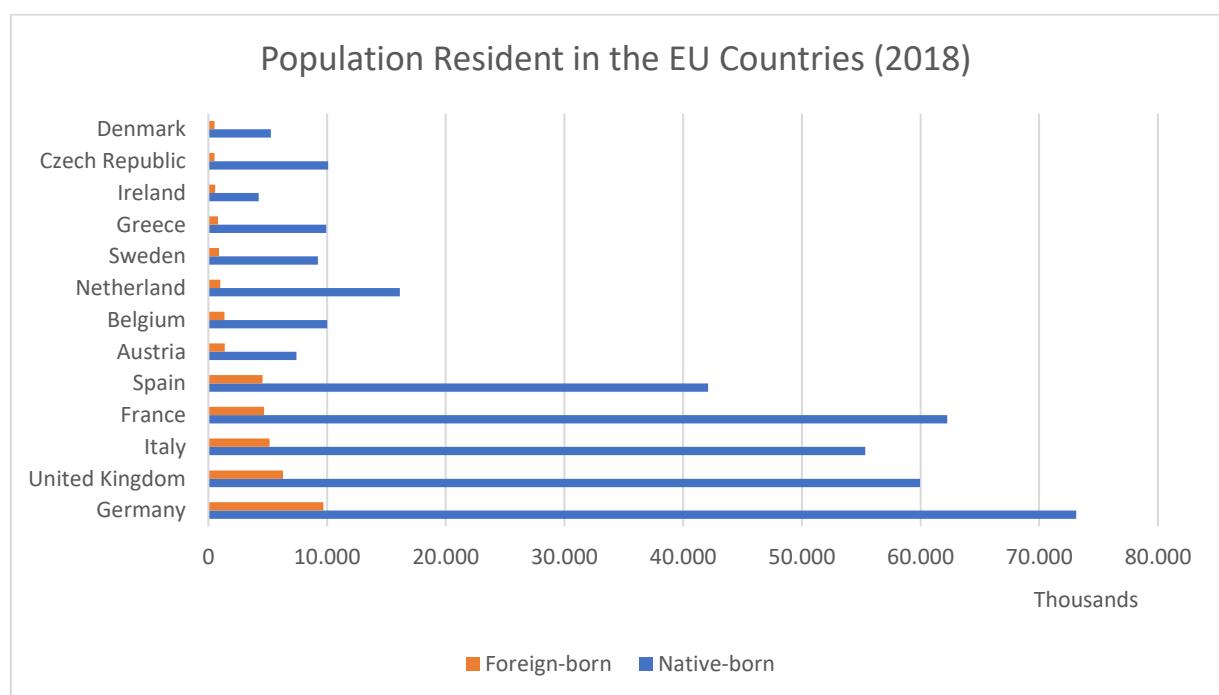


Figure 4: Foreign populations resident in the host country: levels and incidence in the 13 European countries with the highest absolute presence of foreign-born individuals (value in thousands). Data on 1st of January 2018.

Source: Personal elaboration based on Ministero del Lavoro e delle Politiche Sociali. Direzione Generale dell'immigrazione e delle politiche di integrazione. IX Rapporto Annuale, Gli stranieri nel mercato del lavoro in Italia. Roma, Presidenza del Consiglio dei Ministri, 2019.

Austria (15.7%), Belgium (12%) and Ireland (12%) experience the highest rate of incidence of foreign populations, followed by Germany (foreigners are 11.7% of the population), UK (the foreign-born incidence represents the 9.5% of the population), Italy (with 8.5% of foreign population) and France (with 7%).

³⁸ The *foreign-born* individuals are considered as those with a foreign citizenship residing in the host country on 1st January 2018. Then, those that have still acquired the citizenship are calculated among the natives.

Once foreigners enter the host countries, they provide a big contribution to the labour market of the host country, entering the labour force and increasing the growth and the productivity of the companies. As seen in the previous analysis and the substitutability and complementarity effects that immigrants have on labour market of natives, it's still confirmed that they do not steal the job of natives, then the native workers are not threatened by the entry of foreigners. This will be better developed with the help of the figures along this section.

The trends are positive, stressing most of the time the successful integration of foreigners in the natives' job market. Indeed, the data collected confirm a reduction in the *immigrants*³⁹ unemployment rate of from 9.4% to 8.7% between 2017 and 2018 in the OECD countries⁴⁰.

Despite all the improvements occurred, the immigrants benefit in different measures according to their characteristics. Not surprisingly, the low-educated immigrants are those suffering more the economic crisis. While, the high-skilled foreigners have experienced an improvement in the labour market. Given that immigrants are more exposed to the economic crisis as the big recession in 2008 (just think the difficulties of immigrants to send remittances to their households in the home country) compared to their native peers, it's a positive result to see that the labour market outcomes are at a better rate than the pre-2008 crisis.

The *average* unemployment rate in those years of economic weakness reached 7.9% in the OECD countries and it took many years to turn back to a value at least lower than the pre-crisis period (5.3% in 2018)⁴¹.

Nevertheless, the negative sides never miss: the immigrants increased employments is often associated with the low-income population compared to the natives. Indeed, the 18% of immigrant workers were poor compared to 8% of natives. The gap is stronger in specific countries as Spain and Italy. Not surprisingly, the poverty status is due to the employment in low-paid jobs that are, as known, most of the time occupied by immigrants.

In order to improve the cohesion and integration of foreigners in the host country, it's necessary to take measures to transfer the host country's culture to the foreign-born residents. The most important factor that represent the first step toward a better integration is the

³⁹ The immigrants are considered as in the general definition provided previously. But differences may arise between the OECD countries concerning the definition of the foreign-born individuals: the EU countries define the foreigners as those that have residence in the host country and have a foreign citizenship. While, Australia, Canada, or New Zealand define the foreigners as those born abroad, independently from their current nationality.

⁴⁰ OECD (2019), *International Migration Outlook 2019*, OECD Publishing, Paris, <https://doi.org/10.1787/c3e35eec-en>.

⁴¹ Ibidem.

language, and this has been recalled since the first part of this essay (for instance, know the English language is an important skill to acquire, Peri and Sparber, 2009).

Italy and Immigration

The migrations occurred in the European countries are doubtless interesting. But what mostly interest this essay is how the Italian country has faced, has responded to, and has managed this phenomenon over the years.

Italy is ranked 11th for the foreign-born individuals' incidence on Italian population. This consideration produces an important insight about the immigration in this country. The data shows a lower presence of immigrants in Italy compared to most of the other countries, but this is not the general thought that natives have about it. Indeed, there dominates a misperception of the presence of foreign-born individuals in the host country. Some studies (Istituto Cattaneo) have found that there is a perception error of more than 17%: even if the real presence of immigrant weighs around 8% as share of total population, the natives perceive their presence to be around 25% as share of total population. This could be due to different factors: the crimes committed by them; their entrance in the labour market leading to the erroneous thought that they steal the natives' jobs, as mentioned previously.

Italy is different from the other European countries because the immigration from the developing countries is more recent than the other receiving states. Before the 80s there were the Italian people moving elsewhere to find jobs. But, as anticipated previously, this trend has reversed, transforming Italy into a country of immigration. This overturn experienced by the Italian country is due mostly to the improvements occurred in Italy itself. Italian people were no more forced to change their country of residence. Indeed, it hosted different populations.

Of course, this led to contrasting political considerations: some opposed the entrance of foreigners, because of the fear to see reduced the natives' wages and the extreme thought that they steal the jobs of natives. This idea may rely on the theoretical economic model of labour demand and supply in presence of immigrants. But, as we know, the reality is more complicated than the theory, so not always the theory holds. On the other side, those in favour of immigration stressed that immigrants occupied the jobs that natives refused to perform, as manual works.

But how does this trend evolve over the years? The foreign incidence has increased at a decreasing rate from 2015 until 2017. Thereafter, the migration influx occurred at a faster

rate. But an important consideration must be made: the rising of the immigrants' influx in Italy is concurrent with the reduction of immigrants already present in the Italian country because of their acquisition of the Italian citizenship.

Some Official Data

The figure 5 will provide a graphical representation of the residing population in the country, differentiating for the natives and foreigners (EU and extra-EU individuals), and providing the total population, for the period from 2014 to 2019.

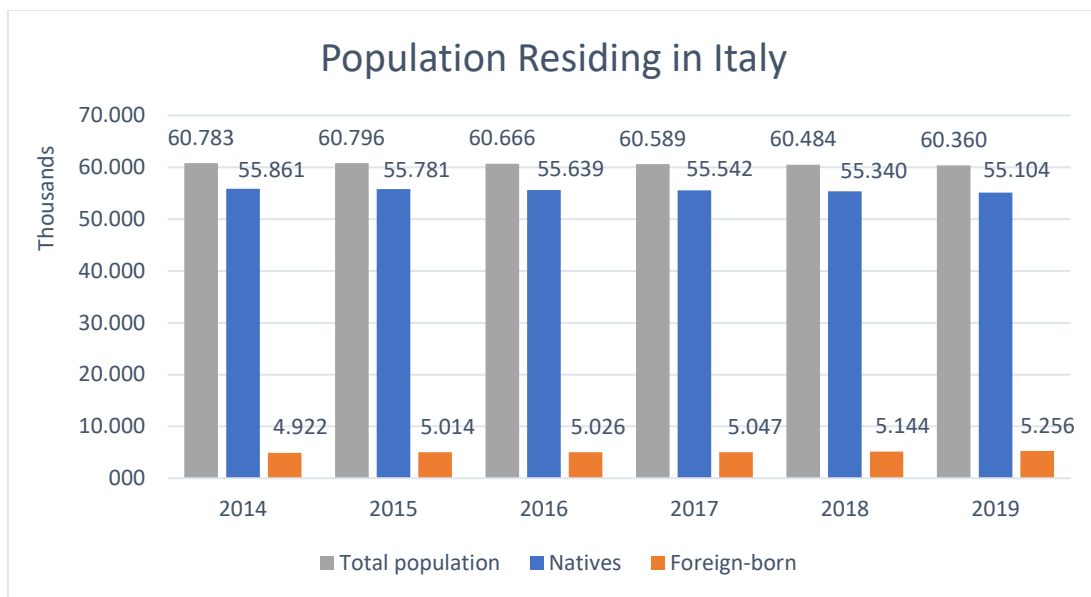


Figure 5: Population residing in Italy for citizenship on 1st January of each year (values in thousands), 2014 - 2019 years. Source: Personal elaboration based on ISTAT (Residing population - balance).

It is evident that the total number of foreigners is very low compared to the total population residing in Italy. At the same time, looking at the numbers, the whole population has declined slowly since 2015, while the share of foreign-born individuals increases. The changes in the level of population depend on the number of births and deaths occurred over the years and on the net number of individuals migrating abroad and coming from abroad and residing in Italy. The foreign-born individual in Italy are 5.144 million on 1st of January 2018 (the share is almost the same for 2019). This number represents the 8.5% of the population. The trend is always positive, meaning that the net influx of people born outside Italy and targeting this country gets risen continuously.

In a rank of the foreign populations residing in Italy, at the first place is located the Romanian population (1.190 thousand), following the Albanian community (440 thousand), Moroccans

(417 thousand), Chinese (291 thousand), Ukrainian (237 thousand). But a huge contribution in shaping the foreign populations in Italy is given by those natives of Africa.

The reasons of immigration are many, as for work, for study, for family reunification and/or asylum seeking. Indeed, the largest number of residence permits are given for family reunification, counting the 48% of the influx, while small portions are given for the other mentioned motives.

What is interesting for us is the impact that their entry has on the labour market outcomes.

Irregular Immigration

It worth open a parenthesis about the irregular migration phenomenon in Europe and, particularly, in Italy which, in turn, affect and determine the irregular employment.

The data about the portion of foreign-born population and the number of natives are provided by the official statistics, but the irregular migrants escape the official data by definition. Then it is difficult to evaluate their impact as share of total population residing in Italy. The International Organization for Migration defines the irregular migration as *the movement that takes place outside the regulatory norms of the sending, transit and receiving country* (IOM, 2011)⁴². Then as laws complying with the migration issues change, also the migration status of individuals is subject to changes.

The last years data confirm a positive trend about the presence of irregular migrants in the European countries, increasing at a decreasing rate: in 2015 more than 1 million of people arrived in Europe by sea; in 2016 almost 400,000 of people reached European countries, and they were irregular migrants; in 2017 the number dropped further, counting almost 200,000 migrants reaching Europe. In 2019 the IOM data estimated the arrival of almost 145,000 migrants in 2018. It is evident the reduction in the number of migrants in Europe over the years. Turkey migrants prefer Greece as destination country and the main reason for emigration is the humanitarian motivation, while the Italy is targeted mostly by African migrants⁴³.

Despite the decreasing trend shown in Europe over the years, these numbers are difficult to collect because they avoid the official estimations. Since the early 90s, the presence of irregular immigrants has experienced a non-linear trend, indeed the status of irregular is related to the migration policies introduced in the country. For instance, with the amnesty (*sanatoria*) the number of irregulars reduced because the amnesty measure allows those

⁴² “Irregular migration” definition, <https://www.iom.int/key-migration-terms>, Visited on 05.05.2020.

⁴³ “Irregular migration”, <https://migrationdataportal.org/themes/irregular-migration>, Visited on 05.05.2020.

individuals to have official documents to stay in the host country regularly (in 2002 and 2006⁴⁴); while the irregular immigrants have increased with the introduction of the Salvini decree in 2018. In Italy are counted to be around 680,000 irregular immigrants in 2019⁴⁵. Indeed, the new law makes it difficult for the asylum seeker to get access to the documents for the regular residence and additionally those who had already started the bureaucratic practices have seen rejected their demand. Then the share of humanitarian permits reduces consistently. The increase in the number of irregular migrants has doubtless impact on the increasing in the irregular employment: for those without documents, living in Italy and not departed in their home country, it becomes challenging to get inserted and integrated in the society. Indeed, these workers are forced to enter the black labour market, where the wages and working conditions are unappealing. Not only, but it becomes also risky in the current situation to put in safety the irregular workers, because of the lack of protection, given that these individuals are not registered with any documentation. Then, taking a governmental measure as introducing the amnesty could solve the problem of health care for these ones, at least for the moment.

The economic sector mostly crowded by irregular workers is the agricultural one, especially in the South Italy, where the commercial farm is a spread activity. The agricultural sector is populated by the three principal extra-EU communities present in Italy: Romanians, Albanians, and Moroccans. Initially, in this business sector were mostly hired African workers, but since 2008 the east-European immigrants took place there. For instance, the Romanian workers have taken the place of Tunisian workers. But the former population was paid even less than the latter, which was also more skilled in the relevant manual sector. This could prove the perfect competition between immigrants themselves, instead of substitutability with natives⁴⁶.

Despite the increased involvement in the employment of immigrants, a large part of them remains still irregular. To favour the regularization of them, there has been granted migration regulations for seasonal jobs, as required by this sector. The geographical proximity of different migrant populations, as Albanian, strengthen the labour mobility.


⁴⁴ Comunicato stampa XXV rapporto ISMU (03.12.2019), <https://www.ismu.org/comunicato-stampa-xxv-rapporto-ismu/>, Visited on 05.05.2020.

⁴⁵ “680,000 irregular migrants in Italy after security decree, study finds”, Published by ANSA (11.06.2019), <https://www.infomigrants.net/en/post/20642/680-000-irregular-migrants-in-italy-after-security-decree-study-finds>, Visited on 05.05.2020.

⁴⁶ Corrado, A., Caruso, F. S., Lo Cascio, M., Nori, M., Palumbo, L., & Triandafyllidou, A. (2018). *Is Italian agriculture a 'pull factor' for irregular migration—and, if so, why?*

However, the consequences of the Italian decree limiting the acceptance of migrants are not surprising: the number of irregular migrants increased a lot over the years, and, prior the current health emergency involving the entire world, it was forecast that in the 2021 the number of irregular immigrants will increase reaching 750,000 individuals⁴⁷. The table 1 provides the number of the three-years period, including the forecasts for 2021.

Table 1: Irregular immigrants for the three years period (2017, 2019, 2021).
Source: Personal elaboration based on ANSA data, 11.06.2019.

	2017	2019	2021	
Irregular immigrants	491,000	680,000	750,000	

There must be made stressed further that the forecast concerning the 2021 data has been made prior to the current health emergency. The negative impact that the Coronavirus has had on the worldwide population will turning tables: now it is estimated that 345,000 of people around the world has died because of the virus⁴⁸. Additionally, it worth notice that most of the migrants come from underdeveloped countries, as Africa o many East European countries. This means that those countries will face more difficulties in fighting the virus because of the lack of an advanced health system. Combining these two factors, the migration flow will reduce hugely.

On the other side, given that the people are mainly coming from developing countries, rather than going there, the contagion would be more contained.

All the previous estimations and forecast made before the 2020 about the population demographics and migration movements for the future need, of course, to be revisited. The current situation obliges the quarantine measure and forbid the movement of people, a measure implemented together with the closing of the borders between countries to prevent the infection.

After this brief recall to the irregular migrants and the impact that the pandemic virus has on the worldwide population, we shift our focus on the main topic of the essay: the Italian labour market. Further specifications about the current situation would be provided, when possible to give a perspective of the present and future situations.

⁴⁷ Corrado, A., Caruso, F. S., Lo Cascio, M., Nori, M., Palumbo, L., & Triandafyllidou, A. (2018). *Is Italian agriculture a 'pull factor' for irregular migration—and, if so, why?*

⁴⁸ Data date to 25.05.2020.

Italian Labour Market

Once Italy overturns in an immigration country, there were two basic characteristics defining this topic: the immigrant workers were not explicitly required by employers, so the demand for them was low. Secondly, when arrived they confirmed the complementary effects between immigrants and natives in the labour market⁴⁹.

The current situation denies the first characteristic. Despite the misperception that Italians have about the presence of immigrants and the general dislike that sometimes the natives feel toward the foreigners, the presence of EU and extra-EU workers in Italy plays an important role for the economic growth.

The foreign-born workers coming from developing countries are typically characterized by a low level of education and are most of the times young men⁵⁰. The demand for them has increased over time as employers required workers to perform manual jobs and domestic jobs (especially hiring foreign women).

The natives have a higher reservation wage and for this reason they tend not to participate to the same labour market of foreigners. On the other side, if immigrants work instead of natives, the latter can dedicate to specialize in most productive jobs and get higher wages.

Then the current situation confirms the complementarity effect.

The reservation wage of extra-EU workers tends to be lower than natives because they were used to perceive even less in their country of origin. Indeed, some immigrant workers are used to be paid much more in Italy compared to their home country when performing the same type of job, even if in Italy the relevant job would be considered an under-paid job. For instance, in the 90s an Albanian worker perceived a pay 15 times higher in Italy performing the same job compared to Albania. Now the gap is lower, and it is reaching the 1:4 proportion.

To sum up, immigrants accept to perform less-appealing jobs because of the higher wages compared to their home country⁵¹ while employers increase demand for immigrants because of the cheap labour cost.

⁴⁹ Ambrosini, M. (2001). The role of immigrants in the Italian labour market. *International Migration*, 39(3), 61-83.

⁵⁰ Given the presence of young individuals coming from abroad, this characteristic increases the share of young population in the country. especially when considering the Albanian community and the share of unaccompanied minors.

⁵¹ Peri, G. (2011). “Due percorsi per gli immigrati”, <https://www.lavoce.info/archives/27009/due-percorsi-per-gli-immigrati/> Visited on 13.04.2020.

The immigrant workers are typically hired in sectors with shortage of natives' labour and in jobs that requires low qualifications. These jobs are known in the literature with the *3D*'s: dangerous, dirty, demanding (Abella et al., 1995).

This could be proved by looking at the ISTAT data for what concerns the health and safe at work. Take into account that the economic sector where immigrants are more present are the agricultural and construction activities (with the predominance of males because of the physical efforts required by the job), and services (personal and collective) with the predominance of females⁵².

The survey conducted by the Statistical Institute between 2007 and 2013 collect many information: the accident rate of employed individuals according to economic sector in 2007 it was 3.8% in the agricultural sector and 4.5% in the construction sector; while in 2013 was 3.5% in the agricultural sector and 3.4% in the construction sector. There is a decreasing trend in the accident rate. In the Other services sector the 2007 rate was 1.7% while in 2013 it increased up to 1.3%⁵³.

For what concerns our interest, it is curious to see that the main sectors where immigrants are involved in are those which are the riskiest, according to these evaluations. The unappealing characteristic of these jobs are given by the physical efforts required, the repetitive work, exposure to difficult posture at work and so on. Additionally, the construction sector is the one where the immigrant men experience higher rate of injury compared to natives⁵⁴.

While the high-skilled jobs which are basically performed by natives are subject to phycological stress at work, mining the mental health conditions of workers.

Not surprisingly, the share of foreign-born individuals involved in the high-skilled job is very low compared to the one of natives; on the other side, the share of foreign-born low-skilled workers is much higher compared to the one of natives. This will be better explained thereafter.

To confirm what has been stated up to now, the economic analyses have been made to stress whether the complementarity or substitutability effects occur. It has been confirmed that the immigrants have not a negative impact of natives' labour market. This could lead to an

⁵² This will be better explained in the next parts of this essay.

⁵³ "Health and safety at work Year 2013, ISTAT (2014), https://www.istat.it/en/files/2014/12/EN-Health_safety_at-work_2013.pdf?title=Health+and+safety+at+work+-+12+Dec+2014+-+Full+text.pdf, Visited on 06.05.2020.

⁵⁴ Salvatore, M. A., Baglio, G., Cacciani, L., Spagnolo, A., & Rosano, A. (2013). Work-related injuries among immigrant workers in Italy. *Journal of immigrant and minority health*, 15(1), 182-187.

interesting insight, as the labour market is controlled by the demand side. Indeed, the unpleasant jobs filled by immigrants are those that are not previously filled by the natives. This could even lead to define a competition between immigrants themselves in the relevant labour market and complementarity with natives.

Let us highlight the recent situation of the Italian labour market with the help of the graphs developed using the ISTAT data available. The analysis will include information of the labour market outcomes from 2008 to 2019, when possible. There has been chosen this specific period because of the crucial moment that was the 2007/2008. The economic depression is an interesting phenomenon which has impacted the world, each aspect of the private life and the labour conditions. When possible, there will be shown the 2019 situation, as result of the previous years' dynamics. Otherwise, there will be, in any case, provided considerations available on the last years' period. If the 2019 data are not available or are at least provisional, there will be given the 2018 data. The specifications about the periods from time to time, when needed, will be explicated.

Given the importance and the huge effect that a global financial crisis has on the labour market outcomes, it would be interesting to provide, at the end, some considerations about the current health crisis due to the Coronavirus (2020) which has provoked many difficulties for the economy of the countries, especially Italy. The data are still provisional given that is a recent phenomenon, but the ILO has investigated and developed different scenario, the *low*, the *mid* and the *high* scenarios that each worker is going to face over the world, according to the changes in the unemployment rate and other labour market indexes⁵⁵.

Turning back to our analysis, the official data of the last years about Italy have shown that the level of employment has increased because of additional European and non-EU workers that get hired; and the unemployment rate of non-EU workers has reduced as well as for natives, while the communitarian (EU) workers experienced a little increasing trend; the portion of the non-EU individuals out of the labour force reduced as well as Italians, while the communitarian (EU) workers experienced an increasing trend.

⁵⁵ This will be better developed after. "How will COVID-19 affect the world of work?" https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739047/lang--en/index.htm, Visited on 27.04.2020.

The figure 6 provides a comparison between the participation rate of natives and the participation rate of foreign-born individuals (EU and extra-EU), in 2018⁵⁶. It is possible to see that the index is higher for foreign-born than for native: 64.8% and 70.6% respectively⁵⁷. This feature will also be found in the employment rate when confronting the one of Italians with the one of foreigners.

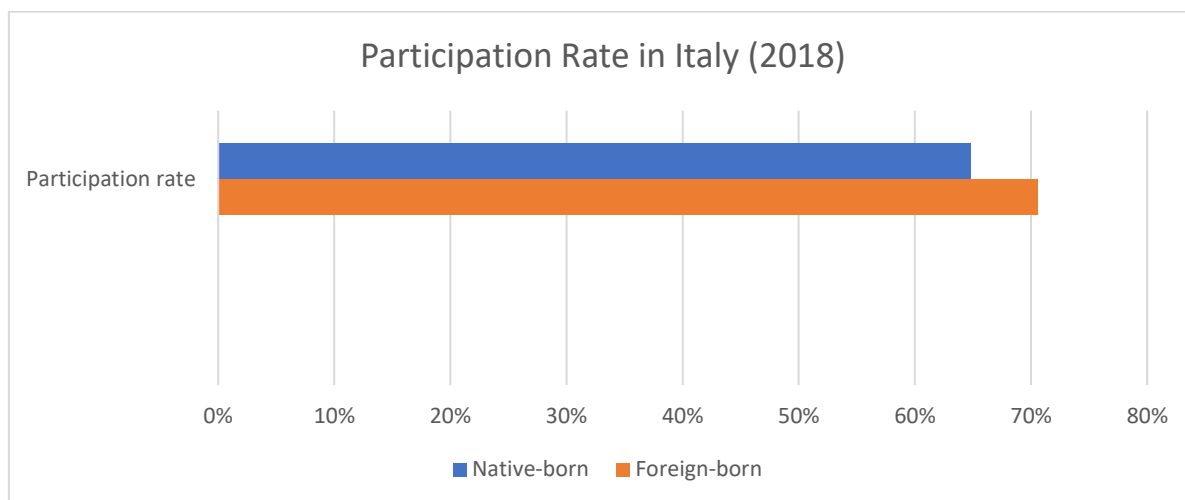


Figure 6: Participation rates in Italy. Percentage of 15-64 years old, 2018.
Source: Personal elaboration based on OECD (2019), *International Migration Outlook*⁵⁸.

An important characteristic of the immigrants' presence in the Italian labour market is the segregation workforce according to the different professional sectors. Indeed, depending on their country of origin, the immigrants tend to be hired in specific jobs. This will be better explained in the next section.

Italy is one of the few OECD countries where the employment rate of immigrants is higher than the one of the natives. The total employment rate in Italy is estimated to be in 2018: 63.5% for European foreigners (lower than the previous year), while 60.1% for non-EU workers (higher than the previous year). The natives have an employment rate equal to 58.2%.

It is useful to show the dynamics of the labour market outcomes since the financial recession took place in 2008, differentiating by country of birth and gender. Keep in mind that the portion of men immigrants, especially when we will consider the Albanian community, is higher than women.

⁵⁶ Based on personal calculation, the natives' participation rate on 1st January 2019 should be 64.71%, while for foreign-born workers the rate is 71.88%. Natives will experience a slow reduction; foreigners will experience a slow increase.

⁵⁷ OECD (2019), *International Migration Outlook 2019*, OECD Publishing, Paris.

⁵⁸ OECD (2020), Native-born participation rates (indicator). doi: 10.1787/afed6c9e-en (Accessed on 31 March 2020). OECD (2020), Foreign-born participation rates (indicator). doi: 10.1787/fa75b43e-en (Accessed on 31 March 2020).

The figure 7 provides a graphical representation of the trend of the employment rate occurred in 11 years-period in Italy, from 2008 to 2019, to stress some consideration.

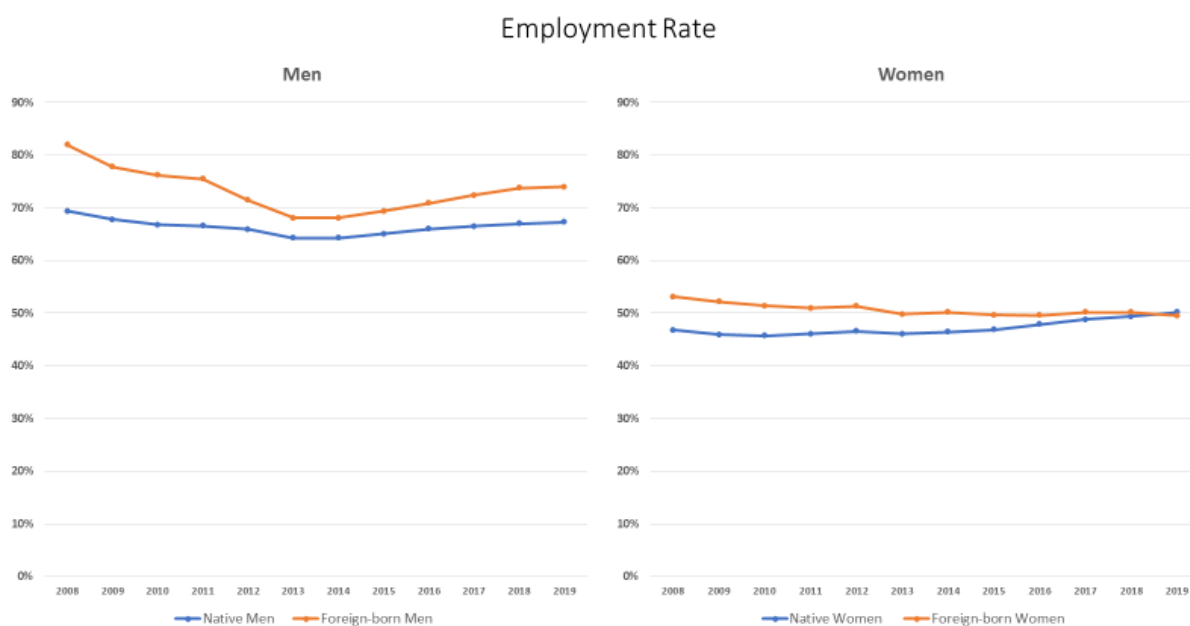


Figure 7: Employment rate of natives and foreign-born individuals, 2008 – 2019.
Source: Personal elaboration based on ISTAT data.

In the graph, both the EU and extra-EU individuals are grouped in the foreign-born individuals' category. It is shown that the employment gap between foreign-born and natives is positive at the beginning of the period under consideration, in 2008, for both men and women.

On the left side, the employment rate gap of men gets lower until 2014 and it enlarges reaching a gap higher than 6 percentage points in 2019.

On the right side, the employment rate gap between native and foreign-born women is positive in 2008, as for men, but it gets close to zero as long as we go ahead with the time spell, reaching in 2019 even a reversed trend. In both cases, as anticipated, the employment rate of foreign-born individuals is higher than those of natives.

Another consideration to be done is that the employment rate of the described categories of workers indicated in the graph has experienced a decreasing trend because hit by the financial recession of 2008. In the last periods it is manifesting a slow positive result.

The total unemployment rate in Italy is estimated to be in 2018: 13.5% for European foreigners (higher than the previous year), while 14.3% for non-EU workers (lower than the previous year). The natives' unemployment rate is 10.2%⁵⁹. To confirm the slow positive

⁵⁹ In 2019, the natives' unemployment rate is estimated to be 9.5% (reduced compared to the previous year), while the foreign-born employment rate is 13.8%. I choose not to include this data inside the table because the ISTAT microdata does not differentiate between EU and extra-EU foreign-born individuals.

results previously mentioned for what concerns the increasing employment rate, on the other hand the unemployment rate has reduced for natives and immigrant individuals.

To get a huge perspective of the path followed by the unemployment rate over the years, there is analysed the time spell from 2008 to 2019 of natives and foreign-born individuals (figure 8). Even in this case the latter comprehends both EU and extra-EU individuals.



Figure 8: Unemployment rate of natives and foreign- born individuals, 2008 – 2019. Source: Personal elaboration based on ISTAT data

The graph in the figure 8 shows an increasing trend of the unemployment rate since 2008, reaching the maximum point in 2013 for both men and women.

On the left side, the gap between natives and foreign-born men hugely increased over the years starting from 0.5 percentage point of gap in 2008 and reaching the highest difference in 2013, counting a gap of 6% between natives and foreign men. Thereafter, the index gets lower slowly, in 2019 it is counted to be almost 4%.

On the right side we represented the differences by women: the gap is large since the beginning of the period analysed, and in 2019 it is counted to be around 6%, still high.

Even in this case, the foreign-born individuals have a higher unemployment rate than natives, especially when considering the women. This reflects further the lower labour market attachment of women, especially of foreign-born ones.

Competition and Complementarity

It's useful to recall the initial economic considerations made as general explanation of the labour market outcomes once immigrants arrive: if there are homogeneous workers in terms

of skills and education, Italian and immigrants compete for the same job position. This leads the labour supply curve to shift outward and convince some natives to exit the labour market because of their higher reservation wage. But the reality is not so simple as the theory. Especially because Italy has a highly segmented labour market, causing the segregation of specific workforce in some professional sectors. The sectors where the competition between Italian workers and foreign-born workers could occur are the agricultural and the building sectors. The general findings show that in the early 90s the complementary effect dominates in the manual jobs, then the immigrant influx caused an increase in the natives' wages. But this effect is limited to the small firms and especially to the North Italy. This is not consistent with some findings in other European countries during the same period, probably because in Italy natives refused to perform some risky jobs and the labour demand for that type of jobs was filled by immigrants.

Even if these considerations are old, they are still valid. Italy, compared with other EU countries, is at the bottom of the rank for what concerns foreign high-skilled employees, while at the top of the rank for what concerns the foreign low-skilled employees⁶⁰. This confirms that immigrants are mostly present in low-qualified economic sectors.

A specification occurs: the high-skilled workers are classified as those who attended university or post-secondary school (tertiary education); while low-skilled individuals are considered as those with high-school diploma or an even lower educational attainment. Each time there will be specified the level of schooling. In order to catch the dynamics of the employment level, differentiating by high skilled and low skilled workers, it is worth to look at the trends over the same time periods considered before (2008 – 2019).

Concerning this issue, it worth consider the *over-qualification* phenomenon: it is the portion of high-skilled individuals (as defined previously) which is employed in job position that require low skills level. This is a phenomenon spread across the foreign-born individuals rather than natives: the estimations count 63.1% of foreign-born individuals who are high-skilled but who are hired in low-skilled jobs. While the Italian peers are 18%. Additionally, the rate of overqualification of foreign-born individuals differ when considering the European foreigners and the extra-EU foreigners: the former present an over-qualification rate of 46% while the latter has an over-qualification rate of 73%⁶¹.

⁶⁰ Ministero del Lavoro e delle Politiche Sociali. Direzione Generale dell'immigrazione e delle politiche di integrazione. IX Rapporto Annuale, Gli stranieri nel mercato del lavoro in Italia. Roma, Presidenza del Consiglio dei Ministri, 2019.

⁶¹ Ibidem.

Low-skilled and High-skilled Workers

Now we will consider the labour market outcomes of high skilled and low skilled workers for both natives and immigrants. We will look at the high school graduates' workers as low-skilled individuals, compared to the college graduates. Of course the individuals involved in the labour market who attended even less years of schooling or which are high school dropouts are even less-skilled, but for our purpose it's interesting to study the high school graduates because of the dynamics they experience in the labour market. The high-skilled individuals are those workers who had attended the tertiary level of education. They are college graduates, or they attended even post-lauream training.

The figure 9 shows the differences between natives and foreign-born low-skilled (left side) and high-skilled (right side) individuals for what concern the employment rate.

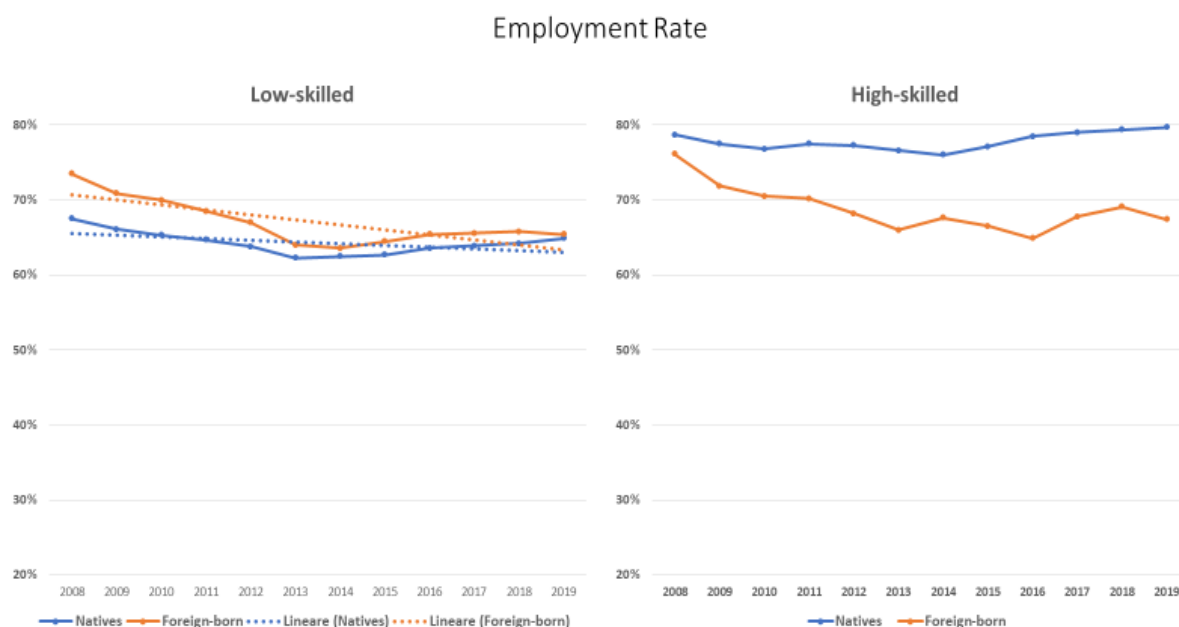


Figure 9: Employment rate of high-school graduates and college graduates' natives and foreign-born workers, 2008 – 2019.

Source: Personal elaboration based on ISTAT data.

Considering the low-skilled workers (left side), the trends demonstrate they follow the same path. The evolution of the employment rate of both natives and foreign-born workers is similar, only the level is different. When we analysed previously the employment rate of natives and foreign-born individuals (fig. 7), without differentiating for educational attendance, the gap between the two categories of workers gets lower. Not surprisingly, we found the same here when focusing in the low-skilled individuals. Then, it is possible to apply the same considerations stated previously even there. Also, the peculiarity of higher employment rate for foreign-born high school graduates rather than natives tends to confirm partially the segregation workforce. The low-skilled workers are mostly coming from abroad.

This could be explained in part by the higher reservation wage of natives, which could prefer not to work at a certain wage rate.

Most of the times the immigrants are employed in jobs which are sensitive to the economic crisis. To further confirm this, if we draw a linear line as an approximation of the employment rate trends, the slope of the one of foreign-born individuals is steeper than the one of natives.

Considering now the high-skilled workers (right side), the employment rate is almost stable for both. Comparing this situation with the previous one (left side of the graph: low-skilled workers), it's possible to catch two insights: firstly, natives have a higher employment rate than foreigners when they are high-skilled, and this result is the opposite compared to the employment rate of low-skilled individuals, where natives had a lower labour market attachment than foreigners. Secondly, the college graduates suffer less the economic crisis. Just looking at the trends, they are mostly stable over time since 2008, despite the gap between natives and foreigners has increased reaching more than 12 percentage points in 2019. But this is due to the segregation workforce of immigrants in specific job positions.

The employment rate gap between low-skilled natives and foreigners got close to zero; reversely, the employment rate gap between high-skilled natives and foreigners gets larger over time.

The figure 10 shows the differences between natives and foreign-born low-skilled (left side) and high-skilled (right side) individuals for what concern the unemployment rate.

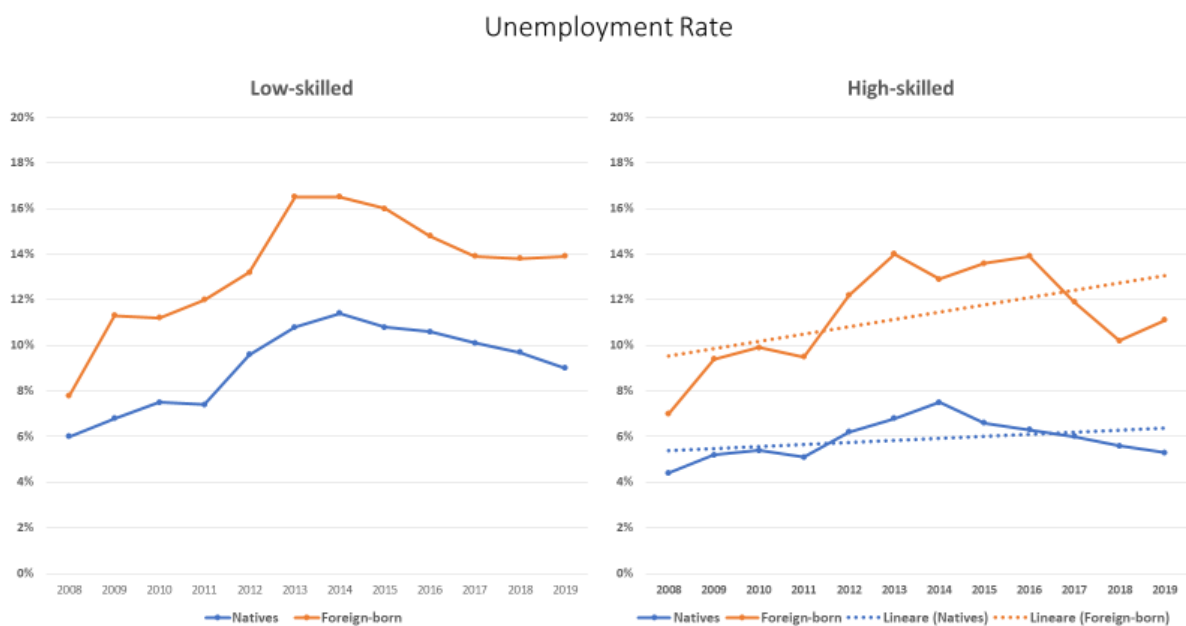


Figure 10: Unemployment rate of high-school graduates and college graduates' natives and foreign-born workers, 2008 – 2019.

Source: Personal elaboration based on ISTAT data.

For what concerns the unemployment rate of low-skilled workers (left side), the index increased over time and the gap between natives and foreigners gets larger since 2008. In the 2014 the unemployment rate reached the peak and the gap was at the largest point counting more than 10% for natives and more than 16% for foreign-born. After this worst result, the unemployment rate gets lower with improvements for both categories of workers.

For what concerns the unemployment rate of high-skilled workers (right side), the traced lines show a steeper slope for foreigners than for natives. This is translated in a stronger responsiveness to the crisis of the foreign-born rather than natives. Even in this situation, the gap between the two categories of workers gets larger over the time, reaching almost 5 percentage points of gap in 2019.

An interesting consideration is required when looking at the foreign-born high-skilled workers in Italy. Taking a cue from the current health crisis, it worth consider the share of employees working in the health system sector: the share of foreign-born professionals in this sector are counted to be only 4% of doctors and 10% of nurses in Italy, which has the lowest share of foreigners in this activity. While countries, as US and UK, count around 30% of foreign-born doctors and between 16% and 20% of nurses. Switzerland has the highest share of foreign-born doctors (47%) and nurses (31%)⁶². This is only an example to show the low level of high-skilled foreign-born workers in the Italian country.

Despite the employment assimilation, the immigrant workers tend to stay permanently in the same economic sector, even if they experience improvements as the time passes. This is also due to the lower educational attainment of foreigners compared to natives. Indeed, the data⁶³ estimates that 37.9% of natives have a lower attachment to the education, compared to almost 50% of foreign-born individuals. While the highly educated are Italians in the majority, only less than 13% of foreign-born individuals have a strengthen educational attainment. This is shown in the figure 11. The data date back to 2017.

⁶² These shares correspond to the 2015 – 2016 period. “Migration data relevant for the COVID-19 pandemic” (07.05.2020), <https://migrationdataportal.org/themes/migration-data-relevant-covid-19-pandemic>, Visited on 09.05.2020.

⁶³ OECD/European Union (2018), *Settling In 2018: Indicators of Immigrant Integration*, OECD Publishing, Paris/European Union, Brussels.

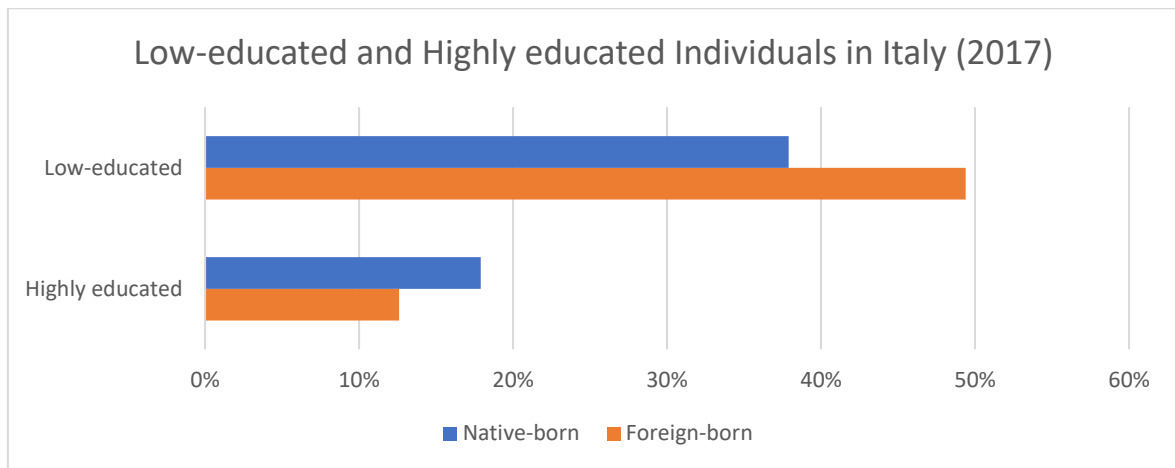


Figure 11: Low- and highly educated, percentage of 15-64 years old, 2017.
 Source: Personal elaboration based on Settling in – Indicators of immigrant integration 2018.

According to this point, across the OECD countries the immigrants' and natives' PISA scores have improved over the years, reducing the differences between natives and foreigners in terms of education. But this improvement has not been experienced in Italy, where the gap has not reduced, indeed it has increased further.

To conclude this consideration, even if the Italian country experiences a higher employment rate for immigrants compared to natives, it worth to specify that these occupational jobs are basically manual works.

Economic Sectors of Employment

To go in deep in this issue it is necessary to stress some aspects about the presence of foreign-born individuals in each economic sector. European and extra-EU foreigners weigh in different measure on the sectors of economic activities.

Almost 90% of foreign-born workers are employees, not employers, and almost 80% of those are manual workers. Basically, they can be classified as low-skilled workers, given the job position filled. While, less than 1% of foreign workers are managers or executives.

The larger share of foreign-born workers is placed in the Other collective and personal services counting for 36.6%, with a large presence of immigrants. The following sectors ranked according to the foreign-born workers' presence are: Hotels and restaurants with 17.9%, Agriculture with the same presence, and Construction with 17.2%.

This is an interesting consideration because in the host country the immigrants are segregated in the 3D jobs, while when they decide to turn back in the home country, the employment conditions change.

It will be useful when considering the Albanian immigrants. The Albanian workers who are residing and working abroad, as in Italy, are mostly hired in the construction activities and in a lower measure, in the agricultural sector. If they turn back in the home country (they are the so-called *return migrants*) after a period of residence in Italy, for instance, they tend to get employed mostly in the agricultural sector, especially as self-employed, and less in the building sector. So, they are likely to open their own businesses, investing the human capital and financial capital accumulated in the host country⁶⁴.

From the ISTAT data, it is possible to get access to the number (in absolute terms) of workers hired in each sector (according to the *Ateco 2007* classification). We will always differentiate between natives and foreign-born individuals. Of course, given that the graphs are now indicating the total number of workers in absolute terms, the path followed could be different from considering the employment or unemployment rate. Each consideration will be specified.

The figure 12 will show the trend followed by natives and foreign-born employees in the labour market, considering the total of economic sectors of employment.

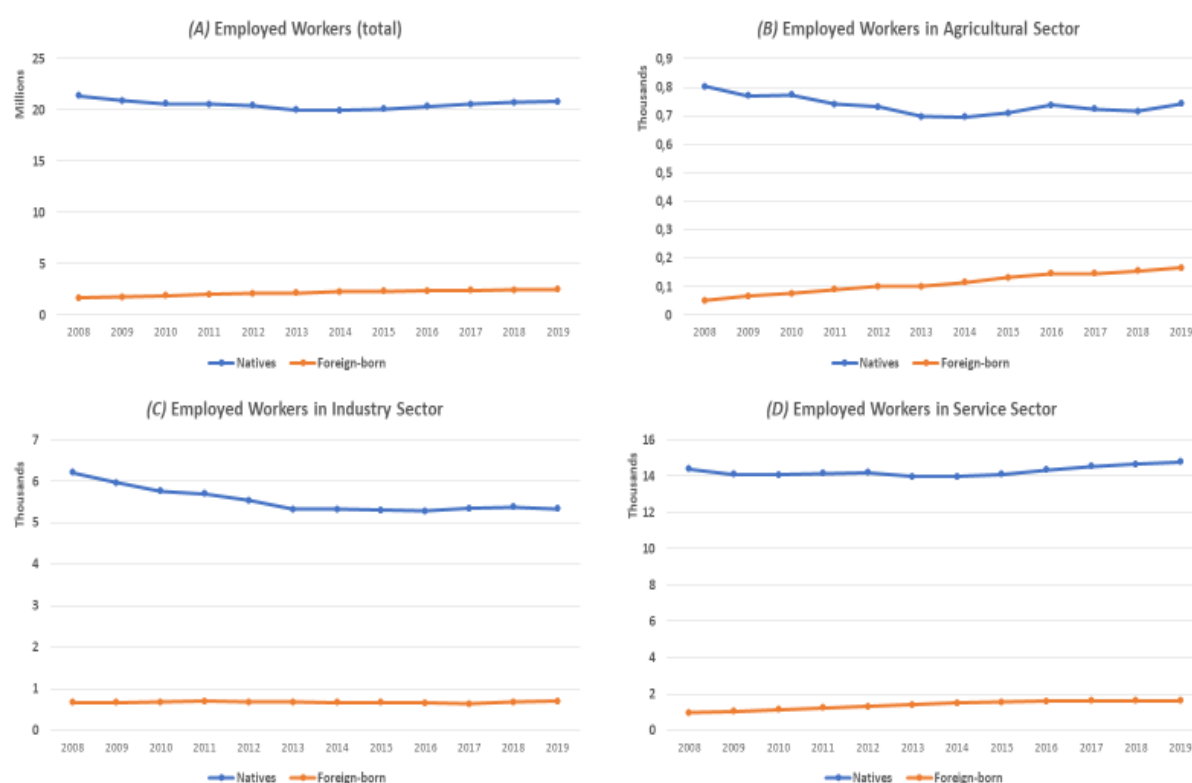


Figure 12: Employed natives and foreign-born workers in the economic sectors (total, agricultural, industry and service sectors), 2008 – 2019.

Source: Personal elaboration based on ISTAT data.

⁶⁴ This will be better explained in the Section III of this essay.

Of course, the gap between the two categories of workers analysed in the 4 graphs is due to the unbalanced presence of foreigners in Italy, which are very few compared to natives. As stated previously, they represent 8.5% of the entire population in 2018. To confirm the higher employment rate for foreign-born, compared to natives, the graph shows a slightly increasing trend for the former, while the latter have experienced a slow reduction over the years. It worth to investigate the differences in trends for the three principal economic sectors: agriculture (*B*), industry (*C*) and services (*D*).

In the agricultural sector the natives and immigrants experienced an opposing trend. The graph *B* of the figure 12 shows that the natives (blue line) experienced a job separation from the agricultural jobs while the immigrants labour (orange line) increased with the time spell. The agriculture is the primary vehicle for the economy in the South of Italy, then it is easy to assume that the individuals involved are mostly located there. For instance, Albanian immigrants are mostly employed in the building sector when arrived in Italy, despite the primary activity for the economy in their home country is the agricultural one. The Albanian workers are also mostly concentrated in the North of Italy and in few regions of the South. Given their agricultural background, we assume that those concentrated in the South are mostly hired in this economic sector, while those concentrated in the North are engaged in the constructions.

The industry sector involves mining activities, manufacturing activities, energy and water supply and building and construction sector. The graph *C* of the figure 12 shows an almost stable trend for foreign-born workers, while the natives' number of workers are getting lower over the years. But a consideration is required: the industry sector includes the building sector. This one is sensitive to the economic recessions and is one of the business activities that mostly engage the immigrants, as Albanian workers⁶⁵. Then, despite the trend does not seems to be very responsive to the 2008 financial recession, the single construction sector has experienced many issues, as making the workers receipts of economic benefits.

The last sector to be considered is the one of services. The graph *D* of the figure 12 provides the trends experienced by workers, in terms of employment, over the years. The service sector includes commerce, transport, hotels and restaurants, information and communication activities, health and education, financial and insurance activities, and others. The trend is positive for both categories of workers. After a slow reduction for natives, the number of employees increased over the years.

⁶⁵ This will be better explained thereafter.

The immigrant women are mostly engaged in the service sector. Given that services comprehend all the aforementioned categories, the service where they are engaged in are the other collective and personal services counting more than 30% of immigrants there. The east-European women are involved there, while men are mostly hired in the previous two economic sectors (agriculture and industry). Other than the gap according to the country of origin, also a gender gap between immigrants occurs.

Many activities of the service sectors are now under the magnifying glass of the Covid-19 outbreak. Indeed, many foreign workers, especially women, are exposed to the Covid-19 risk because of the type of work performed by them, as service care to the families and to their own households' members.

Wage Gap

The differences also define the wage gap between immigrants and natives. Even if the employment rate is at a good point for immigrants, the same cannot be said for the wages. Indeed, immigrants are perceiving a low wage distribution compared to natives.

The wage gap between immigrants and natives is the result of the different occupational choices of both. The individual characteristics play an important role in defining the gap too: age, gender, educational level and skills, family background. Additionally, the part-time jobs provoke a higher turnover rate and consequently a discontinuity in the earning capacity of workers.

Given that women are more likely to be employed in temporary jobs, they are more exposed to the wage differentials, especially when immigrants. Remember that immigrant women are mostly hired in domestic works and these are often under-paid. For this reason, a large portion of the wage gap between immigrant women and their native peers is explained by these factors.

The ISTAT reports provide the median hourly gross wage of both native and foreign-born individuals, for men and women, and is given by the *RACLI* source⁶⁶. The next graphs will show the wage gap between native and foreign-born men and native and foreign-born women. The value is calculated as the median level of the wage per hour worked, that is the ratio between the gross taxable salary paid by the employer and the estimated hours of work paid by the employer.

⁶⁶ RACLI is the annual register on earnings, working hours and labour cost for persons and enterprises. It gives the information on employment, wages labour costs and hours of work per employee.

In this case there is adopted the *Ateco 2007* classification too, providing the median wage (as defined previously), considering the totality of economic sectors, the industry sector, and the service sector. The data refers to the last year available, the 2017⁶⁷. The figure 13 provides the comparison for what concerns the total economic sectors of *Ateco 2007*.

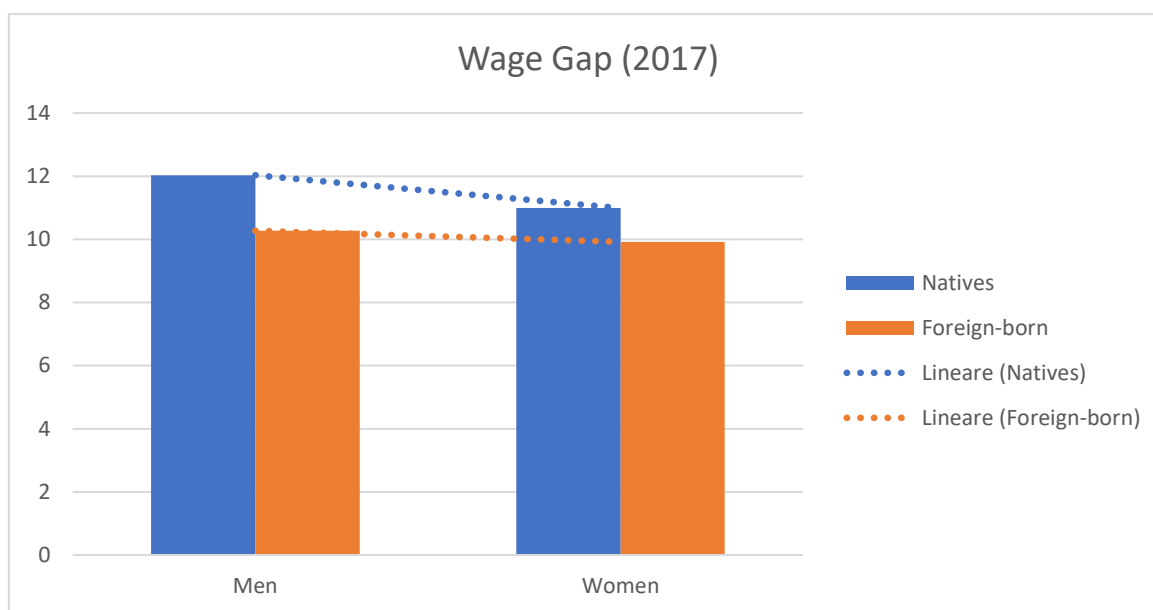


Figure 13: Wage gap between native and foreign-born men and women (in Euro currency), 2017.
Source: Personal elaboration based on ISTAT data.

There is a clear gap between the two categories of men and women. On average, men earn more than women, for both natives and foreign-born workers, confirming the gender wage gap. This could be due to different factors as: labour market attachment, discrimination, personal choices, and others. For instance, it is assumed that women face a weaker labour market attachment, collecting less human capital than man, because of the higher turnover rate or because of the childbearing age, and this provokes the obsolescence of the human capital already accumulated. The traced lines show the gender gap between native men and women and foreign-born men and women. The gender gap is more pronounced for natives than for foreigners, probably because the foreign-born individuals are paid less on average. Then the gender gap and the immigrant-natives gap are strictly related.

What is interesting for our essay is the immigrant-natives wage gap: natives earn more than foreigners. For men there is almost 2 euro of difference for the gross hourly wage. For women, the gap is lower, counting 1 euro of difference. The women gap is lower than the men gap also because the women, on average, earn less than men.

⁶⁷ This data is available for the period 2014 – 2017, but for personal choice I selected just 1-year period for an easier and smoother reading. Indeed, looking at the trend over the 2014 – 2017 years there are not so interesting changes.

For what concerns the industry sectors and the service sector the wage gap is reported in the figure 14.

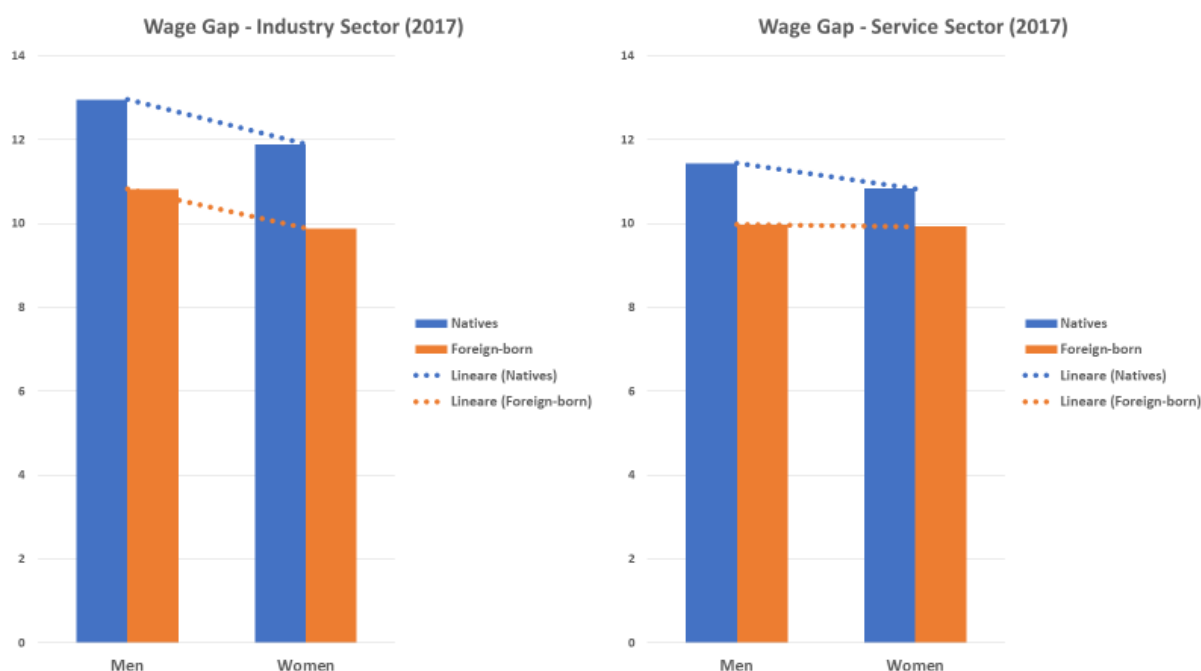


Figure 14: Wage gap between native and foreign-born men and women (in Euro currency), in the industry sector and in the service sector, 2017.

Source: Personal elaboration based on ISTAT data.

There can be reported the same consideration made previously, which values for the totality of the economic activities.

In the industry sector (left side) the only difference from the totality of the other economic sectors (fig. 13) is that the wage gap between native and foreign-born women is higher than the average: it counts to be around 2 euro. While the traced lines express the gender wage gap: the difference between native man and women is almost the same of the foreign-born men and women, indeed at first sight the slope is almost similar, just the level is different.

The service sector (right side) is paid less than the industry sector, and, even in this case, it is possible to propose the same considerations as before (fig. 13). The foreign-born gender differential is almost zero, while the wage gap still occurs for native men and women.

To confirm the wage gap between natives and foreign-born individuals, a comparison between the wage gap in 2009 and the wage gap in 2017 shows not so appealing results⁶⁸. The wage differentials between immigrants and natives was estimated on average more than 23% in 2009 but it has risen reaching more than 26% in 2017. The largest part of wage differential

⁶⁸ Frattini, T., Fenoll, A., & Siragusa, K. (2017). Migration observatory report: Immigrants' integration in Europe. *Italy: Amici del Centro Studi Luca d'Agliano*.

in 2009 can be explained by the occupational choices and around 15% of the gap is due to differences in the individual characteristics of immigrants and natives.

In 2017 the occupational choices explained 52% of the wage gap, while the individuals' characteristics explained 15% of the wage gap (as in 2009).

What is interesting to catch is that there is a residual portion of the earning differentials that is not depending on the two above-mentioned factors. In 2009 this residual share was counted for 6% of the wage gap, and this share gets higher in 2017, counting more than 8%. The differential was depending on neither job decisions nor age, education, gender⁶⁹.

The tenure time plays a positive role in this context: as long as immigrants get stability in the host labour market, the wage gap gets lower over time, when comparing immigrants and natives equally aged, educated, skilled. But the gap never reaches the zero level.

This residual can remind us the *Oaxaca decomposition* to explain the wage differentials. It was typically used to understand to which extent the gender wage gap was due to differences in skills and to discrimination. Of course, it can be applied to the immigrant-natives' gaps instead of gender gaps.

In our context, the raw wage gap is measured as the difference between the average wage perceived by natives and the average wage perceived by immigrants. Of course, there are many factors affecting the differential and the Oaxaca decomposition calculate for skills differential and the residual is associated with the discrimination differential.

The model could be written as follows:

$$\Delta\bar{w} = \bar{w}_N - \bar{w}_M = (\alpha_N + \beta_N\bar{s}_N) - (\alpha_M + \beta_M\bar{s}_M)$$

Where the \bar{w} indicates the average wage of natives (\bar{w}_N) and immigrants (\bar{w}_M); α is a parameter that indicates the earning profile of workers; β is the statistic that measures to which extent the wage changes as one additional year of school is attended; s measures the years of schooling, that in this case is a proxy of the skills level. Rearranging the model, it is possible to write the equation as follows:

$$\Delta\bar{w} = \bar{w}_N - \bar{w}_M = (\alpha_N - \alpha_M) + (\beta_N - \beta_M)\bar{s}_N + \beta_M(\bar{s}_N - \bar{s}_M)$$

If the individuals attend the same years of schooling (intending acquiring the same skills), then the last part of the equation should equal to 0. If the immigrants and natives differ in educational distribution, then the wage gap is partially explained by the differences in skills.

⁶⁹ Frattini, T., Fenoll, A., & Siragusa, K. (2017). Migration observatory report: Immigrants' integration in Europe. *Italy: Amici del Centro Studi Luca d'Agliano*.

The first and the second terms explain the wage gap due to discrimination. Indeed, if β for natives and immigrants is different, then the native's schooling is valued more than the immigrant's schooling, for instance. While the differences in α between natives and immigrants simply highlights that natives are paid more than immigrants, for any level of schooling, for instance.

The Oaxaca decomposition is useful to catch some important aspects necessary to explain the wage gap, but it is not always a good mirror for the reality. Indeed, there are many factors that could affect the differential, as the quality of school attended by both categories of workers and the personal life choices. The natives may have the opportunity to attend a good school while immigrants, usually coming from developing countries, have access to a lower quality school, despite the same years of education. Even if this methodology biases the measure of discrimination because of the unobservable factors, it is a good starting point to understand the reasons of that residual wage differential that is not due to the occupational choices neither to the individual characteristics.

Up to now, it has been provided a general perspective and some relevant information about the Italian labour market considering the presence of the foreign-born workers living there. As premised, this essay wants to focus on the working and living conditions in Italy of a particular community: the Albanian population.

Many of the previous considerations about the immigrant workers are valid also for the Albanian ones, but there emerge some dissimilarities in the characteristics of this community compared to the others present in the Italian territory: as the gender differences, their presence in particular economic sectors and their presence in particular Italian regions instead of others. Let us consider all these characteristics in detail.

The Albanian Case

The Albanian community is composed by 440 thousand people regularly living in Italy, they represent the 11.6% of the extra-EU individuals present in the country. And they are ranked at the 2nd place for number of foreign-born populations living in Italy (2018). The main characteristics of the Albanian migration are basically three: it is dynamic, it mostly occurs because of economic reasons, and is irregular⁷⁰.

⁷⁰ Pittau, F., Ricci, A., & Urso, G. (2009). Gli Albanesi in Italia: un caso di best practice di integrazione e sviluppo. *Revista Interdisciplinar da Mobilidade Humana*, 17(33).

The Albanian population has experienced a very high rate of emigration since the early 90s, especially targeting Italy. Indeed, the Albania is the one of the European countries which experiences the highest rate of migration flow and migration stock, compared to the size of the country itself⁷¹. For what concern their actual composition, men are present in a slightly higher portion than women, which are estimated to be 48.8% of Albanian in Italy, and 13.5% are the younger. Also, Albania is ranked at the 1st place for the presence of unaccompanied foreign minors.

Even if there is a balanced gender composition considering the totality of extra-EU individuals, there exist some unbalances within communities. For some foreign communities, the polarization gender occurs, with a presence of women higher than men, as the Ukrainian, while for other communities the men are in majority compared to women. The Albanian people represent a balanced gender presence as the average extra-EU populations living in Italy.

The largest part of residence permits is given for family reunification, to confirm the fact that this one is the main reason that determines the immigration in Italy. The number of regular Albanian resident in Italy has experienced a reduction between 2017 and 2018, because of two reasons: firstly, there was a lower influx; secondly, because the already resident Albanian individuals have acquired the Italian citizenship.

It's possible to provide a graphical representation of the Albanian regularly residing in Italy. The figure 15 shows the trends.

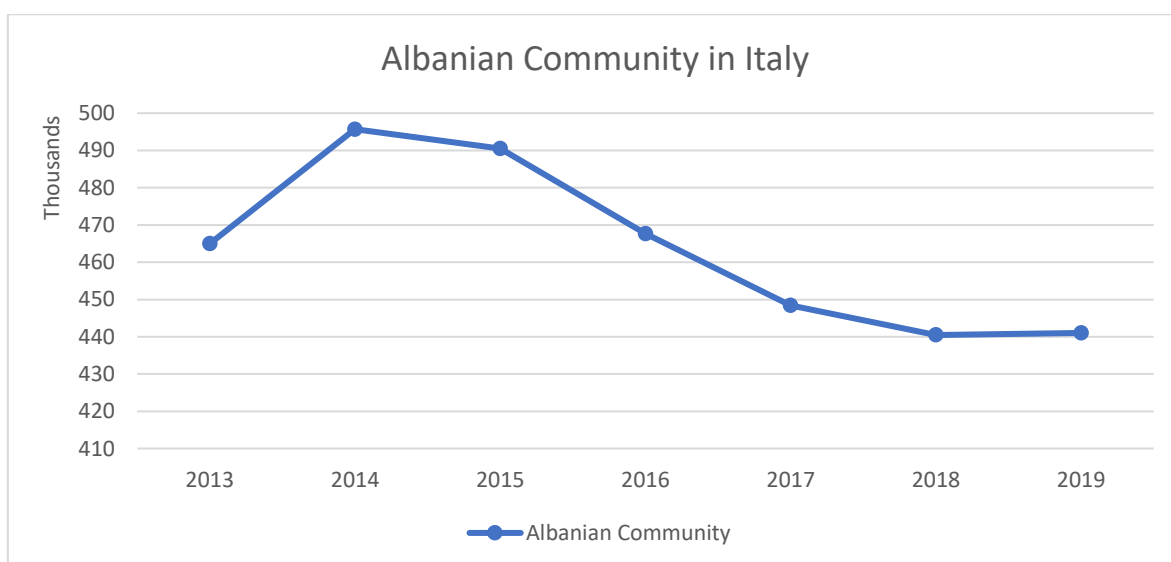


Figure 15: Trend of Albanian individuals regularly resident in Italy. 2013 – 2019.

Source: Personal elaboration based on "Albanesi in Italia", <https://www.tuttitalia.it/statistiche/cittadini-stranieri/albania/>, based on ISTAT data. Visited on 14.04.2020.

⁷¹ Barjaba, K. (2013). Towards new scenarios of Albanian labor migration. In *Institute for the Study of Labor, 6th IZA/ASE Workshop on EU Enlargement and Labor Markets*.

The blue line confirms an upward trend until 2014 (maximum point), counting almost a half of millions of Albanian individuals in Italy. But since 2014 the trend starts to go downward, because of the two reasons above mentioned. Indeed, the last variation occurred between 2017 and 2018 shows a reduction of 2.6 percentage points, determining the presence of 11.6% of the total extra-EU resident in Italy.

Albanian people are mostly concentrated in specific Italian territories: in the North and in a particular region of the South (Puglia), because of the geographical proximity. Milan is the first destination city.

The main reasons of migration of Albanian individuals are: job reasons (as lack of employment in the home country or looking for working opportunities not existing in Albania), family reunification, and the insecurity felt in the home country, due to the economic and health weakness systems⁷². Men are more likely to move because of job reasons, while women are likely to move because of family reasons and the general insecurity felt in the home country.

Given then the importance of these extra-EU workers looking at Italy as destination country, let us give a look to their presence in the Italian labour market.

The Albanian Community in the Italian Labour Market

The employment rate of the Albanian workers in Italy is 53.8% and they are employed mostly in the construction and building sector (29%). A portion equal to 8.5% of Albanian workers have established a sole proprietorship⁷³.

In order to better understand the impact of Albanian immigrants on the Italian labour market, the largest portion of them is engaged in unskilled or specialized manual jobs, as seen before. This is recalled to stress that the immigrant workers are filling the labour demand for unskilled job that are typically underpaid and then natives are not applying for those job positions. This determines once again the complementarity effect of immigrants in the Italian labour market.

The monthly wage of the 60.5% of Italian employees is higher than € 1200 while a lower portion (between 24% and 33%) of immigrants perceive the same salary. The foreign-born

⁷² Filipi, G., Galanxhi, E., Nesturi, M., & Grazhdani, T. (2014). *Return migration and reintegration in Albania 2013*. Technical report, Albanian Institute of Statistics and International Organization for Migration.

⁷³ Ministero del Lavoro e delle Politiche Sociali. *La comunità albanese in Italia. Rapporto sulla presenza dei migranti*. 2018.

employees perceive less than € 800 per month. Then it is evident the wage gap due to the sectorial concentration of EU and extra-EU workers in Italy compared to natives⁷⁴.

Considering the economic sectors, it is necessary to talk about an ethnic specialization, because of the huge concentration that each ethnicity has in each sector. Indeed, the Albanian community is mostly employed in the building sector with a presence of 29.2% there.

Differences Between the Albanian Community and the Other Immigrants

After a general view of the Albanian data on Italian country, it is the time to go in deep with their presence in the labour market.

Some considerations made in the previous section, when looking at the immigrants in the Italian labour market, are valid also for the Albanian workers, as the wage gap, the huge involvement of men instead of women in the industry sector, and so on. Then some considerations made for the immigrants can be extended also to the Albanian community in the Italian country. Each peculiarity or differences will be explained time by time, when required.

But some of the general conditions of the other foreign communities in Italy are different from the conditions of the Albanian community. Indeed, the Albanian individuals in Italy are facing a higher unemployment rate and a higher level of inactivity, compared to the other extra-EU individuals in Italy⁷⁵. At the 1st of January 2018, the employment rate has been estimated 53.8%, lower than the extra-EU employment rate on average; the unemployment rate is higher for the community into consideration, equal to 17.5%; and the index of inactivity for Albanian people is counted 34.8%, higher than the other non-EU individuals present in Italy.

Despite these differences in the labour market indexes comparing Albanian with the other immigrants, the general trend that this community is running is positive, showing a greater reduction in the unemployment rate respect to the previous periods, compared to the other non-communitarian workers.

One of the main reasons that determine these discrepancies is the weak attachment to the labour market of Albanian women. The gender polarization is the opposite of the other immigrant workers in Italy: the data collected for the 2018 estimate the employment rate of

⁷⁴ Ministero del Lavoro e delle Politiche Sociali. La comunità albanese in Italia. Rapporto sulla presenza dei migranti. 2018.

⁷⁵ Ibidem.

Albanian men to be 71% against the only 36.6% of Albanian women. Then, the Albanian men are in line with the average of the other extra-EU men employed in Italy; while the Albanian women have a lower employment rate compared to the other extra-EU women working in the Italian labour market (45.9%). In the same way the Albanian women experience a higher unemployment rate as well as the rate of inactivity compared to the other extra-EU women.

A common characteristic of the community under consideration is the low level of education. The large portion has a middle school diploma, while the minority has a high school diploma. And only 6% has finished the university. Just think that the Albanian immigrants are a community composed mostly by young men, aged on average 36 years old (while natives are aged on average 42 years old⁷⁶) and the Albanian community is the first for the number of unaccompanied foreign minors (UAM).

In order to provide a detailed representation of the community under consideration, it is necessary to focus the occupational differences between the Albanian and the other immigrant workers in Italy. As anticipated, the Albanian community of workers is mostly engaged in the industrial sector that provide the job to 47% of them. This result is far away from the portion of the other foreign-born workers involved in the same sector: only the half or less of them are hired there. They are also hugely present in the agriculture sector.

They are weakly involved in the public, social and personal service sector. This is not surprising: these types of job are typically occupied by women and considering the weak attachment of Albanian women to the Italian labour market the result is unavoidable.

To confirm these statements, the 50% of the Albanian workers are specialized manual worker, following a lower percentage of unskilled jobs and the smallest portion is hired in higher job positions.

Before the crisis, the employment gap between natives and Albanians was around 4% but after the economic recession the gap got larger reaching 11% in 2013. Additionally, the young natives were less hit by the economic recession, experiencing a reduction in the employment rate by 9%, while the young Albanian workers experienced a reduction in the employment rate by 15% after the economic recession (from 2007 to 2015)⁷⁷.

⁷⁶ Origo, F., Shehi, V., (2017), “Gli albanesi nel mercato del lavoro in Italia”, <https://www.lavoce.info/archives/47143/tutta-colpa-della-crisi-gli-albanesi-nel-mercato-del-lavoro-italia/>. Visited on 15.04.2020.

⁷⁷ Ibidem.

Despite the unhappy consequences the financial recession has had on the labour market outcomes hitting both natives and foreigners, in 2012 the National Institute of Statistics of Italy (ISTAT) has performed for the first time the sample survey on social conditions and integration of foreign citizens in order to gather data about the living conditions and integration process of foreigners residing in Italy. The detection unit is the family with at least one foreign citizen resident in Italy. Additionally, the foreigners are identified based on the citizenship, not on the country of birth. The aim of the survey was to provide an overview of the basic characteristics, behaviours and opinions of these individuals residing in Italy. Among the information collected, the survey also provides the level of satisfaction for living conditions and labour conditions reported by foreigners, as well as the discriminatory events that these individuals have been subject to.

Looking at the following figures 16 and 17, it is possible to have a comparison between the EU and extra-EU individuals in terms of discrimination and in terms of satisfaction, respectively.

The figure 16 shows the number of declared discriminatory events reported by foreign individuals.

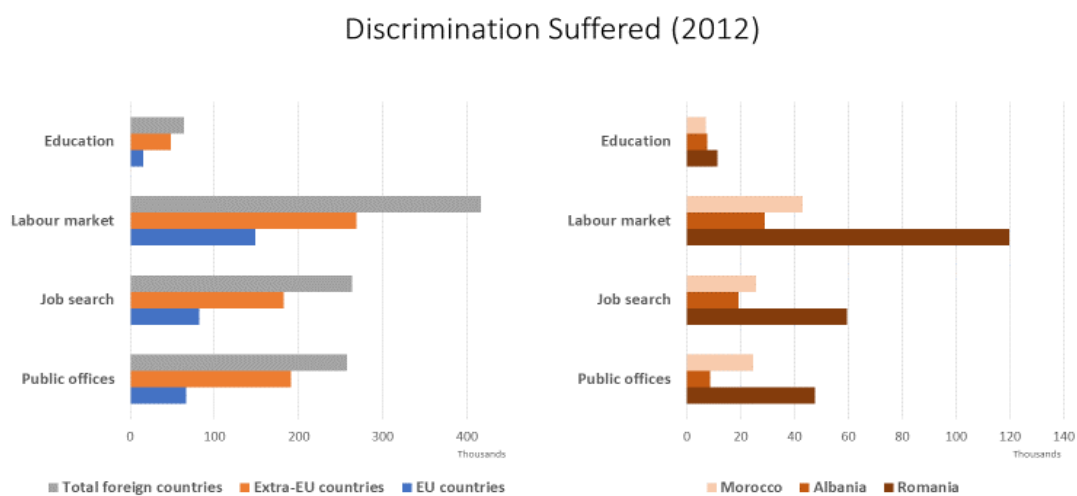


Figure 16: Declared discriminatory events according to the citizenship. The left side differentiate by EU and extra-EU foreigners. The right side differentiates by Romanian, Albanian, and Moroccan individuals. Source: Personal elaboration based on ISTAT data.

The left side of the graph provides the number of discriminatory events reported by foreign individuals. Not surprisingly, those coming from extra-EU countries are experiencing a higher level of discrimination compared to EU individuals. Indeed, as it has been possible to state previously, in Italy there dominates a misperception of the presence of immigrants. And the labour market is the place where these events are mostly present.

The right side of the graph provides a comparison between the principal three foreign communities residing in Italy: Romania, Albania, and Morocco. The variables considered are the same of the left side, as: education, labour market, job search and public offices. These variables indicate the places where the discriminatory event took place. The education is the sector in which the discrimination is at the lowest level, while the labour marketplace is the one in which foreigners are victim of discriminatory behaviours. The Romanian individuals are ranked at the first place as presence of foreign-born community in Italy. The figure shows that this community is subject to the highest level of discrimination compared to the other two. This high rate could be related to the large presence of them in Italy. On the other side, the Albanian individuals are experiencing the lowest level of discriminatory behaviours compared to the other two categories. Despite it is unhappy to talk about this topic, it is promising to look at these results: this means that the Albanian people has been able to be integrated in the Italian community at least better than these others, maybe because of the strong sense of admiration that this people has toward Italian culture.

Reaching the lowest level of discrimination in the educational sector should be the first step to take in order to prevent the emerging of discrimination in the job positions.

The figure 17 provides the graphical representation of satisfaction of the same sample of individuals in the life and working conditions.

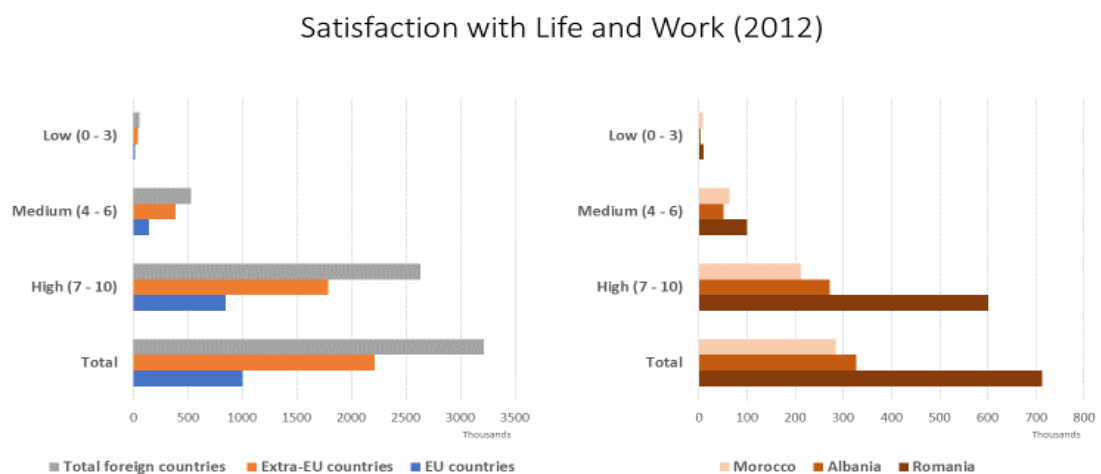


Figure 17: Satisfaction with life and work according to citizenship. The left side differentiate by EU and extra-EU foreigners. The right side differentiates by Romanian, Albanian, and Moroccan individuals. Source: Personal elaboration based on ISTAT data.

The level of satisfaction is indicated with three different ranges: low, medium, and high, where the lowest level is 0 and the highest level is 10. Despite the previous figure demonstrated the existence of discriminatory events, the life and working conditions are good as reported by the foreign individuals. On the left side we can see that the extra-EU individuals are more satisfied than the communitarian people. This could be because the

immigrants who reside in Italy, despite the segregation workforce in manual jobs and the wage gap, are even better there instead of living in the home country. Just to recall, the Albanian workers earn much more in Italy compared to Albania, when performing the same job.

The right side of the graph provide the same comparison between Romanian, Albanian and Moroccan individuals. The largest part of all the three communities report a high level of satisfaction. Of course, Romanian individuals present a higher level of satisfaction than the other two categories, this could depend on the fact that Romanians are the extra-EU community are ranked at the first place as presence of foreign-born community in Italy.

This survey is limited to the 2012 and is not provided a more recent one. Nevertheless, the fact that still 8 years ago the Albanian community was integrated, in terms of lowest level of discriminatory events experienced, is a good result to consider.

Unaccompanied Minors (UAM)

It worth open a parenthesis to talk about a specific category of Albanian migrants moving in Italy, the UAM (unaccompanied minors). Looking at the numbers, in 2019 it has been estimated the total presence of 8,131 UAM in Italy and only 6.7% of them are females, while more than 93% are males. The largest share of UAM (63%) are aged 17. More than 20% of the total UAM are Albanian (1,689)⁷⁸. Despite the high number, in 2018 the introduction of the decree concerning the security and migration issues, made it more difficult for those individuals to get access to the benefits previously provided, up to the majority age. Indeed, many of them turned homeless and were forced to turn back home.

The Albanian UAMs are the most numerous when compared to the other immigrants, and they migrate not only for the same reasons of adults, but also because of the possibility to get access to education and training that the Italian country could offer and that the Albanian couldn't. Albania does not invest as much as it is required in education, then the educational challenge pushed toward improvements, indeed in 2018 the PISA test scores were higher for math subjects, but lower for literacy⁷⁹.

⁷⁸ Ministero del Lavoro e delle Politiche Sociali. Direzione generale dell'immigrazione e delle politiche di integrazione, Divisione II. Report Mensile Minori Stranieri Non Accompagnati (MSNA) in Italia. 2019.

⁷⁹ "Commission staff working document. Economic reform programme of Albania (2020-2022) Commission assessment", European Commission (21.04.2020). <https://data.consilium.europa.eu/doc/document/ST-7468-2020-INIT/en/pdf>, Visited on 16.05.2020.

Not surprisingly, in Italy the older EU and extra-EU individuals are more educated than the younger ones, while the opposite occurs for Italian peers, then the younger individuals tend to have a higher educational attachment than older ones⁸⁰.

A way to improve the educational system is to reduce the pupil-teacher ratio, to have a more focused teaching system for each student. However, since the pre-dictatorship fallen, the minors in Albania were hugely exposed to the Italian culture, before in a secret way, and after through contacts with Italy, through media, and by learning the language at school. The main push factor which make UAMs to migrate is the earning capacity they could acquire in Italy, for instance. The culture of the home country has always inculcated the idea of family members' to economically help the household members, especially when residing in a more advanced country as Italy (sending remittances).

Of course, the UAM are first of all minors, then the exposure to this experience make them to grow up ahead of time. They still remain a vulnerable category of individuals. Despite the migrants leave the home country in order to permanently stay in the host country, regardless the age, the UAM should be incentivized to return home.

Irregular Albanians

Another important issue to cope with is the presence of irregular Albanians in the host country. We have already introduced the irregular immigrant's issue, but it worth focus on the Albanian ones. The historical background of the Albanian community shows important exodus of people toward Italy. The Communist dictatorship collapse and the instability of the economic and political environments incentivized individuals to migrate abroad. Just think that the overall residing population in Albanian in 1989 was 3.2 million and it reduced reaching 3 million of people in 2001⁸¹. Not surprisingly, the consequences in the host country reflected an important increase of irregular migrants. Indeed, the Albanian individuals, since the first years of their arrivals, were characterized by non-regularization (remember that this is one of the 3 basic characteristics of the Albanian community previously mentioned).

Given the nature of this information, is difficult to have access to a correct estimation of the irregular individuals living in the country. By mean of the regularizations occurred in Italy over the years it is possible to have an approximative estimation of the irregular Albanian individuals who have been regularized after the Italian law.

⁸⁰ Ministero del Lavoro e delle Politiche Sociali. Direzione Generale dell'immigrazione e delle politiche di integrazione. IX Rapporto Annuale, Gli stranieri nel mercato del lavoro in Italia. Roma, Presidenza del Consiglio dei Ministri, 2019.

⁸¹ This argument will be detailed in the Section III of this essay, when focusing on Albania.

To cope with this issue the Italian Government adopted the amnesty solution in order to regularize immigrants: in the 1990, the regularized Albanian workers, after the application of the law, were 2,471 individuals; the 1995 legislation regularized 29,724 Albanian workers; after the 1998 regularization, the Albanian workers in Italy became the first community of regularized immigrant workers, counting 38,996 individuals. The following immigration law occurred in 2002, as the amnesty regularized irregular Albanian workers, reaching 47,763 individuals⁸². The presence of irregular Albanians put them in the spotlight for what concerns the complaints and expulsions. At the beginning of the current century more than 70% of the immigrants denounced for criminal acts were Albanians. Over the years the situation has stabilized for Albanian individuals, because of the spiritual and geographical proximity of the Balkan state with Italy.

It is interesting to consider in this section the number of individuals found to be irregularly present in Italy over the years. The Eurostat statistics allows us to get access to important information about the third-country individuals illegal in the developed countries, then I selected the data referred to males and females coming from Albania and detected to be irregular in Italy. The group of Albanian people analysed is composed by individuals who entered the country avoiding the control authorities or who were regular but after the modifications of the laws he or she becomes irregular. Is also considered irregular the one who stayed in the host country more than what has been granted.

The figure 18 provides a graphical representation of the trend of illegal presence differentiating by gender, from 2008 to 2019.

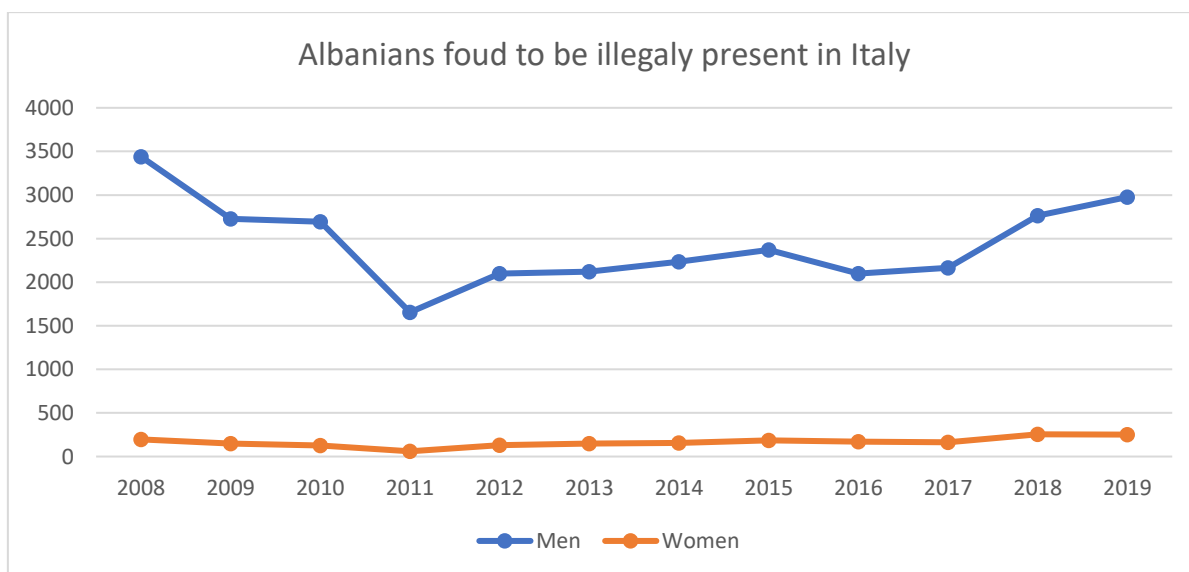


Figure 18: Albanian individuals found to be illegally present in Italy, by gender, 2008 – 2019. Source: Personal elaboration based on Eurostat data.

⁸² Pittau, F., Ricci, A., & Urso, G. (2009). Gli Albanesi in Italia: un caso di best practice di integrazione e sviluppo. *Revista Interdisciplinar da Mobilidade Humana*, 17(33).

The data refers only to those who have been subjected to authorities controls then it is not the final correct number to consider. Nevertheless, the figure clearly shows the share of men much larger than that of women. This is not surprising: the men are typically more than women when considering the Albanian community, then the gender gap is interesting to be considered also in the irregular presences. The men's trend is more volatile than the women's one. Despite there was an almost stable number of the illegal Albanians in Italy in the years from 2012 to 2018, since the 2018 the authorities find out many illegal Albanian men. Taking also in consideration that the regularity status of the immigrants depends on the changes in the immigration laws introduced in the host government, the 2018 decree has impacted hugely the immigration status. Not surprisingly, there started an upward trend.

In the labour market the regularization of illegal immigrants could be a measure necessary to be adopted to avoid the *caporalato* phenomenon, which is hugely spread in the North Italy in the building sector (where the Albanian men workers are mostly hired) and in the South Italy in the agricultural sector. The *caporalato* is an illegal way of recruitment and management of the labour, for which the employees engaged (typically irregular immigrants) have not access to the same rights and protection of the regular workers and the intermediaries who manage the recruitment obtain a monetary return.

The regularization or amnesty could be an *easy* measure to apply to regularize the illegal migrants. But this may have the negative effect to justify something that is illegal per se. Given that the social impact of irregular migrants is very prominent, in terms of crimes and marginalization, the amnesty should be accompanied with other security measures, as to guarantee the stay in the host country only if the worker is able to demonstrate that is actively engaged in the labour market, for instance. Of course there are pros and cons for the adoption of the regularization measure, but the current health crisis put every person on the same level, then it is necessary to stress the advantages that the amnesty could bring to the country and to the migrants themselves, in terms of health care and in terms of contributions.

The ISTAT data provides the access to the irregular rate of employed workers in Italy. Despite there is not a distinction between natives and foreign-born workers, keep in mind that immigrants are more likely to be irregularly employed compared to natives, because of the irregular status of migrant, for instance.

The figure 19 provides the trend occurred over the years since 1998, until the last year data available (2017), in order to understand the variation in the legal or illegal status of immigrants.

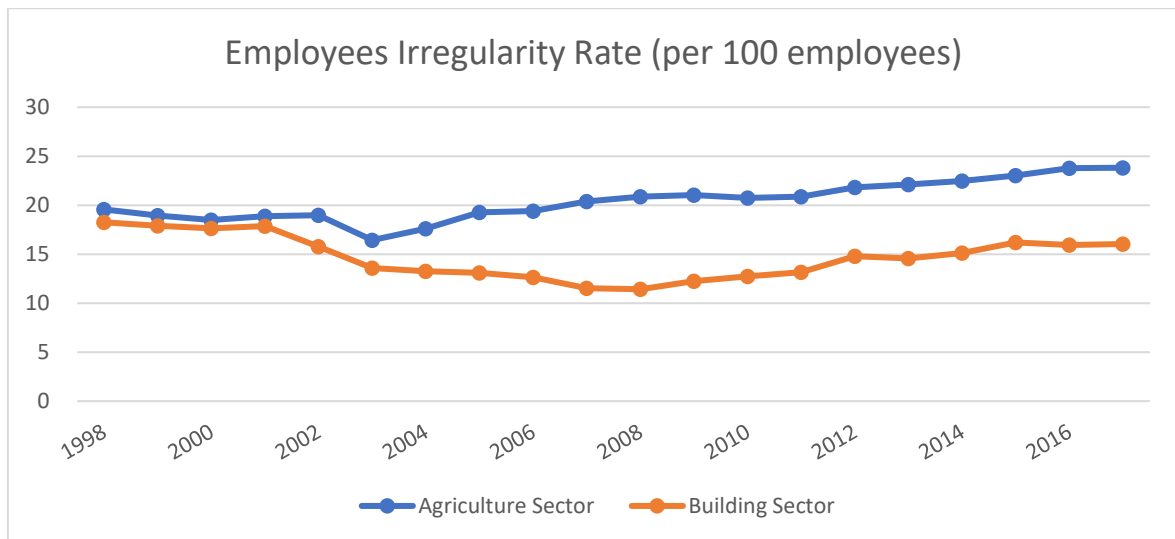


Figure 19: Irregularity rate of employees in Italy (per 100 employees), in the agricultural and building sector, 1998 – 2017. Source: Personal elaboration based on ISTAT data.

It is easy to understand that the irregularity rate in the agricultural sector is larger than the one of the building sector. Unfortunately, the last data available refers to 2017, while it could be interesting to consider the same index after the 2018 decree.

Wage Gap

To have a better comprehension of the Albanians conditions in Italy there cannot miss the focus on the wages. It is necessary to recall that the industrial sector is very sensitive to the economic recessions then when the economy is weakened the workers of this sector suffer. The economic collapse of 2008 interested (and was due to) the real estate crisis. After a good period until 2007, the collapse of permits to build houses and the slowdown in public infrastructure investments hit the construction businesses. It is not difficult to guess the effects on the building sector's workers.

For instance, in Italy most of the immigrant workers are segregated in the building sector and, in general, in the manufacturing or labour-intensive sectors. These economic activities are hugely exposed to the negative impacts of the economic crisis because sensitive to the economic cycles. Additionally, they are concentrated in SMEs and/or hired on temporary jobs. Then, the unavoidable consequence is the higher risk of losing job. On the other side, the immigrant workers are also more likely to find a job after the crisis compared to their native peers, because they do not claim and are content with what they find. This is the reason why more than 30% of the extra-EU benefit recipients (as *CIGO* or *CIGS*) in Italy are Albanian, because of their strong link with these economic sectors.

We said that the Albanian workers are hugely engaged in the construction sectors, which is focused basically on manual jobs. Just remember that the Albanian community is composed more by men than women, then for the type of work and efforts required, the building activities require the presence of males. The men workers are supplying their work to the building employers and are mostly categorized in the blue-collar group. The ISTAT data makes available the median level of the gross hourly wages for each sector. But, it worth to focus on the relevant construction sector.

The table 2 provides a comparison between natives and foreign-born workers engaged in the construction sector. The wage, as defined previously, is calculated as the median level of the wage per hour worked, that is the ratio between the gross taxable salary paid by the employer to the employee and the estimated hours of work paid by the employer.

Table 2: Gross hourly wage in the construction sector of natives and foreign-born workers (Euro currency), 2014 – 2017.
Source: Personal elaboration based on ISTAT data.

	2014	2015	2016	2017
Natives	11.09	11.39	11.34	11.38
Foreign-born	10.35	10.72	10.68	10.78

Not surprisingly, the table shows a wage gap between immigrants and natives. The trend is the same, but the levels are different. It is confirmed an upward trend for both categories of workers.

Given that Albanian workers are basically hired as employees, so they are not managers or executives in the relevant sector, it worth to specify the wage gap between blue collar and white-collar natives and foreign-born. The figure 20 provides the comparison between these categories of workers.

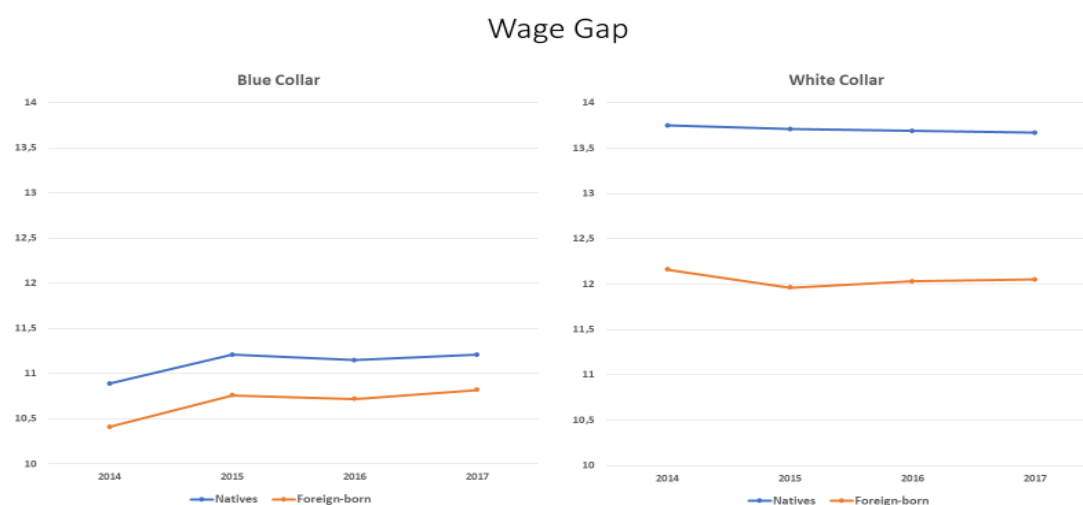


Figure 20⁸³: Gross hourly wage in the construction sector of natives and foreign-born blue-collar and white-collar (Euro currency), 2014 – 2017.

Source: Personal elaboration based on ISTAT data.

⁸³ The comma indicates the decimal separator because of the Italian format of the graph.

On the left side of the figure, the blue-collar workers follow the same path, but the gap still exists. In 2014 the gap counted less than a half of euro, while in 2017 is lower and is 0.40 euros. Even if the values of the gap are very low, the gap gets close to zero once focusing on the blue-collar workers only.

While, shifting our attention on the right side, we compare the wages of manager or executive natives and foreigners engaged in the building sector. The gap gets larger. The figure shows a trend which is basically different from the one involving the blue-collar workers. In 2017 the gap is higher than 1 euro.

The Albanian community will be further analysed in the third section of this essay, focusing especially on those individuals who decide to turn back home (*return migrants*), as response of the financial crisis. About this point, I want to provide some insights and general considerations about the actual health emergency of the Covid-19.

The ILO still reported different scenarios about the impact of this crisis in the labour market, which started as a health crisis, but it also provokes an economic collapse. Given that the situation is still recent, is difficult to provide exact results and policies to be adopted, but some general data can be found. This could be interesting given the high responsiveness that foreign-born workers have once financial crisis occurs, as we have seen up to now⁸⁴.

⁸⁴ This topic will be better developed in the conclusion section, rooted mostly on the article “How will COVID-19 affect the world of work?” https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739047/lang--en/index.htm, Visited on 27.04.2020.

Summary

The Italian labour market is presenting an ethnical segregated workforce. Indeed, the immigrants are likely to be employed in the manual jobs, due in part to the weak attachment to the educational distribution.

This confirms how has been explained up to now about the effect of immigrants in the labour market outcomes. Italy deviates from most of the OECD countries because the immigrants and, in general, the foreigners have reached an employment rate that is higher than the rate of natives. Nevertheless, not all the foreign communities residing in Italy live the same experiences. Indeed, the Albanian community departs from the other immigrant communities because of the workforce gender polarization, counting most men Albanian workers in employment and stressing a weak women attachment to the labour market. Additionally, the community under consideration is particularly subject to economic crisis because of the high presence of them in the business sectors mostly sensitive to weak economic periods. Not surprisingly, a large part of workers that receive the welfare benefits when the crisis occur are Albanians.

Nowadays, despite the unbalance between the Albanian workers and the other immigrant community within Italian labour market, the Balkan community is catching on in the job market and is experiencing a positive trend.

Two important categories of Albanian people are peculiar when studying this Balkan community: the unaccompanied minors and the irregular workers. For what concerns the former, the young Albanians represent the largest share of the UAMs, unfortunately. The hope for the future and the willingness to get high-quality education push these young men (on average) to migrate there. The education should be the first step for the integration.

The latter refers to those individuals, men and women, who have found themselves staying irregularly in the host country because of lack of documentation or because of changes in the Italian migration laws. Then, the variations occurred in the law system have a decisive impact on the immigrants' status.

However, the Albanian community is well integrated in the Italian country and the low level of discrimination and high level of satisfaction for life and work confirm this.

*Section III: Albania and the Return of
Migrants in the Home Country*

Albania and Emigration

It has been already ascertained that the Albanian community is ranked in the 2nd position for the extra-EU communities residing in the Italian territory. The actual data confirm this, but the migration history of Albanian has not been so easy.

Demographic Changes

The Albanian people have experienced three great migration flows from the country of origin targeting Italy. The first exodus has occurred in the 1991, the second one in 1997 and the third one in the 1999. Before the 90s the country was dominated by a Communist dictatorship led by Enver Hoxha, provoking a period of denied emigration. In the 90s riots and strikes of people led to the fall of the Communist regime. The consequences were the passport liberalization and the mass emigration because people wanted to escape from poverty and economic, social and political issues. The principal target countries the Balkan state has looked at were Italy and Greece for the geographical proximity.

The first exodus occurred between 1991 and 1992: around 300 thousand of people emigrated because of the economic collapse. The Italian government was the one that provided the ships to them to reach Italy during those years. Given the magnitude of this phenomenon the Italian government decided also to send back part of them in order to reduce the attractiveness of Italy for immigrants⁸⁵.

An issue that contributed to complicate the economic situation in the 90s in Albania was the system of financial pyramids. It was consisting in financial companies with a huge number of subscribers. The functioning of this system was as follows: the companies managing this process collected the savings of people promising them an interest rate much higher than the one promised by the banks. This was very attractive for inhabitants of the country, so the largest part of population decided to invest there. This investment process worked very well in the short time but thereafter it collapsed because of the unbalance between the ones that invested and those who wanted to retire their income. To complicate the things was the fact that the easiest way to provide high level of income was to get involved in illicit activities, as money laundering and arms smuggling. This system assumed the name of *the chain of Saint Anthony*, structured as a *Ponzi game*, and it got dismantled in the 1997 because the Albanian Government led by Sali Berisha wanted to remove the predominance of illegalities. The fact

⁸⁵ Pittau, F., Ricci, A., & Urso, G. (2009). Gli Albanesi in Italia: un caso di best practice di integrazione e sviluppo. *Revista Interdisciplinar da Mobilidade Humana*, 17(33).

was that this system managed almost 50% of the GDP of the country. Then the weakness of the economy incentivized further to migrate abroad. In this year, the second exodus of Albanian people occurred.

The third exodus happened in 1999 because of the conflicts with Kosovo and Macedonia that forced the emigration.

After the three big migration fluxes the international financial supports provided by European Union helped Albania to survive the economic collapse. Also, the remittances of emigrant workers from other countries played an important role in enriching the Balkan state and increasing its GDP. Indeed, the remittances are used as a tool that immediately provides positive effects in the home country reducing the poverty and increasing the economy of the state.

Economic Changes

As the society changed, the same occurred for the economic system. The economic transition of Albania passed from a central planned economy to a market economy and this passage put the basis to emigrate. Despite the economic transition enabled the liberalization after the falling of the dictatorship, the journey toward the normality was and still it is very difficult. The central planned economy was the one dominating under the Communism dictatorship before the early 90s. The main difference between the two economic systems was that in the planned one there was used to overestimate the level of production in order prove that the goals planned were reached. While, during the transition toward the market economy, both private and public companies used to underestimate the real level of production realized in order to report less income for tax purposes. The fall of the dictatorship in Albania weakened the commercial relationships with the other socialist states as China and Soviet Union. This fuelled the economic collapse of the Balkan state. This economic transition has had important implications also on the labour market outcomes. For instance, the labour demand shrunk leading to an increase of the unemployment rate.

Of course, the consequences on the GDP level were drastic: in the 1991 the GDP falls by 28%; in 1997 after some adjustment it falls by 10%; but since the 2000 the economy started to pursue an economic growth thanks to the openness and commercial partnership with Greece and Italy⁸⁶. The truth is that this increasing in GDP is not consisting in the increasing of the

⁸⁶ di Ronza, L. (2011). The Economic Transition of the Balkan Area and the Competitive Framework of the Albania. *Mediterranean Journal of Social Sciences*, 2(3).

real economy, because of the vast international aids and because of the strong dependence on external sources, for instance the remittances. Unfortunately, the illicit activities take on great relevance too.

Remittances

When people decide to reside abroad, the emigrants can send money to their families who continue to live in the native country. This money transfer is called *remittance*, that is one of the principal mechanisms of stability of the Albania's households and country's GDP.

The remittances mechanism takes place once the individuals move to live elsewhere. As we know the Albanian emigration has proven to be a persistent phenomenon since the beginning and has never ended, even if we saw a decreasing trend of the community influx in Italy in the last years. Nevertheless, the presence of immigrants in Italy is translated into continuous remittances flows sent to the households in Albania. Just to give an example of the magnitude of this phenomenon, in 2005 the Albania was ranked 4th for the portion of emigrant people reaching almost the 30% of the entire Albanian population, moving mostly in Greece and Italy. Consequently, remittances were counted to be the 13% of the GDP⁸⁷.

Remittances assume a great importance for the good functioning of the country and good living of households, because of the large portions that receipts are going to take. It is an important source of income, more in detail is a source of non-labour income and this could have different implication in the labour supply choices. Additionally, the remittances receipts could increase the reservation wage, making it more difficult to convince people who remain to enter the labour market. The non-labour income works in some sense as an insurance mechanism that deters households to supply labour.

It may surprise that the frequency of remittances sent to their households is most of the time sporadic, not periodical, and only 4.5% of emigrants sent more than € 1,000 per year, while almost 25% of emigrants sent less than € 200 per year. But despite these numbers seem to be low, the value of the Albanian currency (*Leke*) is very low compared to the Euro.

Indeed, just think that 1 Leke values 0.0080 Euro (and 1 Leke values 0.0087 US Dollars)⁸⁸.

⁸⁷ Dermendzhieva, Z. (2009). Migration, remittances, and labor supply in Albania. *Center for Economic Research and Graduate Education, Charles University, Prague*.

⁸⁸ Values at 21.04.2020.

The last data coming from the Open Data Albania counted 1.312 billion of dollars as remittances toward Albania in 2017. Compared to the previous year (2016) there has been estimated an increase by 4.6% of the flow, equal to 6 million of dollars in absolute terms. This mechanism is crucial for the GDP improvement, indeed the financial crisis of the Eurozone in 2008 has provoked a fall in the remittances portion. In 2008 the remittances were counted to be 1.86 billion of dollar, before to decrease since there. Only in the last years the flow gets risen.

The Bank of Albania has counted in the first three months of 2018 a portion of 147 million of euros sent by emigrants for their non-migrant families. This share confirms an 8% increase in the flow, or 12 million of euros, compared to the same period of the year before (2017). The remittances are an important source of income especially for those households living under the poverty threshold, localized in specific regions of the country.

Another consideration about this topic is that most of the time the remittances are sent in an informal way, in order to avoid the transaction costs required by bank systems.

There will be useful to provide a graphical representation of the trend of remittances received in Albania over the years. The figure 21 shows the inflows of remittances since 2008⁸⁹.

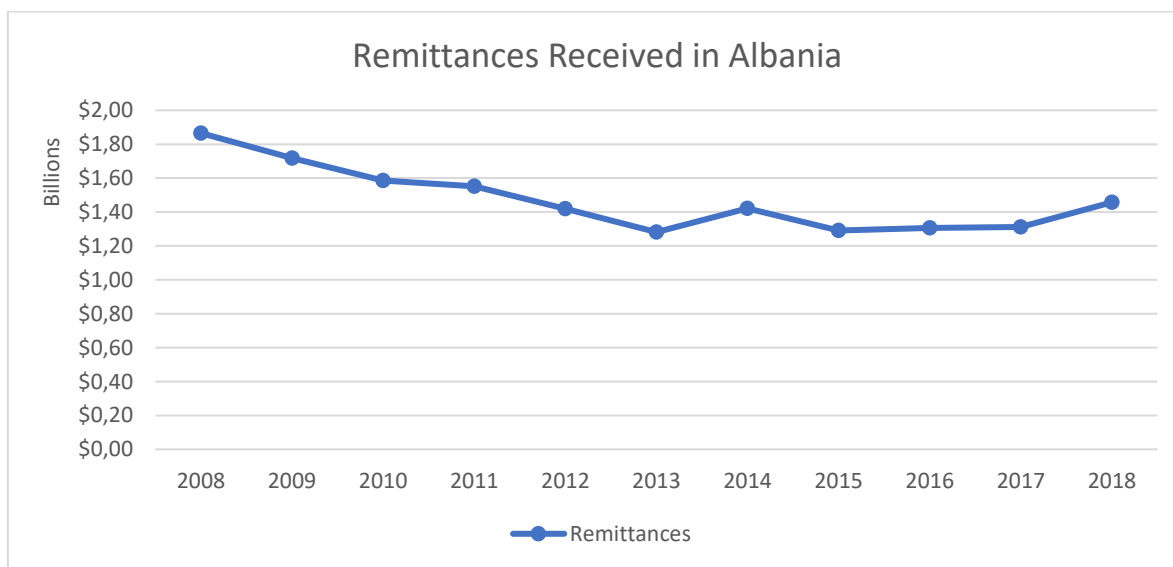


Figure 21⁹⁰: Personal remittances received, in US \$, 2008 – 2018.
Source: Personal elaboration based on World Bank data.

The trend shown highlights the impact that the economic crisis has on the remittances' shares. Indeed, since 2008 is evident a downward trend reaching the minimum in 2013, which was

⁸⁹ Remittances received (current US\$) – Albania, World Bank data, https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT?locations=AL&most_recent_year_desc=true&start=2008, Visited on 18.04.2020.

⁹⁰ The comma indicates the decimal separator because of the Italian format of the graph.

1.282 billion of US \$ of remittances. The situation got worsen also because of the Greece crisis. Since 2013, the trend started to overturn reaching 1.458 billion of US \$ in 2018.

Is evident the variance from 2013 to 2014. Indeed, the amount of Albanian people residing in Italy in 2014 was almost a half of million, the highest level ever reached by this community there. After, it started to get lower.

Looking at the remittances according to the country of origin, in 2017 the largest portion of money comes from Greece (44%), Italy is ranked in the 2nd place (36.6%), followed by US (4.4%) and others. Not surprisingly, more than 70% of remittances come from Greece and Italy, which are the preferred destination countries of Albanians. The figure 22 provides a graphical representation of the remittances shares according to the countries from which they come.

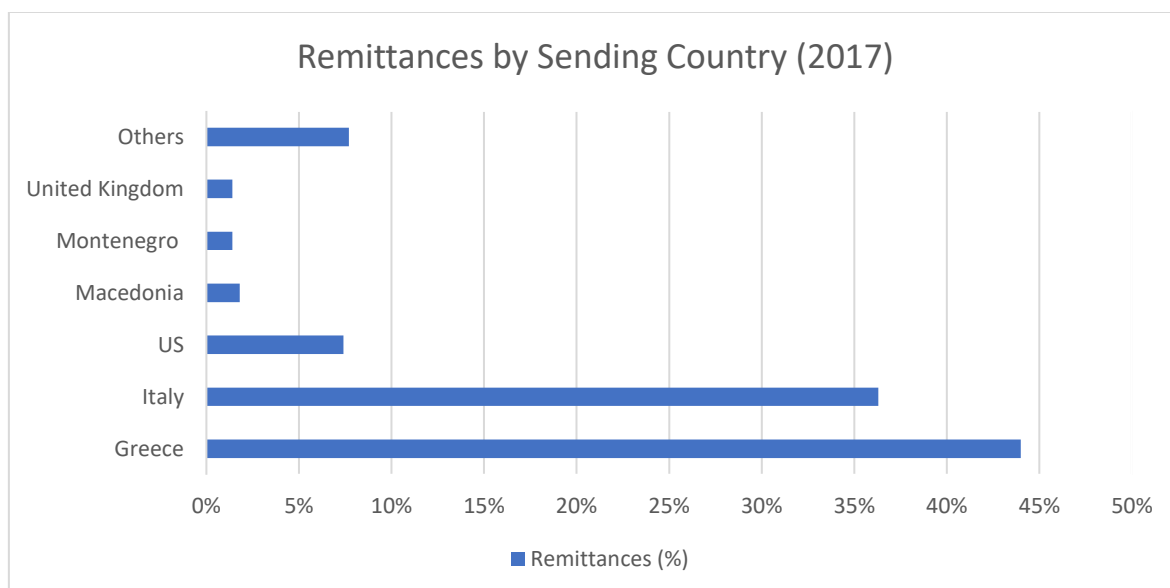


Figure 22: Remittances in percentage toward Albania according to the source country, 2017. Source: Personal elaboration based on World Bank data.

The outflow of remittances from Albania too requires a dedicated space: of course, the outflow is much lower than inflow share, counting 199 million of dollars in 2017 and is representing 14.3% of the inflows. The destination countries of these flows are Serbia, counting 84 million of dollars of remittances, followed by Croatia, with 32 million of dollars, just to mention few. In 2017 the outflow of remittances counted an increasing of 14 million of dollars compared to the previous year (2016).

The remittances sent to households are most of the time used to face the family's issues and to pay the fees for children's education.

The short-term effects of the remittances are easy to understand, in fact they generate an immediate increase of the GDP. But it is a duty also to take into consideration the long-run

effects of these aids on the home country labour market, for instance in which way the labour supply of non-migrants will react, and which will be the employment behaviours.

What is really interesting to consider in order to understand some facts recalled in the previous sections of this essay, as the economic crisis that hit mostly immigrants in Italy segregated in specific economic sectors, is to focus on those individuals that decided to turn back in their home country. The push factors that lead to this decision are many and they are going to be investigated soon.

The Current Situation

The migration phenomenon has never stopped since the fall of the dictatorship, indeed it grew at a faster rate. Up to now it has been analysed the effect that the Albanian emigration has on the host country labour market (Italy). But little investigation has been made to highlight the effects that this mass migration has on the home country. Now the purpose is to provide a representation of the living, economic and labour conditions of non-migrant people in the Balkan state.

The figure 23 provides a graphical representation of the net migration trend in Albania, available for the period 2014 to 2018. Given the social and economic characteristics of the country, not surprisingly the portion of people leaving Albania (emigration) is much larger than the immigrants targeting Albania (immigration). The net migration provides for overall the period a positive trend when measured as the difference between the emigrants and the immigrants. The 2018 data count almost 39 thousand of individuals leaving the country. In the figure 23 it's possible to see a diametrical opposition of the emigration and immigration phenomena from 2014 to 2016, with the blue line (emigration) getting lower and the orange line (immigration) rising, while from 2016 to 2018 slowly increase both trends.

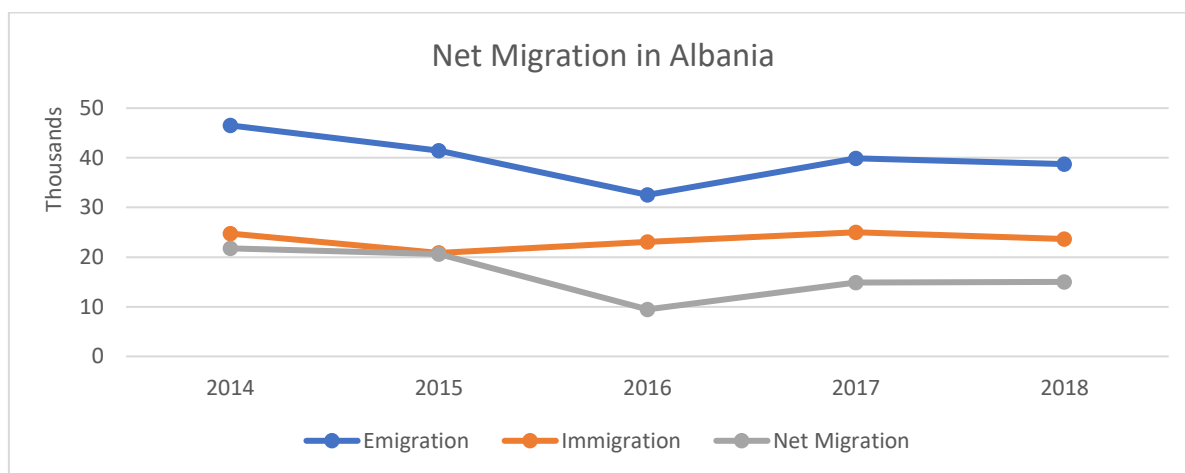


Figure 23: Number of emigrants, immigrants and net migration, 2014 – 2018.

Source: Personal elaboration based on INSTAT (Albanian Institute of Statistic) data, 2019.

Albania and Immigration

When looking at the migrations in Albania as interesting issue is the reverse migration of Italians targeting the Balkan country. Looking at the ISTAT data, there are provided the number of Italian migrants and foreign individuals targeting Albania as destination country. The model adopted to fill the survey is called *APR.4* and it has both administrative and statistical values. The survey deals with data relating to registrations and cancellations for transfers of residence made by the Municipalities. The figure 24 will show the trend of Italians and foreigners targeting the Balkan state in 10-years period, since the financial crisis of 2008.

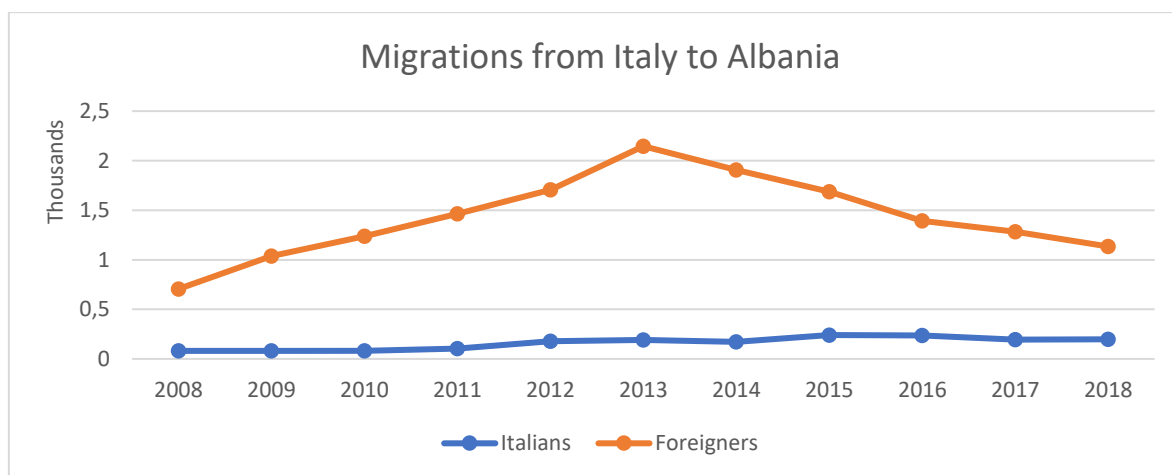


Figure 24⁹¹: Migrations from Italy to Albania, 2008 – 2018. Demographic index used for the calculation: cancellation from the registry.

Source: Personal elaboration based on ISTAT data.

The graph shows an increasing trend for both Italians and foreign individuals moving from Italy toward Albania. The portion of Italians is very low compared to the other citizens but is possible to catch an increasing, even if slow, trend.

The foreigners are originally from Turkey and Kosovo most of the time. This is not surprising: the Turkish culture is very close to the Albanian one because of the historic invasion of the Ottoman Empire; while Kosovo is close to Albania too, not only geographically, but also for the language and the culture, despite the tensions between them.

For what concern Italians, the INSTAT data provides a percentage of their presence as resident in Albania on 1st of January 2017. The share of Italians living in Albania is estimated to be 14.8% of the foreign population living there. What creates confusion is the gap between this number and the one released by the media in Albania about the presence of Italians there. Some news state that there are around 19 thousand of Italians living there, but the real data provides a number much lower. The gap exists since many Italians have not the residence

⁹¹ The comma indicates the decimal separator because of the Italian format of the graph.

permits, perhaps because they commute from Italy to Albania and vice versa, for job reasons. Additionally, there could be some Albanians that during their residence in Italy have acquired the Italian citizenship, and then are calculated as Italians without residence permits in Albania.

There could be also political reasons to inflate the numbers of Italians residing in Albania. The politics of the Balkan state is interested in signing an agreement for the mutual recognition of pensions. Italy has still signed bilateral social security conventions with several countries: Turkey, Israel, Republic of Bosnia-Herzegovina, just to mention few. But there misses Albania. The Albanian migrants living in Italy suffer the lack of recognition of pension contributions they paid before to emigrate, in Albania, and in Italy during the regular residence. The lack of the agreement does not allow the interested individuals in reaching the total years for the retirement neither in the home country nor in the host country. The same are now experiencing the Italians residing in Albania.

Italians who have reached the retirement age are attracted by the country beyond the coast because of the tax advantages and the low cost of living. While in Italy they face difficulties in reaching the end of the month, in Albania the cost of living is estimated to be around € 300 per month.

Of course, the disadvantages never miss: those who are registering the residence in Albania, will lose the health care services provided by Italy, because of the cancellation from the registry.

Despite the fiscal and economic facilities, the country is still considered a developing country, there are many issues to cope with, as for instance the health care system. It is very backward system and the continuous emigration of young Albanians strengthens this *brain drain* that makes further poor the country and enlarge the demand for professional doctors.

This problem is partially offset by the Italian workers who are becoming a useful resource of the country. They are occupied in high-skilled jobs, as in the medical system. While the native workers, who do not emigrate or who return, are mostly engaged in the agricultural sector (this will be better explained next).

An interesting consideration concerning the immigration and emigration phenomenon in Albania dates back to the 1992, called Operation Cora (*Operazione Cora*) which enabled many Italian military and civils to turn back home, after they were obliged to stay in Albania during the Communist dictatorship, after their invasion during WWII. The Italian government introduced this operation to facilitate the repatriate of Italians. Consequently, there was

founded the *ANCIFRA* association⁹² in 2001 to help the Italian returnees to obtain a compensation for the penalties suffered during the years of staying in Albania. Then it was possible for those individuals to have access to the pension system for that period.

Albanian Labour Market

The demographic changes drive toward modifications in the home country labour market. In particular, on the employment behaviours of the non-migrants.

In 2019 the labour force is composed by 1.430 million of individuals⁹³ aged 15 and over. The figure 25 provides a graphical representation of the labour force participation rate by gender, over the years from 2010 to 2019⁹⁴. To recall the *preliminary definitions*, the labour force participation rate is the portion of labour force compared to the totality of the working age population (aged 15-64).

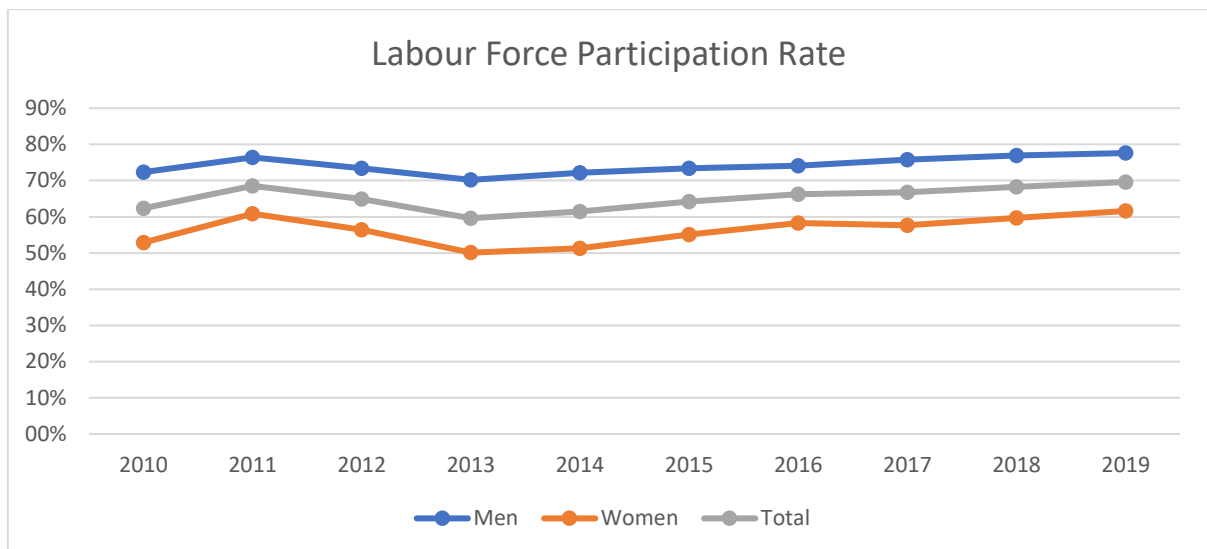


Figure 25: Labour Force Participation Rate by Gender, 15-64 working age population. 2010 – 2019.
Source: Personal elaboration based on INSTAT data.

It is evident that there is a gender gap in the labour market participation between men and women. Men are more active compared to the women and this is not a surprising result. The same gap was evident also in the Italian labour market when considering Albanian workers. This gender differential is strengthened also by a sort of discrimination. The gap counts a rate for males that is 16% higher than the rate of females.

⁹² *ANCIFRA* is an acronym which stands for “Associazione Nazionale Cittadini Italiani e Familiari Rimpatriati dall’Albania”.

⁹³ “Labour market 2019”, Institute of Statistic INSTAT, (04.04.3030).

⁹⁴ Data available from 2010, not before. INSTAT data.

The employment level counts on 1.134 million of workers, and the employment rate is 61.20%. A gender gap occurs, and the rate is 13.8% higher for men. The figure 26 provides a graphical representation of the employment rate trend over the years, from 2010 to 2019. To recall the *preliminary definitions*, the employment rate is given by the ratio between the employed people aged 15-64 and the total population aged 15-64.

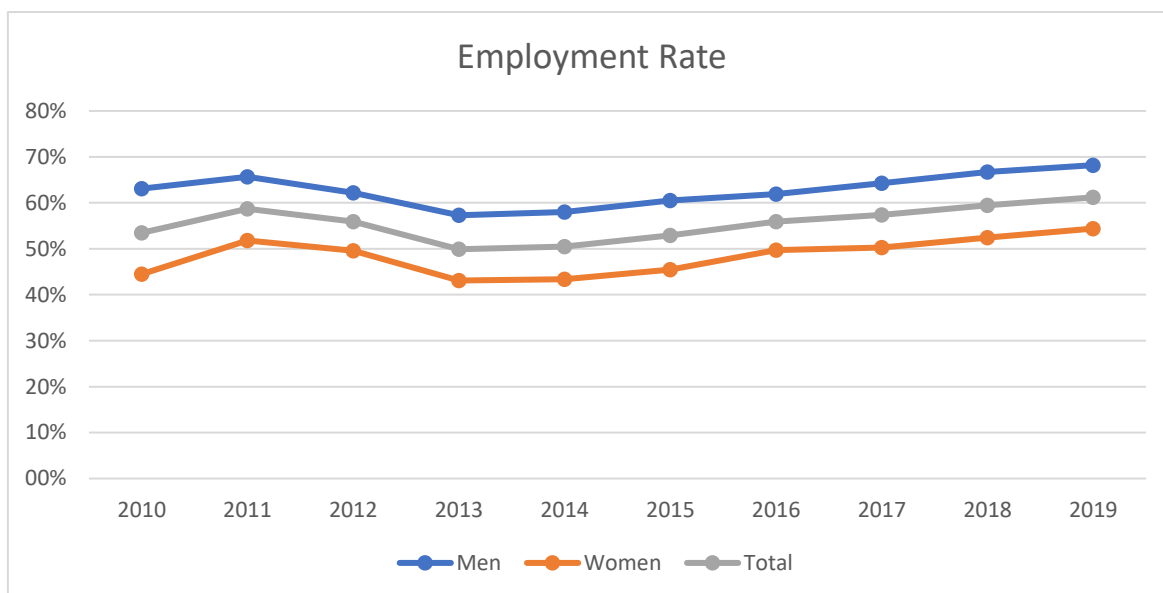


Figure 26: Employment Rate by Gender, 15-64 working age population, 2010- 2019.
Source: Personal elaboration base on INSTAT data.

The job opportunities increase especially when the high performing firms demand for labour. These firms could be both large and small in size and these create job positions. However, the correlation between job creation and the productivity of firms has weakened, especially after the global financial crisis. This could be interpreted as a less efficient allocation of labour. Nevertheless, allocating more productive workers in less efficient firms could avoid the polarization of the labour market: on one hand the polarization ensures an efficient allocation of labour, on the other side the gap will get larger determining an improvement for the well-being firms and a worsening of the less productive firms.

It is known that the agricultural sector has always been the primary vehicle for the economic development, but over the years the other sectors have caught on reaching high levels of productivity: industry, construction and services. This argument will be better developed later.

The unemployment rate is 12.3%, also in this case a reverse gender gap occurs, with a higher share of unemployed among males⁹⁵. The figure 27 provides a graphical representation of the unemployment rate over the years, from 2010 to 2019, differentiating by gender. To recall the

⁹⁵ "Labour market 2019", Institute of Statistic INSTAT, (04.04.3030).

preliminary definitions, the unemployment rate is given by the ratio between the unemployed individuals aged more than 15 years old and the totality of labour force participants.

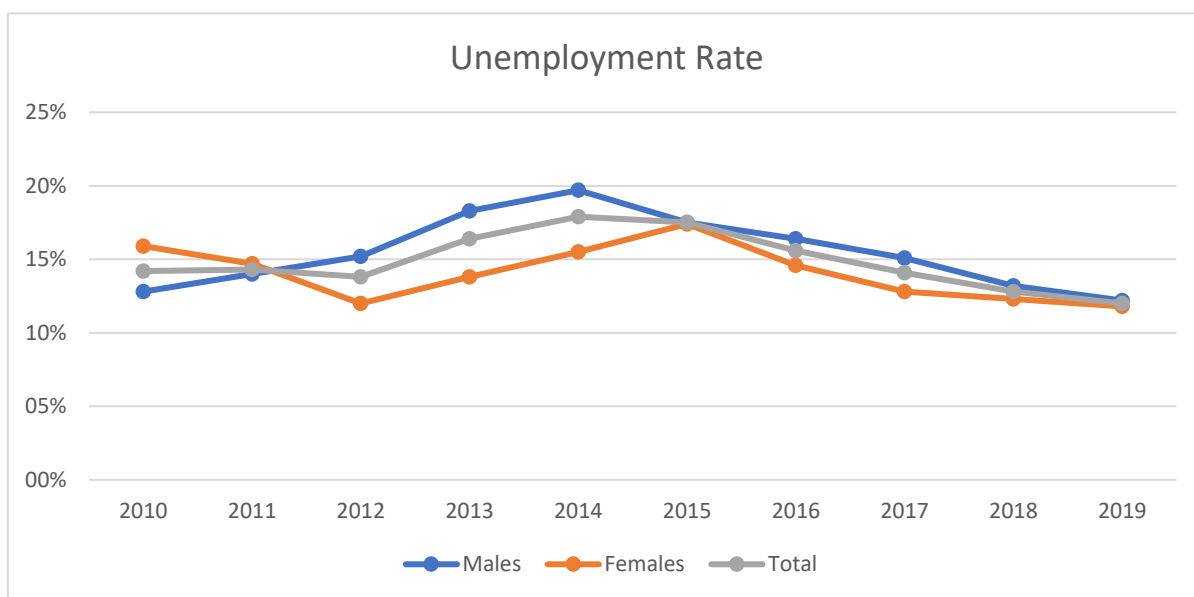


Figure 27: Unemployment Rate by Gender, 15-64 working age population, 2010 – 2019.
Source: Personal elaboration based on INSTAT data.

The unemployment rate seems to be higher for females than for males until 2011, when a reversed trend occurred. The highest unemployment rate of men is due to two factors: firstly, men workers are linked to the economic sectors mostly by the crisis; secondly, because of the fact that they are basically the main characters crowding the labour market, then each type of shock will affect them more.

Additionally, the unemployment rate is high also for the young individuals (aged 15 to 24) counting more than 27% in 2019⁹⁶. This is due to the lack of employment opportunities for young natives in the home country. The consequence could be the migration of minors, leading to the phenomenon of UAM previously described. While women are less active in the labour market as we will see thereafter. The maximum level reached was in 2014, also because of the return of migrants in the home country due to the Greece crisis. This argument will be seen in detail soon.

For what concerns the inactivity rate, the average is 30.40% in 2019. Not surprisingly the gender gap shows a higher inactivity rate for females compared to males. The figure 28 provides a graphical representation for the same period (2010 – 2019). The inactivity rate is the share of the population that is not involved in the labour force.

⁹⁶ INSTAT data.

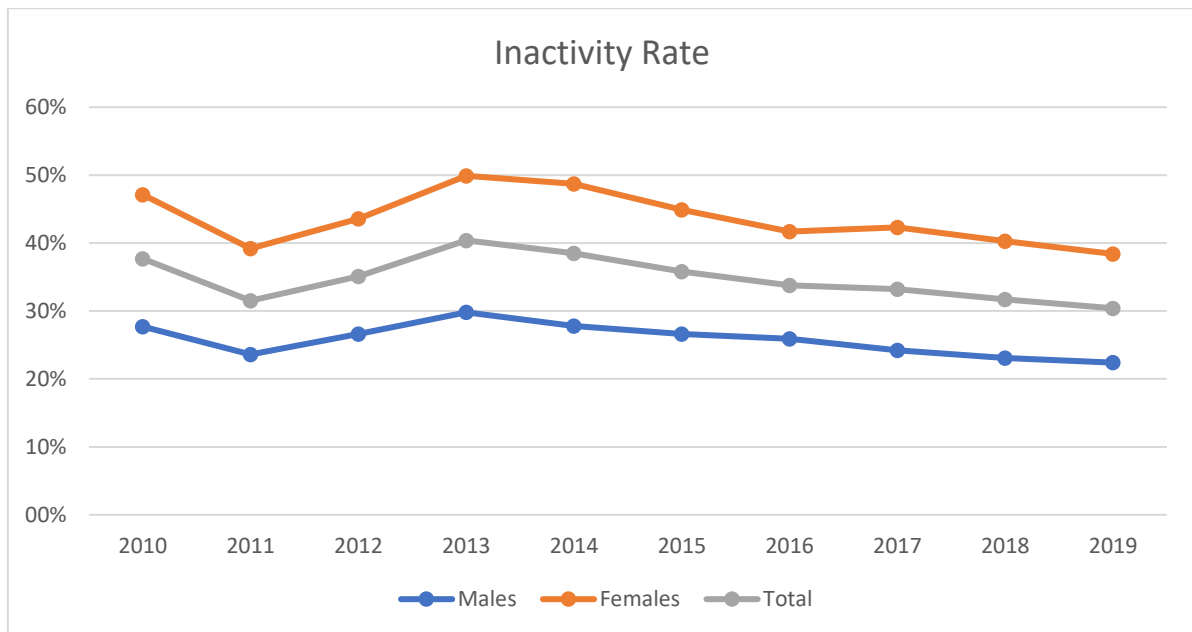


Figure 28: Inactivity Rate by Gender, 15-64 working age population, 2010 – 2019.
Source: Personal elaboration based on INSTAT data.

Data confirm the predominance of the agricultural sector as driver of the economic growth. Indeed, in 2019 the 36.4% of employed people are active in this sector. Additionally, the employment situation has better off in the last years showing a reduction in the unemployment rate. Also, the service sector is one of the most important to be considered when analysing the Albanian labour market: the 43.5% of employed individuals are hired in this economic sector⁹⁷.

The trends of the labour market indexes are symmetrical. Despite the gender gap, both men and women are following the same path. The main indicator is the unemployment rate that shows a reversed trend between men and women since 2010.

The graphs allow to stress the worsening of the labour market indexes from the financial crisis and especially in 2013 – 2014 because of the Greece crisis. The magnitude of the impact was great because of the close relationship that characterize Albania and Greece. Indeed, in that period there were a lot the individuals that decided to turn back in Albania, the so-called *return migrants*. Their entrance is very relevant for the aim of our investigation and their impact is going to be the main topic of the following pages.

Wages

The home country currency is the Leke (indicated with *ALL*), it values very little compared for instance to Euro or US dollar, as anticipated previously. In order to give an idea of the cost of living, € 300 to € 400 per month is an optimal level of wage in Albania. The wage indicator

⁹⁷ “Labour market 2019”, Institute of Statistic INSTAT, (04.04.3030).

is collected through surveys conducted annually, and the statistical register of the economic businesses are consulted for the survey.

In order to provide some numbers so to understand the economic conditions of workers, the figure 29 shows the trend over the years on quarterly basis, from 2014 to 2019, of the average gross monthly wage per employee, and specifying for the agricultural sector and introducing the minimum wage approved. The average gross monthly wage is defined as the gross wage perceived by the worker and it comprehends the basic wage, the payment for managerial duties, for the years at work, for difficult working conditions, without considering the taxation. While the minimum wage indicated is the minimum level approved by the Government⁹⁸.

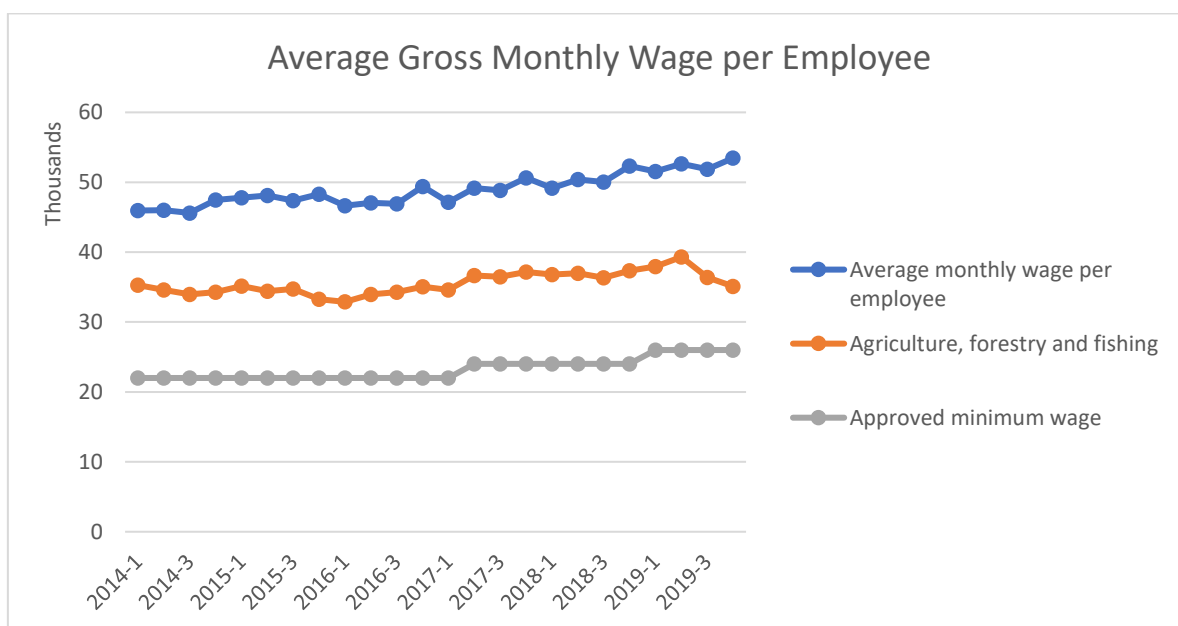


Figure 29: Average gross monthly wage per employee, on quarterly basis (Leke currency), 2014 – 2019. Source: personal elaboration based on INSTAT data.

To further investigate the earning distribution of workers, it worth to differentiate the wages by economic sectors, in the same period. The average monthly wage per employee as total (blue line in the graph) comprehends: Mining, Manufacture, Electricity and gas, Construction, and others, together with the agricultural one. While the middle line (orange) shows the trend of wages in the exclusive agricultural sector. The last data collected for the period of 2019 count a gross monthly wage per employee equal to 53,458 ALL. This result is a positive outcome because is higher than the result in the same period of 2018. On average the gross monthly wage during the 2019 is 3.5% higher than 2018. The trend is following an upward path.

⁹⁸ INSTAT definitions.

An interesting issue is given by the agricultural sector. As it is evident in the graph, the average gross monthly wage in those activities is lowered, while the other types of activities performed in the other economic sectors show a positive trend. This is a peculiar issue, given the great importance that this sector has for the Albanian economy. The increasing trend of the average wages of the other sectors as well as the rising employment share in these other sector⁹⁹, for instance in the services, could represent a good indicator of the road toward modernization or in other words the proximity to the occidental cultures and activities.

Return of Migrants

After giving a general overview of the Albanian labour market, it worth to consider a specific group of people which affect the labour market outcomes: the returnees who decide to come back home. We need to investigate their impact on labour market dynamics of the country.

A survey conducted in 2013 by the INSTAT (Albanian Institute of Statistics) and the IOM (International Organization for Migration) is a very useful tool to catch several insights about the emigration, return of migrants and the re-integration within the home country. The main purpose of that work was to understand to which extent the economic recession of the 2008 affected these three phenomena¹⁰⁰. This survey is about a period from 2001 to 2013, focusing on the economic recession that hit the Albanian people.

Taking into consideration this survey, it will be useful to do in the future the same type of analysis for what concerns the consequences of the current health crisis on the Albanian labour market and intentions of individuals to turn back home.

From 2001 to 2011 the Albanian population experienced a huge empty of people emigrating abroad. However, the estimation of them was difficult to calculate because of their lack of registration. Then it has been used an indirect method to measure who left the country those years. The total number has been confirmed to be 481 thousand of people, and 243 thousand out of 481 thousand were men. The main destination countries were Greece and Italy, as we still know.

During the same period, the return migrants were counted to be almost 140 thousand. The principal reasons of their return were the lack of employment in the host country (counting 88% of returnees), lack of documentation and family reasons. Men are more likely to return because of job reasons while women are likely to return because of family reasons.

⁹⁹ This argument will be detailed in the next parts of this essay.

¹⁰⁰ Filipi, G., Galanxhi, E., Nesturi, M., & Grazhdani, T. (2014). *Return migration and reintegration in Albania 2013*. Technical report, Albanian Institute of Statistics and International Organization for Migration.

What is interesting to consider here is the effect that the financial crisis has on the returnees, then during the period that goes from 2008 - 2009 to 2013. The data estimated the return of more than 133 thousand of Albanians, where more than 98 thousand were males and the residual were females. In terms of shares, the males represented 73.7% of returnees, while women were 26.3%. The gender differential experienced in the labour market outcomes occurs also in the returnees' migrations. Some general results confirm that the largest portion of return migrants were males and young, the average age was 30 - 34 years old. Not surprisingly, the emigrants are usually men and young too. Men are more likely to be employed after their return compared to females; and those with a higher educational attainment are more likely to be employed compared to those with less education. Of course, the skilled migrants are difficult to be replaced with the unskilled non-migrants. The figure 30 provides a graphical representation of the portion of returnees by country of emigration.

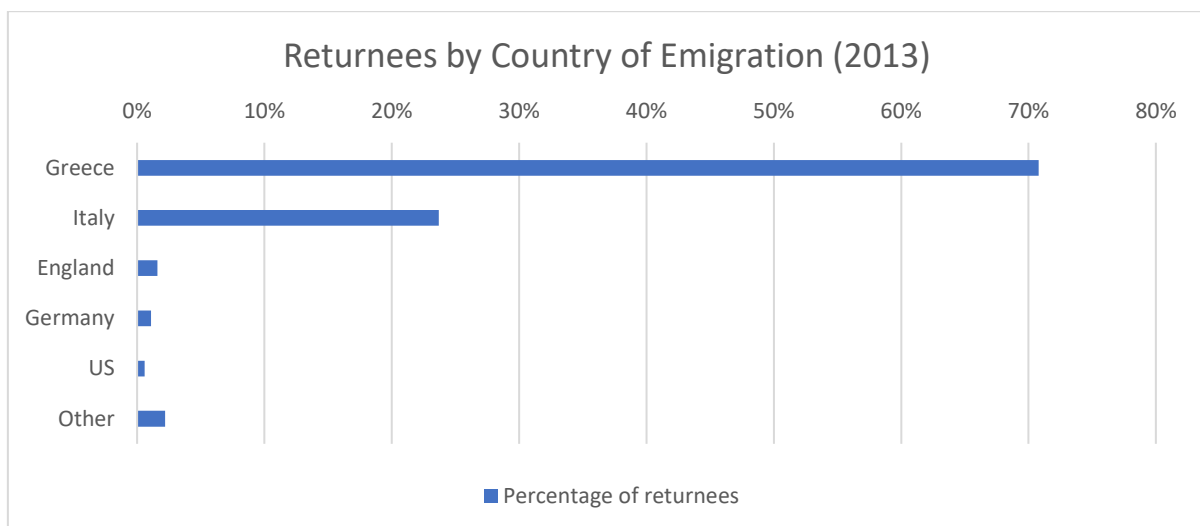


Figure 30: Returnees in Albania by last country of emigration, in percentage, 2013.

Source: Personal elaboration based on Filipi, G., Galanxhi, E., Nesturi, M., & Grazhdani, T. (2014). Return migration and reintegration in Albania 2013. Technical report, Albanian Institute of Statistics and International Organization for Migration. (INSTAT).

Additionally, the nature of the return is different among individuals. The largest part of them (94%) is voluntarily turning back home, permanently, or temporarily, while a small portion is forced to turn back in Albania. The migrants turn back from the principal destination countries where they used to live before to return: Greece (70.8%), Italy (23.7%), Germany, UK and others.

Whether on permanently or temporarily, the returnees decide the time spell according to the services received once they are reintegrated in the home country. The shortage of services and the underdeveloped health system will be the push factor to re-emigrate. The re-integration in the home country has three dimensions: cultural, economic, and social. The successful reintegration enables the returnees to improve and develop the country: it is frequent the case

where the returnees decide to invest their accumulated skills and know-how in activities. The share of self-employed is increasing, especially in the agricultural sector. This one is the principal vehicle of the economy, as it creates job positions and consequently, development.

It has been argued that the principal factor fuelling the return of migration is the world financial crisis of 2008 – 2009. An important consideration is required: if the migrants, that were previously abroad and sent remittances to their household, decide to turn back home, the amount of missed remittances should be compensated by the wages of the returnees once they enter the labour market in the home country, in order to offset the non-labour income losses. Indeed, the portion of remittances as share of the Albanian GDP was 11% in 2008 and it falls to 8.5% in 2014. This event of course has had implications in the labour market outcomes: since 2013 the labour force participation rate increased¹⁰¹, after a slight reduction in 2011. This confirms the positive effect of those who decided to return at home country level. This will be better seen in detail soon.

Labour Market with Returnees

It is better to investigate which are the push factors that encourage migrants to turn back home. There are basically two reasons for which Albanians turn back in their native country: because they are forced to and because they want to. Whatever the reasons, they need to be reintegrated in the home labour market. On one hand, this situation could be similar to the one where immigrants need to enter the host country labour market. On the other hand, the returnees should face less problems than immigrants because they are turning back to the country they really belong to.

According to this fact, the returnees are likely to establish in the Albanian prefectures where the economic and social development is at the highest level. The principal target is Tirana, the capital of the country. Other than the returnees, the preferences for the different areas are expressed also by the firms and inhabitants there, leading to geographical disparities: it has been estimated that almost 30% of the working-age population is resident in Tirana and the 25% of employment is concentrated there¹⁰². The economic sectors are differentiated by geographical areas: the formal sector's firms privilege the capital city.

¹⁰¹ Alili, M. Z., Adnett, N., & Veseli-Kurtishi, T. (2019). The Determinants of the Employment Status of Return Migrants in Albania. *Migration Letters*, 16(4), 625-636.

¹⁰² Honorati, M., Johansson De Silva, S., Kupets, O., & Berger, S. (2018). *Job Dynamics in Albania: A Note Profiling Albania's Labor Market*. World Bank.

To recall, the labour supply theory is based on the individuals' choices of whether to work or not and, if yes, how many hours (*extensive* and *intensive margins*).

In a normal situation, where with normal is intended an individual living in his or her home country, the determinants of the labour supply choice would depend on personal characteristics as age, gender, education, family background. Then the decision will be the one that maximizes the utility function of the worker, choosing the optimal combination of consumption and leisure time.

If we consider the labour supply choice of the return migrants, the factors affecting the decision could include not only those previously mentioned, but also the experiences and the human capital accumulated abroad. Of course, the reason why the returnees come back affect the success of entering the home country labour market. For instance, if the worker is voluntarily turning back home, probably he or she has accumulated a great amount of human capital and financial capital to start a new business at home. On the other side, if the individual is forced to come back home because, for instance, has not been successfully integrated in the host country labour market, he or she is going to accept unappealing jobs in the home country, without improving his or her living standards.

Those that are voluntarily turning back home are likely to be employed in high-paid jobs compared to their non-migrant peers. This is typical for young people, also because of the education and skills acquired abroad.

It is common to see that the voluntary returnees are most of the time self-employed. This deserves particular attention: when an individual opens a new business, he or she is going to hire other employees to run the activity. The consequence is the increasing of the labour force participation rate and the reduction of the unemployment rate. In some sense, the return migrants in Albania create job positions and improve job opportunities.

Indeed, just looking at the labour market indexes previously introduced, it worth to notice that after a slight reduction from 2011 to 2013, the labour force participation rate and employment rate were rising over the years. The period was characterized by the returnees of Albanian migrants that turned back to their home country in response of the world financial crisis. As confirmed by the INSTAT data, the largest part of returnees comes from Greece and Italy that are the principal countries where Albanian migrate, after almost 6 years of residence in the host country on average.

Observing the phenomenon, the most relevant aspect considered in this scenario is the educational background that is better off while staying abroad. Indeed, the individuals

involved in this situation are taking advantage of it. The probability to get employed permanently after the return is higher compared to before the migration.

It is interesting to consider the economic sector where the returnees are likely to get employed. Remember that there are some business activities that are more sensitive to the economic recessions than others. For instance, in Italy the building and construction sector is hit by the crisis. These activities are those that are mostly crowded by Albanian workers and once they suffer the economic recession, the workers are likely to perceive some economic benefits.

But what happens if these particular workers return? The figure 31 provides a graphical representation of the portion of workers per business activities in the host country when they emigrate and in the home country after they return.

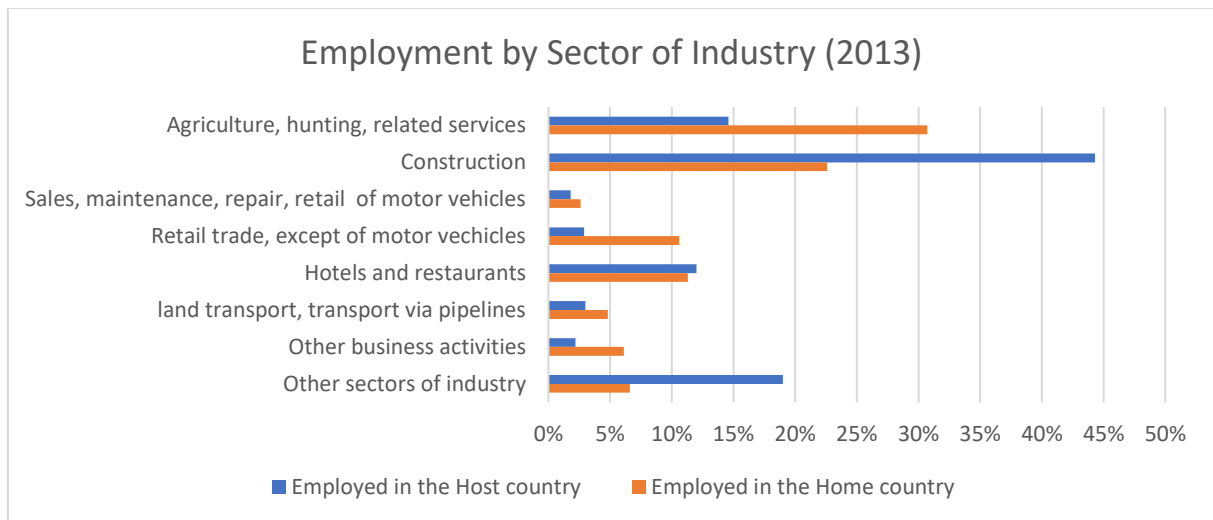


Figure 31: Employment by sector of industry, in percentage.

Source: Personal elaboration based on Filipi, G., Galanxhi, E., Nesturi, M., & Grazhdani, T. (2014). Return migration and reintegration in Albania 2013. Technical report, Albanian Institute of Statistics and International Organization for Migration. (INSTAT).

As result of the crisis and the migrants turn back home, not surprisingly the largest increase is experienced in the agriculture sectors, which is the primary vehicle of Albanian economy. While 14.6% of Albanian workers are performing agricultural jobs in the host country, the share gets larger when turn back home.

In order to recall the Albanian workers' situation in Italy, they are mostly employed in the construction and building sector because of the labour demand for low-skilled and manual jobs. This is evident in the figure 31, where the workers employed in the construction sector are counted to be 44% on average in the host country, while this trend is reversed once these workers turn back home, they are less involved in that sector.

An important improvement is experienced also at educational level. Let us give a look to the differences before and after emigrating. The figure 32 will facilitate the comparison.

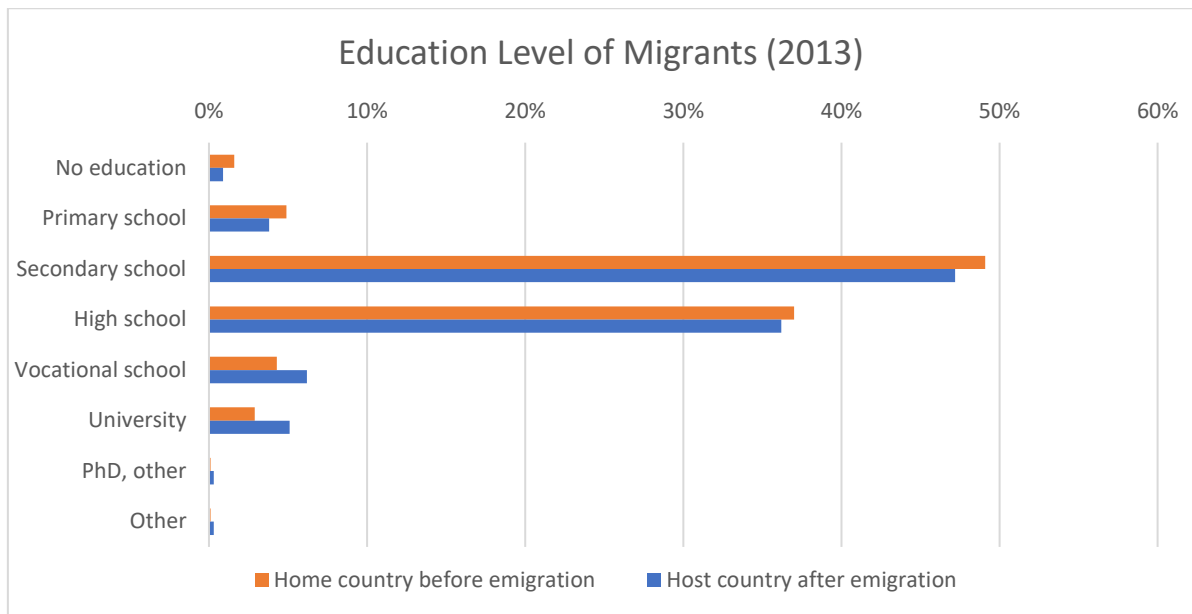


Figure 32: Level of education of migrants before leaving Albania and during migration, in percentage.

Source: Personal elaboration based on Filipi, G., Galanxhi, E., Nesturi, M., & Grazhdani, T. (2014). Return migration and reintegration in Albania 2013. Technical report, Albanian Institute of Statistics and International Organization for Migration. (INSTAT).

After the Albanian individuals leave abroad, a positive result immediately catches the eye: the people without education gets lower once they go abroad; while the students attending vocational schools and the University graduates increase by almost 2 and 3 points percentage respectively.

This is a very important outcome given that the increased level of skills and know-how would be useful resource for the Albanian GDP once the returnees come back. It is very frequent that those who turn back with an enriched professional background are likely to invest and develop their own business. The portion of self-employed people gets higher, especially in the agricultural sector and commercial farms.

What is determinant for the long staying at home once migrants turned back is the re-integration program that should be provided to them. Indeed, services and benefits, both private and public, should encourage workers to stay permanently there in order to enrich the country. But the governmental aids are not very advanced, and the health system is suffering. This lack is partially compensated by the private sector services, which give the medical and job placement support. Around 30% of returnees confirmed they wanted to re-emigrate (after the 2013 period) but the largest share of returnees was not answering to that question, highlighting a feeling of uncertainty for the future.

The considerations made are related to the consequences of the financial recessions occurred in 2008. However, this logic can be applied and readapted once the crisis occurs again and many results are still valid. For instance, the education level boosts once people migrate from

developing to developed countries and return home; the improvement in the economic sectors and the largest part of working population is still engaged in the agriculture.

These insights are very useful for the study of Albanian reality and a more detailed comprehension of the economic sectors is provided soon.

Non – Migrants

When we have introduced the Albanian emigration, an important space has been dedicated to the remittances theme. Once people leave Albania and live abroad, they sent remittances to their households still living in the home country.

At first sight there would be naïve to think that the remittances receipts would be less encouraged to get involved in the labour force because of this source of non-labour income. The literature reports some contrasting results: some argue that the remittances confirm the negative impact on the unemployment rate of households; others conclude with no effect on the labour outcome¹⁰³.

The supporters of the negative impact of the remittances on the labour market outcomes recall the nature of the leisure time as a normal good, not an inferior good, then the income effect dominates deterring the non-migrants to supply labour.

On the other side, the emigration of a member of the household determines the loss of a potential worker for the family in the home country. The non-migrant members of the household are incentivised to supply labour in order to compensate the opportunity cost of the loss of that labour income.

The situation changes once returnees turn back home. We have understood that the returnees play an important role for the economic development of the home country. Not only they share new skills and open new businesses, but also create job positions for those people who never left Albania, the non-migrants.

We saw that after the 2011 the Albanian returnees from Greece provoke a rise in the labour force participation rate in few years. General findings suggest that the phenomenon under consideration has improved both the wages and the employment rate of low-skilled workers never migrated.

It is a duty to investigate now the effect that returnees could have on non-migrants. The economic theory of the labour market states that in the short run the return of migrants boosts an aggressive competition with the non-migrants for the current job positions. This effect

¹⁰³ Dermendzhieva, Z. (2009). Migration, remittances, and labor supply in Albania. *Center for Economic Research and Graduate Education, Charles University, Prague*.

could be pronounced especially when considering the forced returnees, who were not well integrated in the host country labour market. The labour supply shifts outward and consequently the wages of non-migrants decline. While in the long run, the level of employment of non-migrants turns back to the pre-return migration level. This scenario recalls the native labour market outcomes in presence of immigrants explained at the beginning of this essay.

The return migration is conceptually different from immigration: the immigrants move from developing to developed countries, to improve their standard of living. The returnees move from most developed countries, where they planned to live, toward the developing countries, where they were born. They have acquired more skills, know-how and accumulated human capital during their permanence abroad. This implies that skills and new technologies are transferred in the same way from the most developed countries to the developing ones. Consequently, once they turned back in their home country, they are more skilled than non-migrants. The complementary effect is dominating. The implications of this result occur in improving the economic development of Albania. In this way, they boost the real wages of non-migrants instead of depressing them. The human capital externalities play a crucial role in spreading the knowledge.

This consideration provides an insight: the heterogeneity of labour holds because of the different skills of non-migrants and returnees. The sector most influenced by the return migrants is the agricultural one, where the self-employed individuals encourage the unemployed to be pushed in the labour market and be active in the commercial farming. Indeed, the agriculture counts for almost 40% of employment and generates more than 18% of GDP¹⁰⁴. The so far assumption of the homogeneity of labour input then is relaxed because of two reasons: the heterogeneity of labour and the human capital spillover.

The heterogeneity concerns the high-skilled and low-skilled workers that confirm the complementarity between the non-migrants and returnees. It worth makes a specification about the education and skills of non-migrants as it has been done for migrant returnees. On one hand, the level of education increases for those individuals who migrate in the host country, indeed those with no education get lower and those with tertiary education increase. On the other hand, the educational differentials enlarge the skill gap between non-migrants and returnees.

To fill this gap, the human capital externalities could generate some knowledge spillover. In this way the migrants can give birth to new ideas that were not thought before. Then the non-

¹⁰⁴ INSTAT data, 2018.

migrants labour productivity increases because of the access to something that before the migration took place was not known. Both effects positively impact the productivity of workers.

Economic Sectors of Employment

To better understand the main issues concerning the Albanian labour market it is useful to show the economic sectors of employment and the relative outcomes.

The share of returnees that compete with the working age population is around 10% to 16%; those who compete with employers are around 16% to 30%; those that are self-employed without workers are 8% to 12%¹⁰⁵. Then, returnees prefer to be self-employed with workers. This has important implications for job creation: for returnees themselves as businessmen, and they encourage the potential workers to participate in the labour market creating job positions. After the 2013 there increased the job creation, counting a net 19,650 new jobs¹⁰⁶, in part due to the new businesses started by returnees.

The most occupied sector is the agricultural one, where almost 50% of returnees are engaged in. The mining and construction industries are ranked in the first positions for the share of employees hired there too.

As mentioned during this essay, the agriculture sector is the most relevant one for the economic stability of the Albanian country, given that is still based on rural activities. The statistical institute of Albania (INSTAT) provides some useful numbers indicating the share of individuals that are employees and self-employed, according to the economic sector. It worth to represent the employment rate per economic sector, considering the agriculture, the industry, and the service sectors. The figure 33 will show the importance of each of them and the weight in the labour market (the linear grey line confirms further the increasing importance of the service sector).

¹⁰⁵ Labour Force Survey, QLFS 2012-2014.

¹⁰⁶ Honorati, M., Johansson De Silva, S., Kupets, O., & Berger, S. (2018). *Job Dynamics in Albania: A Note Profiling Albania's Labor Market*. World Bank.

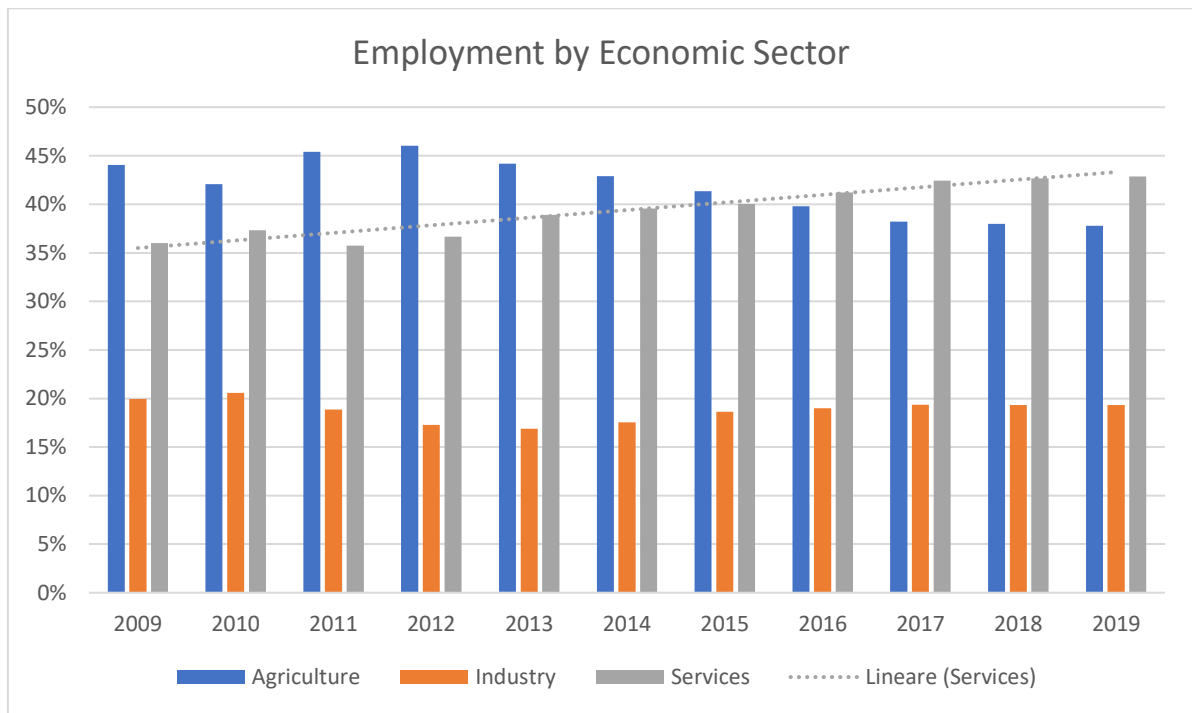


Figure 33: Employment by economic sector (agriculture, industry, services), 2009 – 2019.
Source: Personal elaboration based on Statista data, www.statista.com.

The figure gives evidence of the share gained by the services sector over the years, due in part to the increasing importance of the tourism. This sector is experiencing a huge increase in the employment level. Despite the large share of low-skilled workers, especially once the high-skilled emigrates, the services could represent a launching pad for high-skilled jobs.

An important issue to cope with is the space taken by the informal sector in the labour market. It is still very spread across the regions of the country, involving mostly small firms, and these have the largest share of employees. On the other side, the large companies are involved in the formal sector and they are very few compared to the small firms. The informal sector is hiring in part the poorest individuals of the country, with low educational attainment and low skills. There are many individuals that work without perceiving a wage, because they are involved in the households' business rather than working for firms. But for what concerns the paid-workers, 20% of them has been estimated to be in the informal sector, where the rights and the earnings are lower than in the formal one. The 2016 data confirms that the informal sector counts to be one third of the GDP of the country, 40% of employees have not a labour contract and 30% are not receipts of welfare benefits.

The informal sector becomes crucial when considering the self-employed individuals, who escape the official registers. Despite this situation, the country is directed in the right way to reduce the share of this sector, thanks to the increasing registration of firms. However, the measure undertaken have consisted in more inspections rather than more investments.

It worth focus now on specify the share of self-employed individuals, especially once the returnees turn back home, and decided to invest and start their own new businesses. The figure 34 shows an upward trend in the self-employed individuals since 2014. Not surprisingly, the gender differentials stress a favourable result for men compared to women.

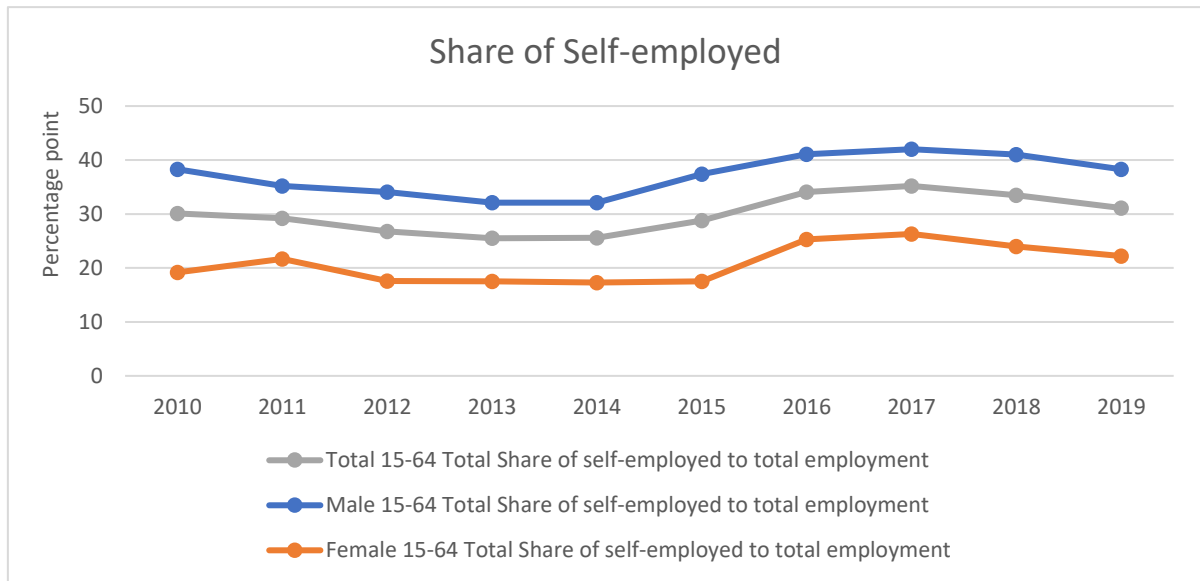


Figure 34: Share of self-employed to total employment by gender, 2010 – 2019.
Source: Personal elaboration based on INSTAT data.

As returnees come back home, those who compete with the non-migrant employees are very few, because they are likely to be forced returnees. The largest portion of return migrants is likely to be self-employed, with or without employees.

At the end, the *brain gain* is in part offset by the return migrants who start their own businesses and create job positions. The experience abroad helps them to develop new skills and introduce professional figures existing abroad but still not present in the home country. To conclude, the job creation is successful once the employers create productive works and employees can provide their assets, both physical and cognitive, and the job match occurs.

We understood that the year 2013 is particularly interesting as concerning different issues: returnees who turn back after the financial recession and the Greece crisis, their impact on the labour market outcomes, the importance of the agricultural sector and the increase of the share of self-employed individuals.

When we investigate the differences between the agricultural and the non-agricultural sectors when considering the private industries, there is a clear upward trending for the employment level in the non-agricultural sector, especially in the last two years. The agricultural sector has suffered a downward trend in the employment level before the 2013, turning to increase and almost stabilize again after the 2014.

It will be useful to represent the weight of the economic sectors as share of GDP over the years (figure 35).

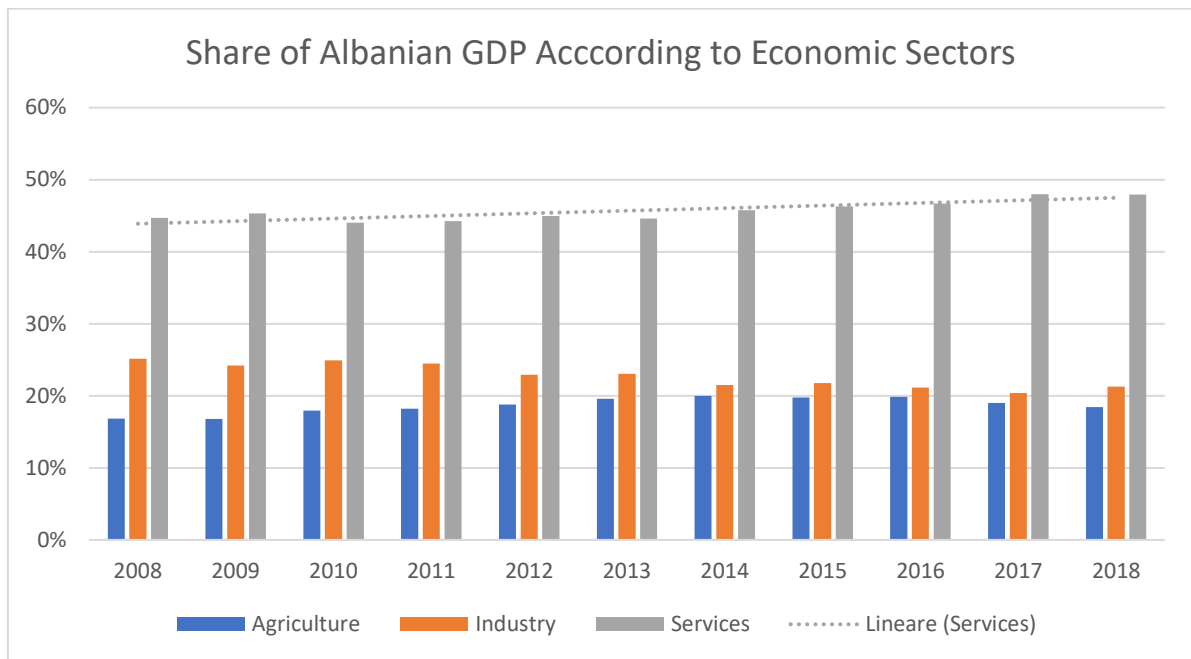


Figure 35: Distribution of GDP according to economic sectors in Albania, 2008 – 2018.
Source: Personal elaboration based on Statista data, www.statista.com.

The economic activities shown in the graph can be classified as: agricultural, industry (construction, industry mining, manufacturing), services (information and communication, transportation and storage, water supply, wholesale and retail trade, travel agencies and other related activities). All of them have experienced on average an upward trend over the years. The last data confirm a share of almost 20% of GDP coming from the agricultural activities, another 20% from the industry and the largest share of GDP is due to the service sector, composed by banking, communication, tourism, which is going to be very important in the last years because of the cheap cost of vacancies and the locations attractiveness (the linear line in the graph will stress this upward trend).

The current crisis due to the Coronavirus outbreak has hugely impacted the tourism sector. It was taken on a great relevance as a vehicle to improve the economy of the country, but the movement's limits and the lockdown measures forced many people to cancel the reservations made since the year before. Many employers and employees are forced to cope with these difficulties, especially those living in the regions of the country where the tourism sector is the principal source of revenues.

The Impact of the Covid-19 Crisis on the Return Migrants

The current health crisis has led to a worldwide pandemic, because of the ease of spread of the infection. The health crisis has fast translated into an economic crisis, provoking the GDP collapse of many countries. The lockdown was the defensive measures that the Governments of different countries have taken, then the closure of as many companies as possible, in order to prevent the contagion. Of course, this provoked the stop of the production and the workers forced to stay home. Some of these workers started to receive welfare benefits, as during the financial recession of 2008, but others were receiving no form of earning and risked crossing the poverty threshold.

The analysis conducted along the essay is mainly interested on the last 11 years period. The current situation has led us to consider and to make a comparison between the previous financial crisis and the current one: both impacted different economic sectors and both provoked the increase in the unemployment rate.

But many differences occurred: the past financial recession hit mostly the industrial, building sector and the financial and insurance one (because of the credit crunch); the amount of remittances sent by immigrants toward their household families in the home country reduced because of the lower level of earning of workers as well as because of the return of migrants at home. Then to compensate the lack of remittances, many of the returnees started a self-employed activity or to get hired there. Another consideration is that the immigrants involved in the affected sectors, as Albanians in the construction sector in Italy, were benefitting welfare programs as economic support.

The fact is that the current crisis is different in nature from the previous one and the actions and policies implemented by the different countries have brought to results that have not been experienced previously. Indeed, the lockdown of companies and factories, the quarantine measure, the closing border, just for mention few, make it not possible the migrants to act as 11 years ago. For instance, the individuals find it difficult to turn back home, when residing in the host country. Another point of difference and a consequence of the difficulty to repatriate is that as employees stop to supply work, because the closing of companies, and because some of them do not receive welfare benefits (for instance, they could be involved in the informal sector), they stop to send remittances to their households. At the same time, they cannot compensate the lack of remittances with other source of earnings, as it would be turning back in the home country and gain labour earnings there.

The importance of the remittances has still been seen when considering the portion of remittances as share of Albanian's GDP. These are one of the most important non-labour

income sources which help the families in home countries to go ahead. The global scenario has estimated worldwide remittances about 551 billion of US \$ in 2019¹⁰⁷, sent by migrant workers toward their low-income home countries. Then, is intuitive the negative impact that the lockdown has on this financial flow.

There are many issues to cope with and which are straining the individuals and the business activities. The last measures adopted by the Italian Government relaxed some restrictions previously imposed to prevent the spread of virus. After few months since the beginning of the lockdown, it is permitted for some individuals and in specific conditions to turn back home and it is forecast that in the half of 2020 there will re-open the flights. It is too early to speak of return migration, and it is challenging to forecast their intentions. The willingness to repatriate of Albanian workers would change according to the situation experienced by each of them. It would be interesting to think about the pros and cons of the returning.

The justified reasons of turning back home, if possible, are: many Albanian workers, as other immigrants, could have lost their jobs because of the consequences of the restrictions and closing of production, then the welfare benefits received, if any, could not be enough to sustain the expenses of the daily life, as shop food and pay the house rent. They will decide to turn back home, reaching the other family's or households' members and where they have still a house where to stay. Additionally, it has been already said that the cost of living in Albania is very low compared to the other countries, despite is proportional to the wages earned by Albanian workers in the home country. Then, many workers may decide to repatriate and make use of the savings collected in Italy to survive for the first periods in Albania, waiting for the recovery of the economy.

Of course, disadvantages and problems will arise: even if it would be possible to repatriate, the country has an underdeveloped health system compared to the Italian one. It would not be reasonable to return. Sometimes the Italian workers themselves, when migrating in Albania, improve the health care system. Also, the Albanian migrants, as other individuals who migrate, will face difficulties in the travelling toward home, because of the closing borders or the restrictions imposed to freedom of movements. In many countries it is thinking to ask the requirement of a specific documentation as ah health passport, in order to demonstrate that the individual is healthy.

¹⁰⁷ "How coronavirus could hit the billions migrant workers send home", World Economic Forum, published in 19.04.2020. <https://www.weforum.org/agenda/2020/04/how-coronavirus-could-hit-the-billions-migrant-workers-send-home/>, Visited on 09.05.2020.

An important insight has to be made when considering the irregular individuals in Italy: those who have not documents and are not regular according to the law may be reluctant in accessing the health care services offered by the host country, because of the fear to be repatriated once uncovered the illegal status. Even in terms of reintegration it could be challenging: the families who migrated in Italy could have risen children in a manner to improve the cultural assimilation of the Italian country. Then, for the second-generation migrants could find it problematic to be integrated in the Albanian community after receiving the Italian education and learning at Italian schools. In this way those it is possible to think that those who turn back are forced to, because of job loss, inability to face economic issues and / or because of the expiration of residence permits.

The reform programmes implemented by the Albanian country every year should now cope with this issue: in the short-time spell and in the long-run must be implemented a recovery for the immediate economic consequences the crisis has brought. Then, not only the problems related to the educational system, the social integration and economic sustain, must be addressed, but also the health system, which is still weak, must be improved.

A higher investment in that sector is required. It is difficult to forecast the Albanian migrants' intentions and possibilities. In the previous financial crisis of 2008, a large share of returnees, once turned back home, were reluctant to say whether they were going to re-emigrate again. This reflected a general uncertainty felt by individuals.

Now, the issues are further problematic, then instability and the uncertainty for the future are felt not only by immigrant individuals but also by natives in both home and host country. Many of them feel to be entrapped in this situation, because of the limits to movement and the loss of labour income. After these considerations, it would be interesting to re-check the reasons of staying in the target country or returning in the home country once the limits will fall.

Summary

Since the early 90s the population looks at Italy and Greece with hope to start a new life. This way, the emigrants can send remittances to the households living in the home country. When the economic recession occurs, people face financial issues and difficulties to go on. The remittances reduce and individuals are forced to find alternative ways of earnings. Those who are no more comfortable in the host country decide to turn back home, where to invest the skills and the human capital accumulated abroad.

The labour market of the Balkan state is going to be crowded by both returnees and non-migrants and new job positions are created. The labour market outcomes have been investigated to catch the principal dynamics of that world. The employment rate and the labour force participation rate have shown an upward trend once the migrants escaped the crisis, returning home and becoming employees or self-employed. Nevertheless, the gender gap is something that is still present in the labour market: men are more engaged in the labour world compared to women. The result is not surprising, the same has been figured out when analysing the Albanian workers in Italy.

However, the heterogeneity of workers and the human capital externalities improve the general situation of workers. The brain drain that is experienced by the country once individuals emigrate abroad can be partially offset by their return and by their spread of knowledge and creation of jobs.

Once returnees come back home, the largest share of them is interested in opening their own activities. The data showed that the share of employers (both with and without workers) gets risen over the time, especially after the 2013 period.

To better off the working standards, the immigration of many Italian individuals there improves the health system and the services. Indeed, the health care has been a huge problem to cope with, and the entrance of high-skilled Italian workers has improved the Albanians' lives.

As have been considered the consequences of the financial recession of the last decade, it worth analyse the consequences of the economic collapse due to the Covid-19 outbreak. Now it is too early to collect the intentions that Albanian immigrants have about the return home, but many insights can be caught from the previous crisis.

*Section IV: the Current Situation,
Conclusions and Recommendations*

The Impact of the Coronavirus on the Labour Market

The almost-whole world lockdown of factories and companies has left people at home. The jobs which enable workers to work from home, through the method of *smart working*, have had less negative repercussions on their earning capacity than workers engaged in jobs which requires manual skills as well as those which make it difficult to respect the social distance. As we know, the manual jobs are performed mostly by immigrants. This leads to the losing job, or at least the loss of labour-income.

After the Global financial crisis of 2008, the immigrant workers became receipts of welfare benefits provided by the state. The difference from now is that the audience of involved workers is so large that is difficult to provide support to everyone and in a timely manner. Additionally, the migrant workers of the informal sectors will not benefit protection as the formal workers. The social distance is affecting not only the human relationships, but also the economy of families. To further confirm these problematics, it is duty to recall an article reported by ILO few months ago¹⁰⁸. In order to understand the magnitude of the Covid-19 impact on the labour market outcomes, ILO has proposed three different scenarios that the world is going to face, in terms of global unemployment: the less-worst scenario counts the global unemployment to increase by 5.3 million of individuals, and the world GDP will fall by 2%; the middle-worst scenario estimates the unemployment to increase by 13 million of individuals and the world GDP fall by 4%; the worst scenario estimated an increase of the unemployed individuals by 24.7 million and a reduction of the world GDP by 8%¹⁰⁹. The financial recession of 2008 has provoked an increase of 22 million of unemployed individuals. The worst scenario elaborated estimates the unemployed workers higher than the Global financial crisis of ten years ago.

What is surprising about this health and economic crisis is its magnitude. The closing of enterprises has had profound impacts on the economic activities, reducing the amount of output produced, the workforce, the working hours, and the earnings. The estimations concerning the first quarter of the year 2020 are warning: it is counted not only to reduce the employment level, causing an exponential increase of the unemployment rate, but also the reduction in the working hours. The hours of work are estimated to fall by 4.5% in the first quarter of 2020 compared to the pre-Covid-19 period and in the second quarter the working

¹⁰⁸ “How will COVID-19 affect the world of work?” <https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/lang--en/index.htm> Visited on 28.04.2020.

¹⁰⁹ “Estimating the impact of COVID-19 on the world of work”, https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739050/lang--en/index.htm, Visited on 02.05.2020.

hours would decrease by 10.5%, over the world. The poverty threshold is going to be reached by more and more people, and the poverty range includes those individuals that earn less than the half of the median earning in the population. Additionally, 436 million of companies risk to fail because of the strong impact of the virus on their economic activities.

The most affected economic sectors, as wholesale and retail trade, manufacturing (because of the closing of factories and the difficulty to maintain the social distance in job), and accommodation and food services (because of the fall of tourism and the closing of activities due to the mandatory lockdown), just to mention few. These count almost 30% of the world GDP. Indeed, the tourism is going to estimate a 25% reduction in the arrivals of people from abroad.

The global financial crisis of 2008 had impacted mostly the building sector and the credit activities, while this time the construction sectors and the financial and insurance activities are affected in a limited measure. Another important sector that has taken on relevance along our essay is the agricultural one, very important source of economic growth for the Albania and the South of Italy. It is estimated to be low impacted by the pandemic consequences.

The one that become a warning sector is the informal one. It suffers low social and economic protection per se compared to the formal one. When hit by the health and economic crisis the collapse is even worsen. Additionally, the vulnerable categories of workers (young, women, immigrants) are mostly crowing this sector. Stay home means loose job and loose earning capacity: 76% of employees involved in the informal sector is facing the negative issues of the crisis. And, while after the financial recession of 2008 people could have gone in the home country to invest in new activities, now in 2020 the closing borders and the limits of the people's movement make it difficult the return. Then it could be unlikely to see, for instance, Albanian migrants to return home. The crisis of 2008 hit in a lower measure the Albanian country, compared to others, because of the less involvement in international relationships with the most affected countries. Then the individuals who decided to turn back, because no more able to sent remittances to their households in Albania and to face the issues in the host country, were likely to have the opportunity to find a job position in the home country.

Now this hope is not tangible, the health crisis has been in some sense more global than the 2008's one.

This health crisis has reshaped the labour market: while in the pre-crisis period the discriminatory events or the segregation workforce were the principal topics when thinking of the immigration of labour market outcomes, now the individuals should be treated in the same way, without distinction for the country of origin or for gender. In front of a pandemic world, the racial prejudices are blurring.

Conclusions

The journey run until there helped us to clarify the situation of the Italian labour market and the impact of the presence of Albanian individuals in the host country. We started looking at the general model of labour demand and labour supply in presence of immigrant workers and there have been reported many studies which investigated this issue. The Italian case tends to dismantle the idea of substitutability between the natives and foreign-born workers and confirms the complementarity between them. Additionally, the immigrants start to compete between themselves, given that they typically searching for the same type of job in the same labour market. The segregation workforce is a peculiar characteristic of the Italian labour market, where women coming from the East countries or from the Balkan states, are most of the time hired in the service sector, in the personal and collective services, while men are active in the industry and agricultural sector.

The Italian labour market has been analysed focusing of a specific category of immigrant workers: the Albanian community. The history of Albanian emigration started since the early 90s and many people started to secretly learn Italian language even before the fallen of the Communist dictatorship. Remember that the knowledge of the language of the host country is a very important feature in order to boost the social and economic integration.

These workers in Italy are hugely involved in the building sector, which is very sensitive to the economic crisis as the 2008. The Albanian individuals have two preferred destination countries: Greece and Italy, because of the geographical proximity and because these are advanced and industrialized countries. While Albania has always rooted its economy in the rural activities, the proximity and the aspiration to get closer to these occidental countries have helped to develop the Balkan state and improving the other sectors of the economy (for instance, the service sector). This community has the sad first position for the presence of UAMs in Italy, which are mostly aged 17 years old and males. Not only, but also the irregular Albanians represent an important portion of illegal immigrants in Italy. In both cases a gender gap occurs, counting most men compared to women. Nevertheless, the community has been able to be integrate in Italy, confirmed by the low level of discriminatory events suffered.

Shifting now the attention to the Albanian home country, the topic concerning the returnees take on great relevance: it has positively impacted the Balkan country, given that it has been estimated an increase in the employment rate, labour force participation rate and job creation. The investments of financial and human capital accumulated that this people make once turn back home enables knowledge spillover effects and job creation. However, the Albanians' willingness of return of 10 years ago could be different from now: the current health crisis has

made it difficult the cross-country movement and the job loss in the host country provoked the loss of remittances sent to the households. This issue should be considered at the end of the pandemic once the final effects of this economic collapse would be defined and clear.

Recommendations

Prior the health crisis, the recommendation should have been to introduce many policies able to boost the social integration of a multicultural population. The 2012 ISTAT survey has been a first step toward the analysis of discriminatory events in Italy. The education and training are the most powerful weapons to fight the discriminatory behaviours which could occur since the first years of life, to prevent the future social inequalities. The culture's assimilation and the language's knowledge improve the test scores and more and more sons of immigrants could become able to compete with the native peers, for the high-quality schools and for the high-skilled jobs. Then, there will be possible to increase the PISA test score of both natives and foreign-born students and reduce the score gap. For what concerns this sector, Albania must implement the investments in the education system, to fill the lack of employment opportunities for skilled individuals.

But now, the current situation put everyone on the same difficult conditions, in terms of economy and health care, regardless the county of origin. In some countries, as US, it is difficult to get access to cares because of the cost of the health system, while in others, as in Italy, the public health system gives everyone the same opportunities of treatment.

Now, there should be implemented policies by each part of the world in order to fight the contagion: given that the economic consequences already are and will be dramatic, the States must find solutions to finance the employers and employees, regardless their involvement in the informal sector; tax incentives and longer deferment of loans should be guaranteed, in order to smooth the labour demand and labour supply affected by the Covid-19 consequences, as limiting the ability to invest, on the employer side, and to consume, on the employee side. In Italy, for instance, are provided unemployment subsidies and financial support to low-income families to survive the crisis. Not surprisingly, in this period there has talking a lot about approving the amnesty measure to regularize the illegal immigrants present in the country. It has of course pros and cons, but the health side should take the prevalence on the economic side.

For what concerns the irregular migrants in Italy, in June it is forecast to approve the amnesty to regularize the irregular migrants: there are specific conditions to comply with, because not all of them have the right to get regular. Indeed, first of all, it is forecast that almost around

200 thousand out of the 680 thousand of irregular can get this amnesty. Additionally, only specific categories of workers can require the regularization: those involved in personal and collective services and domestic ones, and agricultural and fish sector. There are basically two ways through which is possible to get regular: on one hand the irregular individual can ask for a temporary permission in order to have time to search for a job, and on the other hand, the employer, who has hired an immigrant without a regular contract, can ask for his or her regularization. Of course, in both cases it is required to pay a specific amount of money, depending on who starts the regularization application.

It is evident that the irregular Albanian workers could be involved only in a minor part in this issue: they are mostly concentrated in the North Italy and in the industry sector, while the part of them resident in the South is mostly hired in the agricultural one. Then, we can assume that this decree could be interesting for this share of Albanian individuals. Despite this first step toward the improvement of people conditions, there are many critiques moved to this decree: for instance, it would have been more inclusive to extend this regularization also to other categories of worker. However, others state that it would be better to regularize the health for these individuals, and thereafter the working conditions, because of the sensitive period we are living.

Hoping that this measure could improve the current living and working situation for as many people as possible at least in Italy, the unique way to restart again for all the countries is to implement the supporting activities overall the world and adapt them to the characteristics of each country. The prevention is more important than cure, but when the early action is not taken by everyone, the recovery would become even slower.

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