



Labour Migration and Remittances in the Republic of Moldova

(translation)

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The findings, interpretations, opinions and conclusions contained in this study report belong solely to the authors of the study and do not necessarily represent those of Moldova Microfinance Alliance and Soros Foundation Moldova.

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I. INTRODUCTION

„...In the XXI century migrants will need Europe and Europe will need them too. If Europe turns into a stronghold, it will become poorer, weaker, older and more limited. Oppositely, an open Europe will grow better, stronger, younger and more prosperous. The precondition for this should be an efficient migrational policy.

Kofi Annan, 01.2004,
“Vom Nutzen der Migration”, *Die Tageszeitung*,

It appears that the post-transitional period is affected by a phenomenon that permeated the entire society, thus, triggering numerous effects in its structure and evolution. The phenomenon has produced changes in the demographic structure, in the occupational pattern, in the income structure and, respectively, in the lives of some social groups, imposing new orientations and tendencies in the population's behaviour, new evolutions in the consumption market, new socio-economic policies and governmental strategies. This profound resonance upon the social and economic life has been produced by the labour force exodus and, implicitly, by the massive inflows of private money generated by the moldovan citizens working abroad.

Labour migration of the moldovan citizens as a social and economic phenomenon implies, besides visible benefits and tangible effects, a range of scarcely known aspects, which were insufficiently and, sometimes, contradictorily mirrored by the official statistics and mass-media.

What is the essence of the labour migration and which are its' true dimensions?, What are its' benefits and costs, both economic and social?, Who „reaps the harvest” and who loses?, Which is the socio-economic impact on the macro and micro levels?, Who are they, the migrants and how did they take decision to leave their families?, Which countries do they work in?, What conditions do they toil in?, What are they doing to earn for their living? and How?, How do they remit the money earned?, What is the utilization pattern of the remittances? Do the huge amounts of remittances cover the loss of highly qualified human capital? How does a family member's leave affect his or her family? What are the hazards of labour migration? How is the migrant's health affected?

These and many other questions wait for their answers in order to create premises for the nongovernmental initiatives and reasonable governmental policies, which should contribute to, on one hand, minimizing the costs and the risks of migration and, on the other hand, to maximizing the benefits of migration both for the family households and the community as a whole.

To date, there are virtually neither state nor civil society initiatives oriented to:

- protect the rights of citizens working abroad;
- stimulate return of highly qualified human capital;
- protect the migrants' families and children while they are abroad;
- compensate the educational and emotional gap in the migrants' children's lives when their parents are temporarily away;
- reduce the risk of family disband, particularly of the young ones, because of the massive exodus of their family members abroad;
- stimulate productive use of financial means generated by the abroad-work and, on the whole, - the rational monetary behaviour;
- provide medical assistance and educational services etc.

Despite the attained dimensions and the resonance upon the community life, the phenomenon of moldovan citizens' labour migration not only eludes from the governmental and civil management instruments, but also is insufficiently explored by the scientists and research institutions. It is this very gap that is targeted by the present study.

Although at the international level the phenomenon of remittances has been the object of the numerous studies and thorough analysis fulfilled by either scientific or political spheres, in the Republic of Moldova, up to present, there has been no scientific research that would scrutinize the phenomenon of remittances and its' impact in all their complexity and levels of manifestations.

METHODOLOGY

Problems and objectives of the study

The study presents an overview upon the external labour migration of the moldovan citizens and its' main rezult – money inflows (remittances)- constituting a part of the migrants' revenues generated abroad. The phenomenon is analyzed in the light of the costs, including social, and its' impact upon the family households and the community. The study seeks to shed light on a range of aspects and problems of social and economic character that trigger, attend, or become the consequence of the labour migration, thus, producing a whole new analytical and informational base useful for initiatives and projects that would contribute to the social and economic development of our community.

Thus, the key concepts examined by the present study are *the labour migration* and *the remittances*. The conceptual framework has also been constituted of such terms as socio-economic impact, categories of migrants, irregular migration, formal and informal channels of remitting money, remittances utilization patterns etc.

The impact of labour migration and, implicitly, that of the remittances can be analyzed by a number of criteria. For this study, the following criteria have been taken into consideration:

- **field of manifestation:** economic and noneconomic (social, political and cultural);
- **level of manifestation:** micro (family household) and macro (community, state);
- **extent of control:** controlable / uncontrolable;
- **measurability:** measurable / immeasurable;
- **timing:** short –/ medium -/ long-term;
- **mode of manifestation:** direct / indirect;
- **essence:** pozitiv / negative, favorable / unfavorable;
- **depth:** profound / superficial.

In order to attain the assumed objectives, a sequence of empiric data has been collected to reflect the following aspects:

1. migrants' socio-demographic profile: age group, sex, level of education, occupation;
2. migrants' household structural characteristics: composition, well-being, income;
3. migration directions: costs, legality, means, difficulties;
4. work, remuneration, working and living conditions in target countries;

5. communication and nonfinancial relationship between the migrants and their family in the country of origin (or source country);
6. money transfer: formal and informal channels/means;
7. importance and impact of remittances upon the recipient-families;
8. economic and financial behaviour upon the recipient-families (modele de utilizare a remitențelor).

Analysis of empiric data and official statistics includes the following:

- Evaluation of labour migration impact upon the family as a social institute, children's education and the migrants' health;
- Evaluation of migrants' rate of return and internal migrational tendencies, as well as transfer of knowledge and skills;
- Identification of specific assistance, education and service needs of the studied group;
- Evaluation of the external labour migration role in stimulating entrepreneurial initiatives and community development.

Definitions

There is a clear distinction between the internal labour migration, which occurs within the regions of a country, and external labour migration i.e interstate labour migration. International economic science is preoccupied by *the external labour migration*, its economic causes and consequences.

According to the International Convention on Protection of Rights of all Labour Migrants and their Families, adopted by the United Nations General Assembly in the Resolution 45/158 on December 18, 1990, the term *labour migrant*, refers to a person who does not have the citizenship of the state he or she will be employed, is employed or was employed in for a paid activity (United Nations, 1997:33). *Labour migration* is a temporary emigration in another country with an aim to generate alternative revenue and hope of returning to the country of origin (i.e. source country). The motivation of labour migration is not to establish a new place of residence, but to generate alternative income abroad. This constitutes the basis for the definition provided by the International Labour Organization (ILO), according to which "labour migrants are the persons who have been permitted to engage in an economic activity in the country other than the country of origin" (Billsborrow et al., Statistics on International Migration, 1999 : 35).

ILO defines separate categories of labour migrants:

- (a) *Seasonal migrant workers* - work in the country other than the country of origin for a certain period of the year, since the work they perform directly depends upon the seasonal conditions;
- (b) *Migrant workers working under the employment contract* - work in the country other than the country of origin on the basis of a contractual agreement, specifying temporary employment limits and type of work the migrant will be employed for. Upon the target - country entry permission, the migrant worker is prohibited from changing the type of work and is obliged to leave the country straight after the contract termination, even if the object of work itself, has not been completed. However, while under certain conditions the contract duration may be extended, the worker should leave the country before renewing the labour contract.
- (c) *Temporary migrant workers* are allowed in the country other than the country of origin to perform certain work or activities in the course of a determined period of time. These workers are allowed to change their employers and extend duration of the labour contract without leaving the target-country (hosting country). This ILO definition is similar to that of the Convention given to that category of migrant workers, where the migrant workers are defined as „the self-employed workers”. This term „refers to the migrant workers who are engaged in a paid activity other than that stipulated in the employment contract and generate revenue working independently or with their family members” (Convention : 35).
- (d) *Shuttle migrants* – are the traders, whose economic (or commercial) activity includes leaving from and returning to the country of origin (or of permanent residence). Travel frequency and duration depends upon their activity objectives. Shuttle migrants take advantage of price difference for goods and of their availability, either at the inter-regional level or at the international. Thus, the shuttle migrants comply with the definition provided by the Convention as “self-employed workers”.
- (e) *Resident migrant workers* have the permission of stay and work without limits in the target-country (hosting country), upon residing in that country for more years. The workers of this category are not obliged to leave the target-country when they are unemployed and, as a rule, they have the right for the family reunification if its members have an ensured place of work and residence. (Billsborrow et al., 1999:35).

There is legal and illegal labour migration. International legislation distinguishes *illegal* and *irregular* labour migrants. A *regular* labour migrant is defined as a foreigner having the permission of a legal entry, residence and work during a certain period of time in a target-country. If one of these conditions is not

satisfied, a migrant will be qualified as an „*irregular migrant*”. Thus, migrants who do not comply with all of these conditions are considered as „*illegal migrants*”.

Thanks to the specific relations with the Russian Federation and Roumania by which the Republic of Moldova enjoys a favourable visa-free regime, its migrants enter these states legally. However, there is a huge number of *irregular migrants* in the „army” of moldovan migrant workers. Quite frequently they infringe the residence registration rules and do not sign employment contracts with their employers. While the registration rules are encroached upon due to objective and subjective reasons, registration failure is, implicitly, the consequence of a specific nature of CIS labour markets. In spite of rather random CIS member-state efforts to regulate labour relations, the easily accessible CIS labour markets remain, largely, illicit. Illegal labour is peculiar not only to illegal migrants, but also to the target-countries’ citizens themselves. The number of illegal migrant workers is superior to that of the citizens of the respective country. This is due to the fact that the employers tend to draw the migrants into the illicit economic activities, because the latter are more economically convenient. Anyhow, the definition “illicit worker” differs from that of “illegal migrant”. Thus, our report suggests utilizing the ILO definition “migrants with an undetermined statute”, which refers to “the persons who stay in the country other than their country of origin and who do not satisfy, partially or completely, the target-state’s requirements regarding the entry, stay and economic activity within the territory of this state”.

Some other concepts and terms utilized in the dedicated studies concerning international migration:

Immigration – foreign population entering and settling in a country;

Emmigration – population leaving the country of origin;

Balance of migration – difference between the emmigration and immigration;

“*Brain drain*”– exodus of a highly qualified labour force;

„*Brawn drain*” – exodus of a non- or low-qualified labour force;

Reemigration – returning native population, etc.

Population and sample

As far as the object of this research is concerned, the studied population is structured in two strata. At a larger extent or level, the studied population, equaling approximately 728,5 ths. entities¹, consists of the totality of families comprising active age members. (\mathbf{N}_1).

At a narrower extent or level, the studied population consists of *the totality of nucleus families (family households), whose budgets have been supplied, within the time interval January – September 2003, by the revenues generated abroad by the migrant family members* (\mathbf{N}_2).

The time period (or time unit) analyzed is *January – September 2003*.

The registered entity is a *nucleus family*, not an individual. This option is determined by the fact that budget management decisions are correlated, as a rule, with the needs of the whole family.

To study these two conventionally distinguished populations, two respective samples have been captured:

1. $n_1 = 4500$ nucleus families;
2. $n_2 = 715$ families with at least one migrant member left or being abroad during January – September 2003.

Both samples have been stratified and constructed by the *territorial distribution* (three geographical areas: north, centre, south, including Găgăuzia) and the *residence area* (urban / rural) proportionally to the entire population under the study. (\mathbf{N}).

The first random sample - n_1 - had to capture the *quantitative dimensions* and *natural proportions* of the studied phenomenon at the national level. General family data such as *its composition, number of members, existence of migrant members, migrants' target-countrys, etc.*² have been collected with the help of a grid. Thus, 4500 families include 16154 persons, of which 9438 are active age ones³, of whom 50,2% are men and 49,8% - women.

The second sample - n_2 , which is smaller in volume, includes only the families with migrant members. Another additional selection criteria – *information source accessibility* – has been used. That is, out of the totality of families entered into the studied population (\mathbf{N}_2) only those families have been selected, which were informationally accessible to our field data collectors. We have preferred this methodology to minimize relevant information distortion, which would have been far stronger if we had used a probabilistic approach of family selection for the study of this matter. Thus, the sample - n_2 was supposed to yield *qualitative* information with the help of an created for the study purpose.

¹ This figure has been estimated from our sample, using the yielded mean of 2,1 active persons per nucleus family.

² The tools utilized for data collection will be described on the following page.

³ i.e. those falling into the interval from 17 to 65 years of age.

Further we present the family distributions in n_1 and n_2 within the residence area and territorial distribution.

Table 1. Family distribution within residence area in n_1 și n_2

Residence area	n_1		n_2	
	№ of families	%	№ of families	%
Total	4500	100	715	100,0
Urban	2120	47,1	346	48,4
Rural	2380	52,9	369	51,6

Table 2. Family distribution within geographic territories in n_1 și n_2

Geographic Territory	n_1		n_2	
	№ of families	%	№ of families	%
Total	4500	100	715	100,0
North	1089	24,2	203	28,4
Centre	2205	49	340	47,6
South	1206	26,8	172	24,1

The sample n_1 has been constituted of the families residing in 9 towns (Chișinău, Cahul, Comrat, Căușani, Cimișlia, Orhei, Ungheni, Rezina, Bălți, Cantemir) and 25 villages, distributed 16 regions of the Republic of Moldova.

Data collection instruments

Utilized data collection instruments are presented further:

1. *Family grid*. It has been utilized to collect general family data. The family grid has been completed deferently depending on the area family of residence, rural or urban. In the first case, as a basis for household selection, we have used the village household records. While in the second case, we have consulted school or family doctors' records. In both cases we have applied a 5 to 10 statistical step, which differed depending on the locale population number or the number of pupils/families. (See *annexe*)
2. *Analytical guide*. It is a complex multi-sectional instrument filled out by the field operators. They have been trained in such a way as to be able to minimize the probability of bias and distortions peculiar to this type of themes. They strove to choose an optimal variant regarding question posing, in the right context, moment and, even, to the right person from the migrant's family. Questions and the structure of the guide were formed in such a manner as to simplify the operator's and the interviewee's tasks, stimulating, at the same time, frank and unhindered answers.

Prior to empiric data collection, the research team made an „incursion” into the rich and extremely diverse literature on international migration, labour migration and remittance experience, allowing us to build a theoretical base.

LABOUR MIGRATION

In this chapter the following questions are discussed: *What is labour migration and what are its determinants? What are its characteristics and current peculiarities? What types of labour migration and migrants' categories do exist? Which main directions does the current international labour migration take? What dimensions has the international labour migration reached nowadays?*

International labour migration is, as it was previously mentioned, *a process of human capital circulation from a country to country driven by such a factor as finding a job, which would prove better than that in the country of origin.* But besides the economic trigger-factor, the international migration could be determined by a whole range of political, cultural, family etc. factors. Thus, the international labour migration makes just a part of a much vaster phenomenon – *international population migration*

International migration included two distinct components: *emigration* and *immigration*. The former means that a person exists his / her country of origin to obtain residence in the target-country on a permanent basis. *Immigration* – entering into a target-country having the same goal. Thus, persons who leave a country are called – *emigrants*, while those who enter – *immigrants*. International migration also includes the process of reemigration or repatriation i.e. returning citizens to the country of origin.

Besides a range of constant migrational motivations and determinants – search for a better social or economic opportunity, flee from persecution, civil war, natural disaster and ecological disturbances – emerge significant changes in migrational directions, volume, composition and impact. The situation of the undeveloped countries or those in the process of development is further aggravated by the emigration of qualified workers abroad.

In the beginning of the 21st century, every 35th person, at the global scale, is a migrant. It is estimated that the overall number of migrants surpasses 175 mln persons, i.e. 2,9% of the total Earth population, of whom 48% are women migrants. In the course of 35 years, the number of migrants has doubled.

Population migration is, above all, the expression of the disproportion between a country's economic and demographic development. Population growth, which is superior to the rhythm of economic development, leads to the emergence of labour force surplus and, in consequence, a part of the population is bound to leave country to ensure a place of work. Massive migration dimensions reflect not only a discrepancy between the level of a country's development and the numeric population growth, but also a severe internal social contradiction, perpetuating and deepening a country's critical state.

Viewing migration through the „economic lenses”, it represents a *shift* of the labour force from one country to another, i.e. the shift of the capital nurtured and developed by the country of origin through important social investments. Target countries, those which accept the available labour force, „capitalize” on these cheap resources in which other countries have invested. Thus, labour force is a „product” with particular features that leaves abroad to find its consumer and use. The key difference between labour force and other products is that it is itself a factor of production of other products. A country that exports its labour force is, as a rule, paid for this in the form of remittances, which make a substantial part of the migrants' income. When countries face an excess of labour force, its export contributes to unemployment reduction, ensuring, at the same time, an important inflow of foreign currency. But, on the other hand, exodus of a highly qualified labour force leads to the reduction of technological potential of these countries and, on the whole, of their scientific and cultural level of development.

Migration of labour force, in terms of its current dimensions, is not only the feature of modern labour force market, but also of the economy at global scale. According to some authors⁴ „in the world undergoing through the process of globalization, the fundamental elements of which are the circulation of goods and capital, the migration of labour force is far inferior to the prior two”. Although, „there is

⁴ Lazaroiu, Sebastian - 2003

a pressing need to acknowledge that migration evolves as an important resource of development. The inflow of monetary transfers generated by migration is twice as much as that of financial development investments (FDI) directed to the developing countries and, above all, the former target the poor segments as well as the latter do". (Sorensen, Van Hear, Engberg-Pedersen, 2002).

A quick overview of the world's labour markets brings an interesting conclusion that in the countries of Middle East, particularly in the Persian Gulf, the number of migrant workers exceeds that of the natives. In Kuwait and Qatar, for example, 85% of all workers are immigrants, in the United Arab Emirates the immigrants constitute 90%, in Saudi Arabia and Bahrain - 40%, in Oman – 34%, where in 1950 the number of immigrants was less than 5% out of the total number of economically active people.

The International Organization for Migration presents, in a dedicated bulletin (Migration Policy Issues, No 2, March 2003), a top of migrant receiving countries, where the United States caps it with 35 mln. of immigrants, followed by the Russian Federation with 13,3 mln. The list continues with Germany hosting over 7,3 mln of immigrants, Ukraine – 6,9 mln., France - 6,3 mln., India – 6,3 mln., Canada - 5,8 mln., Australia – 4,7 mln., Kazakhstan – 3 mln., Israel – 2,3 mln. etc.

A peculiar tendency of the current international migration evolution is the proliferating illegal migration of labour force, a fact that grows into an issue of global significance. Despite a range of intense governmental measures of rich states to suppress the flow of migrating labour forces from the underdeveloped world, there has been observed a significant growth of clandestine border crossing by the labour migrants. This, first and foremost, is a *response reaction* to the prohibitive measures by the states.

Another trait of the modern labour migration is its „seasonality” character, reflecting a frequent utilization of it in agricultural and forestry sectors. Millions of Mexicans, for example, cross annually the USA border to engage as harvesters. Seasonality of labour migration process is also evident in the case of Moldovan migrant workers who toil in Russia, particularly, in construction sector.

A review of a dedicated to labour migration literature has yielded the following directions of international labour migration:

From the developing countries to the developed ones. The developed countries do need labour force from the developing countries because it provides them with a necessary number of workers for a whole range of domains and infrastructural services. For example, in France over 25% of those engaged in construction business are migrant workers, while 1/3 – in car making industry. A good half of all Belgium miners are migrants, in Switzerland – 40% of all builders are migrants.

Migration between developed countries. International migration of labour force between the developed countries is related mainly to the noneconomic factors, although the „brain drain” phenomenon is also attributable. This is the case, for example, of labour migration from Europe to the United States of America.

Migration between the developing countries. Recent years have seen an upsurge of labour migration between the developing countries. For example, in the '60s – '80s there was a massive outflow of China and Vietnam to Hong-Kong and Singapore. In the '90s, especially after the break-up of the Soviet Union, there was strong stream of migrant workers towards Hungary, Slovakia, Poland etc.

Migration from the developed countries towards those in development. This migration has relatively small proportions, taking into its flow qualified persons (experts, consultants etc.), as a rule, from European Community or the United States of America towards the developing countries. There are many such specialists in the Republic of Moldova, who mainly work in such sectors as: financial and banking, educational, agro-industrial and other. As a rule, they are invited by the nongovernmental organizations (NGOs) to assist at implementing certain projects financed by the developed countries.

Migration between the former socialist countries and CIS. In its prime, the former USSR has imported labour force from such countries as Bulgaria, Vietnam, North Korea, and many other countries. Once the Russian Federation has appeared on the map, droves of Chinese workers have entered the Russian labour market. Labour migration from the former Soviet republics to Russia has attained serious proportions, especially from Ukraine, Belorussia, new Caucasian and Asian states. A special place, in this context, is dedicated to the Moldovan migrant workers working in Russia. It will be discussed at length in later chapters. This migration is determined purely by the economic factor – people leave for Russia to gain. Some authors (Olimova and Bosc, 2003) call this phenomenon *substitutional migration*, since the job places, left vacant by the Russians working in their turn in Western Europe, need to be replenished.

Regardless of the variety of forms and directions, the essence and the results of labour migration remain the same – raising the migrant's and their families' living standards by gaining incomes superior to those earned in the countries of origin prior to migration. Particularly these revenues make the object of multiple studies, intensifying attention of international financial institutions, governments and civil societies. In the following chapter we will ponder upon the problem of migrants' revenues and present synthetically the main concerns and findings regarding *remittances* in the rich international experience.

REMITTANCES

Remittances as an object of research

The verb “to remit” takes roots from the latin word „*remittere*”, having the meaning of *handing over, giving, and delivering*. The term *remittances* is a relative neologism borrowed from english – *remittances* – having the meaning of *transferring money* from a place to another. In professional literature (Judith van Doorn, 2002, ILO) the term is utilized as having the meaning of *a part of income earned and transmitted by the migrant workers to the country of their origin*. Although remittances can have non-financial forms, they commonly constitute private financial means remitted by the migrant workers to the country of origin to be managed by their families or local commercial banks. Some authors⁵ define remittances as being „a substantial flow of financial resources directed, as a rule, from the developed countries to the countries in development”.

Remittances have constituted, in the last 10 - 15 years, the object of a number of international analysis and studies. The role of emigrants’ remittances in economic development has been of tremendous concern not only to the researches, but also to the decision-makers. Both are concerned particularly about amplifying the remittances’ impact upon the development. For example, one way of it is to direct remittances, with the help of wise policies, to productive investments.

In spite of a keen concern of the scientific world, the role of remittances in the economic development still raises plenty of controversies. Collection of accurate and objective data regarding flows of remittances is an extremely difficult task, since a big part of them is not remitted through the formal transfer systems and, consequently, not captured by official statistics. Inaccuracy or lack of data leads to divergent results from an analysis to analysis, thus hindering inference and deduction of real dimensions of remittances’ flows and of the phenomenon on the whole. According to some researches (Ralph Chami and others, 2003), the professional literature regarding remittances is structured in a way that does not permit a holistic perception of the phenomenon. They consider that, from the theoretical point of view, „it is appropriate to establish a link between the causes and effects of remittances”. Devesh Kapur (2003) presents five dimensions that determine the attractiveness of remittances for the researches and decision-makers.

1. *Remittances constitute a more and more significant source of external financing of developing countries*. In the course of decades, they have occupied the second place in terms of size after the net financial flows directed to the developing countries.
2. *Remittances – resources for the middle income countries*. The largest part of remittances is not concentrated in the poorest countries. Roughly a half of all remittances is absorbed by the lower-middle income countries, whereas the second half of them - in the countries with the higher – middle level of income and those with the low level of income. China and India, for example, are the top migrant-exporting countries in the world, but, at the same time, they report quite different volumes of remittances. Surprising as it seems, but China receives a comparatively narrow flow of remittances, roughly 1 billion USD annually, whereas India 8 billion USD. It may indicate that chinese migrants invest 10 times more than the indians in the hosting countries.
3. *Remittances – a stable source of foreign currency*. Remittances constitute the least volatile source of financial flows and the most important safety net for the developing countries. While the capital flows have an ascending tendency during the favorable economic period and a descending one during the recession, the remittances react less violently to the economic shocks, proving a remarkable stability in time. For example, remittances directed towards the developing countries continued to increase during the asian financial crisis in 1998-2001, while the privat capital

⁵ Cerstin Sander, 2003, Ralph Chami and others, 2003,

flows decreased dramatically (Dilip Ratha, 2003). Remittances appear as an insurance mechanism for the developing countries simply because they diversify the portfolio of foreign capital sources.

4. *Remittances – a source of subsistence.* A number of small countries regard remittances as a vital source of income. High levels of migration and remittances can reflect the economic fragility of small countries, which survive thanks to migrants' remittances.
5. *Remittances – a substitute of international assistance.* Preference for remittances is also determined by the failure of international financial assistance provided to the developing countries by the international community. People from poor countries migrate and remit their money to help their families as well as their countries of origin. It is migrants not the governments who have become the key providers of foreign assistance. Assistance that targets those in need without stopping in the pockets of government corrupted officials.

Theoretical and empirical references in analysing migration and remittances

Dedicated literature approaching *theoretical aspects* of remittances is vast. Early theoretical approaches of remittances identify and describe at length their variable costs and benefits. In 1985, Stark and Bloom have pointed out that *family* is an appropriate „prism” through which the phenomena of labour migration and remittances could be analyzed, because it is, as a rule, the entire family which takes part at distribution of remittances' costs and benefits. That is why the theoretical literature regarding remittances has been focused on the possible family role in determining a migrant to remit.

A number of economists acknowledge that the family ties, having the form of reciprocal help, are the main determinants of remittances. The earliest researches on remittances, for example of Johnson and Whitelaw (1974), emphasize the remittances' altruistic motivation. Lucas and Stark (1985, p. 902) have indicated that „it is certain that the most obvious motive for remittances is the pure altruism that is the migrant's care for those left home”.

Recent theories, on the other hand, have centred on the idea of egoistic motive for remittances. But these „egoistic” approaches still lean on families, since it is considered as a „business” or a contractual agreement permitting its members to enter into „arrangements of improvement”. In the initial study of this type, Lucas and Stark (1985), suggest that the migrants' remittances should be cared for, while they are away, so that the other family members act as their agents. The migrants' remittances serve to their interests, containing, however, a compensatory component for the remittances' receivers.

Another potential family role is that of a financial intermediary. Stark (1991), Agarwal and Horowitz (2002) and Gubert (2002) suggest that a family functions as an insurance company, which protects its members against financial shocks by diversifying the income sources. From another perspective, Poirine (1997), Ilahi and Jafarey (1999) compare the family with a commercial bank financing migration of other family members. Debtors, in this case the migrants, remit money to reimburse the borrowed funds, which, in their turn, are revolved into the other loans granted to other family members.

However, these arrangements may still have a non-egoistic character, as it seems at first sight. It has been proven that altruism stimulates risk dispersion behavior and Chami and Fisher (1996) demonstrate that altruism can be a mechanism by way of which the independent agents find partners with whom to share the risks. Even though remittances, in their essence, have a truly egoistic character, the mechanism upon which they depend may have altruistic nature, that is the migrant will honor his obligations, because he cares for his family members, who make part of the arrangement (contractual agreement). This idea is explored in their study by Stark și Lucas (1998). Therefore, though the motivations to of remitting remain, undoubtedly, complex, altruism among family members appears to be a good reference, when modeling remittances' cause and effect interrelations.

Now let us turn to the *empirical literature* on remittances. Elbadawi and Rochea (1992) scrutinized literature on the causes of remittances. They divide it in two key directions: „endogenous migration”

and „portfolio approach”. The former is based on the intra-family economic relations, which include though not limited to the altruistic motivations. „Portfolio approach” isolates the decision *to remit* from that of *to migrate*, thus avoiding the issue of family ties. In this case, once the income is generated, the migrant decides for himself what to do with it, either to invest in the host-country economy or remit to his country of origin. Thus, the „portfolio approach” represents an informal theory (i.e. unproved empirically) of remittances, which supports the idea that remittances have the same behavior as that of the capital flows (FDI).

In the „endogenous migration” approach, the variable series, frequently utilized to determine the level of remittances, includes economic data describing a migrant’s and his family’s economic situation as well as the demographic data reflecting the strength of family ties. Simple exemplification could be brought here: the longer a migrant stays in the target country, the less he desires to remit money, because he gradually fuses with the natives of a target country where he formed his own household.

In reality, few scientific works that rely on the empirical estimations in determining remittances use exclusively one or the other method. For instance, Wahba (1991) divides remittances into *fixed*, meant to support the migrant’s family and into *discretionary* directed into investments. The former relate to the current needs of the family, having the altruistic motivation as a determining factor, while the latter are left to his discretion, depending upon the investment opportunities.

There are a number of academic works that target directly the remittances’ economic effects, while quite a few of them have described the remittances’ utilization patterns. Generally, it has been observed that the remittances’ receivers use them for consumption rather than for productive investment, the fact that can inflict negatively the migrant’s family economy. In their studies, Oberai and Singh (1980), Durand (1996), Ghilany (1981) have found that in most cases remittances melt into consumption, followed by investments into fixed assets. Another significant, though comparatively tiny, share of remittances, follows the path to savings or investments. According to Alderman (1996) and Adams (1998), remittances tend to be invested into land plots or other fixed assets. Another important finding points that savings and investments made from remittances are not necessarily productive at the macroeconomic level. Some researchers emphasize that remittances spent on house, land or jewelry procurement constitute a kind of savings or investments but at the household level. It is clear that in order to demonstrate the true macroeconomic effects of such savings, they must be thoroughly analyzed. For example, when a house or a land lot changes its proprietor, it is not in itself a productive activity, whereas when the new capital goods (eg. equipment etc.) are purchased and put into service the productivity does grow. Lopez and Seligson (1991) have measured, in their study, the remittances’ impact upon the development of small businesses, showing that roughly 40% of entrepreneurs who receive remittances do not invest them at all in their businesses. On the whole, it is suggested that remittances increase the family’s consumption and wealth and not the wealth of state economy. Nevertheless, a petty part of remittances does go into productive investments.

It appears that a variety of remittance utilization patterns has determined a variety of theoretical and practical approaches in the professional literature as well as a multitude of interpretations and controversies related to the their role in the economic development of emerging market economy countries. In the following sections we will present the main aspects and dimensions of migration and remittance phenomena, in the form of comments and interpretations made by the authors dedicated to the studied domain. Therefore, in order to see a broader picture of migration and remittances, we will attempt to estimate the *global flows of remittances* and their evolutionary tendencies in the future and analyze *the determinants of both migration and remittances*. A section will be dedicated to the study of inherent *economic and social impacts of migration and remittances* upon the migrants’ target countries and their countries of origin. Also, we will unveil the measures applied by the different authors regarding *international management of migration, aspects of remittance transfer and the remittances’ utilization patterns* as well as a range of their derivative aspects.

Global flows of remittances

According to the IMF estimations, annual flows of remittances transferred to the developing countries, surpassed, in '90s, 60 billion USD (Chami, 2003). The World Bank report (World Bank, 2003) estimates that in 2002 the migrants remitted roughly 80 billion USD throughout the world, emphasizing that remittances constitute a very important and stable source of external financing of developing countries. A 10% increase from 72 billion USD in 2001, proves an accelerated growth rate of remittances. They constitute the second most important financial injection after the Foreign Direct Investments (FDI). In 2001 the remittances' share in the total external financing constituted 41%. It has also been estimated that the amount of informal remittances was twice as much as that of the remittances sent by formal channels, reaching almost 200 000 000 000 USD. We have to agree that this amount might and should constitute an important instrument for the global economic development.

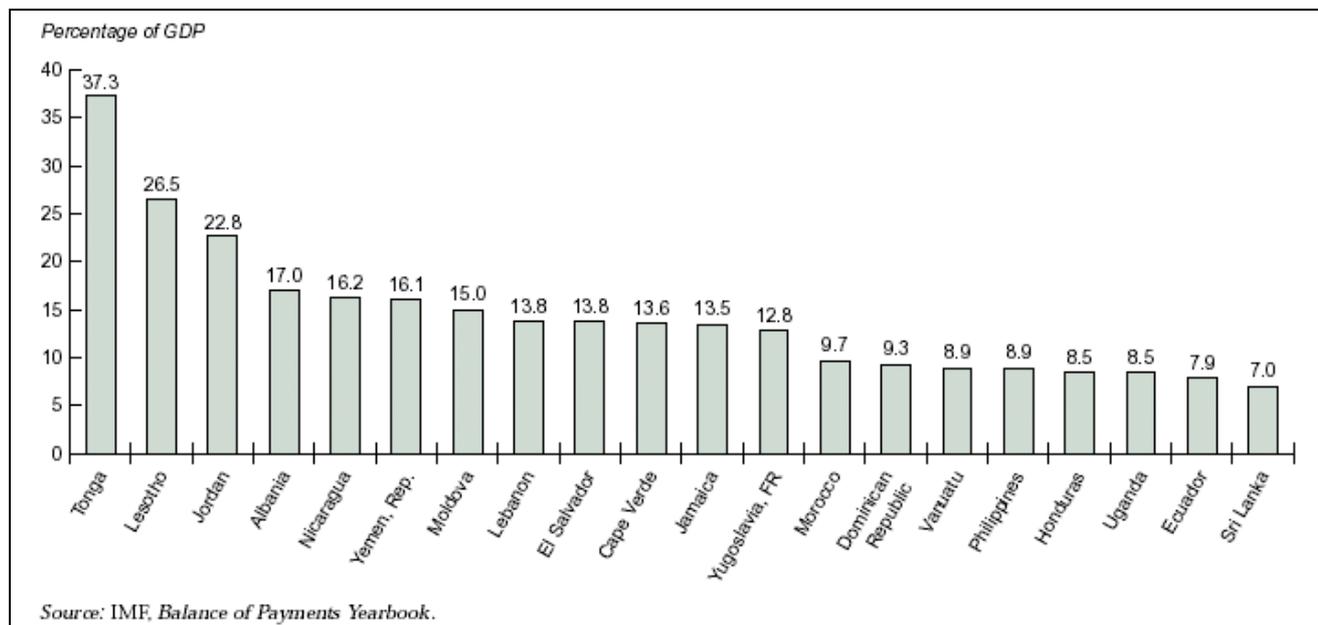
The United States of America and Saudi Arabia represent the largest source of remittances, followed by Germany, Switzerland, France etc. (See the table below)

Table 1. The largest remittance source- and target-countries (annual averages, 1992-2001)

Source - country	Bln. USD	Target - country	Bln. USD
USA	20,7	India	7,7
Saudi Arabia	15,4	France	6,9
Germany	8,8	Mexico	5,7
Switzerland	8,1	Philippines	5
France	4,9	Germany	4,1
Italy	2,2	Portugal	3,8
Israel	2,1	Egypt	3,8
Benelux	1,8	Turkey	3,7
Kuwait	1,4	Spain	3
Oman	1,4	Greece	2,7

Source: IMF, balance of payments statistics, *Devesh Kapur, 2003*.

Table 2. The top 20 remittance target – countries, remittances' percentage in the countries' GDP in 2001



Source: *Dilip Ratha, 2003*

According to Dilip Ratha's finding (2003), the accuracy of remittances' estimations is distorted by the mismatch of remittances' inflows and outflows. For example, the aggregate global inflow of remittances for the year 2001 constituted 111 bln. USD, being by 7% higher than that of the remittance outflow,

which reached 103 bln. USD. As to Devesh Kapur (2003), analyzing the remittances' volume and importance, the quality of relevant data remains to be inadequate. The main data source for remittances is the IMF's balance of payments. The most surprising feature of the table on the remittances' inflows and outflows per country and year is the number of zeros, indicating lack of data or failure to record them.

How will the flows of remittances evaluate in the future? Their flows have proved a remarkable stability in time, showing, at the same time, an obvious upward tendency during the last years. According to Dilip Ratha (2003) this trend will continue for medium or long term. In medium term, the remittances flows, generated particularly by the seasonal migrants, will follow the growth trend. Craving for more cost-efficient ways of production, the majority of international corporations turn to employing migrant workers, who can be satisfied with much lower retributions. Pressure on migration will undoubtedly increase in the foreseeable future, making the industrialized countries respond to it by relaxing immigrational policies. The most important factor that supports this is *the aging population* of the developed countries, which, inherently, implies higher social expenditures (pensions, welfare aids etc.) (United Nations, 2000). Future changes in immigrational policies will probably favour qualified migrants to extend their residence in the host country, while those with low-qualifications to shorten their stay in the respective countries. Ratha argues also that the European Union extension by 10 Central and East European countries will stimulate migration from those countries.

Another author, Sarah J. Mahler (2000), comes with a more optimistic prognosis concerning remittances' flows towards the developing countries. The remittances flows, according to the author, will persist, for at least several decades, nourishing them. Contribution to the regional development depends on the government policies and the amount of remittances. Savings and investments should be stimulated by sound social and economic policies. The governments striving for the economic, social and political stability can create and maintain appropriate investment and developmental environment. (CEPAL-1998, Meyers-1998, Russell-1986). While those governments which attempt to control remittances run the risk of making the migrants avoid remitting through formal channels and prefer informal ones (Meyers-1998). Moreover, the countries promoting productive utilization of remittances should encourage their citizens to save or invest.

Determinants of migration and remittances

Numerous researches on migration and remittances have attempted to identify the determinants of migration and volumes of remittances. Richard H. Adams and John Page (2003) have analyzed the relation between migration and poverty, utilizing an econometric model that included a series of macroeconomic and socio-demographic variables, which were presupposed to have influencing power upon migration. The key variables used were: *distance* between the exporting and importing labour force countries, *income inequality* (Gini coefficient), national *income* per capita, *inflation rate*, *unemployment rate*, *population density* (persons per square km), *share of population over 25 years with high school*, *government stability* (according to the *International Country Risk Guide*) and *country credit rating* (according to *International Investor*). The findings could be synopsised as follows:

- There is a proportionally inverse correlation between *the distance of labour force exporting country to the importing one* and *the number of migrants*. In average, an increase by 10% of the distance reduces by 9,5% - 15,3% the percentage of migrants. People from poor countries, neighboring with major foreign labour receiving countries, are prone to migration because of the reduced travelling costs.
- The higher the income inequality in a country, the more migrants it generates. In average, increasing Gini coefficient by 0,1, the number of migrants surges by 15,2 – 24,5%.

- Correlation of the countries' GDP with the number of migrants has shown that the countries with inferior or superior GDP levels generate fewer migrants than those with the medium GDP level. The share of migrants in a population steadily increases until the GDP level reaches \$1630 per capita, once it is surpassed the tendency turns descending. This result suggests the fact that people from the countries with the medium GDP level have a greater tendency to migrate, as the costs related to migration are more affordable, while those from higher income countries lack motivation to travel and work abroad. People from poor countries, though being highly motivated, cannot afford travelling abroad due to the lack of financial means.
- High or better credit-rated countries produce fewer migrants. This is owing to, according to the authors of the study, a more performing macroeconomic management, which is capable of accessing the necessary financial funds from the foreign capital markets and successfully handling internal financial and human resources, thus reducing the population's motivation to migrate.

Another author, Judith van Doorn (2002, ILO), argues that the size and frequency of total remittance flows are determined by the following factors:

- Number of migrants;
- Migrants' salary level;
- Development levels of both target countries and countries of origin;
- Currency exchange rates;
- Development level of money transfer infrastructure;
- Country's political risk;
- Migrants' socio-demographic characteristics (marital status, level of education, etc);
- Existence in the migrant's country of origin of dependent upon him persons;
- Migration duration of a family's member;
- Family income level in the country of origin;
- Deposit interest rate levels in the target countries and the countries of migrant's origin.

Dilip Ratha (2003) has found that economic recession stimulates labour migration and remittance of money to those left home. Target countries' economic cycles can have a strong impact upon the remittances flows. A target country's economic take-off increases the migrants' chances of better incomes. Tasneem Siddiqui (2003) believes that a favorable and innovative macroeconomic environment exerts positively upon the migrants' remittances.

What is the explanation for the remittances' recent growth? Devesh Kapur (2003) lists a series of factors determining the growth of global remittances flows. The most obvious factor is a continuing spread of cause – migration towards rich countries. Frequency and intensity of economic downturns in many underdeveloped countries create a pressing need for social protection, amplifying, at the same time, the demand for remittances. There is also another obvious factor which determines remittances' growth – burgeoning infrastructure that has helped ease the movement of money across borders. Money transfer business has long been dominated by such dedicated companies as Western Union. In 2002 alone, Western Union intermediated the transfer of approximately 700 billion USD, in roughly 68 mln of transactions. High costs of money transfer and, of course, huge profits have determined appearance of other players on the remittances' market – banks. Important changes have occurred in the banks' strategies, although they have rather slowly acknowledged remittances as an important source of opportunities for their business. Soon it became clear that the users of money transfer services may turn into real consumers of bank services. A good example of this is an aggressive incursion of banks into the *retail* territory.

IMPACT OF MIGRATION AND REMITTANCES

What impact does the migration of labour force have upon target countries?

Target country

Import of labour force: benefits

According to Dilip Ratha (2003) immigration generates a range of positive effects upon the target countries. First, the migrant workers cover the labour force deficit emerged in many domains, which remain unsolicited by the locals and unsubstitutable by other means but human work (for example, social services such as care-taking, etc.). Migration may have a strong impact on productivity and moderate the inflation level as it occurred in the US high technology sector in the '90s. Second, the migrant workers tend to be more flexible than the locals towards the specific conditions of labour force market. Migration may contribute to softening the rigidity of local labour force and to spurring productivity (Coppel, Dumont and Visco, 2001). Third, the multiplier effects generated by the migrants' consumption, purchases of fixed assets, etc. in the target countries, should not be underestimated. Finally, competition imposed by the migrant workers to the local low-qualified ones stimulates the latter to raise their qualification and performance.

In addition to the effects listed by Dilip Ratha, several other advantages can be mentioned further:

- Higher competitiveness of goods and services produced in a target country thanks to the production cost-effectiveness (foreign labour force costs are substantially lower);
- Import of qualified labour force saves significant professional education outlays;
- The foreign labour force may frequently be utilized as an amortisation lever in times of crisis and high unemployment rate, because the migrant workers can be painlessly laid off;
- Foreign workers are not eligible for social assistance (pensions) and not taken into account for different welfare programs.

According to the Organization for Economic Cooperation and Development, immigrants ameliorate the demographic picture of industrialized countries, which suffer from aging population. For example, in France, Germany, Sweden 10% of births fall to the migrants' families, in Switzerland – 24%, whereas in Luxemburg - 38%.

Import of labour force: concerns

The main concerns of target countries regarding immigration, according to Dilip Ratha (2003), could be summarized in the following:

- Local workers fear competition coming from the migrant workers. Higher labour force supply due to the availability of immigrants may lead to diminishing of salaries for the local workers and to augmenting the unemployment rate among them;
- Fiscal burden upon the local taxpayers;
- Cultural identity erosion and problems of immigrants' cultural fusion;
- National security particularly after the September 11, 2001.

Also, such negative effects as social tension, ethnic intolerance and other risks should not be ignored.

Migration effects upon the migrants' countries of origin

Theoretically, the return on export of labour force is not reduced to remittances, although, they constitute the major part of it. The labour exporting countries' national domestic product and balance of payments are also shaped by the taxes from the companies engaged in the distribution of local labour force on foreign labour markets, migrants' direct and portfolio investments, lower expenses

related to education or re-qualification of labour force, health-care and other social expenditures, which are partially covered by the target countries. Labour force emigration has a robust positive impact upon the economies with labour force excess, because the labour force migration reduces the pressure created by unemployment. For example, during the '70s, the government of Egypt, wishing to reduce the high unemployment rate, deliberately stimulated migration to the Persian Gulf. While the Puerto Rican law on the minimum salary was based on the condition that, at least, a third part of labour force should leave for the United States in search of a job.

Labour force export: advantages

The dedicated literature reflects a range of benefits and advantages for the countries exporting labour force. Further, we present some of them.

Export of labour force is considered to be an important source of foreign currency for the developing countries. According to IMF data, the average rate of return on exporting goods constitutes 20%, services – 50%, while that of the labour force is substantially higher. An eloquent example of it is the former state of Yugoslavia. This country used to obtain, during the '80s, approximately, 10 billion USD of annual income generated by the exports of goods and services, while the export of labour force brought annual income, in the form of remittances of up to 3,5 billion USD, which were doubled upon the migrants' return. As a result, the total income generated by migration used to reach 7 billion dollars. Labour force export constituted, de facto, the main source of foreign currency for the former state of Yugoslavia. During the '90s, the remittances' growth rate in the developing countries has been the highest, constituting in average 10% per annum.

Remittances increase the incomes of individual recipients as well as raise the countries' currency reserves. If remittances are invested, they contribute to production growth, but if they are consumed, they produce positive multiplier effects (Stahl and Arnold - 1986). Thus, remittances compensate, according to Dilip Ratha (2003), the losses incurred by the developing countries after the exodus of qualified human resources. Moreover, if a country loses low-qualified workers or the unemployed, the gain is even more significant.

Once the private capital flows get narrow, the remittances grow into the most important source of external funding of many developing countries. Dilip Ratha (2003), argues the following:

1. Flows of remittances take the second place after the direct development investments. In 2001 the developing countries absorbed over 72 billion USD of remittances;
2. In the countries with a sound economic environment, the remittances are frequently invested productively;
3. Productive investment of remittances can be encouraged by prudent economic, fiscal, juridical and customs' policies;
4. Further development and consolidation of financial infrastructure and simplification of international travellings could contribute to attracting remittances towards the formal system of money transfer;
5. Easing of international labour mobility is a crucial aspect, although a controversial one, which can dramatically increase the flows of remittances towards the developing countries. An ampler international migration could generate important benefits for the world's economy. But the economically developed countries remain skeptic towards relaxing immigration policies, because they fear for an uncontrollable growth of competition within the labour force market and fiscal burdening of the local taxpayers. Besides these, a massive immigration can erode cultural values of these countries and undermine national security.

As to Taylor (1999), remittances might serve as an insurance policy against the risks associated to the new production activities. Often, they have been utilized for building schools, hospitals etc in many developing countries (see Martin and Weil, (2002) and Orozco, (2000)). Remittances increase people's incomes and lift them from poverty. Some studies have found that remittances had an income

equalizing effect through the certain socio-economic categories, particularly in Mexico (see Taylor, 1999, and Adelman and Taylor, 1990).

A study by ILO (2000a) found that if the amount of remittances is increased by one million dollars, the national income grows approximately by 3,3 mln. USD. Another ILO study (2000b) has found that import of consumption goods is superior to that of capital goods and that remittances are not utilized for investments, where their contribution to the GDP rose from 1% in 1977 – 1978 to 5,2% in 1982-83. But, as the authors of the study argue, taking into account unofficial flows of remittances, their contribution to the GDP could obviously be much more significant.

In such countries as Philippines, Bangladesh, Pakistan, India and Sri-Lanka, remittances reported to the import and export of goods represent a substantial coefficient. According to the Asian Migration News, 31 august, 2001, the Sri-Lanka government officials have stated that „the migrants’ remittances constitute the backbone of our country’s economy”. According to Slater, (2002), in Pakistan the remittances are considered a very important factor for reducing the country’s external debt, doubling its currency reserves and ensuring current account adequacy.

Devesh Kapur (2003) concludes in his study that remittances create a social safety net for the poor households, reducing their vulnerability to the economic shocks. Though the immediate impact of remittances is upon the transitory (momentum) poverty, their long term effects should not be ignored. Households receiving remittances attain much quicker higher levels of living than those remittances-free. Those households which diversify their income sources resist much better to the domestic economic shocks such as currency depreciation, inflation, economic slump etc. than those which do not diversify their income source portfolios.

Export of labour force: disadvantages

A number of studies have targeted the problem of negative effects generated by labour migration and remittances upon the countries of origin. Here, we present the findings of main studies, boldfacing, in the beginning of each synopsis study, the name(s) of its authors.

Graeme Hugo, (2003c)

In the contemporary global situation, a country’s prosperity strongly depends, among other factors, upon its human resources’ professional qualification, innovational spirit etc. In consequence, many countries wage a competition to attract highly qualified workers for a longer or shorter period of time. Due to this process, less developed countries are challenged with a massive loss of young, qualified and innovative citizens. „Brain drain” is a serious challenge for the majority of developing countries, particularly for the african and asian countries. But the “brain drain” phenomenon gradually subsides once the economy of a country improves. For example, indian scientists upon returning from the United States of America, where they worked during several years for the Silicon Valley corporations, have put the basis of Indian technological integration. In their study of the remittances’ impact upon the economy of an Indian province, Nair and Pillai (1994) have found that the money transfers from abroad represented 13% of this province’s global income, opening the possibility of maintaining the consumption level equal, or even superior, to the province’s net domestic product. Still, this province remains to be among the poorest provinces in India. The researchers have found that the remittances have substantially increased the level of consumption, extended the commercial sector, augmented demand for social services (medical, educational), positively affected demographic structure, raising the average life span.

Other studies have found that remittances tend to widen the income inequality. Remittances augment the migrants’ families’ incomes,

and, implicitly, pauperizing the families which do not benefit from remittances (Mahmud and Osmani, 1980). Of course, intensity of this phenomenon depends very much upon such factors as the type of migrant’s family, type of work, income size etc. Other studies have found that remittances exert a neutral effect on the income distribution of remittance receiving countries (Adams, 1969).

The other researchers argue that an excessive reliance on the remittance flows may have negative consequences upon the countries' economies. For example, Tiglao (1997:40) has found that in the case of Philippines, remittances have isolated the underdeveloped agricultural sector from modern technologies and equipment and detracted attention from the need of attracting foreign investments to the industrial sector. According to Athukorala (1993), frequent concerns spread Asia-wide regarding the fact that labour migration and, implicitly, remittances might lead to the so-called „Dutch syndrome”, that is an excessive appreciation of the local currencies. „Dutch syndrome” exposes countries to the external shocks by over-stimulating imports and inhibiting exports. Also, argues Graeme Hugo, this syndrome leads to the pure financial business proliferation, whereas the real production and economy remain underdeveloped. Numerous policies have been adopted to avert from the dangerous consequences of the syndrome such as the local currencies' artificial depreciation or the production sector structural reformation and attain a more efficient and performing economy. (Quibria, 1996:97).

Nevertheless, the overwhelming majority of studies, carried out in Asia, have found that the migrants' families benefit a lot from the remittances, showing, as a rule, behavior of consumption and less of thriftiness (Avella, 1992). Taylor and others (1996:398) suggested that the migration's first effects upon the economic development are concentrated within the family households. That is why the majority of studies regarding the remittances' impact on the households point to the fact that the remittance-receiving families take advantage of additional money for a wider variety of consumer goods, house refurbishments, health-care and educational services of higher quality and, last but not least, productive investments. Moreover, Taylor (1996) pointed out that there was not a study that analyzed a range of secondary or tertiary effects of consumer goods spending, particularly, in terms of its impact upon the generation of new job places and the economic development. Certainly, the impact will be enlarged if the migrants' families consume the locally produced goods and services.

Many empirical studies have found that a significant proportion of remittances is allocated to house and apartment refurbishment or renovation, while the behavior of this pattern is not treated as consumption. But a research fulfilled in Mexico has demonstrated that the secondary and tertiary effects of spendings made for house reconstruction are quite considerable, as this activity implies employment of local specialists and utilization of locally produced materials. Analyzing remittances in-depth Adelman and Taylor (1990) have found that every dollar remitted from abroad increases GNP by 2,69 – 3,17 USD, and that the most substantial multiplier effect appears in rural communities, because the spending pattern of remittances favors procurement of locally produced goods and services. Similar findings, made by Stahl and Habib (1991) in Bangladesh, indicate that every migrant's remittances generate three job places in the migrant's country of origin.

Another finding reflects that a significant proportion of remittances is meant for children's and other family members' education. This finding mirrors a clear developmental character of remittances, though, rather frequently, higher quality education is associated with the migrants' children going abroad for their studies. Despite the substantial social costs borne by migration, there is still a positive impact in terms of raising and improving the statute of women in the countries of emigrants.

Devesh Kapur (2003)

The remittances' effects are complex and they depend on the migrants' and the recipient-families' profiles, the migrants' motivation and, in general, the economic environment in the remittance-receiving countries. Motivation for remittances includes altruism as an intra-family contract or family loan. (Foster Rosenzweig, 2001). Remittances finance consumption, procurement of land plots, houses, apartments and philanthropy. They constitute an important source of social insurance in the low income countries. They provide liquidities for micro and small enterprises (if local financial markets are unfunctional or slow), capital investments (e.g. equipment, land lots, irrigational systems, education etc.) necessary for the long term economic development. It is important to dispel the myth surrounding remittances, the myth that they compensate for the „brain drain”. It is often argued that while the poor countries might lose the scarce factor (human capital), they gain another scarce factor, namely

financial resources in the form of remittances. The two are not substitutes. Remittances cannot constitute a quid pro quo for the brain drain for several motives. Brain drain detrimental effects emerge at the superior level of human capital structure – ingeneers, professors, doctors etc.

Even at the household level remittances can have ambigues effects. Consider the case of homecare workers, for example, a migrant who works as a baby-sitter in Italy, who has left her own childrend behind to take care of children in richer households. The household in the country of origin has a higher consumption owing to remittances, but the children of these homecare workers grow up without the presence of their mother. In communities heavily dependent on remittances, a culture of dependency often sets in. In a variety of contexts it has been observed that household members simply stop working and wait from month to month for the overseas remittances. Young men prefer to remain unemployed and wait for the possibility of their migration, rather than take up jobs at the local market clearing wage. That remittances increase consumption much faster than production, raises issues of long term sustainability, given an inevitable decline as migrants settle in new communities and links with their home communities gradually erode.

Similar negative effects can also act at the national level. If remittances are relatively large, and a large share is spent on non-tradables – housing and land are particularly favored – the country is likely to suffer Dutch syndrom effects. Effectively this results in an appreciation of the real exchange rate, rendering exports less competitive. The country's principal export could become the cheap factor – labou

– rather labour intensive products. Exporting products requires painstaking effort to build the institutions and infrastructure that helps develop the necessary productive capacity. On the other hand, exporting people occurs in most cases by default rather than by design. And if the latter results in large foreign exchange receipts, the pressure to undertake reforms needed for export-led growth are considerably attenuated. For instance, countries of migrants' origin can maintain larger fiscal deficits in the context of international migration and remittances. In the absence of remittances, high fiscal deficits would imply higher current account imbalances and hence greater reliance on foreign savings, resulting in higher capital account inflows. However if remittances are high, current account deficits would be lower, thereby reducing the likelihood that high fiscal deficits will precipitate a balance of payments crisis – the most common trigger for economic reforms. Thus, countries with high levels of remittances can sustain higher fiscal deficits – while at the same time keeping international financial institutions like IMF and the World Bank at bay. For instance, India, maintained exceedingly high level of fiscal deficits (about 10 percent of GDP) even though inflation was modest (about 5 percent). In part this is because its current account was buoyed by remittances.

Richard H. Adams and John Page (2003) estimate in their study that, in average, a 10% increase of migrants in a country's total population may lead to a 1,9% decrease of people living below the poverty line. It means that if 50% of a country's population lived below the poverty line that is with less than \$1 a day then an increase by 10% of the migrant's number would reduce the number of those living below the poverty line by just 1%. According to the study, regardless of the income level and its distribution, the international migration has a weak impact, though statistically significant, upon the poverty reduction. Also, the study has shown that, in average, a growth by 10% of remittances' share in the countries' GDP, diminishes by 1,6% the number of people living under the poverty line and by 2% the depth (severity) of poverty. Then why do international migration and remittances have a little impact, though statistically significant, upon poverty reduction? The authors of the study believe that both variables (the number of migrants and amount of remittances) are strongly underestimated and do not reflect their real impact.

Ralph Chami, Connel Fullenkamp and Samir Jahjah (2003) have developed a unified framework for modeling the causes of remittances and tracing their effects through the economy, in order to examine whether remittances are now or could be a source of capital for economic development.

Applying the model, the authors have demonstrated that altruistically motivated remittances behave as compensation for the weak recipients' performances thus instilling a so-called *moral hazard phenomenon*.

The phenomenon might have different scenarios one of which might look as follows: the remittance recipients who are waiting for the money transfer from abroad, reduce their participation at the local labour market, cease looking for a job, lessen their work effort or engage into risky investment projects and other. Regardless of shapes the hazard takes, its effects lead the remittance recipients into the actions that reduce productivity. Moral hazard generated by remittances may be so severe as to diminish the economic activity. Empirical estimations have emphasized the remittances' compensatory nature and their negative effect upon economic growth. The study has shown that remittances differ substantially from the private capital flows, at least, in terms of their motivation and effects. Remittances, at least today, do not appear to be a significant source of capital for economic development. To transform the remittance flows into the development capital, it is necessary to alter their compensatory essence into the investment one. This, in turn, implies that the decision-makers should make migrants and remittance receivers invest a bigger portion of these flows into the productive directions. This is a difficult task. Moreover, there should be found a solution for preventing moral hazard. The problem with it is an insufficient supervision of migrant's actions. This problem, according to Arnott and Stiglitz, might have been partially resolved by social monitoring. As to remittances, they could have been directed to the microfinance institutions, development and financial institutions, which could have played the role of delegated monitor.

The prospect of remittance conversion into the development capital seems to be even gloomier if we consider remittances as return on investment of human capital abroad. The migrants' remittances can be regarded as „dividends” generated from the human capital investment by the families, which invested in the foreign economies, where the return on labour is higher. That is sending family members abroad might represent its main investment project, which has a higher return than the local investment opportunities. According to the authors, if this turns out to be the main migrational motivation, than remittances represent the family's key source of income and will primarily be dedicated to consumption.

Dilip Ratha, 2003

Social costs related to migration, including cultural hazard, crimes and national security remain unmeasurable and will continue presenting barriers to relaxing laws regarding immigration. Still, it is unprobable that the migration growing tendency can be stopped, because its benefits are superior to its disadvantages (Winters, 2002). Taking into account the huge gap between the rich countries' incomes and these of the poor ones, the majority of economists and decision-makers perceive a number of benefits in a higher international labour migration mobility. Winters estimates that the world's well-being would soar by 150 mlrd USD per year, if the developed countries increased the participation quota of foreign temporary laborers by 3% (see also Rodrik, 2001). Both benefits and costs of labour migration for the developing countries are more than obvious. These countries benefit from the workers remittances and higher real wages (particularly for those low-qualified and unemployed), which, partially, cover the losses generated by the exodus of labour force from the internal labour market. On the other hand, labour migration of highly qualified workers imminently leads to scarcity of qualified human resources, drop, on this background, of productivity and tax collection.

The negative effects of brain drain are softened to some extent by the migrant workers' remittances. The source countries (i.e. countries of migrants origin) take also advantage of the networking effects (business contacts, investments, technological injections), goods produced by the highly qualified migrant workers and their successful experience abroad (Desai, Kapur, McHale 2001b). It is scarcely probable that if the highly qualified human resources had not emigrated, they would have utilized more efficiently their production potential in a restrictive labour environment, peculiar to developing countries. Finally, the qualified workers can return to their homelands if the investment and labour climates grow better.

MANAGEMENT OF MIGRATION

Nowadays, the international migration runs through the inevitable qualitative changes determined by the scientific and technological breakthrough. The essence of those changes consists in a substantially higher participation of highly qualified workers, specialists in the migrational process. Laws on immigration, which, virtually, are adopted by all countries stress upon the potential migrant's qualification. „Immigration, for the United States of America, is not just a link with their past, but also a bridge with their future”, declared the President of the United States of America, G. Bush, at the ceremony of adoption of the Law on Immigration in 1990. „This law grants significant rights to enter the country on the basis of qualification, thus increasing the number of scientists, ingeneers, promoters of culture by new talents and ideas”. The majority of states apply control and regulations upon the process of labour migration in order to identify and retain out of the flow of potential migrants those migrants who are necessary and appropriate for their economies. In this sense, all economically developed countries have created departments committed to overlook and regulate the across-border circulation of labour migrants.

The principal means of traditional regulation of foreign labour migration is making bi-lateral or multy – lateral agreements, which, as a rule, are meant to suppress the process of labour migration. Different west european countries have initiated, at various levels, negotiations regarding *european union immigration policies*. An eloquent example of this sense is a conference held in Vienna in 1991, where a decision was adopted to neutralize an uncontrolable wave of emigration from the former USSR.

The majority of immigrant receiving countries have adopted *selective approaches* in regulating immigration. By virtue of these approaches the state stimulates the entrance of necessary migrants, while inhibiting the entrance of other migrant categories.

Further we present the main selection criteria applied upon the potential migrants, programs and strategies regulating international labour migration:

Professional qualification. Japan, for example, prohibits entrance on its territory of nonqualified persons. The United States stimulate immigration of persons with a relevant working experience in certain domains and with high education level, which is determined through a specially devised evaluation method. It is important that a potential immigrant have, at least, a two-year work experience in a certain speciality, which requires at least two years of preparation. The minimum education level of an immigrant should equal that of the american high school.

The list of desirable immigrants varies from state to state, but, as a rule, it includes the following categories:

- Migrants willing to work, against a minimum retribution, in harsh conditions, perform low-qualified types of job, for example, auxilary work in construction, or exhausting works in coal mines, etc.
- Specialists for the new or promising industries – for example, IT specialists, ingeneers, chemists, physicists, bank workers etc;
- Representatives of rare professions such as jeweler, restorers, physicians practicing untraditional methods etc.;
- Renowned specialists or persons – musicians, artists, scientists, sportsmen, writers etc.;
- Businessmen, investors etc.

Personal limitations. Certainly the legislation of receiving countries regards the potential immigrants' health very seriously. Age limit, stipulated in the law, is determined depending on the industry the immigrant intends to engage in. As a rule, the immigrant's age should get in the interval 20 - 40 years. For example, Sweeden and Norway favor those immigrants who can work as welders, or in

oil-extracting industry and whose age is between 20 and 40 years. Drug addicts, psychopaths, HIV infected, criminals are prohibited from entering the United States of America.

Imposing quantitative quota. The majority of countries set immigrant numerical quotas.

Economic regulation. There are also some economic and financial means of cutting the number of immigrants. For example, in some countries, companies cannot hire foreign workers until they reach a certain business turnover, or contribute with a special state tax. Or in case of a person, the right of immigration can be obtained if he/she is willing to invest in the target country's economy a certain amount of money, which is stipulated by specific laws of this country. Immigrant – investor should prove legality of money origin and create a certain number of job places in the target country.

Time limitations. Many countries fix a maximum period of stay for migrant workers', upon which they should leave the country or obtain permission to extend the period.

Geographic priorities. Virtually all migrant receiving countries define immigration geographic and national structure. As a rule, it defines quotas of immigrants from certain countries or of certain nationalities.

Interdictions. Laws on specialties and professions contain both obvious and hidden interdictions regarding hiring migrant workers, thus hindering migrants from accessing work. In case of obvious interdictions, inaccessible to migrants industries and specialties are listed overtly. Canceled interdictions appear in the lists of industries and specialties, which could be practiced exclusively by the natives of the target countries, thus making hiring of immigrants virtually impossible.

Legislation of many countries also contains sanctions for failing to comply with migrational order. The sanctions might be applied on both the migrants and also the natives who attempt to help the migrants enter the country or employ for a job. Illegal entrance in a country is a crime, sanctionable by a variety of means, for example, expelling from the country, imposing fines and even jailing. A repeated crime leads to a repeated expelling, a higher fine or longer time served in jail. For an illicit intermediation or employment, which, by definition, is a crime, the financial sanction applied on a company engaged in it may render it bankrupt or insolvent.

Under the tradeunion pressure, which perceive the wave of immigrants as the key factor spurring the unemployment, the governments of many countries have adopted intense measures of stimulating reemigration of immigrants to their countries of origin. În condițiile de presiune exercitată de către sindicatele, care percep valul imigranților ca fiind factorul principal al măririi șomajului, guvernele multor țări, încă din anii 70 ai secolului trecut, au adoptat măsuri active în stimularea reemigrării imigranților în țara lor de origine. Here we list several most frequently used means of stimulating reemigration:

Programs of stimulating reemigration. These programs include a range of measures starting with forced repatriation of illegal migrants and finishing with provision of allowances to those who wish to return home.

Programs of professional education. Another instrument able to influence a migrant's decision to come back home, utilized in France, Germany, Switzerland and other countries, is a program of immigrant's professional education. According to the rationale of such a program, an immigrant, upon obtaining a higher level of education in the target country, expects to find a better paid and more prestigious job in the country of origin.

Programs of economic assistance of migrants' countries of origin. According to such programs, the economically developed countries enter into bilateral agreements with the countries exporting labour force, by virtue of which a part of migrants' remittances and state resources are invested into the migrants' homeland. Such investments target enterprises, joint venture companies, cooperatives, etc., thus contributing to creation of jobs for the returned migrants.

Unfortunately, the majority of programs stimulating reemigration have failed to attain their ambitious goals. In the beginning of these programs a growth of labour force reemigration was recorded, but the

tendency turned downward once the financing of such programs has diminished. The main cause of inefficacy of such programs was the labour-exporting countries' uninterest in returning migrants and lack of a consistent effort in diminishing emigration.

Bhagwati, (2003) considers that the economically developed countries should change focus of their migrational policies from curbing migration to its management. The change would allow to weigh and take advantage of benefits generated by an ampler international migration and avoid the undesirable effects of immigration quotas, among which are the suffering of those who attempt to cross illegally the borders and vulnerability of illegal immigrants.

The developing countries, as the main sources of illegal migration, could benefit by adopting the so-called diaspora strategy, which would allow exploration of migration potential as a source of capital, development of trade and touristic networks, promotion of investments and transfer experience to the young generation (Dilip Ratha, 2003). Or, to put it otherwise, accrual of knowledge and experience for the economic development.. The developing countries might, at least, remove the obstacles hindering a free migration of citizens to other countries.

The diasporas mobilization strategy. Graeme Hugo (2003c) finds that governments of labour sending countries grow increasingly interested in utilizing their diasporas with the aim to support and promote their national economic, social and cultural interests and values. According to Lucas (2001), there is an emerging awareness and acknowledgement that highly qualified diasporas might play a very important role in development of the migrants' countries of origin.

An analysis of asian countries' experience (Hugo, 2003b) has found that these countries make substantial efforts to „capture” foreign currency with the help of their diasporas. This can be done by a preferential bank treatment, for instance, by pegging higher deposit interest rates, or emitting commission-free debit / credit cards etc. The diasporas might serve both as a direct source of foreign investment for economic development and as an intermediary that channels the investments towards the countries of migrants' origin. According to Biers and Dhume (2000:38), some indians, who succeeded in taking top management positions in international corporations, have convinced their companies to extend their operations in India. An eloquent example in this sense might be Hewlett Packard.

There is a range of initiatives meant not only to increase the flow of remittances, but also to:

- Utilize experience, technical assistance and ideas of the diasporas' members for the Indian companies;
- Create opportunities for launching indian companies abroad;
- Facilitate penetration of indian products on the foreign markets;
- Attract foreign investments for development and venture capital.

Rauch and Trindade (2002) demonstrated how the chinese diaspora impacts upon the balance of trade, whereas Rubin (1996) shown the way the chinese entrepreneurs working in USA transfer their businesses to China. The diasporas networks proved to be instrumental in *information transfer*, both formal and informal. Lucas (2001) found how specialists from both source and target countries maintain the flow of ideas. For instance, in Taiwan the local and diaspora scientists get together at the conferances. In the world of science the flow of information has an overwhelming importance, while the diasporas can play a significant role in technology transfer. There is an enormous potential for these interactions to accelerate the spread of new ideas, products, processes etc.

TRANSFER SERVICES: FORMAL AND INFORMAL

Remittance transfer services. The formal transfer of remittances can be realized via two channels: first, banks and, second, non-bank structures i.e. specialized systems of money transfer carried out by, for instance, Western Union or Money Gram etc. Cerstin Sander (2003) finds that the credibility of informal means of money transfer has been significantly weakening due to the risks they are exposed to, for instance, exposure to robberies, theft, etc. Such factors as trust, familiarization, services in the recipients' and remitters' languages, accessibility, proximity between the financial institutions and their (potential) clients, are equally important as the costs of the respective services. Capitals and other urban centers enjoy a well-developed banking infrastructure, while the rural or peripheral regions remain largely underdeveloped in this respect. Moreover, the banks look quite often intimidating for simple people, who perceive them as being for the rich and important people. This unfortunately erroneous perception might be formed by the bank policies, for example, fees for opening a bank account or minimum balance for maintaining an active bank account. A study has found why the migrant workers prefer informal channels of money transfer:

- *People practicing „informal” businesses frequently avoid financial institutions;*
- *Bank branches appear intimidating (guards, impression of lofty and luxury etc);*
- *Remittance senders and recipients would rather keep anonymity;*
- *Unfamiliarity with the bank financial products due to its inefficient marketing strategies;*
- *General inertia of service consumers.*
- *Informal systems of money transfer are more comprehensible to their users simply because „it has always been so”.*

Cost of transfer. Many studies have estimated that the average cost of a money transfer makes approximately 13% of the remitted money value. The costs depend upon the amount remitted, auxiliary services, destination etc. Typically, the costs get into the interval 0,2% and 20% for an average transaction of remitting money. The costs are larger for small amounts, because the transfer service requires a minimum fee. Some other studies found that certain categories of migrants are more sensitive to the service costs, while the other studies show that familiarization and convenience can determine the option for a more expensive service. As a rule, Western Union or Money Gram apply fees that do not surpass 20% of the remitted amount, the average cost per transaction being roughly 13%, depending on both countries, receiving and sending. The banks commonly apply either a minimum fixed commission or the one proportionate to the amount sent. The former might be from 5 to 50 USD, depending on the receiving and sending countries and the product. The fee might be diminished depending on the amount sent – the larger the amount, the lower the fee. Generally, important transactions, in terms of size, are cheaper. The fee might be less than 1%. Informal transfer costs range from 3% to 10%. Sometimes no fee is applied. The banks intermediating remittances from migrants to their families, earn a fat profit margin. Maldonado and Robledo (2002) estimated that in 2001, the remittance intermediating banks have earned over 12 billion USD on remittance fees alone. Besides substantial earnings generated by remittance business, the banks frequently enjoy another gain. The clients who started up their relations with the banks thanks to remittances tend to maintain and further develop their interactions with the banks by entering into other mutually beneficial arrangements.

However, relative underdevelopment of banking infrastructure as well as multiple administrative constraints accrue substantial transaction costs to migrants willing to send their money (Dilip Ratha, 2003). Once these constraints relax, a larger part of remittance could enter the official records. Some episodic cases suggest that banking system inefficiencies such as check clearing, currency exchange

losses, high transactional costs and other suppress the wish to remit hard earned money via banking system.

Informal transfer systems. In spite of an extensive and intensive development of formal transfer mechanisms, substantial amounts of remittances follow the informal path, eluding the watchful governments (Devesh Kapur, 2003). The informal transfer systems blossom in the state-controlled economies, political instabilities, low economic and financial level of development. Utilizing rudimentary transfer mechanisms, the migrants feel safer when entrust their money to the agents of informal transfer, overlooking frequently the perils. Such transfer systems „offer migrants *quick, easy to use, cheap and anonymous services*” (according to the statements made by David Aufhauser, general counselor of the US Treasury Department, at the Senate Judiciary Committee in June 2003).

REMITTANCES UTILIZATION PATTERNS

There are many academic studies that targeted the remittances' economic effects as well as their utilization patterns. The general trend is that the remittance recipients use these funds for consumption purposes rather than for their investment into business or other productive assets, thus negatively influencing the recipient families' economies. Oberai and Singh (1980), Durand (1996), Ghilany (1981) have empirically found that remittances are, primarily, directed to consumption after which, to fixed asset procurement. Another significant though comparatively smaller part of remittances is channeled to home savings and productive investments. According to findings made by Alderman (1996) and Adams (1998), remittances prove the tendency of being invested in land plots and fixed assets. Another finding was that the savings and investments made of remittances are not necessarily productive at the macroeconomic level. Some researches point that the outlays made for house, land or, even, jewels purchases constitute themselves a kind of saving or investment, at least, at the household level. It is true, however, pointed out Ralph Chami (2003), that the macroeconomic effects of such savings should be thoroughly analyzed. For example, when a house or a land lot changes its proprietor, it is not in itself a productive activity. Only does the procurement and appliance of capital goods (equipment, etc.) spur the productivity. A study fulfilled by Lopez and Seligson (1991) has measured the impact the remittances have upon the small business development and found that roughly 40% of entrepreneurs, who receive remittances, do not invest them into their businesses. Generally, it is pointed that remittances are utilized for family consumption purposes and growth of its wealth and not for the well-being of the economy as a whole.

Cerstin Sander (2003) found that a major part of money earned abroad is remitted to the migrants' parents and spouses. The best part of these funds (4/5) is utilized for consumption and human capital investment (medical treatment and education). While investments into land, houses, apartments, house refurbishment are secondary to the daily necessities and human capital investments. A very tiny portion of remittances finds itself invested into business, bank deposits, migrants' debt reimbursement. The main investment determinant is future insecurity and uncertainty. Type of insecurity determines the investment type. For instance, currency volatility or risk determines investment into fixed assets and not a financial one. A large proportion of remittances utilized for consumption purposes confirms the fact that remittances constitute a part of subsistence means, while migration represents a strategy meant to reduce the family poverty. Certain studies have shown that remittances do have a positive effect on smoothing consumption, eliminating liquidity deficit and constituting a form of reciprocal insurance.

An empirical research by Cerstin Sander (2003), has arranged the remittance utilization patterns in the following order:

- Daily needs and expenses, qualified as consumption or increasing the level of family living – 70%-90%;
- Medical and educational expenses, attributed to the same consumption category;
- Durables (TV, refrigerator, furniture etc.);
- House/apartment improvement, building or procurement, land purchase etc.
- Socio-cultural investments (birth, marriage, death);

- Loan reimbursement;
- Savings' accrual;
- Business investments.

Dilip Ratha (2003) argues that remittances sent to consumption are less volatile than those invested. In the time of economic instability, the migrants, especially those coming from the low-income countries, increase their money transfers to the families left home, particularly to those families for which remittances constitute the main source of income. Nevertheless, there is a clear evidence that remittances are increasingly becoming the source for investments.

Numerous study reports make use of traditional and conservative definitions for the productive utilization of remittances, meaning that they are invested into a business or deposited with a commercial bank etc. Sarah J. Mahler (2000) made a review of critics regarding this definition, grouping them into two categories, (1) too narrow definition and (2) burdened with socio-cultural connotations. A good example included in the first category can be traced in the work by Durand, Parrado and Massey (1996), who support that the studies carried out so far have underestimated the multiplier effects generated by the remittances in the local, regional, national and international economies. For example, the remittances utilized for house procurement or refurbishment ramify in several directions, at least at the local level economy (Stahl, 1986). Truly, remittances spent, for instance, on house building generate far more multiplier effects than in any other industry (Taylor, 1998), i.e. the funds utilized for house construction or refurbishment create many jobs, thus amplifying the remittances' impact. Moreover, the productive use of remittances should be contextualized within an available investment opportunity. It is rational to invest available financial resources when appropriate and stimulating investment environment and sound investment policies are created and maintained (Meyers, 1998, Durand, Parrado and Massey, 1996).

The second category, which included socio-cultural connotations, represents a gender approach. Although women make up the majority of remittance recipients, they turn out to be largely out of the banking or governmental circuits (CEPAL, 1998). When remittances are spent on consumption a subtle gender critique emerges because, as it has been observed, women prove to be incapable of utilizing remittances in productive ways. One cause for this „diagnosis” is that the remittance phenomenon has not been regarded or studied holistically. The majority of studies dissect just one or another part of the phenomenon, particularly the remittances' utilization patterns. Little attention has been paid to the methods of money transfer, the decision-to-remit determinants, the impact on migrants parting with their money and the recipients' experience. As Mahler suggests there is an acute need for a comprehensive research on remittances, migrants and remittance recipients.

The CEPAL, 1998 study report presents a range of suggestions regarding the productive remittance utilization. The recommendations target primarily *remittance formal transfer cost decreasing, encouragement of saving and investment behavior among the remittance recipients, creation of collective remittance management associations.*

Meyers, 1998 suggests:

- Creation of financial institutions, which would manage the migrants' remittances. Remittance funds left on bank deposit accounts could be placed in the regional investment projects.
- Launching aggressive bank marketing strategies, attracting remittances and onlending them in the form of mortgage loans or other important to migrants domains;
- Holding of trainings by specialized NGOs on efficient family budget management (for example, starting up a micro-business);
- Initiation of financial services, which would channel remittance towards the development projects.

Devesh Kapur suggests to the governments a range of measures which could amplify the remittances' constructive impact:

- Attempt to control the magnitude (size) and the source of remittance flows;

- To augment the long-term productive impact of remittances, it is necessary that governments promote competition, ensure a competitive environment to stimulate the financial intermediaries' penetration into the emigrants' segments. An extensive development of financial intermediaries' networks could absorb an important part of remittances, spurring economic development or, at least, enabling the population to preserve the time value of money by multiple saving opportunities.
- Utilize remittances as a mortgage market support and future outstanding loan portfolio, thus lifting their countries' credit rating;
- Survey and regulate the labour market intermediaries, which, frequently, could be in migrants' detriment. The intermediaries can be helpful to the flows of remittances, but also they can cause diversion of important remittance flows in their own advantage.
- Understand that attempting to stimulate or insist on remittance investment might result in the undesirable consequences upon the national economies. The first and foremost precondition for channelling an important piece of remittances towards productive investments is the creation and further maintenance of a transparent, stimulating and favourable economic environment.

REMITTANCES AND MICROFINANCE

Constantly growing flows of remittances, especially through the informal channels, reflect existence of an uncovered, accessible and promising, in terms of development, market niche. Formal transfer services have frequently failed to meet the specific demand of remittance transfer market. Sander, 2003 rightly spotted several serious factors that contain the formal intermediaries' representation on the remittance market. These factors include: insufficient spread and outreach, accessibility challenges, poor service quality, soaring transfer costs and, in some cases, lack and/or loss of trust in the banking industry due to the recent bank systems collapse. Thus, the microfinance institutions with their proven geographic and client outreach avail of premises and high potential for profitable and appreciated services. Owing to their proximity to clients, the microfinance institutions can seize the opportunity and use their potential in intermediating money transfers. Remittance intermediation is viewed as an opportunity to offer a new and high-profit potential product. This possibility may open a tempting perspective of integrating remittance recipients into the microfinance institutions' clientel, enabling them to build their own credit history or relationship profile with the microfinance institutions. Remittance intermediation by the MFIs promises not only a fat return but also an opportunity of cross-selling of other financial products, such as loans, overdraft facilities, savings' accounts. In order to be able to deal with remittance intermediation, MFIs should weigh their institutional capacity, analyze the local market potential and compliance with the existing legal framework.

Sander identifies three important aspects, which render MFIs eligible for entering the remittance transfer business.

- 1) Microfinance institutions are targeting the low-income population category and spread through the nonbanking sector. MFIs can provide cheaper and more accessible services to their clients;
- 2) Remittance intermediation can constitute an important source of revenue at the stage of MFIs' gaining maturity and sustainability;
- 3) Integrating remitters and remittance recipients into the circle of financial services, MFIs could supply a larger spectrum of financial products and services particularly to the remittance recipients.

But besides obvious advantages, the MFIs face a series of challenges and drawbacks, which contain their successful ascent in that direction:

- Prohibitive legal framework or MFIs do not comply with the existing legal requirements;

- Operational incapacity of MFIs to offer such products (low level of IT support, immature management, liquidity insufficiency, reduced reserves);
- Currently the MFIs do not make part of transfer services network, neither at the local level, nor at the international;
- MFIs work on a very confined market (for example, they are limited to several towns/villages etc.)se limitează la câteva localități);
- Traditionally MFIs are limited to two product categories: microloans and deposits, which determine their limited experience and competence.

Tasneem Siddiqui (2003), in his turn, presents two opinions regarding MFIs entering the business of remittances:

„Analyzing the opportunity of mobilizing the migrants’ remittances, Zakir Hossain, CEO of an MFI, thinks that the MFIs have attained the point of saturation. The MFIs do not suffer from fund insufficiency and so there is no a pressing need in exploring alternative sources generated from remittances. Their donors provide sufficient funds to satisfy the need for loans. The MFIs’ role might be reduced to that of a facilitator between a client and a bank, rather than to a direct engagement into the remittance domain”.

Grameen Bank management has elaborated several financial products out of which the migrants as well as their recipient families can choose appropriate for them products. For example, according to a savings’ scheme the amount, deposited and maintained during the 7 year period, doubles. Grameen Bank offers the opportunity of launching a business and financial means necessary for that. Venture capital fund offered by the bank opens up a wonderful possibility to families or individuals to invest money, initiate and further develop a feasible business together. In this case the creditor assumes and shares, on equal terms with the debtor, the risk of failure or the success of a gain.

Professor Yunus believes that „everything is possible – financing a microenterprise and take part in venture capital – once a relationship between a migrant or his family and the bank is established”. Since the Grameen Bank has not dealt with migrants’ remittances, it will start with an experiment. The products will be fine tuned according to the results of the experiment.

Sander suggests that if an MFI wishes to engage into remittance business, it should get informed on the following:

- Is there a sufficient market for transfer services and room for development?
- Does the MFI have operational, managerial and financial capacity to take on such services?
- Can the MFI provide other auxiliary financial products and services?
- Does the current legal framework permit this kind of services to MFI?
- Is there a possibility to get into the existing network of money transfer agencies?

Remittance transfer services should be advertized and offered in such a way as to convince the potential clients to change the currently used patterns. This objective could be attained by an adequate marketing strategy, which would target the following aspects:

- *Security* of money transfer through the MFIs;
- *Accessibility* for both remitters and recipients;
- *Confidence* that recipients would receive the money sent;
- *Simplicity* and *speed* of money transfer procedure;
- *Client orientation*;
- *Reduced costs* for money transfer services.

II. FINDINGS, ANALYSES, INTERPRETATIONS

In this chapter we present our findings, analyses and interpretations of data collected from the two samples – n_1 and n_2 , as well as the secondary data gathered from the official statistics, mass-media reflections, findings of other studies and surveys, which reflect, to some extent, the breadth and the depth of the phenomenon studied by the present research. To have a comprehensive view of the phenomenon, we believe appropriate inserting a compartment that presents official macroeconomic and demographic indicators, trying to holistically reflect the picture of the Republic of Moldova. Further, we present the empirical results in such way as to represent *the full migrational cycle*, starting with the dimensions of the phenomenon, socio-economic profile of the migrants, migration directions and conditions offered by the target-countries, the migrants' earnings and remittances, remittance utilization patterns and many other relevant aspects.

THE REPUBLIC OF MOLDOVA – IN FIGURES

Socio-economic picture

Table 3. Demographic and macroeconomic indicators of the Republic of Moldova

Indicators	1996	1997	1998	1999	2000	2001	2002	2003
Total population, ths.	4,334	4,32	4,304	4,293	3,645	4,281	4,247	4,439
Women, ths.	2,263	2,255	2,247	2,241	2,235	2,226	2,215	-
Economically active population, %	-	45,7	49,5	46,1	45,5	44,5	45,8	38,7
Urban population, ths.	2004,1	1995,3	1987,3	1976,3	1968,5	1933,9	1925,2	-
Nominal GDP, mln. MDL	7,7976	8,917	9,1221	12,3216	16,019	19,051	22,041	27,3
GDP per Capita, USD	4,72	527,1	4,64	321,6	353,5	407,3	447,8	
Inflation, %, aver. per annum	15,1	11,1	18,2	43,8	18,5	6,4	4,4	15,7
Exchange rate MDL : USD, aver.per annum	4,59	4,63	5,38	10,52	12,43	12,87	13,82	13,94
Rate of unemployment, %	1,8	1,5	1,9	2	2	2	2	2
Rate of unemployment, %, according to ILO	-	-	9,2	11,1	8,5	7,3	8	-
Birth rate per 1000, %	12	11,9	10,9	10,6	10,2	10	9,9	10
Mortality rate, per 1000, %	11,5	11,9	11,1	11,3	11,3	11	11,5	12,7
Monthly average salary, MDL (real)	187,1	219,8	250,4	304,6	407,9	543,7	691,9	921,3 (q.III)
Disposable income, monthly average	-	135,4	117,8	133,4	185,8	241	321,6	404,5 (q.II)
Minimum consumer budget, MDL	388	440	472	660	945	1053	1137	1211 (q.III)
Minimum of subsistence, per Capita, MDL	-	-	-	-	413,1	468,7	538,4	656,8 (q.II)
Below the subsistence minimum, %	-	-	-	-	-	80	88,3	78,1
Gini coefficient	-	0,44	0,44	0,44	0,42	0,42	-	-
Labour migrants' formal remittances, mln. USD	87	114	122	111	154	216,2	257,2	317

Sources:

Department of Statistics and Sociology of the Republic of Moldova;
National Bank of Moldova;
International Monetary Fund;
International Labour Organization (ILO)
Department for International Development (DFID)
Black Sea Economic Cooperation
Moldova Economic Trends, TACIS

Reflections in local massmedia

1. Title: „We won't survive without this money”, *Economicescoie obozrenie*, 21 february, 2003

„According to the official data by the National Bank of Moldova, the amount of money transferred by the labour migrants in 2002 surpassed 257 mln USD. This figure is close to the 2003 planned state budget.

The year 2002 has seen a \$41,8 mln. or 19,4% increase of official remittances compared to 2001. out of the total money transferred, the best part (62,7%) has been channeled through the “rapid transfer” agencies - Western Union, Money-Gram, Anelik.

According to the official data provided by the Department of Statistics and Sociology over 234 thousand of Moldovan citizens worked abroad in 2002. In 2001, the number of migrants was by 30% smaller.

The official figures suggest that each migrant worker transferred in average 1100 USD during 2002.

Official statistics regarding the remittance-source countries are somewhat confuze, because the monitoring methods used could not make direct and accurate estimations in this respect. Nevertheless, it is estimated that Italy comes at the top with over 21% of all money transferred, Russia – 13,3% Portugal – 9,7%, Israel – 4,6%, Germany – 3,9%, Spain – 2,3%. The remaining percentages are distributed through such countries as England, France, Greece and other.

2. Title: „Migrants' money”. *Economicescoie obozrenie*, 21 november, 2003,

According to the National Bank of Moldova data, the largest amount of foreign currency remitted formally by the migrant workers was channeled through the *Rapid Transfer Agencies*. RTAs have intermediated transfer of approximately 128 mln. USD during the nine-month period in 2003. In the first quarter some 35,5 mln. USD entered the country, in the second – over 42,27 mln. USD, while in the third – 50,1 mln. USD. In the beginning of October, the growth rate of rapid transfers, comparing to that of the last year, attained 8,2%, constituting in absolute value approximately 10 mln. USD. Commercial banks' intermediation of remittances saw a spectacular growth by 38 mln. USD in 2002.

High growth rate of remittances sent via the banking system may be explained by the fact that some resident banks have availed of cooperation contracts with some important corresponding banks from Italy and Portugal. Thanks to such facilities, the moldovan citizens working abroad might take advantage of more advantageous remittance transfer services' tariffs. At the same time, the network of RTA itself has been expanded by the new-comers in the remittance transfer business. These new agencies provide more competitive services than those existing. This observation refers particularly to the Russia remittance transfer markets.

The most significant flows of remittances sent by the moldovan labour migrants spring from Italy, Russia, Portugal and Germany. Ascending tendency of remittance transfers has also been observed from such countries as Spain, England, Ireland and Israel, whereas that from Turkey and Greece have slowed a bit down.

Official data concerning the number of moldovan citizens toiling abroad remain in the dark. According to survey data obtained by the Department of Statistics and Sociology for the forth quarter of 2002, approximately, 234 thousand moldovans were working abroad. At present, a robust upward tendency of moldovan citizens leaving for work abroad is observed.

An on-going monitoring of remittance transfer dynamics, in the course of several years, suggests that the flow of remittances will grow significantly in the forth quarter, comparing to the prior quarters. If this season peculiarity of remittance flows maintains, then we can presuppose that during the last quarter

of 2003 the amount of remitted money will be as much as 100 mln. USD. On this grounds, it is possible to make a prognosis that the total amount of „earnings” generated by the moldovan migrant workers for the year 2003 will surge to 335-340 mln. USD, which equals roughly 4,5 billion Lei or half of annual export revenues of the Republic of Moldova.

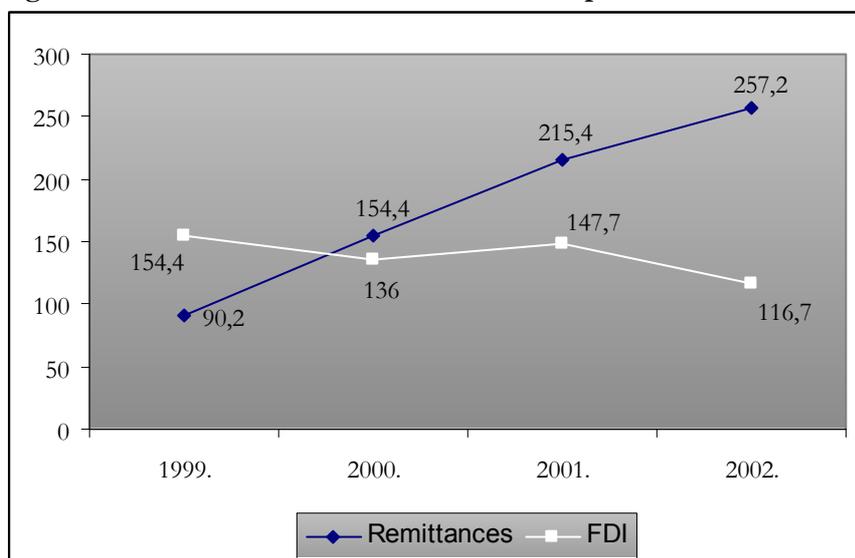
Remittances as a substitute for the Foreign Direct Investments

Foreign Direct Investments (FDI) have constituted a major component of the foreign currency flows to the Republic of Moldova since 2000. During the first two quarters of 2003, FDIs constituted⁶ approximately 20,9 mil.USD, in absolute net values, whereas during the same period of the previous year the amount climbed up to 34,6 mil. USD. In 2003 the FDIs' share in the country's GDP constituted 2,8%, while that in the first half of 2002 - 5,2%.

The amount of money transmitted via formal channels by the moldovan migrant workers has surged from 90,2 mln. USD in 1999 to 257 mln. USD in 2002 i.e. by 185,1%.

During the first six months of 2003, the net money transfers made by the moldovan citizens have constituted roughly **149** mil. USD, while by the end of the year the official figure grew as high as **317** mln USD.

Figure 1. FDI and formal remittances in the Republic of Moldova, mln. USD



Source: National Bank of Moldova.

So, as it is captured in the figure above, the flows of remittances have steadily ascended, while these of FDIs reflect a fickle and, lately, a downward trend. The total amount of FDIs entered into our country, in the course of 10 years since the Law on foreign investments has been adopted, constituted approximately 500 mln. USD. The Republic of Moldova lags far behind its neighbours – Romania, Bulgaria, Ukraine and Russia – regarding the amount of foreign investments per capita, which is roughly 150 USD.

Undoubtedly, the migrant workers' remittances currently constitute the most important source of foreign financial means, which, if managed wisely, would exert a considerable impact upon the economic and social development.

The ascending remittance flows are not the result of the specially targeted government efforts and measures, but a natural adaptive reaction of the community towards the depriving economic conditions.

⁶ Moldova Economic Trends Report, July - September, 2003.

BREADTH AND DIRECTIONS OF MIGRATION

In this chapter we attempted to provide answers to two central questions: *What is the number of those left abroad to work and earn?* și *What is the geographical pattern of labour migration in the Republic of Moldova?* The data presented and analyzed here have been collected from the n_1 sample, which encompassed 4500 families. The migrants' distributions per their families' *area of residence* (urban/rural), their *gender, age, year of migration* and *target countries* have been analyzed here.

How many have left?

The figures circulated in the local mass-media are extremely divergent. The official sources (Department of Statistics and Sociology, for instance) have estimated that the number of moldovan migrant workers, in 2002, was 234 000. Some media sources invoke, of course without any substantiation, the huge interval from 500 000 to 1 600 000 labour migrants for the given period of time. Later the reader will see that our estimations for the year 2003 are relatively close to the official ones.

The collected data analysis yielded that in **29,3%** of all the families under the study there is at least one migrant worker, who either returned home or worked abroad during the period january – september 2003. Out of the total sample active age population (9438 persons), **17,6%** are the migrant workers. On the whole, the migrants' share is approximately the same in rural and urban areas. However, important differences have been observed between the migrants' share in the capital, Chisinau, and that in the other towns encompassed in our sample. Thus, out of the capital's sampled active age population (1520 persons) only 9,3% of active age persons have migrated, whereas in other towns the percentage of those left surpassed 22% (22,3%).

These findings may be taken as the base for making a presupposition (of course with a certain margin of error) that *the number of moldovan citizens*, who, during the year 2003, left abroad to work and generate alternative incomes, *fits into the interval 265000 – 285000*, depending on the real statistics on the active age population in Chisinau, regional towns and villages, which has repeatedly been inaccurately estimated due to the present state of things in the Republic of Moldova.

Table 4. Sampled active age population, number and percentage of migrants per area of residence

Area	Active age population	Percentage of migrants
Urban	4272	17,743
<i>Chișinău</i>	1520	9,342
<i>Other towns</i>	2752	22,383
Rural	5166	17,479
Total	9438	17,599

The resulted migrants' distribution per area of residence has refuted the expectancy that the rural migrants' share would be far superior to that from the urban areas.

The significant percentage difference between Chisinau and other regional towns is determined particularly by a feeble market labour force supply and very low levels of payments to cover the consumption needs in the small towns.

The analysis of migrants' distribution per gender has found that the share of active age male migrants is larger by **8,87%** than that in the female population. (See table 7).

Tabel 5. Share of migrants per sex

Gender	Active age population	Number of migrants	Share of migrants
Male	4743	1044	22,01
Female	4695	617	13,14

Total **9438,0** **1661,0** **17,59**

The tendency found is an expression of a traditional family organization pattern in the moldovan society. Man, as a rule, is the family head and responsible for ensuring the family's well-being.

There have also been found significant percentage differences in the migrants' families distribution per country areas. The largest share of migrants - 22,2% - hail from the northern regions of the country, whereas the smallest share – 14,4% - come from the center, including from the capital. The share of migrants from the south of the country is close to the general mean - 19,3%.

The table below reflects the migrants' distribution in the sample n_2 (715) as per *the year of their leaving* the country in search of a work abroad. We mention here that the variable "the year of leaving" indicates the moment which might differ from the that of actual entrance in the target country. In the following compartment we will show that an important part (appr.20%) of migrants, prior to entering the target country, have temporarily worked in the other countries.

Table 6. Year of leaving abroad (n = 715)

Year of leaving	<i>n</i>	%
2003	128	17,9
2002	173	24,2
2001	175	24,5
2000	114	15,9
1994 -1999	125	17,5
Total	715	100,0

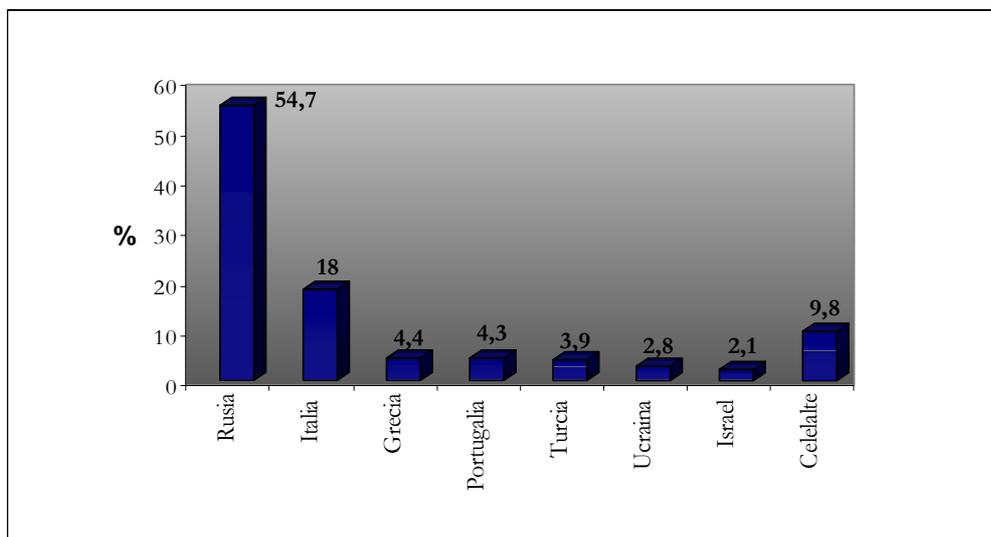
The table shows a relatively homogeneous distribution of migrants as per the year of leaving abroad, indicating a relatively constant annual rate of labour migration in the past 4 years, the average percentage of migrants hovering over 19-20%.

The 1994-1999 lower percentage of migrants can be explained by the fact that the migrant workers return home after a certain time interval, whereas those who settle in the target countries for a longer period tend to communicate less frequently or, even, interrupt their relations with their families left in the countries of origin. This is why the probability that a person, who left prior to 1999, would fall into the studied sample has been far less than in other cases.

Where do they leave?

The geographical area explored by the Moldovan citizens in their quest for work and alternative incomes is quite variable and extended. However, the number of countries where the migrants most frequently find the temporary or permanent jobs is rather reduced. The figure below shows the main target countries preferred by the Moldovan migrants:

Figure 2. Target countries preferred by the Moldovan migrants



As it is seen there is a strong asymmetry of migrants' distribution per countries, where a single country hosts more migrants than all other countries taken together. The choice, made by the overwhelming majority of migrants, to migrate to Russia may be determined by a number of factors, where the key ones are:

- The Russia's labour market enormous absorption capacity;
- Lenient border regime between R. Moldova and Russian Federation;
- Uninhibited travelling on the Russia's territory;
- Reduced migrational costs;
- Socio-cultural and geographical proximity;
- Possibility of a better gain in Russia than in the R.Moldova.

Family incomes and migration directions

The Moldovan migrants who have worked in Russia come from the more-or-less numerous families (in average 4 members), whereas their household budgets, prior to migration, were by approximately a 1/3 under the average household budget estimated for our sample. Thus, the prior-to-leaving average household budget per capita has constituted 279 MDL. The per capita budgets of the families whose members have left for Russia was 196 MDL, whereas that of the family whose member works in Italy – 333 MDL per member. The finding suggests that a migrant's option for a target country is strongly influenced by the *family wellbeing factor*. Hence, the overwhelming number of persons who migrated to Russia reflects their families' reduced payment capacity, the majority of them living under the subsistence minimum, which, for example in 2002, was 270 MDL.

The contrasting that finding is the labour migration to Italy, where about 1/5 of all migrants found temporary "shelter". They come from the less numerous (in average 3,5 members) and more affluent families (with an income level higher by 20% then the general income mean). The important number of those left for Italy has been determined by a range of factors different from those peculiar to pro-Russia migration. The key of them are listed here:

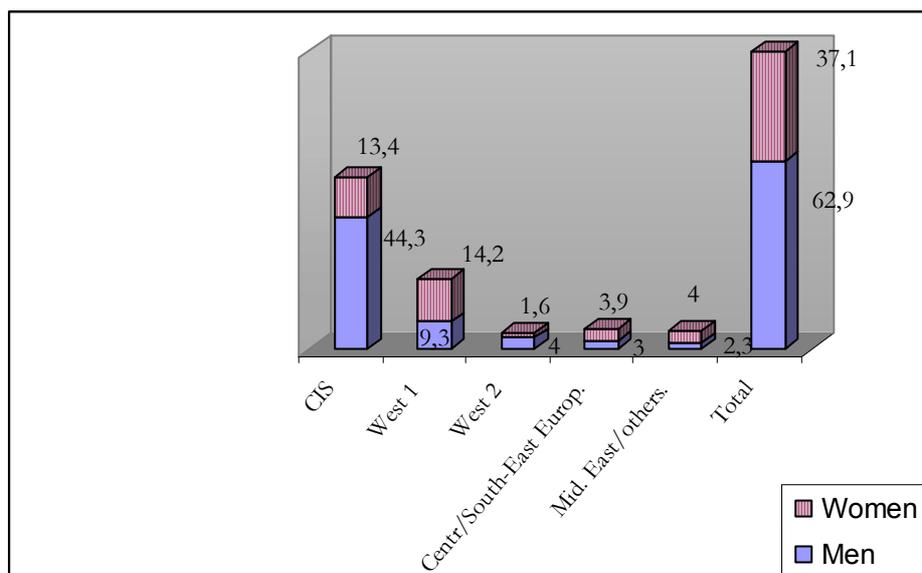
- High labour demand, particularly for women related jobs (care-taking, baby-sitting, house-keeping etc.);
- Well developed intermediary networks and infrastructure as well as an emerging diaspora;
- Extremely attractive incomes in terms of effort and its compensation;

- Relatively „indulgent” migrational policies comparatively with the other West-European countries;
- Favorable to moldovan migrants socio-cultural conjuncture and other factors.

To make analysis more efficient, we have created five conventional target-country groups:

1. *CIS* (Russia, Belorussia, Ukraine, Kazakhstan etc);
2. *West European - 1* (Italy, Portugal, Spain)⁷;
3. *West European - 2* (France, Germany, Belgium, the Netherlands, Great Britain etc.);
4. *Central and South-East European countries* – (Poland, Serbia, Romania, Greece, etc);
5. *Middle East* (Ciprus, Israel, Turkey, Saudi Arabia, etc).

Figure 3. Distribution of migrants per gender and target countries (n = 1661).

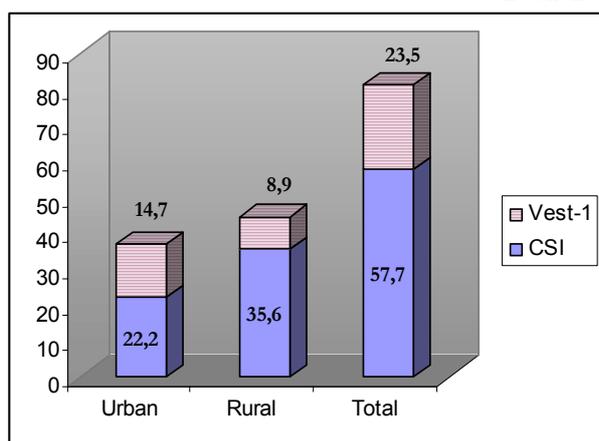


The figure reflects an overwhelming preference of Moldovan migrants towards CIS countries (57,7%), where the top position is held by Russia. The runner-up is the country-group West - 1, which hosted a quarter of all Moldovan migrants. Less than 20% of all migrants have oriented towards other countries.

The distributions above reflect important tendencies. For example, 76,7% of all migrants working in Russia are men. This tendency is determined particularly by the nature of works demanded by the Russian labour market. Later we will see that the major part of migrants in CIS are engaged in house building and repair sector. Such domains as trade and services are traditionally dominated by other ethnic-group migrants, for instance caucasians and asians. Such type of services as baby-sitting, care-taking and house-keeping remain unsolicited by the Russian labour market. On the contrary, the latter type of jobs enjoys great popularity in Italy, thus explaining the overwhelming women presence (60,4%) among the migrants working in Italy.

Figure 4. Preferred groups of target countries per migrants' families' area of permanent residence

⁷ The countries have been grouped according to the following criteria: cultural and linguistic proximity, intensity of land and air transport services, development stage of rapid money transfer facilities, similar migrational policies etc.



Analyzing preferences of migrants coming from different residence area – urban and rural – we found that those heading to CIS are mainly from rural regions (61,6%), while those towards West 1 are predominantly from urban places (62,4%). In case of other countries no important differences have been observed.

Age categories of Moldovan migrants

The analysis found that the Moldovan migrants are coming different age groups, covering the diapason from 16-61 years, where the general mean was 35,1 years.

Table 7. Age means per migrants' gender and target country groups

Migrants' gender	CIS	Portugal - Spain	Italy	France-Germany - GB -Benelux	Greece-Turkey-Cyprus	Middle East and other countries	General mean
Male	35,1	34,5	32,8	31,8	33,5	36,0	34,3
Female	34,6	33,0	36,7	33,0	36,8	35,8	36,0
Total means	35,0	34,3	35,7	32,0	35,8	36,0	35,1

Important mean differences have been observed for those 6 target-country groups per migrants' gender. Thus, the age average of those working in the Middle East countries and other countries is over than the general mean and is virtually the same for both genders. It is particularly Israel which holds the largest share of migrants from this group. Israel hosts older migrants, professionals in different domains, with a rich work experience and a better material status. The opposite situation is observed in some western countries such as France, Germany, Benelux, etc., where the migrants' average age is the lowest. These countries constitute the target for the younger persons, who frequently combine labour and university or college study. Also, it is worth mentioning the significant average age difference between the men and women working in Italy. The higher age average of women is mainly determined by the nature of work practiced there – care-taking and baby-sitting – i.e. the activities requiring a certain experience in this domain.

SOCIO-ECONOMIC PROFILE OF MOLDOVAN MIGRANTS

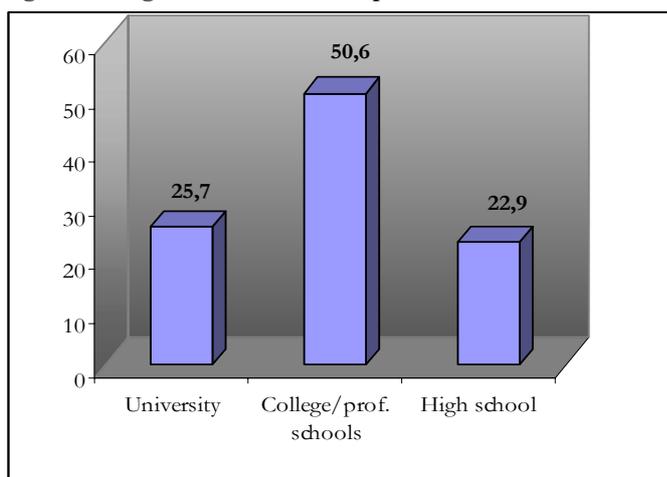
In this compartment the reader will find analysis of a series of migrants' and their families' social and economic characteristics, their level of education, occupation prior to leaving abroad, level of family well-being and that of the income, migration motivational factors, costs associated to migration as well as sources needed for migration.

Migrants' level of education

As we have mentioned in the theoretical part of the report, the labour importing countries are interested in attracting highly qualified specialists so as to ensure a higher „profit” from their work. The migrants' level of education is the key indicator of their qualification. The labour market evolves according to its specific laws, which are governed by the demand and supply peculiarities. In its turn the decision to migrate is a function of two variables: necessity and competence. Intersection of these variables can be reflected in the migrants' distribution per their level of education.

Seldom do the migrants draw uniformly (representatively) from a population. They undergo a selectional process, coming from certain communities and specific groups bearing various regional, ethnic, religious, educational peculiarities. A number of other studies have found that the migrants' average educational level is superior to that of the remaining people in the country of origin.

Figure 5. Migrants' distribution per their level of education (% of n_2)



The migrants' distribution per their level of education in the studied sample (n_2) is the following: 25,7% with university degrees, 51% - college and/or professional schools, 23,2% - high school. The largest share of those with the college and professional school education reflects a higher demand for the migrants with a certain professional qualification and competence.

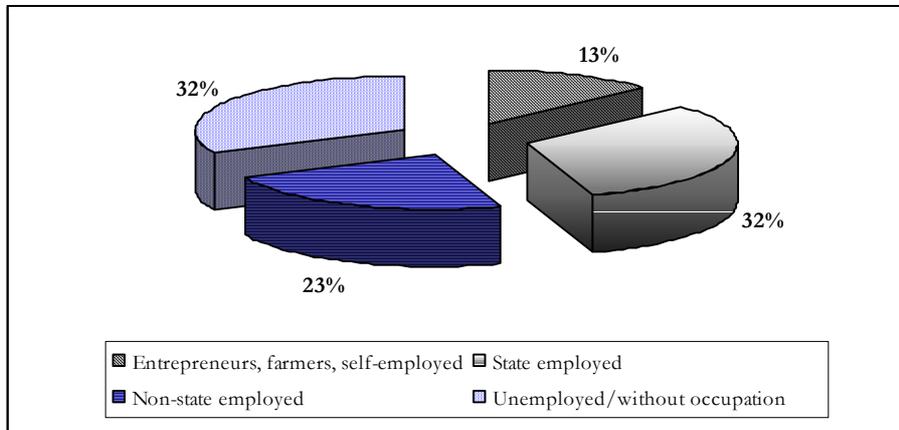
Regardless of the level of education, the Moldovan migrants, once entered the target country, will have to, at least for the initial period, find a job that does not require a higher level of education. Subsequently, their level of education will determine their adaptation pace to new conditions, opportunities, their capacity to negotiate a better wage, status etc.

Occupation - as a source of income (prior to migration)

The analysis of prior-to-leaving occupation has yielded the following distribution: approximately a third part of migrants had not had a permanent occupation that would ensure them the subsistence means. Another third of migrants used to be employed in the state supported sector, especially in education,

medicine and public institutions, out of whom roughly 50% had had university degrees. About a quarter of migrants used to have jobs in the non-state organizations, private enterprises or self-employed. Despite the fact that in 23% of migrant-sending families existed entrepreneurial activities, the would-be migrants themselves used to be engaged in just 13% of cases in the entrepreneurial activities.

Figure 6. Migrants' distribution per their prior-to-leaving occupation



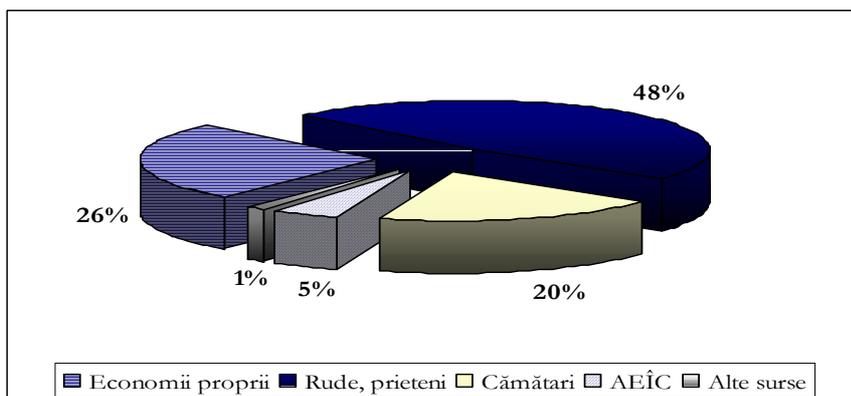
Necessary resources for migration

Securing a job abroad that would provide sufficient earnings for a decent life or for launching a business still remains to be a craving for thousands of citizens of the Republic of Moldova. A tiny share of those lucky having a well-paid job or a prosperous business is an exception in this case. The distance from the *point of intention* to the *point of realization* is, for a number of people, enormous and the hinders appearing on the way abroad are numerous. The first looming obstacle is availing of money, particularly for those who head for the countries other than those within CIS. Thus, after making up the decision to migrate, the would-be migrants turn either to their own resources or to their relatives', friends' help (as a rule in the form of soft loans), or to the borrowings from different sources such as Savings and Credit Associations or local moneylenders etc.

The figure below presents distribution of sources to which migrants appealed to obtain necessary for migration means. Out of all migrants 26% used their own savings to cover the costs attending migration. The similar share of migrants (26%) applied for loans from moneylenders, Savings and Credit Associations and/or other sources paying corresponding interest.

But the debts attending migration are not the unique burden overweighing the migrants. Frequently, people accrue debts over time to respond to a chronic money lack, which, in turn, grows into a principal motive driving to search for alternative incomes abroad.

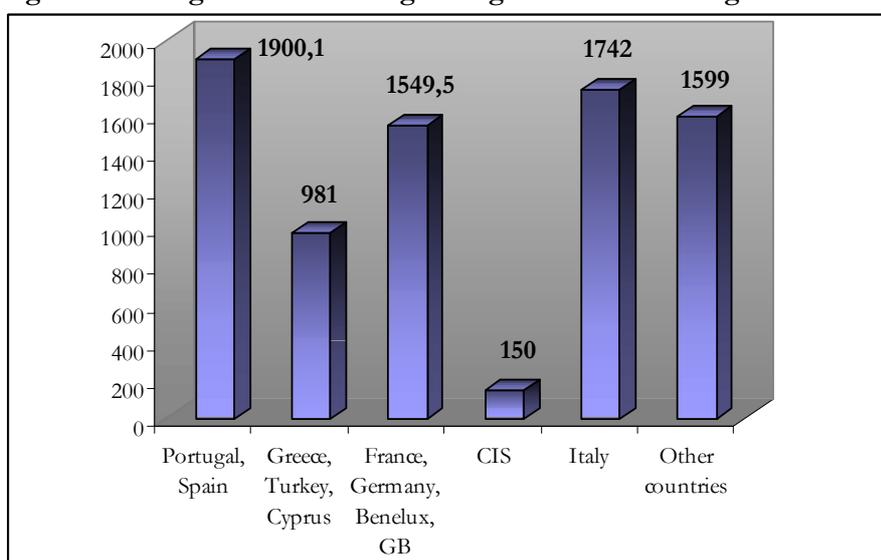
Figure 7. Money sources used for migration



Migration costs

Costs associated to migration are not always up to our citizens' possibilities. The costs are related to visa obtaining, travelling, „bed and breakfast” for the initial period, etc. For the sake of comparison, we mention that the average monthly wage per worker in the Republic of Moldova equals to roughly 60-65 USD. Only 19,7% of migrants heading for the west european countries manage on their own resources, while the others turn to borrowing from different sources, for example, 31,6% borrow from the local moneylenders, SCAs and other sources, paying quite frequently exaggerated interests. About 46% of those left for CIS do not burden themselves with debts, they utilize their own resources, in average 150 USD. Persons heading for Italy spend in average 1740 USD, to Portugal and Spain 1900 USD, France, Great Britain, the Netherlands, Belgium approximately - 1550 USD. Those left for Greece, Cyprus, Turkey usually pay 980 USD, while those for the Middle East countries – 2200 USD.

Figure 8. Average costs attending to migration to some target countries, USD



Level of family well-being as a factor behind migration

The main driving factor of labor migration in the Republic of Moldova is *raising a family's level of well-being*. Frequently, labor migration is reckoned as a sole opportunity for alternative revenues. The analysis of family incomes prior to migration of family members has shown that an important⁸ share of those families used to subsist below the poverty line (subsistence minimum), determined for the year 2002 at 270 MDL per capita. It is worth mentioning that those 20% of the richest families enjoyed incomes superior to these of the other 80% of families taken together. It is likely that, by this criterion, the studied population substantially differs from the entire population of the Republic of Moldova.

Table 8. Family members' monthly average income (per capita) prior to migration, MDL

Intervals	% of n_2	Income, per capita
Up to 100	19,9	67
100 - 133	19,7	113
134 - 200	20,7	171
201 - 350	19,9	275

⁸ A precise estimation was not possible due to the fact that the data collected referred to different time points of migration.

Over 350	19,9	770
<i>Total</i>	<i>100</i>	<i>279</i>

45,4% of studied families have qualified their material well-being as poor or very poor, their monthly incomes ranging from 121-188 MDL per capita.

Table 9. Families' material well-being and their members' monthly average incomes prior to migration, MDL, per capita (n₂ = 715)

Family material well-being*	%	Monthly average income per capita,MDL
Very good	0,4	-
Good	12,6	508,4
Medium	41,5	297,3
Poor	35,5	188,0
Very poor	9,9	121,4
<i>Total</i>	<i>100</i>	<i>279,0</i>

*Such scale is based on the field operators' appreciations

The level of income strongly influences the migrants' options concerning the target countries. The citizens coming from poorer families opt for Russia, Turkey, Greece, Cyprus, while those heading West – from richer households.

The medium family budget constituted, prior to its member(s) migration, 279 MDL per capital. Those families whose members were bound for Russia used to have 196 MDL per capita i.e. by third under the average level. Moreover, the fact that the overwhelming majority of people have been in search of a work and alternative incomes in Russia reflects their families' reduced payment capacity (in terms of migration costs). This is yet another proof of the fact that the best part of migrants are coming from the below the subsistence minimum environment.

Those families whose members have left for Italy used to have a better per capita income - 333 MDL, which is by approximately 20% over the mean in the entire sample.

Table 10. Family incomes and migration directions

Countries, groups of countries	Average monthly family budget per capita, MDL
Portugal – Spain	281,9
Greece, Turkey, Cyprus	198,8
France, Germany, Belgium, GB, Benelux, Switzerland	358,5
CIS	196,0
Italy	333,6
Other countries	333,6
<i>Total</i>	<i>279,0</i>

MIGRATION

Target country entrance

Finding the money for migration is just the first step. Further, the would-be migrant should obtain visa, hit the road with all its inherent risks and, once found in the target country, fulfill a difficult task of finding a place to live and/or work in. At each of these steps the Moldovan citizens can encounter one or several of the following problems, difficulties and traps:

- They may fall prey to swindlers, while obtaining visa. There are plenty of phantom firms and gangs which lure the poor people by promising to help them at obtaining visa and, once dazzled, left moneyless;
- They may obtain false visa and be stopped at the first border check;
- They may turn to so-called „guides” in order to help them cross illegally the border (by paying a handsome fee) and be misguided into a wrong direction;
- They may be attacked or robbed by the extortioners, who practice their „business” in some transitional countries;
- Quite often the visa is obtained for a short-term period upon which they become illegal and exposed to the local authorities;
- Often the migrants find themselves living in miserable conditions until they succeed in finding a job;
- Upon lengthy search for work and once securing it, they often remain empty-handed i.e. unpaid;
- Moldovan women frequently fall prey to sexual harassments or forced to prostitute;
- Lack of knowledge of target country’s language and traditions creates serious adaptation problems, making migrants vulnerable towards a variety of perils, frauds etc.

The difficulties invoked by the migrants’ families have been grouped into several categories, thus facilitating the subsequent analysis. The following distribution has been found:

Table 11. The difficulties and obstacles encountered by Moldovan migrants on the way to or in the target countries (during 2003)

Difficulties, obstacles	%*
No serious difficulties or obstacles have been faced	35,4
Conflicts with local authorities, customs officers, frontier guards, etc.	18,5
Suffered from extortioners, racketeers, thieves, etc.	4,5
Difficulties finding a job	23,6
Language related problems	36,1
Employers did not pay according to the verbal or written arrangement	11,3

*The percentages in the column should not be summed up to obtain 100% since a number of migrants might have faced up to 3 difficulties or obstacles.

The most frequent problems and challenges faced by the Moldovan migrants are related to the lack of language knowledge and finding a job there (23,6%). Conflicts with the target countries’ authorities are on the third place with 18,5%. Every 10th migrant faces problems with his/her employer due to the job payment arrangement infringements. It is worth mentioning that 35,4% of all Moldovan migrants have not encountered particular difficulties at least in the beginning of their labour migration.

Living and working

Besides the main motivation behind the decision to migrate, there is a whole range of circumstances and favourable factors whose influence may be decisive. To name but a few of them: knowledge of the target country’s language, availability of persons (relatives, friends etc.) who are already there and willing to provide help and guidance at least for the initial period. The pathfinders’ help might have many forms, starting from a simple information provision or meeting on the target country’s soil to offering a shelter, finding a job and an increasingly frequent practice – lending money for visa obtaining and migration accomplishment. Such an assistance is of a great value for a person who finds himself in an unknown environment and uncertain conditions, particularly when these conditions are aggravated by an illegal entrance or residence nature. Namely this “market niche” has been identified and exploited by migrants-entrepreneurs who developed a whole “industry” for the new-comers. A new migrant may be offered a whole list of services such as finding a better job or a place of living, interpretation services, money remittance, negotiations with employers, availing of recommendations from a

trustworthy and close to the employer person, “positioning” among the new work colleagues and many other services.

The study has found that almost every second migrant worker in other than CIS countries has had no language knowledge when entered the target country, 41% have had superficial language competence and only 8,3% of the studied group have been prepared in this respect.

It is important to note that in 63,4% of all cases the migrants have been awaited by their friends or relatives at the moment of their arriving to the target country. In 58% of cases the migrants have been offered “bed and breakfast” and/or a work place. It is also worthwhile taking into account that over 36% of migrants have entered and temporarily settled in the target country having no assistance at all. Putting it otherwise, they have on their own fulfilled their wish and decision to migrate regardless of the circumstances mentioned above.

Entrance, residence and work legality

Although the problem of legality of entrance on a country’s territory is, by itself, an important and complex one, its analysis is not the object of this study, but we will reckon this phenomenon as an integral part of the migrational process and view it from a perspective close to the sense a migrant himself puts to it. Putting it otherwise, by a *legal country entrance* we understand *a voluntary act by which the citizens of a country (in this case the citizens of the Republic of Moldova) enter the territory of another country, bearing their real names, confirmed by the respective legal documents, legally issued and recognized by the authorities of the target countries and respect the formal border crossing procedure as well as the residence requirements in the respective countries.* In spite of the efforts of attributing a single meaning to the terms utilized during the empirical phase of the study, the respondents’ perceptions regarding the *issue of legality* varied significantly, thus inevitably influencing the quality of data used for our analysis.

It is obvious that the border crossing conditions and these of the country residence differ from country to country, depending on the local legislation and international agreements. Thus, for the citizens of the Republic of Moldova, the entrance into the territory of CIS countries and Romania may be realized by a simple possession of the *international passport*, while for other countries a visa is required. Difficulties attending visa obtaining differ depending on the target country. For such countries as Turkey, Poland, Bulgaria, Czech Republic and other, the procedure of visa obtaining by Moldovan citizens is relatively simple. On the other hand, obtaining visa for West European, Middle East and other countries is a quite painstaking and expensive procedure, which must be undergone by the Moldovan emigrants seeking to materialize their intention for migration.

Thus, the studied sample has yielded that 70,9% of Moldovan labour migrants have entered legally the target countries. The remaining share of them – illegally. The illegal ways of entering a target country utilized by Moldovan migrants are extremely variable and, sometimes, ingenious. The most frequent once are the counterfeited official documents and false visa. A clandestine border crossing continues to be popular among our migrants.

The most infiltratable countries, in terms of illegal entrance, are France, Germany, Benelux, Switzerland, whereas the most impenetrable are the countries from the group „Other countries” – Israel, USA, countries of Middle East. The percentage of moldovan migrants entered the latter countries is a little over 15% (See the table below).

Table 12. Target countries’ entrance

Countries, groups of countries	Legal, %	Illegal %
Portugal – Spain	74,7	25,3
Greece, Turkey, Cyprus	61,4	38,6
France, Germany, Benelux, UK etc.	56,3	43,8
CIS	80,9	19,1
Italy	64,1	35,9
Other countries	84,8	15,2

Per total <i>n</i>	70,9	29,1
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But entering into a target country is just a beginning. Further, the migrants ought to ensure their residence and work legality. In the majority of cases the legal period is reduced to a short term, corresponding to the term determined in the migrants' visas (as a rule, these are touristic or business visas with a short expiry period). The procedure of residence legalization differs from country to country and depends upon the migrants' shrewdness to win trust and benefit from the target country's benevolent citizens' tutelage. The migrants' „degree of legality” can be expressed by the following situations:

Table 13. Migrants' distribution according to their “degree of legality”

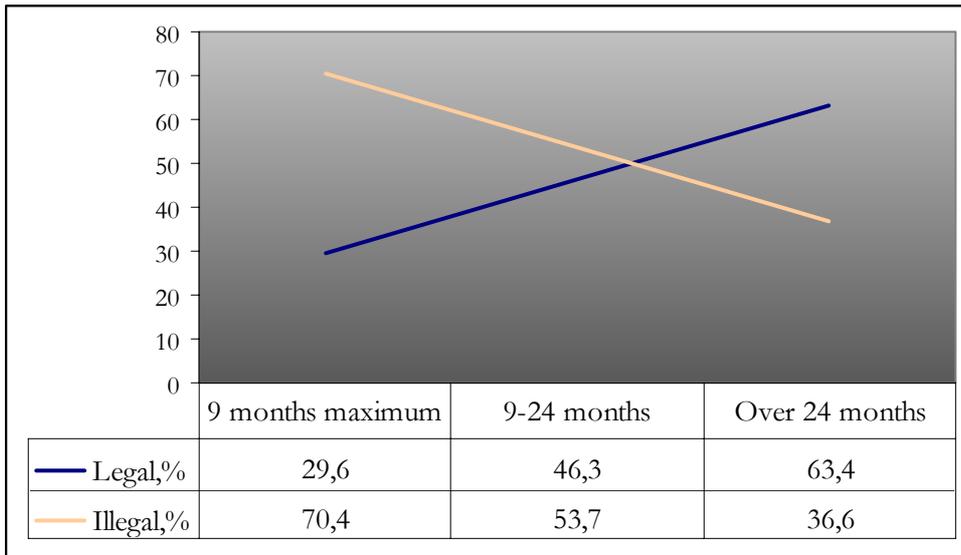
	Degree of legality	%
5	Full legality	36,2
4	Illegal entrance, but legal residence and work	13,6
3	Legal entrance, legal residence, but illegal work	14,3
2	Legal entrance, but illegal residence and work	20,8
1	Illegal entrance, residence and work	15,1

The top (5) of that conventional table represents the so-called *state of legality*, which is characterized by a maximum social protection level and officially recognized statute. The bottom point (1) represents the state of social vulnerability and exposure to various risks. Every migrant's natural tendency is to reduce the degree of social vulnerability and attain the goals for which he/she migrated. We have found that engaging into the „race” of obtaining legality can be made at different levels, thus influencing the „way to be elbowed”, the duration and difficulties associated with it. The best situation is when a migrant succeeds in getting full legality before stepping onto the target country's soil. The probability of gaining full legality is directly linked to the migrational policies and bilateral arrangements between the two countries involved i.e. the target and the source country (or country of origin). Lack of intergovernmental measures, in this sense, or their inertia fuel the development of such a phenomenon as the *illegal labour migration*. Due to such circumstances a truly *underground service industry*, targeting the potential migrants, evolves, generating numerous negative economic and social consequences.

Consequently, the Moldovan migrants are bound to bear the biggest share of risks and costs inherent to illegality, while the „bonus-takers”, in this case, exclusively the local and off-shore phantom firms and criminal structures.

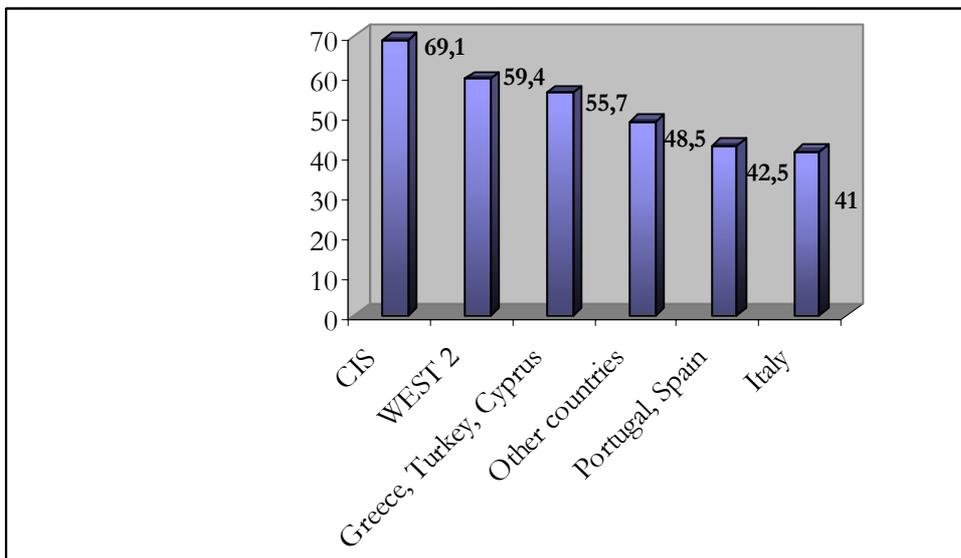
In order to reflect the sampled migrants' legal status we will utilize the variable named „work legality”, which implicitly presupposes the legality of residence in the target country. Correlating the duration of the migrants' residence in the target country with the „work legality”, a direct proportional relation is found. Thus, 29,6% of migrants work legally during the first 9 months of their migration, while among those working over 24 months, 63,4% work on a legal basis. The average „legalization rate”, obtained by comparing those three groups (see the figure below), constitutes 16 -17% per annum.

Figure 9. Migrants' work legality depending on the duration of residence in the target country



Analyzing the distribution of migrants per target countries through the variable *work legality*, we have found that Italy is the country where the share of legal migrant workers is the highest. It is very interesting to note that of all migrants working in the CIS countries 70% of them work illegally. The explanation for such a phenomenon might be the widely spread bureaucracy in obtaining the right for residence and the legal work contract as well as the deeply rooted corruption of the locale public authorities, which successfully practice petty and frequent fines that do not and, most important, are not supposed to discourage the migrant workers. A conclusion might be spinned out here and it runs as follows: the migrants can barely obtain the legal status, but its lack does not impede them from unfolding their activity „in peace”.

Figure 10. The share of migrants working illegally in different target countries and groups of countries



A spreading method of surpassing the obstacles in the way of migration is availing of the citizenship of the other states. Thus, we have found that roughly 12% of all sampled migrants have priorly obtained the citizenship of, particularly, Romania (6,0%) and Russia (5,7%) and afterwards migrated as the citizens of these countries.

LABOR AND RETRIBUTION

How long does the migration last and which are the occupations of Moldovan migrants?

The period of migration differs from country to country depending on the distance and the costs incurred for migration. The general average duration of labour migration obtained within the sample n_1 is approximately 20 months. For those working in CIS countries this average is circa 17 months, for West-1 (Italy, Portugal, Spain) it is 25 months. The migrants working in CIS countries have been grouped in two categories: the *seasonal workers* and those working over 12 months. The work contracts proper vary as a term depending on the target country and the nature of works.

The array of services fulfilled by the Moldovan migrants abroad is quite extensive, therefore to make the analysis simpler and more meaningful it was appropriate to categorize the occupations into several main categories. A quick look onto these categories tells that the occupations, works and activities undertaken by our migrants do not require serious qualifications and competence. The most important roles played by the Moldovan migrants are those of the builders' group manager or the like in such areas as construction, car-repairing shop, shop assistants, barmen and waitresses etc. Quite frequently the migrants, particularly those with higher education, render services of significantly lower qualification than the one obtained in their country of origin. It is important to note that the payment for the services provided by the Moldovan migrants remains far below the payment enjoyed by the locals for similar services.

Table 14. Work and occupations rendered by the Moldovan migrants by gender, n = 715

Work and occupations	%	Gender		Total, %
		Men, %	Women ,%	
Construction, reparations	30,9	95,0	5,0	100
Baby-sitting, care-taking, social assistance	31,3	4,0	96,0	100
Trade related activities	10,8	36,4	63,6	100
Plant, factory workers	9,8	68,6	31,4	100
Technical & mechanical services	6,3	95,6	4,4	100
Agricultural works	4,5	75,0	25,0	100
Other	6,4	60,9	39,1	100
<i>Total</i>	<i>100</i>	<i>54,5</i>	<i>45,5</i>	<i>100</i>

30,9% of all sampled Moldovan migrant workers toil in construction, of whom 95% are men, 31,3% of migrants provide baby-sitting, care-taking and social assistance services among whom 96% are women. Trading activities (10,8%) are dominated by women, whereas for plants and factories work 9,8% of all migrant workers. Only 4,5% of them are engaged in agriculture.

Analysing the migrants' occupations per target countries, we have found that the majority (54,1%) of Moldovan migrants in CIS countries work in construction and reparation services, while the largest share of migrants working Italy is engaged in care-taking, house-keeping, baby-sitting and other related activities, making 69,2%. The migrants working in France, Germany and Great Britain are mainly occupied in construction and reparatiions - 25,0%, while in Greece, Turkey and Cyprus – in trading 21,4%.

The largest share of those who had previously been paid by the state budget (mainly from the educational, medical and public administration systems), fulfill low-qualification jobs abroad. For instance, 50,7% provide house-keeping, baby-sitting and the like services, or 20,1% have worked in construction and reparations. At the same time only 12,9% of all sampled migrants seeking job and better payment in CIS countries have had higher education and only 21,6% of them used to hold jobs in education, medicin or public administration.

Analyzing correlation between the migrants' gender and the occupations practiced in the target countries, a clear vocational specialization has come into sight i.e. women are engaged in house-keeping and social assistance, while men – building, reparations as well as technical and mechanical services. Agricultural activities are also dominated by men. Only 25% of women are engaged in that kind of activities (see table above). The resulted distribution mirrors the specializations popular in the country of origin: men are in technical domain, while women – education, medicine etc.

The migrant's age exerts significant influence upon his/her choice for occupations practiced, for instance, the house-keeping services are rather seldom practiced by persons under 28 years of age (20%). The pattern changes progressively after that age "threshold" i.e. the older the migrant, the oftener he/she practices this activity. The study has also found that the employers from the target countries would rather engage for such services as house-keeping or social assistance the persons with a higher level of education. An inverse tendency has been found in building and reparations i.e. fewer "brainy" persons - 20,1% and more frequently – "brawny" ones - 41,0%.

Work legality differs from occupation to occupation. Thus, out of 3 migrants engaged in agriculture, building or other, 2 work illegally. Opposite situation is found among those working in factories, plants or firms, where just every fifth person is illegal.

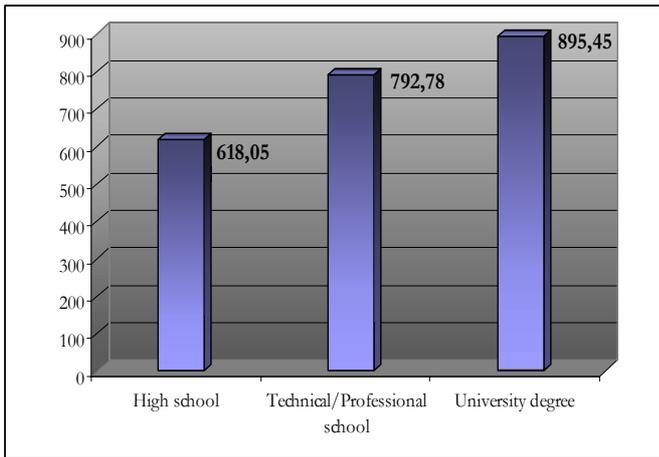
Table 15. Occupations and the migrants' status

Migrants' occupation	Work legality		Total, %
	Legal, %	Illegal, %	
Construction, reparations	66,7	33,3	6,3
Baby-sitting, care-taking, social assistance	34,8	65,2	30,9
Trade related activities	28,1	71,9	4,5
Plant, factory workers (light/heavy industry)	52,5	47,5	31,3
Technical & mechanical services	53,2	46,8	10,8
Agriculture related works	80,0	20,0	9,8
Other	27,7	72,3	6,4
<i>Total</i>	<i>100</i>	<i>100</i>	<i>100</i>

Migrants' monthly payment

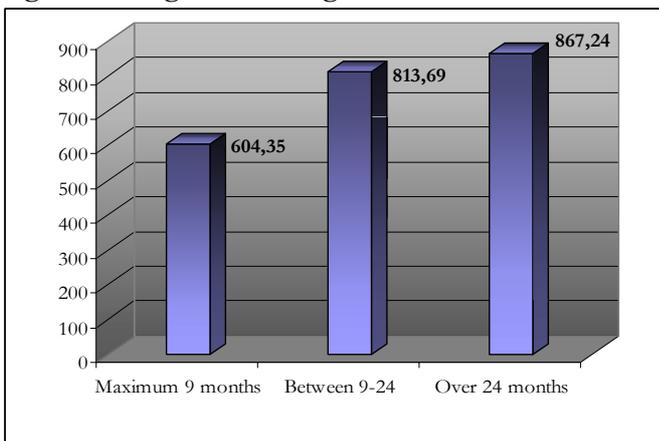
The sampled Moldovan migrants' average monthly payment amounted to USD 772. The migrants' level of education strongly influences their payment level. Thus, the migrants with higher education (university degree etc) earn in average by USD 278 more than those with just high school level of education, and by USD 115 more than those with technical or professional school.

Figure 11. Migrants' average remuneration per their level of education, USD



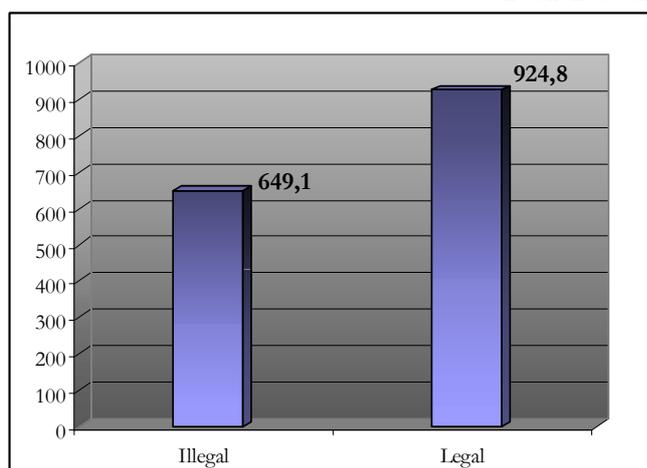
On the whole, the average monthly retribution level does not differ between men and women. It has been found though that the average monthly salary grows together with the length of migrants' residence in the target country. Those migrants who work more than 2 years in a target country get a handsomer payment by USD 264 than the migrant-freshmen (up to 9 months) and by USD 54 than those staying in target country between 9 and 24 months.

Figure 12. Migrants' average retribution and the residence period in the target country



Another factor powerfully influencing the migrants' level of payment is their work legality. Thus, those working legally earn in average by USD 273 more than those in the black market. Putting it otherwise, the employers cut down their salary expenditures by at least 30% when engage the illegal migrant workers.

Figure 13. Monthly average retribution and the migrants' legality, USD



The Moldovan migrants' payment differs from country to country. The best payment enjoy the migrants working in *France, Germany and Benelux*. Close to that salary level is earned by the migrants working in Israel, Italy and Portugal. The lowest earnings have been found in CIS countries.

Table 16. Average retribution per target country

Country	Retribution, USD
Russia	425,0
Greece, Turkey, Cyprus	597,4
Portugal, Spain	896,6
Italy	941,4
Israel	1065,0
France, Germany, Benelux	1209,5

Living and working conditions, security, health and food

The study has shown that the conditions the Moldovan migrants live and work in appear to be pretty good. The most frequent problem invoked was the migrants' insecurity in the target country as a consequence of their undetermined statute, i.e. illegal residence or work or both. Every eighth migrant works in unsatisfactory conditions, while their health is even more exposed to risks generated within their working environment.

Table 17. Conditions in the target countries

Conditions	Poor, %	Acceptable, %	Good, %
Living	9,9	37,2	51,2
Working	12,6	38,0	47,5
Health	15,4	33,0	49,8
Security	22,1	27,6	48,2
Food	6,5	29,7	61,9

Also, due to the illegal status of plenty of migrants and high costs associated to the health care service, every second migrant who asked for the medical assistance did not receive it.

Table 18. Migrants and health care

Migrants who asked for medical assistance	Migrants who received medical assistance
Yes, %	No, %
63,5	32,6

REMITTANCES

In this chapter we examine a range of aspects regarding the total amount of remittances sent via different channels by the Moldovan migrant workers to their families living in various residence area. We have analyzed *average amounts* remitted by our migrants and influence of certain factors such as the *duration of migration, work legality, the migrants' occupations in the target countries, their level of education, gender etc.*

Inflows of remittances in the Republic of Moldova

Only 94,7% of all sampled migrants ($n_2 = 715$) have sent their earned money home in the course of the period January – September 2003. The total amount of money remitted by the sampled migrants has constituted USD 2 021 256⁹, thus obtaining the general mean of 2985 USD per migrant.

52,6% of the total sum went to the urban families and 47,4% - to the rural ones, despite the latter's numerical superiority in our *qualitative sample* (see the table below). It is very important to note here that the urban families received, in average, by USD 540 more than those from the villages.

Table 19. Total remittances per migrants area of origin

	n ₂	% of total n	Amount	% of total amount	Mean	Standard error	Mean confidence interval 95%	
							Lower bound	Upper bound
Urban	325	48,0	1062695	52,6	3269,8	153,6	2967,4	3572,1
Rural	352	52,0	958561	47,4	2723,1	134,0	2459,4	2986,9
Total	677	100	2021256	100	2985,6	101,9	2785,3	3185,8

Remittance channels

To bring their money home, Moldovan migrants refer to various means and channels. Before the emergence of the *rapid transfer agencies*, they used to carry the earned money with them. The ways and channels utilized for remitting money can be grouped, in terms of trackability, into *formal* and *informal* channels.

Formal channels

The money transfer can be fulfilled via two channels: banking institutions and nonbanking structures (for instance, the dedicated money transfer systems such as Money Gram, Western Union, etc.). Recent years have been marked by a significant popularity decline of the informal ways of money transfer, which have been exposing the migrants, their families and their money to numerous different risks such as robberies, extortions, theft and other.

Such factors as trust, awareness, comprehensibility of services, accessibility, close and mutually beneficial client-bank relations are as important as the costs attending the respective services. With the advent of banking and rapid money transfer infrastructures (facilities), the urban areas have seen their robust development, while the rural ones remained virtually unexplored or underdeveloped.

Quite often simple people feel intimidated or in awe when having to deal with the banks because the latter's sumptuous image spreads the message of haughtiness, importance, wealthiness that does not fit in the formers' qualities. This perception can also be developed by the banks' strategies and approaches, for instance, fees for opening deposit accounts or maintenance of minimum balance for keeping an account active and other. A recent study has shown the reasons the migrants prefer the informal money remittance channels:

- People whose activities do not fit in the formal economy frequently avoid financial institutions;
- Bank branches appear intimidating (guards, impression of solidity and lavishness etc);
- Remittance senders and recipients would rather stay „low key”;

⁹ The general mean presented has been obtained by dividing the overall amount of remittances by the number of money transfer cases (by 677 persons).

- No knowledge about the banks' products and services due to their weak marketing techniques;
- Bank service consumers' general inertia (they rarely look for alternative products, services);
- Informal systems of money transfer are easy to understand simply because „it has always been so”.

Informal channels

In spite of a rapid and extensive development of formal money transfer industry, substantial amounts of remittances continue to follow the „underground” path, thus eluding the watchful governments. Informal money transfer systems bloom in the state controlled economies, political instability and low economic and financial development level. The migrants' option for the rudimentary ways of transfer is often influenced by the simple trust towards the informal transfer agents, thus frequently overlooking the inherent jeopardies. These transfer systems offer speed, accessibility, little costs and anonymity.

Each of these two channels of money transfer has its advantages and disadvantages. A couple of main advantages of formal transfer channels are the *ensurance* that the money will arrive safely to its addressee and the *quickness* of transfer and receipt procedures. But in order to have the benefit of those advantages the migrants and their families should be properly and timely *informed* about such services and ensured an adequate *access* to the financial and banking facilities. When these two are insufficient, the informal ways of transfer linger and/or proliferate.

Further we present a table reflecting the total and average amounts sent via two channels:

Table 20. Formal and informal ways of remitting money

Transfer channels	n ₂	Amount, USD	% of total amount	Average values, USD	Mean confidence interval 95%	
					Lower bound	Upper bound
Formal	325	888740	43,9	2734	2456	3013
Informal	492	1132516	56,1	2302	2113	2490
Total	677*	2021256	100	2985	2785	3185

*This figure represents the total number of migrants who have applied to either or both ways of transfer. This is why it is not equal to n “Formal” + n “Informal”, indicating the number of occurrences of applying to both channels.

The table shows that the Moldovan migrants apply more frequently for the informal transfer channels than for the formal ones, though the average amounts sent per channel prove to be larger with the formal ways of transfer. But the total amounts differ significantly, the informal amounts overweighing the formal ones. The relation between the amounts sent via two channels is circa 4,3:5,6. More precisely, 43,9% of all money remitted went through the formal banking system, while 56,1% was remitted physically i.e. by couriers, colleagues, friends or personally, when returning home.

On these grounds, we presume that the total probable amount of money remitted by the Moldovan migrants during the period january – september 2003 might be distributed by the same proportion between the formal and informal channels i.e. 43,9% and 56,1%, respectively.

Remittance source-countries

In order to differentiate the remittance inflows, entered during the period january-september, from the various remittance source-countries, we have analyzed the average remitted amounts. The average amount sizes are extremely variable since they depend upon many circumstances and factors. To have a clear picture about the extent of representativity of resulted means, we annex to the table the corresponding statistical indicators such as the standard deviation, standard error and confidence interval boundaries).

Table 21. Average remittances per target countries

Countries and groups of	n	Mean	Standard	Standard	Confidence interval 95%
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Labor migration and remittances in the Republic of Moldova.
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countries			deviation	error	Lower bound	Upper bound
Portugal-Spain	83	3538,3	2031,6	223,0	3094,6	3981,9
Greece, Turkey, Cyprus	67	2082,6	1409,8	172,2	1738,7	2426,5
France, Germany, Benelux, GB, Switzerland	58	3355,6	3378,7	443,6	2467,2	4244,0
CIS	184	1834,1	1535,4	113,1	1610,8	2057,5
Italy	223	3762,6	3054,1	204,5	3359,5	4165,6
Other countries	62	3497,5	3274,3	415,8	2666,0	4329,1
<i>Total</i>	<i>677</i>	<i>2985,6</i>	<i>2653,3</i>	<i>101,9</i>	<i>2785,3</i>	<i>3185,8</i>

The general means in the table vary significantly from country to country fitting in the interval USD 1834, which is the average amount remitted from the CIS countries by an average Moldovan migrant and USD 3762, remittances originated from Italy. As a result, a migrant from Italy remitted, in average, by approximately USD 1928 more than an average migrant from CIS countries.

Remittances and labor migration duration

The Moldovan migrants' remittances vary significantly depending on the period of migrants' work abroad. Thus, the migrants who worked abroad up to 9 months (they make 26,4% of total n), had remitted in average per person USD 1927,5. Those who had toiled for over 9 months but less than 24 months (35,7% of total n) have remitted USD 3060,1. Those who had worked over 24 months remitted in average USD 3721,9 during the stated period. Approximately 51,1% of migrants working up to 9 months work in CIS countries, this is why the amounts remitted by them strongly influence the general mean for the stated period of time. On the whole, there is an obvious general growth tendency of the remitted amount from the majority of countries. The general mean growth rate between the first and the second intervals constitutes 58,7%, while between the 2nd and 3rd, the growth rate is 21,6 %. The descending trend of the growth rate indicates a gradual closing in on the superior bound (or the ceiling) of the retribution and remittances. Similarly, we found a difference in the growth rate evolutions among the target countries. For example, the remittance growth curve in the CIS countries differs from that in Italy, the latter displaying a constant ascending trend. The reason for that might be a more massive (at least two years ago) legalization of Moldovan migrants in Italy than in the CIS countries taken together.

Table 22. Remittances and duration of labor migration per target countries, average values, USD

Countries	Duration			Total
	maximum 9 months	between 9 – 24 months	Over 24 months	
Portugal, Spain	3450,0*	3142,5	4096,6	3587,2
Greece, Turkey, Cyprus	1463,7	2173,0	2243,3	2082,7
France, Germany, Benelux, GB, Switzerland	1575,0	3583,0	4006,5	3489,4
CIS	1542,6	1846,5	2302,1	1804,4
Italy	2646,6	3427,1	4686,3	3797,5
Other countries	2235,0	4170,8	3890,5	3565,8
Total	1927,5	3060,1	3721,9	3014,8**

*The highlighted means are the results of extremely few cases observed ($n < 10$), this is why they may be ignored.

A different general mean, presented in the various tables, has been determined by the existence of **nonreplies within certain variables. In this particular case, the non-replies (in 18 cases) belong to the variable *Migration duration in the target country*.

Occupation and remittances

Table 23. Remittances per occupations

	Per total sample
Technical & mechanical services	3968,0
Construction, reparations	2758,6
Agricultural works	2495,0
Baby-sitting, care-taking, social assistance	3655,7
Trade related activities	2269,3
Plant, factory workers	2573,3
Other	2013,7
Per total sample	2985,6

As it is captured in the table above, the migrants' occupations/work in the target countries exert(s) a strong influence upon the amount of remittances. The least amounts – in average USD 2013 – are remitted by the migrants practicing “other” activities, while the largest - USD 3968 - by those providing technical and mechanical services. These are followed by those doing baby-sitting, care-taking etc who had remitted, in average, USD 3655. The builders and repairers remited in average USD 2758.

Other factors

Another important factor, which imprints the significant differences onto the amounts to be remitted, is the migrants' status, legal or illegal. The legal migrants had remitted, in average, USD 3515 or by USD 1031 more than those working without a legal labor contract. The share of remittances sent by the Moldovan illegal migrants constitutes approximately 43% of the total inflow of remittances entered the Republic of Moldova during the stated period.

The Moldovan women migrants have remitted in average by USD 187 more than the men. This difference is due to the fact that in the CIS countries, where the level of retribution is far lower than in the Western countries, the number of Moldovan men migrants is much higher than that of women, while in Italy, where the migrants' salary level is higher, the Moldovan women outnumber men.

Transfer costs

It was estimated that the average transfer costs constitutes roughly 13% of the remittances' amount. The costs depend on the amount remitted, type of services and destination. The costs attending money transfer typically range from 0,2% to 20% per average money transfer. The costs are larger for small amounts because the transfer service agencies charge a minimum fee for any transaction. The Western Union and Money Gram typical fee is 15 USD, though, of course, the fee size depends on the source- and target-countries. On the other hand, the commercial banks, as a rule, combine a fixed minimum fee with the one proportionate to the amount transfered. The minimum fee ranges from 5 to 50 USD depending on the source-country and target-country and the “product” or service. The proportionate fee is, as a rule, fixed or reduceable depending on the amount size – the larger the amount, the less is the percentage taken. Banks, as a means of transfer, prove to be cheaper for larger amounts. In such cases the fee might be less than 1%.

The informal transfer of migrants' money may range from 3% to 10%. But, sometimes, the informal money transfers are free of charge.

Table 24. Formal and informal channels of transfer and target countries

Countries, groups of countries	Formal, %	Informal, %
Portugal, Spain	78,3	49,4
Greece, Turkey, Cyprus	38,8	77,6
France, Germany, Benelux, GB,	58,6	63,8

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Switzerland		
CIS	21,7	90,2
Italy	56,0	69,9
Other countries	56,4	64,5
<i>Total</i>	<i>48,0</i>	<i>72,6</i>

The values in the table have been obtained by dividing the number of cases when a migrant applied for one or another way of transfer by the total number of cases when their earnings were remitted from a respective target country. Normally a migrant applies for both ways of transfer, this is why the values in the rows against the countries should not be added, but virtually reported to 100%, that is to the total number of migrants in the respective target country. The table clearly shows the differences in the migrants' preferences towards one or another way of transfer. Thus, the migrants working in the CIS countries turn more frequently to informal ways of remitting their earnings. This is not due to the underdeveloped infrastructure and unefficient interbank relations between the two countries, but, on one hand, because of a fairly intensive road and railway communications between Moldova and Russia, for example, and, on the other hand, a relatively reduced costs incurred at informal money transfer. Yet another important factor is the seasonal character of labor migration to CIS countries, which supposes a relatively quick return of the migrant upon completion of the seasonal work. The amounts of cash which they carry usually do not exceed the amounts allowed in by the customs regulations.

The opposite situation was observed with migrants working in Portugal, who tend to apply more frequently to the formal ways of transfer. The main factors determining such behavior are the distance and advantageous to migrants interbanking agreements. And last but not least, the utilization of international debit cards is gathering momentum in this sense.

It is interesting to note that in Italy these two ways of money transfer are equally solicited, both in terms of frequency and amount. According to the findings from the sample n_2 , Italy is the country that generates the most massive flows of remittances. However, at the level of the whole population of migrants, the remittance flows from Italy are comparable with these from Russia, though the former hosts roughly three times as fewer migrants as the latter.

Table 25. Formal and informal transfers per target countries (% of remittances)

Countries, groups of countries	Formal	Informal	Total remittances
CIS	19,9%	80,1%	100,0%
Greece, Turkey, Cyprus	33,3%	66,7%	100,0%
Italy	42,9%	57,1%	100,0%
France, Germany, Benelux, GB, Switzerland	47,4%	52,6%	100,0%
Other countries	60,7%	39,3%	100,0%
Portugal, Spain	65,3%	34,7%	100,0%
<i>Total</i>	<i>44,0%</i>	<i>56,0%</i>	<i>100,0%</i>

The average amounts per migrant remitted via formal money transfer systems have been larger than those remitted through the informal ways for the majority of these countries. On the whole, the amounts remitted via formal channels are larger, in average, by 568 USD than those through informal ways, but due to the fact that the migrants refer more frequently to the latter (in 72,6% of cases, comparing to 48%), the amounts thus remitted are superior to the formal ones in the total flow of remittances. At the same time, it has been found that the informal flows of remittances from CIS and Italy significantly larger than the alternative ones i.e. formal flows.

The freshmen i.e. those working in the target country up to 9 months would rather remit their money via informal channels. Beyond this conventional threshold the tendency leans slightly towards the formal ways of transfer. Interesting to note, though, that this tendency vanishes once the migrants' residence in the target country extends beyond 24 months.

The legal aspect of the migrants' work also leaves imprints upon the average amounts of remittances. There is also an important difference between the amounts sent by the illegal migrants and these of legal ones. It is worthwhile noting that once the migrants obtain legality, they tend to formalize their transfers. This might be explained by a better adaptation and greater knowledgeable of legal migrants to the target countries' realia. They are more flexible and transparent towards the local authorities and formal transfer systems.

Table 26. Formal and informal remittances, average remittances and the migrants' legality

Work legality	Formal, USD	Informal, USD	Average remittances, USD
Legal	45,4%	54,6%	3515,6
Illegal	42,1%	57,9%	2484,4
<i>Total</i>	<i>44,0%</i>	<i>56,0%</i>	<i>2985,6</i>

The migrants' level of education strongly influences their preferences towards one or another way of money transfer. Although, on the whole, they prefer informal ways of transfer, the migrants with higher education levels apply more frequently than the other categories to the formal ways of transfer. It is mainly owing to their higher level of knowledgeable and „bankability”.

Table 27. Formal and informal remittances and migrants' level of education (% of amounts)

Migrants' level of education	Channels		Total remittances %
	Formal, %	Informal, %	
Higher education	47,6	52,4	100
College, professional school	44,0	56,0	100
Secondary level (high school only)	38,5	61,5	100
<i>Total</i>	<i>44,0</i>	<i>56,0</i>	<i>100</i>

A migrant's age is yet another important factor determining his/her option towards one or another transfer channel. It has been found that migrants under 35 years of age tend to transfer informally, while those older – formally.

UTILIZATION OF REMITTANCES

The impact of remittances upon an emigrant-sending country depends on their utilization pattern. Much concern over the contained productive use of remittances has been around lately. However, there is a general consensus that a major part of remitted funds is channeled towards the daily consumption needs. But the remittance utilization pattern showed by the Moldovan migrants' families differs significantly from those described in other similar studies.

Within the scope of this study, *the productive use of remittances is understood as channelling the financial resources, generated and remitted by the Moldovan migrants, towards the activities with a potential of additional income generation or ensuring the future availability of resources.* „Additional income” is referred to the revenues generated by such investments or quasi-investments as bank deposits, interest-bearing loans (if provided) and other income generating opportunities as businesses. „Future resources” refer to the insurance schemes or pension funds.

Still, how do the Moldovan migrants or their families manage the funds built of remittances?

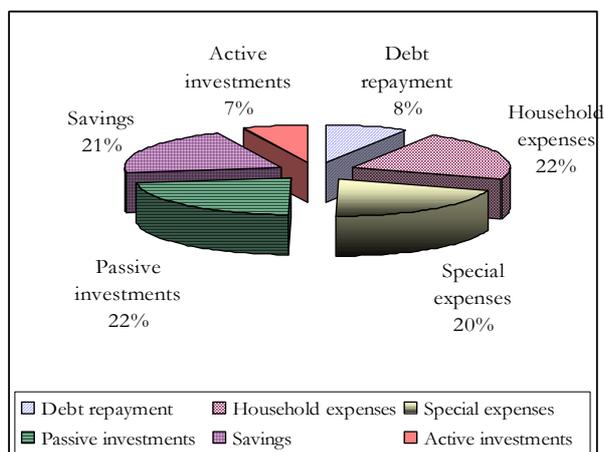
Here, we have focused on those families whose budgets are nourished with funds obtained by moldovan migrants working abroad. It must be mentioned here that we have analyzed the ways the

remittances have been used as *a part of the household budget*, but not the whole family budget. According to the findings *the remittances constituted in average, during the period january – september 2003, 87% of the studied families' budgets*. For a better analysis, the budget expenses have been synthesized into several categories:

1. Debt repayment;
2. Household expenses (for food, clothes, etc.);
3. Special expenses (for education fees, medical treatment, furniture procurement, domestic animals purchase, house/apartment refurbishments, additional constructions, financing migration of other family members, assistance and loans to relatives and friends etc.);
4. Passive investments (car, house procurement or construction, baptizing, matrimonial, burial rituals etc.);
5. Savings (bank accounts/home savings);
6. Active (business) investments (land purchase, tractor procurement, building a greenhouse, launching a mill, money-lending, opening bar or a shop etc.).

The way a family manages its budget depends upon a number of factors such as life experience, level of education, qualification of family heads, local cultural peculiarities (customs, traditions), socio-economic circumstances, family composition, its well-being and incomes, future intentions and, last but not least, the way the remittances have been earned.

Figure 14. Remittance utilization by the migrants' families



Passive investments

The largest share of migrants' remittances has been invested either in the house/apartment procurement/construction (22% of total volume) or purchase of cars (transportation means). The matrimonial, baptizing, burial rituals are included in the same category because they are reckoned as social investments made, as a rule, "once for a life-time". 28,3% of migrants' families have made such investments. The urban families have invested, in average, by 431 USD more than the rural ones into such events, the average amount being 2404 USD. Important differences have been found when comparing the share of remittances spent on passive investments by families whose members work in various target countries. For instance, those families whose members have worked in CIS countries, which host relatively poorer migrants, spent 15% of total remittances on passive investments, while those families whose migrant-members have worked in other countries – 24,4%.

Special expenses

Every fifth dollar remitted went to support "special expenses", i. e. for paying university/school fees, medical treatment, furniture procurement, reparations etc. Such expenses have been observed with 60% of studied cases. The average amount spent for such purposes reaches 994 USD.

The same category includes the *financing migration of other family members* and *provision of assistance or loans to relatives or friends*. Thus, 12% of studied families have made such investments. 989 USD was the average

amount spent for such purposes, constituting 21% of means utilized within the “special expenses” category. This, in its turn, represents 4,2% of total remittances received by a family.

Savings

30% of migrants’ families have made savings, allotting to it 20,7% of received remittances. 11,4% of savings have been deposited with the banks and approximately 45% retained home or kept in other similar conditions. Urban families deposit 60% of their savings, while the rural ones - 51%. Moreover, the former have saved, in average, by 270 USD more than the latter.

Household expenses

21,7% of remittances have been spent on household purposes or consumption. The urban families have spent 23,5% on such purposes, while the rural – 19,7%. In average, the families have spent 739 USD for consumption during the stated period. The families whose members work in CIS countries have spent on consumption 28,2% of all remittances, while the families whose members work in other countries - 20,4%.

Debt repayment

8,3% of all remittances received by migrants’ families went to reimburse the loans taken for migration or other purposes. 23,5% of migrants have settled their debts, allotting for this purpose in average 986 USD. The amounts reimbursed by the families whose members work in CIS countries are over twice as less as those reimbursed by the families whose members work in the Western countries.

Business investments

Just 6,5% of all remitted to a migrant’s family money went to finance a business, where the urban families have invested by a mere 0,4% more than the rural ones. The average amount invested constituted 1045 USD in the rural areas and 1770 USD in the towns. Important differences have been observed among the amounts invested by families whose members work in different countries. For instance, those who work in CIS countries have invested, in average, 729 USD, which is significantly lower than the general mean of invested amounts - 1341 USD. Only 13,7% of migrants’ families have made business investments.

IMPACT OF REMITTANCES

Migration, remittances and entrepreneurship

To know the extent to which the migrants engage into entrepreneurial endeavors, a set of data reflecting their prior and post-migration entrepreneurial spirit has been collected.

Although the impact of migration and remittances upon entrepreneurship is a function of numerous variables, including the macroeconomic ones, we have focused just on certain relevant aspects, which could be analyzed on the basis of empirically collected data.

Thus, the analysis of empirical data collected within the sample n_2 has yielded the following:

- 22,1% of migrants’ families had practiced entrepreneurial activities prior to their members’ migration;
- 12,6% of would-be migrants themselves had practiced entrepreneurship;
- After migration, the number of cases where the migrants’ families or the migrants themselves practice entrepreneurship has reduced by 6,2%.

Due to the fact that behind these relative figures stays an insufficient number of cases, we cannot make a valid inference and consider the found tendencies as absolutely truthful. Still, the collected data clearly

show that the number of entrepreneurial initiatives has considerably subsided. So, it seems that the labor migration does not stimulate among its subjects private initiatives and that the number of Moldovan citizens engaged into business has actually decreased. In order to verify these findings, it is necessary to organize an in-depth research or a series of studies which would specifically target this phenomenon.

Per capita incomes prior and post migration

Table 28. Monthly average per capita incomes prior and post migration and the level of well-being before leaving abroad (n₂ = 715)

Family material well-being *	%	Monthly average per capita incomes prior to migration	Monthly average per capita incomes post migration	Growth rate
Very good	0,4	-	-	
Good	12,6	508,4	2185	4,3
Medium	41,5	297,3	1822	6,1
Poor	35,5	188,0	1528	8,1
Very poor	9,9	121,4	1595	13,1
<i>Total</i>	<i>100</i>	<i>279,0</i>	<i>1745</i>	<i>6,3</i>

45,4% of families under the study have appreciated their material well-being as poor or very poor, their incomes ranging from 121-188 lei per capita.

The family's average budget per capita prior to migration had constituted 279 lei¹⁰, while that after migration, in average, 1745 lei per capita (at least during the stated period, january – september 2003). The most substantial income growth has been observed with the families which used to have, prior to migration, a poor or a very poor material well-being. Their incomes have increased since migration eight to thirteen folds per member.

Income growth depends particularly upon the migrants' target countries. Thus, the incomes of migrants working in CIS countries have soared from 196 to 798 lei per capita. The strongest progress has been achieved by the migrants working in Italy, their incomes have grown from 333 to over 2500 lei per capita. This figure is a sufficient impact indicator of labor migration upon a family's material well-being. The remittance recipient households achieve much faster the higher levels of well-being than the non-recipient families. So the former will better withstand to the local economic and financial crunch than the latter.

Migrants' contribution to their families

The study has shown that the migrants' contribution to their families has been essential. In 2/3 of studied migrants' families, the remittances constitute the main and sometimes exclusive source of income. In 17,5% of cases, the migrants' contribution covers approximately a half part of their families' budgets and these, as a rule, are the families with 2 active age members working abroad. Only 6,4 % of studied families found their migrant members' contribution as insignificant (maximum a quarter of their budgets).

Knowing the percentage of families that have at least one migrant member (which is 29,3%), we can infer that the material well-being of approximately a third part of Moldovan families depends almost entirely upon the money generated abroad by the migrant workers (see the table below). There is a

¹⁰ The moment referred to as "prior to migration" could be anytime during the last 2-3 years, this is why the respective means do not refer to a certain period.

comparatively tiny share of migrants - 6,4% - who have not yet significantly contributed to the budgets of their families left in the country of origin.

Table 29. Migrants' contribution to the budgets of their families

Contribution	%
Very little (up to 15%)*	6,4
Little (15-35%)	7,7
So-so (35-65%)	17,5
Significant (65-85%)	33,6
Very significant (>85%)	34,8
<i>Total</i>	<i>100,0</i>

* the percentages accompanying the categories are the conventional dimensions, reflecting the extent a family's budget is covered by a migrant's contribution.

What are the migrants' families' achievements as the outcome of migration?

The importance of remittances can also be reflected through the migrants' families' concrete socio-economic achievements. Thus, only 5,6% of all studied families have not yet attained their goals, because they have not yet covered the costs related to their member's migration (i.e. the situation remained unchanged, debts unpaid, costs uncovered). Approximately 22,1% of all families have managed to ensure, thanks to remittances, a relatively decent material well-being (the abroad earnings have sufficed for food, clothing, bare necessities). 17% of families have been lucky to afford a medical treatment or pay the university fees, or purchase cattle, or repair their apartments/houses. 28% of families have realized even more. Besides the aforementioned expenses, these families have purchased apartment(s)/house(s), made weddings for their children or themselves, launched a business or deposited the money surplus with a commercial bank. The "top" results in terms of socio-economic achievements have been obtained by approximately 25,1% of studied families. They have managed to do more than the other families and namely: long-term investments in fixed assets or business.

Table 30. Distribution of migrants' families depending on the socio-economic level attained

Level	Families' achievements	%	Average expenses
V "Long-term investments"	Launching a business/ building a house/apartment procurement/land purchase, etc	25,1	4452,2
IV "Well-being, social comfort, entrepreneurship"	Wedding for children / car procurement / launching a micro / family business, etc	28,2	3125,1
III "Consumption level"	University fee / medical treatment / purchase of cattle / house refurbishment etc.	17,0	2233,3
II "Subsistence minimum"	Debt repayment / a better nourishment quality /purchase of goods, clothes / other consumption expenses	22,1	1774,9
I "Indebtedness"	Unpaid debts		719,8

The table above presents five conventional levels of achievements, starting with the base (bottom) line (initial level, launching) up to the superior level (a culminating one, corresponding to a maximum result). The distributions by levels have been made according to the operators' observations and appreciations. The table served as a tool for evaluating the families'

achievements accomplished during the whole time of migration and remittance receipt (not just the stated period of the study).

The first column presents the conventionally labelled levels.

The second column provides characteristics of each level

The third column shows the percentage of cases attributed to each level.

The fourth column shows the average amounts of managed funds generated from remittances. For example, a family attributed to the fourth level has managed in average 3125 USD during the period January – September 2003. The average amounts show the financial level at which the families have been identified, so they do not indicate the costs incurred to satisfy the needs of a respective level (described in Column 2).

The level 1 is associated with the moment of start, basic motivation, when the investments made (travelling costs) have not yet been covered, when a family is still in debt. Virtually all families (migrants) are bound to pass through this level.

The level 5 represents the „apogee”, that is the moment when a family attains maximum results, when a family becomes better off, the current consumption needs are met. Moreover, the medium or long term investments are made.

The methodological framework described above represents a combination of qualitative and quantitative analyses of a family's economic level. The key message communicated by this method is that *the certain levels of well-being are characterized by family's certain necessities and possibilities attributed to a certain financial level.*

Social consequences of labour migration

The remittances provide a social safety net to poor households by reducing the extent of their vulnerability towards the economic shocks. Even though the immediate impact of remittances is upon the transitory poverty, the long-term effects should not be underestimated and ignored. It is recognized that the transitory poverty is a serious obstacle in the face of the human capital development.

Within this study, a series of variables has been analyzed to estimate the social impact of migration and remittances upon the family. Further we present several relevant tables leaving the reader to interpret them independently.

Table 31. Migrant's marital status prior to migration and after it

Migrant's prior to migration marital status	Migrant's post migration marital status					Total
	Single	Married	Divorced	Widowed	Dead	
Single	19,1	4,7			0,1	23,9
Married		61,1	6,4	0,6	0,1	68,4
Divorced		1,0	5,6			6,6
Widowed		0,1		1,0		1,1
Total	19,1	66,9	12,0	1,6	0,2	100

Table 32. Negative effects generated upon migration of one or another family head member

Negative effects	Men migrants %	Women migrants %	Total %
Weakened socio - moral family ties	25,8	40,8	33,1
Family break-off	7,9	20,0	13,8
Children's poor school/university results	10,8	24,2	17,3
Children's negative behavior	9,0	16,2	12,5
Family's adults' negative behavior	7,5	16,2	11,8
Migrant's health deterioration	20,1	23,0	21,5
Exposed to robber's attacks, theft, other crimes	2,5	2,6	2,6

Table 33. Migrant's contribution to a family's budget and family socio-moral state

Migrant's contribution	Weakened socio-moral family ties, %	Family break-off, %

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B.Ghencea and I.Gudumac

Very little (up to 15%)	22,2	15,6
Little (15-35%)	13,0	9,3
So - so(35-65%)	20,5	7,4
Significant (65-85%)	30,2	9,8
Very significant (>85%)	33,7	13,2

Table 34. Migrants' intentions regarding the future residence

Intentions	%
Settle abroad with or without family	14,5
Ensure a decent life and return to Moldova	59,9
Undetermined	22,4
<i>Total</i>	<i>99,9</i>

SYNOPSIS

Breadth and geography of labor migration in the Republic of Moldova

- During the period January – September 2003, approximately every third family had, at least, one member left abroad in search of a work and alternative earnings. The study has found that the share of migrants in the total active age population constituted 17,6% during the stated period.
- The findings suggest that the approximate number of Moldovan citizens who left abroad in search of a work and alternative earnings constituted 265-285 thousands in 2003.
- The lowest share of migrants – 9,3% has been found in the capital city, Chisinau, while the highest – 22,3% - in the district towns. The average share of migrants – 17,4% - has been found in the rural areas.
- Of total number of Moldovan migrants, men constitute 62,8%, whose „migration rate” is by 8,87% higher than that of women.
- In terms of geographic distribution of migrants, the highest share of them was found in the northern regions of the country 22,2%. The lowest share of migrants - 14,4% - was found in the central area of Moldova.
- Almost every fifth migrant had had prior labour migration experience in other countries. The others have left for the target countries for the first time.
- The sampled migrants’ distribution per years of leaving abroad is the following:
 - in 2003 – approximately 18%
 - in 2002 – 24%;
 - in 2001 – 24%;
 - in 2000 – 16%;
 - prior to 2000 – 18%.
- The most popular target countries for the Moldovan migrants are Russia, where 54,7% of all migrants work and Italy, hosting roughly 18% of all migrants.
- The main factors determining the Moldovan citizens’ option for Russia are the following:
 - The Russia’s labour market enormous absorption capacity;
 - Lenient border regime between R. Moldova and Russian Federation;
 - Uninhibited travelling on the Russia’s territory;
 - Reduced migrational costs;
 - Socio-cultural and geographical proximity;
 - Possibility of a better gain in Russia than in the R.Moldova.
- The main determinants of Moldovan citizens’ option for Italy prove to be the following:
 - High labour demand, particularly for women related jobs (care-taking, baby-sitting, house-keeping etc.);
 - Well developed intermediary networks and infrastructure as well as an emerging diaspora;
 - Extremely attractive incomes in terms of effort and its compensation;
 - Relatively „indulgent” migrational policies comparatively with the other West-European countries;
 - Favorable to moldovan migrants socio-cultural conjuncture and other factors.

- Out of the total number of migrants working in CIS countries - 76,7% are men, this indicating the nature of Russia's labor market demand. In Italy the situation is reversed i.e. the share of women migrants constitutes approximately 70% of the total number of migrants working in that country.
- On the whole, the Moldovan women prefer, in contrast to men, such labor migration directions as Italy, Greece and Turkey, while men prevail in such target countries as Russia, Portugal, Israel, Germany and other countries.
- Migrants heading for CIS countries are mainly from rural regions (61,6%), while those towards Italy, Portugal, Spain are predominantly from urban places (62,4%)..
- The average number of months spent abroad by migrants is approximately 20 months. For those working in Russia this average is 17 months, while in Italy, Portugal and Spain - 25 months.
- The general average of the Moldovan migrants' age is 35,1 years. The migrants' highest age mean – 36 years – has been found in the country group „Middle East and other countries”, which is the same for both sexes. Israel is the country holding the largest share of advanced in years migrants. Also, they tended to have a better and richer professional background prior to migration.
- A higher age average of women 36,7 years, comparatively to that of men (32,8), is influenced by the nature of works practiced abroad – care-taking, baby-sitting and social assistance - which suppose a rich experience in the field.

The migrants' profile

- The migrants' distribution per their level of education in the studied sample (n_2) is the following: 25,7% with higher education, 51% - college and/or professional schools, 23,2% - high school.
- Approximately a third part of migrants had not had a permanent occupation before migrating. Another 32% of migrants used to be employed in the state budget sector, especially in education, medicine and public institutions, out of whom roughly 50% had had university degrees. About a quarter of migrants used to have jobs in the non-state organizations, private enterprises or self-employed.
- Despite the fact that 23% of migrant-sending families used to practice entrepreneurial activities, only 13% of would-be migrants were engaged in the entrepreneurial activities.
- Out of all migrants 26% used their own savings to cover the costs attending migration. The similar share of migrants (26%) applied for loans from moneylenders, Savings and Credit Associations and/or other sources paying corresponding interest.
- The level of income „enjoyed” by the would-be migrants in their country of origin (here R.Moldova) strongly influences their options regarding the target country. Thus, citizens coming from relatively poor families migrate to Russia, Turkey, Greece and Cyprus, while those heading for the Western countries are from the families with the significantly higher incomes.
- An average family's budget had constituted, prior to migration, 279 lei per capita.
- The average per capita income of those families whose members migrated to Russia had constituted 196 lei, while that of those households whose members work in Italy - 333 lei per capita. More to the point, the fact that the overwhelming majority of people have been in search of a work and alternative incomes in Russia reflects their families' reduced payment capacity (in terms of migration costs). This is yet another proof of the fact that the best part of migrants are coming from the below the subsistence minimum environment.
- Those families whose members have left for Italy used to have a better per capita income - 333 MDL, which is by approximately 20% over the mean in the entire sample.

Migration

- The most frequent problems and challenges faced by the Moldovan migrants are related to the lack of language knowledge and finding a job there (23,6%). Conflicts with the target countries' authorities are on the third place with 18,5%. Every 10th migrant faces problems with his/her employer due to the job payment arrangement infringements. Only 4,5% had to face racketeers, thieves, robbers etc.
- 35,4% of all Moldovan migrants have not encountered particular difficulties at least in the beginning of their labor migration.
- Besides the main motivation behind the decision to migrate, there is a whole range of circumstances and favourable factors whose influence may be decisive. To name but a few of them: knowledge of the target country's language, availability of persons (relatives, friends etc.) who are already there and willing to provide help and guidance at least for the initial period. The pathfinders' help might have many forms, starting from a simple information provision or meeting on the target country's soil to offering a shelter, finding a job and an increasingly frequent practice – lending money for visa obtaining and migration accomplishment.
- A real “market niche” has been identified and exploited by so-called migrants-entrepreneurs who developed a whole “industry” for the new-comers (new migrants). A new migrant may be offered a whole list of services such as finding a better job or a place of living, interpretation services, money remittance, negotiations with employers, availing of recommendations from a trustworthy and close to the employer person, “positioning” among the new work colleagues and many other services.
- The study has found that almost every second migrant worker in other than CIS countries has had no language knowledge when entered the target country, 41% had superficial known the language of the target country.
- It is important to note that in 63,4% of all cases the migrants have been awaited by their friends or relatives at the moment of their arriving to the target country. In 58% of cases the migrants have been offered “bed and breakfast” and/or a work place. It is also worthwhile taking into account that over 36% of migrants have entered and temporarily settled in the target country having no assistance at all.
- The studied sample has yielded that 70,9% of Moldovan labour migrants have entered legally the target countries. The remaining share of them – illegally.
- The most infiltratable countries, in terms of illegal entrance, are France, Germany, Benelux, Switzerland. 43,8% of all migrants working in the respective countries, have entered illegally.
- By grouping the Moldovan migrants according to the „degree of legality” criteria, the following categories of migrants have been obtained:
 - Full legality - 36,2%;
 - Illegal entrance, but legal residence and work - 13,6%;
 - Legal entrance, legal residence, but illegal work - 14,3%;
 - Legal entrance, but illegal residence and work - 20,8%;
 - Illegal entrance, residence and work - 15,1%.
- 29,6% of migrants work legally during the first 9 months of their migration, while among those working over 24 months, 63,4% work on a legal basis. The average „legalization rate” constitutes 16 -17% per annum.
- Italy is the country where the share of legal migrant workers is the highest – 59%. It is very interesting to note that of all migrants working in the CIS countries 70% work illegally.

- A spreading method of surmounting the obstacles in the way of migration is availing of the citizenship of the other states. Thus, we have found that roughly 12% of all sampled migrants have priorly obtained the citizenship of, particularly, Romania (6,0%) and Russia (5,7%) and afterwards migrated as the citizens of these countries.

Migrants' occupations in the target countries

- On the whole, the occupations, works and activities undertaken by our migrants do not require serious qualifications and competence. The most important roles played by the Moldovan migrants are those of the builders' group manager or the like in such areas as construction, car-repairing shop, shop assistants, barmen and waitresses etc. Quite frequently the migrants, particularly those with higher education, render services of significantly lower qualification than the one obtained in their country of origin.
- 30,9% of all sampled Moldovan migrant workers toil in construction, of whom 95% are men, 31,3% of migrants provide baby-sitting, care-taking and social assistance services among whom 96% are women.
- Trading activities (10,8%) are dominated by women.
- 9,8% of all migrant workers work for the target countries' light or heavy industries. Only 4,5% of them are engaged in agriculture.
- The majority (54,1%) of Moldovan migrants in CIS countries work in construction and reparation services, while the largest share of migrants working Italy is engaged in care-taking, house-keeping, baby-sitting and other related activities, making 69,2%.
- Such activities as house-keeping and social assistance absorb almost exclusively women work force, who are more or less advanced in years and with higher education.
- Constructions works welcome exclusively men, who are under 42 years of age and with just secondary school level of education. Roughly 2/3 of migrants working in construction work illegally. Virtually every second migrant working in Russia or Portugal is engaged in that kind of activities and every fifth in Italy. Only 3% of migrants working in Turkey, Greece or Cyprus work in construction/building or raparation field.
- Work legality differs from occupation to occupation. Thus, out of 3 migrants engaged in agriculture, building or other, 2 work illegally. Opposite situation is found among those working in factories, plants or firms, where just every fifth person is illegal.

Earnings (salaries, wages, etc.)

- The sampled Moldovan migrants' average monthly payment amounts to 772 USD.
- The migrants' level of education strongly influences their payment level. Thus, the migrants with higher education (university degree etc) earn in average by USD 278 more than those with just high school level of education, and by USD 115 more than those with technical or professional school.
- The average monthly retribution level does not differ between men and women.
- It has been found though that the average monthly salary grows together with the length of migrants' residence in the target country. Those migrants who work more than 2 years in a target country get a handsomer payment by USD 264 than the migrant-freshmen (up to 9 months) and by USD 54 than those staying in target country between 9 and 24 months.

- Another factor powerfully influencing the migrants' level of payment is their work legality. Thus, those working legally earn in average by USD 273 more than those in the black market. Putting it otherwise, the employers cut down their salary expenditures by at least 30% when engage the illegal migrant workers.
- The Moldovan migrants' payment differs from country to country. The following average monthly income levels per target countries have been found:
 - Russia: 425 USD;
 - Greece, Turkey, Cyprus: 597,4 USD;
 - Portugal, Spain: 896,6 USD;
 - Italy: 941,4 USD;
 - Israel: 1065 USD;
 - France, Germany, Benelux: 1209,5 USD.
- The migrants' income level depends also on the type of services provided. The following average income distributions per services provided have been obtained:
 - Plant, factory workers (light/heavy industry): 904,3 USD;
 - Technical & mechanical services: 876,4 USD;
 - Baby-sitting, care-taking, house-keeping and social assistance: 835,2 USD;
 - Agriculture related works: 796,8 USD;
 - Construction, reparations: 703,5 USD;
 - Trade related activities: 698,9 USD;
 - Other: 602,6 USD.
- Migrants hailing from urban areas earn in average 826,6 USD, which is by 105 USD more than that of the migrants from the rural areas.
- In average, the Moldovan migrants spent roughly 25% of their total montly incomes on bare necessities, entertainment etc. Men spend about 28,1%, while women - 21,2%. Women providing baby-sitting, care-taking, house-keeping services spend 18,9%. The largest expenses of this type are incurred by men working in trade related activities - 31,7% of their incomes. Expenses related to ensuring bare necessities differ from country to country. Thus, the migrants working in West 2 spent by 8% more than the general average, while those in Turkey, Greece and Cyprus - 7% below the general average.

Remittances as a substitute for the Foreign Direct Investments?

- During the last five years the flow of foreign direct investments has seriously dropped, while that of remittances has considerably surged. In the majority of developing countries, the remittances run at the second place after the FDIs. In the Republic of Moldova the flow of remittances is far vaster than the Foreign Direct Investments.
- The amount of money transmitted via formal channels by the moldovan migrant workers has surged from 90,2 mln. USD in 1999 to 257 mln. USD in 2002 i.e. by 185,1%..
- During the first six months of 2003, the net money transfers made by the Moldovan citizens have constituted roughly **149** mil. USD, while by the end of the year the official figure grew as high as **317** mln USD.
- During the first two quarters of 2003, FDI constituted approximately 20,9 mil.USD, in absolute net values, whereas during the same period of the previous year the amount climbed up to 34,6 mil. USD. In 2003 the FDIs' share in the country's GDP constituted 2,8%, while that in the first half of 2002 - 5,2%.

- Undoubtedly, the migrant workers' remittances currently constitute the most important source of foreign financial means, which, if managed wisely, would exert a considerable impact upon the economic and social development.
- The ascending remittance flows are not the result of the specially targeted government efforts and measures, but a natural adaptive reaction of the community towards the depriving economic conditions. The increasing flow of remittances is not just a consequence of a growing number of migrants. When the vitally important means (FDIs) needed for a „growing organism” of a young state are dramatically squeezed, the remittance phenomenon resembles a spontaneously activated collective „self-sustenance instinct”. Or otherwise, it represents a natural adaptive reaction of our community towards the discouraging macroeconomic conditions and the depriving micro-economic circumstances.

Remittances as a part of migrants' earnings

- Moldovan migrants remit home 56,4% of their earnings. The smallest share of their earnings brought as remittances is coming from such countries as France, Germany, Benelux – 41,1%, while the largest „piece” of earnings is sent from CIS (particularly Russia) - 74,8%. A migrant's family size also influences the percentage of money being remitted, thus, migrants having 2 members in their families send home 53,6%, while those with 5-member families and more - 58,3%. A migrant's level of education is also found to influence the share of money remitted: those with higher education send - 53,8% of their earnings, those with college/professional school – 55,8% and those with secondary school – 62,2%. Still, the strongest influence upon the share of earnings being sent is exerted by the migrant's age i.e. the older the migrants, the more he/she sends home (from 49,8% to 60,4%).

Total inflows of remittances in the Republic of Moldova

- Only 94,7% of all sampled migrants ($n_2 = 715$) have sent their earned money home in the course of the period january – september 2003. The total amount of money remitted by the sampled migrants has constituted USD 2 021 256, thus obtaining the general mean of 2985 USD per migrant. The general mean presented has been obtained by dividing the overall amount of remittances by the number of money transfer cases (by 677 persons).
- 52,6% of the total sum remitted went to the urban families and 47,4% - to the rural ones. The urban families received, in average, by USD 540 more than those from the villages.
- Extrapolating the findings obtained from the studied sample, the total volume of remittances (formal and informal), which entered the Republic of Moldova during the study period might be over **650 mln. USD**.
- The general means vary significantly from country to country fitting in the interval from 1834 USD, which is the average amount remitted from the CIS countries by an average Moldovan migrant and to 3762 USD, remittances originated from Italy.

Money remittance

- On the whole, the amounts remitted via formal channels are larger, in average, by 568 USD than those through informal ways, but due to the fact that the migrants refer more frequently to the latter (in 72,6% of cases, comparing to 48%), the amounts thus remitted are superior to the formal ones in the total flow of remittances. As a result, the flow of money remitted informally is larger (56,1%) than the flow of formal remittances.

- Such factors as the *target country*, *migrants' legal or illegal status*, *level of education*, *age and other*, influence a migrant's option regarding the channel of transfer. Informal outflows of remittances prevail in those target countries, where the Moldovan migrants' networks (infrastructure i.e. transportation etc.) are better organized, for example, Russia and Italy.

Remittance source-countries

- The Moldovan migrants' remittances vary significantly depending on the period of migrants' work abroad. Thus, the migrants who worked abroad up to 9 months (they make 26,4% of total *n*), had remitted in average per person USD 1927,5. Those who had toiled for over 9 months but less than 24 months (35,7% of total *n*) have remitted USD 3060,1. Those who had worked over 24 months remitted in average USD 3721,9 during the stated period.
- The migrants' occupations/work in the target countries exert(s) a strong influence upon the amount of remittances. The least amounts – in average 2013 USD – are remitted by the migrants practicing “other” activities, while the largest - 3968 USD - by those providing technical and mechanical services. These are followed by those doing baby-sitting, care-taking etc. who had remitted, in average, 3655 USD. The builders and repairers remitted in average 2758 USD.
- Another important factor, which imprints the significant differences onto the amounts to be remitted, is the migrants' status, legal or illegal. The legal migrants had remitted, in average, USD 3515 or by USD 1031 more than those working without a legal labor contract. The share of remittances sent by the Moldovan illegal migrants constitutes approximately 43% of the total inflow of remittances entered the Republic of Moldova during the stated period.
- The Moldovan women migrants have remitted in average by 187 USD more than the men. This difference is due to the fact that in the CIS countries, where the level of retribution is far lower than that in the Western countries, the number of Moldovan men migrants is much higher than that of women, while in Italy, where the migrants' salary level is higher, the Moldovan women outnumber men.

Remittance utilization patterns

- Financial funds - 2 021 256 USD - received and utilized by the sampled families ($n_2 = 715$) during the study period, january – september 2003, have been distributed as follows:
 - *Loan/debt repayment* - **8,3%** of total remittances;
 - *Household expenses* (food, clothes, other bare necessities) – **21,7%**;
 - *Special expenditures* (university fees, medical treatment, furniture purchase, capital refurbishment, cattle procurement, etc.)– **20%**, including 4,2% for financing migration of other family members, friends, relatives etc;
 - *Passive investments* (procurement/construction of house/apartment, purchase/leasing of cars etc.), including social investments (matrimonials) – **22%**;
 - *Savings* – **20,7%**, including bank deposits - 11,4%;
 - *Long-term (business) investments* – **6,5 %**.

Migration and entrepreneurship

- Only 13,7% of migrants' families have made business investments, the average investments in the rural areas constituted 1045 USD, while these in the urban areas - 1770 USD.
- After migration, the number of cases where the migrants' families or the migrants themselves practice entrepreneurship has reduced by 6,2%. Thus, it appears that labor migration does not

stimulate private initiative among its subjects – the migrants and their families - in the Republic of Moldova. In the current business environment, it is actually fairly difficult to start up a business that would spin revenues equal to these generated by the „migration affair”. This is probably the factor that suffocates the entrepreneurial initiatives.

- The migrants' families' monthly incomes prior to migration had constituted 279 lei per family member, while the current, so-called post-migration incomes, constitute 1745 lei per capita i.e. the family incomes have grown six-fold.
- Remittances have accounted for, in the period of the study, january – september 2003, in average, 87% of the studied families' total budgets.
- Material well-being of approximately every third family in the Republic of Moldova depends almost entirely on the money earned abroad.

CONCLUSIONS

The study represents the first attempt to explore the phenomena of labour migration and remittances and their impact upon the socio-economic development in the Republic of Moldova. The findings of the study may be helpful to the Government in its search for efficient social, economic and, specifically, migrational policies and strategies, to the banking and other financial institutions, producers, service providers, non-governmental organizations and to the community as a whole.

The specially designed study methodology, requiring selective collection of empirical data and modern analysis procedures, proved to be not only adequate to the problem under the study, but also efficient in terms of allotted costs and human resources.

The study has shown that the labor migration represents for the Moldovan citizens *a poverty escaping strategy*. Our families turn to this alternative to pursue a decent life and withstand to the macroeconomic shocks.

The option for one or another target country is strongly influenced by the would-be migrants' financial possibilities. Those coming from the needy and, unfortunately, numerous families opt for Russia, while the families with a higher economic potential dare migrate to the Western countries.

Frequent occurrences of irregular labour migration reflects, first and foremost, a lack of legal migration opportunities. It is in the Government's competence to ensure legal job places abroad. So far, its measures have been divergent, while their impact - largely insignificant. As a result, we witness the growing migrational tensions and scarce legal opportunities, which create appropriate conditions for inflation of migrational costs and development of illicit labor intermediation channels.

Thus, the Government's focused efforts should reduce the migrational pressure by ensuring legal opportunities for labor migrants, which, in turn, will quench the illicit „competition” on the external market labor force intermediation. This will cut migration costs, which burden honest citizens and enrich black-market industry and human beings' traffickers. As a result, the migrant workers will be less exposed, while their work – eligible for an adequate retribution and the households' income and the state's benefit from the export of labor force will augment.

În condițiile reducerii critice a investițiilor străine directe, fluxurile de remitențe au devenit sursa cea mai importantă de mijloace financiare. Prin politici bine chibzuite, o parte mare a acestor mijloace poate fi investită direct în economie și impactul lor asupra dezvoltării economice va fi unul și mai important.

The remittances play an important role in shrinking the current account gap of our country, boosting the service sector and ensuring a minimum subsistence level for thousands of Moldovan families.

The study has shown that the total inflow of remittances significantly surpasses that of the Foreign Direct Investments. Over a half of this volume of money is brought in the „migrants' pockets”, thus eluding the watchful eye of the Moldovan officials. This reflects the fact that the market potential of the money transfer services is far from being exploited efficiently and wholly.

Inspite of the fact that the migrants' families are too dependent on the consumption needs, an important part of money is invested in the long-term fixed assets. At the same time, the amount of money saved at home or with the banks is far superior to that invested into business or productive activities.

But the impact of remittances upon the economic development should not and cannot be reduced to the money directly invested into the business by the migrants' families. Although the number of pro-business activities practiced by the migrants' families has not grown, the number of enterprises (particularly in the service sector, building, reparations etc) and their profits, boosted by the high demand from the migrants' families, has actually increased.

One of the negative economic effects (hopefully of a short term) is the inflation of prices for those products and services which are demanded by more affluent migrants' families. For instance, the prices for apartments have surged proportionally with the flows of remittances since 1999, at least by 3-4 times. Meanwhile, the chances of non-receiving remittance families to purchase or build apartments/houses have become very low.

In addition, the expectancy that the Moldovan migrants will return home and bring new and valuable knowledge and experience prove to be a myth. The Moldovan teachers, doctors and engineers provide in the target countries the services that are mainly below their competences and qualifications and, with the time, they tend to lose their prior-to-migration qualifications.

With a limited Government's implication into ensuring legal labor migration of Moldovan citizens, the number of those succeeding in getting abroad has significantly grown. More important finding, though, is that the migrants remit to their families the largest share of their earnings, comparatively to other countries' migrants who, as a rule, send less. The amounts remitted by the Moldovan migrants to their families, their altruism towards those left home and their obvious intention to return home speaks of the fact that they had taken initiatives in „their hands”, taking onto their shoulders the burden of the whole community. This burden is usually carried by the Governmental structures. But, the efforts of simple people are inhibited by such factors as a limited access to information, underdeveloped infrastructure, lack of Governmental converging measures and injustice..

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