



Emigrants' money matters for the Macedonian social development



Recent research shows that remittances serve as informal social protection to the households that receive them. In Macedonia, remittance-receiving households are in a better social condition than the non-receiving households. They are healthier, better nourished and better dressed and, on average, have 6% higher probability to report zero-vulnerability. Households who get remittances have lower probability of falling into poverty by, on average, 27% compared to non-receiving households.

POLICY BRIEF

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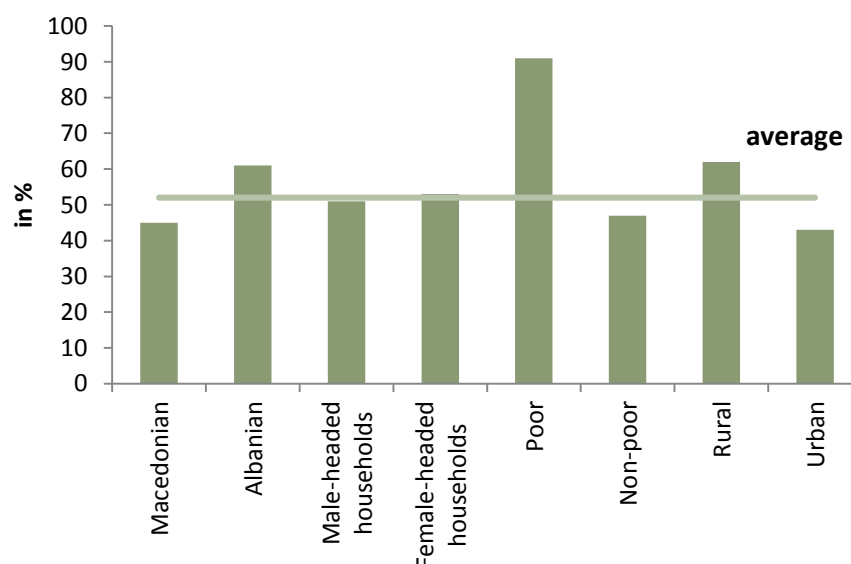
This document advises policymakers to capitalize on the shielding role that remittances have for receiving households in Macedonia, by considering framing into specific social policy during the time of their receipt, so that households would not be severely hit in case of their reduction or cease. The Ministry of Labor and Social Policy and the Centers for Social Work should consider strategies for motivating receivers to activate on the labor market, by engaging in a variety of socially-beneficial work, as well by involving in the self-employment schemes to mobilize additional funds for establishing micro-enterprises.

Problem – rationale for action

Macedonia receives at least USD 400 million in form of cash remittances, annually, representing about 4% of GDP, which is comparable to the inflow of foreign direct investments (FDIs). However, while FDIs have largely fluctuated over the years – with the top years being driven by the privatization of large-scale public utilities – the inflow of remittances remained mostly stable.

The average remitted amount is 12.903 denars per month (equal to a bit more than 200 EUR, hence totaling about 2.500 EUR per year), while remittances participation in the consumption is more than a half. Remittances are an important input to the living standards of the poor households, as 91% of their consumption is financed by remittances.

Figure: Share of remittances in consumption



Overall, remittance-receivers are in a better social condition. They have significantly lower relative poverty compared to non-receivers and are likely healthier, better nourished and better dressed compared to non-receiving ones.

Unfortunately, remittances are not taken into account in the standard national surveys and policies. Considering the uncharted potential of their contribution to the support of living conditions, a question emerges regarding the extent to which remittances may serve as informal social protection for left-behind households. Hence, the objective of this research is to investigate if remittances sent to Macedonia serve as social protection for household members left behind.

Facets of vulnerability

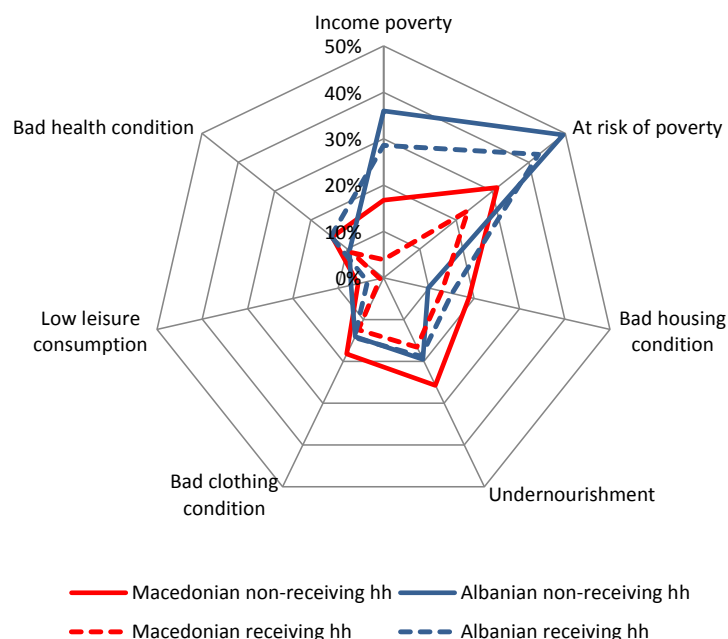
In order to analyze the remittance-vulnerability nexus in Macedonia, at the very beginning of the research we create an index of vulnerability composed of eight indicators:

- Income indicator
 - Poverty
- Non-income indicators
 - Unemployed spouse with at least one child
 - Bad health condition
 - Bad housing condition
 - Single parent
 - Bad clothing condition
 - Undernourishment
 - Bad leisure condition

Table: Facets of vulnerability

Facets of vulnerability	Indicators	Receiving households	Non-receiving households
Poverty	Poverty in relative terms	16.5%	22.2%
At risk of poverty	Households with both unemployed spouses with at least one child	32.6%	35.5%
Housing status	Private apartment/house	98.7%	95.0%
Nourishment and clothin	Bad housing condition	13.9%	13.1%
	Undernourishment	17.6%	24.0%
	Bad clothing condition	13.3%	17.3%
Health	Bad health condition	11.5%	14.3%
Leisure	Subjective opinion on the leisure time (from 1 very difficult to 5 excellent)	3.3	3.2

Ethnicity



The analysis of the vulnerability pattern show that remittance-receivers are in a better social condition than the non-receiving households.

They have significantly lower relative poverty than compared to non-receivers, but the difference with respect to the number of households with two unemployed spouses with at least one child is small. Housing condition vulnerability does not differ much between receiving and non-receiving households as almost all of the households possess house, while in a bad housing conditions live around 13% of the households in both the receiving and the non-receiving group. This is probably a result of the former Yugoslav system putting special focus on owned housing, and the new generations inherited the dwellings of their parents. Remittances, on the other hand, expectedly may play pronounced role for nourishment, clothing and health.

The receiving households are likely healthier, better nourished and better dressed compared to non-receiving ones. This is in line with the fact that households use remitted money mostly for current consumption, food and clothes.

The detailed picture of the facets of vulnerability by ethnicity of the households shows that, in general, ethnic Albanians are in a worse social condition than Macedonians.

The distribution of the Vulnerability index for Macedonia suggests that more than one third of the households in Macedonia, do not reveal any of the vulnerability condition. Nearly one third, revealed only one condition of vulnerability. The shares significantly decline as we progress up the vulnerability scale: very vulnerable households, which could be arbitrarily taken those with an index of above 5 are only few: 2.3% of all households.

Table: Vulnerability distribution

Index of vulnerability	Percent
0	37.6
1	30.9
2	14.4
3	8.4
4	6.4
5	2.0
6	0.3
7	0

↓
 Low vulnerability (Index 0-3) at top, High vulnerability (Index 6-7) at bottom.

Methodology

The study is based on a mixed method: regression analysis accompanied by context analysis through interviews.

The quantitative method is based on second-stage regression analysis using the Conditional Mixed Process Estimator. We estimate a system of two equations; at the first one, the probability that the household gets remittances is regressed on the age of the head and its square, gender, marriage, ethnicity (where available), education of the head (measured on an ordered scale from 1 – no education to 9 – holding a PhD), number of household members and its square, dependency ratio (measured as the share of children, students and persons older than 64 in the total number of household members), an indicator of whether the household lives in an urban or rural area and the non-economic motive for migration as an instrumental variable. At the second equation, the incidence of vulnerability is a dependent variable. Herein, we use a Remittances Survey 2012 composed of a total of 1.000 households, out of which 800 are nationally representative and 200 are remittances-receiving households – the so called, booster. The “representative” 800 households are stratified on two levels – region¹ and rural/urban. For the “booster” sample, 25 remittance-receiving households from each region have been selected and in the survey design they were assigned a probability proportional to the number of remittance-receiving households in each region without reference to urban-rural characteristic.

The qualitative research method used in the study is conducted through semi-structured interviews with 20 remittance-receiving households in Macedonia. All interviewees are socially vulnerable families that live in an urban or rural setting, from three different nationalities (Macedonian, Albanian and Turkish). Their education ranged from elementary to university degree. We contacted, potential interviewees according to the need for our research through acquaintances who had friends or contacts with remittance-receiving households.

Along with open-ended questions, interviewees were asked about the reasons for migration of the family member, the types of remittances they are receiving, the usage of the remittances and so on.

Results

The first stage regression show that only ethnicity and household size have impact on the probability for receiving remittances. Macedonians have lower probability than Albanians, while smaller households higher probability to get remittances. Our instrument used – the non-economic motive to migrate suggests that those who migrated for a non-economic reason have, on average, lower probability to send remittances by a large 86%.

The main results from the second stage regression show that ethnicity, education, the number of household members, dependency ratio and remittances are

found significant in determining vulnerability. Ethnic Macedonians are less vulnerable, on average, than compared to ethnic Albanians. Higher education of the household head leads to lower vulnerability. Households which are larger in size are more vulnerable than those which are smaller, while the larger the share of dependent members, the higher the household vulnerability. Households who receive remittances have on average lower vulnerability than those who do not. Remittance-receiving households have, on average 6% higher probability to report zero-vulnerability. **This is very strong and, probably, the most important result of this study, suggesting that remittances indeed could act as social protection for remittance-receiving households.** The main driver of the finding is the income-component of vulnerability i.e. remittances affect poverty, while the influence on non-income vulnerability facets, like health, leisure and housing, has not been documented. Results suggest that households who get remittances have lower probability of falling into poverty by, on average, 27% compared to non-receiving households.

Household characteristics	Indicator	Vulnerability
<i>Education</i>	Higher education of the household head	↓
<i>Number of household members</i>	Households with more members	↑
<i>Dependency ration</i>	Households with more dependent members	↑
<i>Remittances</i>	Households who receive remittances	↓



The qualitative analysis shows that the main reason for migration from Macedonia to the western EU countries, mostly, is the economic motive. The words *"My son never wanted to leave; he always said I do not want to live abroad. But, he had not enough money to live here, and had to leave"* and *"They have a university degree but could not find a job here. They have a child also. They could not handle here, and they left abroad"* confirm that Macedonians migrate abroad, looking for better living conditions and quality of life. Migration does not only ensure better life to the migrants, but also "keep alive" their families who remained to live here. Striking is the fact that without the money from the migrants, families would be much more vulnerable.

"Our children send us money, so we can survive and pay the every-day costs"

"If I do not receive some little finance from my daughter from Switzerland, I cannot live."

Another finding from the qualitative analysis is that the remittances received from the family members abroad are not only in cash but also in other forms, such as clothes, travel tickets, direct pay for household renovation and purchasing of household assets.

"When I go there, they buy me things. Everything you see here is renovated by them, I threw out everything old. Everything you see here: the kitchen, the fridge, the oven... all is their".

All these findings confirm that remittance-receiving households in Macedonia are less poor, healthier, better dressed and fed, and live in better housing condition due to the money they receive from the family member(s) who live and work abroad.

Policy lessons

Several policy lessons could be drawn from the conducted analysis:

- Remittances in Macedonia play a large social role for the receiving households, softening the incidence of poverty and vulnerability. Their sudden stop may have detrimental and long-lasting negative effects onto receivers and their families;
- The government – the Ministry of Labor and Social Policy should consider framing remittances into a well-designed policy framework enabling remittances receivers a shield in case remittances reduce or stop flowing in. The policy should be developed out of the received money, meaning while they still flow in, and not afterwards as it may inflict a significant burden onto government's budget;
- The central and local government – e.g. Centers for social work – should work with receiving households to develop coping strategies in case remittances cease contributing to household budget:
 - One advice could be enabling receiving households to engage in a socially-useful work, hence earning and slowly activating onto the labor market;
 - Another advice could be motivating receiving households to consider applying for self-employment grants/loans from the Government, hence erecting a micro-enterprise, with the remitted and government funds, so as to ensure self-sustainability over the long haul.

This policy brief is a result of the project "Migration as social protection: Analysis of Macedonian, Albanian and Serbian remittance-receiving households".

The objective of the project is to investigate if remittances sent to these three countries serve as informal social protection for the household members left behind, and to advise policymakers for framing remittances into the social security system.

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International Centre for Policy Advocacy



Project partners



The RRPP promotes social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific reform needs of countries in the region and in identifying the long-term implications of policy choices. Researchers receive support through research grants, methodological and thematic trainings as well as opportunities for regional and international networking and mentoring. The RRPP is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The programme is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs.

The views expressed in this brief are those of the authors and do not necessarily represent opinions of the SDC and the University of Fribourg.