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***Migration and development:
the effects of remittances on
education and health of family members
left behind***

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Editor's Note

Dear reader, Analytica is happy to announce the ninth volume of our E-Journal. Continuing with the good practice of targeting relevant and pressing issues, this edition of ANALYTICAL is dedicated to **Migration and development: the effects of remittances on education and health of family members left behind.**

Southeast European countries are undergoing a transformation of their economic systems that has resulted in similar economic conditions with weaknesses in their social protection systems and in the financial sector. In addition, these countries developed heavy reliance on remittances, which undoubtedly play an important role providing complimentary social protection and correcting the limited government policy interventions.

The effect of remittances is not only multidimensional but in terms of duration their impact can be measured in the short as well as in the long term. The short-term effect is usually related to increases in consumption, poverty alleviation and income inequality that result in changes in labour market participation. The long-term effect is however more pertinent to socio-economic development, including education performance and health status improvement.

All these issues require sustained and critical analysis. Therefore, we devote this issue of Analytical Journal to the state of migration and remittances' development and their role in the recipient countries of the region and beyond, as well as the remittances' impact on the families left behind. Thus, we believe that with this issue of ANALYTICAL we will contribute to the increasing of the understanding of remittances and their impact at national level but also at regional level.

Drawing from the experiences of the countries in the region and beyond, the selected papers in this Journal's edition try to present some new insights and raise interesting points regarding the mentioned issues. Their arguments range from the positive to the negative impacts of remittances on the family members left behind and discussed the situation in Macedonia, Albania, Kosovo, Bosnia and Herzegovina and Ukraine focusing on various aspects of migration and remittances.

In particular, **Dimitar Nikoloski** has analyzed the role of emigration and remittances as adjustment mechanisms in the labour market on the example of Macedonia as a case study, a

country which has had a high unemployment rate during the whole period of transition. In this line, the paper aimed to test whether remittances contribute to the wellbeing of the unemployed workers. By taking a comparative approach in comparing the two neighbouring counties Albania and Macedonia, **Islam Yusufi** attempts to give a better understanding of the context of migration and its impact on the migrant sending countries. After giving an insightful look in the migration development, the paper focused on the health and educational impacts, both short-term and long-term. The topic of impacts on education and health of remittances have also been analysed in the case of Kosovo by **Anera Alishani** and **Arta Nushi**. The authors try to highlight both the general impacts from remittances as well as the impacts specifically regarding health and education. The interesting point whether remittances have negative effect in the long-term in Bosnia and Herzegovina was raised by **Amela Trokić** who analysed their effect on the country's growth and productivity. One specific focus the author put on the effects of remittances on education in particular and the youth brain drain. Last but not least, the effect of remittances on poverty alleviation, and in wider terms, on socio-economic sustainability in Ukrainian transnational household was subject of analysis in **Alissa V. Tolstokorova's paper**. The author focused also on the gender aspects and tried to test the empowering effect of remittances on women-receivers.

We hope you find our selection of papers relevant and interesting. Enjoy reading this issue of Analytical and do not hesitate to share your thoughts, comments and suggestions with us at: journal@analyticamk.org.

This issue of Analytical is undertaken in the framework of the project "Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind", funded by the Regional Research Promotion Programme (RRPP) of the Swiss Federal Department of Foreign Affairs, and implemented by ACSER – Albanian Centre for Socio-Economic Research in Tirana, Albania, and by Analytica in Skopje, Macedonia.

Emigration and remittances as a form of labour market adjustment – The case study of Macedonia¹

By Dimitar Nikoloski

Abstract

The past two decades Macedonia has gone through the process of transition which is still shaping the social, political and economic ambience in the country. The initial transitional recession has inter alia manifested salient effects on the labour market performance. Macedonia is among rare countries, where the unemployment rate during the whole period of transition hovers above 30%. Even though there is some criticism regarding the accuracy of the Macedonian unemployment rate estimated by the Labour Force Survey, it is still evident that we are facing an odd phenomenon. By using the Keynesian terminology, the Macedonian labour market experiences a suboptimal equilibrium assumed as a state where significant part of resources are not utilised or underutilised. We argue that this suboptimal equilibrium to great extent is result of the alternative labour market adjustment mechanisms that mitigate the high and sustained unemployment. These mechanisms cushion the social implications of unemployment by absorbing a part of unemployed workforce and/or providing additional incomes for households that enables their basic subsistence. One form of adjustment mechanism among the unemployed workers is emigration and remittances that provides the necessary income support for the households. In this paper we make an attempt to identify the role of emigration and remittances as income support for unemployed workers. For this purpose we use results from the survey carried on a representative sample of registered unemployed workers in Macedonia. Furthermore, we estimate an econometric model that reveals the relevant factors that influence intention to emigrate. Finally, we formulate appropriate policy measures that target emigration and remittances in order to improve the labour market functioning and to provide the necessary conditions for balanced economic development.

Key words: Labour market, emigration, remittances

¹ In this paper are used results from the project “The role of the alternative labour market adjustment mechanisms in Macedonia during the economic crisis” financed by the Global Development Network (GDN). I am particularly grateful to my colleagues Prof. Ljupcho Pechijareski and Goran Pechijareski for the joint efforts in conducting the research and to the participants on Vienna Institute for International Economic Studies (wiiw) workshops for their helpful comments.

1. Introduction

The past two decades Macedonia has gone through the process of transition which is still shaping the social, political and economic ambience in the country. As a part of South-Eastern Europe, the Macedonian economic growth is constrained by the general regional predispositions, which amongst other things are determined by the political instability of the region. Hence, the economic performance of the South-Eastern European countries (SEECs) has not been strong enough compared to Central-Eastern Europe countries (CEECs), which are part of the European Union. In this sense, Macedonia and other SEECs, are known as 'lagging reformers' with regard to completion of the reforms in all spheres of the society.

The transitional process as a multidimensional phenomenon has affected every domain of the political, economic, and social life in the country. In the economic sphere, transition has been characterised by a change in the ownership of capital, liberalisation of goods and capital markets, liberalisation of the foreign economic relations, radical change in the role of the state in the economy, and the creation of a less regulated labour market. In the sphere of social life, transition has led to rising poverty and income inequality, a weakening of the middle class and social exclusion of vulnerable social groups. Politically, the transition has been accompanied by the creation of a democratic society, differentiation of power into legislative, executive and judicial branches, the creation of a pluralistic political system and implementation of public and democratic elections (Pechijareski and Rocheska, 1998).

The initial transitional recession has *inter alia* manifested salient effects on the labour market performance. Generally, the transitional reforms initially had negative effects on labour markets, which were manifested in declining participation rates and in persistent high unemployment. The processes of ownership restructuring and sectoral reallocation assumed a large-scale transformation of state owned firms into privatised ones and, a reallocation of a substantial part of the labour force from the manufacturing and agricultural sectors towards the expanding service sector (Blanchard, 1997). The experience in almost all transition countries, including Macedonia, shows that the creation of new jobs in the emerging private sector was not initially strong enough to absorb the mass of workers laid-off from the restructured state-owned firms. At the same time,

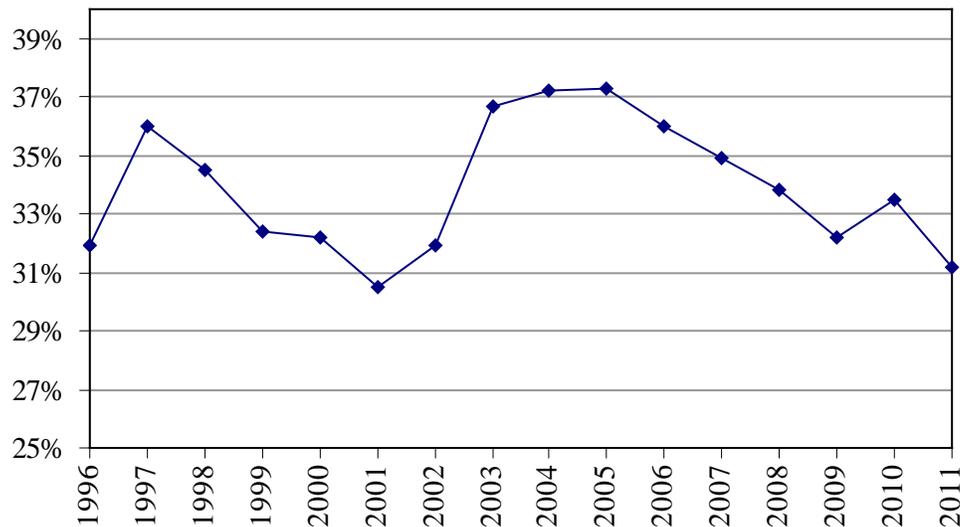
the mismatch between the skill requirements of newly created jobs and effective skills of the workers has become a substantial problem (Svejnar, 2002). Consequently, the labour markets in early transition became less dynamic with a relatively stagnant unemployment pool leading to increases in unemployment and especially long-term unemployment (Cazes and Nesporova, 2003). The initial ‘transitional unemployment’ differed in several aspects from other types of unemployment in that it was characterised by pronounced labour market segmentation, long average duration of unemployment and a low probability of exiting unemployment into employment (Nikoloski, 2004).

The aim of this paper is to identify the role of emigration and remittances as labour market adjustment mechanisms in transition countries and particularly to investigate the case of Macedonia. For this purpose we will use the empirical results from a survey of registered unemployed workers. To our knowledge this is among rare studies addressing this issue in Macedonia that will shed light on the role of emigration and remittances as income support for unemployed workers. In this context, in section 2 we first present the general labour market trends in Macedonia. Next, in section 3 we will define the theoretical concepts related to emigration and remittances. The empirical assessment of emigration and remittances in Macedonia will be the subject of section 4. Finally, in section 5 we will conclude and formulate suitable labour market policies that target the unemployed population.

2. Macedonian labour market performance

In order to investigate the features of the Macedonian labour market during transition, it is appropriate to divide the transitional period into two sub-periods. The first period encompasses the transformational recession from 1990 to 1995, with the second period starting immediately thereafter and lasting until the present. The changes of the unemployment rate in relative terms during the business cycle are rather small, which reflects the depressed characteristics of the Macedonian labour market (Nikoloski, 2009). The dynamics of the unemployment rate in Macedonia for the period 1996-2011 is shown on Figure 1.

Figure 1 The unemployment rate in Macedonia 1996-2011



Source: Macedonian Statistical Office, Labour Force Survey

The first Labour Force Survey (LFS) in Macedonia was conducted in 1996, and since then we have detailed data concerning labour market trends. During the period 1996-2003, the Macedonian LFS was conducted on a yearly basis, whereas since 2004 it is conducted as a continuous survey throughout the year with quarterly processing of data. For the period prior to 1996 we can explore labour market trends based on the number of registered unemployed workers. According to both sources of data we can generally distinguish several features of the Macedonian labour market presented as follows.

First, during the initial phase of transition, the labour force participation and the employment rates fell for most of this period, while the unemployment rate steadily increased. These trends are in line with the normal labour market patterns found in the CEECs *i.e.* declining employment under the initial shock of recession and subsequent persistence of sluggish demand for labour.

Second, the mature phase of transition is characterised by broad stability in all three rates. However, we can observe recessions in 2001 (primarily caused by the already mentioned political instability) and in 2009 due to the global economic crisis. The downward trend in the unemployment rate was broken and unexpectedly remained high for several years due to the lack

of job creation in the formal part of the economy (Micevska, 2008). Only recently, there are some positive signs of a slow recovery and the possibility of renewed decreases in unemployment.

Third, the Macedonian labour market is affected by strong segmentation, meaning that certain social groups such as the youth, less skilled workers, and women, face a higher risk of unemployment and inactivity than the rest of the labour force. As a consequence, the high Macedonian unemployment rate has enormous social implications such as rising poverty, income inequality and social exclusion of the deprived social segments (Nikoloski, 2011).

Fourth, long-term unemployment prevails over the short-term unemployment implying likelihood of possible 'discouraged workers' phenomenon. For instance, long-term unemployment accounts for almost 80 percent of total unemployment (OECD, 2002). Long-term unemployment has significantly contributed to an erosion of skills and motivation of unemployed workers, making them less employable over time (Gregg and Manning, 1996). The deterioration of skills further reduces the attractiveness of the labour force and contributes to a blurring of the difference between the states of unemployment and inactivity. After remaining unemployed for a long period of time, a considerable part of unemployed workers stops looking for jobs and quits the labour force.

Fifth, the sectoral reallocation of labour has been characterised by a significant increase of subsistence agriculture and other non-standard forms of employment at the expense of rapid shrink of employment in industry. These trends in employment by sectors indicate that in Macedonia new jobs are not predominantly created in the more productive industries and service sector, but rather in agriculture and low productivity services. The increase in the share of employment in agriculture suggests that this sector has become a buffer for some people who have lost their jobs in the state-owned industrial enterprises (Nikoloski, 2009).

Finally, given the rigidities in the standard adjustment through employment and wages, less traditional (in the western context) labour market adjustment mechanisms may play a more significant role. Among the alternative labour market adjustment mechanisms in SEEC we

particularly distinguish the non-participation, emigration and employment in the informal sector of the economy.

3. Theoretical background

Alongside employment in the informal sector and increased inactivity, emigration has become a prominent way to escape unemployment in a number of transition countries including Macedonia. In this section we bring to the fore the theoretical concepts related to emigration and remittances. Migration is simply defined as an act of changing location from one place to another and can be classified from different aspects. In our analysis we are interested in international migration that from the point of view of migration duration can be distinguished between temporary and permanent.

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. Thus, one can expect, in a world of no regulation of migration, that a large real wage difference would cause intense migratory flows (Bauer and Zimmermann, 1999). By contrast, the Keynesian economic theory considers migration movements as a form of equilibrium adjusting mechanism in labour markets. In other words, the determinants of migration movements are more likely to be unemployment differences rather than wage differences. Consequently, in terms of net migration flows, relatively high unemployment has a negative effect on net migration flows into labour importing countries, but a positive effect on net migration flows from labour exporting countries (Jennissen, 2003). Besides this, a high level of poverty in the country of origin can be considered as another 'push' economic factor for migration. The network effect, consisting of established social ties among the immigrants in a given country, can also contribute to easier integration, which fosters further migration movements (Bauer et al., 2000).

Taking into account the nature of international migratory movements, they have significant consequences for the socio-economic development of both the source and destination countries. The two most frequently cited effects of emigration on the source country, are the release of

labour market pressure and improvement in financial flows via remittances (McCormick and Wahba, 2000). According to the first mechanism, emigration from less developed countries should lower the unemployment rate by reducing the labour supply. However, if emigration mostly occurs among workers with a specific profile and there is low substitution between workers in different labour market segments, then the expected beneficial effect via diminishing unemployment will only be in this particular segment, with unemployment in other labour market segments remaining largely unchanged.

On the other hand, a possible beneficial effect of emigration is exerted via remittances defined as financial flows arising from the cross-border movement of workers. Although emigration and remittances are interrelated, they are determined by different factors. The economic theory that covers this issue provides different views about the microeconomic motivations to remit, as well as the possible macroeconomic consequences of the remittances. At the macro-level, we can generally distinguish between two opposing effects of remittances on domestic labour market performance, with some authors differentiating between ‘productive’ and ‘unproductive’ use of remittances (Drinkwater et al., 2003). According to the negative view on remittances, they are mostly used for consumption purposes thus exerting a negative income effect on labour market participation of the remaining family members in the destination country. Therefore, remittances exert an upward shift on the reservation wage, which may discourage labour supply or diminish the search effort among the remitters’ relatives in the home country. In this context, some authors claim that there is a moral hazard problem, which might be part of a mechanism responsible for a negative relationship between remittances and economic growth (Chami et al., 2003). Furthermore, if mostly spent on goods and services, remittances may cause inflation, which can lead to excessive wage claims or appreciation of the domestic currency. However, even in the cases where remittances are mainly spent on consumption they may still exert positive effects on the home economy by increasing aggregate demand. In the spirit of the Keynesian approach the short-run impact of remittances on the sending economy would depend on the value of multiplier (Rapoport and Docquier, 2005).

Alternatively, remittances can be used for investment purposes in order to overcome credit constraints faced by the firms in the home country. In this case, we expect remittances to play a positive role in the economic development of the sending country and a better performance of the domestic labour market viewed in terms of reduced unemployment. Although the empirical evidence suggests that in reality only a small portion of remittances are directly invested, they can still be channelled into productive use by the banking system (Drinkwater et al., 2003). With this in mind, remittances can promote growth even in the less financially developed countries by providing alternative way to finance investment *i.e.* by becoming a substitute for the inefficient or non-existent credit markets (Giuliano and Ruiz-Arranz, 2006). However, this positive impact of remittances on growth can be expected only in countries where governments implement economic policies that support a sound investment environment (Catrinescu et al., 2006).

Although the importance of emigration and remittances on a global level is largely recognised (World Bank, 2011), their role as labour market adjustment mechanisms in transition countries is rarely considered. For instance, Abdulloev et al. (2011) analyse the income generation capacity of remittances in Tajikistan and their interaction with informal economic activities, where they identify that these two adjustment mechanisms are substitutes for one another. 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 next turn to an empirical assessment in order to get evidence on the role that emigration and remittances play in Macedonia.

4. Empirical assessment

The emigration and remittances play significant role in the Macedonian economy both in absolute and relative terms. The stock of emigration from Macedonia by 2010 was estimated to 447,1 thousands, which represent 21,9% of the population (World Bank, 2011). Moreover, the remittances have shown a continuous growth from 129 million Euros in 2003 to more than 200 million Euros in 2011, which represent about 3,5% of the Macedonian GDP². In this context, we intend to shed light to a particular aspect of emigration and remittances as labour market

² Source: National Bank of the Republic of Macedonia.

adjustment mechanisms. In other words, we estimate to what extent the unemployed workers are prone to emigration as well as the amount of remittances they receive from their emigrated relatives as income support.

For this purpose 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 the 30 centres of the Employment State Agency (ESA) all over the country. Moreover, 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. The structure of the sample according to the basic demographic characteristics is given in Table 1.

According to the results from the survey, 21,5% of the respondents are short-term unemployed, whereas 78,5% are unemployed more than one year i.e. they are long-term unemployed. Majority of the surveyed (70,9%) find that the Macedonian government is most responsible for the high unemployment rate in Macedonia and even higher percent (73,7%) think that the Government is the most important factor which is responsible for solving the unemployment issue. Almost two thirds of the respondents are dissatisfied with the situation because they think that membership in political parties to great extent influences the employment process in Macedonia. As a consequence, the unemployment represents an embarrassing situation for the majority of unemployed workers. In this context, 38,2% of the respondents declared that unemployment causes for them stress situations and health problems to great extent, while these effects prevail to lesser extent among 44,8% of the interviewed unemployed.

Table 1. The structure of the sample according to various demographic characteristics

Gender		Place of living		Age	
Male	50,30%	Urban	77,89%	15-20	4,09%
Female	49,70%	Rural	22,11%	21-25	23,27%
Education		Ethnicity		26-30	19,23%
Primary or less	15,11%	Macedonian	81,80%	31-35	11,70%
Secondary	50,35%	Albanian	10,21%	36-40	10,61%

Higher	34,54%	Turk	2,26%	41-45	10,61%
		Roma	2,26%	46-50	8,96%
Marital status		Serbian	1,95%	51-55	6,92%
Single	40,43%	Vlahos	1,00%	56-60	3,61%
Married	53,66%	Bosnian	0,35%	61-65	0,87%
Divorced	3,74%	Other	0,17%	65 and more	0,13%
Widowed	2,18%				

Source: Authors' calculations

With respect to the services that registered unemployed receive from the ESA, 60,72% of the respondents stated that they have received health insurance, whereas only 8,46% receive unemployment benefit. These figures are close to the official statistics that ESA publishes about the services provided for the registered unemployed workers (ESA, 2011). Having in mind the low coverage of unemployment benefits, we argue that incentives for registering as unemployed in Macedonia come from other entitlements. On the other hand, participation in some of the active programmes or measures of the ESA declared about 9,85% of the respondents, of whom only a small portion of 16% acknowledged that the attended programmes helped them find job.

In our empirical analysis we found that 27,7% of the surveyed unemployed workers if have possibility would emigrate permanently, whereas 33,9% have intentions to work abroad temporarily. However, about 46% of those who declared having intentions to emigrate undertake concrete activities to find work abroad, while the remaining 54% do not undertake such activities. Moreover, 11,7% of respondents stated they have close relatives who are currently abroad, 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%, which represents a considerable proportion.

In order to assess the factors that influence the intention to emigrate among registered unemployed in Macedonia, we furthermore estimate the so-called Logit model, where the dependent variable takes value zero in the case the person declared that if having the possibility they would not work abroad. In the opposite case where the unemployed worker declared that he/she has intention to emigrate, the dependent variable takes value one. Furthermore, we divide the possible determinants in four groups: personal traits, household characteristics, services from the ESA and the alternative labour market adjustment mechanisms. The results from the estimated Logit model are presented in Table 2.

Table 2. Estimated Logit model for the intention to emigrate

Variable	Coefficient	Standard error	t-value
Intercept	-0.08452267	1.063099310	-0.07950591
Personal traits			
Male	0.52233926	0.161320811	3.23789136***
Age	0.02580046	0.056935285	0.45315417
Age square	-0.00081216	0.000711785	-1.14102298
Married	-0.36894588	0.215523821	-1.71185664*
Urban	0.42541973	0.189077506	2.24997540**
Long-term unemployed	0.26748777	0.215752851	1.23978792
Household characteristics			
Total number of members	-0.03253076	0.101466827	-0.32060491
No. of members at working age	0.02292265	0.100285894	0.22857303
No. of employed members	-0.13333541	0.108604309	-1.22771752
Another unemployed member	0.22241276	0.103334239	2.15236269**

Services from the ESA			
Health insurance beneficiary	-0.14521655	0.179446378	-0.80924760
Unemployment benefit	0.47034448	0.330022693	1.42518830
Participation in active programmes	-0.12119792	0.255840744	-0.47372408
Alternative adjustment mechanisms			
Have retired member(s)	-0.14601658	0.187842873	-0.77733362
Social assistance beneficiary	-0.37374242	0.267056374	-1.39948887
Have emigrated member(s)	0.33533381	0.245516066	1.36583247
Search for job	0.41580538	0.205583457	2.02256245**
Informal economic activities	0.08121623	0.168359826	0.48239674

Note: *, ** and *** represent statistical significance at the 10%, 5% and 1% levels respectively.

Among the personal traits, the statistically significant determinants of the intention to emigrate are the gender, marital status and the place of living of the respondents. In this context, 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; and finally those who live in urban areas demonstrate about 53% higher intention to emigrate compared to those living in rural areas. The remaining two coefficients among personal characteristics, i.e. the age and being long-term unemployed have positive signs, though without exerting statistically significant impact on the intention to emigrate.

With respect to the household characteristics, only having another unemployed member significantly influences the intention to emigrate. Namely, an additional unemployed worker would increase the intention to emigrate for 25%. On the other hand, the provision of services from the ESA does not seem to have significant impact on the intention to emigrate. Finally, the unemployed who search for job have about 51,6% higher probability to demonstrate intentions to emigrate compared to those who do not look for a job. Hence, the manifested search effort either in the country or abroad is positively associated with the intention to emigrate.

The signs of the remaining coefficients are consistent with the assumptions of the model, though without having statistically significant impact on the intention to emigrate. For instance, having retired member in the household or being social assistance beneficiary negatively influences the intention to emigrate, whereas having emigrated close relative(s) or being engaged in informal employment increases the intention to emigrate.

5. Conclusions

In this paper we have analysed the role of emigration and remittances as adjustment mechanisms in the Macedonian labour market. Due to the high and persistent unemployment, the labour market in Macedonia has adjusted through various alternative forms that helped cushion the social consequences of unemployment. The conventional forms of labour market adjustment are characteristic for the employed workers, whereas non-standard forms are mainly alternatives for the unemployed workers. To our knowledge, in Macedonia there is a lack of consistent cross-section data about the role that emigration and remittances play as forms of labour market adjustment mechanisms. In order to estimate to what extent the unemployed workers are prone toward emigration as well as to estimate the amount of remittances they receive, we have designed and carried out a survey based on a representative sample of registered unemployed.

According to the results from the survey we found that more than 60 percent of unemployed workers if have possibility would emigrate either permanently or temporarily. Moreover, we revealed that only small proportion of unemployed have emigrated close relatives, but they heavily rely on the remittances that they receive from them. Therefore, remittances alongside other forms of labour market adjustment significantly contribute to the wellbeing of the unemployed workers. Regarding the determinants of the intention to emigrate we revealed that male, urban workers and those who search for a job manifest considerably higher intention to emigrate. In contrast, women and those who are married manifest lower intention to emigrate.

Having in mind the characteristics of emigration and remittances as adjustment mechanisms for unemployed workers we can draw several conclusions and policy implications. First, emigration and remittances for unemployed workers in Macedonia mostly represent a strategy of last resort rather than investment opportunity. Second, the labour market segmentation is particularly pronounced with respect to the personal characteristics of unemployed who manifest intentions to emigrate. Third, the policy measures should target the most vulnerable segments of the unemployed population in order to provide appropriate employment opportunities and decent work in the home labour market.

***Dimitar Nikoloski** is a Lecturer in Econometrics, Labour economics and Statistical inference and Head of the Center for scientific research at the Faculty of Economics-Prilep, University “St. Kliment Ohridski”-Bitola. He holds PhD in Economics at the Staffordshire University. Author of many published papers, books; has participated in many international conferences and scientific projects.*

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Migration from the perspective of sending country: the literature and the facts

By Islam Yusufi³

Abstract

Migration from Southeast Europe to richer and developed countries have gained strength in the recent years accompanied by sending remittances back home. Almost every fifth household in both Albania and Macedonia has at least one member with international migration experience, with the impact of migration being very large in these sending societies. The paper focuses on the scale of migration and remittances and their impact on the migrant sending countries such as Albania and Macedonia. It also provides review of the horizons achieved in the migration literature. Remittances have grown rapidly in recent years and have proved to be a stable source of finance, which can be of relief during difficult economic times. While remittances can help households by lifting liquidity constraints, migration of a family member may have a deleterious impact on the household's well-being. The short-term effect of remittances is usually related to increases in consumption, poverty alleviation and income inequality that result in changes in labour market participation. On the other hand the long-term effect is more pertinent to socio-economic development and specifically to educational performance and health status improvement.

Key words: migration, remittances, education, health, Albania, Macedonia

³ Views expressed are those of the author and do not represent the views of the organizations that he works for. The earlier version of this paper was presented at the World Demographic and Ageing Forum, St. Gallen, Switzerland, 29 August 2012.

I. Introduction

Migration from poor to rich countries has increased dramatically in recent years, including the Southeast European (SEE) countries, a trend which is predicted to gain strength in the foreseeable future. This paper seeks to provide assessment of the context of the migration from two migrant SEE sending countries such as Albania and Macedonia. Almost every fifth household in both Albania and Macedonia has at least one member with international migration experience, so impact of migration is potentially very large in the SEE countries.

What is the scale of migration in these two countries? What is the impact of the migration on the societies in the sending countries? Providing proper answers to these questions will facilitate a better understanding of the context of migration and its impact on the migrant sending countries.

Albania and Macedonia are interesting case studies for various reasons. Firstly, they are countries that have experienced extensive emigration. Large number of Macedonia's and Albania's populations has emigrated. Secondly, SEE is the region that receives one of the highest amounts of remittances in the world. Albania and Macedonia, as small Southeast European economies, have been receiving a growing amount of remittances throughout the years. There are a high percentage of remittance-receiving households (RRHs) at national level in both Albania and Macedonia.

This paper is structured as follows: the first section describes the migration phenomenon, while the second section looks into the remittances and their impact on education and health of the family left behind.

II. Migration

There has been growing convergence of migration dynamics across SEE. Although until recently there has been migration diversity where some countries experienced steady migration growth, whilst others faced decline, increasingly there is similarity in the migration trends across the region. Currently, it is one of the most rapidly migrating European regions.

Emigration is reshaping the countries of SEE, including Albania and Macedonia, affecting the local politics, economies and priorities. Continuous migration is radically altering the composition of the populations leading to depopulation, increased urbanization and old-age dependency ratios as well as to changes in the overall expenditures made to socio-economic services (Yusufi, 2012).

Over the past years, Albania and Macedonia have experienced a turbulent transition from a centrally planned economy, characterized among other things by a rapid privatization which ignited a radical transformation of the societies. At the centre of this transformation has been the emigration phenomenon of immense proportion, with well over one quarter of Macedonian and Albanian households having experienced some form of international migration.

II.1. Albania's migration

Migration is the decisive political, social and economic phenomenon in post-communist Albania. The significant percentage of households in Albania has one or more members working overseas/abroad at any time. Following the fall of communism in 1990, Albania, particularly its rural areas experienced massive out-migration of unprecedented proportions both towards urban areas and abroad (Carletto et al, 2006). By 2002, more than one half of all Albanian households had at least one member who had emigrated abroad; with more than a third of households reported receiving remittances in 2002 (Azzarri et al, 2006; Carletto et al, 2005). Estimates of the total number of Albanians living abroad vary, but the number is most likely in the range of 800,000 to 1 million, the vast majority of which are in Greece and Italy (King, 2005). The most recent statistics confirm that the stock of migrants abroad for 2011 is more than 1.4 million, half of the population that is currently living in Albania and 85% of them reside in the EU (World Bank, 2012). Migration has been seen by most Albanians as the only avenue out of poverty, particularly in the impoverished rural areas of the northern mountain regions (Mara et al, 2012).

Besides the three big 'push' migration spikes in 1991, 1997 and 2000, persistent poverty and high unemployment levels, particularly in the rural areas, were the main push factors for migration. Pull factors have also been important in fomenting migration. Significant wage and wealth differentials between Albania and its European Union (EU) neighbours were obvious attractions (Carletto et al., 2006).

Albania's migration has been so widespread that all classes and categories of the population have been involved. Both urban and rural households have been equally affected by migration and one or more of their members and migrants have come from all walks of life. Male migrants have outnumbered females. A male-led profile has prevailed Albanian migration in the beginning of the migration cycle with a strong tendency of feminization due to eventual family reunification when the migrant's socio-economic situation makes it affordable. Most are young or early middle aged (up to mid-40s) and married; females are slightly more likely to come from urban areas, and less likely to be single. The higher the level of education, the greater the chance has been considering migration and the unemployed have been much more likely to have considered emigration than the employed (King, 2005).

Remittances are an essential element of the Albanian economy as the country is among the largest receivers of remittances in the region of SEE. 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). Albanians are 'successful' remitters, sending home on average more than comparable immigrant groups. Remittance transfers are estimated to have reached US\$ 1.156 million in 2010, constituting 11% of GDP (2010). The large migration flows have contributed to the growing importance of remittances as a major source of income for many Albanian households and for the national economy (Mara et al, 2012).

II.2. Macedonia's migration

Migration has been a major determinant of the demographic change in Macedonia, featuring inter-regional (within country) migration and emigration. Macedonia has the character of migration area distinctively characterized both by intense internal movements of population, and a continuous process of eviction of the population to other countries, mainly to the EU. More villages have disappeared and there have been emergence of large cities, with the capital Skopje leading in this field. Migration is a result of various sources that have influenced the demographic changes in the country. These sources include economic and social transition undergone since 1991, specific features of political governance, gender composition of regions, demographic patterns of ethnic groups, and regional inequalities in accessing education and health care (Yusufi, 2012).

Due to the dynamic process of industrialization it is estimated that from 1948 until today, 700.000 people have left the villages in pursuit for a better life in the urban areas. Such kind of migratory flows caused rural exodus, re-planning of the city settlements (especially the City of Skopje) and important consequences in the process of demographic aging. The Census of 2002 registered total of 694,032 persons (around 35 percent from the total population) who do not have the character of indigenous population. As consequence of this rural exodus, a high number of abandoned villages have been registered, i.e. 85 villages without a single resident, and even 450 villages with 1 to 50 residents (Government, 2010). According to the age structure of population in these villages the old population dominates and it leads to the conclusion that in a very short time many of them will become villages without a single resident. In this context, there has been continuous depopulation of the small rural municipalities. There are significant tendencies in terms of inter-regional or rural-urban migration flows. The majority of inter-regional migration goes to large regional urban centres such as Skopje, Tetovo (Polog region) or Bitola (Pelagonia region). Regions have faced a significant outward migration of young people (Yusufi, 2012). Similar phenomenon has happened in the north-eastern part of Albania and also in areas like Gjirokastra in the south.

There are also significant tendencies in terms of emigration. The majority of emigration is concentrated in the large EU and North American centres. There has been a significant outward migration of young people as well. Young educated people tend to seek jobs in other cities or countries, in view of the increased job opportunities offered there. Outward migration of young people has left elderly people isolated in sub-urban, peripheral or rural areas (Yusufi, 2012).

The end of the communistic era and the start of the difficult transition years accompanied by high social and political tensions, contributed toward the demand for emigrating. The subsequent non-improvement of the situation prompted a large exodus of the population – a trend that persists till the present day. By the conclusion of the 20th century, it was commonly quoted that over one-quarter of Macedonia's population had emigrated (Mara et al, 2012).

Macedonian migrants usually leave as young, working age adults and remain for a long period of time (5-10 years). The emigrants are often young, married males who depart for the purpose of earning money abroad. Regarding the level of education, the majority of emigrants have low or medium level of education in the time of departure. There has also been a very slight rural bias

among emigrants – slightly more people from Macedonian rural areas tend to go abroad and remain. All ethnic groups experience emigration, and there is a very slight bias in the cases of Albanian, Roma and Turkish ethnic groups. This may well be an outcome of the poverty which is also slightly unfavourably biased in those ethnic groups (as is, on average, lower level of education as well) (Uzunov, 2011).

One of the important factors that cause these migratory movements is the current state of the labour market and the high percentage of youth participation in the overall rate of unemployed. The problem of long-term unemployment exists in all categories of unemployed persons, regardless of age. Emigration has a negative impact on the reproduction of the population, because "export" of women in fertile period leads to the next low birth rate that is expected not only in the next 10-15 years, but for a long time coming, probably 40-50 years. Making effort to reduce emigration will significantly mitigate the effects that cause the process of demographic aging of the population (Yusufi, 2012).

III. Remittances

III.1. The scale and impact of remittances

The widespread growth of migration in the later part of the past century eventually yielded a dramatic increase in the flow of remittances to Macedonia and Albania. Remittances have represented considerable percentage of their GDP over the past two decades (Mara et al, 2012).

Remittances are high in volume, estimated at \$1.221 million and \$435 million (2011) respectively in Albania and Macedonia, and have become a rising source of external funding for these countries (Mohapatra et al, 2009, World Bank, 2012). Remittances are the second largest source of foreign capital in many developing countries, including Albania and Macedonia, next to foreign direct investment or exports. They are also generally higher than the received development aid. Remittances have become an increasing source of household income and their share in the income level has increased sharply. A significant fraction of these remittances are sent to low income families. A very interesting and still open question is whether this increasing source of income has an impact on human capital accumulation decisions, including on schooling and healthcare (Mara et al, 2012).

The context is that international migration and remittances have become important components of labour market dynamics in the countries of SEE, in which real wages have fallen, unemployment is high, migrants tend to be more skilled than non-migrants, and remittances have become an important source of foreign exchange and household income (Mara et al, 2012).

Many migrant sending families receive considerable (financial) transfers from their family members living and working abroad. In fact, a number of studies have argued that the inflow of remittances in various forms – ranging from bank transfers to gifts in kind – play an important role in poverty reduction and economic development (World Bank, 2006). Among other factors such as education, income level, intention to invest or to insure the family at home against risks, the motivation of migrants to remit depends on the duration of stay. Temporary migrants seem to be much more concerned about sending remittances home than permanent migrants. Remittances help the population in migrant sending countries to cope with the distress of poverty, the inefficiencies of local labour markets and the break-down of the social security system. It is highlighted that remittances support families to survive, providing them with the means to buy food and other resources, to invest in healthcare and education of their children and to improve the housing situation. The money transferred by migrants to their native town or villages or spent and invested there during their short visits are of utmost importance for post-transition economies such as Albania and Macedonia (Mara et al, 2012).

Remittances have been studied to ascertain to what degree these flows serve to develop the migrant sending societies, including the increasing of consumption levels, providing for housing, promoting business investments, and increasing the availability of health and education services for family members left behind. In this line, remittances may play an important role providing relief during difficult economic times, ensuring complimentary social protection and correcting the limited government policy interventions. Remittances can benefit households by lifting liquidity constraints. However, migration of a family member may also have a deleterious impact on the household's well-being. In fact, the absence of a family member may deprive the household of the migrant's market and non-market production, possibly making the household worse off. Therefore, it is of interest to ask to what extent the gains from remittances make up for the losses sustained from family migration (Mara et al, 2012).

The source of remittances, i.e. migration, according to the neo-classical model, is the result of a cost-benefit analysis carried out at individual level. Potential migrants compare the differential incomes and costs of migrating and move if the decision produces a positive net present value. The main implications of the neo-classical approach are that migration is driven by expected income differentials between different countries and by the cost of moving, considered by each individual given their particular characteristics. These neo-classical analyses have not considered potential impacts of migration or remittances on the ‘sending’ families. Contrary to neo-classical theory, which implicitly views migration and household economic activities as substitutes at the level of the individual, the new economics of migration allows for the possibility that migration by one member can act as a complement to household economic activities in the community of origin. For instance this can be achieved by relaxing credit constraints and/or by acting as insurance where such markets are missing or are imperfect (Mara et al, 2012).

There are aspects of remittances defined by Levitt (1998) as “social remittances”, which may include issues such as ideas, behaviours, identities and social capital that flow from receiving to sending country communities. The role of these resources is to promote immigrant entrepreneurship, community and family formation and political integration. Social remittances’ exchanges happen when migrants return to live or visit their communities of origin; when non-migrants visit their migrant families; or through interchanges of letters, mails, videos, cassettes and telephone calls. Migrants do not absorb all aspects of new lives unselectively. Rather, there is a screening process. Senders adopt few new ideas and adopt particular elements while they ignore others. The impact of social remittances is both positive and negative. There is no guarantee that what will be learned is constructive and that will bring social reform. However, certain kind of remittances as exchanges about health and educational practices or transfer of new business skills could contribute positively to an overall social change.

An important aspect of the migration and development debate concerns the effect of migration or remittances on educational and healthcare attainments in the migrants' countries of origin. Despite the existence of contrary views, the remittances do impact educational attainment and healthcare in various countries of the developing world. While remittances can benefit households by lifting liquidity constraints, migration of a family member may also have a deleterious impact on the household’s well-being. As regards the impact of migration, the focus

on effect of remittances on Albania and Macedonia, particularly in the fields of education and health is crucial. There is low schooling and low health outputs as well as low levels of educational and health achievements in both countries. The education might be publicly provided, but many families cannot afford the education of their members due to several expenses related to the school attendance such as transport, textbooks, other supplies, or other implicit costs such as losses in family members with the migration.

III.2. Remittances – Educational link

Several studies have been undertaken about educational outcomes of family members and how they are affected by the remittances and migration experience. One stream of literature has shown that there is an increase of educational outcomes of family members due to the lift of the liquidity constraints. By relaxing the household's liquidity constraints, remittances allow an investment in education. An opposite stream, while agreeing that there is a potential for remittance transfers to alleviate credit constraints and thereby increase educational attainment of children, argues that migration of a family member, i.e. absence of the parent, may have negative effects on the child's schooling. Other literature have looked at other aspects on the way remittances impact the child's schooling, including the incentives or disincentives provided by migration or remittances regarding the education of the family members left behind.

III.2.a. "Lift of liquidity constraints" approach

Substantial number of existing literature has shown that there is an increase of educational outcomes of family members left behind due to the lift of the liquidity constraints. Remittances by lifting up the budget constraint of poor families might increase the investments in human capital. Empirical research on remittances and schooling has stressed the potential for remittances to raise schooling levels by increasing the ability of households to pay for schooling. Examples of literature include Cox Edwards and Ureta (2003) who find that remittances lower the likelihood of children leaving school in El Salvador, particularly in rural areas; Yang (2004) who finds greater child schooling in families whose migrants receive larger positive exchange rate shocks in the Philippines; and Lopez Cordova (2004) who finds municipalities in Mexico that receive more remittances have greater literacy levels and higher school attendance among 6 to 14 year olds. Borraz (2005) has found that children who live in remittance-receiving households complete

more years of schooling than other children and that the effect is statistically significant for more than one year. Those children who live in households that receive remittances are more likely to extend the years of schooling.

Living in a migrant household significantly increases the chances of boys migrating themselves at all school ages and older (16 to 18 year-old) while girls doing the housework. This is at an age where work is also an important form of human capital accumulation, so it appears that Mexican females in migrant households are losing out on both schooling and work arenas. Absence of a migrant parent may require the child to undertake tasks normally carried out by that migrant, such as working in a family business or doing housework. Since it can take a while for migrants to start earning money and remitting, children may also need to work to cover short-term household liquidity constraints. Any of these activities are also consistent with the child (or the parents) no longer valuing schooling due to future migration plans. This impact is the sum of three main effects: the effect of remittances on the feasible amount of education investment, which is likely to be positive where liquidity constraints are binding; the effect of having parents absent from the household as a result of migration, which may translate into less parental inputs into education acquisition and maybe into more house and farm work by remaining household members, including children; and the effect of migration prospects on the desired amount of education, which is likely to be negative (McKenzie & Rapoport, 2006, 2009).

Empirical analysis suggests that both economic and sociological variables are important determinants for the choice between school attendance and child labour. There is some support for the hypothesis that poverty forces households to keep their children away from school. In the economic literature a number of explanations have been suggesting the following: poverty may force the households to keep the children away from school and instead send them to work; and low quality of schooling may lead the households to substitute work for schooling.

While schools may often be state-supported, students in developing nations are often expected to pay for their books, uniforms, supplies, transport and sometimes even teachers' salaries. Furthermore, attending school imposes additional costs on the family through accompanying reductions in monetary income or household production by the attendee. Given the competition between school and work, remittances, often amounting to a sizable fraction of the household

budget, have the potential to loosen household liquidity constraints and increase investments in human capital.

III.2.b. "Parental absence" approach

Another important issue considered in the literature is the issue of parental absence and its impact on the schooling of children. Parental absence as a result of migration may translate into less parental inputs into education acquisition and may also require remaining children to undertake housework or work to help meeting short-term labour and cash shortages. In related work, Hanson and Woodruff (2003) note that migration may disrupt household structure, removing children from the presence of guardians and role models, and require older children to take on additional household responsibilities. They also note that negative labour market shocks experienced by parents may both induce migration and require children to work instead of spending time in school, leading to a spurious negative relationship between migration and years of schooling. The migration of the household head can disrupt the family life and have a negative impact on children's school performance. Wahba (1996) finds evidence for this phenomenon among girls in Egypt. McKenzie & Rapoport (2006) measure significant reductions in educational attainments for children within households with migrants in Mexico. Lucas (2005) argues that remittances from the family members abroad, in particular parents, support further education of children in the country of origin, but the absence of parents and consequently no custody on school performance of children might deteriorate the educational outcomes. Castaneda & Buck (2011) argue that there is quite often a trade-off between greater financial protection of children through remittances and higher child vulnerability left without physical, psychological or emotional protection and such trade off might have important consequences for the child's development in the long run. Park et. al. (2010) argue that fathers' migration affects negatively the child's development, in particular of boys who compared to girls are more likely to drop out of the school. Mansoor and Quillin (2007) argue that children of emigrants tend to receive less supervision; they lag behind in their education. For example, it has been suggested that migration has been a significant factor in declining school enrolment of children in Moldova and Bulgaria. The lack of parental supervision and influence may affect performance at school; any extended family members may not fill the role of the absent parent adequately.

III.2.c. "Beneficial brain drain/brain gain" approach

The theoretical and empirical literature on the “beneficial brain drain” or “brain gain” suggests another channel through which migration can increase educational attainment. The basic idea of such theories is that education has a high return when migrating, and so the prospect of migrating in the future raises the expected return to education, inducing higher domestic enrolment in schools (Commander et. al., 2004; Beine et al., 2007). Recently, there has also been some attention to the possibility that emigration of highly educated persons may induce additional education amongst stayers. In such contexts, as for instance in the Philippines, the high departure rate of college educated adults has almost certainly motivated additional college attendance within the Philippines and even influenced the choice of discipline for studying.

Number of studies have analysed that when household members are keen to further migrate, they will channel the remittances toward the education and human capital formation which is exportable to the receiving countries (Vidal, 1998). For example, (McKenzie and Rapoport, 2006) state that if individuals expect that their educational profiles cannot be exported to the receiving countries, they will quit school earlier and will either start working in the home country or seek to migrate.

III.2.d. Remittances - Education in Albania

The initial effect of the migration has been the brain and skill drain. A study has estimated that half of all the country’s university teachers, scientists and intellectuals have left the country (King, 2005).

As regards Albania, using duration analysis of school participation, Giannelli and Mangiavacchi (2010) show that past parental migration has had negative effect on school attendance in the long-term with higher hazards of school drop-outs for Albanian children left behind. Parental migration when the child is left in the sending country has had longer-term implications for the children's development and their future life. These have included, for example, changes in household structure and responsibilities leading to more pressure on older children to help in the household or to assist with agricultural duties and thus to neglect their schooling. Although parents' migration usually has benefited children economically, the lack of parental care has caused relational and psychological problems that have affected children’s welfare in the long-

term. The main finding of the analysis is that father's migration abroad negatively influences children's schooling in the long run, increasing the probability of dropping out and of delaying school progression. For females, the impact is even higher compared to males. The negative impact of the phenomenon tends to become smaller the further in time from the actual events the migration episode is, while the effect increases with the length of the migration episodes.

Pihlainen (2010), focusing on Albania, tests the hypothesis whether households that receive remittances from abroad spend more money on children's education than the others. It has shown that in the Albanian context this is not always confirmed. In many cases remittance-receiving households divert resources away from education into consumption with the purpose of poverty-alleviating. Hence, long-run investment in human capital is undermined by consumption needs. Remittance-receiving households are actually spending less on education than their counterparts. There is evidence that this is due to the low returns to education for migrant Albanian workers. Thus, while remittances do have the potential to be poverty-alleviating and can be an important source of foreign exchange, it seems that in the Albanian case they do not provide incentives for long-run investment in human capital. In addition, De la Garza (2010) sustains that, the different educational indicators, gender, cohorts, rural/urban location, the stage of the country's development, the effect of migration and in particular remittances on educational outcome seem to be mixed. Furthermore, Miluka & Dabalén (2008) explore the effects of international migration, in particular the effect of remittances on education, and show that in case of Albania there is a weak impact on human capital of such income sources. Taking into account the gender differences and regional location, the larger negative impact is found to be stronger for women living in rural areas. The disruptive effects on family structure can change the leadership of the family, giving more power to older males who are less educated and less prone to understand the importance of investment in human capital regarding to their grandchildren. Thus, the possible long-term effects of migration might cancel out the effects of a temporary improvement in household incomes. In Albania, instead, migration has been male-dominated and what is observed to be in the majority of cases is that the father is the one who is absent.

III.2.e. Remittances - Education in Macedonia

Remittance recipients are believed to use a portion of the remittances to pay for daily expenses, for education and the rest for other products and services.

Regarding education in Macedonia, younger children have higher school attendance rates in families which do not receive any remittances. On the other hand, regarding older children, the remittances may reduce the incentive for families to send their children to school. In addition, 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. There is a further negative relation between the number of absent migrants and school attendance of children, but absent parents have significant effect in increasing school attendance among older children. There are two possible explanations: one that children having a migrated parent for the purpose of increasing family's income, are motivated to attend school because they believe that the parent is making a sacrifice; the second that the parents usually migrate in order to get the money for their children's education (IPPR and GDN, 2009).

III.3. Remittances – Health connection

In addition to the impact on performance in education, the importance of remittances for the migrant sending countries is measured also by the well-being of their recipients in terms of improved health status, in particular for children. Remittances are expected to help to improve the health outcome by the means of purchase of better care and nutrition.

Starting from Grossman's health production function (1972), remittances help to improve child's health outcome by the means of getting better childcare and nutrition, while the migration phenomenon might affect child's health first through the smaller amount of time spent by parents with their children and second through the health knowledge acquired abroad.

Hildebrandt and McKenzie (2005) find positive effect of migration on health outcomes of migrant households by matching increases in monetary and social remittances with increases in birth weights and reductions in infant and child mortality. The migration process can result in improved health knowledge. The first avenue is the direct effect of migration on income and wealth through remittances and repatriated savings, which allows the households to spend additional resources on food and health services. Second, migrants may gain health knowledge through exposure to destination country's practices, resulting in a more effective use of financial resources and thus a higher health attainment. Migration influences health outcomes through both of these mechanisms: it raises both wealth and health knowledge.

In contrast, Kanaiaupuni and Donato (1999) find a negative effect of migration and remittances on the child's health and more specifically an increase in infant mortality which might be due to the disruptive effect of family separations. However, this disruptive effect is observed only in the initial stage of the migration. In the long run, remittances bring significant reductions in infant mortality. Initially, migration disrupts normal community activities as growing numbers of the able-bodied workforce leave home, and infant mortality levels rise. Over time, however migration brings positive changes as it becomes an institutionalized part of local life, raising standards of living and infant survival probabilities.

III.3.a. Healthcare in Albania and Macedonia

Narazani (2012) provides the first empirical attempt in the Albanian context and shows that migrants' households have lower rates of infant mortality. According to different statistical sources, Albania had very high child and infant mortality rates in the early 1990s compared to its Balkans' neighbours. These rates have decreased rapidly in subsequent years. Also in the case of Macedonia, most children's health indicators show positive trends. The under-five mortality rate has dropped. However, these declining trends are believed to mask an indirect effect of migration and remittances as it happens in other remittance-dependent countries. It is also important to mention that the literature on migration and child health outcomes is still scarce.

Conclusion

Remittances have grown rapidly in recent years and have proved to be a stable source of finance, which can be of relief during difficult economic times. While remittances can help households by lifting liquidity constraints, migration of a family member may have also a deleterious impact on the household's well-being. The short-term effect of remittances is usually related to increases in consumption, poverty alleviation and income inequality that result in changes in labour market participation. While long-term effect is more pertinent to socio-economic development and specifically on educational performance and health status improvement. Because remittances per se do not lower anyone's income, the impact on poverty is believed to be beneficial, but with limited effect on productive investments. There is empirical evidence showing that remittances are spent mostly on basic subsistence needs, and after those are fulfilled, on housing improvement and eventually land purchase. There are also "social remittances", which may

include issues such as ideas, behaviours, identities and social capital that flow from receiving to sending country's communities.

Several studies have shown that there is an increase of educational outcomes of family members due to the lift of the liquidity constraints. By relaxing the household's liquidity constraints, remittances allow an investment in education. As a result, related studies have found that children who live in remittance-receiving households complete more years of schooling than other children. Several empirical studies have emphasized the potential for remittance transfers to alleviate credit constraints and thereby increase educational attainment of children in migrant families. The relaxation of credit constraints allows households to move to or towards their unconstrained optimal level of education, resulting in higher education for their children. The negative effect on education, however, results from the social consequences of having an absent parent, and the increased demand for household labour resulting from losing a working-age adult from the household.

Improved health status in particular for children is assumed with the receipt of remittances. Remittances help to improve health outcome by the means of purchasing better care and nutrition and by increasing health knowledge of the family members left behind. While negative impact is expected as smaller amount of time is spent by the parents with their children, which is only a short-term effect. In the long-run, remittances bring significant improvements in the child's health.

Islam Yusufi is former Deputy National Security Adviser to the President of Macedonia. He has held research fellowships with the ERSTE Stiftung, Vienna; UNESCO, Paris; EU Institute for Security Studies, Paris; Woodrow Wilson International Centre for Scholars, Washington DC; Centre for Policy Studies, Budapest; NATO, Brussels. He has also served as adviser for the European Union. His research interests relate to security policies, migration/demographics and governance, in which fields he has coordinated multi-national projects. He is a founder of Analytica, a think tank in Skopje, Macedonia. He holds a PhD in politics and governance from University of Sheffield, UK.

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Migration and development: the effects of remittances on education and health of family members left behind for the case of Kosovo

By Anera Alishani and Arta Nushi

Abstract

Kosovo as many other states in the region is known for its high dependency on remittances. Due to the social and political turmoil that Kosovo was facing from the Yugoslav state authorities during the 1980's and especially during the 1990s, many people lost their jobs, having as a drastic increase of the number of Kosovars migrating abroad. The civil war of 1999 contributed even more to this trend. In general, the migration wave from Kosovo to developed countries of Western Europe such as Germany, Switzerland, Austria, Italy and other developed countries such as USA was motivated by both political and economical factors. The high level of unemployment, high poverty rates, and the low standard of living made people pursue a better life somewhere else. Now more than 20% of Kosovars live outside Kosovo, which are more than 400,000 people. Following the massive conflict-related and war-related emigration, remittances became and continue to be a significant source of household income. For instance, the inflow of remittances in Kosovo was 535 million Euros in 2008, which accounts for 14.1 percent of GDP, making Kosovo one of the largest recipients of remittances in the Western Balkans. According to the Kosovo Remittance Study by UNDP (2010), it was suggested that remittances not only affect positively the level of income, but also the ability to access healthcare and education it was not suggested how much and how significant this effect was. Thus, due to the lack of data this effect could not be measured and it is not known how significant it is.

Key words: remittances, migration, economy, Kosovo

1. Introduction

In a time of relatively free movement of labour and in the presence of migration, officially recorded remittances flows to developing countries have grown dramatically from \$93 billion in 2004 to \$278 billion in 2007 and appear to have recovered quickly to \$325 billion in 2010 after the Global Financial Crisis (Mohapatra, Ratha, Silwal, 2011). Despite the economic downturn remittances appear to remain resilient compared to other resource flows and in 2004 they were as twice as large as the level of international aid towards developing countries (Adams and Page, 2005). Remittance flows, money sent by emigrants, are an important source of income for most of developing countries. The trend of remittances has had an important implication for the economies seen both in micro and macro perspective. In microeconomic perspective, remittances directly affect household's income and consumption; whereas in macroeconomic perspective remittances influence poverty reduction (Adams and Page, 2005), economic growth, entrepreneurship and financial development (Aggarwal, Kunt, Peria, 2006).

According to Popov (2011) during the recent economic downturn emerging and developing countries experienced a decline in international capital inflows where \$250 billion inflow before the crisis turned into an outflow of \$200 billion at the end of 2009. Popov (2011) implies that the countries that have experienced a relatively small shock in capital flows can alleviate the decline in GDP growth through increased remittances or devaluation of currency and leaving foreign exchange reserves unchanged. If the capital shocks are large and not offset by remittances then nothing could stop GDP to fall which would inevitably lead to recession.

In Kosovo, the remittances have always been on a very high level. The data are not available because they were not registered. Therefore, the remittances play a crucial role as an external source of finance due to high number of Kosovar emigrants living abroad. In Kosovo almost every family has some of their family members living abroad who keeps family ties by sending back money in the form of remittances.

Thus, this paper will discuss the factors that made so many people search for better life abroad and as well as the ways and means the families that receive these remittances spend their money. In addition this paper will present the theories about the effect of remittances on the education attainment and healthcare of the family members left behind in Kosovo. Since most of the remittances are used for consumption and only a little for investment, it should be investigated how much of the remittances are spent on the education attainment and healthcare.

2. Migration flows from Kosovo to other countries

Kosovo as a newly formed country has a society characterized by mass migration that fled mostly to the United States, Germany, Switzerland, and other European countries especially in the periods of 1989/90 and 1998/99. These two periods were characterized as very important points in the country's history as the number of immigrants to the Western countries for a better life increased drastically. The reasons for this high migration were due to both economic and political factors. Due to extensive emigration, remittances have become a crucial source of financial support to the Kosovar families left behind. But what were the precise reasons that made almost every family have one or more of their family members living abroad?

The Kosovar Diaspora is mostly characterized with three waves of migration; in the late 1960s, the early 1990s, and during the 1998-1999 conflict (Kosovo Remittance Study, 2010). Therefore, the most significant mass migration period started in the 1960s when people from Kosovo and other Yugoslav states emigrated as guest workers in Western Europe; particularly in Germany, Switzerland, etc. The labour forces were mainly unskilled and poorly educated who left their families in order to send them back money which were mainly used to invest in houses or for extravagant weddings (Clark, 2000). According to Reineck's study (1991, p.201), "the migrants frequently displayed a tendency to insist more strictly to adherence to family traditions, while few contribute to economic innovation on their return." However, continuing in the 1990s, the emigration flows were even more massive due to the Serbian oppression towards ethnic Albanians in that time. This offensive started as a result of the elimination of autonomous status from Serbia in 1989, associated with the laying-off of many Kosovans from their jobs (Vathi and

Black, 2007, Mustafa, et al. 2007). Due to the political turmoil that Kosovo was facing at that time many people and especially the political activists left the country.

In addition, the civil war of 1998-1999 in Kosovo made people migrate forcefully and unwillingly. More than 800,000 people ran away as refugees, mostly in Albania and in Western Europe and America (UN, 2006). As a result of the war some of these refugees did not return back home (according to IOM-2008 around 70% of the refugees voluntarily have returned back to Kosovo).

It can be said that in addition to these political factors migration is encouraged also due to economic condition, as it is seen as a mean to improve the livelihoods of the people and also to improve the quality of life of the family-sending migrants. Since many workers were pushed out of work, and consequently to that the high number of unemployment, the high poverty rates and the denial of the right of education and health care made people migrate towards Western Europe and other developed countries. However, this wave of migration was characterized by better educated and skilled emigrants.

A 2007 survey estimated that there were around 315,000 emigrants from Kosovo (Mustafa, et al, 2007) while in 2010 the World Bank recorded around 253,000 emigrants from Kosovo; where those who send remittances in particular reside in Germany and Switzerland given that the highest level of remittances inflows are from these two countries (Tables 1 and 2).

Table 1. The Distribution of Emigrants by Host Country/Region

Host country	Share of total emigrant in percent
Germany	39.4
Switzerland	23.2
Italy	7.0

Austria	6.7
Scandinavia	5.8
UK	4.8
USA	3.5
France	2.1
Canada	1.6
Neighboring countries	3.7
Other countries	2.2

Source: Riinvest Survey 2007

Table 2. Migrant remittances by country

Countries	Remittances in percent 2008	Remittances in percent 2009(Q4)
Germany	38	38
Switzerland	16	22
Italy	13	10
Austria	6	5
Sweden	4	3
France	4	4
USA	3	2
Canada	2	2
UK	1	1
Other countries	13	13

Source: Central Bank Kosovo (Annual Report 2009)

Kosovo as Europe's poorest region has relied heavily on remittances since the first wave of migration to Germany, Switzerland and other European countries in the 1960s. Following the massive conflict-related and war-related emigration since that time, remittances became and continue to be a significant source of household income which serves as a very important external financial assistance which also has significant implications on the economic performance of Kosovo. According to the World Bank (2010), Kosovo ranks number 11 in the world in terms of share of remittances to GDP. For instance, the inflow of remittances in Kosovo was 535 million Euros in 2008 (Central Bank of Kosovo, 2008), which accounts for 14.1 percent of GDP, making Kosovo one of the largest recipients of remittances in the Western Balkans region (Albania 12.8 percent of GDP, Bosnia and Herzegovina 17.0 percent of GDP, Macedonia 4.0 percent of GDP, Serbia 11.8 percent of GDP). In 2009 the remittances decreased due to Global Financial Crisis but they were still in at a high level, 498 million Euros (IMF 2010), which accounts for 12.8 percent of GDP, making Kosovo the largest recipient of remittances in the region and in the world.

3. The effect of Diaspora and Remittances on Macroeconomic performance of Kosovo

“Remittances are personal money flows from migrant to their friends and families...targeted to the needs of recipient who are often poor” (Ratha and Mohapatra 2007, pp.1). Remittances are a lifeline for developing countries and they affect the households directly. Therefore countries with high emigration rates as it is the case with Kosovo are more likely to receive remittances. In support, a 2007 survey (Mustafa et al. 2007) indicates that 18 percent of respondents' households (28 out of 155 interviewed) have a member living abroad, and 8 percent out of 18 percent of the households having someone abroad receive remittances. There are arguments made empirically for other countries that Diaspora contributes contribute to the reduction of poverty, growth and development of the country of origin through promoting trade and investment as they are more informed about the economic opportunities or are driven by personal relations and connections in business. With no exception remittances are are significant by having the role of external capital flows (Haxhikadrija, 2009).

Therefore, they have an important role in the relation between migration and development as they contribute in improving the emigrants' family welfare, help to finance education and healthcare

and have a multiplier effect in the economy (Haxhikadrija, 2009). To the extent that remittances can be used to finance education, health, investment, consumption, they in meantime tend to effect positively the overall economic growth. Shaorshadze and Miyata (2010) in their empirical study about the effect of remittances on poverty reduction in Kosovo found that households with lower wealth are more likely to have migrants and receive remittances and the latter have significant effect in reducing poverty of household-remittance receivers. While Kosovo has small amount of exports and is mostly based on import-consumption, economic growth has been largely supported by remittances flows, foreign direct investment and higher deposit-financed credit growth (BTI, 2010).

Remittances also contribute to the lowering of the interest rate in the sense that they might increase bank deposits which contribute to the increasing of the supply of loans and additional potential loans. The evidence from Turkey indicates the positive effect of remittances on consumption, investment, imports and income, thus implying that any crisis in the global economy does not affect only exports and remittances but also affects indirectly consumption and investment through remittances (Tansel and Yasar, 2010). Remittances tend to be countercyclical in poor countries, in that migrants respond by remitting more when the recipient economy suffers from economic deterioration or political conflict, therefore smoothing household consumption in these countries (Ratha and Mohapatra, 2007).

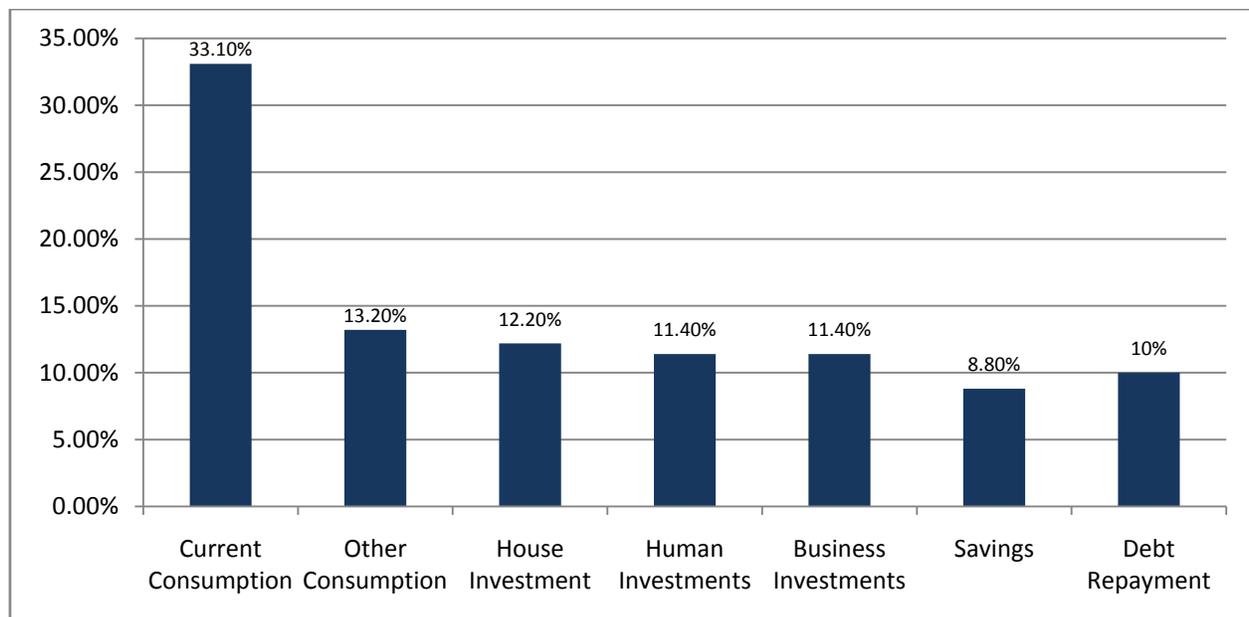
Remittances are important for monetary inflows as much as exports are. “They are payments for exports of labour” (Muhamet Mustafa, et al, 2007, p.20). They comprise a large share of income, in Kosovo exceeding the size of international aid and foreign direct investment (FDI). FDI were estimated to be 7.53 percent as a share of GDP in 2009 and foreign assistance was 9.4 percent, whereas remittances were 12.8 percent of GDP (IMF, 2010). In developing countries where the financial system is typically underdeveloped remittances contribute to the lessening of the credit constraints which in return stimulates the economic growth (World Bank, 2006). In contrast, as adverse effect of remittances, Azam and Gubert 2006 (cited in Dietz, 2010) in their empirical study suggested that households receiving remittances in African countries may reduce their

supply to the domestic labour market: remittance-recipient choose increased leisure rather than labour.

3.1 How households use remittances? - The distribution of remittances by categories

The effects of the Diaspora and remittances are noticeable throughout the economy. A clearer view of the impact of remittances in economic performance can be taken with a regard on how the households spend remittances in different sectors. Leon-Ledesma and Piracha (cited in Dietz, 2010) have suggested that investments and private consumption have increased in Eastern European transition countries as a result of remittances. To some extent investment in human capital may be attributable to emigration. A significant positive effect of remittances in transition economies has been found empirically where emigration contributes directly to the improvement of the skills if emigrants return to contribute to the economy back home as well as through the increasing of investments and consumption (Leon-Ledesma, Piracha, 2001). A study based on survey of 4000 households (UNDP, 2010) gives an idea of expenditure and effects of remittances. In this consideration it is important to know how households use remittances and how they may impact the economy of Kosovo. Most of remittances received are used for consumption (45 percent according to Kosovo remittance study UNDP, 2010) whereas 11 percent are used for business investment and 12 percent for housing investment (Figure 1).

Figure 1. The use of remittances by categories



Source: Kosovo Remittance Study 2010 (UNDP)

Given that remittances contribute in the household income they also have impact on the decision of the remittance-receiver for seeking a job because those who receive remittances are more likely to be unemployed. This situation may be subject to moral hazard problem. According to the survey (UNDP, 2010) around 11 percent of the interviewed households who receive remittances would accept to work with less than 151 Euros per month. In this case, remittances in Kosovo do not appear to have an impact on increasing the wages but the case whether they have negative impact on labour supply is not sufficiently researched. A study undertaken in Mexico finds that the impact of spending money in non-productive patterns such as consumption influences all economic activities due to the multiplier effect on aggregate demand and output (Haxhikadrija, 2009). To the extent that remittances increase households' income, they do not have positive significant effect to Kosovo's domestic production because higher aggregate demand affects the size of the marginal propensity to import as long as Kosovo is more import oriented economy.

As mentioned above remittances contribute to lowering the poverty rate. According to the World Bank the poverty rate is 20 percentage point lower in rural households when compared to urban households, when both are receiving remittances, due to the fact that a higher value of remittances are received by rural households (World Bank, 2007). About 70% of emigrants send remittances back home in Kosovo (Mustafa et al.2007). A stream of literature suggests that emigration, through remittances, have positive effect in entrepreneurship and creation of new jobs, smooth consumption, which will be reflected in turn in lowering the poverty. But how do remittances affect education and healthcare of member of family left behind will be discussed in the next chapter.

4. The effect of remittances on education and healthcare of children left behind

The hypothesis that remittances raise educational attainment and provide better healthcare, has received support in a growing number of studies. The studies that deal with these effects are more about the developing and emerging countries as they are characterized with higher level of migration. More or less, all of these studies suggest that remittances effect positively the

investment in human capital because they help in lifting liquidity constraints. The disposal income of the households increases and as a result they have more money left for education and healthcare.

One of the studies from Dorentes and Pozo (2010) suggests that in the Dominican Republic the remittances promote the education of children and this effect is noticeable more among the children attending secondary school. According to the authors, the developing countries which are characterized with high level of migration do experience positive impacts from the remittances they receive on the education of children. Another study conducted in Peru by Ilahi (2001) suggests that changes in household welfare affect the schooling and work of girls more than boys. For the case of El Salvador, the authors Cox Edwards and Ureta (2003), by employing the Cox proportional hazard model found that remittances have a large, significant effect on school retention. More specifically according to the authors remittances have a much larger impact on the hazard of leaving school. Another study for Mexico by Borraz (2005) suggests that the effect of remittances on schooling is positive and small only for children living in cities with fewer than 2,500 inhabitants and with mothers with a very low level of education. But the authors suggest that for the case of Mexico the magnitude of this effect is not substantial. Lastly, about the analysis of the effect of remittances on school attainment, another study conducted in this regard for the case of Ecuador is from the authors Calero, Bedi and Sparrow (2009). In their study, the investigation of the effects of remittances on school enrolment and child work in Ecuador, suggests that remittances increase school enrolment, especially for girls and in rural areas. In general, it can be concluded that in theory the remittances do have positive effect on school attainment but this effect is more significant for developing countries since they are characterized with higher level of remittances.

The theoretical literature and the collection of data on the remittances for the case of Kosovo has only recently been put at a higher level of importance from policy makers and research institutes. Until now only little has been researched for remittances even though they are the second largest source of income for households (Shaorshadze and Miyata, 2010). As it is suggested, the remittances in Kosovo are used more for consumption than from any other category of spending.

Even though the positive effects of remittances on education and healthcare is known from other authors who have conducted research in these aspects, for the case of Kosovo the remittances are used much less for education and healthcare.

One of the studies that has directly been involved in the collection of data for remittances and in the investigation of the effects they have on different aspects of the economy, namely: income, unemployment, access to healthcare, and access to education is the “Kosovo Remittance Study 2010” commissioned by UNDP through joint efforts with IMF and USAID and together with the Central Bank of Kosovo, Ministry of Economy and Finance, and the Statistical Office of Kosovo. For this study 4,000 households have been questioned. The survey data found that nearly a fifth (19.6 %) of Kosovar households receive remittances.

This study suggests that regarding the access to education, households receiving remittances on average spent 7% more on education than households that do not receive remittances. More specifically, the households that receive remittances spent on average 67 Euros per month for education while the households that do not receive remittances spent on average 62 Euros per month for education. In addition, households headed by men who receive remittances are more able to access education (UNDP, 2010). Regarding the access to healthcare, the households that receive remittances spend on average 22 % more than the households that do not receive remittances according to Kosovo Remittance Study 2010 (UNDP). More specifically, the households that receive remittances spend on healthcare 35 Euros per month while the families that do not receive remittances spend 28 Euros per month for healthcare. In addition, the households headed by women who receive remittances have easier access to healthcare and are able to meet the cost of medicines compared to households headed by men where there is an inverse effect of remittances on access to healthcare, that is remittance receivers tend to have a lower access to healthcare than those who do not receive remittances.

However, in general it can be concluded that due to the difficult economic conditions in Kosovo, households face difficulties in investing in human capital as large percentage of the remittances are used for consumption rather than for education or healthcare. However due to the lack of data

the effect of remittances on healthcare and education is not being appropriately investigated leading to the conclusion that this topic needs further development and investigation.

5. Conclusions

In Kosovo, more than 20% of Kosovars live outside the country, which are more than 400,000 people. The potential impact of migration to the economic development is of a key interest. Having in mind the fact that unemployment rate in Kosovo is around 45 percent, the net average wage in the public sector is 211 Euros and the average monthly income for a Kosovar household is 442 Euros (UNDP, USIAD, 2010), it is clear why the remittances play a crucial role for the welfare of the families left behind.

As stated above, the inflow of remittances in Kosovo was 535 million Euros in 2008 (Central Bank of Kosovo), which accounts for 14.1 percent of GDP, making Kosovo one of the largest recipients of remittances in the Western Balkans (Albania 12.8 percent of GDP, Bosnia and Herzegovina 17.0 percent of GDP, Macedonia 4.0 percent of GDP, Serbia 11.8 percent of GDP).

There are empirical studies conducted in other countries that Diaspora contribute to the reduction of poverty, growth and development of the country of origin through promoting trade and investment as they are more informed about the economic opportunities or are driven by personal relations and connections in business. With no exception, remittances are playing a significant role in development acting as a source of external capital flows. For the case of Kosovo the remittances help in the alleviation of poverty since majority of them are used for consumption but very little for investment in business or investment in human capital.

Since the effect of remittances on education and healthcare is not significantly researched in the UNDP study (2010), the focus of the government of Kosovo should be put on raising the awareness of the households for the possibilities of investing more of the remittances in the

education and healthcare of their family members which would then have a long term positive effect on the socio-economic development of Kosovo.

***Anera Alishani** is Researcher at Institute for Research and Science at Iliria College in Kosovo. She holds MSc in Economics for Business Analysis at Staffordshire University, Staffordshire, UK and MSc in Management and Informatics at the University of Prishtina, Faculty of Economics. **Arta Nushi** works at the Central Bank of the Republic of Kosovo. She holds MSc in Economics for Business Analysis at the University of Staffordshire, United Kingdom and Bachelor in Banking Finance and Accounting at the University of Prishtina, Kosovo.*

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The Negative Long Term Effects of Remittance Inflow in Bosnia and Herzegovina

By Amela Trokić

Abstract

It is a well known fact that, as a consequence of the 1992-95 war, Bosnia and Herzegovina is one of the leading remittance receiving countries in the world, the inflow making up a significant percentage of the country's GDP. This paper will analyze the effects of remittances on social aspects of life in Bosnia and Herzegovina for those left behind. It will argue that for the most part, the initial purpose of remittances was helpful in re-building the economy and society of Bosnia and Herzegovina having had significant short term effects. However, the long term effects of remittance inflow in the country are less favorable and have in many ways led to the deterioration of Bosnia and Herzegovina, in the economic and social sense, having a negative effect on its growth and productivity. It will also specifically discuss the effects of remittances on education in particular and the youth brain drain caused by the inflow.

Key Words: remittances, Bosnia and Herzegovina, Brain drain, migration, Diaspora

Introduction

Remittances play a crucial role in many countries' economies, sometimes making up a very significant portion of the gross domestic product. How the inflow of remittances is used and whether their effects are strong enough to create significant impact on microeconomic and macroeconomic levels has been debated. While some authors argue that remittance inflow provides positive effects on a country's economy through growth and productivity, others state that the effects are minimal and even detrimental in some cases.

With regards to Bosnia and Herzegovina, a country that experienced significant migration specifically in the periods after the World Wars, remittance inflow is significant and has a clear impact on gross domestic product. The effects of these remittance inflows have often been considered positive, although much analysis and data is lacking most notably due to the country's poor post-war bureaucratic system. Regardless, many citizens left in Bosnia and Herzegovina have been depending and living with aid from remittance inflows causing many to argue that remittances drastically helped boost the war torn (Bosnian war) economy because of this.

However, upon further analysis of not only the economic situation of Bosnia and Herzegovina but the social one, one comes to see the detrimental patterns that have formed. Not only have remittance inflows slowed economic growth and productivity by helping reinforce an already corrupt government reliant on such inflows, but also by forming a nation reliant on "free aid", unwilling to better the situation in their home country but rather search for ways to migrate elsewhere. This paper will not only discuss these points but will ultimately through migration and Diaspora data show the detrimental long term effects created by the inflow of remittances resulting in a massive brain drain in Bosnia and Herzegovina.

Remittances and Bosnia and Herzegovina

In order to deduce the role remittances play in Bosnia and Herzegovina, it is important to outline the major migration flows of the country. Assuming that emigration prior to the Second World War is insignificant with regards to remittances today (although it is interesting to note that remittances played a large role in the economy of Yugoslavia), we will take into consideration only the migration flows prior to this time period. By doing so, we can identify three major migration flows that are significant to our analysis.

1. **Emigration of labor force in the 1960's and 1970's.** At this time, the territory today known as Bosnia and Herzegovina was part of the former Socialist Federal Republic of Yugoslavia (Yugoslavia). Yugoslavia experienced economic slowdowns resulting in unemployment in the 1960s and 1970s causing the government to ease restrictions pertaining to emigration. This period highlights the first large migration flow of Bosnians (labor migrants) to various parts of the world including, Australia, America (including Canada) and to the countries of Western Europe such as Germany, Austria and Switzerland. The education level of emigrants during this period was low and medium-educated.⁴
2. **The war in Bosnia and Herzegovina, 1992 – 1995.** The war saw a large migrant population of low, medium and highly-educated Bosnians due to conflicts in the country. Due to the nature of this migration flow, the areas to which migrants fled ranges greatly. Here we saw migrations ranging from countries of the European Union, North America and Australia.
3. **Post war migration, 1996 and onwards.** The third major migration flow pertains to the period prior to the war in Bosnia and continues nowadays. This migration flow will be discussed in more detail later in this paper.

With regards to remittances and their role in Bosnia and Herzegovina nowadays, the most significant migration flow we will take into consideration is the second one pertaining to the emigration caused by the Bosnian war. As a consequence of the war in Bosnia and Herzegovina between 1992 and 1995, there were massive forced migration outflows from the country. The number of refugees that fled Bosnia and Herzegovina at this time to various countries around the world, as mentioned earlier, is estimated to be over one million people.⁵ Today, this dispersed population makes up a large portion of the already existing Bosnian Diaspora (mainly from emigration of the 1960s and 1970s). As of 2010, The World Bank estimates that the stock of emigrants from Bosnia and Herzegovina is 1.461 million.⁶

⁴ Bosnia and Herzegovina Ministry of Security, *Bosnia and Herzegovina Migration Profile: for the year 2010*, (Sarajevo: Immigration Sector, 2011), 68.

⁵ Carl Dahlman and Gearard Toal, "Broken Bosnia: The Localized Geopolitics of Displacement and Return in Two Bosnian Places", *Annals of the Association of American geographers*, Vo. 95, No.3 (2005): 644.

⁶World Bank, *Migration and Remittances Factbook 2011*, (Washington DC, World Bank Publications, 2010), 77.

With an emigrant stock of such proportions, it is easy to see how Bosnia and Herzegovina has become one of the top remittance receiving countries in the world. In 2004, Bosnia and Herzegovina was the second highest receiver of remittances in Eastern Europe and the Former Soviet Union, with USD 2.072 billion in remittances coming into the country that year. In 2009, Bosnia was fifteenth in the world for top remittance receiving countries, with remittance payments making up 13 percent of the country’s Gross Domestic Product (Figure 1).

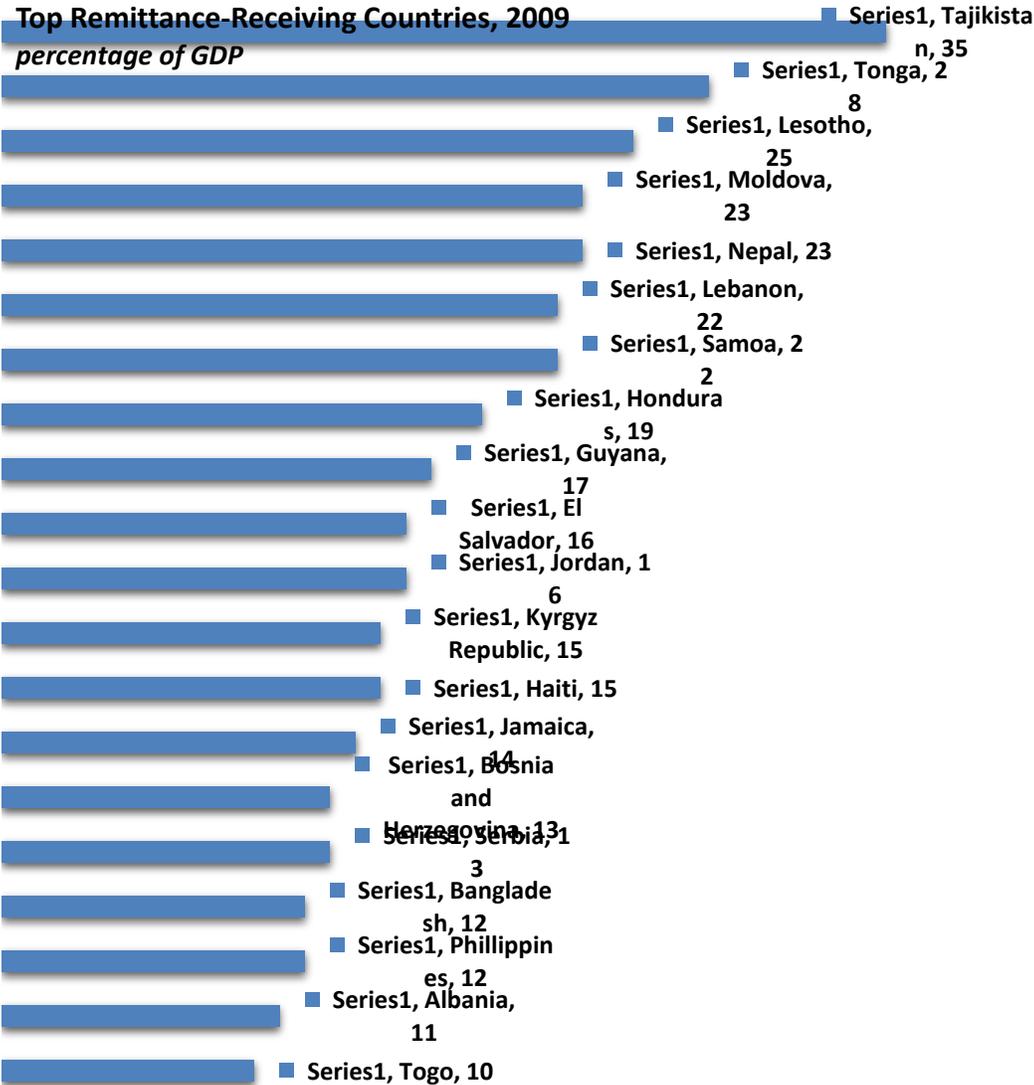


Figure 1. Top Remittance Receiving Countries, 2009

Source: Development Prospects Group, World Bank

Advantages of remittances to Bosnia and Herzegovina

Remittances have always been a subject of ever growing interest to economic and other scholars. Literature used to focus more on the concept or remittances in general, the motivation for remitting and such, while the modern approach is focusing more on the impacts of remittances on developing countries rather than the analysis of remittances. The impacts of remittances, both on macro and micro levels, are generally considered positive. The impacts that remittances have on the developing countries they are being sent to include their direct impact on income distribution, poverty alleviation and individual welfare. Subsequently, remittances can impact the economy as a whole from employment to productivity and growth. They have also been known as a means of covering deficits in the trade balance as well as in the current account.⁷ As a developing country with a large Diaspora, Bosnia and Herzegovina tops most remittance-receiving lists.

Although many fled or were forced out of Bosnia and Herzegovina during the war period (and afterwards), many family members, whether internally displaced or not, remained within the country. Some refugees also decided to return although an exact number of those that left and/or returned is hard to determine as an official census has not been conducted since the year 1991. Regardless, those that remained and/or returned found themselves the beneficiaries of various gifts, usually in the form of money given by the Bosnian Diaspora. These remittance payments provided aid to those left behind, helping to sustain economic and social life in their communities.

In post war Bosnia and Herzegovina, where even after the signing of the Dayton Peace Agreement in 1995 there was an absence of state welfare institutions and employment possibilities (among other issues), remittances were of great importance to most households. This is further suggested by a survey conducted in 1999 of income sources of women in Bosnia and Herzegovina where nearly one-fourth of those surveyed “listed remittances among the top three sources of household income.”⁸ In this way, remittances helped those left behind in Bosnia and Herzegovina to survive difficult economic situations as well as receive health care and education that was lacking during the post war years.

⁷Organization for Economic co-operation and Development, *International Migration Outlook*, (OECD, 2006), 153.

⁸ Marita Eastmond, *Transnational Returns and Reconstruction in Post-war Bosnia and Herzegovina*, (Oxford: Blackwell Publishing Ltd., 2006)

If we take into consideration the real growth rate of the growth domestic product in Bosnia and Herzegovina (Table 1), it is clear that there was a significant increase in GDP in the post war period with rates of 5 percent and 8 percent in 1999 and 2000 respectively.

Table 1. GDP – Real Growth Rate (%)

GDP growth rate (%)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	5	8	6	2.3	3.5	5	5	6	6	5.5	-3.2	0.8

Source: CIA World Factbook

Similarly, remittances received from Bosnian emigrants (Table 2) show a steady increase in the value in USD coming into Bosnia and Herzegovina every year.

Table 2. Remittances from BiH Emigrants

Remittances (In million USD)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
World Bank	1.521	1.526	1.749	2.072	2.043	2.157	2.700	2.735	2.167	2.228

Source: World Bank

It is important to note that there are no analyses on the use of remittances in Bosnia and Herzegovina and therefore it is difficult to determine for which purpose remittances are being used. However, it is generally presumed that the majority of remittances are being used for consumption. This is a good presumption since both remittances and GDP show yearly increases, and consumption being a main component of GDP, we can conclude that the increase in remittances yearly that are mainly being used for consumption, contribute to the GDP increase. In fact, in 2009, most likely due to the financial crisis, remittances to Bosnia and Herzegovina showed a significant drop. At the same time, GDP has also significantly dropped (Figure 2).

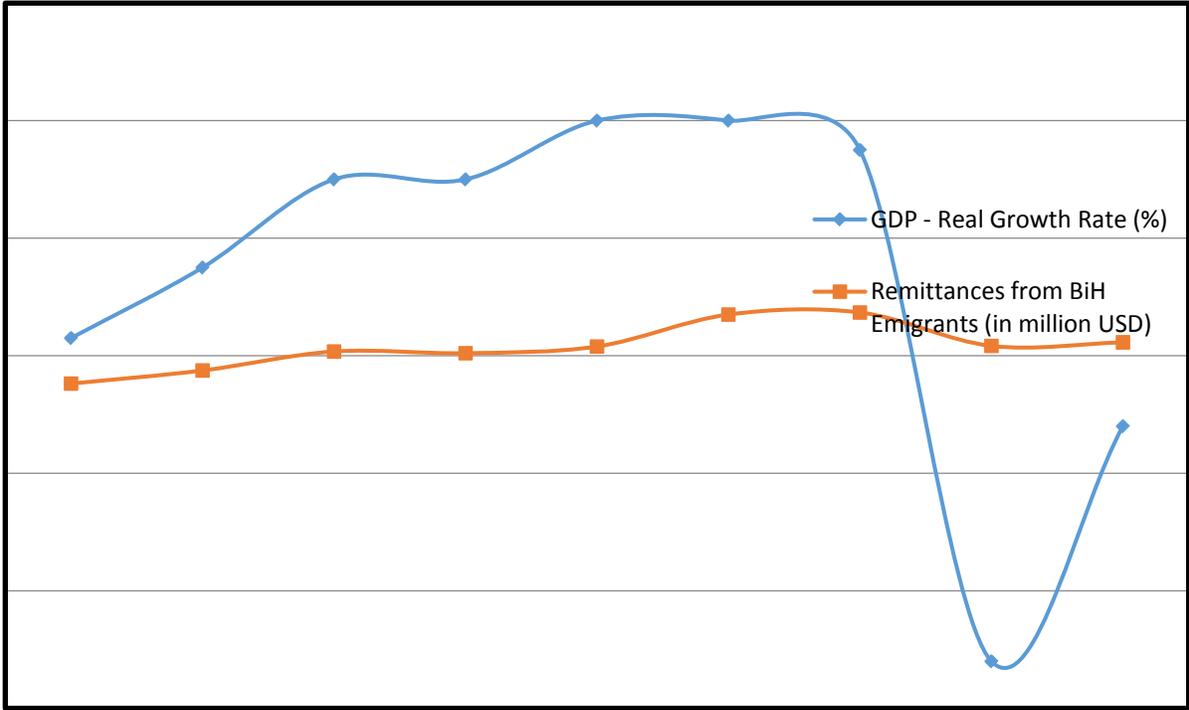


Figure 2. GDP and Remittances for Bosnia and Herzegovina

Based on this data it can be said that remittances helped boost the economy of post war Bosnia and Herzegovina, and in some respects continue to help the economy today contributing to the overall GDP. In a country where “government bureaucracy absorbs a staggering 50 percent of the gross domestic product and the average monthly wage is about USD \$450”⁹, remittances, even if only used for consumption, definitely provide a necessary boost to household incomes.

Long term effects of remittances to Bosnia and Herzegovina

While the short term effects of remittances, which initially helped those left behind in Bosnia and Herzegovina whether through difficult situations caused first by the war and later by bureaucratic failures, were of considerable help to the economy of Bosnia; the long term effects seem to show a different result.

As mentioned before, remittances to Bosnia and Herzegovina are presumably mainly used for consumption which according to some economic theories helps boost the receiving country’s

⁹Dan Bilefsky, “War’s Lingering Scars Slow Bosnia’s Economic Growth,” *The New York Times*, February 7, 2009.

economy on a whole. Ratha argues that “Remittances directly augment the income of recipient households. In addition to providing financial resources for poor households, they affect poverty and welfare through indirect multiplier effects and also macroeconomic effects” (Ratha, 2007). Although this may be true for some countries such as Moldova whose spike in gross national disposable income helped spur economic growth, all during a period characterized by high levels of remittances¹⁰, Bosnia and Herzegovina seems to show otherwise.

For one, the role of remittances in alleviating poverty and inequality in Bosnia and Herzegovina is greatly debatable. Most remittance inflows to Bosnia and Herzegovina are not pro-poor, according to Oruc (Oruc, 2010). Not only do a larger number of non-poor households in Bosnia and Herzegovina receive remittances, but the average amount they receive is nearly twice the amount received by poor households. With regards to decreasing inequality, the average amount of remittances received steadily increases from the poorest to the richest decile.¹¹ Based on this data, the role of remittances in affecting poverty and inequality in Bosnia and Herzegovina can be considered minimal.

When considering remittances used mainly for consumptive purposes, it can also be argued that their multiplier and macroeconomic effects are not as significant as would be remittances were saved or invested. If households were to save or invest part of the remittance payments they received then the micro and macroeconomic effects would be greater. Specifically, investing in entrepreneurial ventures would benefit Bosnia and Herzegovina in the long run especially with an estimated 43.3 percent unemployment rate in 2011, according to the CIA World factbook. Not to mention, how remittance inflow to Bosnia and Herzegovina showed a decrease between 2009 and 2010 and despite expectations from the World Bank that remittances were to show a trend of recovery in the country between 2010 and 2012, no such recovery was visible.¹² If remittance inflow into Bosnia and Herzegovina continues to decrease, so will consumption. What will be left is a population and country with consumer habits far beyond their financial means and which cannot be maintained without outside support. Unfortunately, Bosnia and Herzegovina is already

¹⁰Ali Mansoor and Bryce Quillin, edi., *Migration and Remittances: Eastern Europe and the Former Soviet Union* (Washington DC: World Bank Publications, 2007), 66.

¹¹ Bosnia and Herzegovina Ministry of Security, *Bosnia and Herzegovina Migration Profile: for the year 2010*, (Sarajevo: Immigration Sector, 2011), 4.

¹² Bosnia and Herzegovina Ministry of Security, *Bosnia and Herzegovina Migration Profile: for the year 2010*, (Sarajevo, Immigration Sector, 2011), 72-73.

showing signs of this and is very likely to suffer from the “Dutch disease” – when “the inflow of remittances causes a real appreciation, or postpones depreciation, of the exchange rate, restricting export performance and hence possibly limiting output and employment”¹³. Such negative long term economic effects, some of which can already be seen such as Bosnia and Herzegovina’s limited exports and high unemployment, are only one portion of the overall negative effects that remittance inflows into Bosnia and Herzegovina have on the country.

Educational investments from remittances in Bosnia and Herzegovina are arguably non-existent. Although there are no analyses of the use of remittances, only the assumption that the majority of them are used for consumption, it can be assumed that very little are used for education since education in Bosnia and Herzegovina is highly subsidized.

From a social aspect, remittances can cause those receiving them to become psychologically dependent on them, and therefore cause them to feel less obliged to work. Although remittances are meant to act as a reserve or provide supplementary financial aid to a household income or as a potential investment in entrepreneurial ventures, as previously mentioned remittances have been mostly used for consumption purposes. In this way, not only are they not contributing to greater job creation in Bosnia and Herzegovina, but in some ways they are worsening the situation. The recipients of remittances become more or less reliant on these payments and, expecting them to arrive on a regular basis, do not bother to look for a job or even to invest the money in ventures within Bosnia and Herzegovina. This is evident from the rising unemployment rate, nearing 44 percent in 2011 according to the CIA World Factbook.

Nowadays in Bosnia and Herzegovina not only is unemployment at a high but social response to these figures is low. Most people do not show concern since they either do not want to work or intend to find work outside of the country; the youth in particular is in this de-motivated state. Knowing that a “rich” uncle from Sweden will send money or better yet, send for them, makes the youth care less about the economic situation in their country. This mentality has more or less become the social norm among remittance receiving households and has arguably helped in the deterioration of the government, which virtually unopposed finds itself able to get away with corruption and injustice. One example in this direction is the condition of the national pension

¹³Ali Mansoor and Bryce Quillin, ed., *Migration and Remittances: Eastern Europe and the Former Soviet Union* (Washington DC: World Bank Publications, 2007), 66-67.

scheme in Bosnia and Herzegovina which for years now has been in critical condition. Many elderly citizens left in Bosnia and Herzegovina receive remittance payments, thus the desire to protest or demand reforms from the government is more or less non-existent. The government, relying on the continuous inflow of remittances, feels it can slack on its social reforms.

The greatest negative effect remittances have had and can contribute to having in the long run is with regards to further migration and the loss of labor force. It is well known that Bosnia and Herzegovina suffered a huge loss of population due to various migration periods, the most significant being due to the Bosnian war. With an estimated 43 percent of potential human capital already living outside of Bosnia and Herzegovina (Table 3), it can be said that Bosnia experienced a great brain-drain which continues to occur.

Table 3. The Data on the Number of Emigrants from BiH, Estimates by the Ministry for Human Rights and Refugees of Bosnia and Herzegovina, 2010¹⁴

Host Country	Number of Migrants from Bosnia and Herzegovina
USA	350,000
Germany	240,000
Croatia	300,000
Serbia	150,000
Austria	150,000
Slovenia	150,000
Sweden	80,000
Switzerland	60,000
Australia	60,000
Canada	50,000
Italy	40,000
Denmark	23,000
Norway	16,000
Total	1.669,000

¹⁴ Bosnia and Herzegovina Ministry of Security, *Bosnia and Herzegovina Migration Profile: for the year 2010*, (Sarajevo: Immigration Sector, 2011), 70.

In the year 2000, 23.9 percent of the tertiary educated population of Bosnia and Herzegovina emigrated (Figure 3). In other words, Bosnia and Herzegovina has the second largest tertiary educated emigrant population out of all European and Central Asian Countries.

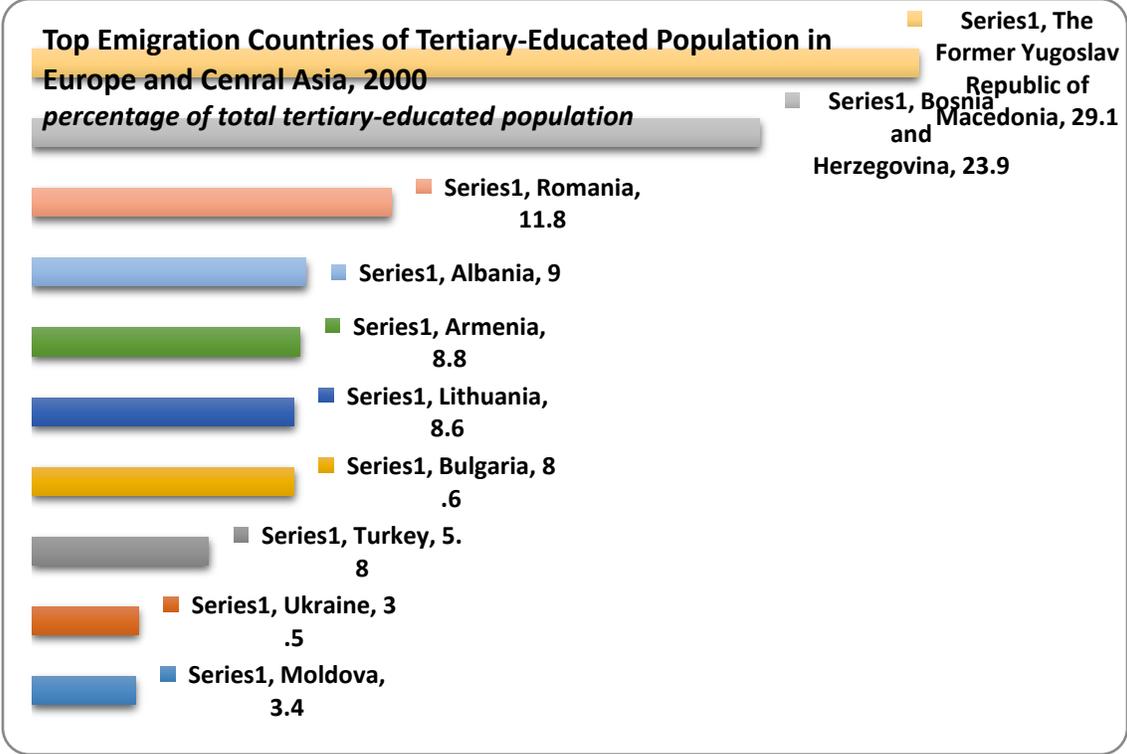


Figure 3. Top Emigration Countries of Tertiary-Educated Population in Europe and Central Asia, 2000

Source: Migration and remittance Factbook - World Bank Publications, 2011.

Bosnia and Herzegovina also tops the list for top emigration countries of Physicians, also in the year 2000, with approximately 12.7 percent of all physicians trained in Bosnia and Herzegovina emigrating (Figure 4). That is an estimated 705 physicians emigrating in 2000 alone, and a significant loss to Bosnia’s health care system.

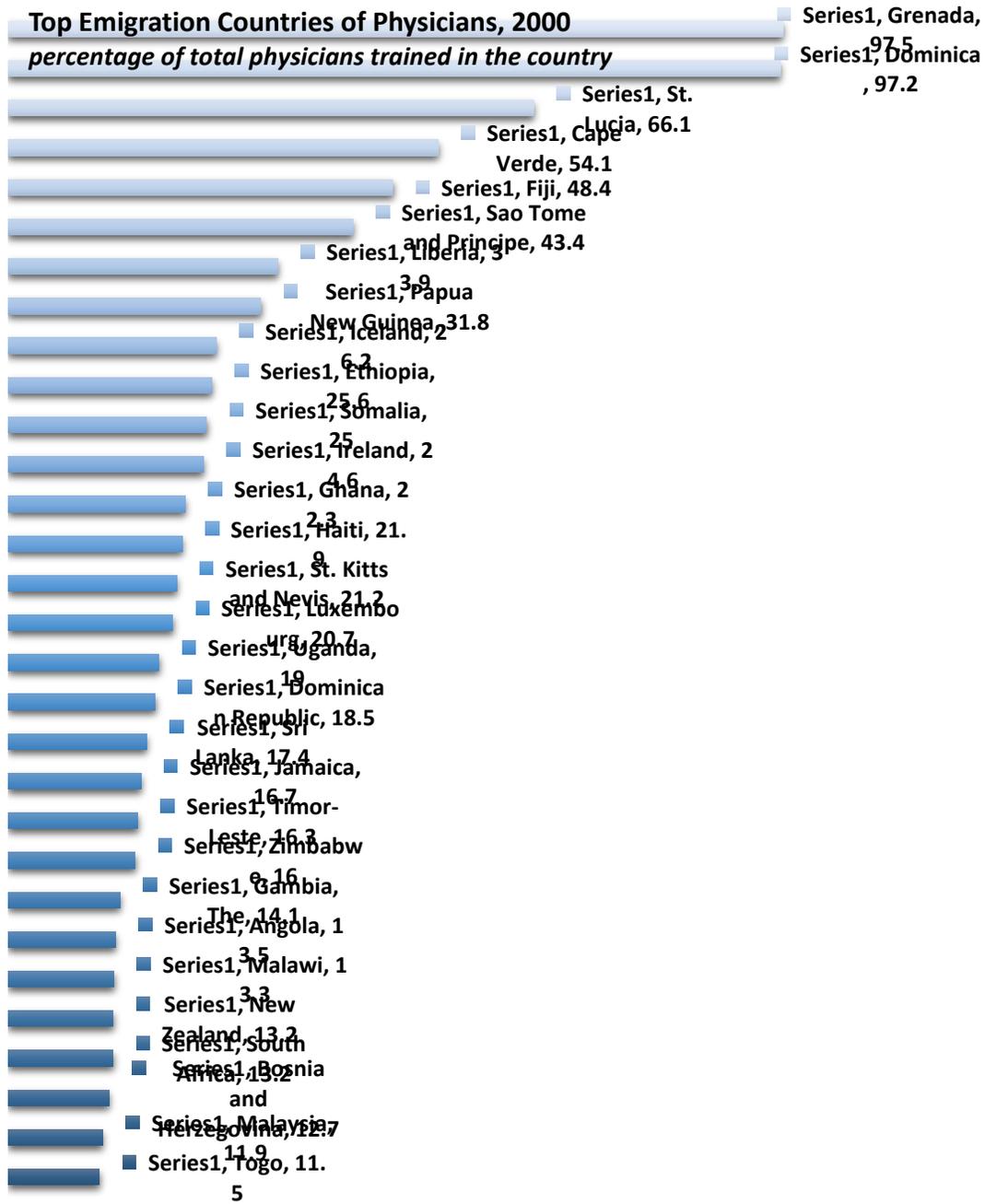


Figure 4. Top Emigration Countries of Physicians, 2000

Source: Bhargava, Docquier, and Moullan 2010.

It can be safe to assume that in the last 12 years these numbers have significantly increased meaning that more and more educated people leave Bosnia and Herzegovina every year.

Although there are many factors at play when discussing the brain-drain of Bosnia and Herzegovina, remittances definitely plays a significant role.

In fact, remittances offer the youth the extra financial means to leave Bosnia and Herzegovina after having completed their education, which as mentioned it is highly subsidized. Having the luxury of completing their education and at a fairly low cost, they can use remittances to pursue careers and employment elsewhere. Also, having family members abroad provides further incentive to leave and upon seeing how well these family members are living abroad, since they are able to send remittances, all spur their decision to migrate. In 2004, the World Bank Living Standards Measurements Survey (Wave 4) was conducted in Bosnia and Herzegovina and one question asked to the sample group was where would you like to move to? 68.3 percent replied that they would prefer to move abroad. Of course, poor government bureaucracy, corruption and such were among the factors for their possible decision. However, corrupt government in Bosnia and Herzegovina prefers remittances to keep the educated population in the country. In fact, if the educated population leaves they are more likely to find financial success outside of Bosnia and Herzegovina and send remittances to their family left in the country and as a bonus the corrupt government is left with a less educated and often older population which is much easier to manipulate. Furthermore, many politicians openly state how they rather have Diaspora who sends money into the country as oppose to the displaced Bosnian population returning. This critical political environment only heightens the negative long term effects of remittances and further initiates the brain drain occurring in Bosnia and Herzegovina.

The feelings are mutual as Diaspora has no desire to return either, not that the conditions are good enough to render return as anyone wishing to return faces many bureaucratic difficulties. A report on the return of young Diaspora to the BiH labour market conducted as part of the Youth Employability and Retention Program in November of 2011 surveyed Diaspora youth around the world. Among other results, the survey found that 31 percent of Diaspora youth was not considering a return to Bosnia and Herzegovina, 85 percent of which stated they have no intention of returning ever. When the group of migrants abroad not interested in returning was

asked how they believe they could best contribute to the development of Bosnia and Herzegovina, 81 percent said through remittances.¹⁵

The atmosphere created partially by remittance receiving over a long period of time is negatively affecting the economy of Bosnia and Herzegovina. With an already weak labor force, remittances are arguably contributing to the further brain-drain that characterized the period of migration of Bosnia and Herzegovina caused by the Bosnian war. Doubled with an already negative population growth, Bosnia and Herzegovina cannot expect to prosper economically, socially or educationally.

Conclusion

The long term effect of remittance inflows into Bosnia and Herzegovina have proven to be negative due to their tendency to promote further migration of youth and the educated population at large. With the second highest populations of tertiary educated emigrants in Europe and Central Asia, as well as one of the highest populations of trained physician emigrants in the world, Bosnia and Herzegovina is witnessing a constant drain of intelligent labour force. Furthermore, with a majority of the population left in Bosnia and Herzegovina desiring to move abroad, the country is on its way to facing another massive migration and loss of potential human capital since that is greatly needed to improve the present economic and social conditions.

The tendency of remittance receiving households to use the extra income inflow mainly for consumption tends to have more negative than positive effects on a microeconomic and macroeconomic level. Although the contribution of remittances to gross domestic product is significant, their potential and effect would be greater if invested in greatly needed entrepreneurial ventures in Bosnia and Herzegovina. Knowledge of such possibilities is lacking and with the brain drain, it is unlikely that education will get any better in the near future.

The population of Bosnia and Herzegovina, remittance receiving and otherwise, needs to be educated on the potential of remittances and possibility for economic growth through them. Reforms need to be made to help keep young and educated people within the country as oppose to pushing them out and allowing remittances to help them in doing so. Remittances in Bosnia

¹⁵Nermin Oruč, Ajla Alić and Sasha Barnes, *To BiH or not to BiH?: A Report on the Return of Young Diaspora to the BiH Labour Market*, (MDG Achievement Fund , 2011), 40.

and Herzegovina have the potential to help boost the economy in many ways; education is just needed to provide remittance receiving households with the proper knowledge and tools to invest their extra income. If steps are not taken, the long term effects of remittances will continue to get worse with time leaving Bosnia and Herzegovina with a deteriorated economy and society with little potential for growth and productivity, the beginnings of which can already be observed.

Amela Trokić holds a Bachelor's Degree in Business Administration and is currently pursuing her Master's Degree. She is also an IPMA certified Project Manager with extensive international work experience in Bosnia, Canada and Turkey. As a two time migrant from Bosnia, she is very interested in the effects of Bosnian migration and currently works in New York for a NGO devoted to preserving the Bosnian culture and tradition among Diaspora.

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The Woman and Sixpence: Gendered impact of remittances on social sustainability of Ukrainian transnational households

By Alissa V. Tolstokorova

Abstract

The key objective of this paper is to make an analysis of the gendered effect of remittances on poverty alleviation, and in wider terms, on socio-economic sustainability in Ukrainian transnational household. Socio-economic sustainability is measured here by means of its impact indicators, which include together with poverty, issues of employment, health, education and gender equality in migrant families. The paper is grounded on the materials of a field research, implemented across a number of stages: a participant observation, in-depth interviews with experts in migration policy and women's/gender issues, structured interviews with members of Ukrainian transnational households and life-course interviews with Ukrainian labor migrants.

Key words: gendered effect of remittances, socio-economic sustainability, poverty alleviation, Ukrainian transnational family

Introduction

The research in various countries of the world has revealed the importance of understanding migration within the family dynamics and as a community strategy. From this point of view, the issue of gender and remittances is a perspective area of study, which is still under-researched. This explains the goal of this paper which is to identify the gendered impact of remittances on *social sustainability impact indicators* (TSIA Handbook, 2008). These include: poverty, health, education, labour issues and gender equality in Ukrainian family. To reach this broader goal, the study will pursue the following **narrower objectives**:

1. *Conceptually*, it uses a gender sensitive analysis to link into a holistic approach the diverse debates about Ukrainian transnational migration and remittances, low-paid employment and household coping strategies.
2. *Methodologically*, the research is designed to employ “soft” research methods of data selection, procession and analysis to produce an account of the financial aspect of Ukrainian migrant labour, incorporating gendered views and experiences of migrants themselves.
3. *Empirically*, it is aimed to develop important new data sets outlining the experience of Ukrainian low-paid migrant labour employed in the EU, highlighting a gender dimension of their economic strategies via varying remitting patterns. Special emphasis is placed on the role of remittance for *poverty alleviation* in the Ukrainian migrant households and such key aspects of social sustainability of the family as *children’s education, employment* of home-staying family members, *gender and family equality, health-care* issues.

Key terminology. In this paper the concept of *gender* is understood in compliance with the OECD definition, referring to “economic, social, political and cultural attributes and opportunities, associated with being male and female” (OECD, 1998). *Transnational family* is conceptualized here following Bryceson and Vuorela (2002: 3) as the one whose members “live some or most of the time separated from each other but yet create a feeling of collective welfare and unity, namely ‘familyhood’, even across national borders”. The paper follows a classical definition of *remittances* as “monetary funds sent by individuals working abroad to recipients in

the country that they came from”, combined with theoretical considerations informing what monetary flows are included in it, particularly in what concerns *who sends the resources* and *who decides how the resources are used* (Roberts, Banaian, 2004: 3). Furthermore, remittances are presented here in line with a UN-INSTRAW approach (2006a) as going beyond the monetary dimension of “migradollars” (Massey, Parrado, 1994) and covering social aspects of migrant transfers. It is assumed that social remittances have an impact on gender relations within the household and community, challenging traditional views on gender roles and images of women due to “gender equality remittances” (Tolstokorova, 2010a). Drawing upon this framework, the **main goal** of the paper is to make a gender-sensitive analysis of the role of remittances for *social sustainability impact indicators* (TSIA Handbook, 2008) which include: poverty, health, education, labour issues and gender equality in the Ukrainian family.

Methodology. The paper is grounded on the materials of a research project, which involved a complex approach implemented across *the following stages*:

- 25 in-depth interviews with experts in migration policy and women’s/gender issues made in Kiev and Lviv in the course of the project “Care-work and welfare internationalization. Transnational scenarios for the welfare of the future”, carried out by Centro Studi di Politica Internazionale (CeSPI), Rome, Italy;
- 29 semi-formal interviews with Ukrainian migrant women working in recipient EU countries (work in progress);
- interviews with 9 migrant families included both circular migrants themselves and their family members;
- non-participant observation through informal conversations with members of migrants social networks.

Role of remittances in the economic sustainability of Ukrainian transnational household

Remittances are crucial for many Ukrainian households and regions, although statistics on migrants’ remittances are fragmentary and data from different sources are difficult to reconcile (Atamanov et al, 2009: 28-29). As was discussed earlier (Tolstokorova, 2010b), the pull of

remittances Ukraine receives from the citizens working abroad, by analysts' assessments may amount between 0.7% to 25% of GDP (GFK, 2008, p. 5). Thus, according to the National Bank of Ukraine, in 2006 alone Ukraine received \$5.6 bn of remittances from its migrant workers (taken from Gajducky, 2007). The IFAD statistics for that year was \$8.47 bn (IFAD, 2007, p. 12). Meanwhile, by the estimates of Ukrainian experts, the real sum may reach up to 10-20 bn (Fedorak, 2007), considering that Ukrainians do not trust the national banking system and prefer unofficial means of credit transfer. By contrast, the foreign direct investments Ukraine attracted throughout 16 years of state independence did not exceed \$24 bn (Kyiv Post, 2007). In the most economically disadvantaged areas, as for instance Ternopil and Chernivcy, this contrast is even sharper: the ratio between foreign investments and informal migrant remittances into the national economy is 1 vs 40 (Parkhomenko, Starodub, 2005, p. 20). The dynamics of remittances throughout 2000-2006 is reflected in table 1.

Table 1. Remittances dynamics in Ukraine, 2000-2006

<i>(US\$ million)</i>	2000	2001	2002	2003	2004	2005	2006
Inward remittance flows of which:	33	141	209	330	411	595	595
Workers' remittances	-	84	133	185	193	236	-
Compensation of employees	33	56	74	145	218	359	-
Migrants' transfer	-	1	2	-	-	-	-
Outward remittance flows	10	5	15	29	20	34	34

29 20 34 34							
<i>of which:</i>							
Workers' remittances	-	-	-	-	-	34	-
Compensation of employees	2	-	4	4	6	10	-
Migrants' transfer	8	5	11	25	14	22	-

Source: World Bank (2008)

The analysis of available research literature shows that in many Ukrainian transnational households, remittances serve as an efficient tool allowing to alleviate poverty and advance material well-being. As was shown elsewhere (Tolstokorova, 2009b), savings made through international employment are used mainly for family consumption and for investments into children's education and housing. By assessments of Ukrainian realtors, around 60–80 % of remittances are invested into real property estate. To a much lesser extent, they are invested into small family businesses, mainly because Ukraine has few economic incentives for such enterprise (Malynovska, 2006). According to sociological self-assessments of transnational households held in 2002, 41,1% of responders reported that migration enabled them to increase their family welfare tangibly; 43,1% found their material and financial status to be only “somewhat improved” and mere 8,8% acknowledged that their well-being did not change considerably. At the same time, 63,4% of families acknowledged that labour migration allowed them to reach high economic status, while only 13% estimated their material situation as poor (SIFY, 2004: 19). Statistics confirms that consumption patterns in translational families are more varied than in families with similar social and educational status working in Ukraine. For example, their households are better equipped with modern furniture and appliances, they own more motor vehicles and consumer durables, etc. (Malynovska, 2004: 14). For instance, there were 2 microwaves in non-migrant families vs 25 in those receiving remittances respectively, 2 vs 24

computers, 16 vs 36 automobiles per 100 families. Responders of sociological polls acknowledged that 55-60% of these goods were purchased from remittances (SIFY, 2004: 19). Results of an all-nation sociological survey were consistent with these findings. The evidences that migrant households owned more modern commodities as compared to non-migrant ones in such proportions are: every-day ware – 2,3 times more, computer equipment - 2,5, stereo and video appliances - 1,8 (Pribytkova, 2003: 112).

At the same time, as was noted earlier (Tolstokorova, 2010b), remittances became a sort of “development mantra” (Kapur, 2004), seen as a panacea against economic hardships in transnational families and source societies at large, and a key “silver lining argument” against those who are mindful of negative repercussions of outsourcing. Yet, what is often silenced is that remittances accelerate inflation in the societies receiving them, and therefore, shrink the consumption potential of the population (SIFY, 2004, p. 21). Additionally, the benefits of remittances “may not offset the losses of the local social protection systems and/or budget deficits resulting from the fact that the migrant workers do not pay taxes in their home countries, but their families use public goods (healthcare, education and other public services” (Góra, Rohozynsky, 2009, p. 11). Equally, while foregrounding the financial benefits of labour export for source societies, this approach often neglects the social and human costs of migration, especially in the medium and the long run.

Remittances, gender and sustainable family development

Although there is now some recognition that migration is a gendered process, the relationships between remittances and gender are under-researched. The gender perspective has barely been considered in studies on patterns of remittances, transfer channels, use of remittances, and their potential for development (Yinger, 2007). Furthermore, despite having some consensus about the economic benefits of transnational labor migration for labor-sending societies at large, there is far less understanding of the long-term impact of remittances on labor-sending communities, especially at the level of the household, marital and intergenerational relations within the family. Empirical research (Pinnawala, 2009) showed that the spatial separation of migrants from their families entails that issues of resources use and management are taken outside the confines of the

household. This may result in the separation of an earner from a manager, creating spatially separated parallel power centers within the transnational family space with the manager of income as the center of power in local family/household space and earner of income (woman migrant) as the center of power in the new livelihood space. Hence, gender is an important factor in determining the remitting strategies in transnational families and in shaping supportive social networks to bolster the basis of financial security and wellbeing of the transnational household.

Furthermore, research findings evidence that women play a leading role in remitting, as recipients and managers and as senders. Thus, the participants of a UN-INSTRAW virtual discussion on gender and remittances (UN-INSTRAW, 2008) evidenced that although women's patterns of remitting may vary depending on why they have migrated (Ramirez, Dominguez, Morais, 2005), overall, women are found to be more reliable as senders and managers of remittances than men. Research from Peru showed that women are more prone to invest remittances in productive enterprises, such as tailoring, producing handicrafts, commercial agriculture and raising cattle. A case study from the Dominican Republic found that when migratory flows first began, women remitted money to their husbands, but as a result of men's poor management of remittances, women chose to send money directly to mothers or sisters but not to men (UN-INSTRAW, 2006) which is also true for Philippina women-migrants (Parreñas, 2005). The research in Georgia showed the prevalent perception among returned female informants that female migrants sent more remittances and were better able to support their families, because they did not spare themselves while working for remittances: they did not go out during their days off, called home only twice a month, did not buy anything for themselves in order to save as much as they could to send savings back home (Zurabishvili, Zurabishvili, 2010: 81). Men, it was found, spent their remittances not as effectively as women. The experience of Tajikistan showed that the longer migrant men stayed away from their families, the more likely they were to start a second family and when this happened, the remittances gradually decreased (Crisis Group Interviews, 2009). The research among Ghanaians in London discovered gender differences in remitting patterns, in particular, that while men send remittances in larger amounts and not so regularly, women send more regularly and respond more positively to calls from the country of origin in periods of crisis. Therefore, women are seen by the UN as critical actors in the remittance-to-development paradigm, and for that matter, understanding differential gender characteristics in remittance use, savings and investments becomes a major prerequisite for the success of local development

programs (Ribas-Mateos, 2008). This is why, as argued by the UN-INSTRAW, in search for a framework through which the complexities of global migration may be understood at its best, the connection between *gender and remittances* emerges as a *key factor* in this global phenomenon that demands further examination (UN-INSTRAW, 2007).

Analysis of field research findings

The financial aspect of labour migration is a relatively new area of research in Ukraine. It is comprised of few occasional papers (Gajducky, 2007; Atamanov et al, 2009). At the same time, the gender dimension of economic activity of migrants has never before been placed in the focus of attention in the Ukrainian scholarship. Therefore, the project was designed as an indicative study, aimed to better understand the various forces underlying the dynamics of foreign employment and its economic aspects through gender perspective and mapping the key transnational stakeholders of migration and remittances in the selected geographical areas.

Role of remittances in poverty alleviation and employment of Ukrainian transnational households: Efficient but insufficient

Our interviews showed that remittances play a crucial role in poverty alleviation in transnational households, enabling family members left behind to secure means for the basic subsistence consumption expenditures on food, rent, petty everyday expenses, etc. This was unanimously admitted by all the women-migrants and female members of migrant families left behind. As was commented by one migrant woman, when she complained about the hardships of her migrant life to her mother on the phone, the old woman replied (cited in Tolstokorova, 2010a):

“While you are there, your children here have food to eat and money to pay the university fees. So, clench your fists and tolerate it. (Interview with Tamara, 49 domestic workers, Rome, 02.04.2009).

It was admitted that remittances enabled transnational households to escape serious financial constraints, which otherwise might be unavoidable:

Responder (2): *If it was not for remittances, I would parish here, because practically, for my own salary I would not be able to survive, of course (Interview with Olena, an unmarried adult daughter of migrant parents and a sister to a*

migrant brother. Works as a sales-assistant at a supermarket. Chortkiv, 29.04.2010).

Responder (2): *My migrant daughter sends me transfers every month, because with my retirement allowance, which is a minimal of 700 hryvnyas¹⁶, it is impossible to survive here. Although my son works here, his wage is only 700 hryvnyas too and this is insufficient for the family to survive, of course. Just consider that in the family but for me, there is also my son, who studies and works, my grand-son, who also studies while my migrant daughter pays for his tuition, and my grand-daughter, who will also become a student soon. And the daughter herself needs something to live on, because she is still young, she is but 40. You see, after her husband passed away, she has to make her own living (**Interview with Marta, retired, works part-time, mother to a widowed migrant daughter. Lviv, 18.05.2010).***

However, all the women admitted that although remittances enabled the improvement of the financial situation in their families, taken alone, they were insufficient to cover the consumption requirements of family members left behind. Notwithstanding that nearly all of responders pulled remittances with retirement allowances and earnings from part-time jobs, the financial situation in the household was not seen as affluent.

Interviewer: *Are remittances you receive enough to support you family here?*

Responder (1): *To say they are sufficient for 100%, I wouldn't say so. Probably not. It is only €150 per month. So, of course not, it is not enough (**Interview with Marta, retired, works part-time, mother to a widowed migrant daughter. Lviv, 18.05.2010).***

Responder (2): *Not always. Sometimes they are not. ... And this is despite both me and my husband still working, although being retired. (**Interview with Ganna, retired, works part-time, mother to a divorced migrant son. Chortkiv, 29.04.2010).***

Responder (3): *Well, probably yes, but consider that in addition to them I have my pension and the earnings from my part-time job. If to put all this together, then it is*

¹⁶ By rates for May 2010, it was around \$90.

more or less enough. (Interview with Diana, retired, works part-time, mother to a migrant couple. Chortkiv, 29.04. 2010).

Therefore, although remittances, in most cases received from more than one relative, enabled migrant's households to escape poverty and to raise their financial security, they could cover their financial requirements only partially, being sufficient to provide mainly for the most basic daily needs of the family. In order to maintain a more or less decent level of life in transnational households, all their adult members, including retired seniors and students, had to work. Hence, they had to pull remittances with other sources of income, like wages, earnings from part-time jobs, retirement allowances, etc. Nonetheless, even when migrant relatives took the responsibility for more costly expenditures, like electronic equipment, furniture, clothes, footwear and tuition of children left behind, etc., women assessed the financial situation in their households to be no more than satisfactory.

Therefore, the results of our interviews showed that the empowering effect of remittances on women in terms of their financial advancement is rather relative, enabling them to escape poverty, but not proving sufficient funding to ensure financial security, especially after retirement. In addition to an observation that “reducing the poverty of particular remittance-receiving households will not necessarily reduce poverty in the economy as a whole” (IBON EDM, 2009: 2) this signifies that the potential of remittances for resolving the economic constraints in the family and society is rather low and does not offset “the cost of the social stresses due to extended separation from family members” (Ibidem).

Role of remittances in securing education for the younger generation in migrants' families: Earning for learning

Our interviews with all the three groups of responders showed that children's education is one of the key incentives for migration. According to expert assessments, the three priorities for earnings aboard for Ukrainians are as follows (Tolstokorova, 2009a):

- a) to find a job to earn for everyday living and to support the family left behind at home;
- b) to make accumulations necessary to cover tuition for children;
- c) to make accumulations to buy housing or to make investments into real property estate.

These motivations were not recognized as gender-specific, but pertaining to both women and men. This is how it was explained in one of the experts' interviews:

Responder: *I don't agree with those who claim that this money is used mainly for everyday consumption, for example for food. My personal opinion is that remittances arriving from abroad, and it is around 10% of our GDP, despite not being invested in business development, are invested into higher education for children. For most people going abroad, the key incentive is to provide quality higher education for their children. (Interview with a Director of a think-tank on connections with the Ukrainian Diaspora. Lviv, 01.07.2008).*

This is consistent with the situations described by migrant women themselves, for example, in the interview with Tamara, cited above. Other interviewed women also noted that their primary goal for migration was to accumulate money to cover the University tuition of their children. This was the case in the family of Nadezhda (39, a former music teacher and a singer), who went to work first to Greece and then moved to Italy, where she was employed in elderly care. Her remittances allowed her son to study at the University in Kyiv, where he lived with Nadezhda's brother. The intention to give higher education to her two sons was also the incentive for migration to Anastasia (cited in Tolstokorova, 2010a):

"...My elder son was about to graduate from school and we needed money to pay for his university education. The problem was that, when industry and the army collapsed after the demise of the Union <USSR>, in our small Crimean town there were no jobs left for men. Only some low-paid work for women in the service sector was still available. So, my husband lost his job and could find only part-time work in the informal sector. Since I worked in the service sector, I managed to keep my job, but my wage was ridiculously low. Anyway, our joint incomes were insufficient to maintain a family with two children. So, I decided it was me who had to leave for earnings abroad (Interview with Anastasia, 38, working in the services business in Monaco [more specific information on the character of her job was not provided to the interviewer "for confidentiality reasons"]. Nice, France, 08.12. 2007).

Among members of transnational families there were different models of investing remittances into the higher education of the younger generation. Thus, as was evidenced by the interview with Marta cited above, remittances were earned by her migrant daughter to invest into the tuition for all the three children in the family staying in Ukraine, both current students (the remitter's son and her brother) and the prospective ones (her daughter). In Olena's family it is her migrant brother who receives higher education in the USA from savings, which he makes by working there part-time. When necessary, his divorced parents (both working in Italy) help him to cover the tuition. The third model was found in Vera's family. Her daughter together with her husband left to work in Italy with the intention to secure money in order to provide higher education for their two small children who were left behind at home at Vera's care. When the parents could stay and work legally in Italy, they decided that it would be better for their children to receive European education. They fetched their school-age children to live with them, hoping that in the future they would be able to pay the fees for their studies at an Italian University. First it was the elder daughter who moved there, and then the younger boy joined the family:

***Responder:** Even though both of my grandchildren started studying in a regular Italian secondary school, they learned the language very quickly. They both are very successful at school. In some subjects they even rate the best in their grades. For example, the girl was allowed to skip one year at school and from the 5th grade she was transferred to the 7th, not the 6th! She won the competition for the best essay about Italian history in her class! So, we are sure our kids will be successful as University students in the future too ((**Interview with Vera, retired, mother to migrant couple. Kyiv,05.03.2009**)).*

These examples allow us to conclude that remittances play a pivotal role in securing educational possibilities for migrants' children. Hence, they justify the role of a key incentive and a "rationale" for parents working abroad (Boehm, 2008), as they contribute to social sustainability of the Ukrainian family by enabling better life perspectives for the children in the future. At the same time, as was discussed elsewhere (Tolstokorova, 2008; Tolstokorova, 2010a) expert interviews showed that for the education of the children of migrants it often becomes primarily a matter of high social prestige, rather than skills and knowledge acquisition and therefore, they often neglect studies at Universities, thus wasting "European scholarships" (Tolstokorova,

2009b), received through remittances of their “paychecks moms” (Tolstokorova, 2010b), working abroad: (cited in Tolstokorova, 2008).

“One girl told me: ”Oh, I study in a group where half of my group-mates have their moms in Italy, so they don’t have to study because their moms send them money and they just pay for their credits”. So, it’s a huge impact on children, especially teenagers. They have money that their moms send, they have easy money, they start gambling, or take alcohol and they don’t need to study because they know: “Mom will send me money, why should I go to school”?” (Interview with experts of a women’s NGO. Lviv, 02.07.2008).

Hence, the efficiency of remittances invested into University studies of children may be dubious, insofar as children and teenagers, who lack parental control due to parents’ out-migration, are not always able to use them properly and often misuse the money transfers from abroad for unduly purposes, wasting them on their whims, if not vices (Kyrchiv, 2004).

Role of remittances in resolving health-care issues in families of migrants: the cost of the cure

As was discussed earlier (Tolstokorova, 2009b), health-care is a challenging area of life for labour migrants, taking into account that the majority of them work abroad illegally and have no health-insurance. Moreover, very often they work in conditions of high physical pressure, health-hazards and even life-risk, entailing serious deteriorations to their physical, emotional and reproductive health (Lakiza-Sachuk, 2001: 48). Interview with migration experts showed that despite most of potential migrants usually being in good health, which they regarded as a prerequisite for successful job search abroad, there is evidence that many of them developed health problems through their work in another country. Thus, sociological polls (Women’s Perspectives, 2003) showed that 37.86% of migrants gave positive answers to the question if they had health problems while working aboard and 6.80% answered that they experienced partial problems; while 8.2% of women reported that they experienced sexual harassment. Furthermore, experts noted that one of key health problems for women-migrants is gynecological illnesses, which may be due to emotional pressure or different climate in a foreign country (cited in Tolstokorova, 2008).

Expert: *I am talking about health problems, because as a result of a different climate, stress, etc., a lot of women have gynecological problems. Anyway, I had a client, who said that she came back [from Italy] and had to re-start her life here because if she went back [to Italy], doctors could not guarantee that this disease would not develop into a cancer and stuff like that...". If they [women] work unofficially, illegally, they don't have medical insurance and the situation is getting worse for them [in terms of health condition]. Take, for example, my sister-in-law. She worked abroad illegally and this is why after a while she came back home with a poor health. After she had a treatment here, the doctors said that she should better stay home if she wanted to live longer, because her health condition was worsening.*

Interviewer: *And are there many cases like that?*

Expert: *Yes.... I had another client who came back from Italy some years ago. The reason was because she got into a car accident and she had no medical insurance. She spent all the money she earned on the operations ... and for that matter she couldn't work for some time. She could only afford to cover air-fair to come back to Ukraine...". (Interview with a lawyer, an expert of a women's NGO. Lviv, 02.07. 2008).*

Emotional wellbeing of women-migrants is also a matter of concern for specialists, taking into account that very often they work in conditions of high stress and emotional pressure, but being separated from their families they can hardly count on their emotional and spiritual support, protection in times of hardships and crises. In such conditions it is no wonder that they experience emotional and mental health problems. Thus, the Parliamentary Committee of Ukraine in Foreign Affairs reported that starting 1999, cases of hospitalization of Ukrainian women working in Italy increased 10 times (NIC, 2006). Many women-migrants, who in Italy often work in psychologically unfavorable environment, upon returning home develop a so-called "Italian syndrome" (Tolstokorova, 2009b), which refers, but for physical ailments, to paranoia, agoraphobia, aggressiveness and other mental disorders, etc.

Hence, remittances not always have a multiplier effect, insofar as they may be used not so much for the benefit of the healthcare requirements of family members left behind, but to compensate for the detrimental effect to health of migrants themselves, caused by unfavorable conditions of work abroad. In other words, they do not always bring “healthcare dividends”, but may serve as a fee to be paid for the experience of migration *per se*, in addition to the damage to the migrants’ health.

Role of remittances in gender equality: promotion in transnational families

In our interviews, experts in women’s issues noted that for women, migration was an opportunity to get rid of excessive parental control or failed marriages. To move away from situations where they lived under traditional, patriarchal authority to situations where they are empowered to exercise greater authority over their own lives” (UN, 2006).

Expert (1): ...A rural woman who works in agriculture here, she works very hard, but she is not paid much. And of course, when the context changes, when she gets into other conditions of work, her attitude changes, it changes her mentality. So, when women get back home, they refuse to accept the same realities as they had before, because their mentality changes and their perceptions change. (Interview with an expert in migration issues from a state research institute Kyiv, 24.07.2009).

Expert (2): “In the village she [a woman] works hard, because you know the situation. And now she can leave aboard, where she sees quite a different attitude to herself. This is why she does not want to go back to the same situation at home. It is an empowering effect, you see. This is one of the reasons why families collapse. Because she does not want to go back to conditions where she was powerless [...]. Because after coming back home she will teach her child that it is possible to live by other standards. She will not want her daughter to be treated the same way as she herself had been treated by her husband.” (Interview with the director of a think-tank on connections with the Ukrainian Diaspora. Lviv, 01.07. 2008).

However, although this is of course true for some women, other interviews confirmed our earlier findings (Tolstokorova, 2008; Tolstokorova, 2009b; Tolstokorova, 2010a) that the empowering effect of migration on women in many cases is but relative. The paradox is that although

remittances enable migrant women to acquire more financial freedom and self-reliance, they entail neither more fiscal democracy, nor more gender equality in transnational families. Foreign employment only increases mother's double burden, but does not always lead to more financial independence insofar as by assuming the roles of breadwinners, women become more bound by financial obligations to their children and their minders, while their husbands use the managerial financial roles of their wives as an opportunity to decrease or even escape their own contribution into family budget. Furthermore, in some cases women may even be tapped into specific forms of financial dependency from their ex-husbands, who try to manipulate the motherly feelings of their ex-spouses. Thus, as was shown in our other work (Tolstokorova, Ryndyk, 2010), during the participant observation and informal interviews with officials of the Service for affairs of family and minors of the Chortkiv district state administration, we learnt that the town courts there abound in legal cases, initiated by migrant women in order to deprive their ex-husbands of their paternal rights in view of their alcoholism or other kinds of anti-social behavior. These husbands often demanded their ex-wives to pay them penalties for the official abandonment of their paternal rights (and respectively duties) to their own children. The rationality behind these collusions is not the emotional attachment of fathers to their children, who they do not want to forfeit for free, but a mercantile desire of men to obtain dividends for a "favour" of abandoning the rights for their own off-springs. These cases testify not only the transformation of gender role models in migrants' families, but also evince the mercantelization of interpersonal ties in transnational kinship relationships.

Therefore, our research shows once again that financial independence and "gender equality remittances" (Tolstokorova, 2010a) which women acquire through the exposure to more egalitarian cultures of Western democracies, do not obligatory entail empowerment, but may have even a reverse effect on them, leading to more dependency on family and ex-husbands.

Summary and Conclusions

Our interviews showed that remittances are, indeed, instrumental for the goal of achieving economic and social sustainability of Ukrainian migrant family. They allow to escape poverty and to raise the financial security of transnational households, thus enabling them to escape serious financial constraints, which otherwise might be unavoidable. Remittances play a pivotal

role in securing educational possibilities for migrants' children, thus providing the background for their fulfillment and professional self-realization in the future.

For women, migration in some cases may be an opportunity to get rid of excessive parental control or failed marriages. Finances accumulated abroad make an important contribution to healthcare security of transnational families. At the same time, it was learned that remittances cover the financial requirements of transnational households but partially, being sufficient to provide only for the most basic daily needs of the family. The empowering effect of remittances on women-receivers in terms of their financial advancement is rather relative, insofar as they do not provide sufficient funding to ensure financial security, especially after retirement. In reference to women who are remittances senders, although they acquire more of financial independence and "gender equality remittances" due to their work abroad, yet it does not always entail either their empowerment or more family equality, while in many cases has a reverse effect on them, leading to more dependency on family and ex-husbands.

The investment of remittances into university tuitions of migrants' children may result in their misuse by the latter, who often develop consumerist attitude to financial contributions arriving from abroad and are not always prone to benefit by them for professional purposes. In terms of contribution of remittances into the resolution of healthcare issues in transitional families, our fieldwork showed that in many cases they serve not so much to maintain physical well-being of family members, but to compensate for the health damages to migrants, which they acquire due to unfavorable conditions of low-cost foreign employment.

Hence, our general conclusion is that although remittances obviously contribute to the socio-economic sustainability of Ukrainian transnational family, their effect is rather relative and can hardly offset the destructive impact of migration on the transnational family space, which includes undermining its of principle social functions (Tolstokorova, 2009b) and the decline of kinships ties (Tolstokorova, Ryndyk, 2010) and often leads to dissolution of family as it is.

Alissa V. Tolstokorova, PhD is an independent expert in gender issues, provides research expertise to the International School for Equal Opportunities (ISEO) in Kyiv. Recipient of international scholarships for research and teaching in Gender /Women's Studies and Social Sciences including short-term training on the topic in various countries and author of over 130 publications in Ukrainian, Russian, English, German, French, Turkish and Croatian language.

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*Dame Gruev No: 7-8/3
Skopje 1000 Macedonia
info@analyticamk.org
Phone: +389.2.312.1948
Fax: +389.2.312.1948*