

The Impact of International Migration on Albanian Family Farming

Migration and remittances are used by rural households as a way to move out of agriculture

Juna Miluka, Gero Carletto, Benjamin Davis, and Alberto Zezza

More than 15 years into transition, Albania remains predominantly rural: 54% of the population reside in rural areas and agriculture still employs approximately 50% of the workforce, providing an income source to more than 90% of the households in the more remote north-eastern part of the country. The agricultural reforms carried out in the post-communist period, and the resulting land redistribution, led to a highly fragmented sector.

Concurrently with conducting a rapid and intense land reform, Albania experienced extraordinary migration outflows

Albania's land reform was unique among transition countries for its rapidity and intensity: by the mid-1990s, 94% of farmland had been privatized, with 550 state and collective farms split into 460,000 privately owned farms, averaging only 1.1 hectares per farm. Albania has had the highest decollectivization index of all transition economies in Eastern and Central Europe, but as opposed to these other countries, redistribution was not based on restitution and benefited all rural households.

Migrant Household Profile

Concurrently, with this transformation of the agricultural sector, over the transition period Albania has experienced one of the most extraordinary migration outflows in recent history. Rural areas, from where the majority of these flows originate, have been particularly affected. In 2005, one household in three had at least one former member living abroad, mainly in Greece or Italy. About two-thirds of these migrants are reported to remit, with the highest prevalence towards rural households.

However, evidence suggests that despite the positive effect that migration and remittances have had on improving the living conditions of the migrant-sending households, only a small fraction of the remittances is invested in agriculture. The sector remains plagued by a

plethora of problems, including low productivity and outdated technologies. The labor market for agricultural work is very thin, while formal rural credit and insurance markets remain virtually non-existent. How can rural out-migration ameliorate some of these constraints? How has migration affected farming investment decisions?

Our empirical investigation, which is based on data from the 2005 Living Standards Measurement Study survey,

aims at evaluating the impact of migration on farm's technical efficiency, resource allocation to, and income from, agricultural production of farm households.

Impact of Migration on Agriculture

The main channels through which the impact of migration on agriculture can materialize are via the re-allocation of labor and capital resources by households, i.e. the loss of the "resident" family workforce to migration and the gain in working capital or credit. Our results suggest that:

- Members of households with migrants abroad work significantly fewer hours in agricultural production, both in total and on a per capita basis. However, although the direction of the impact holds for both male and female members, the magnitude of the impact differs across gender lines. Women in migrant households work proportionately more than men, when compared with their counterparts in non-migrant households.

- Contrary to expectation, and despite sizable remittances, migration has no impact on the farm's technical efficiency. In the face of lower labor allocation to agriculture, migrant households actually appear to invest less in productivity-enhancing and time-saving farm technologies in crop production

such as chemical fertilizers and farm equipment. Despite the overall low levels of investments in farm inputs, migrant households spend comparatively even less than their non-migrant counterparts. This quite troublesome finding is indicative of a generalized divestment in agriculture as a result of migration. On the contrary, migrant households appear to invest more in livestock production.

- Despite the reduced labor effort, however, agriculture income does not seem to decline as a result of migration, and total income (as expected) increases significantly. The latter result may be due to the direct effect of remittances, but also to increased income from other non-farm sources.

Thus, migration of one or more household members, and the remittances it generates, is being used by rural households in Albania as part of a strategy to move out of agriculture. Migration has no significant impact on a farm's technical efficiency, thus reinforcing the idea that migration is not being used to improve agricultural productivity.

While from a development perspective, it may be reasonable for policymakers to put a considerable amount of faith in the mending power of remittances to revive sluggish sectors of the economy, such as agriculture, the fact that rural households are not investing migrants' resources or their time in crop production indicates that agriculture continues to give little prospects for growth and individual betterment for rural Albanians.

*This paper — a product of the Development Research Group — is part of a broader collaboration with the Food and Agriculture Organization of the United Nations to study the impact of migration on investments and rural development in source countries. Full text of the paper can be accessed at: <http://go.worldbank.org/WO38MQ1E00> (Policy Research Working Paper 4367). The contacting author is Gero Carletto, gcarletto@worldbank.org. **BT***