Regional workshop:  
“Migration and remittances in the Western Balkans”

29 August 2013 in Skopje

The workshop was jointly organized by Analytica and Albanian Centre for Socio-Economic Research (ACSER)

CONFERENCE PROCEEDINGS
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- Jovanka Joshevska
- Teuta Saka
- Branimir Jovanovic
- Dimitar Nikoloski
- Hyrije Abazi-Alili
- Bilall Kasami
ORGANIZERS

**Analytica** is a Skopje-based non-profit independent think tank dedicated to helping individuals and institutions with the aim to foster lasting improvement in the democracy and governance. The core areas of work of Analytica are EU integration, migration, energy and security.

**Albanian Centre for Social-Economic Research (ACSER)** is a Tirana-based research centre which works on the topic of migration flows and their impact in Albania.

**WELCOME AND ACKNOWLEDGEMENTS**

Dear co-organizers, dear participants, ladies and gentlemen,

It is my great pleasure on behalf of the main organizers of this workshop – Analytica and ACSER to welcome you at the regional workshop “Migration and remittances in the Western Balkans”.

Let me present to you briefly the two organizations. Analytica is a think tank organization from Skopje which aims to improve the democracy and good governance in the Republic of Macedonia and the region, its key areas of research and advocacy are EU integration, migration, energy and security. ACSER (Albanian Centre for Social-Economic Research) from Tirana is a research centre which works on the topic of migration and their impact in Albania.

The aim of this workshop is presenting the final results of the Analytica-ACSER project called “Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind”. Also with this workshop we want to initiate a debate on the topic of migration and remittances in Macedonia and the region. This project was supported by the Regional Research Promotion Programme in the Western Balkans (RRPP) of the Swiss Agency for Development and Cooperation and I want to use this opportunity to thank Aleksandra Dimova Manchevska, RRPP Coordinator in Macedonia and Slavica Indzevska, Senior Advisor to the RRPP program for their guidance and support in the course of the implementation of the project.
Albania and Macedonia are countries which are highly dependent on remittances, which play an important role of providing additional social protection, poverty alleviation; however remittances also have a significant impact on the education and health outcomes of the family members left behind. This area is not fully researched in both countries; therefore the aim of the project was to research exactly that impact of remittances in Macedonia and Albania. The project results have confirmed the impact of migration and remittances on the education and health of the children left behind, which also makes it necessary these findings to be included in the migration policies in both countries.

Since we want with this workshop to direct the attention towards the importance of migration and remittances in the Western Balkan countries and the need for their continuous research and inclusion in state and local polices, I hope that this workshop will contribute to reaching this goal, as well as towards developing new ideas and experience exchange.

Ana Stojilovska, Analytica

Local coordinator of the project and researcher
Regional workshop:
Migration and remittances in the Western Balkans

Jointly organized by Analytica think-tank and Albanian Centre for Socio-Economic Research (ACSER)

Venue: Hotel Stone Bridge, Skopje, Macedonia
Date: 29 August 2013

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:30</td>
<td>Registration of participants</td>
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<tr>
<td>09:50</td>
<td>Welcome remarks</td>
</tr>
<tr>
<td></td>
<td>- Ms. Ana Stojilovska, Local Coordinator of the project and Researcher, Analytica</td>
</tr>
<tr>
<td>10:10</td>
<td>Presentation of the project: “Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind”</td>
</tr>
<tr>
<td></td>
<td>- Ms. Jovanka Joshevska, Researcher, Analytica</td>
</tr>
<tr>
<td></td>
<td>- Ms. Teuta Saka, Researcher, ACSER</td>
</tr>
<tr>
<td>11:30</td>
<td>Coffee break</td>
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<tr>
<td>11:45</td>
<td>Panel I: Research on migration and remittances in Macedonia</td>
</tr>
<tr>
<td></td>
<td>Moderator: Ms. Sonja Zuber, Research and Management Coordinator, Analytica</td>
</tr>
<tr>
<td></td>
<td>- Mr. Branimir Jovanovic, National Bank of the Republic of Macedonia (NBRM)</td>
</tr>
<tr>
<td></td>
<td>- Prof. Abdylmenaf Bexheti, Southeast Europe University (SEEU)</td>
</tr>
<tr>
<td></td>
<td>- Prof. Dimitar Nikoloski, Faculty of Economics-Prilep, University “St. Kliment Ohridski”-Bitola</td>
</tr>
<tr>
<td></td>
<td>- Asst. Prof. Hyrije Abazi-Alili, Southeast Europe University (SEEU)</td>
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<td>13:15</td>
<td>Lunch</td>
</tr>
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<td>14:30</td>
<td>Panel II: Research on migration and remittances in the Western Balkan countries</td>
</tr>
<tr>
<td></td>
<td>Moderator: Ms. Teuta Saka, Researcher, ACSER</td>
</tr>
<tr>
<td></td>
<td>- Asst. Prof. Bilall Kasami, International Balkan University</td>
</tr>
</tbody>
</table>
Working language: English; translation into Macedonian and Albanian

*The project “Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind” was implemented by Analytica and ACSER and prepared in the framework of the Regional Research Promotion Programme in the Western Balkans (RRPP), which is run by the University of Fribourg upon a mandate of the Swiss Agency for Development and Cooperation, SDC, Federal Department of Foreign Affairs.*
Regional workshop:
“Migration and remittances in the Western Balkans”

29 August 2013 in Skopje

The workshop was jointly organized by Analytica and Albanian Centre for Socio-Economic Research (ACSER)

The main idea behind the workshop “Migration and remittances in the Western Balkans” is presenting the final results of the project “Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind” which was implemented by Analytica and ACSER and prepared in the framework of the Regional Research Promotion Programme in the Western Balkans (RRPP), which is run by the University of Fribourg upon a mandate of the Swiss Agency for Development and Cooperation, SDC, Federal Department of Foreign Affairs. The workshop also aimed at initiating a debate on the research conducted in Macedonia and the region of Western Balkans on the topic of migration and remittances.

Present at the workshop were researchers from academia, civil society organizations from Macedonia, Albania and Bosnia and Herzegovina, representatives from the National Bank of the Republic of Macedonia, representatives from the World Bank, International Organization for Migration, International Centre for Migration Policy Development, Migration, Asylum, Refugees Regional Initiative (MARRI), Economic Chamber of North-West Macedonia as well as representatives from the private sector.

Major topics were the positive and negative impacts of migration and remittances on the family members left behind in Macedonia and Albania; whether remittances in Macedonia affect poverty and inequality; the negative long term effects of remittance inflow in Bosnia and Herzegovina; the impact of remittances in macroeconomic stabilization and development in Macedonia; the role of emigration and remittances as adjustment mechanisms in the labor market on the example of Macedonia; whether migration has any impact on the women empowerment in traditionally patriarchal countries as Albania, Bosnia and Herzegovina and Macedonia; and the use and prospects of remittances in Macedonia.
CONCLUSIONS

Brief project summary:
Albania and Macedonia are countries with high dependency on remittances, which play an important role in providing additional social protection, poverty alleviation etc. Remittances also have an important impact on the education and health outcomes of the family members left behind. The project goal was to conduct a research on the impact of remittances on the health and education outcomes of the family members left behind in Macedonia and Albania.

The project results regarding the impact on education have shown that in both Albania and Macedonia, the absence of the father has a negative impact on the children’s education in the short-run, but in case of a longer stay, the impact is positive. In both countries, the migration of the mother in the long-run has a negative impact on the children’s education, affirming the assumption that migration has significant impact on the education of children whose parent(s) have migrated abroad. Regarding education, there is a significant difference between Albania and Macedonia concerning the effect of remittances – while remittances have positive impact on the children’s education in a way that remittances are being allocated for their education in Albania; in Macedonia it was shown that remittances do not have significant impact on children’s education status.

The project results regarding the health impact in Albania have shown that children in migrant families are less likely to be stunted (reduced growth) than from families without migration experience. While the impact in Albania was shown to be positive, in Macedonia it resulted to be negative – children from families with migration experience are more obese. For both countries it was shown that the level of mother’s education is important factor for children to be less obese.

There was not an initiative shown for promoting the effects of migration and remittances on the socio-economic development in Macedonia and Albania since the state migration policies are predominately general and do not target specific areas as education and health. Therefore, part of the recommendations are the governments to offer policies for reducing the negative effects on children from migration of their parents, including the impact of migration and remittances in the education and health policies, introducing policies for supporting migrants to invest the earned money in their home countries, enabling easy access to education and health insurance etc. Albania and Macedonia need to improve their data collecting systems in order to set a better database which will further on be a basis for analyzing the impacts of migration and remittances.
At the workshop it was emphasized that remittances are among the most important sources of external financing: they have reduced inequality, especially during the crisis and seem to be a positive phenomenon in Macedonia, not only for macroeconomic stability, but also for the standard of living. Related to the latter, remittances reduce poverty and inequality, thus a stop in remittance flows might have adverse effect on poverty and equality. Therefore, policy makers should monitor them closely and take appropriate targeted measures, should such a reversal occur.

From the aspect as a form of labor market adjustment in Macedonia, migration is seen as a strategy of last resort rather than investment opportunity. More than 60% of unemployed workers in Macedonia have stated that if they have possibility, they will emigrate either permanently or temporarily. Regarding the personal characteristics - unemployed citizens, male, urban workers and those searching for a job manifest considerably higher intention to emigrate.

Furthermore, remittance flow is expected to decline in the next period in Macedonia, because more families remain to work abroad and do not want to return in the origin country. Increasingly less will remain for net transfers in Macedonia and therefore this component should be planned in the macroeconomic projections.

In Macedonia remittances are often sent through informal channels; people need to be motivated to send them via formal channels, therefore efforts should be made to keep remittances’ transaction costs low. Also, the major part of remittance inflows in Macedonia is used for consumption and only small part for investment. One of the most important reasons of this is the approach of Macedonian institutions toward the emigrants and their money. A systematic approach is needed, which needs to be based on a national strategy for migration and remittances. The purpose of this strategy should be enabling proper usage of these resources in productive investments instead of consumption. Also, returned migrants bring so called social remittances such as learnt business practices, pro-activeness and they manage to start successful businesses in their home country. Therefore, it is important to set a good legal environment for investment and to build adequate infrastructure. It is important the institutions to be the key stakeholders in raising awareness regarding the importance of remittances.

Remittances tend to have negative effect on the social aspects in Bosnia and Herzegovina and mainly due to their tendency to promote further migration of youth and the educated population. Lastly, there is an ongoing research on whether migration has any impact on
the women empowerment in traditionally patriarchal countries as Albania, Bosnia and Herzegovina and Macedonia, in fact whether women in migrant’s households have a say in the decision-making.

The topic of migration and remittances is very relevant both on macro and micro level in the region of Western Balkans, thus greater attention both in research circles and at policy level should be given to it. There is lack of empirical research, mainly due to lack of necessary data to determine the impact of remittances on children’s health status in Albania and Macedonia. In this regard, Albania and Macedonia should further strengthen their statistics and data collection systems to enable better analysis of the migration and remittances’ impact since for example there is no accurate data of the percentage of remittances – it is assumed to be much higher than 5% of the GDP. Governments should introduce more family-friendly policies which could contribute to smoothing the direct negative effects of parental migration and any potential negative effect on the welfare of the children. Policies which allow migrants to easily invest in their country of origin can help the developing of the positive impact of migration and remittances.

Prepared by: Jovanka Joshevska, Analytica jjoshevska@analyticamk.org and Ana Stojilovska, Analytica astojilovska@analyticamk.org
PICTURES OF THE WORKSHOP

Jovanka Joshevska, Analytica giving media statement

Presentation of Analytica-ACSER project

Panel I

Panel II

Panel discussions

Panel discussions
MEDIA COVERAGE OF THE WORKSHOP

The workshop was covered by many media in Macedonia. Below are the links of the collected media coverage of the workshop in the Macedonian media:

TELMA: Migrants’ money are for survival, not for investment

FAKTOR: Macedonia is dependent on remittances

FAKTOR: Daddy sends remittances; mom takes care of the family back home!

NOVA MAKEDONIJA: Research: Macedonian migrants’ children are more obese

KURIR: Remittances are important for providing additional social safety

KURIR: Workshop: “Migration and remittances in the Western Balkans”

EKONOMSKI: Remittances and the their impact on the education and health of the family members

NETPRES: Macedonia and Albania are dependent on remittances

KUKURIKU: Workshop on migration and remittances in the Western Balkans

BIZNISINFO: Workshop on migration and remittances in the Western Balkans

DENAR: Workshop on migration and remittances in the Western Balkans

KANAL 5: Workshop on migration and remittance in the Western Balkans

MIA: Remittances and the impact of education and health on the family members

VECER: Daddy – a migrant, children – with a master degree

BUKVAR: Macedonia is dependent on remittances

PLUSINFO: Macedonia and Albania are dependent on migrants’ money

UTRINSKI: Migrants go back rarely and remit less

OHRIDON: Migrants go back rarely and remit less

FALANGA: Nothing without the Diaspora
LOKALNO: Remittances are for living costs, not for investments

MATICANAISELENICI: Migrants go back rarely and remit less
Impact of migration on child growth in Albania and Macedonia

Jovanka Joshevska, Analytica
Project description

• Analytica and ACSER implemented the RRPP funded project “Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind” from February 2012 till August 2013.
Theoretical framework

• Macedonia and Albania are two Western Balkan countries characterized by high emigration and remittance dependency rates.

• This dependency appear to have affected the development of both countries across different socio-economic and cultural dimensions.

• Child growth in particular is one of the important outcomes.
Research Question

• Do remittances and migration experience deteriorate or improve health outcomes of the non-migrants or family members left behind (child health)?

• This research address the link between migration and child health in Albania and Macedonia.
Methodology

- The data used in this study are extracted from a survey conducted through face-to-face interviews with mothers in Albania and Macedonia.
- The target groups were spouses of migrants and non-migrants with children at the age of 6-15 years old.
- Snowball method was used in interviewing mothers of the children who are willing to participate.
- The questions addressed to the respondents were designed to examine health status of children.
Research Instrument

The questionnaire was composed of four modules:

- Socio-demographic characteristics;
- Employment and the standard of living;
- Migration experience of the family member living abroad;
- Children’s health status
Estimation model

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \mu \]

Dependent variables:

Child growth indicators:
- Weight;
- Height;
- BMI;
- Obesity;
- Stunting

Child health inputs:
- Frequency of visits to a doctor and incidence of a chronic disease
- Reasons why the mother has not sent her child to the doctor when ill

Independent variables:

Child specific variables:
- Age;
- Sex;
- Birth order position;
- Whether child is living with both parents

Mother specific variables:
- Age;
- Education level;

Household characteristics:
- Number of children;
- Standardized household income;
- Living in a rural area
To account for migration experience and remittances, three specifications are used where the variable Z acts as a proxy of:

- Migration experience within a household,
- Mother’s own migration experience
- Receipt of remittances
Estimation model

- Five regressions are run to assess the effect of migration experience of any member within the household on the selected child growth variables.

- This set of regressions is rerun to assess the effect of mother’s migration and remittances on child growth.

- Similar regressions are run to assess the effect of migration and remittances on health inputs.
Description of survey data

• The survey included 193 and 95 interviewed mothers in Macedonia and Albania, respectively.

• The sample of children with or without family member abroad at the time of the survey amounts to 437 children (from 193 households) in Macedonia and 177 children (from 95 households) in Albania.
# Demographic Structure of the Respondents

<table>
<thead>
<tr>
<th>Demographic Category</th>
<th>Macedonia</th>
<th>Albania</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The average age of the mother</strong></td>
<td>37</td>
<td>38</td>
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<tr>
<td><strong>Education level</strong></td>
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<td></td>
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<tr>
<td>Primary education</td>
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<td>9</td>
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<tr>
<td>Secondary education</td>
<td>32</td>
<td>47</td>
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<tr>
<td>Tertiary education</td>
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<td><strong>Employment status</strong></td>
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<tr>
<td>Employed</td>
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<td>59</td>
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<tr>
<td>Unemployed</td>
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<tr>
<td>Housewife</td>
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<td><strong>Civil status</strong></td>
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<td>Married</td>
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<td>Divorced</td>
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<td>Widow</td>
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<td>1</td>
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<td><strong>Ethnic origin</strong></td>
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<td></td>
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<tr>
<td>Macedonian</td>
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<td>2</td>
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<tr>
<td>Albanian</td>
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<td>98</td>
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<td><strong>Residence</strong></td>
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<td>Countryside/Rural</td>
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<td>35</td>
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<tr>
<td>Skopje / Tirana</td>
<td>64</td>
<td>65</td>
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<tr>
<td><strong>Migration status</strong></td>
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<td></td>
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<tr>
<td>Non - migrant</td>
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<td>53</td>
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<tr>
<td>Migrant</td>
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## Description of survey data

### Summary Statistics by migration – Macedonian sample

<table>
<thead>
<tr>
<th></th>
<th>Non migrant</th>
<th>Migrant</th>
<th>All</th>
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<tbody>
<tr>
<td>Body Mass Index</td>
<td>19,2</td>
<td>20,14</td>
<td>19,59</td>
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<tr>
<td>Weight</td>
<td>38,22</td>
<td>38,18</td>
<td>38,2</td>
</tr>
<tr>
<td>Height</td>
<td>139</td>
<td>136,6</td>
<td>138</td>
</tr>
<tr>
<td>Stunting</td>
<td>0,109</td>
<td>0,14</td>
<td>0,121</td>
</tr>
<tr>
<td>Obesity</td>
<td>0,124</td>
<td>0,218</td>
<td>0,162</td>
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<tr>
<td>Normal</td>
<td>0,624</td>
<td>0,553</td>
<td>0,595</td>
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<tr>
<td>Overweight</td>
<td>0,159</td>
<td>0,145</td>
<td>0,153</td>
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<tr>
<td>Child's Age</td>
<td>10,94</td>
<td>10,54</td>
<td>10,78</td>
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<tr>
<td>Boy</td>
<td>1,519</td>
<td>1,497</td>
<td>1,51</td>
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<td>Birth Order</td>
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<td>1,821</td>
<td>1,778</td>
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<td>Mother Age at birth</td>
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<td>27,3</td>
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<td>Mother - Primary Education</td>
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<td>0,547</td>
<td>0,506</td>
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<td>Mother - Secondary Education</td>
<td>0,26</td>
<td>0,324</td>
<td>0,286</td>
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<td>Standardized Income</td>
<td>4,291</td>
<td>4,539</td>
<td>4,396</td>
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<tr>
<td>Number of Children</td>
<td>2,496</td>
<td>2,642</td>
<td>2,556</td>
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<tr>
<td>Living in rural area</td>
<td>0,221</td>
<td>0,631</td>
<td>0,389</td>
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### Summary Statistics by migration – Albanian sample

<table>
<thead>
<tr>
<th></th>
<th>Non migrant</th>
<th>Migrant</th>
<th>All</th>
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</thead>
<tbody>
<tr>
<td>Body Mass Index</td>
<td>19,63</td>
<td>19,29</td>
<td>19,47</td>
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<tr>
<td>Weight</td>
<td>36,49</td>
<td>38,56</td>
<td>37,47</td>
</tr>
<tr>
<td>Height</td>
<td>134,2</td>
<td>139,1</td>
<td>136,5</td>
</tr>
<tr>
<td>Stunting</td>
<td>0,368</td>
<td>0,131</td>
<td>0,256</td>
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<tr>
<td>Obesity</td>
<td>0,0735</td>
<td>0,082</td>
<td>0,0775</td>
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<tr>
<td>Normal</td>
<td>0,588</td>
<td>0,721</td>
<td>0,651</td>
</tr>
<tr>
<td>Overweight</td>
<td>0,338</td>
<td>0,197</td>
<td>0,271</td>
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<tr>
<td>Child's Age</td>
<td>10,47</td>
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<tr>
<td>Boy</td>
<td>1,426</td>
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<tr>
<td>Birth Order</td>
<td>1,279</td>
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<tr>
<td>Mother Age at birth</td>
<td>28,94</td>
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<td>Mother - Primary Education</td>
<td>0,103</td>
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<td>Mother - Secondary Education</td>
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<td>Standardized Income</td>
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<tr>
<td>Number of Children</td>
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<tr>
<td>Living in Rural Area</td>
<td>0,176</td>
<td>0,246</td>
<td>0,209</td>
</tr>
</tbody>
</table>
Estimation results for Albania

- The results show that having a migrant member in the household has a positive and significant effect on the child health indicator related to height as well as a negative effect on the likelihood of being stunted.
- No significant effect appears to come from the weight and BMI indicators.
- The same results hold also when the receipt of remittances is used instead of household migration experience while no significant effect stems from own mother’s migration.
- On the other hand, children living in migrant households go to the doctor more frequently than the others although they suffer less from chronic diseases.
Estimation results for Albania

- Mother’s own experience and the fact that the household receives remittances do not make any significant contribution in explaining the frequency a child is visited by a doctor.

- Considering the reasons reported by the mothers of not going to the doctor, estimation results show that the main concern in migrant households is the distance of the health center and the gender of the doctor.

- As regards parents’ characteristics, mother’s level of education emerges as significant, as mothers with primary education are more likely to have obese and shorter children compared to mothers with tertiary education.
Estimation results for Albania

• Living with both parents is not significant.
• Children living in rural areas have a lower BMI and are more stunted than those living in urban area.
• Household incomes are also important but seem to deteriorate child stature in the way that children living in richer families are more obese and stunted.
Estimation results for Macedonia

- Macedonia’s children living in migrant households are more likely to have higher weight and BMI values but at the same time higher possibilities for being obese.
- A higher probability of obesity is present also in the households receiving remittances.
- On the other hand, mother’s own migration is related to a lower probability of obesity.
- Household incomes are also important but seem to deteriorate child stature in the way that children living in richer families are more obese and stunted.
Estimation results for Macedonia

- As regards the health inputs, children in migrant households are sent more often to the doctor than the others: the same holds in households receiving remittances.
- On the other hand, children whose mother herself has ever migrated are less likely to go to the doctor.
- Older mothers are more likely to have children with both weight and height and less stunted and obese than younger mothers which might be attributable to their motherhood experience.
- Also, more educated mothers are less likely to have obese children.
Estimation results for Macedonia

- As regards household characteristics, children living in rich families have better health performance in terms of BMI and weight, while living in a rural area makes less likely the obesity among children.

- Children living in households with many children are shorter and more often stunted than children living in small households.
Conclusion

• In the case of Albania, children living in households exposed to migration and receiving remittances have higher probabilities of not being stunted and also are taller than children living in non-migrant households.

• In the case of Macedonia, children living in households exposed to migration and receiving remittances have higher probabilities of being stunted and children living in migrant households are more likely to have higher weight and BMI values but at the same time also higher possibilities for being obese.

• Migration in the case of child growth has positive effects in Albania and negative in Macedonia.
### Country comparison of the effects of migration and of remittances on the child growth

<table>
<thead>
<tr>
<th></th>
<th>Albania</th>
<th>Macedonia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Migration's effect</strong></td>
<td><em>Positive effect:</em> children living in households exposed to migration have higher probabilities of not being stunted and also are taller than children living in non-migrant households</td>
<td><em>Negative effect:</em> children living in migrant households are more likely to be stunted, have higher weight and BMI values but at the same time also higher possibilities for being obese</td>
</tr>
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</tr>
<tr>
<td><strong>Effect by gender</strong></td>
<td>No significant difference between girls and boys</td>
<td>No significant differences between girls and boys</td>
</tr>
</tbody>
</table>
Recommendations

• Governments should introduce more family–friendly policies which could contribute to smooth the direct negative effects of parental migration and any potential negative effect on the welfare of the children.

• It is essential that not only are remittances recognized as important, but also that they are channeled properly in order to alleviate the economic disparities in the municipalities from where most of the migrants originate.

• There is often no data available on migration and on remittances that could shed light on the extent of their volume and impact. Both countries should further strengthen their statistics and data collection systems to allow for better analysis of the extent of migration and of remittances and their impact.
Recommendations

• Policies which will allow migrants to easily invest in their country of origin can help to further the positive impact of migration and of remittances.

• Emigrants can act as agents of development in their countries of origin. As remittances are but one of the many ways for migrants to contribute to the development of their countries of origin, efforts should be made to help keep remittances’ transaction costs low.
Thank you!
"Education outcomes from migration and remittances in Albania and Macedonia"

Albanian Centre for Socio-Economic Research, Tirana
Analytica, Skopje
Presented by Teuta Saka

29 August 2013, Skopje
Outline

• Motivation
• Literature
• Albanian and Macedonian context
• Survey and methodology
• Main findings and Conclusion
Motivation of the study

• Migration and remittances are an important source of economic and social stability for our two countries

• Migration and remittances exert a positive impact on economic growth

BUT:

– High dependency rate on migration and remittances

– Substantial number of children are left behind

– The effect of remittances on consumption is well documented, but its effect on children's education is under researched

– International literature shows ambiguity about the positive or negative effect of migration and remittances on education of children left behind
Purpose of the study

• Investigating the effect of migration and remittances on child education

• Test hypothesis: is there an increase of educational outcomes of children left behind due to migration of the parents and lifting of liquidity constraints through remittances?
Albanian context: Migration related

- Rapid social change, internal migration from rural to urban areas and mass emigration abroad, e.g. 1.5 million Albanians live abroad (World Bank, 2013).
- Urban and rural households equally affected by migration
- Remittances are an essential element of the Albanian economy, (the largest receiver of remittances in the region of Southeast Europe).
- Remittances have functioned as the main mechanism for the alleviation of poverty in Albania and for increasing household income above extremely low levels (King, 2005).
Albanian context: education related

• Children start attending school at the age of 6, first primary school (9 years), then secondary school (3-4 years).
• Elementary education is compulsory (grades 1-9), but most students continue to enrol at least until secondary education (UNESCO, 2011).
• The literacy rate for the people of age 15 and above in 2008 was at 96%.
• Despite the high literacy rate, the average number of years of schooling is at 11.2 years, below those of European and other Balkan countries (UNDP, 2010).
Albanian context: migration and its effect on education

- Giannelli & Mangiavacchi (2010): parental migration has a negative effect on school attendance in the long-term, higher hazards of school drop-outs
  - psychological costs and change the decision-making process within the household
  - modification of intra-household duties and responsibilities
  - children spend less time in school related activities

- Pihlainen (2010): remittance-receiving households divert resources away from education into consumption with the purpose of poverty-alleviating.

- De la Garza (2010): the effect of migration and in particular remittances on educational outcome seems to be mixed.

- Mangiavacchi & Verme (2009): show negative results for educational outcomes of primary school children and adolescents in Albania

- King (2005): argues that remittances are only a partial compensation for the family and members left behind.
• Overall in Albanian context, in spite of massive migration and relatively high level of remittances, the existing evidence about the effect of parental migration and remittances on children schooling is still inconclusive.
Macedonian context: migration related

• Migration has been a major determinant of demographic change in Macedonia.

• Most intense wave of this type of migration occurred during the 1960s and 1970s.

• All ethnic groups experience emigration, but there is a very bias in the cases of Albanian, Roma and Turkish ethnic groups.

• The current stock of migrants abroad is 447,139, being a quarter of the population (World Bank, 2013).

• The widespread growth of migration has generated a dramatic increase in the flow of remittances to Macedonia (representing a considerable percentage of Macedonia's GDP over the past two decades)
Macedonian context: education related

• Primary and secondary education is compulsory and free of charge
• It is provided through a developed network of schools in urban and rural areas in the mother tongue of all ethnic groups living in Macedonia.
• However, 50% of the population is either with or without completed primary education.
• There is a downward trend in the enrolment rates, with gross enrolment ratio in primary education falling from 93% (2007) to 89% (2009).
• Over 30% of pupils are lost along the way:
  – 11% drop-out by the end of primary education,
  – 11% drop-out at the enrolment in secondary education
  – 9% drop-out by the end of secondary education.
Macedonian context: migration and its effect on education

• Micevska-Scharf et al. (2010) provide that
  – younger children have higher school attendance rates in families which do not receive any remittances.
  – remittances may reduce the incentive for families to send their children to school in general
  – remittance receipts do not seem to be associated with university attendance.
  – Parental absence does not seem to be associated with differential school attendance rates of younger children.
  – absent parents have significant effect in increasing school attendance among older children.
Overall in Macedonia’s case, despite the number of research on migration and remittances in general, the study and analysis of the effect of parental migration and remittances on children schooling is at an early stage.
International literature: migration and ist effects on education

• Migration is considered to be a positive determinant, essential for human development, e.g. circulation of knowledge and ideas, and the benefits of skills return.

• But having an absent parent negatively affects education because of an increased demand for household labour resulting from losing a working-age adult from the household.

• Several studies have emphasized the potential for remittance transfers to alleviate credit constraints and thereby increase educational attainment of children in migrant families, e.g. children who live in remittance-receiving households complete more years of schooling than other children.
Methodology: survey and empirical analysis

Survey target group:
- Migrants and non-migrants
- Receivers of remittances
- Children age 6+
- Rural vs urban areas
- Ethnic groups

Implementation of Survey
- Locations where we could reach the target group: schools, kindergarden, health centers etc.
- Snowball sampling- chain referral sampling
- Recruitment of interviewers
Methodology: empirical analysis

• The effect of parental migration and remittances on educational attainment of the children left behind is examined following the approach of Amuendo-Dorantes & Pozo (2007), Elbadawy & Roushdy (2009) and Antman (2012),

• The educational attainment of the child is analysed as a function of remittances, migration experience of the parent and a vector of individual, family and community characteristics.

• In our approach educational attainment is approximated by years of schooling and education level.
Empirical specification 1

- Controlling for family fixed effect allows estimating the effect of migration experience of the parent/family member to the years of schooling of children within the same family counting also for gender differences, whether the child was a boy or a girl. Thus, the following equation is estimated:

\[ \text{year\_edu}_{if} = \alpha_i + \beta \times X_{if} + \gamma \times Y_f + \varepsilon_{if} \]

- Where:

  - \text{year\_edu}_{if} is the dependent variable denoting years of schooling of child (i) in family (f)
  - \(X_{if}\) is a vector of exogenous child characteristics such as: age, gender, rural or urban area, number of siblings in the household, etc.
  - \(Y_f\) include family and migration related indicators, frequency of receiving and allocating remittances to the education of the children.
  - \(\varepsilon_{if}\) is the disturbance term.

- This specification is estimated by running a fixed effect model.
Empirical specification 2

- control for the effect of migration and remittances on the educational level of the child. In this context, the dependent variable can be constructed as categorical and increasing order.

- Using an ordered probit model allows to capture the effect that migration experience and remittances have on children with different education levels. Thus, the equation of the education level which is categorical and ordered ascending values of 1 to 4 is given as follows:

\[
EL_i = \begin{cases} 
1 & \text{if } year\_edu_i \leq 5 \\
2 & \text{if } 5 < year\_edu_i \leq 9 \\
3 & \text{if } 9 < year\_edu_i \leq 12 \\
4 & \text{if } year\_edu_i > 12 
\end{cases}
\]
Estimation results: The effect of parents’ migration experience and remittances on years of schooling in Albania

- Migration of the father in the beginning is likely to have a negative effect on the years of schooling of the child (but this effect seems not to be significant).
- As the length of stay of migration increases, the effects on years of schooling turns out to be positive and significant.
- The effect of remittances is positive and significant.
- Children that have a father with secondary education seem to be positively affected while no effect is found for children whose father has a primary level of education.
- Children aged 6-15 are mostly positively affected compared to those above this age category.
- Number of siblings appears to have a negative effect on the years of schooling suggesting that there might be some important differences between siblings and how migration of the father might affect them differently.
- Migration experience of the mother indicate no effect of such experience on the years of schooling of the child.
- Counting for the migration experience of both parents, confirms that only fathers’ migration experience, significantly affects years of schooling of the child.
Estimation results: *The effect of parents’ migration experience and remittances on years of schooling in Albania by gender*

- The previous results are confirmed for girls but not for boys, indicating that there are important differences in terms of gender of the child and how the migration experience of the father affects their level of schooling.
- For girls having a migrant father significantly affects their years of schooling, no significant effect is found for the boys.
- The effect of remittances is only found to be positive and significant for girls but not for boys.
- Also being below the age of 15 when the father migrated seems to be positive and slightly significant only for girls and not for boys.
- These results suggest that girls are the main beneficiaries of the migration experience of the father and compared to their siblings, girls whose father migrated when they were below the age of 15 are the ones that might benefit more from the migration experience and remittances.
- This finding is in line with the previous studies, Hanson & Woodruff (2003), Antman (2012)
- Interpretation: shift in bargaining power from men to women, because of men migration, and the secondly because particularly educated and employed mothers tend to allocate more income sources to enhance education of the girls.
Estimation results: *The effect of parents’ migration experience and remittances on education level in Albania*

- The number of siblings seems to have a negative effect on education level.
- Living in urban areas even though has a positive sign; its effect is insignificant.
- Being below the age of 15 when the father migrated, is highly probable to positively affect the education level of the child, while no effect is found if it was the mother who migrated when the child was below 15.
- Longer stays abroad of the father have a positive effect on the level of education of the child.
- By contrast, the years of the mother abroad, especially long stays abroad negatively affect the education level of the child.
- Remittances appear to have a positive effect on the education level of the child.
- In terms of gender differences for the girls, the attainment of a higher level of education appears to be positively affected only by remittances.
- Differently, for boys remittances appear to have a positive effect but this is statistically not significant.
- The results about the years of migration experience of the parents abroad are confirmed for boys but not for girls.
Estimation results: The effect of parents’ migration experience and remittances on years of schooling in Macedonia

- Migration of the father in the beginning is likely to have a negative effect on the years of schooling of the child, but this effect is not significant.
- Remittances have a positive effect on years of schooling, but statistically not significant, even separately for girls and boys.
- Children that have a father with secondary education seem to be positively affected while no effect is found for children whose father has a primary level of education.
- Children aged 6-15 are mostly negatively affected compared to those above this age category especially girls.
- The number of siblings appears to have a positive effect on the years of schooling. This suggests that there aren’t any differences between siblings in one household and no differences on how the migration of the father affects them.
- Migration experience of the mother has no effect on the years of schooling of the child.
- Migration experience of both parents, confirms that only fathers’ long term migration experience affects the years of schooling of the child.
Estimation results: *The effect of parents’ migration experience and remittances on education level in Macedonia*

- Number of siblings seems to have a positive effect on attained education level.
- Living in urban areas has a positive sign and its effect turns out to be significant for boys.
- Being below the age of 15 when one of parents migrated showed that mother’s migration negatively affects girls but not boys.
- Differently from the results attained for Albania, in the case of Macedonia the years of the father abroad have no significant effect on the education level of the child.
- In contrast, the years of the mother abroad, especially in the longer term, negatively affect the education level of the child suggesting that the absence of the mother as the main care-giver not only effects negatively the years of schooling but also attainment of higher educational level.
- Remittances play no significant role on education level.
Conclusions

• The main conclusion for Macedonia is that parental migration and the length of stay abroad of the parents is important, but remittance sent to the family member left behind have no significant impact on the education status of children.

• The absence of the father in the short-term has a negative impact, but his migration status in the longer term contributes to a better educational attainment status of the child i.e. the probability of attending a higher level of education, while the migration status of the mother in the longer run has a negative impact on the probability of girls to attain higher education level.

• In case of Albania migration experience of the parents and particularly of the father has an important effect on the years of schooling of the children left behind. Complementary to the migration experience of the parents, receiving remittances and allocating a part of the remittances to the education of the child shows to play an important and positive effect on years of schooling and education of the children.
Conclusions

• The hypothesis that the absence of the father might affect negatively the years of schooling of children left behind is confirmed only for the initial years of the migration experience considering that for longer stays the effect becomes positive.

• In conclusion, the mixed results attained in term of years of schooling and education level achievement suggest that the mechanisms how migration and remittances effects education of children left behind is very complex and as such it depends on other determinants what are not directly observable.
The main message for policy makers

- providing a more gender balanced education supply would reduce gender inequalities in terms of years of schooling and education level attainment
- remittances contribute to rise the allocation of income sources to education related goods which most likely improve the further education of children in the long run.
- Nevertheless, in the short run the disruptive effect of parental absence are there and here the intervention of governments should play a role by introducing more family – friendly policies which could contribute to:
  - smooth the direct negative effects of parental migration and any potential negative effect on the welfare of the children particularly to their education and human capital formation which is one of the keys of economic growth.
Do Remittances Reduce Poverty and Inequality in Macedonia?

Branimir Jovanovic

with Marjan Petreski

Analytica and ACSER workshop
Introduction

- Every year, Macedonia receives at least 250 million EUR inflows from workers working abroad.
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The microeconomic implications largely uninvestigated.

That’s what we do in this study.
Introduction

- To see how remittances affect poverty;
- To see how remittances affect inequality;
- To see how these relationships have changed with the recent financial crisis.

Branimir Jovanovic (with Marjan Petreski)

Do Remittances Reduce Poverty and Inequality in Macedonia?

Analytica and ACSER workshop
To see how remittances affect poverty;
To see how remittances affect inequality;
To see how remittances affect poverty;
To see how remittances affect inequality;
To see how have these relationships changed with the recent financial crisis.
Findings

- Remittances reduce poverty and inequality, substantially;
- The poverty effect has remained the same before and after the crisis, but the inequality effect has been particularly present after the crisis.
Theory and existing literature

- Theory inconclusive about the effects of remittances on poverty and inequality.
- When migration to a new place starts, migrating costs are high (information collection and transport), so only richer people can migrate. Hence, in this phase migration and remittances increase inequality and do not reduce poverty.
- But, later on, costs fall down, and poorer people also start to migrate. Thus, in this phase migration and remittances reduce inequality and poverty.
- The question is, therefore, empirical.
- Most of the studies (Adams and Page, 2005, Acosta et al. 2007, Acosta et al. 2008) have found that remittances do indeed reduce poverty.
- Regarding inequality, things are more diverse. Some studies find that they reduce it (Ebeke and Le Goff, 2009, Kimhi, 2010), but some find that they actually aggravate it (Anyanwu, 2011, Adams, 1991).
We use two household (HH) surveys, one from 2008, one from 2012. Both have around 1000 HHs.

We measure poverty and inequality through consumption, not income. Not only because consumption is a more direct measure of welfare, but also because the income data is more noisy (and subject to under-reporting).

We use a relative poverty measure - poor HHs are HHs with consumption lower than 60% of the median (average) consumption for all the HHs.

We measure inequality by the Gini coefficient.
Basic descriptive information

- **Remittances have increased between 2008 and 2012**, despite the crisis. Both along the extensive margin (21% of HHs in 2012 and 17% in 2008 are getting remittances) and along the intensive margin (2070 euros per HH in 2012 and 1990 in 2008, in constant prices).

- **Migration has remained mainly stable during this period** (27-28% of HHs have migrants). People started sending more money, because of the crisis?

- Poorer HHs get lower amounts in remittances than richer, in absolute terms. **Remittances increase inequality??**

- Poorer HHs get more remittances than richer, as % of consumption. **Remittances reduce poverty??**
Econometric analysis - poverty

\[ Poverty_{dummy} = c1 + c2 \times gender_{head} + c3 \times age_{head} + c4 \times age_{head}^2 + c5 \times married + c6 \times education_{head} + c7 \times size_{HH} + c8 \times size_{HH}^2 + c9 \times dependency_{ratio} + c10 \times main_{income} + c11 \times no_{income} + c12 \times albanian + c13 \times geography + c14 \times own_{house} + c15 \times remittances \]

- Because remittances may also depend on poverty (poor HH are more likely to receive remittances), we will use Instrumental Variable estimation.

- We need to find remittances that are exogenous, that is, are sent independently of the economic background of the households.

- Hence, we’ll instrument the remittances with a dummy for migrating for motives different from economic motives (asylum, marriage, education).
Main findings for poverty

- University degree reduces probability for poverty by 17%.
- Remittances reduce poverty substantially - 2000 euros more remittances (2600 vs. 600) reduce the probability by 50%.
- Crisis did not affect this relationship.
Econometric analysis - inequality

- We simulate the consumption that HH with remittances would have, if they didn't have remittances.
- First, we regress consumption on explanatory variables, for HH without remittances (controlling for self-selection).
- Then, we use this regression to 'predict' the consumption for HHs with remittances, assuming they don’t have remittances.
- Then, we add shocks to this predicted consumption.
- Finally, we calculate Gini on this simulated consumption and compare it to the actual one.
Findings

<table>
<thead>
<tr>
<th>Actual consumption</th>
<th>Consumption without remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 0.46</td>
<td>2012 0.35</td>
</tr>
<tr>
<td>2008 0.45</td>
<td>2012 0.38</td>
</tr>
</tbody>
</table>

- Remittances have reduced inequality, especially during the crisis.
- The change of 0.03 is sizeable - the difference in consumption between two randomly chosen HHs has declined, on average, by 6%.
Conclusions and implications

- Remittances seem to be a positive phenomenon in Macedonia, not only for macroeconomic stability, but also for the standard of living - they reduce poverty and inequality.
- But, sudden stop in them might have adverse effects on poverty and equality. Hence, policy makers should monitor them closely, and should take appropriate targeted measures, should such a reversal occur.
- One limitation of this study - focused only on direct effects of remittances on poverty and inequality. The indirect effects, through labour force participation, education, health remain to be investigated in the future.
Thank you for your attention!

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Emigration and remittances as a form of labour market adjustment – The case study of Macedonia

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Structure of the paper

1. Introduction

2. Macedonian labour market performance

3. Theoretical background

4. Empirical assessment

5. Conclusions
Introduction

Motivation

- To identify the role of emigration and remittances as alternative labour market adjustment mechanisms in transition countries and particularly to investigate the case of Macedonia.

What are the alternative labour market adjustment mechanisms?

- In the case of depressed labour market conditions, unemployment is coupled with various forms of labour market adjustment such as employment in the informal sector, emigration and inactivity.
- We consider the labour market adjustment mechanisms from two different perspectives:
  (i) absorbing a part of the unemployed workforce;
  (ii) providing additional income for the households.
Macedonian labour market performance

The main characteristics of the Macedonian labour market:

- Depressed labour market and insufficient demand;
- The unemployment rate is high and persistent (ranging from 30% to 37% during the period 1996-2012 according to the Labour Force Survey data);
- Stagnant unemployment pool translated into increasing long-term unemployment;
- Presence of the phenomenon of “discouraged workers”;
- Striking labour market segmentation;
- Alternative forms of labour market adjustment such as: employment in the informal sector, inactivity and emigration;
- Enormous social implications of the unemployment such as rising poverty and income inequality.
Theoretical background

- Different theories offer explanation of the determinants of migration flows.
  - According to the neo-classical theory, migrations arise as a result of wage differentials between regions or countries.
  - According to Keynesian economic theory the determinants of migration movements are more likely to be unemployment differences rather than wage differences.

- The socio-economic consequences of migrations on the development of source and destination countries:
  - the release of labour market pressure
  - improvement in financial flows via remittances

- Although emigration and remittances are interrelated, they are determined by different factors.
Theoretical background (continue)

- At the macro-level, we can generally distinguish between two opposing effects of remittances on domestic labour market performance *i.e.* ‘productive’ and ‘unproductive’ use of remittances.
- According to the negative view on remittances, they are mostly used for consumption purposes.
  - exert a negative income effect on labour market participation of the remaining family members in the destination country (discourage labour supply or diminish the search effort).
  - if mostly spent on goods and services, remittances may cause inflation.
- Alternatively, remittances can be used for investment purposes in order to overcome credit constraints faced by the firms in the home country.
  - can be channelled into productive use by the banking system.
  - can be expected only in countries where governments implement economic policies that support a sound investment environment.
Empirical assessment

- To our knowledge, in Macedonia there is a lack of consistent cross-section data about different alternative labour market adjustment mechanisms including micro-data on emigration and remittances for unemployed workers.

- In order to fill this gap we have designed and carried out a survey based on a representative sample of registered unemployed.
  - The survey was conducted during a reference period from mid October to mid November 2011;
  - The sample size is 2300 unemployed workers selected randomly in each of 30 centres of the Employment Service Agency (ESA) all over the country;
  - Convenience sampling;
  - The geographical distribution was maintained by selecting from each centre a proportional number of respondents with respect to the total number of registered unemployed workers in that centre.
Main findings

- **Intention to emigrate**
  - 27.7% of the surveyed unemployed workers if have possibility would emigrate permanently, whereas 33.9% have intentions to work abroad temporarily.
  - About 46% of those who declared having intentions to emigrate undertake concrete activities to find work abroad.

- **Remittances**
  - 11.7% of respondents stated they have close relatives who are currently emigrated from the country, two thirds of whom receive financial aid for covering their costs of living.
  - The share of remittances for this category of households in their total income is about 34.2%.
Results from the estimated Logit model for the intention to emigrate

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard error</th>
<th>t-value</th>
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<tbody>
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<td>1.063099310</td>
<td>-0.07950591</td>
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<tr>
<td><strong>Personal traits</strong></td>
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<td>Male</td>
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<td>0.161320811</td>
<td>3.23789136***</td>
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<tr>
<td>Total number of members</td>
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<td>Number of employed members</td>
<td>-0.13333541</td>
<td>0.108604309</td>
<td>-1.22771752</td>
</tr>
<tr>
<td>Another unemployed member</td>
<td>0.22241276</td>
<td>0.103334239</td>
<td>2.15236269**</td>
</tr>
<tr>
<td><strong>Services from the ESA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health insurance beneficiary</td>
<td>-0.14521655</td>
<td>0.179446378</td>
<td>-0.80924760</td>
</tr>
<tr>
<td>Unemployment benefit</td>
<td>0.47034448</td>
<td>0.330022693</td>
<td>1.42518830</td>
</tr>
<tr>
<td>Participation in active programmes</td>
<td>-0.12119792</td>
<td>0.255840744</td>
<td>-0.47372408</td>
</tr>
<tr>
<td><strong>Alternative adjustment mechanisms</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have retired member(s)</td>
<td>-0.14601658</td>
<td>0.187842873</td>
<td>-0.77733362</td>
</tr>
<tr>
<td>Social assistance beneficiary</td>
<td>-0.37374242</td>
<td>0.267056374</td>
<td>-1.39948887</td>
</tr>
<tr>
<td>Have emigrated member(s)</td>
<td>0.33533381</td>
<td>0.245516066</td>
<td>1.36583247</td>
</tr>
<tr>
<td>Search for job</td>
<td>0.41580538</td>
<td>0.205583457</td>
<td>2.02256245**</td>
</tr>
<tr>
<td>Informal economic activities</td>
<td>0.08121623</td>
<td>0.168359826</td>
<td>0.48239674</td>
</tr>
</tbody>
</table>
Analysis of results

Based on the differences in odd ratios.

- male unemployed are 68.6% more likely to emigrate compared to female unemployed workers.
- those who are married are about 31% less likely to emigrate.
- those who live in urban areas demonstrate about 53% higher intention to emigrate compared to those living in rural areas.
- an additional unemployed worker in the household would increase the intention to emigrate for 25%.
- the unemployed who search for job have about 51.6% higher probability to demonstrate intentions to emigrate compared to those who do not search for job.
Conclusions

- Emigration plays an important role in labour market adjustment since we found that more than 60 percent of unemployed workers, if given the possibility, will emigrate either permanently or temporarily.

- Although only a small proportion of unemployed have emigrated close relatives, they heavily rely on the remittances they receive from them.

- Regarding the personal characteristics, male, urban workers and those who search for a job manifest considerably higher intention to emigrate.

- Hence, emigration and remittances alongside other forms of labour market adjustment significantly contribute to the wellbeing of the unemployed workers.

- However, emigration and remittances for unemployed workers in Macedonia mostly represent a strategy of last resort rather than investment opportunities.
“MIGRANT REMITTANCES IN MACEDONIA”

Hyrije Abazi-Alili
Content

• Background

• Remittances

• Trends

• Determinants of Remittances: Theory and Evidence
  – The case of altruism
  – The case of self-interest

• Empirical Evidence (Survey Data 2007)
Background

• International migration – the movement of people across international boundaries – has enormous implications for growth and poverty alleviation in both origin and destination countries.

• More than 215 million people live outside their countries of birth, and over 700 million migrate within their countries (UN)

• International migration boosts world incomes. By allowing workers to move to where they are more productive, migration results in an increase in aggregate output and income.

• There is a pressing need to improve data on migration and remittances at the national and bilateral corridor level.
Remittances

- “Remittance” refers to money transferred from one person to another, primarily as a form of support to households in the country of origin.

- Remittances generally reduce the level and severity of poverty, typically leading to: higher human capital accumulation; greater health and education expenditures; better access to information and communication technologies; improved access to formal financial sector services; enhanced small business investment; more entrepreneurship; better preparedness for adverse shocks such as droughts, earthquakes, and cyclones; and reduced child labor.

- Diasporas can be an important source of trade, capital, technology, and knowledge for countries of origin and destination.
• Remittance flows to developing countries are estimated to have totaled $401 billion in 2012, an increase of 5.3% over the previous year.

• Global remittance flows, including those to high-income countries, were an estimated $529 billion in 2012 (The World Bank).

• Remittances sent to Macedonia by permanent and/or temporary migrants living and/or working abroad are conservatively estimated to be $414 million in 2010 (WB, 2011)
Determinants of Remittances: Theory and Evidence

- Macroeconomic and Microeconomic determinants of remittances

1. Altruism,
2. Self-interest,
3. Maintain linkage and intentions to return and
4. Loan repayment
The case of altruism

Funkhouser (1995) in his behavioral model of remittances suggested five testable implications under the altruistic assumptions:

(i) Emigrants with higher earnings potential (Human capital, work status) will tend to remit more,
(ii) Households with lower income will receive more remittances,
(iii) Remittances are affected by emigrants’ marital status,
(iv) The amount that the emigrant sends is negatively related to the number of other emigrants from the same household,
(v) The time profile of remittances depends on the relative sizes of discount factors and the earning profile of the emigrant.

(Funkhouser 1995, Lucas and Stark 1985, Rapoport and Docquier 2005)
The case of self-interest

- The inheritance seeking emigrants are those that send remittances to support their families, but are driven by self-interest motives.
- In contrast to altruism, self-interest is also a motivation to remit.
- In the case of self-interest, investment for the future is the most important motive. In the self-interest case it is possible that the emigrant does not have good investment opportunities available in the host country (destination country) and decides to invest in the home country (emigrant’s country of origin).
- Those emigrants that have invested/planning to invest in their country of origin are expected to send higher amount of remittances, in order to ensure the maintenance of their investment by Lucas and Stark (1985).
Remittance Flows in the Republic of Macedonia: Official Data

Formal Remittances through the Banking System in the Republic of Macedonia in Million EUR

- 2003: 115,226,711 EUR
- 2004: 117,922,625 EUR
- 2005: 125,290,461 EUR
- 2006: 144,684,043 EUR

Source: National Bank of the Republic of Macedonia
Remittances peak during September – November

- November show a marked increase for each year since 2003

Remittances reach a trough in January – February
Cyclical Pattern of Month Remittances to the Republic of Macedonia – (January 2003 – June 2007)
Data description: Survey 2007

- The survey was conducted on two Pollog valley villages conducted during October – November 2007
- It covered 240 migrants – 110 in Xhepçishte (the ratio of the sample is 2.2%) and 130 in Çegrane (1.4% of the population)
- Households with a member working abroad were selected.
Data description: Survey 2007

Times of visiting Macedonia per year by migrants

- Every month
- 4-8 times/year
- 2-3 times/year
- Once in a year
- Once in 3 years
- No answer

Xhepcisht
Cegran
Data description: Survey 2007

How long have you been abroad?

- 1 year
- 2.5 years
- 7.5 years
- 12.5 years
- 17.5 years
- 22.5 years
- 30 years

Categories:
- Xhepcist
- Cegran
Channels used

What channels did the migrant use to send Monday?

- Brought personally
- Through friends/relatives
- WU
- Bank transfers
- Other
- None
- No answer

Categories: Xhepcisht, Cegran
<table>
<thead>
<tr>
<th>Hypothesis #</th>
<th>Description</th>
<th>Motives to remit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hypothesis 1</strong></td>
<td>The higher the emigrants’ income the higher the amount of remittances, ceteris paribus.</td>
<td>Altruism, self - interest, links and loan repayment</td>
</tr>
<tr>
<td><strong>Hypothesis 2</strong></td>
<td>If there are dependants (immediate spouse and children) in Macedonia, the higher the number of dependants the higher remittances ceteris paribus.</td>
<td>Altruism and link maintenance</td>
</tr>
<tr>
<td><strong>Hypothesis 3</strong></td>
<td>The higher the investments in property, assets and/or business by emigrants in Macedonia, the higher the amount of remittances, ceteris paribus</td>
<td>Investment</td>
</tr>
<tr>
<td><strong>Hypothesis 4</strong></td>
<td>The higher the investment in human capital i.e. educations by emigrants the higher the amount of remittances, ceteris paribus.</td>
<td>Loan Repayment</td>
</tr>
<tr>
<td><strong>Hypothesis 5</strong></td>
<td>The longer the duration of stay in the host country, the lower the amount of remittances, ceteris paribus</td>
<td>Altruism, link maintenance</td>
</tr>
<tr>
<td><strong>Hypothesis 6</strong></td>
<td>The higher the importance to ensure the right to inherit the higher the amount of remittances by male emigrants, ceteris paribus</td>
<td>Inheritance seeking</td>
</tr>
</tbody>
</table>
Regression Analysis

<table>
<thead>
<tr>
<th>Yearly remittances</th>
<th>Decision to remit (Probit Regression)</th>
<th>Share remitted% (OLS regression) Sub-sample, only migrants that remit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of schooling</td>
<td>-0.102 (-2.63)</td>
<td>-1.158 (-2.06)</td>
</tr>
<tr>
<td>Close relatives</td>
<td>-0.0304 (-0.11)</td>
<td>-21.22 (-5.12)</td>
</tr>
<tr>
<td>Age</td>
<td>-0.0159 (-0.60)</td>
<td>0.128 (0.71)</td>
</tr>
<tr>
<td>Years since emigration</td>
<td>-0.60159 (-0.31)</td>
<td>60.59 (5.56)</td>
</tr>
<tr>
<td>Constant term</td>
<td>1.436 (2.09)</td>
<td>60.59</td>
</tr>
<tr>
<td>Number of observations</td>
<td>237</td>
<td>200</td>
</tr>
<tr>
<td>R-squared</td>
<td></td>
<td>0.29</td>
</tr>
<tr>
<td>Log pseudolikelihood</td>
<td>-85.655</td>
<td></td>
</tr>
</tbody>
</table>

Note: T - ratios in parenthesis
*1%, **5% and ***10% level of significance

Share_R = β₀ + β₁Gen + β₂Age + β₃Edu + β₄Reg + β₅Host + β₆Other_m + β₇Ysm + β₈Int2ret+ β₉Suppfam + β₁₀Rephome + β₁₁Invest + β₁₂Hlthedu + β₁₃Wed + β₁₄Age2 + β₁₅Ysm2 + β₁₆Income + …+ ui…………(1)
Conclusion and recommendations

• The prospects for remittances

• Regarding remittances, our evidence suggests

1. Investment and business environment

2. Transaction costs

3. Emigration policies.
World Bank Engagement

• Assisting countries in improving the collection of data on migration and remittance flows. The Bank publishes a comprehensive dataset on annual remittances data (inflows and outflows), monthly remittances data to selected countries, and estimates of bilateral migration and medical ‘brain drain’ for over 200 countries.

• Working to create an enabling environment for the reduction of remittance prices by helping to improve the infrastructure for domestic and cross-border payments, remove legal barriers to the development of sound remittance markets, and foster market competition.
Thank you for your attention!
Remittances in the Western Balkan countries compared with Macedonia

Dr. Bilall Kasami
<table>
<thead>
<tr>
<th>Data for year 2010</th>
<th>Population (Million)</th>
<th>Remittances (billion USD)</th>
<th>Remittances per capita in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia</td>
<td>2,0</td>
<td>1,949</td>
<td>741</td>
</tr>
<tr>
<td>Serbia</td>
<td>7,3</td>
<td>5,406</td>
<td>586</td>
</tr>
<tr>
<td>Bosnia and Herzeg.</td>
<td>3,8</td>
<td>2,228</td>
<td>402</td>
</tr>
<tr>
<td>Albania</td>
<td>3,2</td>
<td>1,285</td>
<td>389</td>
</tr>
<tr>
<td>Kosovo</td>
<td>1,8</td>
<td>0,700</td>
<td>351</td>
</tr>
<tr>
<td>Croatia</td>
<td>4,4</td>
<td>1,545</td>
<td>211</td>
</tr>
<tr>
<td>Total</td>
<td>22,5</td>
<td>12,413</td>
<td>552</td>
</tr>
<tr>
<td>Year</td>
<td>Remittances (billion USD)</td>
<td>Remittances per capita in USD (Census year 2002 = 2,022,547 citizens)</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---------------------------</td>
<td>---------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>1,158</td>
<td>573</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>1,333</td>
<td>659</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>1,450</td>
<td>717</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>1,549</td>
<td>766</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>1,969</td>
<td>974</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1,977</td>
<td>977</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,435</td>
<td>4,665</td>
<td></td>
</tr>
</tbody>
</table>