

Vesselin Mintchev, Senior Research Fellow, Ph.D., Venelin Boshnakov, Ph.D.

## **THE ECONOMICS OF BULGARIAN EMIGRATION - EMPIRICAL ASSESSMENT<sup>1</sup>**

An attempt is made to assess the expenditure and transfers of Bulgarian emigration during the period after the last census in 2001. Estimates are compared to the official information from the Bulgarian National Bank. The socio-demographic profile and the transfer behaviour of returning emigrants is revealed too. Opportunities are sought to assess the impact of transfers on household incomes, as well as the ways of their using. A representative inquiry among the Bulgarian households is conducted, as well as among their members, who had spent more than three months abroad.

JEL: F22; J61

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

Studies of East-European emigration are crippled by the absence of sufficient relevant information. This is particularly valid for the analyses of remittances transferred by emigrants. A small number of publications reveals a range of particular issues – predomination of short-term labor mobility, usage of remittances for both subsistence and small business development, etc. (Leon-Ledesma and Piracha, 2004) which positions the remittance behavior of East-Europeans between the extremes known in research literature: the “developmentalist” extreme and the so-called “Dutch disease” or “migrant syndrome” (Taylor, 1999).

---

<sup>1</sup> The paper was prepared with the financial support of a GDN-SEE research grant under the supervision of WIIW – Vienna. We are grateful to our discussant Danny Sriskandarajah as well as to Vladimir Gligorov, Michael Landesmann, Anna Iara and other participants in GDN-SEE workshop, May 5-6<sup>th</sup>2006, Vienna, for their helpful comments and suggestions.

There is also a noteworthy evidence for a hypothesis to be raised that in South-Eastern Europe transition countries a “South-South” migration model is in a process of formation, i.e. from the *new emigration countries* (such as Bulgaria and Romania for example) towards the *new immigration countries* of the Mediterranean being EU Member States. It may be expected that such a migration model would generate a dependence of the macro-economic stability in the Balkan countries on remittances by emigrants along with: low costs of the organization of departure, employment mainly in so-called 3-D jobs,<sup>2</sup> high share of unregistered remittances, non-altruistic remittance behavior (i.e. usage of remittances for the development of small and medium-sized enterprises) and at the same time high supplementary effect of remittances on households current income, etc.

This paper is attempting to make a trial quantitative assessment of expenditures of and remittances from Bulgarian return migrants for the period after the last population census in 2001 (years 2001-2005). A representative survey among Bulgarian households and their members who had been abroad for more than three months during this period was used for this purpose. Our estimates based on this sample survey are compared to the official figures provided by the Bulgarian National Bank. (*Sections 1 and 2 of the Article*). At the same time, the socio-demographic profile and the remittance behavior of return migrants are highlighted (*section 3*). Some options for evaluating the impact of remittances on household well-being are examined in light of the directions of remittance usage (*section 4*).

### **Current transfers, net and private transfers to Bulgaria in 1999-2005**

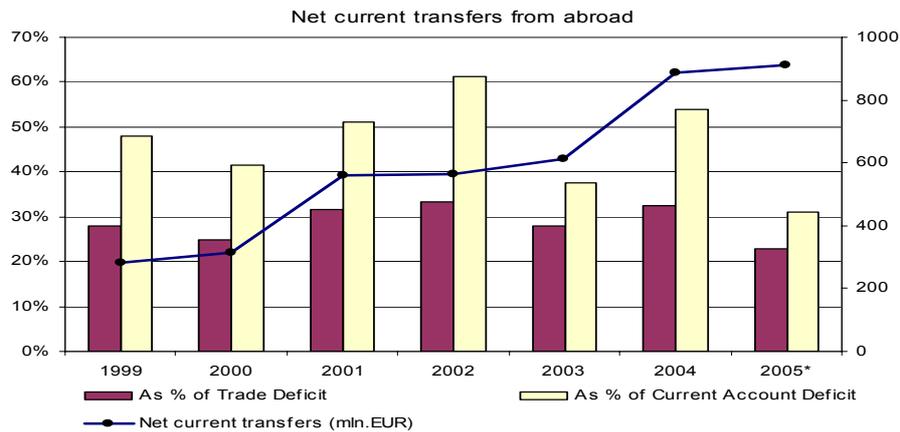
After the abolishment of visa regime with EU in 2001 being followed by intensified movement of people a considerable upward shift in the net current transfers from abroad is observed. For the following five years period the relative share in GDP of the balance of these transfers doubled reaching levels of about 4% at the end of the period. In absolute figures, net current transfers from abroad grew nearly threefold from about Euro 300 million in 1999-2000 to over Euro 900 million at the end of the period (Table 1). A number of analysts devote special attention to the indicator “current transfers from abroad” regarding to the compensation of trade balance deficit and respectively the sustaining of macro-economic stability in the country (Stanchev et.al., 2004) – the positive balance on current transfers has compensated about 30% of the trade deficit over the period.

---

<sup>2</sup> Dirty, Dangerous, Difficult (see, for instance, Martin, 2003, p. 13).

Figure 1

Dynamics of net current transfers from abroad

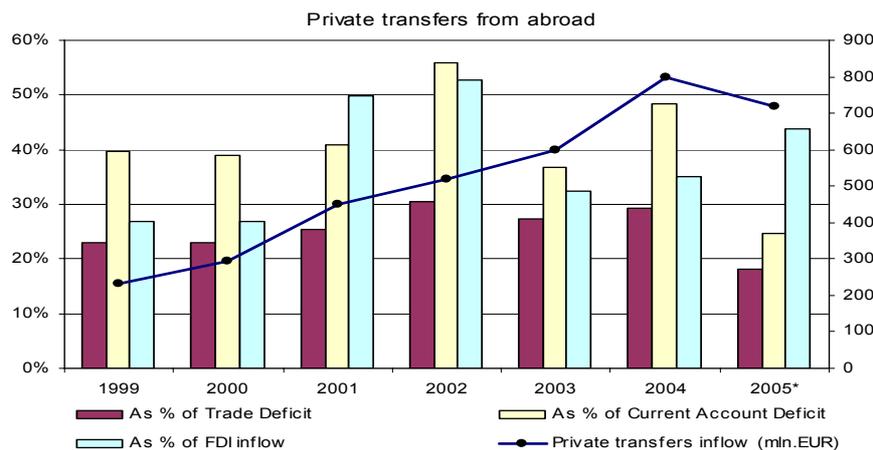


According to the methodology applied by Bulgarian National Bank current transfers (credit) are recorded as unilateral free transfers to Bulgarian residents where two main recipient types are distinguished (see BNB web site):

- transfers to public sector units (central and local administration), e.g. intergovernmental grants and any free funds transferred from EU or other international organizations;
- transfers to private sector units (households and NPISH sector) treated as private transfers, e.g. monetary transfers to individuals, inheritances, private donations, lottery winnings, etc.

Figure 2

Dynamic of the inflow of private current transfers



A basic component of the transfers to the state sector is the funds from EU pre-accession instruments. The share of these transfers in the total current transfer from abroad however amounts to about 1/4 on average for the period reaching about 1/3 or over Euro 300 million in 2005. Particularly, of direct interest and importance for the following study are the transfers to individuals (household members) distinguished from those to NGO's, i.e. a specific part of private transfer inflow.

Table 1

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

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

Source: BNB, NSI and MoF (at Feb-2006; GDP data are preliminary for 2004 and forecasts for 2005).

The positive balance of total current transfers during the years of the period can be explained mostly by the inflow of private transfers (private transfers, credit). The latter reached over Euro 700 million after 2003 compensating over 1/5 of the trade deficit on average for the period and accounted for a slightly over 1/3 of the increased inflow of foreign direct investments. According to detailed data from the BNB balance of payments statistics transfers *only to individuals* amounted to about one-half of total private transfers for the last two years, and more specifically – to Euro 344, 7 million in 2004 and to Euro 335, 5 million in Q1-Q3 of 2005.

Official figures for private transfers to individuals obtained through bank system records are commonly considered to underestimate their actual level. Accurate recording is hampered mostly by the widespread practice of importing cash in foreign currency (personally or with acquaintances assistance) avoiding bank transfers or non-bank electronic financial services systems. Generally, an overall approach to the evaluation of Bulgarian emigrant remittances levels on the basis of micro-studies among return migrants has not been elaborated in detail yet.

### Estimates of remittances to Bulgarian households in 2001-2005

Quantitative estimation of the funds received from abroad by Bulgarian households after the systemic changes of the beginning of the 1990's is definitely a

challenge for a wide range of reasons. The main obstacles however are, firstly, the lack of reliable information and previous studies on the issue, and secondly, the uncertainty of any estimate given the volatile out-migration propensity and unclear patterns of spending and remitting behavior (see, for instance, The Economic Report to the Bulgarian President, 2006). As far as studies of remittances by Bulgarian emigrants exist, they indirectly assess the issue mainly on the basis of in-depth interviews among migrant community abroad studying Bulgarian emigrants' performance (Markova and Sarris, 1997; Markova, 2004), studies among households in high-emigration-rate settlements, e.g. particular cases of households whose members have found employment abroad (Guentcheva et al., 2003), press investigations, etc.

The following study is based on empirical data from a representative sample survey<sup>3</sup> among Bulgarian households, with an initially planned sample size of 1000 households of which 300 from rural areas. The sample design is a version of the two-stage cluster model typically used by NSI and professional agencies in Bulgaria. Census enumeration clusters of households are used as primary sampling units. In each selected unit 20 households in urban cluster and 15 in a rural one were randomly chosen and interviewed.

Table 2

## Adjusted sample structure (%)

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

As far as households with return migrant/s/ are of particular interest for this study, additional 52 such households were located according to information from previous field studies conducted by team members. In order to preserve the originally obtained number of return migrant households (136 of 1000) during the calculations all such observations were weighted by a ratio of  $0.7234 = 136 / (136+52)$ . The discrepancy of the sample structure regarding two main demographic variables, namely the household size and area of residence (urban-rural), was compensated by additional adjustment of the observations using weights from the expected structure of Bulgarian households population estimated during the most recent population census in 2001 (Table 2).

<sup>3</sup> The sample survey was designed and conducted in November-December 2005 by a research team consisting of experts of the Center for Comparative Studies – Sofia, the Institute of Sociology at BAS, and the National Statistical Institute. We express our special appreciation to Dr. Emilia Chenguelova and her team as well as Dr. Yordan Kalchev from NSI for the preparation of the questionnaire, sample survey design, and for the organization and management of the field work.

The questionnaire used comprises of five separate sections. The first two and the last one – respectively A, B and E, are intended to collect data at household level; sections C and D register individual data for members of the household who had stayed abroad at least once for some time of the period covered by the survey. The first main goal of this questionnaire study was to find ways for obtaining sample estimates of earnings, expenditures and savings of Bulgarian return migrants, the latter of which are treated here as remittances. Other survey goals are related to the description of the profile of those who returned, of the usage of transferred funds and their impact on the economic status and well-being of respective households.

One of the core results of the study is the cross-tabulation of households shown in Table 3 obtained for the following variables: “*Number of members of the household, who have stayed at least once during the last 5 years abroad for a period of 3 months or longer, and who are currently in Bulgaria?*” and “*Number of members of the household currently staying abroad?*”. In the few cases where the respondents have indicated one or more persons in response to any of the two questions, they have been joined in the category “at least 1 person”.

Table 3

Sample structure depending on whether a household member has returned from or is currently being abroad (%)

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

During the most recent population census 2.922 million Bulgarian households were enumerated but, having in mind the stable negative demographic trend in the country, for the purposes of our analysis we assume a total of 2.9 million at the end of 2005. On this basis we assess the *relative share of households with (1 or more) return migrants* (who have been abroad after the census) at about 11.9%,<sup>4</sup> i.e. in one of eight Bulgarian households at least one of its members has stayed abroad during the period of 2001-2005 for at least 3 months. Given the assumed number of Bulgarian households at the end of 2005 the total number of return migrant households could be estimated approximately at 345 thousand.

Additionally, if the households with at least one current out-migrant are taken into account, the *share of households with at least one return or current migrant* would reach 15.2%. In other words, roughly 440 Bulgarian households have participated (or are currently involved in) international migration activity through member/s/ who have

<sup>4</sup> Only point estimates are presented in the study although the variation of the sample estimates that are of main interest to remittance parameters evaluation is by no doubt noteworthy.

been or are currently residing abroad for at least 3 months. Having in mind the relative share only of those households where at least one person is currently staying abroad (about 6%) their total number could be estimated at about 174 thousand.

One of the core parameters used for deriving macro-estimates of remittance inflow in the country is the *number of persons per household* who have stayed abroad in 2001-2005 for a period of over 3 months which was estimated at 0.143 (or 143 persons per 1000 households). Using this figure we estimate the **total number of migrants** returned during the period of interest at about 415 thousand. The estimate for the number of *persons currently staying abroad* is 75 per 1000 households (0.075) or currently over 200 thousand individuals are residing abroad at the end of 2005.

At the outset, using data from responses to particular survey questions we will try to consider the following few issues of interest:

a) How much expenses have incurred to finance the departure (price of emigration)?

b) What was the amount and structure of expenditures of Bulgarian migrants during their stay in the host countries?

c) What fraction of the funds earned by Bulgarian migrants was saved and (as being presumed) sent back to the home country?

*Price of emigration (Pay to go)*

Almost 2/3 of respondents spend up to Euro 500 on their departure and for only 1/5 more that Euro 700 is necessary to finance their travel (Table 4). *The average price of departure* is estimated by a sample average of about Euro 395. Nearly 415 thousand persons who have stayed abroad for some time during the last five years have spend over Euro 160 million for their departure, or the cost of Bulgarian emigration could be evaluated at Euro 33 million on annual basis.

Table 4

Expenses incurred when departing from Bulgaria

What amount of funds did you need to ensure your departure?	%
Up to Euro 100	14.8
Euro 100-200	10.1
Euro 200-300	17.7
Euro 300-400	8.5
Euro 400-500	11.9
Euro 500-600	14.7
Euro 600-700	3.5
Over Euro700	18.9
Total:	100.0
Average amount for departure, per return migrant (EUR)	394.8
Number of individuals (thousand)	414.7
Departure-related expenses in 2001-2005 (million EUR)	163.7
Annual average (million EUR)	32.7

*Amount and structure of expenses of Bulgarian migrants incurred in host countries (Pay to stay)*

It is not surprising that the expenditure items of Bulgarians abroad are mainly subsistence related, i.e. almost Euro 200 per month on average for food and housing (Table 5). It is however noteworthy to be pointed out that transportation and social contacts costs levels are comparable to those of food and housing. Meanwhile, surveys of Bulgarian household budgets show similar rankings of main expenditure items particularly regarding the basic necessities (foodstuffs, housing, etc.). About half of Bulgarian citizens who have stayed abroad in 2001-2005 have spent up to Euro 100 per months on foodstuffs; about the same share of respondents report paying none or insignificant (under Euro 50) amounts for housing. Twice less are those who spent much higher amounts on the same items (over Euro 150 per month, per person).

Table 5

Amount and structure of expenses in the host country

Approximate average monthly amount of current expenses during the stay abroad (EUR)	Housing	Food	Transport	Social contacts	Other
No such expenses reported by: (%)	29.0	22.1	25.7	30.5	55.0
Up to Euro 50 (%)	20.5	12.4	38.8	33.1	9.1
Euro 50-100 (%)	16.4	14.6	16.4	15.0	16.0
Euro 100-150 (%)	9.4	22.7	6.7	10.1	12.5
Euro 150-200 (%)	9.5	14.0	7.6	7.6	2.2
Over Euro 200 (%)	15.1	14.2	4.9	3.7	5.3
Total: (%):	100.0	100.0	100.0	100.0	100.0
Average monthly amount (EUR)	86.8	107.3	59.2	58.4	49.4
Note: The sum of average expenses by items is not equal to average monthly expenditure per migrant because of differences in response rates per items.					
Average monthly expense, per return migrant (EUR)				415.9	
Average length of stay, per return migrant (months)				15.6	
Total expenses during the stay, per return migrant (EUR)				6488.0	
Number of return migrants (thousand)				414.7	
Total amount of their expenses abroad, 2001-2005 (million EUR)				2690.6	
Annual average (million EUR)				538.1	

The very moderate absolute expenditure levels are explained by the predominant occupations of the majority of Bulgarian emigrants (construction, agriculture, social work, i.e. care for elderly or children) where they might obtain in-kind remuneration. Besides, it is a regular practice of co-habitation of several migrants in a common dwelling where economies of scale have effect as well as other favorable

migrant networks effects. However, almost 20% of the respondents announced that they spent on average an extra Euro 100 per month on other costs. It could be hypothesized that among them there are people who could consider the withdrawal of social insurance contributions in the recipient countries as such “perceived” expense although people are usually considering the expenditure items of their net earnings. So, with a substantial presumptive element, this may inspire an opinion that such individuals could constitute the so-called “documented” Bulgarian emigration (it would hardly exceed 1/5 of Bulgarians worked abroad after 2001).

In any case, our estimate of the average monthly current expense abroad of a Bulgarian return migrant is about Euro 400. Based on this as well as on the average length of stay abroad (15.6 months) we might assume that these migrants have plausibly spent abroad an annual average of over Euro 500 million.

*Amount of earnings and remittances (Go for pay)*

It is important to note the relatively high level of saving declared by respondents – about half of all return migrants had to spend abroad not more than 1/4 of their earnings or, in other words, have succeeded to save 3/4 of it. Furthermore, about 90% of these migrants had spent up to 50% of the funds earned in the respective host country. In this respect, the effects of emigration should in no way be evaluated one-sidedly – only as *losses* or only as *benefits* – from the point of view of host or of source countries (see also Piracha and Vickerman, 2003). Emigrants returned from a host country have spent there almost 40% of their earnings on average (Table 6).

Table 6

Estimates of transfers of Bulgarian migrants, 2001-2005

What share of your monthly earnings you had to spend abroad?	%
Up to ¼	50.4
About 1/3	24.8
About ½	16.2
About 2/3	3.1
About 2/4	1.1
Almost all of it	4.4
Total responded:	100.0
Aggregate share of expenses in gross earnings received abroad	39.1
Gross earnings during the stay, per return migrant (EUR)	16 575.0
Gross earnings, per return migrant, monthly average (EUR)	1 062.5
Net earnings, per return migrant, monthly average (EUR)	647.1
Total amount of gross earnings for the period of stay, 2001-2005 (million EUR)	6874.0
Annual amount of gross earnings for the period of stay, 2001-2005 (million EUR)	1374.8
Average annual amount of the income, received abroad for the entire period of stay, <i>NET</i>	836.7

In order to obtain estimates for the total amount of gross earnings for the period 2001-2005 we have approximated the gross earnings of each migrant who have (1) answered to the question of the approximate relative share of his/her monthly expenses in monthly earnings as well as (2) reliably responded to the questions regarding expenses items. The migrant's average monthly gross earnings are thus estimated as a ratio of his/her average monthly expenditure and the declared share of this expenditure in gross monthly earnings. Then the total gross earnings of a return migrant are approximated by the product of the length of stay and average monthly gross earnings.

After averaging of total gross earnings of return migrants in the sample (Euro 16,575) it becomes possible to estimate the total gross earnings amount of Bulgarian return migrants (414,700) which amounted to Euro 6.874 billion for the period 2001-2005. The annual gross amount thus reduces fivefold to Euro 1,374 billion and after deducting the costs incurred during the stay (Euro 538 million) the net annual income earned abroad amounts to Euro 837 million. This figure is about 2.5 times higher than the official aggregate recorded in the balance of payments on the basis of bank and non-bank money transfers reporting systems. Taking into account the expenses made at departure we assume that the remittances (brought into the country in cash, as is the usual practice) should amount to about Euro 800 million as annual average.

### **Bulgarian return migration profile and behavior**

#### *Return migration profile*

On the basis of the data collected in the third section (C) of the questionnaire, oriented to household members who have stayed abroad, the social and demographic profile of return migrants can be outlined using relevant set of questions.

Table 7 provides evidence that among return migrants interviewed young and middle-aged persons (aged 26-45 years old) prevail, and more than half of the women were under 35 years of age. Nevertheless, it is worth mentioning several specific traits:

- over 2/3 of all returned migrants were men;
- the majority (about 60%) of respondents were married;
- the share of married women exceeded men's share by over 10%-age points;
- the total of individuals with at least secondary education was over 80%;
- the share of return migrants with some secondary professional (vocational) education is almost 40%;
- almost half of the men have such educational background unlike women with similar education whose share is more than twice lower;

• similar pattern is observed among return migrants with general secondary education but reversed – the share of women in this category is nearly twice higher than that within men.

Table 7

Social and demographic characteristics of return migrants  
in the sample (%)

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

*Note.* The total number of return migrants in the sample is 162, originally 110. The valid number of cases for different distributions is usually lower because of non-responses to particular questions.

Despite the relatively high education level of return migrants, a large proportion of them have gone abroad *without any knowledge of the language* spoken in the host country. More than 3/4 of respondents did not have any command at all or had only elementary knowledge of the respective official language. Every fifth individual, however, have spoken the language fluently or at least at an intermediary level at the time of his/her departure (Figure 3).

Figure 3

Distribution of respondents by degree of foreign language command

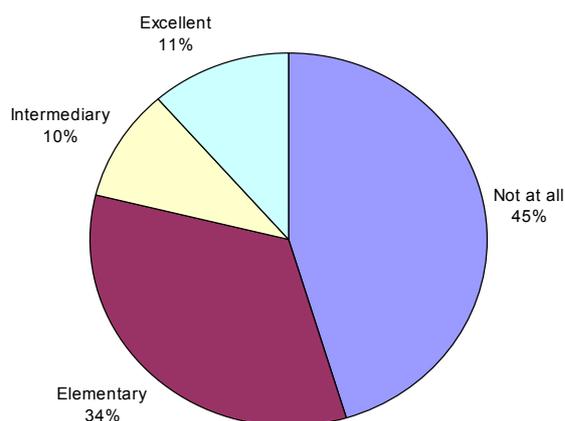


Table 8

Distribution of respondents by duration of their stay abroad

Duration of the stay abroad (Number of months)	%
Not more than 3 months	23.1
Over 3 to 6 months	29.6
Over 6 to 12 months	18.8
Over 1 to 2 years	7.3
Over 2 years	21.1
Total:	100.0
<i>Average duration of stay: 15.6 months (1 year and 3 months)</i>	

The average duration of the stay of return migrants is slightly over 1 year – about one year and 3 months (Table 8). Over 2/3 of them have resided in the respective countries not more than 1 year which is the case that primarily covers the so-called short-term emigration (not counting the so-called commuters, “suitcase” traders, etc.). Therefore, the profile and behavior of return migrants presented here are valid in the greatest extent for short-term Bulgarian emigration.

*Return migration’s behavior*

• *Preparedness for departure*

A specific set of questions from *section C* were targeted in identifying the methods of departure the cost of which was discussed above and the degree to which return migrants had preliminary preparation regarding the accommodation and

employment. Nearly 2/3 of respondents use bus transportation or travel by automobile (own or of their acquaintances) that could be considered as feasible because of the proximity of destinations (see next section) as well as the availability of inexpensive transport services for international migration that have developed during the years of transition. Not surprisingly, the price of departure estimated above is comparable to the average monthly expenditure of emigrants in the respective host countries.

Figure 4

Distribution of respondents by type of transportation used

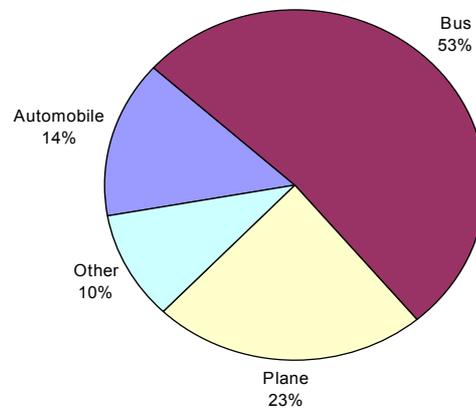
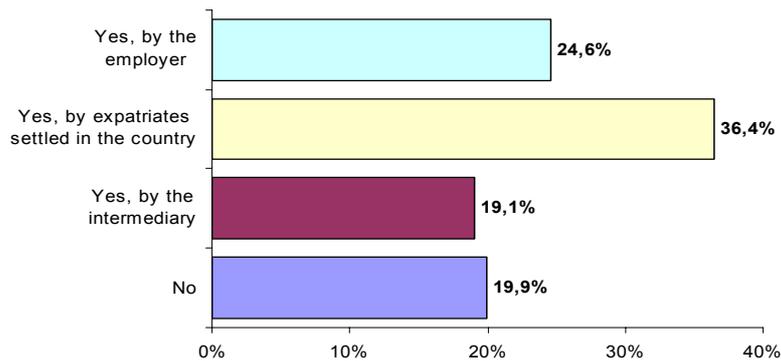


Figure 5

Distribution of respondents by arrangements of housing prior to departure



It should be noted here that the responses of return migrants to particular questions certainly indicate the existence and operation of already established migrant networks. More than 80% of the individuals declare that they had already arranged for their housing in the host country prior to departure. In more than 1/3 of cases the accommodation was provided by compatriots already settled in the host country and in the remaining cases – by the intermediary company arranging the travel and/or the job or by the employer himself. However, about one of five individuals have left without housing assured in advance (Figure 5)

Similar situation is observed regarding the assurance of workplace in advance – over 70% of return migrants declared that they had prearranged for a job before leaving. They relied mainly on contracts with employers or assistance from acquaintances residing in the respective host country; in more than 1/4 of cases however people left without having provided for workplace in the target country (Table 9).

Table 9

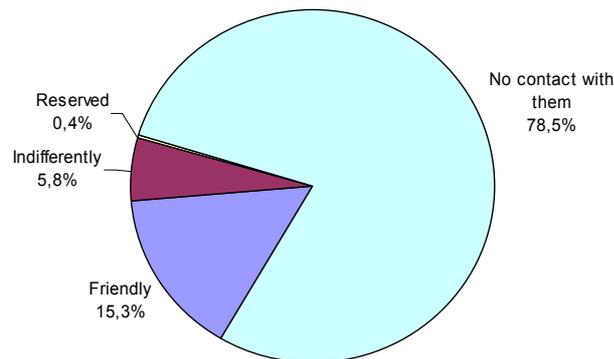
Distribution of respondents by the availability of workplace arranged for prior to their departure

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

It is worth mentioning that most of return migrants *had no direct contacts* with the local labor administration in the host country. This could also serve as a point of reference for a plausible conclusion concerning the share of non-documented Bulgarian emigration in the period 2001-2005. Contacts with labor administration are usually a prerogative of employers themselves. The great majority of the migrants who returned and who had such contacts, however, underline the supportive attitude towards them (Figure 6). Most likely those might be predominantly people holding the official work permits (and thus paying social insurance contributions) or even looking for self-employment, etc. Clearly the services offered by labor administration and social systems in the host countries satisfy the emigrants that had contacts with them. In this line of reasoning, this could act as an additional incentive for subsequent departure abroad.

Figure 6

Distribution of respondents depending on their contacts with labor administration in host countries



• *Destinations, employment, satisfaction by the stay abroad*

Another set of questions in *section C* identified the destination countries and regions preferred by return migrants, the sector where they have found employment, their opinion for the extent to which they consider their work as qualified, and the degree of their satisfaction from their stay abroad.

Obviously, the EU Member States are the leading destinations where Germany remains the most attractive one. It is noteworthy however that three Mediterranean states (Greece, Spain and Italy) *attracted over 40%* of Bulgarian return migrants. And if other countries (Portugal, Cyprus and Malta) are added it is found that almost half of return migrants had preferred South-European destinations (considered as new immigration countries). Apart of the geographic proximity, a favorable factor contemplated in various studies is also the similar mindset and life attitudes of South-Europeans (whatever that might mean).

The preferences for particular destinations might be explained by taking in account the employment of return migrants by sectors. Almost 1/4 of respondents were employed in agriculture, each sixth was in transport sector, and each seventh – in tourism services; the same share is observed also for the employment in construction. The majority of women were employed mainly in housekeeping and care (36%) as well as tourism services (27%) and in lesser extent in agriculture, other industries, education, etc. Male return migrants have found jobs mainly in agriculture, transport, construction, and in some extent, tourism services.

Table 10

Distribution of respondents by countries of their stay abroad (%)

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

Table 11

Distribution of respondents by sector of employment (%)

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

Obviously, labor market structure in target countries allows for employment in particular sectors with high flexibility and opportunities for finding predominantly low-skilled unregistered jobs – the vast majority of return

migrants were employed in workplaces near to the description of the so-called *3-d jobs* typically unattractive to local people. At the same time, however, more than a half of respondents determined their job abroad as qualified (Figure 7).

Figure 7

Distribution of respondents based on their own assessment of the job, in which they were engaged

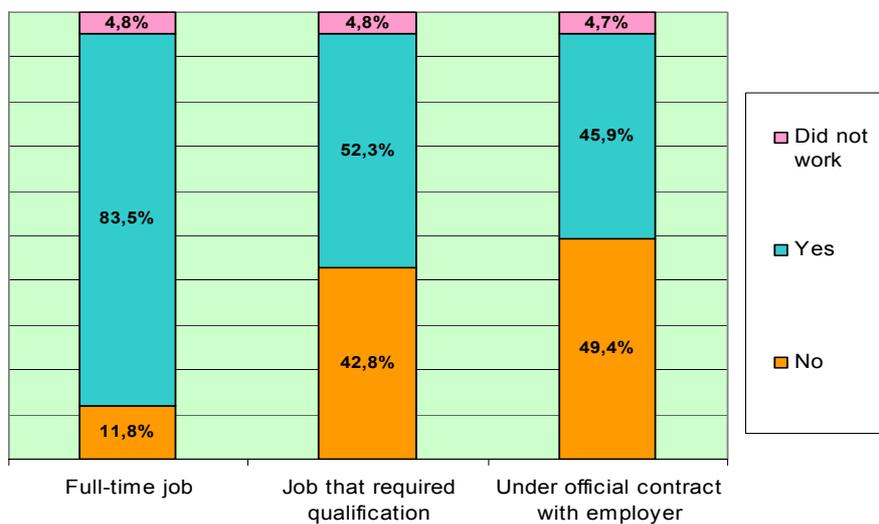


Table 12

Satisfaction of return migrants (%)

Are you satisfied by your stay abroad regarding your professional advance?	Full-time job		Qualified job		Official contract		Average monthly earnings (EUR)
	No	Yes	No	Yes	No	Yes	
Yes, completely	33.3	36.5	19.0	51.9	28.8	44.7	1196.3
Yes, in some extent	41.7	45.9	47.6	44.2	44.2	48.9	1091.4
No	25.0	17.6	33.3	3.8	26.9	6.4	789.0
Total:	100.0	100.0	100.0	100.0	100.0	100.0	1074.0

Most of the respondents claimed they were employed full-time, and almost half of return migrants declared that they had entered into an official contract with the respective employer (although it is not clear what kind of contract they perceive as 'official'). It is also noteworthy that a high satisfaction by the stay abroad is shared – over 80% of all respondents stated that they were satisfied (entirely or to a certain degree) by their stay. Table 12 provides some evidence for the main sources of satisfaction, namely occupation of a qualified job, working under a contract, and of course the level of remuneration received. No doubt that all these factors persistently stimulate and support high emigration attitudes in Bulgarian population even in front of the EU accession.

• *Determinants of earnings and the share of expenditures in earnings*

We further analyze the potential sources of variation in two variables: the relative share of expenses incurred abroad and the amount of earnings. Two regression models are estimated by OLS with the following dependent variables: for *model 1*: 'relative share of earnings saved' (savings rate), and for *model 2* – 'net monthly earnings'. The savings rate is obtained through the declared relative share of current earnings spent abroad, and the net monthly earnings were obtained as a difference between gross earnings and monthly expenditure abroad. Both models are considered here as versions of individual remittance functions. The following set of independent variables was probated in order to explain the variation of remittance indicators, namely:

- gender (1 for 'female', 0 for 'male');
- age (number of years);
- education (1 – for 'higher education', 0 – for 'secondary or lower');
- length of stay abroad (number of months);
- degree of language command (1 – for 'excellent' or 'intermediary', 0 – for 'poor' or 'no knowledge of host country language');
- illegal stay (1 for 'no contacts with local labor administration', 0 otherwise);
- CCI employment (1 for 'employed in construction, crafts, industry, 0 otherwise);
- per capita income of return migrant's household (monthly average, euro);
- gross monthly earnings abroad (euro).

In the first model, significant effects are observed for the age, the length of stay abroad, and the average monthly earnings (see Table 13). Interesting result appears for return migrants' age – older emigrants tend to restrict their expenses to a greater extent (and save larger share of current earnings) than younger ones, *ceteris paribus*, which is quite understandable. On the contrary, and in support of results from other empirical studies (e.g. Osaki, 2003), the greater the length of stay abroad, the lower the share of saved earnings, i.e. there are higher fixed costs related to a longer period of stay in the host country. Conversely, as it was expected, a positive interaction is observed regarding the absolute amount of remuneration – those receiving larger gross earnings tend to save larger share

(presumably for remittance purposes). Significant effects are not obtained for gender, language proficiency and household income per capita (as a proxy for migrant household welfare) that were hypothesized to influence the motivation to save larger share of income earned abroad.

Table 13

## Estimated remittance functions

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

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

Regarding the model for the net income earned abroad (presumably saved and remitted) significant effects are observed only for socio-demographic variables – gender, age and education. The most unambiguous effect was obtained for the educational level – availability of higher education degree positively correlates with the level of net income. Better educated migrants also declare a higher language proficiency level and are most likely to find higher qualified (and remunerated) jobs. Besides, at 10% level of significance it could be asserted that older emigrants tend to make higher earnings, as well as females receive lower pay on average in comparison to male-migrants.

Unlike the first model, here no effect is observed for the length of stay abroad although it was expected that a longer stay would be associated with

higher wages because of accumulated knowledge on migrants' jobs market. Significant effect is not obtained also for the dummy variable for employment in sectors (plausibly) requiring higher skills, i.e. industries, crafts, construction, etc. This may be a situation of asymmetrical information where employers in host countries are not adequately informed in order to differentiate the quality of labor offered by Bulgarian migrant community. The assumed lower wage level for illegally stayed migrants (declaring no contacts with local labor administration) is also not confirmed.

### Household well-being and return migration

Based on the information, received from the first two blocks (A and B) of the survey questionnaire an attempt is made hereafter to evaluate the effect of remittances received from return migrant/s/ on the household well-being, as well as to gain insight on their usage directions although the second type of studies particularly are often doubtfully considered in research literature (see Taylor, 1999).

#### *Means for transferring remittances*

Here we evaluate the means by which Bulgarian emigrants who returned to the home country, as well as household members who are currently staying abroad, transfer funds to their acquaintances at home. The expectation that this is done usually in cash was confirmed. In much fewer cases bank transfers or other official means were used (e.g. non-bank electronic transfer systems like Western Union, MoneyGram etc.). No doubt that this is one of the main reasons for the discrepancy outlined above between the official figures and sample estimates assessing the amount of private transfers to individuals.

Table 14

Means for making remittances (%)

How did/do you receive funds from abroad?	Regularly	Once	Did not respond
Personally, in cash	56.0	19.0	25.0
Via bank transfers	20.7	3.3	76.0
Via Western Union, MoneyGram or other non-bank transfer	14.5	4.8	80.7
Other methods	8.4	1.8	89.8

*Note.* Percentages on each row show the relative share of households responses about each of the means of funds transferring (only for the valid cases of households receiving transfers).

*Impact of remittances on household income*

In order to assess the expected divergence between households receiving remittances (with return or current migrants abroad) or not data for current household income (total and per capita for 2005) is summarized separately for the two household types. As an overall effect, distribution of households that have received remittances for the last five years is biased toward higher income intervals. Noteworthy is the comparatively higher relative share of these families with monthly income of over BGN 800 and particularly over BGN 1000 at expense of the first interval. In the long run, the households that used to rely on financial support from their relatives abroad declare, on the average, a monthly income that is nearly 30% higher than the average income of all responded households in the sample. This difference however is considerably undermined when household size is taken into account through the monthly income per household member. Nevertheless, even in this case their average monthly income is 12% higher in comparison with the average income per capita for the total sample.

Table 15

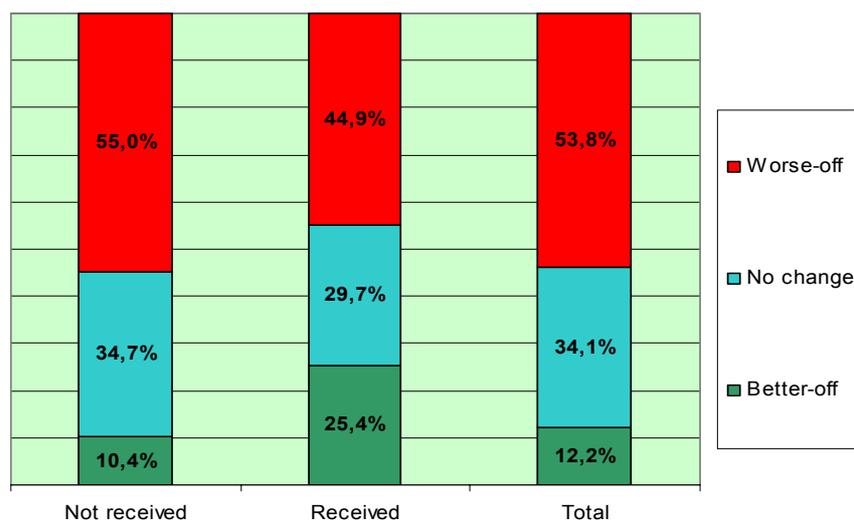
## Distribution of households by average monthly income

Receipt of funds from abroad	No (%)	Yes (%)	Total (%)
	88.1	11.9	100.0
Average monthly monetary HH income:			
Up to BGN 200	27.7	14.7	26.1
BGN 201 – 400	28.3	25.9	28.0
BGN 401 – 600	21.9	21.6	21.8
BGN 601 – 800	13.4	13.8	13.4
BGN 801 – 1000	4.4	8.6	4.9
Over BGN 1000	4.4	15.5	5.7
Total:	100.0	100.0	100.0
Average monthly monetary income <i>per household</i> (BGN)	403.72	544.83	420.49
Relative deviation from the average household income	-4.0	29.6	–
Average number of household members	2.63	3.10	2.69
Average monthly monetary income <i>per household member</i> (BGN)	153.51	175.75	156.32
Deviation from the average income per capita	-1.8	12.4	–

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

Figure 8

Change after 2000 in the material situation of households



The status of a considerably higher share of households within those receiving transfers has improved in comparison to the households declaring no such support: every fourth versus every tenth household respectively (Figure 8). Conversely, the share of those indicating that there was no change in their material situation (or it had worsened) is lower for the households receiving than for those not receiving funds from abroad.

In order to check for a net effects of the inflow of funds from abroad on the current well-being of Bulgarian households (as measured by their income) we estimate two linear regression models for the following dependent variables: (1) for the average monthly monetary household income and (2) for the average monthly monetary household income per capita. Four independent variables were included in order to control for expected disparities related to:

- the area of residence, represented by a dummy variable (1 for 'rural' and 0 for 'urban' households);
- the existence of own private business, represented by a dummy variable (1 for household with a member running his/her own business, 0 otherwise);
- the size of the household (the number of its members);
- the total amount of remittances received by the household (approximated by the total net earnings of the respective return migrant).

The results of the regression analysis (Table 16) indicate the expected negative effect of the area of residence – households in rural areas tend to have lower incomes on average. On the other hand, households with member/s/ running own businesses are also showing higher income levels, other things equal (in both models). The inclusion of household size provides interesting results – its coefficient captures a conceivable scale effect in the first model and also showing the expected negative effect in the second model (obviously, larger households tend to have lower income per capita).

Table 16

## OLS regressions of household income

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

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

Controlling for the residence area, household size and own businesses provides a clearer insight to the net impact of remittances inflows. Apparently the fact of the presence of return migrant/s/ and related remittances inflow in the near past is closely related to the upward income bias observed both for total household income and income per capita.

*Usage of remittances*

The results summarized in Table 17 are obtained by a set of items combined in the question: “According to your knowledge, for what main purpose are used in Bulgaria funds received by the local people from their relatives living/working abroad?”. Respondents were asked to rank from 1 to 3 up to three most important directions for remittances usage as far as they have

information from their friends or acquaintances from all households in the sample. Thus respondents from households irrespective of receipt of funds from abroad were invited to express their opinion.

Based on the average rankings shown in Table 17 we derive particular conclusions regarding the typical usage directions of remittances in Bulgaria according to the mass opinion. These funds are used mainly for *consumption, acquisition of automobiles and real property*. Although much rarely, utilization of transfers for businesses development, savings or health care also receive some ranking. This type of assessment however is to a large extent a subjective one. Therefore, we evaluate additionally the relative shares of households obtained particular properties as well as distributions by availability of own businesses in the household.

Table 17

Purpose of the remittances, sent by Bulgarian emigration

Used mainly for:	Receipt of funds from abroad						Total		
	Yes			No					
	R	CV	%	R	CV	%	R	CV	%
Consumption	<b>1.28</b>	52	96.1	1.43	60	83.3	1.41	59	84.9
Acquisition of motor vehicles	<b>2.17</b>	30	40.3	2.34	31	37.2	2.31	31	37.6
Acquisition of real estate	<b>2.25</b>	30	27.9	1.96	43	40.7	1.98	42	39.2
Loans repayment	<b>2.29</b>	31	33.1	2.30	29	30.8	2.30	29	31.1
Saving	<b>2.53</b>	25	30.8	2.70	22	18.2	2.67	22	19.7
Development of businesses	<b>2.55</b>	26	24.3	2.61	30	22.0	2.60	30	22.3
Health care	<b>2.55</b>	26	25.5	2.54	30	27.7	2.54	29	27.4
Education	<b>2.60</b>	29	17.7	2.72	24	15.7	2.70	25	15.9

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

Table 18 provides evidence that the shares of households acquiring real property, automobiles, and land and home appliances among those receiving remittances are considerably higher in comparison with the respective shares of households not receiving such funds. This difference is especially clear in regard to the purchase of automobiles and land although it is worth noting the still very weak activity in buying land in Bulgaria. The latter is a consequence of the yet underdeveloped land market, existence of cadastre problems, uncompleted process of farmlands restitution, etc.

Table 18

Share of households that have acquired properties during the last 5 years (%)

Receipt of funds from abroad in the household	Housing property	Motor vehicles	Land	Household appliances
No	7.7	14.3	1.7	41.9
Yes	11.7	38.3	3.3	75.8
Total	8.2	17.2	1.9	46.0

The results obtained in regard to the usage of funds from abroad for developing private business are in large extend expected. Nearly one in 5 households receiving transfers were encouraged to pursue entrepreneurial activities, while this was the case for only one in 10 households among those not relying on such support. In case of starting up a new company the funds are used mainly for investments, and in case of maintaining an already existing business – for operating capital (Tables 19.1 and 19.2).

Table 19.1

Distribution of households in the sample by running own businesses (%)

Is there a member in the household running own business?	Receipt of funds from abroad		
	No	Yes	Total
No	91.7	80.7	90.4
Yes	8.3	19.3	9.6
Total	100.0	100.0	100.0

Table 19.2

Usage of the funds for development of the own business (%)

If there are funds used for own business development, what was the main purpose?	Share of those indicating	From amongst them:			
		Investment capital	Operating capital	Both	
Establishment of a <i>new</i> firm	6.8	48.4	26.7	25.0	
Supporting an <i>existing</i> firm	7.5	15.1	54.3	30.6	
Total:	14.3	30.9	41.2	28.0	
Sector of the main activity of the firm					
Agriculture	2.7	Trade	25.7	Construction	3.5
Manufacturing	2.1	Transport	38.3	Services	27.7

Regarding the sectoral structure of private businesses developed in return migrant households three main sectors could be outlined – transport, services and trade. This data confirms the widely spread opinion that, in case of using remittances for private business running, return migrant community is entering mainly into services sectors and rarely in ‘goods producing’ economic activities. It should however be noted that the amounts remitted are usually not of sizeable magnitude and could support mostly self-employment and micro or small enterprises development. Besides, working in low-skilled sectors in the host countries cannot allow migrants to acquire useful skills and valuable qualification that might potentially provide a comparative advantage of the return migrant in high-skilled labor market segments.

### Conclusions

The assessment of the expenses and remittances of Bulgarian emigration derived until now (*sections 1 and 2*), of the social and demographic characteristics and the remittance behavior of return migrants (*section 3*) as well as the evaluation of the impact and usage of remittances (*section 4*) on Bulgarian households well-being gives basis for the following main conclusions in summary:

- Private transfers to individuals cover 1/5 of the trade deficit and reach about 1/3 of FDI level. In this respect, they are of key importance for the macro-economic stability of Bulgarian economy. Therefore Bulgarian migration policy is facing the dilemma whether to hold or, to the contrary, to liberalize the cross-border (particularly short-term) mobility of the population.

- The official bank system reporting records not more than half of the actual remittances amount. It is not by inaccuracy that more than half of the emigrants who returned in Bulgaria confirmed that they used to sending funds to their relatives at home mainly in cash.

- Obviously, regarding the preference for South-European destinations and employment in agriculture, construction and services, the costs related to the organization of the departure abroad do not exceed one or two monthly amounts of the current monthly expenditure in the host country.

- Although mass Bulgarian emigration is occupying mainly 3-d jobs (considered as unattractive by the local population) return migrants describe their work as qualified and, as a whole, they are satisfied with their stay abroad.

- Higher educated migrants have „generated” higher net earnings level. In other words, the amount of remittances depends mainly on the educational level of the migrant which provides options for finding better jobs.

- Remittances are used mainly for consumption but also in a „non-altruistic” (profit-oriented) usage purposes. Their variation demonstrates a positive net impact on Bulgarian household well-being. The high relative share of high-income families among those which received such support is especially pointing to this fact.

In our view, several empirical studies indicate the existence of a “South-South” European migration pattern (from the *new emigration countries* of South-Eastern Europe to the *new immigration countries* of South Europe). Moreover, in countries like Bulgaria this model is not simply a reality, these target countries are predominately desired by potential migrants. Of course, its detailed and precise analysis is still to be conducted. There is no doubt however that the political elite of a South-East European transition country has to take seriously into account existing migration patterns, practices and attitudes of the respective population.

*References:*

Bulgarian National Bank, official web site ([www.bnb.bg](http://www.bnb.bg)).

Economic Report to the President. Convergence and European Funds, Sofia, Administration of the President of the Republic of Bulgaria, 2006.

*Guentcheva, R., P. Kabakchieva, and P. Kolarski.* The social impact of seasonal migration. Country Report to European Commission Project “Sharing Experience: Migration Trends in Selected Applicant Countries and Lessons Learned from the ‘New Countries of Immigration’ in the EU and Austria”, Vol. I – Bulgaria. Vienna, IOM, 2003.

*Leon-Ledesma, M., and M. Piracha.* International Migration and the Role of Remittances in Eastern Europe. - *International Migration*, 2004, Vol.42 (4), p.65-83.

*Leyard, R., O. Blanchard, R. Dornbusch, and P. Krugman.* East-West Migration: The Alternatives. Cambridge, MA, MIT Press, 1992.

*Markova, E.* Migration Processes in Enlarged Europe. - *Economic Policy Review*, Sofia, IME, March 2004, N 164 ([www.ime-bg.org](http://www.ime-bg.org)).

*Markova, E., and A. Sarris.* The Performance of Bulgarian Illegal Immigrants in the Greek Labor Market. - *South European Society & Politics*, 1997, Vol. 2 (2), p. 55-77.

*Martin, P.* Managing International Labor Migration in the 21st Century. - *South Eastern Europe Journal of Economics*, 2003, Vol. 1, p. 9-18.

*Mintchev, V., V. Boshnakov, I. Kaltchev, and V. Goev.* External Migration from Bulgaria at the Beginning of the XXI Century: Estimates of

Potential Emigrants' Attitudes and Profile. - Economic Thought, Yearbook XIX, Sofia, Institute of Economics at Bulgarian Academy of Sciences, 2004.

*Osaki, K.* Migrant Remittances in Thailand: Economic Necessity or Social Norm? - Journal of Population Research, November 2003.

*Piracha, M., and R. Vickerman.* Immigration, Labour Mobility and EU Enlargement. – In: Jenkins, C., and J. Smith (eds.). Through the Paper Curtain: The Insiders and Outsiders in Europe. Chatham House Papers, London: Blackwell Publ, 2003.

*Rapoport, H., and F. Docquier.* The Economics of Migrants' Remittances. IZA Discussion Paper N 1531, 2005.

EC. Report on the Functioning of the Transitional Arrangements set out in the 2003 Accession Treaty (period 1 May 2004 - 30 April 2006), 2006, [http://europa.eu.int/comm/employment\\_social/emplweb/news](http://europa.eu.int/comm/employment_social/emplweb/news)

*Stanchev, K. et.al.* Constellations, Incentives and Provisional Impacts of Migration Related Policies. OSI/ICMPD Conference on Migration: Trends and Policies, December 2004 ([www.ime.bg](http://www.ime.bg)).

*Straubhaar, T.* East-West Migration: Will it be a Problem? – Inter-economics, July/August 2001.

*Taylor, J. E.* The New Economics of Labour Migration and the Role of Remittances in the Migration Process. - *International Migration*, 1999, Vol. 37 (1), p. 63-88.

23.II.2006