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Migration and remittances in Macedonia: A review

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**Migration and Remittances
in Macedonia: A Review**

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Abstract

This paper explores migration movements and remittances patterns in Macedonia since independence and studies the migration policy challenges Macedonia will be likely to face after its entry into the EU. Concerning recent migration movements, considerable outflows from Macedonia are found as well as indications for a serious brain drain. Remittances to Macedonia—which are quite big—seem to constitute a relevant support for a number of households and can be expected to diminish the incidence of poverty. In the light of the EU accession process, the Macedonian government will have to introduce policies which enhance the opportunities of migration and remittances and reduce their risks.

JEL-Classification: F22, F24

Keywords: Macedonia, migration, remittances*

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Introduction

The free movement of people and its impact on sending and receiving countries has been a controversially discussed issue in the context of European Union's Eastern enlargements. Because of high differences in income and living standards between new and old EU member states, politicians and the public in EU-15 countries expected an increasing East-West labour migration after the accession of 8 Eastern European countries in May 2004 and two further in January 2007. Worries evolved that migrants from the new EU member states would take away jobs from native workers in the EU-15, lower their wages or immigrate in search of state benefits. Furthermore, social tensions were anticipated as a result of likely growing population diversity. In contrast it was argued that East-West labour movements would assist the European economy in the longer term, helping to enhance welfare and economic growth of European Union member states. Nevertheless, while labour mobility can be expected to stabilize economic growth across the EU as a whole, gains may not be distributed equally and it may put pressure on local labour markets of receiving economies and on the social cohesion at the local level.

Labour migration after enlargements was not only assumed to affect EU-15 states, but likewise the new Eastern European members of the EU. These countries anticipated a part of their young and well-educated labour force to leave for the West, thus reducing economic growth and welfare at home. On the other hand, positive impacts on the economy, for example in form of remittances and human capital increases as a result of returned migrants were expected.

This paper explores migration movements and remittances patterns in Macedonia since independence and studies the migration policy challenges Macedonia will be likely to face after its entry into the European Union. Because of its economic situation, Macedonia is expected to primarily function as a migrant sending region in the European Union context, although return, transit, refugee and asylum migration may likewise play a role.¹ The following section explores the impact of migration on the economy and society of sending countries in general terms, while the migration experience of transition countries that have joined the EU in 2004 and 2007 will be addressed in the second section. The third section looks at the Macedonian migration experience since independence, studies the migration potential in Macedonia in the light of EU accession, examines the impact of remittances and evaluates the salience of new EU countries' migration experiences for Macedonia. The final section formulates policy recommendations following from this analysis.

¹ The analysis of refugee and asylum movements as well as the implications of these migrations for Macedonian governmental policies in the context of European Union accession is beyond the scope of this report. A number of recent papers have dealt with these issues (IOM 2007, CRPM 2007, van Selm 2007, IOM 2009).

1 The impact of migration on the economy and society of sending countries: general considerations

As international migration has expanded considerably in recent years, including more and more transition and developing countries into the international migration system, increasing attention has been devoted to the evaluation of migration impacts on sending economies and societies.² Migration influences the home countries of labour migrants through various channels, most importantly through changes in labour supply, brain drain and remittances. Furthermore, migration may also impact on the social situation in sending regions.

1.1 Labour market and brain drain

While the emigration of labour leads to a decrease in the labour supply in sending countries, the further impacts of migration depend on a number of factors, for example on the age structure and skills of emigrants as well as on the labour market situation in sending regions. If people leave to work abroad, output in the home country tends to decline if emigrated work force can not easily be replaced because of tight labour markets. However, labour emigration is not expected to have a negative effect on output and productivity in sending regions if unemployment in the respective skill group is high and a large supply of persons exists which can substitute the leaving labour force. This situation stimulates an increasing demand for formerly unemployed persons in sending economies, leading to new employment opportunities. In case emigrants can not be replaced, labour shortages may result which could hamper economic growth. However, an increasing demand for labour in sending countries may lead to rising wages. Thus the labour force left behind may profit from emigration although economic risks such as inflationary processes might occur as well. Because migrants often leave specific regions in sending countries, the overall effects of labour movements will not be distributed equally throughout the sending economy. In this context, the integration of home countries' labour markets plays a decisive role in determining the outcome of labour migration. The better domestic labour markets are integrated, the greater will be the effects of labour migration for the economy as a whole.

The emigration of highly skilled persons is commonly described as 'brain drain' and it is generally expected to have a negative impact on sending economies in lowering production and growth. In addition, the out flow of highly skilled people who have been educated and trained in home countries causes a waste of public resources. The emigration of health care workers, skilled administrators and teachers is seen to be the most harmful, given these workers can not be replaced. In the concrete situation much depends on the age structure, the skill levels and professions of emigrants, as well as on the economic preconditions in home countries. For example, if highly skilled migrants

² A comprehensive overview can be found in Katseli et al. 2006 and Inotai 2008.

had been unemployed in sending regions or had not been occupied according to their profession, adverse effects would be reduced. Furthermore the emigration of highly skilled people may encourage the younger generation in sending countries to invest in higher education to be able to benefit from migration (Stark and Wang 2002). This might result in a growing number of highly skilled persons at home, given that not all of those who newly earned a higher education leave the country. On the other hand it has been discussed recently that studying abroad may lead towards (permanent) labour migration (Hanson 2008: 33). In the United States for example, many immigration visa for skilled occupations have been received by foreign students from American universities. Studying abroad may thus be used as an entrance ticket to work in the country where a university degree has been achieved.

International labour migration is often accompanied by the return of people who had gone abroad. In a number of cases it has been observed that return migrants benefit from the experience of working in a foreign country, after coming back. As a result, they may earn higher wages as comparative natives or they may more often be self-employed.³ In addition to new skills, valuable management experience, entrepreneurial know how and access to global networks, returning migrants may bring venture capital, enhancing economic growth and welfare at home.

1.2 The impact of remittances

Many migrant sending countries receive considerable (financial) transfers from their citizens, living and working abroad. 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 for poverty reduction and economic development (Buch and Kuckulenz 2004, Chami et al. 2008, World Bank 2006a). After foreign investment, remittances are the second-largest source of financial flows to developing countries and they are generally higher than Development Aid (Ratha 2003). 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 in sending remittances home than permanent migrants (Glytsos 1997).

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.⁴ It is highlighted that remittances support families to survive in providing them with the means to buy food and other resources, to invest in the education of their children and to improve the housing situation. In a macroeconomic context it is argued that remittances advance consumption and growth, help to finance the trade

³ In Albania, for example, return migrants are more engaged in working as managers and in being self-employed after return, compared to those people who had not emigrated (Kilic et al. 2007).

⁴ Poverty during economic transition has been considerably mitigated in Albania by the receipt of remittances (De Soto 2002).

deficit and contributed to exchange rate stability. In addition remittances are assumed to strengthen the banking system and increase competition in local banking through the simplification of bank transfers (Kireyev 2006).

It has to be remarked that remittances are also related to a number of potentially adverse effects with respect to governmental policy, monetary outcomes, investment and labour supply. Because remittances create a safety net for receiving households, they might mitigate the pressure for the home countries' governments to engage in reforming the economy and the social welfare system. A high inflow of remittances is also likely to fuel inflationary pressure and enlarge the trade deficit. Furthermore, remittances might increase family consumption but may not be used for investment in productive assets (Taylor 1992). In a number of cases, this situation has been commented negatively by researchers. However, development economists have pointed to the multiplier effect of remittance consumption which may be as large as 300% and which often favours rural communities (Adelman and Taylor 1990). Empirical research provides some support for remittances resulting in investment activities, although these investments are typically made into real assets, such as housing, land and small firms (Roberts et al. 2008: 23). Further potential adverse effects of remittances have been associated with respect to distributional effects. Because remittances are only transferred to a part of the home countries' population growing wealth disparities may result. Theoretical studies and empirical research also discussed moral hazard problems in households, receiving remittances (Naiditsch and Vranceanu 2007, Görlich et al. 2007). As Azam and Gubert (2006) discovered for African countries, remittance receiving households may exploit the non-observability of their poverty coping activities and reduce labour supply. Despite earning little, those households consume the benefits of remittances and lower the labour efforts of household adults. To the contrary, Görlich et al. (2007) showed in the case of Moldova that living in a migrant household resulted in higher probabilities of intra-household labour substitution and a substantially higher probability of university enrolment.

1.3 Social impacts of migration

Emigration does not only have an impact on the economic development of sending countries, it also influences the social situation in countries of origin as well as gender roles and family cohesion in migrants' households. An important aspect of emigration relates to the families left behind, particularly to the situation of children and dependent household members such as elderly. Although families of migrants are in most cases economically better off than comparable households in the sending region, children in these households frequently grow up with a single parent or with relatives and frequently suffer from disintegrated families. On the other hand, children in migrants' families often enjoy a better education. Gender roles in migrants' families are a further issue which might change dramatically in the course of migration movements. If male household heads move out, this may strengthen the role of women within the family left behind and provide females with more responsibility and financial independence. How-

ever, there is evidence that more and more women emigrate because of a growing demand for female migrants in the service sector. It can be expected that these females gain in importance as bread winners for the family left behind, although the social costs for their children might be high. It has to be considered though that not much research has been done on these issues yet.

2 The EU migration experience after enlargements in 2004 and 2007

Because of the political pressure by some EU-15 member states, primarily Austria and Germany, a transition period of restricted labour migration has been introduced by the European Commission for a maximum of 7 years (2+3+2) after enlargements in 2004 and 2007.⁵ This allowed EU-15 states to restrict the immigration of labour migrants from the new Eastern European member countries according to the regulations already in force.⁶ After May 2004, all EU-15 states except for the UK, Ireland and Sweden introduced some kind of restrictions with respect to the admission of East European labour migrants (Commission of the European Communities 2006). Only three EU-8 countries⁷ namely Poland, Slovenia and Hungary adopted reciprocity to EU-15 states applying restrictions, while none of the EU-8 countries restricted the access of workers from other EU-8 states.

The imposition of transition arrangements in 2004 – in the form of welfare and labour market entrance restrictions – demonstrated that most EU-15 countries were still more concerned with the domestic risks of immigration than its opportunities. Two years later, in 2006, the majority of EU-15 countries abolished or relaxed migration restrictions indicating that they were expecting more benefits from East-West labour migration than costs. However, when Bulgaria and Romania joined the EU in 2007, the majority of EU-15 countries – including the UK and Ireland – restricted the immigration of workers from these countries into their labour markets according to the transition arrangements agreed upon in 2004. Only Finland and Sweden allowed the free access of workers from Bulgaria and Romania after the 2007 round of enlargement (Drew and Srisankarajah 2007). Among the EU-8 countries only Hungary decided to impose some restrictions on the free movement of Bulgarian and Romanian workers.⁸

2.1. Post-enlargement migration: the experience of receiving EU countries

Against the background of transition arrangements on labour migration by most EU-15 countries it does not come by surprise that the UK and Ireland have received by far more labour immigrants from EU-8 countries than predicted. Whereas forecasts expected a net migration of approximately 24,000 people to the UK until the end of 2005,

⁵ For a detailed description see Heinz and Ward-Warmedinger 2006 and European Integration Consortium IAB, CMR, FRDB, GEP, WIFO, wiiw (2009): Labour mobility within the EU in the context of enlargement and the functioning of transitional arrangements. Final report. Nuremberg.

⁶ Vice versa, the new Eastern European Union members could restrict labour migration from other EU countries.

⁷ EU-8 countries include all states that joined the EU in 2004 besides Cyprus and Malta.

⁸ These were abolished on 1 January 2009.

actually 345,000 workers were registered from the new member states in this time period (Boeri and Brücker 2005, Home Office 2007). Until the fourth quarter of 2008, the Border & Immigration Agency of the British Home Office counted 964,565 applicants from EU-8 countries who had registered for a work permit since May 2004 (Home Office 2009). Most of these labour migrants (64%) came from Poland. Between May 2004 and May 2006, Ireland issued 205,000 labour permits to nationals from the new East European Union member states. Nevertheless, actual labour migration from the EU-8 to the UK and Ireland is most likely overestimated because official data count workers, not jobs, include temporary workers and do not exclude those who did not take up the job they registered for.⁹

To the contrast, the number of new work permits issued by Germany to nationals from East European member states was only a little bit higher in 2004 (317,835) than in the year before (310,339). In both years more than 95% of work permits were short-term labour contracts, predominantly for seasonal work in agriculture. In 2005 the number of new work permits issued to EU-8 nationals in Germany decreased to 252,261, in 2006 to 234,364 work allowances, again consisting to more than 90% of short term seasonal labour contracts. Although the immigration of workers from the new East European member states to Germany was quite moderate, a number of EU-8 nationals most likely entered as posted workers or as workers claiming to be self-employed, to avoid the restrictions by transitional arrangements. In the case of Sweden, which did not restrict the immigration of East European Union nationals after enlargement, 3,514 work related permits were issued in 2004. This number turned out to be lower than predicted by the Boeri and Brücker (2005) forecast (6,154). In 2005, not more than 4,500 work allowances to EU-8 nationals were registered in Sweden.

Summarizing East-West movements after enlargement, the Commission of the European Communities (2006) discovered no evidence either from administrative sources or from the Labour Force Survey to show a direct link between the magnitude of mobility flows from EU-8 member states and the transitional arrangements in place. Transitional arrangements were basically expected to delay labour market adjustments, with the risk of creating 'biased' destination patterns. In a similar way, Boeri and Brücker (2005: 15) argued that the dissimilar introduction of transitional arrangements in EU-15 countries had affected primarily the destination search of East-West migration movements.

As a result of post-enlargement East-West movements, the migrant population from EU-8 states in EU-15 countries increased by 42% between 2004 and 2006, although a considerable number of labour flows were short-term (Brücker 2007: 8). However, the share of the working age population from the EU-8 states in the EU-15 is still comparatively small. It made up 0.4% in December 2005 as compared to 0.2% in 2004. (Commission of the European Communities 2006: 9). It has to be remarked that some EU-15 countries, such as the UK and Ireland received a higher-than-average share of immigrants from the EU-8, although Italy, Spain, Norway, Germany and Austria were addressed as well. In absolute figures, the most important sending country was Poland

⁹ In addition some workers from EU-8 countries who had already taken up a job prior to enlargement might have used the registration scheme to legalize their status.

followed by Slovakia and the Baltic states. According to a World Bank study, in Slovakia, Poland and Estonia approximately 1% of the working age population had moved to the EU-15 between May 2004 and December 2005. Lithuania lost 3.3% of its population in working age in that period and Latvia 2.4% (World Bank 2006b: 22).

2.2 Post-enlargement migration: the experience of sending EU countries

Because post-enlargement emigration from the new European Union members has a comparatively short history, not much empirical insight into the impacts of these movements on sending countries have been gained yet. So far, simulation models have been developed to analyse the potential implications of post-enlargement migration for the economic development in sending and receiving EU countries (Brücker 2007, Barrell et al. 2007). In addition, some studies exist which empirically analyse the outcomes of recent labour emigration for Poland and the Baltic states (World Bank 2006b, Kaczmarczyk and Okolski 2008).

2.2.1 Labour market aspects

As has been discussed earlier, the outflow of workers leads to a decreasing labour supply, potentially generating a fall in unemployment rates, an increase of labour shortages and/or wages. It has been observed that unemployment rates decreased considerably in the Baltic after 2004 and in Poland after 2006, particularly among younger people (Kaczmarczyk and Okolski 2008: 43). According to some studies the emigration of formerly unemployed or underemployed workers caused a reduction of unemployment rates in these states (Heinz and Ward-Warmedinger 2006: 29). At the same time vacancy rates increased in the Baltic and Poland, while several economic sectors experienced serious labour shortages. This was the case in construction, health care, retail sales, services and – limited to Poland – in agriculture (World Bank 2006b: 23). In the Baltic, the annual average wages grew remarkably between 2004 and 2006,¹⁰ while in Poland only specific sectors – primarily health care, construction and agriculture – were characterized by wage increases. For some authors these developments were closely linked to post-enlargement emigration (Heinz and Ward-Warmedinger 2006), others were more cautious (World Bank 2006a, Kaczmarczyk and Okolski 2008).

In their study on the economic impacts of post-enlargement migration in Poland and the Baltic states, Kaczmarczyk and Okolski (2008) point to the fact that high labour emigration occurred simultaneously to the process of economic transformation and EU integration in these countries. This makes it obviously difficult, to disentangle the ef-

¹⁰ In Latvia recent wage increases are expected to bear the risk of strengthening inflationary processes and hampering economic growth.

fects of all of these processes on labour market developments. Economic prosperity and growth resulting from economic transformation and EU enlargement can be expected to be important drivers for labour shortages. Hungary and the Czech Republic, for example, faced rising labour shortages after enlargement, although they did not experience remarkable emigration. In any case, labour emigration strengthens the effects of economic transformation and EU integration in EU-8 countries.

Simulation models on the impacts of post-enlargement labour migration also found decreasing unemployment rates and increasing wages in new EU member states to accompany the outflow of labour (Brücker 2007: 20; Barrell et al. 2007: 9). In this context, potential welfare effects for the EU as whole were pointed out. Because the low income segment in sending EU-8 countries benefits in connection to lower unemployment and higher wages, the income distribution in the enlarged EU tends to equalize (Brücker 2007: 21). In addition the effects of labour migration on GDP development in sending economies were analysed. As can be expected, output in labour sending EU-8 countries tends to decrease as a result of labour exports after enlargement (Brücker 2007: 20, Barrell et al. 2007: 9).

2.2.2 Brain drain, educational impacts and return migration

The results of labour emigration depend to a considerable degree on the skill composition of those people who leave. Particularly the emigration of highly skilled people had evoked great concerns in EU-8 countries prior to enlargement.¹¹ Actually there are some indications for a certain brain drain after EU accession (Horvat 2004). For example, medical professionals from Poland, Lithuania and Estonia seem to have moved in relative high numbers abroad. Furthermore, a considerable emigration potential exists among physicians and nurses in Poland as well as in the Baltic (Kaczmarczyk and Okolski 2008: 62). In these countries, the emigration among (highly) skilled professionals in the health care sector is not only anticipated to result in adverse economic effects but also in a corrosion of the health sector at home.

What can be said about the relationship between the emigration of highly skilled people in EU-8 countries and educational attainments at home? Prior to EU enlargement Lundborg and Rechea (2002) analysed the outcome of a potential brain drain for the human capital development in Eastern European accession countries. They expected a growing emigration of skilled labour from EU-8 countries to manifest in wage increases of the skilled and therefore a stimulation of more education and schooling among those who stay behind. While the outflow of skilled workers would lower growth, positive effects on growth would be expected from better educated workers at home. Although the authors found net effects of skilled emigration on growth to be negative, positive effects on education and schooling among the population at home were likewise noticed. A further study showed that increasing migration opportunities in countries that

¹¹ See Krieger 2004: 28

joined the EU in the 1980ies and in 2004 encouraged investments in higher education at home (Farchy 2009).¹²

Short-term migration seems to play an important role in new East-West movements, leading to the return of migrants who had went abroad. Meanwhile studies exist which analyse the economic performance of return migrants at home. In Latvia for example return migrants are found to earn higher wages compared to people who had stayed at home (Hazans 2008). In the case of Hungary, only female labour migrants received a wage premium after returning, while male migrants did not benefit from moving out (Co et al. 2000).

In evaluating labour migration from EU-8 countries and their impacts on sending regions in the longer run, out migration has to be related to the demographic development in these countries. In the EU-8, population declines even faster than in EU-15 countries. Thus, the potential effects of labour migration are reinforced by a shrinking labour force. For most EU-8 countries the potential for labour migration will significantly slow in the medium term. Because of moderate emigration and a comparable stable economic situation a number of EU-8 states, such as Hungary, the Czech Republic, Slovakia and Slovenia have already turned into net immigration countries.

2.2.3 Remittances

In most cases, the outflow of labour is accompanied by an inflow of remittances into the home countries of emigrants. This is particularly relevant in the beginning of new labour movements and in the case of short-term or circular migration. If one looks at recent migration patterns in EU-8 countries, remittances should be especially prominent in Poland and the Baltic states. This is confirmed by official data released by the World Bank which found an increase of remittances in Poland by 164%, in Latvia by 279%, in Lithuania by 541% and in Estonia by 788% between 2003 and 2006.¹³ Although Poland received 4.36 billion USD in form of remittances in 2006, the share of remittances in GDP amounted only to 1.3% in this country. In the Baltic the percentage of remittances in GDP was somewhat higher, ranging from 2.6% in Estonia, to 2.5% in Latvia and to 2.1% in Lithuania.

The economic impact of remittances depends primarily on the way, these transfers are spend in the home country. In a first attempt to evaluate the impacts of remittances on the economic performance in transition economies, Leon-Ledesma and Piracha (2004) showed that investments as well as private consumption would increase in East-

¹² This study used a cross-country panel regression including Spain, Portugal, Greece and the 2004 accession states.

¹³ It has to be remarked that official data on remittances include bank transfers, non-banking money transfer operators and post office transfers. Other important channels for remittances, such as cash and commodity transfers or the use of informal money transfer services are not taken into account. This results in an underestimation of remittances in official data. For a discussion of these problems see (Alfieri et al. 2005)

ern European transition countries, following the receipt of remittances.¹⁴ According to their study, remittances would be divided in a similar way between investment and consumption as other incomes earned. To the contrast, Kaczmarczyk and Okolski (2008) pointed to the disproportional high relevance of private consumption in the spending of remittances in the case of Poland shortly before Eastern enlargement. Nevertheless, for a certain group of migrants they discovered a tendency to invest in human capital, either for the migrants' themselves or for their children. In relating these experiences to recent EU-8 labour migration, one would expect a relatively high share of the income gains from these movements to transform into benefits for non-migrants at home through the channel of remittances. On potentially adverse effects of remittances no empirical research has been conducted yet.

2.2.4 Social impacts

It can be expected that labour movements from EU-8 countries do not only influence the economic situation in sending countries but also social relations and educational prospects at home. Although no comprehensive studies have been conducted on these issues, anecdotic evidence point to changing family structures and gender roles as well as to new chances and risks for children in migrant families left behind. In a number of cases, the emigration of female household members led to a decreasing family cohesion and child-welfare at home. On the other hand, especially female migrants pay for a better education for their children and for an improvement in private consumption and housing (Hurrle and Endter 2006). In countries with very high emigration rates such as Albania, the outflow of many people in working age has not only left children without proper care but also the elderly. As a result of emigration, a lot of elderly in Albania became a particularly vulnerable and isolated group (King and Vullnetari 2006).

¹⁴ This study looked at Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Poland, Romania, Russia, Slovakia, Slovenia, and Ukraine at the aggregate level.

3 Migration and remittances in Macedonia: experience and perspectives

At present, Macedonia is a migrant receiving, sending and transit country, although none of these flows is particularly high according to official data. Because Macedonia is a comparatively small country, hosting a population of 2,042,000 people in 2007 (TransMONEE 2008), migration movements can be expected to have noticeable economic and social effects for the country. Furthermore it has to be considered that only 64% of Macedonians citizens are ethnic Macedonians, while 25% belong to the Albanian minority (see table 1). Turks (3.8%), Roma (2.7%) and Serbs (1.8%) form additional relevant ethnic communities in Macedonia. Thus migration may also have an impact on the ethnic composition of the country and on ethnic relations.

Table 1: **Population of Macedonia by ethnic affiliation (2002)**

Ethnicity	2002 census
Macedonian	1,297,981
Albanian	509,083
Turkish	77,959
Roma	53,879
Serbian	35,939
Other	40,404
All	2,015,245

Source: National statistical office of Macedonia

3.1 Macedonia's migration history

Although this study is interested in the impact of migration and remittances in today's Macedonia, a historical overview of migration experiences in the region will be required to understand the development of present movements. Macedonia looks back at a comparatively long emigration history, including ethnic Macedonians as well as citizens of today's Macedonia belonging to other ethnic groups, mainly Albanians. Since the end of the nineteenth century, a considerable number of people have left the territory of Macedonia in its present borders for Western European and overseas destinations. At the turn of the 20th century, the emigration from the region was triggered by political conflicts under the Ottoman Empire as well as by economic hardship (CRPM 2007: 5ff). The main destinations in that period were overseas countries, such as the United States, Australia and Canada. As admission regulations and employment opportunities were most favourable in Canada, a sizeable Macedonian immigrant group established there in the first two decades of the 20th century (van Selm 2007).

After World War II, people from today's Macedonia – which belonged to Yugoslavia in that time – migrated because of ethnic reasons, a natural catastrophe and economic

problems. Between 1948 and 1959 a considerable number of ethnic Turks left Macedonia to settle in Turkey. The earthquake in Skopje in 1963 which made 100,000 people homeless as three quarters of the city were destroyed, promoted emigration from the region. In the aftermath of this catastrophe, many inhabitants of Skopje moved to Australia and settled with the help of Macedonian communities there. Macedonians also took part in guest worker movements to Western European destinations, above all to Switzerland, Germany and Austria. Most labour migrants in that period were male and a sizeable part belonged to the Albanian minority (CRPM 2007: 8). Furthermore, internal migration took place within the borders of former Yugoslavia, reflecting economic as well as family related motivations. Following Macedonia's independence, migration was caused by economic problems and by severe ethnic clashes such as the 1999 Kosovo crisis. This conflict turned Macedonia into a destination of refugees, as 360,000 people entered the country within a period of two months. With the exception of approximately 3,000 Roma from Kosovo, all refugees returned to their home country (CRPM 2007: 9).

3.2 The Macedonian diaspora

It is rather difficult to identify the number and the socio-demographic background of Macedonians who live outside their country of origin. While official 2002 census data found 22,995 Macedonians living outside the country, estimations range from 350,000 to 2 million people (van Selm 2007, CRPM 2007). OECD statistics and national census data of immigration countries give a rough picture of Macedonians registered abroad (see table 2).¹⁵ According to these sources approximately 460,000 Macedonians reside outside the country, i.e. 23% of the total Macedonian population. It has to be considered though that this group consists of people with different migration experiences. While some of them have moved decades ago into the destination regions, others belong to the group of recent migrants.

Population statistics in receiving countries (in most cases census data) reflect legal immigrants, while they do not count people who entered without legal permission. Therefore official data on Macedonian citizens living abroad can be expected to represent a lower limit. In former Yugoslavia, Serbia hosts the largest Macedonian minority, including 25,847 people according to the population census in 2002. A group of 4,270 Macedonians lives in Croatia, 3,972 Macedonians settle in Slovenia and 2,278 Macedonians are registered in Bosnia and Herzegovina (Markiewicz 2006: 12). In Albania, the Macedonian minority consists of 4,697 people. Thus, the Macedonian minority in former Yugoslavia and Albania sums up to approximately 41,000 people, or 2% of the Macedonian total population.

¹⁵ The Macedonian diaspora includes people of ethnic Macedonian descent and persons with a Macedonian citizenship. Because census administrations in various countries do not distinguish clearly between ethnic belonging and citizenship, it is not possible to disentangle these two definitions.

Table 2: **Macedonian population living abroad**

	Census year	Foreigners	Nationals	Unknown	All
Albania*	1989				4,697
Australia*	2001				81,989
Bosnia and Herzegovina*	2005				2,278
Canada*	2001				31,270
Croatia*	2001				4,270
New Zealand	2001			591	591
Serbia*	2002				25,847
Switzerland*	2007				60,509
Turkey	2000	1,355	30,160		31,515
United States*	2002				51,955
EU-27					
Austria*	2008				16,587
Belgium	2001	38	8		46
Bulgaria*	2001	5,071			5,071
Czech Republic	2001	406	124	3	533
Denmark	2002	1,301	306		1,607
Finland	2000	22			22
France	1999	1,798	762		2,560
Germany*	2008	62,474			62,474
Greece	2001	662	274		936
Hungary	2001	49	24		73
Ireland	2002	34	1		35
Italy*	2008				78,090
Luxemburg	2001	243	11		254
Netherlands	2000	16	7		23
Poland	2001	72	132		204
Portugal	2001	9	3		12
Slovakia	2001	103	50	3	156
Slovenia	2002				3,972
Spain	2001	185	20		205
Sweden	2003	1,068	1,903		2,971
United Kingdom	2001			1,285	1,285

Source: OECD data base, *national statistical offices (only foreign citizens are recorded)

It has already been pointed out that Macedonians moved in relatively high numbers to overseas and Western European destinations. This is reflected in rather big Macedonian communities in Australia, Canada and the United States. In overseas destinations, a considerable part of Macedonian immigrants are citizens of the receiving states. Furthermore fairly large Macedonian minorities can be found in Germany, Switzerland, Turkey, Austria and Italy. While in Turkey most migrants from Macedonia are ethnic Turks who have adopted the Turkish citizenship, in Switzerland and EU-27 countries, Macedonians have predominantly entered as labour migrants and are part of the foreign population. Austria, Germany and Switzerland represent traditional countries of immigration for Macedonians in the context of the guest worker movement, whereas Italy has established as a new destination region for Macedonian labour migrants. In recent

years Macedonian authorities became increasingly aware of the Macedonian diaspora as sender of remittances and potential investor (van Selm 2007, IOM 2007, IOM 2009).¹⁶

3.3 Migration in Macedonia since independence

Officially registered emigration and immigration flows in Macedonia were comparatively low since independence, with net migration being positive since 1993 (see figure 1).¹⁷ The majority of immigrants to Macedonia came from neighbouring countries, such as Albania, Serbia and Montenegro, most likely relating to ethnic affiliations and economic motivations (CRPM 2007, CRPM 2008). Presumably, migration figures in general are underreported, as only those persons are counted as migrants who have officially registered their migration activities. In most cases, those who leave and (re)enter the country for temporary work or studying don't register, while illegal migration is only exceptionally recorded.¹⁸

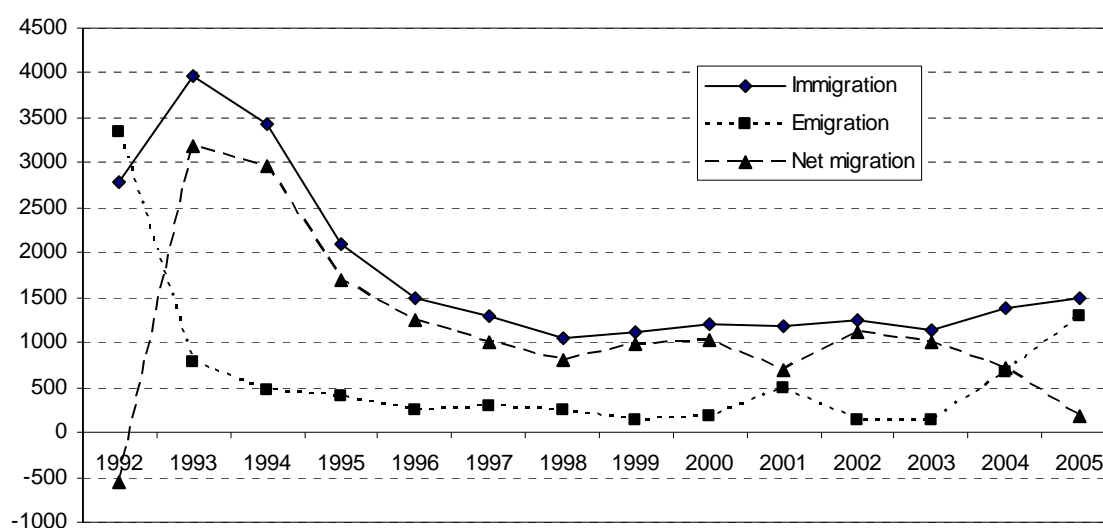


Figure 1: Immigration, emigration and net migration in Macedonia (1992-2005)

Source: TransMONEE Database 2008

¹⁶ According to van Selm (2007) four members of the diaspora have been appointed to key cabinet positions following the 2006 elections to stimulate foreign investments.

¹⁷ These data refer to the TransMONEE 2008 data base. According to other sources (Roberts et al. 2008) net migration has been negative since 2004, although the numbers were not very high. Roberts et al. (2008) report a negative netmigration of 113 persons in 2004 and of 758 persons in 2005 by 758.

¹⁸ There is some information on illegal migration activities in Macedonia. In 2005, for example, 2,050 Macedonian citizens were readmitted to Macedonia from Western European countries after they had illegally crossed the border (van Selm 2007: 5). In 2007 a number of 528 persons were readmitted (IOM 2009).

In Macedonia, only little sound information on the motivation and characteristics of emigrants exist. In summer 2007, a survey has been conducted with 1,046 respondents representing Macedonian households that receive remittances from abroad (Roberts 2008).¹⁹ This research found the wish to earn a higher income, an unsuccessful job search at home and better living conditions abroad among the most important reasons for emigration. Only a small minority of emigrants (3.3%) had left Macedonia because of educational motivations. More than half of all emigrants in this study worked in three European countries, namely in Germany (19.3%), Switzerland (18.5%) and Italy (17%). The USA (12%) and Australia (10.5%) were further relevant destination regions. A considerable part of emigrants (42.9%) had been away for more than 10 years, while a quarter (25.9%) had resided outside the country between 6 and 10 years. According to the survey, approximately 25% of emigrants had a college degree or a higher education, while 56.3% were occupied as manual workers abroad. Because this research was not concerned with current emigration, no conclusions on brain drain in Macedonia can be drawn.

3.3.1 Aspects of brain drain

In a recent survey study alarming results with respect to brain drain were found in Macedonia (Janeska 2003). According to this research, nearly 15,000 tertiary educated Macedonians resided outside the country in 2002, representing more than 15% of Macedonians holding a university education. Janeska (2003) indicated that highly skilled emigration from Macedonia is basically permanent and has seriously increased in the 1990ies. Although the total number of researchers in Macedonia decreased by 8.6% between 1997 and 2003 (Breinbauer 2007: 15), there is no proof that this decline has resulted from an emigration of the highly skilled. However, in 2007 labour market data in Macedonia reveal a certain shortage of highly educated persons especially in technical science which could be related to recent emigration (CRPM 2008). According to the survey study conducted by Janeska, approximately 85% of university students plan to leave the country after having finished their studies (Janeska 2003). Next to economic motivations, unfavourable educational and research conditions as well as little expectations for an improvement of this situation in the future were given as reasons.

A comprehensive data collection on the stock of skilled migrants in OECD countries showed that nearly one fifth (19.6%) of Macedonian migrants had at least tertiary education (Docquier and Marfouk 2005). Because it is not clear from these data where migrants completed their studies, no further conclusion on recent brain drain can be drawn. Admittedly, these data confirm a rather high educational attainment by a part of the Macedonian diaspora in OECD countries. This does not necessarily mean that Macedonian labour migrants abroad are occupied according to their education (IOM 2009). Especially recent (temporary) migrants seem to work below their skill level which may be explained by the fact that their human capital is not transferable to the foreign labour

¹⁹ It has to be considered that this survey portrays migrants who remit, i.e. the focus is not on recent migrants.

market. However, if tertiary educational standards in Macedonia would be adjusted to the standards of destination countries, highly skilled migrants might be able to use their skills abroad – though the probability of brain drain would most likely be increased.²⁰

With respect to current labour migration, the Macedonian Early Warning Report 2007 (UNDP 2007) discovered that 0.1% of ethnic Macedonians were temporarily working abroad in 2007, while 1.3% of Albanians and 3.7% of other nationalities in Macedonia did so. Males were to a much higher degree (1.1%) involved in temporary labour migration than females (0.2%). When asked, where respondents would see their future and that of their children in terms of employment, 22.9% of ethnic Macedonians, 15.7% of Albanians and 38.5% of other nationalities answered they would like to work abroad. In the case of labour migration plans the gender gap was not remarkable: 24.3% of males and 21.3% of females were interested in labour migration.

3.3.2 Characteristics of transit movements

Next to emigration and immigration, Macedonia is a country of transit movements, although the information on these movements is very limited. It is assumed that transit migration through Macedonia consists of people who enter the country illegally to move on to European Union destinations. Between 2002 and 2008, Macedonian border police apprehended 17,263 irregular migrants, predominantly citizens of Albania (79%), Serbia and Montenegro, Bulgaria, Romania and Moldova (IOM 2009). Because Macedonia borders two European Union states since 2007 (Greece and Bulgaria), transit migrants to the European Union now enter via Albania, Kosovo and Serbia, its non-EU neighbours. In the years to come, transit migrants heading towards the European Union through Macedonia are expected to belong primarily to the group of Albanians, as the Balkan route has become increasingly troublesome for migrants from other countries (van Selm 2007). Resulting from its geographic location on the crossroad between East and West, Macedonia also functions as a transit region for human trafficking and smuggling. In some cases victims are trafficked internally, although the majority of persons trafficked through Macedonia to South Central and Western Europe comes from Moldova, Ukraine, Serbia and Albania. As has been pointed out by the recent 'Trafficking in Persons Report' of the U.S. Department of State (2008: 169), the Macedonian government has meanwhile proactively implemented an anti-trafficking plan, which fully complies with the minimum standards for the elimination of human trafficking.

3.3.3 Migration perspectives

Concerning migration perspectives in Macedonia, emigration can be expected to pose the greatest challenges.²¹ A number of arguments point to an increasing pressure for

²⁰ This dilemma has been described by Mattoo et al. 2005.

economically motivated emigrations, although some of these movements might be temporary. First of all, high differences in income between Macedonia and European Union countries exist, which are geographically comparatively close. In 2007, for instance, the GDP per head in Macedonia amounted to 27% of that in Greece and to 71% of that in Bulgaria, thus providing a solid migration motivation. Furthermore, the high unemployment rate in Macedonia, which is particularly prevalent for ethnic Albanians and Roma, acts as a push factor.²² Emigration to European countries might also be supported by Macedonian communities in destination regions in lowering costs and risks of going abroad. Against this background it is not surprising that the Macedonian Early Warning Report 2007 (UNDP 2007) found people in Macedonia relating the EU accession of the country to better migration options. When asked which changes the European Union membership of Macedonia would bring for respondents' life, 22.5% of ethnic Macedonians, 44.1% of Albanians and 32.8% of other nationalities answered it would improve to the opportunity to work abroad.

While economic and network arguments point to a considerable emigration pressure in Macedonia, emigration movements are severely restricted by legal measures on the part of most receiving countries. Particularly in the European Union, restraining migration policies still control the inflow of (labour) migrants from Macedonia. Although the European Union may not be especially concerned by potential labour migration from Macedonia after EU accession because of its comparatively small population size, temporary restrictions on labour movements might nevertheless be imposed. This might be mainly the case in countries with a relatively high Macedonian immigrant population, such as Germany, Austria and Italy. However, as has been seen in past EU enlargements, migrants from Macedonia might move to those EU destinations that open up their labour markets. In case a potentially labour exporting country, such as Albania should join the EU in the same time, Macedonia might think of introducing a transition period for opening up its labour market to this specific region.²³

3.3.4 The impact of remittances

Connected to a long lasting migration history, remittance flows into Macedonia are remarkable. However, as in many other remittances receiving countries in the world, official data on remittances are scarce and they may significantly underreport actual money transfers, as many migrants send remittances via informal channels. A recent World Bank report argued that unrecorded remittances may at least add 50% to officially counted flows (World Bank 2006a: xiii). According to official data, which include

²¹ Immigration has not been very large and there is no indication for a remarkable growth of immigration in the near future (Roberts et al. 2008).

²² The unemployment rate in Macedonia amounted to 35% in 2007 (Commission of the European Communities 2008).

²³ As in the case of EU-15 states political arguments might be more important in introducing a transition period to labour migration than economic ones.

workers' remittances and compensation of employees, remittances to Macedonia have steadily grown since 2000 (see table 3).

Table 3: **Remittance flows towards and from Macedonia**
(in millions of US dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008e
Inward remittance flows	81	73	106	174	213	226	267	267	315
<i>of which</i>									
Workers' remittances	80	68	92	146	161	169	198		
Compensation of employees		5	14	28	52	57	69		
Outward remittance flows	14	21	23	16	16	16	18	18	
<i>of which</i>									
Workers' remittances	14	21	23	15	15	14	16		
Compensation of employees			1	1	1	2	2		

Source: Ratha and Xu 2008, World Bank 2009

While in 2000 the inflow of remittances made up 81 millions of USD or 2.2% of GDP, in 2007 it amounted to a GDP share of 3.5% (267 millions of USD). Compared to foreign direct investments (FDI), the inflow of remittances was higher in the period between 2002 and 2005. In addition, foreign direct investments were much more volatile. Consistent with an (see figure 2) altruistic motivation, remittances were not dependent on economic cycles. It is remarkable that the country received a substantial and increasing inflow of remittances although a considerable part of the Macedonian diaspora has been abroad for a comparatively long period. This indicates that Macedonians emigrants keep up strong ties with their home country and are in general willing to support their families back home.

By definition of the IMF and the World Bank, official remittances data include migrants' transfers in addition to workers' remittances and compensation of employees. This figure can not be calculated in the case of Macedonia, because the Macedonian national bank records migrants' transfers as part of cash exchange which also incorporates payments for unrecorded trade and services. An estimation which included all three remittances categories found remittances in Macedonia to amount to 15.2% of GDP in 2004 (Mansoor and Quillin 2007). This put Macedonia on place eight among 25 remittances receiving countries in Eastern Europe and the former Soviet Union.

To get a better understanding of the receipt and the use of remittances in Macedonia, the results of a survey will be used which had been conducted in the country in 2007 (Roberts et al. 2008). According to this research only 38.6% of remittances were sent home by formal money transfers (for example through Western Union) or bank transfers. In most cases (44.4%) labour migrants physically transported their money back home. Apparently, the dependence on remittances is a persistent issue in Macedonia, as nearly 62% of remittances receiving households relied upon these sources of income since five years and more. The survey also revealed that remittances were most importantly used for current consumption (74.1%), although savings (13.7%), construction

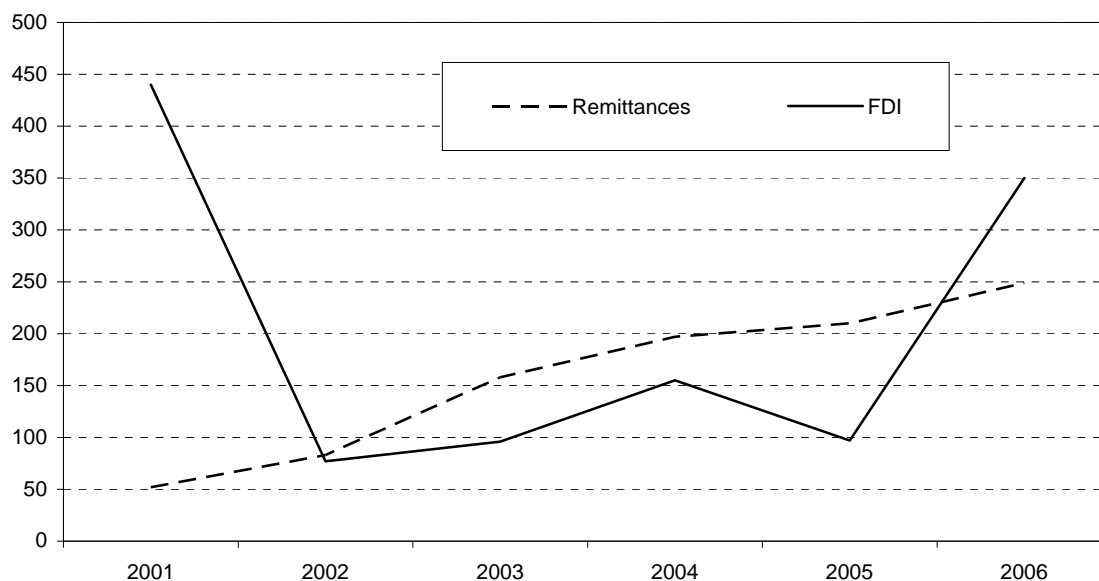


Figure 2: **Remittances and foreign direct investments in Macedonia 2001-2006**
(in millions of US dollars)

Source: EBRD 2007: 139, Ratha and Xu 2008, National Bank of the Republic of Macedonia

and maintenance of houses (14.5%) were of relevance as well. To the contrast, investments into business start ups (2.6%), real estate (0.7) or portfolio (0.3%) played a negligible role.²⁴ Unfortunately it is not possible to assess the effect of remittances on the labour supply of households as no information on this issue exists.

Beyond doubt remittances contribute to the economic wellbeing of Macedonian households and in a number of cases to poverty reduction. Thus it is of high relevance how the current global crisis may impact on the receipt of remittances in Macedonia. Although remittances to developing countries are still expected to fall less than private capital flows or official development aid, in 2009 a decline in remittances of 5 to 8 percent to developing countries is forecasted by World Bank experts (Ratha and Mohapatra 2009). This is related to job losses of labour migrants who work in sectors that are particularly hit by the economic crisis such as construction, manufacturing, services and tourism and to a possible reduction in migrants' wages. Especially those migrants will be affected by the global crisis who have emigrated recently and who perform irregular work. Migrants may return home if they loose their jobs abroad, although legal migrants will have a very strong incentive to stay, as the economic crisis is expected to affect labour exporting regions deeper than destination countries. In the case of Macedonia a reduction of remittances is likely to occur in the year to come, resulting from a weakening of job markets in destination countries, a tightening of immigration controls and the return of recent (irregular) migrants. On the other hand, Macedonia can count on a com-

²⁴ The survey asked for spending priorities according to four categories: most important, important, least important and not important. Only the answers for the category 'most important' are reported here.

paratively big Diaspora abroad which so far has been firmly engaged in sending remittances home. This may contribute to a steadiness of remittance flows in face of the global economic crisis.

4 Conclusion and policy recommendations

The understanding of migration movements and of remittances is a relevant issue for Macedonia in the course of the European Union accession. It has to be pointed out though that migration behaviour as well as the sending and the use of remittances are to a great extent based on private decisions which make them particularly difficult to influence by state policy. In the context of migration and remittances, governments are commonly most interested in enhancing the opportunities of migration and remittances for their countries and in reducing the risks. Referring to this aim the Macedonian government is facing the following challenges:

- Governmental policies with respect to migration and remittances have to rely on comprehensive information on the topics at stake. In Macedonia data on migration – referring to flow as well as to stock data – are partly lacking. It seems that emigration and immigration flows are not completely recorded. No good information on the education, the regional background, the ethnic affiliation and the gender of emigrants and immigrants exist. This is likewise the case for the Macedonian diaspora abroad. Furthermore, the inflow of remittances is not documented according to the standards of the IMF and there is no solid information on the transfer and use of these sources. Next to basic data on migration and remittances, surveys would be needed to get a better understanding of migration patterns (what are the determinants, destinations and characteristics of migrants) and of remittances' impact (who receives remittances, do remittances reduce poverty, do they influence the labour supply, etc.).
- In Macedonia there are indications for a brain drain which will prevail in the near future. This situation seriously concerns Macedonian academics, governmental representatives and NGOs. To address the (potential) loss of highly educated people, one option is to activate the resources of the highly skilled diaspora, i.e. in supporting the retention of knowledge based links between skilled migrants and R&D institutions at home (see for example the TOKTEN – Transfer of Knowledge Through Expatriate Nationals – program of the United Nations). A further approach to deal with brain drain is directed towards brain circulation, i.e. the encouragement of highly skilled persons who have gone abroad for some years to return. In this context, policies such as training, tax breaks and sustaining migrants' social entitlements while abroad should be elaborated. To prevent brain drain young highly skilled persons might be encouraged to stay by improving salaries and working conditions in R&D institutions at home (see the joint UNESCO and HP project to reverse brain drain in Macedonia).²⁵ However, these initiatives have only a chance if human rights, democracy as well as economic and political development do not deteriorate in the home country.
- As Macedonia is an accession country of the European Union, migration relations with European Union countries is of specific relevance (in addition Mace-

²⁵ The project was officially launched at the Ss. Cyril and Methodius University in Skopje. See: http://portal.unesco.org/es/ev.php-URL_ID=27011&URL_DO=DO_TOPIC&URL_SECTION=201.html

donia has a meaningful diaspora in the European Union). In this context it might be crucial for Macedonian policy to relate to a recent green paper of the European Commission on the management of economic migration with third country nationals. This paper explicitly stated that labour migration flows should be managed in cooperation with the countries of origin, taking into account their reality and needs (Commission of the European Communities 2005). Among other suggestions this paper proposed:

- to improve the dissemination of information and advice on legal labour migration procedures and on the risks of irregular migration
- to encourage brain circulation of highly skilled
- to include low skilled labour into circular schemes by developing a framework of bilateral labour arrangements
- to ensure the protection and support of migrant workers according to international standards. Related to this goal the Macedonian government should monitor recruitment activities by foreign agencies to lessen the abuse of Macedonian migrant workers abroad.

Cooperation with the European Commission on this base could prepare future migration relations after enlargement, finally resulting in the free movement of workers. The Republic of Macedonia has already entered into this process in releasing a resolution on migration policy for 2009-2014.

- With respect to the sending of remittances efforts should be made to improve official sending channels for remittances, to increase trust in these channels and to lower transaction costs.
- Rare research in Macedonia suggests that remittances are predominantly spent for consumption, thus most likely supporting poor households. To attract further remittances from migrants abroad and to enhance the development impact of remittances it might be reasonable to establish special financial products for the diaspora. Furthermore, matching funding schemes for remittances with respect to business-start-ups, low cost housing or projects of Home Town Associations (or Migrant Associations) could be designed.

To date comparatively little experience exist how the described policies might function in the context of South-Eastern European transition economies. Thus a thorough evaluation of migration and remittances patterns is a precondition for the introduction of one of these measures.

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