

# **MIGRATION AND REMITTANCES IN MACEDONIA**

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## Introduction

Macedonians have long tradition of migrations. Although the most popular destinations are recognized, the number of emigrants living abroad is unknown. Public statistics are incomplete and only indirect estimations are available. IMF (2006) states that rough estimations give the figure of ½ million of Macedonians living abroad – it would represent 20-25% of population. Whatever is the size of emigration, they significantly influence domestic policy by the transfers of remittances<sup>1</sup>.

According to the national bank data in 2005 remittances were equal to \$155 million, which is much higher than the amount of FDI or more than twice the level of foreign official assistance (see chart 1). Hence, reported remittances represent 15% of exports. In terms of GDP remittances were equal to 2.7%. It means that without these transfers, the current account deficit would deteriorate and accumulation of foreign reserves would slow down.

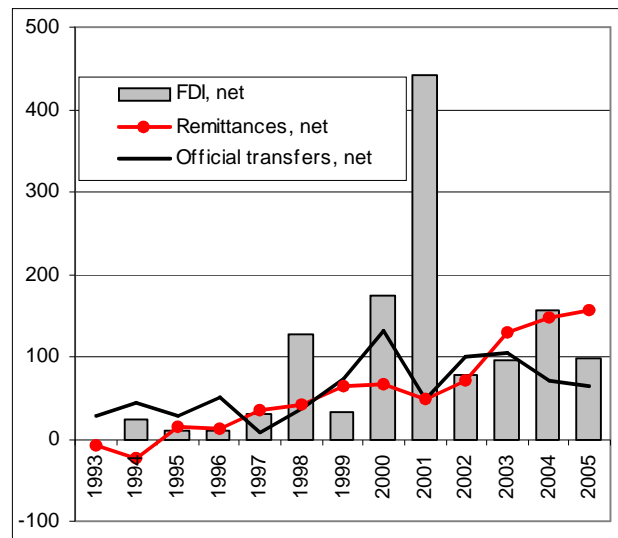


Chart 1: Balance of payments statistics  
Source: NBRM

Speaking about remittances the World Bank uses broader definition, namely: workers remittances, compensation of employees and migrant transfers. In case of Macedonia the migrant transfers are included in the cash exchange. The total amount calculated as workers remittances and compensation of employees result in 5.5% of GDP, but when increased by the cash exchange it gives 17.4% of GDP. Because the cash exchange includes also payments for unrecorded trade and services thus the real amount of migrants' transfers is somewhere between these two figures.

As in other countries the inflow of remittances is systematically growing with the exception of the period of political instability. Remittances do not depend on economic cycle, while cash exchanged is procyclical which may indicate high share of incomes from underground economy.

One should remember that figures mentioned above represent only officially recorded remittances which significantly underestimate the real magnitude of these transfers.

<sup>1</sup> Remittances are defined as money earned or acquired by non-nationals that are transferred back to their country of origin

Authors of the World Bank analysis suggest that remittances sent through informal channels could add at least 50% to the official estimate (WBa, 2006).

Migration and remittances may have important economic consequences. It is widely acknowledged that remittances have positive effect on the receiving country. Money sent by emigrants can reduce the poverty and generate substantial welfare gains for migrants and their families (WBa, 2006). Large size of remittances relative to other external flows and to the GDP indicates that macroeconomic effects are also substantial. Remittances flows can influence the foreign exchange rate, domestic interest rates, and the balance of payments. Large inflows can also have some undesirable side effects weakening the institutional capacity of the state.

Hence, migration by itself may also influence economic variables by improving situation in the labour market and allowing social promotion abroad. However, migration may have also negative consequences. One of them is the so-called ‘brain drain’ – emigration of skilled workers and university graduates. The governments may conduct policies constraining this flow of emigration and helping skilled people willing to return in identifying job opportunities. Well targeted government policy should be based on recognized pattern of the migration and its consequences which in case of Macedonia is still missing. In this report we will try to shed some light on this issue and indicate topics for more detailed analysis. First, we try to estimate the migration stock based on different data sources. Then, the flows of migrants are presented. In the next section we try to answer the question about motivation for emigration. Finally, the selection of potential economic consequences is listed. The last section concludes.

## **Emigration stock**

The population census conducted in 1994 provided 159,548 citizens of Macedonia staying abroad. This census had some weaknesses. It was conducted in 23 countries only. It could not be conducted in the Federal Republic of Yugoslavia, thus only insignificant number of persons from this country was covered.

The next census conducted in 2002 applied different methodology. Based on interviews with the households it brings the amount of 22,995 people staying abroad up to one year and another 12,128 staying longer. These data measure different things and are not comparable with the previous census results.

These figures could be cross checked with external sources. The best is the OECD database on population born in Macedonia living abroad in OECD countries based on last available population census. The total amount is equal to 193,940 persons (table 1). In this dataset statistics on emigrants in Germany are missing. Based on Federal Statistical Office in Germany we found the number on Macedonian emigrants of above 50 thousands (table 2). Another group is population of Macedonians living in former Yugoslav countries. Some data on this group are presented in table 3. This table indicates Macedonians living abroad but not citizens of Macedonia. This group is extended by Macedonians living in two neighboring countries: Bulgaria and Albania. Serbian

statistics do not cover Kosovo, so this is a missing figure. Summing up all these figures we estimated the stock of emigrants at about 300 thousands – this is 15% of the population and 34% of the labor force.

All these numbers are outdated as their sources are mainly censuses conducted 5-6 years ago and during this time the emigration continues. Then, all of this numbers indicate only official migration.

Australia and Turkey are two countries with majority of Macedonian immigrants having local citizenship (92% and 96% respectively). It indicates that this migration has long term origins. Looking at two other popular destinations, namely Austria and Switzerland only 15% and 4% have local citizenship indicating recent flows of Macedonian migration to these countries. The share of Macedonian immigrants with high education is limited, with the exception of Australia (19.9%), whereas in Austria 2.8%, Turkey 4.3% and Switzerland 3.6%. Among the newcomers, who have not local citizenship the share of those with higher education is in Austria 2.4%, Turkey 8.9% and Switzerland 3.4%. Based on these numbers one may conclude that emigration to these countries does not allow to increase the education level and in the case of Turkey the new emigration flow is more educated than the previous waves.

## **Emigration flows**

Despite severe constraints on traveling (visa regimes to majority of countries) there is observed permanent flow of emigrants. This is not a new tendency, as experience of living in former Yugoslavia allowed for higher internal migration across that country. Business and private relations still existed after the Yugoslavia break up facilitating migration flows to the countries in the region. Macedonians have also migrated to other countries and the most popular destinations are Germany, Australia, Switzerland Italy, USA and Canada. The poor economic performance in 90s, Kosovo crisis and 2001 internal security crisis increased the number of emigrants and asylum seekers.

Estimating flows we use official data of the Statistical Office collected by the Ministry of Internal Affairs (table 4). The net flow of international migration is positive, which means that due to immigration the population of Macedonia should be growing. The sample limited to the citizens of Macedonia confirms this trend: for a last few years Macedonians were mostly coming back instead of emigrating. The exemptions are last two years when the emigration of Macedonians increased. Still, these are not big figures – the outflow in 2005 was equal to 758 persons only.

It should be stressed that these figures are probably non representative for the actual flows as although there is a legal obligation to register in case of emigration/immigration, however it is possible to leave the country or to come back without fulfilling this obligation. So those who get work at the destination and decide to stay are not counted.

Migration flows are constrained by visa regulations – Macedonians need visa for almost all countries with the exception of some former Yugoslav countries and former Soviet

Union countries. Moreover, the visa costs, which are substantial in relation to the level of incomes, may set important limitations on migration.

One of the approaches to avoid these regulations is to apply for the citizenship of the neighboring countries. The most successful are those applying to Bulgarian government. According to Bulgarian Ministry of Justice from 2000 till mid-2006 there were over 80 thousands applications for citizenship out of this 38 thousands were from Moldova, 30 thousands from Macedonia, 3.8 thousands from Russia, by 2.9 thousands from Serbia and Montenegro and from Ukraine, 1.8 thousands from Israel and 1 thousand from Albania. It was not disclosed how many of these 30 thousands of Macedonians were granted Bulgarian citizenship. However, other sources indicate that Bulgaria annually grants citizenship to about 12 thousands of foreigners mainly Macedonians, Moldavians and Ukrainians. If these people decide for emigration it would change the statistics of flows mentioned above. Some of them may emigrate when Bulgaria joins the EU and when other EU countries open the labor market for Bulgarian citizens.

As for other data, the flow statistics of the Statistical Office underestimate the flow numbers as they only refer to official migration.

## **Economic consequences**

The size of remittances received by Macedonians is relatively small considering the number of the emigrants. For example, in the countries like Moldova official figures indicate that emigrated 8% of population is sending about 27% of GDP. Bosnia and Herzegovina emigrants send remittances equal to 22% of GDP. These figures may indicate potential scope of further flows of remittances to Macedonia with the official channels.

Analysis of household surveys could provide answers to many questions. First, to what extent remittances have been associated with decline in poverty. Then, whether remittances help households to maintain their consumption levels through economic slowdowns and political shocks. It is also important how this money is spent – usually remittances are associated with increased household investment in education and health, as well as increased entrepreneurship.

The research on used transferring channels is missing, thus it is not clear what could be the estimation of remittances transferred via money transfer operators and private persons. It is also not clear what are the financial conditions of transfer operations. World Bank (2006) analysis indicated that fees charged by remittance service providers are often as high as 10-15% for small transfers typically made by poor migrants.

Economic consequences of migrations and remittances in Macedonia are hardly recognized. There are only a few studies on these specific issues.

## Motivation

In order to forecast further migration flows one should answer the question on what are the motivations for emigration. As for now the research on this issue conducted among Macedonian emigrants is not available.

A number of theoretical approaches could be applied when analysing labour mobility. In the neoclassical framework labour mobility reflects income and wage differentials. Temporary mobility can be better explained by the New Economics of Labour Migration that states that people migrate not only to maximize expected incomes but also to overcome various kinds of market failure. There are also structural approaches, neoclassical microeconomic theories and network theories which provide the potential framework of migration analysis (for overview see WBb, 2006). Neoclassical approach provides the very simple model for analysis and therefore was quite popular in forecasting migration flows following EU enlargement in 2004. However, it should be stressed that these results overestimated potential flows.

Applying the neoclassical framework to Macedonia results in the following conclusions:

- The income level could be considered as major factor in the migration decision making process. In terms of GDP per capita, Macedonia is lagging far behind all EU countries (chart 2). It is also lagging behind all EU candidate countries (Bulgaria, Romania, Croatia and Turkey). Additionally, the economic growth observed in Macedonia is not impressive given the need to catch up. It is also not very impressive in terms of creation of working places, although this process is relatively fast due to growth in employment without increase in productivity.

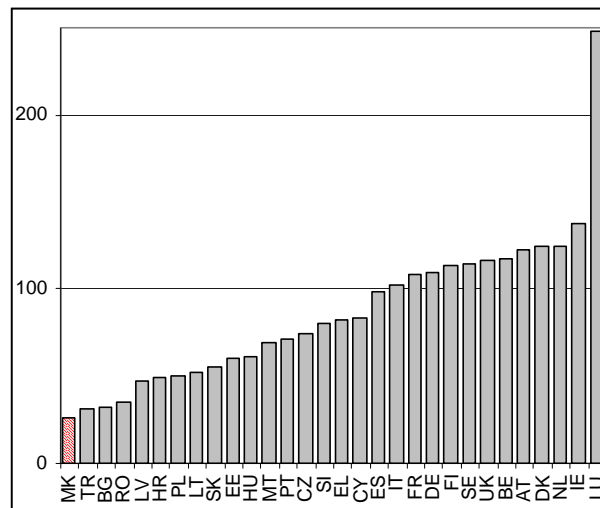


Chart 2: GDP per capita in PPS in 2005, EU25=100  
Source: Eurostat

- Another important pro-migratory factor is wage differential. Two figures are compared: average gross earning in industry and services and monthly minimum wage. For short term migration wage differentials are important incentive, while net wage differentials (adjusted for cost of living) should matter more for permanent migration.
- The situation in the labour market is another push factor and good indicator can be unemployment rate. For Macedonia this rate is above all the EU countries and



new members (Bulgaria and Romania). Moreover, majority of unemployed constitute long-run unemployed suggesting structural skills mismatches and low efficiency of the labour market institutions. According to the Labour Force Survey long term unemployment was equal to 85.1% in 2003 (EC, 2005).

- Finally the migration motivation may also depend on the structure of employment, notably the scale of employment in agriculture and heavy industry. Countries with a higher share of employment in these sectors are characterized by high rates of migration (WBb, 2006). Macedonia with the share of those employed in agriculture of 16.8% in 2004 and 19.5% in 2005 is comparable with EU countries with highest rates like Poland (18%) or Lithuania (16%). After joining the EU both of these countries experience massive outflow of labour.

Another strong migration motive may be searching for education. As for now the number of scholarships available for Macedonians is very limited and educational sector abroad is still closed. Despite these limitations emigration of highly educated students is a serious problem.

For official emigration the Statistical Office identifies the reasons for moving away. Out of 1282 persons emigrated in 2005 the following reasons were stated: employment (518 persons or 40.4%), marriage (85 or 6.6%), family reasons (420 or 32.8%), education (41 or 3.2%), other (218 or 17%). This refers only to official flows of emigration.

All the above mentioned supply factors should be formally examined as the determinants of the migration flows in order to formulate the conclusions for the EU negotiations.

## **Why is it important?**

Migration is important element of the mutual relations between the EU and neighboring countries. The EU often underlines the need to combat illegal migration and increase the benefits of legal migration. The efficient instruments are bilateral labor migration agreements, but Macedonia has not developed this instrument yet (signed only with Germany; OECD, 2004).

Granting candidate status to Macedonia the EU set many conditions concerning migration. It is demanded to reduce illegal migration flows, ensure safe return of illegal migrants, and build capacity to better manage migration. It is necessary to develop a central database for all aliens covering asylum, migration and visas.

Meeting these conditions in March 2006 Macedonia approved the Law on Aliens (law on migration). With the adoption of migration law the visa regime was expected to be in compliance with the basic EU visa provisions. There were legislative actions taken to combat trafficking in human beings as Macedonia is predominantly a transit country for illegal immigration rather than a destination country.

As for migration, the EU commission stressed that 2002 population census did not cover registration of emigrants and immigrants hampering the determination of net migration. To some extent this gap is covered by the Labor Force Survey conducted regularly.

Negotiating changes in the visa regime and subsequently the EU accession Macedonia will have to refer to the potential migration issue, as happened in the case of previous wave of EU enlargement. Although the expectations of massive migration from new to old member states did not materialize, however in the process of negotiation this issue played an important role and delayed the opening of the labour markets for the acceding countries. Given the difficult situation in the labour market in Macedonia the risk of surge in emigration once the visa regime is liberalized is high. However, the deeper analyses on this issue are still missing.

Migration is also important due to its economic consequences, where the most evident are the flows of remittances and the other are potential impact one unemployment, poverty and wages.

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WBa, 2006, Global Economic Prospects, no. 34320, Economic implications of remittances and migration

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EC, 2005, Labour Market Review of Macedonia (fYR)

## Annexes

Table 1: Population born in Macedonia living abroad by status

	Census year	Foreigners	Nationals	Unknown	Total
Australia	2001	2894	40072	561	43527
Austria	2001	11736	2154	58	13948
Belgium	2001	38	8		46
Canada	2001	1545	5785		7330
Czech Rep	2001	406	124	3	533
Denmark	2002	1301	306		1607
Finland	2000	22		1	23
France	1999	1798	762		2560
Greece	2001	662	274		936
Hungary	2001	49	24		73
Ireland	2002	34	1		35
Italy	2001	24534	339		24873
Japan	2000	15			15
Luxembourg	2001	243	11		254
Mexico	2000			2	2
Netherlands	1995-2000	16	7		23
New Zealand	2001			591	591
Norway	2003	361	354		715
Poland	2001	72	132	0	204
Portugal	2001	9	3		12
Slovak Rep	2001	103	50	3	156
Spain	2001	185	20		205
Sweden	2003	1068	1903		2971
Switzerland	2000	39816	1690		41506
Turkey	2000	1355	30160		31515
United Kingdom	2001			1285	1285
United States	2000	9015	9980		18995
Total:					193940

Source: OECD database

Table 2: Macedonian migration to Germany

	1995	1996	1997	1998	1999	2000	2001	2002
Stock	33984	38774	42550	46167	49420	51841	55986	58250
Inflow	4000	2835	3060	3051	3503	3411	5421	3913

Source: Statistisches Bundesamt (Federal Statistical Office)

Table 3: Macedonians living abroad in neighbouring countries

	Census year	Total
Bosnia & Herzegovina	2005	2278
Serbia	2002	25847
Croatia	2001	4270
Slovenia	2002	3972

Bulgaria	2001	5071
Albania	1989	4697
Total:		46135

Source: national sources

Table 4: International migrations

	1998	1999	2000	2001	2002	2003	2004	2005
Immigrants	1057	1118	1199	1185	1257	1145	1381	3638
- Citizens of Macedonia	595	658	639	458	723	567	543	524
Emigrants	248	141	172	503	141	144	669	1300
- Citizens of Macedonia	241	127	165	312	81	112	656	1282
Net migration	809	977	1027	682	1116	1001	712	2338
Net migration of citizens	354	531	474	146	642	455	-113	-758

Source: Statistical Office