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Return Migration's Profile and Experience: Empirical Evidence from Bulgaria

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The wiiw Balkan Observatory

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Vesselin Mintchev and Venelin Boshnakov

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The wiiw Balkan Observatory

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Return Migration's Profile and Experience: Empirical Evidence from Bulgaria *

Vesselin Mintchev **
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Introduction

The analyses of East European emigration reflect the so-called „3-4 percentage rule of thumb” and are based on the assessments from the early 1990's, according to which Central and Eastern Europe /CEE/ would lose not more than 3% to 4% of its working-age population for a period of about 15 years after lifting of the transitional restrictions on labor mobility. About 2/3 of this migration flow was expected to come from Poland and Romania /Leyard et al. (1992), Straubhaar (2001)/. Recent studies show that emigration from Bulgaria would hardly exceed by more than 2% to 3% the expected trans-boundary mobility in the region /Mintchev et al. (2004)/. These findings were confirmed by the Report of the European Commission released in February 2006 on the functioning of the transitional arrangements introduced in 2004 concerning international labor mobility /EC (2006)/.

Studies of East-European emigration are commonly hampered by the absence of relevant information. This is particularly valid for the analyses of remittances transferred by emigrants and their usage in the home country. A limited number of publications reveals a range of specifics (e.g. predomination of short-term seasonal labor mobility, usage of remittances for small business development /Leon-Ledesma and Piracha (2004), etc./ that positions the remittance behavior of East-Europeans between the extremes known in research literature: the “developmentalism” extreme and the so-called “Dutch disease” or “migrant syndrome” /Taylor (1999)/.

There is also noteworthy evidence for a hypothesis to be raised that in South-Eastern Europe transition countries a persistent mobility takes place from the *new emigration countries* /such as Albania, Bulgaria and Romania/ towards the *new immigration countries* of the Mediterranean being EU Member States. It is also expected that such a migration is characterized by low costs of departure organization, employment mainly in the so-called 3-d jobs /dirty, dangerous, difficult: see, e.g. Martin (2003)/, high share of unregistered remittances, non-altruistic remittance behavior /i.e. usage of remittances for development of small and medium-sized enterprises/ and at the same time sustaining high supplementary effect of remittances on households income, etc. /Gachter (2002), Guentcheva et al. (2003)/.

After the abolishment of EU visa regime for Bulgaria in 2001 a considerable upward shift in the *net current transfers* from abroad is observed. In absolute figures, these transfers grew nearly threefold from 316 million EUR in 2000 to over 900 million EUR in 2005. Its share in GDP doubled reaching levels of about 4% at the end

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of the period, observed /see table 1/. A number of analysts devote special attention to this fact underlying the compensation of trade deficit /about 30%/ and thus sustaining the macro-economic stability in the country /Stanchev et al. (2004)/.

According to the methodology applied by the Bulgarian national bank¹ *current transfers /credit/* are recorded as unilateral free transfers to Bulgarian residents where two main recipients are distinguished: (i) public sector units, i.e. central and local administration /e.g. grants and any free funds transferred from governments or international organizations/; (ii) private sector units, i.e. households and NGO sector /e.g. monetary transfers to individuals, inheritances, private donations, etc. treated as private transfers/. A basic component of the transfers to the state sector encompasses the funds received from EU pre-accession instruments. The share of current transfers to the public sector in the total current transfers from abroad amounts to 1/4 on average for the period reaching 1/3 or over 300 million EUR in 2005.

Table 1. Current transfers and inflow of private transfers in Bulgaria (1999-2005)

	1999	2000	2001	2002	2003	2004	2005
Current transfers, net (mln. EUR)	282.2	316.2	561.9	565.7	612.6	888.2	911.4
Private transfers, credit (mln. EUR)	232.2	295.7	450.7	517.2	600.2	798.9	720.0
as a % of GDP	1.9	2.2	3.0	3.1	3.4	4.1	3.4
as a % of exports	6.2	5.6	7.9	8.5	9.0	10.0	7.7
as a % of imports	4.9	4.5	6.0	6.7	6.8	7.5	5.4
as a % of the trade balance	23.0	23.1	25.3	30.6	27.3	29.3	18.1
as a % of the current account balance	39.6	38.8	40.9	55.9	36.8	48.5	24.6
as a % of FDI	26.8	26.8	49.9	52.8	32.4	35.1	43.7
per capita (EUR)	28.3	36.2	57.0	65.7	76.4	102.7	92.5
GDP per capita (EUR)	1482	1674	1919	2101	2249	2498	2722

Sources: BNB, NSI and MoF (at Feb-2006; GDP data are preliminary for 2004 and forecasts for 2005; data for private transfers for 1999-2002 are authors' own estimates).

The positive balance of *current transfers* can be explained by the inflow of *private transfers* in Bulgarian economy. The latter reached over 700 million EUR after 2003 compensating 1/5 of the trade deficit on average for the period and accounted over 1/3 of the increased inflow of foreign direct investments (table 1). According to BNB balance of payments statistics transfers *only to individuals* amounted to about one-half of total private transfer for the last two years, and more specifically – to Euro 344.7 million in 2004 and to Euro 335.5 million in Q1-Q3 of 2005. The official figures for private transfers to individuals obtained through bank system records, however, are commonly considered to underestimate their actual level. Precise recording is hampered by the widespread practice of importing foreign currency in cash /personally or with acquaintances assistance/ avoiding bank transfers or non-bank electronic financial services /see section 2.1/.

Quantitative estimation of the funds received by Bulgarian households from abroad and their usage after the systemic changes in the early 90's is definitely a

¹ Bulgarian National Bank /BNB/ web site: www.bnb.bg.

challenge. The main obstacles however are, firstly, the lack of reliable information and previous studies on this issue in the country, and secondly, the uncertainty of any estimate given the highly volatile out-migration and unclear patterns of spending and remitting behavior /see, for instance, The Economic Report to Bulgarian President (2006)/. As far as studies of remittances by Bulgarian emigrants exist, they indirectly assess the issue mainly on the basis of in-depth interviews among migrant community abroad studying Bulgarian emigrants' performance /Markova and Sarris (1997), Markova (2004)/, studies among households in high-emigration-rate settlements, e.g. particular cases of households whose members have found employment abroad /Guentcheva et.al. (2003)/, press investigations, etc. Generally, an overall evaluation of Bulgarian emigrant remittances on the basis of micro-studies among return migrants has not been developed in detail yet.

This paper attempts to make an assessment of the profile and experience of Bulgarian return migrants, as well as the main remittances usage and their impact on the economic status of Bulgarian households for the period after the last population census in 2001 /years 2001-2005/. A representative survey among Bulgarian households and their members who had been abroad during the period is used for this purpose /section 1.1/. Section 1.2 presents the main features of the socio-demographic profile; subsequently, migration experience prior to departure /section 1.3/ and migrants behavior in the host countries /section 1.4 and 1.5/. Section 2.1 presents the sample survey estimates of the amount of remittances inflow in Bulgaria. The main remittances usage /section 2.2/ and the interrelation between return migration and household well-being are discussed as well as /section 2.3/.

1. Return migrants profile and migration experience

1.1. The sample survey and data issues

This paper is based on empirical data collected from a representative sample survey² among Bulgarian households, with an initially planned sample size of 1000 households of which 300 from rural areas. The sample design is a version of the two-stage cluster model typically used by NSI and professional agencies in Bulgaria. Census enumeration clusters of households are used as primary sampling units. In each selected unit 20 households in urban cluster and 15 in a rural one were randomly chosen and interviewed.

As far as households with return migrant/s/ are of particular interest for this study, additional 52 such households were located according to information from previous field studies conducted by team members. In order to preserve the originally obtained number of return migrant households (136 of 1000) all such observations were weighted by a reduction ratio. The discrepancy of the sample structure regarding two main demographic variables, namely the household size and area of residence /urban-rural/, was compensated by additional adjustment of the observations. It utilizes weights from the expected structure of Bulgarian households population estimated during the last census in 2001 (table 2).

² The sample survey was conducted in November 2005 by a research team consisting of experts of the Center for Comparative Studies – Sofia, the Institute of Sociology at BAS, and the National Statistical Institute. Acknowledgements are due to Dr. Emilia Chenguelova / Institute of Sociology at BAS / and her team as well as Dr. Yordan Kaltchev / National Statistical Institute / for questionnaire and survey design as well as the field work organization.

Table 2. Adjusted sample structure

	Number of persons in a household					
	One	Two	Three	Four	Five +	Total
Urban	14.6%	18.1%	16.2%	13.2%	5.2%	67.4%
Rural	8.2%	11.0%	5.1%	4.3%	3.9%	32.6%
Total:	22.8%	29.2%	21.3%	17.5%	9.1%	100.0%

The questionnaire contained five separate sections. The first two and the last one /A, B and E respectively/ registered data at household level whereas sections C and D were designed to collect data for members of the household who had stayed abroad at least once for at least 3 months during the period covered by the survey /2001-2005/. The main goals of the survey were to obtain information for the profile of Bulgarian return migrants, their expenditures and savings abroad, as well as for identification of the directions of remittances usage and their impact on the economic status of respective households.

The first core result of the survey is the cross-tabulation of households /table 2/ obtained for the following variables:

- *number of household members who have stayed at least once during the last 5 years abroad for a period of 3 months or longer, and who are currently in Bulgaria;*
- *number of members of the household that are currently staying abroad.*

For the few cases where the respondents have indicated one or more persons in response to any of the two questions, they have been unified in the category - “at least 1 person”.

Table 3. Sample structure regarding the existence of return and current migrant

Presence of a return migrant	Household member, currently staying abroad		
	No	Yes, at least 1	Total
No	84.8%	3.3%	88.1%
Yes, at least 1 person	9.2%	2.7%	11.9%
Total:	94.0%	6.0%	100.0%

During the most recent population census 2.922 million Bulgarian households were enumerated. For the purposes of our analysis we assume a total of 2.9 million at the end of 2005. We assess the *relative share of households with one or more return migrants* /who have been abroad after the census/ at about 11.9%³, i.e. in one of eight Bulgarian households at least one of its members has stayed abroad during the period of 2001-2005 for at least 3 months /table 3/. Given the assumed number of Bulgarian households at the end of 2005 the *total number of return migrant households* could be estimated approximately at 345,000. Additionally, if the households with at least one actual emigrant are taken into account, the *share of households with at least one return or current migrant* would reach 15.2%. In other words, roughly 440,000 Bulgarian households have participated /or are currently involved/ in international migration process. Having in mind the relative share only of those households where at least one person is currently staying abroad /about 6%/ their total number could be estimated at about 174,000.

Another key parameter used for deriving macro-estimates of remittance inflow in the country is the *average number of persons per household* who have stayed

³ Only point estimates are presented in the study although the variation of the sample estimates that are of main interest to remittance parameters evaluation is by no doubt important.

abroad in 2001-2005 for a period of at least 3 months, which was estimated at 0.143 /or 143 persons per 1000 households/. Using this figure we estimate the **total number of migrants** returned during the period of interest at about 415 thousand. The estimate for the number of *persons currently staying abroad* is 75 per 1,000 households (0.075) or currently over 200 thousand individuals are residing abroad (from Bulgarian citizens having stayed abroad after 2001).

Considering the data from the responses of return migrants to particular survey questions we enlighten the following main issues:

- Which are the main socio-demographic characteristics of Bulgarian return migrants?
- How their departure was prepared and accomplished?
- Which are the main features of their life and labor experience during their stay in the host countries?
- What fraction of their earnings was saved and /presumed/ remitted to Bulgaria /i.e. evaluation of their spending and saving behavior/?

1.2. Socio-demographic profile of return migrants

The distributions of respondents by gender, age, marital status, and educational level reveal particular details of the socio-demographic profile of return migrants (table 4). There is clear evidence that young and middle-aged persons /aged 26-45 years/ prevail among return migrants interviewed; however, more than half of the women were up to 35 years of age.

Table 4. Characteristics of return migrants in the sample

Distribution of the respondents by gender and age /%/							
Gender	Total	Age					Total
		16-25	26-35	36-45	46-55	56-65	
Female	30.9	6.1	45.5	21.2	15.2	12.1	100,0
Male	69.1	11.0	28.8	28.8	19.2	12.3	100,0
Total	100.0	9.4	34.0	26.4	17.9	12.3	100,0
Distribution of the respondents by gender and marital status /%/							
Gender	Single	Married	Divorced	Widow(-er)	Total		
Female	12.5	68.8	12.5	6.3	100.0		
Male	27.4	56.2	16.4	–	100.0		
Total	22.9	60.0	15.2	1.9	100.0		
Distribution of the respondents by gender and educational level /%/							
Gender	Primary or lower	Secondary general	Secondary vocational	Higher	Total		
Female	21.2	33.3	21.2	24.2	100.0		
Male	12.3	17.8	47.9	21.9	100.0		
Total	15.1	22.6	39.6	22.6	100.0		

Note: The total number of return migrants in the sample is 162. The valid number of cases for different distributions is usually lower because of non-responses to particular questions.

Moreover, it is worth mentioning several specific traits of the profile:

- over 2/3 of all return migrants were men;
- the majority /about 60%/ of respondents were married;
- the share of married women exceeded men's share by over 10%-age points;

- the total of individuals with at least secondary education was over 80%;
- the share of return migrants with some secondary professional /vocational/ education is almost 40%;
- almost half of the men have such educational background; unlike them, the share of women with similar education is more than twice lower;
- a similar pattern is observed among return migrants with general secondary education, but gender-reversed – the share of women in this category is nearly twice higher than that the same share within men.

1.3. Preparation and accomplishment of the travel abroad

A set of questions from section C allowed the identification of the methods of departure, the degree of preparedness regarding the accommodation and employment in the destination country, and the costs associated to departure arrangements. Despite the relatively high educational level of return migrants, large share of them have left the country *without any knowledge of the language* spoken in the host country. Almost half of respondents did not have any command at all /45%/ and about one third had only elementary knowledge of the respective official language. Every fifth individual, however, have spoken the language fluently /11%/ or at least at an intermediary level /10%/ at the time of his/her departure.

Traveling abroad by airplane was not very popular within return migrants albeit almost every fourth respondent indicated its usage. However, about two thirds of respondents have used bus transportation /53%/ or have traveled by automobile /14%/, much rarely owned by them and mainly by their acquaintances. This finding is highly feasible because of the proximity of the main destinations as well as the availability of inexpensive transport services that have developed over the years facilitating emigration. Not surprisingly, the average price of departure /estimated below/ is comparable to the average monthly expenditure level in the host countries estimated per return migrant.

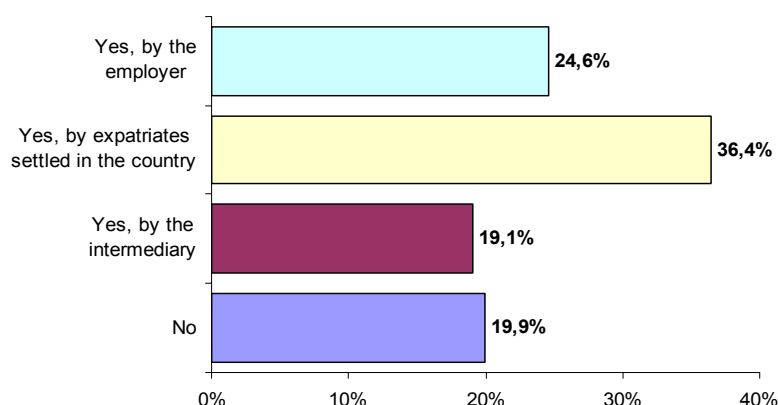


Figure 1. Distribution of respondents by housing arrangements prior to departure

It should be noted here that the information obtained from the return migrants interviewed soundly indicate the existence and operation of Bulgarian migrant networks. About 80% of respondents declare that they had already arranged for their accommodation in the host country prior to departure (fig.1). In more than one third of cases the housing was provided by compatriots who had already settled in the host

country, and in the remaining cases – by the intermediary company arranging the employment or by the employer.

However, one of five individuals had left without having assured some accommodation in the target country in advance. This ratio is somewhat lower for the women where the share is about 15%. In the same time, almost half of the women have arranged housing by their acquaintances, mainly members of their family that have already settled in the target country; the same category of male migrants is however less than one third.

Table 5. Distribution of respondents by the availability of a workplace

Did you already have a job in the foreign country at the time of your departure?	%
No	28.0
Yes, by a formal contract with an employer	26.0
Yes, by an oral arrangement with an employer	8.4
Yes, by a contract with a liaison/intermediary firm or person	8.3
Yes, by an oral arrangement with a liaison/intermediary firm or person	6.4
Yes, by an arrangement provided by relatives/friends in the country	17.3
Yes, other	5.7
Total:	100.0

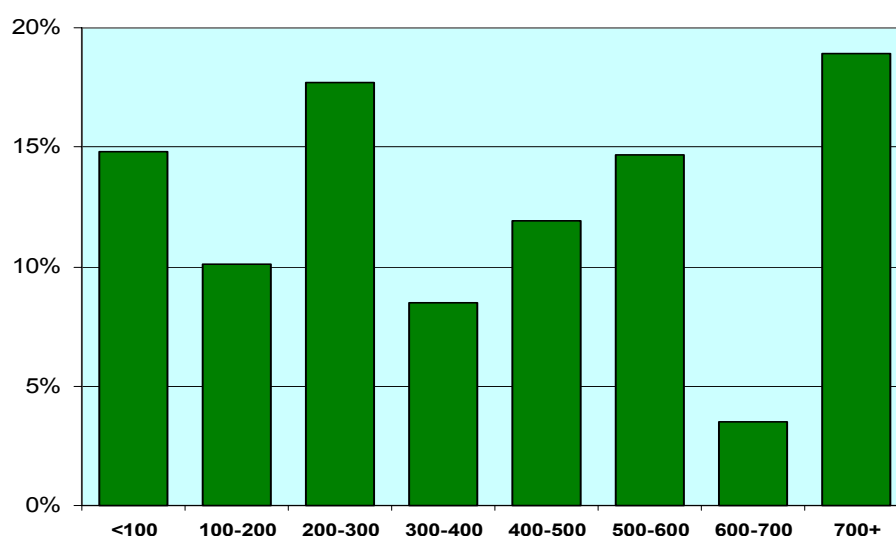


Figure 2. Distribution of respondents by the amount of funds spent for financing their departure (EUR)

Similar situation is observed regarding the prior arrangement of a job – over 70% of return migrants declared that they had arranged for a workplace before leaving Bulgaria (table 5). They relied mainly on contracts with employers or assistance from acquaintances residing in the respective host country. There are however significant gender differences in this respect. About one third of female migrants did not have any arrangement of job at the time of their departure, whereas this share within men is about one fourth.

Almost two thirds of the respondents had spent up to 500 EUR on their departure (fig.2) and at least 700 EUR were necessary only for one of each five

migrants to finance their travel. *The average price of departure* per return migrant is estimated by a sample average of about 395 EUR. Having in mind that nearly 415,000 persons have been abroad for some time during the last five years, they have spent over 160 million EUR for their departure. This way the direct cost of Bulgarian emigration could be evaluated at 33 million EUR annually as a sample estimate.

1.4. Destinations, migration experience, and satisfaction from the stay abroad

Specific set of questions in section C were utilized to reveal the main destination regions and countries preferred by return migrants, the economic sectors where they have found employment, and the extent to which they feel satisfied from their migration experience. The EU Member States were found to be the leading destinations of Bulgarian return migrants in the period of interest (table 5).

Table 6. Distribution of respondents by countries of their stay abroad /%/

Country, region	Men	Women	Total
Germany	16.7	11.8	15.5
Greece	12.5	20.6	15.1
Spain	16.7	8.8	14.0
Italy	16.7	8.8	13.8
Other EU/ CE country	13.9	26.5	18.7
Turkey	4.2	8.8	5.6
US, Canada	5.6	8.8	5.7
Other countries (Russia, Israel, ...)	13.7	5.9	11.6
Total:	100.0	100.0	100.0
EC Southern tier	48.6	43.8	47.1
Other EC, Western & Central Europe	33.3	40.6	35.6
Turkey & Non-Europe	18.1	15.6	17.3
Total:	100.0	100.0	100.0

Germany remains the most attractive country especially for male migrants. It is noteworthy, however, that the Mediterranean EU states (Greece, Spain and Italy) *have attracted over 40%* of Bulgarian return migrants. And if some other countries /Portugal, Cyprus and Malta/ are added to this group it is found that almost half of return migrants had preferred South-European destinations (considered as new immigration countries).

The average duration of the stay of return migrants is slightly over 1 year – about one year and 3 months /table 7/. Over 2/3 of them have resided in the respective countries not more than 1 year. Particularly, in Southern EC countries short-term temporary migration prevails in large extent /83%/ compared to the other European destinations /60%/ where each third respondent had stayed for more than 2 years. Therefore, the profile and behavior of return migrants presented here are valid mainly for short-term Bulgarian emigration.

Table 7. Distribution of respondents by duration of their stay abroad

Duration of the stay abroad	EC-Southern	Other EC	Non-Europe & Turkey	Total
Not more than 3 months	29,8	14,3	35,3	25,3
Over 3 to 6 months	40,4	17,1	11,8	27,3
Over 6 to 12 months	12,8	28,6	17,6	19,2
Over 1 to 2 years	6,4	5,7	17,6	8,1
Over 2 years	10,6	34,3	17,6	20,2
Total:	100.0	100.0	100.0	100.0
Average duration of stay: 15.6 months (1 year and 3 months)				

Note: "EC-Southern" includes Greece, Italy Spain, Portugal, Cyprus and Malta; "Non-Europe" includes USA, Canada, Australia, New Zealand and Israel.

A plausible explanation of the preferences for these destinations and the length of stay abroad can be found when the employment of return migrants by economic sectors is considered. Almost one fourth of respondents were employed in agriculture, each sixth in the transport sector, and each seventh – in tourism; the same share is observed also for the employment in construction /table 8/. It should be noted that about 43% of respondents that have been in South European countries were employed in agriculture. In the same time about 40% of return migrants who have been in other EC member states had jobs in construction and tourism. The majority of women were employed mainly in various jobs in housekeeping and social care /36%/ and in tourism services /27%/, and in lesser extent in agriculture, industries, education, etc. Male return migrants have found jobs mainly in agriculture, transport, construction, and in some extent, tourism services.

Table 8. Distribution of respondents by sector of employment %/

In what sector did you work there?	Men	Women	Total
Agriculture	26.8	12.1	22.3
Construction	19.7	–	13.7
Industry, Crafts	5.6	3.0	5.4
Transport	23.9	3.0	17.0
Tourism /Bars, Hotels, Restaurants/	8.5	27.3	13.8
Housekeeping	–	12.1	3.9
Childcare, Healthcare	–	9.1	3.5
Care for the elderly/ill/disabled	–	15.2	5.0
Science/Education	1.4	6.1	2.4
Others	14.1	12.1	13.1
Total:	100.0	100.0	100.0

It is worth mentioning that most of return migrants /78%/ *had no direct contacts* with the local labor administration. This however could hardly serve as a basis for conclusions regarding the scale of non-documented Bulgarian emigration. The main reason for this is the fact that contacts with labor administration are usually a prerogative of employers themselves. The majority /two thirds/ of those return migrants who had such contacts, however, underline the supportive attitude of local labor officials towards them. Most likely, these respondents might be predominantly people holding official work permits who were in a position to contact the local labor

offices in case of losing their jobs or other circumstances. Thus, it becomes clear that the services offered by labor administration and social systems in the host countries generally satisfy the emigrants. Hence, this could act as an additional incentive for subsequent departure for the same target country.

As stated above, the typical Bulgarian return migrant was employed in a low-paid job close to the description of the so-called 3-d jobs unattractive to the local workers. Obviously, the structures of the economy and the labor market in Southern Europe allow more *flexible absorption* of the labor and qualifications supplied by the new East-European emigration, than other regions of the continent. At the same time, however, more than half of the respondents categorize their job abroad as qualified /fig.3/. The vast majority of the respondents asserted that they were employed full-time, and almost half of return migrants declared that they had an official contract with the respective employer.

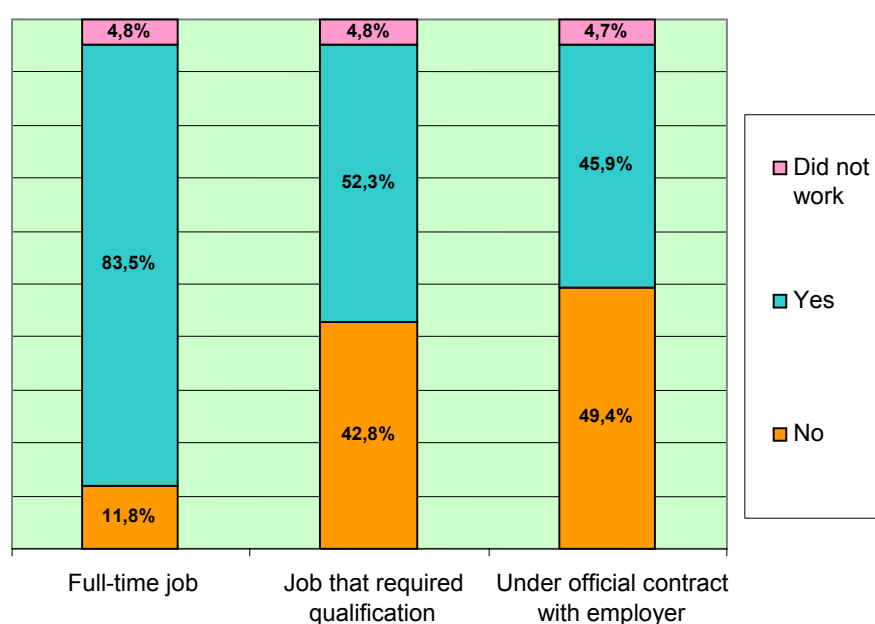


Figure 3. Distribution of respondents based on their own assessment of the job

Table 9. Satisfaction of return migrants

Personal assessment of main job characteristics		Are you satisfied by your stay abroad regarding your professional advance?			
		Yes, completely	Yes, in some extent	No	Total
Full-time job:	No	33.3	41.7	25.0	100.0
	Yes	36.5	45.9	17.6	100.0
Qualified job:	No	19.0	47.6	33.3	100.0
	Yes	51.9	44.2	3.8	100.0
Official contract:	No	28.8	44.2	26.9	100.0
	Yes	44.7	48.9	6.4	100.0
Average monthly earnings (EUR)		1196.26	1091.39	789.05	1074.0

The survey information obtained for respondents' satisfaction from their stay abroad provides valuable insights on particular factors of successful emigration /table 9/. It is noteworthy that unquestionable satisfaction – complete or to a certain degree – is reported by over 80% of all respondents. The highest satisfaction relates to the occupation of a qualified job as well as to jobs under official contracts with the employers. It should be noted here that a statistically significant interaction between these two characteristics is observed (Cramer's $V=0.421$ at 0.01 level for the Chi-square test) because of the fact that qualified jobs were usually under official contracts, and vice versa.

As it was initially expected, the level of professional satisfaction is related to particular sectors of employment in the host countries. The most satisfied from their workplaces abroad are those who had jobs in industries, transport and tourism. Significant shares /25-40%/ of definitely not content return migrants are observed for the employed in agriculture, care for elderly, and housekeeping. Clear differences in satisfaction levels are found also according to the region of stay of return migrant. Almost each third respondent returned from South Europe is definitely not content. On the contrary, almost all migrants that have been in other EU states are more or less satisfied; similar distribution is found for those respondents that have returned from non-European destinations.

It was also expected that the variation in remuneration level will influence the satisfaction from the stay abroad. The observed differences in average monthly earnings are found to be statistically significant at 0.05 level when comparing non-satisfied with completely or partially satisfied return migrants. There is no doubt that the composite of all factors that relate to increased satisfaction will continue to stimulate the emigration attitudes at the eve of Bulgaria's accession to the European Union.

1.5. Spending and saving behavior of return migrants

Another major goal of the survey was to evaluate the spending and saving behavior of return migrants during their stay abroad. In this respect, the amount and structure of expenses of Bulgarian emigrants incurred in host countries were explored in order to obtain variables for their individual earnings and savings. The latter are treated hereafter as a proxy for the amount of remittances transferred to Bulgaria.

Table 10. Amount and structure of expenses in the host country

Approximate average monthly amount of current expenses during the stay abroad (EUR)	Housing	Food	Transport	Social contacts	Other
No such expenses reported by:	29.0%	22.1%	25.7%	30.5%	55.0%
Up to Euro 50	20.5%	12.4%	38.8%	33.1%	9.1%
Euro 50-100	16.4%	14.6%	16.4%	15.0%	16.0%
Euro 100-150	9.4%	22.7%	6.7%	10.1%	12.5%
Euro 150-200	9.5%	14.0%	7.6%	7.6%	2.2%
Over Euro 200	15.1%	14.2%	4.9%	3.7%	5.3%
Total:	100.0%	100.0%	100.0%	100.0%	100.0%
Average monthly amount (EUR)	86.8	107.3	59.2	58.4	49.4

Note: The sum of average expenses by items is not equal to average monthly expenditure per migrant because of differences in response rates per items.

It is not surprising that the expenditure items of Bulgarians abroad are mainly subsistence related, i.e. almost 200 EUR per month on average for food and housing /table 10/. It is however important to be pointed out that transportation and social contacts costs are comparable to those of food and housing. Meanwhile, surveys of Bulgarian household budgets show similar rankings of the main expenditure items. About half of Bulgarian citizens who have stayed abroad in 2001-2005 have spent up to 100 EUR per month on foodstuffs. The same share of respondents report paying none or insignificant /under 50 EUR/ amounts for housing; twice less are those who spent more on the same items /over 150 EUR per month, per person/.

The very moderate expenditure levels are explained by the predominant occupations of the majority of Bulgarian emigrants /construction, agriculture, social work, i.e. care for elderly or children/ where they might obtain in-kind remuneration. However, almost 20% of the respondents announced that they have spent on average an extra 100 EUR per month on other costs that are not directly subsistence-related. In any case, the average monthly expense of Bulgarians abroad is about 400 EUR.

Table 11. Share of current expenditures abroad

What share of your monthly earnings you had to spend abroad?	%
Up to 1/4	50.4
About 1/3	24.8
About 1/2	16.2
About 2/3	3.1
About 3/4	1.1
Almost all of it	4.4
Total responded:	100.0
Aggregate share of expenses in gross earnings received abroad:	39.1%

About half of all return migrants spent abroad not more than 1/4 of their earnings; moreover, three fourth of the respondents declared that they succeeded to save about two thirds of their earnings /table 11/. Furthermore, the vast majority /about 90%/ of Bulgarian return migrants had spent not more than half of the funds earned in the respective host country. Besides, there was no significant difference in the shares of earnings spent between male and female migrants and, surprisingly, between migrants returned from different European regions. Using the individually declared shares of spending we conclude that return migrants have spent abroad almost 40% of their earnings on average. In this respect, the effects of emigration should in no way be evaluated one-sidedly – only as *losses* or only as *benefits* – from the point of view of host or of source countries /see, for instance, Piracha and Vickerman (2003)/.

In order to evaluate the amount of earnings of Bulgarian emigrants abroad for the period 2001-2005 we approximate the *earnings of each return migrant* (i) who has answered the question about the relative share of his/her monthly expenses and (ii) who has responded to respective questions on expenses items. Monthly gross earnings are thus estimated as a ratio of the amount of monthly expenditures and their share declared by the respondent. We further analyze the potential sources of variation in two variables: the *relative share of expenses* incurred abroad and the *amount of earnings*.

Two regression models are estimated by OLS with the following dependent variables: for model 1: ‘relative share of earnings saved’ /savings rate/, and for model 2 – ‘net monthly earnings’ /or monthly earnings net of current expenditures, EUR/. The savings rate is obtained through the declared relative share of current earnings spent abroad; and the net monthly earnings – as a difference between gross earnings and monthly expenditures. Both models are considered here as versions of individual remittance functions /see Rapoport and Docquier (2005)/. The following set of independent variables was probated in order to explain the variation of remittance indicators, namely:

- gender (1 for ‘female’; 0 for ‘male’);
- age (number of years);
- education (1 – for ‘higher education’; 0 – for ‘secondary or lower’);
- length of stay abroad (number of months);
- degree of language command (1 – for ‘excellent’ or ‘intermediary’; 0 – for ‘poor’ or ‘no knowledge of host country language’);
- no contact with local labor offices (1 for ‘no contacts’; 0 otherwise);
- CCI employment (1 for ‘employed in Construction, Crafts, Industry; 0 otherwise);
- per capita income of return migrant’s household (monthly average, EUR);
- gross monthly earnings abroad (EUR).

Table 12. Estimated remittance functions

Independent variables	Dependent variables			
	(1) Saving rate /share of monthly earnings saved/		(2) Net monthly earnings abroad /euro/	
	B	SE (B)	B	SE (B)
Constant	0.47290***	0.06941	255.92	250.9
Gender (female)	0.00119	0.03543	-228.29*	131.9
Age (years)	0.00422***	0.00141	8.35*	5.0
Education (higher)	–	–	320.02**	141.6
Length of stay (months)	-0.00204**	0.00097	-0.76	3.5
Language command	-0.06624	0.04180	–	–
No contact with local labor offices	–	–	194.99	140.8
CCI employment	–	–	-11.45	147.7
HH income per capita (€)	0.00004	0.00023	–	–
Gross monthly earnings (€)	0.00004*	0.00002	–	–
R square	0.226		0.133	
F-test (sign.)	0.001		0.047	
No. of observations	92		94	

Note: (*) significant at 0.10 level; (**) significant at 0.05 level; (***) significant at 0.01 level.

In the first model, significant effects are observed for the age, the length of stay abroad, and the average monthly earnings /table 12/. Interesting result appears for return migrants’ age – older emigrants tend to restrict their expenses to a greater extent /and save larger share of current earnings/ than younger ones, ceteris paribus, which is quite understandable. On the contrary, and in support of results from other empirical studies /e.g. Osaki (2003)/, the greater the length of stay abroad, the lower the share of saved earnings, i.e. there are higher fixed costs related to a longer period

of stay in the host country. Conversely, as it was expected, a positive interaction is observed regarding the absolute amount of remuneration – those receiving larger gross earnings tend to save larger share /presumably for remittance purposes/. Significant effects are not obtained for gender, language proficiency and household income per capita /as a proxy for emigrant household welfare/ that were supposed to influence the motivation to save larger share of income earned abroad.

Regarding the model for the net income earned abroad /presumably saved and remitted/ significant effects are observed only for the socio-demographic variables – gender, age and education. The most unambiguous effect was obtained for the educational level – availability of higher education degree positively correlates with the level of net income. Better educated emigrants declare a higher language proficiency level and are most likely to find more qualified /and remunerated/ jobs. Besides /at 10% level of significance/, it could be asserted that older emigrants tend to make higher earnings, as well as females receive lower pay on average in comparison to male-emigrants. Unlike the first model, no effect is observed here for the length of stay abroad, although it was expected that a longer stay would be associated with higher wages (because of accumulated knowledge on migrants' jobs market). Significant effect is not obtained also for the dummy variable for employment in sectors /plausibly/ requiring higher skills, i.e. industries, crafts, construction, etc.

2. The amount of funds transferred and their usage in Bulgaria

2.1. Macro-estimates of remittances from Bulgarian emigration in 2001-2005

Using the sample point estimates of several parameters we assess remittances inflow for the period 2001-2005 /table 13/. On the basis of the average length of stay and the average expenditures level per return migrant we assume that Bulgarian emigration have spent an annual average of 538 million EUR for the five years period in respective host countries. Using the share of expenditures declared by the respondent, his/her monthly expenditure level and the length of stay abroad we approximate the total gross earnings of the return migrant. On average, these earnings are estimated at 16,575 EUR and the total earnings of Bulgarian emigration during 2001-2005 at 6.874 billion EUR. The annual amount for the period thus reduces fivefold to 1,375 billion EUR. Taking into account the expenditures incurred during the stay abroad /Euro 538 million/ the *net annual earnings* amount to at least 830 million EUR. Here we assume that *this estimate approximates the annual amount of remittances transferred from abroad* and on this basis we conclude that the official bank reporting system registers not more than 40-45% of the actual transfers from the type of emigration under consideration.

Table 13. Estimates of transfers from Bulgarian migrants, 2001-2005

<i>Sample estimates for:</i>	
Average monthly expense, per return migrant (EUR)	415.9
Average length of stay, per return migrant (months)	15.6
Total expenses during the stay, per return migrant (EUR)	6,488.0
Number of return migrants (thousand)	414.7
Total amount of their expenses abroad, 2001-2005 (million EUR)	2,690.6
Annual average (million EUR)	538.1
Gross earnings during the stay, per return migrant (EUR)	16,575.0
Gross earnings, per return migrant, monthly average (EUR)	1,062.5
Net earnings, per return migrant, monthly average (EUR)	647.1
Total amount of gross earnings for the period of stay, 2001-2005 (million EUR)	6,874.0
Annual amount of gross earnings for the period of stay, 2001-2005 (million EUR)	1,374.8
Annual amount of net earnings, received abroad (million EUR)	836.7

This conclusion is also supported by the fact that Bulgarian emigrants still rarely use official channels for transferring remittances. The survey provided some insights on the means by which Bulgarians who have already returned, as well as those household members who were currently abroad, used to transfer funds to their acquaintances in the home country /table 14/.

Table 14. Means for transferring remittances

How did/do you receive funds from abroad?	Regularly	Once	Did not respond
Personally, in cash	56,0%	19,0%	25,0%
Via bank transfers	20,7%	3,3%	76,0%
Via Western Union, MoneyGram or other non-bank transfer	14,5%	4,8%	80,7%
Other methods	8,4%	1,8%	89,8%

Note: Percentages *on each row* show (i) the relative share of households responses regarding each of the means for funds transferring, (ii) only for the households receiving transfers.

The expectation that this is done most frequently in cash was confirmed. In much fewer cases bank transfers or other official means were used /e.g. non-bank electronic transfer systems like Western Union, MoneyGram, etc./. No doubt that this is one of the main reasons for the discrepancy outlined above between the official figures and the sample estimates assessing the amount of private transfers to individuals from abroad.

2.2. Usage of remittances in return migrant households

The survey provided some insights on remittances usage although such estimates are frequently placed in doubt in research literature /see Taylor (1999)/. The results summarized in table 15 are obtained by a set of items combined in the following question: “*According to your knowledge, what are the main purposes for*

which the funds received by the local people from their relatives living/working abroad are used in Bulgaria?" The answers were collected on the household level from all units included in the sample. Irrespective to the receipt of remittances, all respondents were invited to rank from 1 to 3 up to three most important directions for remittances usage as far as they have such information.

Table 15. Purpose of the remittances usage

Used mainly for:	Receipt of funds from abroad						Total		
	Yes			No					
	R	CV	%	R	CV	%	R	CV	%
Consumption	1,28	52	96,1	1,43	60	83,3	1,41	59	84,9
Acquisition of motor vehicles	2,17	30	40,3	2,34	31	37,2	2,31	31	37,6
Acquisition of real estate	2,25	30	27,9	1,96	43	40,7	1,98	42	39,2
Loans repayment	2,29	31	33,1	2,30	29	30,8	2,30	29	31,1
Saving	2,53	25	30,8	2,70	22	18,2	2,67	22	19,7
Development of businesses	2,55	26	24,3	2,61	30	22,0	2,60	30	22,3
Health care	2,55	26	25,5	2,54	30	27,7	2,54	29	27,4
Education	2,60	29	17,7	2,72	24	15,7	2,70	25	15,9

Note: The notation is as follows: R – mean rank; CV – coefficient of variation of ranks /%/; % - share of respondents who have assigned ranks to the respective usage direction.

Based on the average rankings we may derive the conclusion that these funds are used mainly for *consumption, purchase of automobiles and real property*. Much rarely, utilization of transfers for businesses development, savings or health care also receives some ranking. Such an assessment is subjective one, as far as a discrepancy in rankings is observed between households receiving and not receiving remittances. For instance, those not receiving such funds believe that remittances are used more often for property than for motor vehicles acquisition.

There is also a clear difference in usage of remittances in relation to the regions where migrants returned from and the length of stay. Almost 30% of the households that received funds from Southern EC countries have used it for consumption; unlike them, this share among the other households is only 10%. Reverse situation is observed in the shares of those who did not use remittances for consumption – respectively one fourth and almost 40% for the first (Southern EC) and the second group (other EC). As it concerns the length of stay abroad – the half of households with short-term return migrants /less than 1 year/ has used the funds predominantly for consumption; this share among those households with long-term migrants is about one third.

Further, we evaluate relative shares of households, obtained particular properties, as well as households' distribution by entrepreneurial activities. The survey provides evidence that the share of households acquiring real property, automobiles, land, and home appliances among those receiving remittances is higher in comparison to households that do not receive such funds /table 16/. This difference is particularly clear in regard to purchase of automobiles and land. Yet it is worth noting the very weak interest, as a whole, in buying land. The latter is a consequence of the still underdeveloped land market – existence of problems with the cadastre, uncompleted process of farmlands restitution, etc.

Table 16. Share of households that have acquired properties during the last 5 years

Receipt of funds from abroad in the household	Housing property	Motor vehicles	Land	Household appliances
No	7,7%	14,3%	1,7%	41,9%
Yes	11,7%	38,3%	3,3%	75,8%
Total	8,2%	17,2%	1,9%	46,0%

Table 17.1 Households in the sample by running own businesses /%/

Is there a member in the household running own business?	Receipt of funds from abroad		
	No	Yes	Total
No	91,7%	80,7%	90,4%
Yes	8,3%	19,3%	9,6%
Total	100,0%	100,0%	100,0%

Table 17.2. Usage of the funds for development of the own business

Table 17.2: Usage of the funds for development of the own business					
If there are funds used for own business development, what was the main purpose?		Share of those indicating	From amongst them:		
			Investment capital	Working capital	Both
Establishment of a new firm		6,8%	48,4%	26,7%	25,0%
Supporting an existing firm		7,5%	15,1%	54,3%	30,6%
Total:		14,3%	30,9%	41,2%	28,0%
Sector of the main activity of the firm:					
Agriculture	2,7%	Trade	25,7%	Construction	3,5%
Manufacturing	2,1%	Transport	38,3%	Services	27,7%

The results obtained in respect to the usage of remittances for businesses are in large extend expected. Nearly one in five households receiving transfers pursued entrepreneurial activities, while this was the case for only one in 10 households among those not relying on such support. In case of starting up a new company the funds are used mainly for investments, and in case of maintaining an already existing business – for working capital /tables 17.1 and 17.2/.

Transport, services and trade, attract the larger portion of remittances with business purposes. Of course, those are small and medium-sized enterprises, forms of self-employment – such as purchase of automobiles for use as taxis, etc. This data confirms the opinion that return migrants prefer service's sector entrepreneurial activities and rarely – some 'goods producing' initiatives.

2.3. Household well-being and return migration

The return migration impact on the households well-being is evaluated hereafter on the basis of the information received from the first two blocks /A and B/ of the survey questionnaire. In order to assess the difference between households receiving and those not receiving remittances, the data for household income /total and per capita for 2005/ is summarized separately. It is observed that the distribution of households with return migrants is biased toward higher for Bulgaria income intervals /table 18/. It is worth mentioning the higher relative share of these families among the households with monthly income of over 800 BGN /about 409 EUR/ and

particularly – over 1000 BGN /510 EUR/. In the long run, the households relying on financial support from abroad have nearly 30% higher monthly income in comparison with all sample's households. This difference however is undermined when household size is taken into consideration; in spite of that, the monthly income per return migrant household member is more than 12% higher in contrast with the average for the total sample.

Table 18. Distribution of households by average monthly income

Receipt of funds from abroad	No	Yes	Total
	88,1%	11,9%	100,0%
Average monthly monetary HH income:			
Up to BGN 200	27,7%	14,7%	26,1%
BGN 201 – 400	28,3%	25,9%	28,0%
BGN 401 – 600	21,9%	21,6%	21,8%
BGN 601 – 800	13,4%	13,8%	13,4%
BGN 801 –1000	4,4%	8,6%	4,9%
Over BGN 1000	4,4%	15,5%	5,7%
Total:	100,0%	100,0%	100,0%
Average monthly monetary income <i>per household</i> (BGN)	403,72	544,83	420,49
Relative deviation from the average household income	-4,0%	29,6%	–
Average number of household members	2,63	3,10	2,69
Average monthly monetary income <i>per household member</i> (BGN)	153,51	175,75	156,32
Deviation from the average income per capita	-1,8%	12,4%	–

Note: The fixed exchange rate of the Bulgarian lev is EUR 1 = BGN 1.95583.

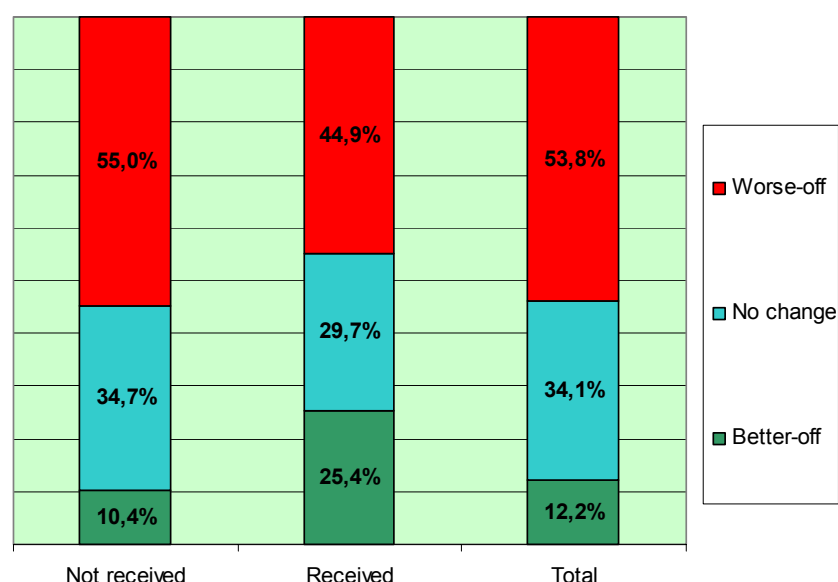


Figure 4. Change in the economic status of households after year 2000

The status of a considerably higher share of households among those receiving transfers has improved in comparison to the households declaring no such support:

every fourth versus every tenth household respectively (fig.4). Conversely, the share of those indicating that there was no change in their economic status /or it had worsened/ is lower for the households receiving than for those not receiving funds from abroad.

In order to check for net effects of the remittances on Bulgarian households' well-being we estimate two linear regression models for: (1) the average monthly household income and (2) the average monthly household income per capita. Four independent variables were selected in order to control for disparities related to:

- the area of residence /1 for 'rural'; 0 for 'urban' households/;
- the existence of own business /1 for household with a member running own business; 0 otherwise/;
- the size of the household /number of its members/;
- the total amount of remittances received by the household /approximated by the total net earnings of return migrants/.

Table 19. OLS regressions of household income

Independent variables	Dependent variables			
	(1) Average monthly monetary HH income (EUR)		(2) Per capita HH monthly income (EUR)	
	B	SE (B)	B	SE (B)
Constant	175.1***	9.12	172.9***	5.76
Rural households	-77.0***	8.76	-27.7***	5.53
Household size (number)	17.8***	2.78	-26.3***	1.75
Existence of own business	144.8***	13.90	64.5***	8.78
Total remittances received in the household (EUR)	0.003***	0.001	0.0008*	0.0005
R square	0.224		0.230	
F-test (sign.)	0.000		0.000	
No. of observations	976		976	

Note: (*) significant at 0.10 level; (**) significant at 0.05 level; (***) significant at 0.01 level.

The results of the regression analysis /table 19/ indicate the expected negative effect of the area of residence – households in rural areas tend to have lower incomes on average. On the other hand, households with member/s/ running own businesses have higher incomes, other things equal /in both models/. Household size's consideration provides interesting results – its coefficient captures a conceivable scale effect in the first model and shows the expected negative effect in the second model /obviously, larger households tend to have lower income per household member/. The control for residence area, household size and own businesses development provides a clearer insight to the net impact of remittances inflows. Apparently, the presence of return migrant/s/ and related remittances inflow in the near past is related to upward income bias, observed both for household income and for income per household member.

Conclusions

The assessment of migration experience as well as the main remittances usage and their impact on the economic status of Bulgarian households provides background for the following conclusions:

- The survey findings show that roughly 15% of Bulgarian households /over 400 thousand/ have participated in international migration process in the period 2001-2005. The total number of return migrants is estimated at over 400 thousand and the number of persons currently staying abroad respectively at over 200 thousand.
- Men prevail among return migrants (over two third), as well as married persons up to 45 years of age; the majority of respondents /80%/ have at least secondary education.
- Preferences for South-European destinations are found /almost half of return migrants/ where short-term migration predominates. About one fourth of respondents had jobs in agriculture, each sixth in transport and each seventh in tourism as well as in construction. Although mass Bulgarian emigration is engaged in 3-d jobs unattractive for the local labor force, return migrants believe that their work was qualified. As a whole they feel satisfied with their stay abroad.
- The vast majority of Bulgarian return migrants had spent *less than half* of their earnings; besides, about half of respondents had spent abroad *less than one fourth* of the earnings received. No significant difference was found in the shares of expenditures between male and female migrants and, surprisingly, between migrants returned from different European regions. The amount of remittances is related mainly to the educational level as well as to gender /women are less paid/ and age /more experienced migrants are better remunerated/.
- Remittances to Bulgarian households are used mainly for consumption but also in a „non-altruistic” /profit-oriented/ purposes. It was found that about one in five households that have received transfers from abroad run own businesses while this share is twice lower for the other families. Remittances have significant positive net impact on Bulgarian households’ well-being – the substantially higher relative share of families with monthly income over 800 BGN /409 EUR/ among return migrant households is indicative of the fact.
- Private transfers to individuals cover one fifth of the trade deficit and reach one third of foreign direct investments inflow in the country. In this respect, remittance behavior plays an important role for the macro-economic stability of Bulgarian economy. However, the official bank reporting system records less than half of the actual amount of remittances inflow. It is confirmed by the fact that more than half of return migrant households used to receive funds mainly in cash.

The survey findings indicate the existence of a persistent orientation of migration outflows from a *new emigration* country like Bulgaria to the *new immigration* countries of South European EU tier. Thus, Bulgarian policy is facing the dilemma whether to contain or, to the contrary, to liberalize the cross-border /particularly short-term/ mobility. There is no doubt however that the political elite of the economies in transition of South-Eastern Europe should take increasingly into account existing migration practices and attitudes.

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