

Migration from the perspective of sending country: the literature and the facts

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Abstract

Migration from Southeast Europe to richer and developed countries have gained strength in the recent years accompanied by sending remittances back home. Almost every fifth household in both Albania and Macedonia has at least one member with international migration experience, with the impact of migration being very large in these sending societies. The paper focuses on the scale of migration and remittances and their impact on the migrant sending countries such as Albania and Macedonia. It also provides review of the horizons achieved in the migration literature. Remittances have grown rapidly in recent years and have proved to be a stable source of finance, which can be of relief during difficult economic times. While remittances can help households by lifting liquidity constraints, migration of a family member may have a deleterious impact on the household's well-being. The short-term effect of remittances is usually related to increases in consumption, poverty alleviation and income inequality that result in changes in labour market participation. On the other hand the long-term effect is more pertinent to socio-economic development and specifically to educational performance and health status improvement.

Key words: migration, remittances, education, health, Albania, Macedonia

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I. Introduction

Migration from poor to rich countries has increased dramatically in recent years, including the Southeast European (SEE) countries, a trend which is predicted to gain strength in the foreseeable future. This paper seeks to provide assessment of the context of the migration from two migrant SEE sending countries such as Albania and Macedonia. Almost every fifth household in both Albania and Macedonia has at least one member with international migration experience, so impact of migration is potentially very large in the SEE countries.

What is the scale of migration in these two countries? What is the impact of the migration on the societies in the sending countries? Providing proper answers to these questions will facilitate a better understanding of the context of migration and its impact on the migrant sending countries.

Albania and Macedonia are interesting case studies for various reasons. Firstly, they are countries that have experienced extensive emigration. Large number of Macedonia's and Albania's populations has emigrated. Secondly, SEE is the region that receives one of the highest amounts of remittances in the world. Albania and Macedonia, as small Southeast European economies, have been receiving a growing amount of remittances throughout the years. There are a high percentage of remittance-receiving households (RRHs) at national level in both Albania and Macedonia.

This paper is structured as follows: the first section describes the migration phenomenon, while the second section looks into the remittances and their impact on education and health of the family left behind.

II. Migration

There has been growing convergence of migration dynamics across SEE. Although until recently there has been migration diversity where some countries experienced steady migration growth, whilst others faced decline, increasingly there is similarity in the migration trends across the region. Currently, it is one of the most rapidly migrating European regions.

Emigration is reshaping the countries of SEE, including Albania and Macedonia, affecting the local politics, economies and priorities. Continuous migration is radically altering the composition of the populations leading to depopulation, increased urbanization and old-age dependency ratios as well as to changes in the overall expenditures made to socio-economic services (Yusufi, 2012).

Over the past years, Albania and Macedonia have experienced a turbulent transition from a centrally planned economy, characterized among other things by a rapid privatization which ignited a radical transformation of the societies. At the centre of this transformation has been the emigration phenomenon of immense proportion, with well over one quarter of Macedonian and Albanian households having experienced some form of international migration.

II.1. Albania's migration

Migration is the decisive political, social and economic phenomenon in post-communist Albania. The significant percentage of households in Albania has one or more members working overseas/abroad at any time. Following the fall of communism in 1990, Albania, particularly its rural areas experienced massive out-migration of unprecedented proportions both towards urban areas and abroad (Carletto et al, 2006). By 2002, more than one half of all Albanian households had at least one member who had emigrated abroad; with more than a third of households reported receiving remittances in 2002 (Azzarri et al, 2006; Carletto et al, 2005). Estimates of the total number of Albanians living abroad vary, but the number is most likely in the range of 800,000 to 1 million, the vast majority of which are in Greece and Italy (King, 2005). The most recent statistics confirm that the stock of migrants abroad for 2011 is more than 1.4 million, half of the population that is currently living in Albania and 85% of them reside in the EU (World Bank, 2012). Migration has been seen by most Albanians as the only avenue out of poverty, particularly in the impoverished rural areas of the northern mountain regions (Mara et al, 2012).

Besides the three big 'push' migration spikes in 1991, 1997 and 2000, persistent poverty and high unemployment levels, particularly in the rural areas, were the main push factors for migration. Pull factors have also been important in fomenting migration. Significant wage and

wealth differentials between Albania and its European Union (EU) neighbours were obvious attractions (Carletto et al., 2006).

Albania's migration has been so widespread that all classes and categories of the population have been involved. Both urban and rural households have been equally affected by migration and one or more of their members and migrants have come from all walks of life. Male migrants have outnumbered females. A male-led profile has prevailed Albanian migration in the beginning of the migration cycle with a strong tendency of feminization due to eventual family reunification when the migrant's socio-economic situation makes it affordable. Most are young or early middle aged (up to mid-40s) and married; females are slightly more likely to come from urban areas, and less likely to be single. The higher the level of education, the greater the chance has been considering migration and the unemployed have been much more likely to have considered emigration than the employed (King, 2005).

Remittances are an essential element of the Albanian economy as the country is among the largest receivers of remittances in the region of SEE. Remittances have functioned as the main mechanism for the alleviation of poverty in Albania and for increasing household income above extremely low levels (King, 2005). Albanians are 'successful' remitters, sending home on average more than comparable immigrant groups. Remittance transfers are estimated to have reached US\$ 1.156 million in 2010, constituting 11% of GDP (2010). The large migration flows have contributed to the growing importance of remittances as a major source of income for many Albanian households and for the national economy (Mara et al, 2012).

II.2. Macedonia's migration

Migration has been a major determinant of the demographic change in Macedonia, featuring inter-regional (within country) migration and emigration. Macedonia has the character of migration area distinctively characterized both by intense internal movements of population, and a continuous process of eviction of the population to other countries, mainly to the EU. More villages have disappeared and there have been emergence of large cities, with the capital Skopje leading in this field. Migration is a result of various sources that have influenced the demographic changes in the country. These sources include economic and social transition undergone since 1991, specific features of political governance, gender

composition of regions, demographic patterns of ethnic groups, and regional inequalities in accessing education and health care (Yusufi, 2012).

Due to the dynamic process of industrialization it is estimated that from 1948 until today, 700.000 people have left the villages in pursuit for a better life in the urban areas. Such kind of migratory flows caused rural exodus, re-planning of the city settlements (especially the City of Skopje) and important consequences in the process of demographic aging. The Census of 2002 registered total of 694,032 persons (around 35 percent from the total population) who do not have the character of indigenous population. As consequence of this rural exodus, a high number of abandoned villages have been registered, i.e. 85 villages without a single resident, and even 450 villages with 1 to 50 residents (Government, 2010). According to the age structure of population in these villages the old population dominates and it leads to the conclusion that in a very short time many of them will become villages without a single resident. In this context, there has been continuous depopulation of the small rural municipalities. There are significant tendencies in terms of inter-regional or rural-urban migration flows. The majority of inter-regional migration goes to large regional urban centres such as Skopje, Tetovo (Polog region) or Bitola (Pelagonia region). Regions have faced a significant outward migration of young people (Yusufi, 2012). Similar phenomenon has happened in the north-eastern part of Albania and also in areas like Gjirokastra in the south.

There are also significant tendencies in terms of emigration. The majority of emigration is concentrated in the large EU and North American centres. There has been a significant outward migration of young people as well. Young educated people tend to seek jobs in other cities or countries, in view of the increased job opportunities offered there. Outward migration of young people has left elderly people isolated in sub-urban, peripheral or rural areas (Yusufi, 2012).

The end of the communistic era and the start of the difficult transition years accompanied by high social and political tensions, contributed toward the demand for emigrating. The subsequent non-improvement of the situation prompted a large exodus of the population – a trend that persists till the present day. By the conclusion of the 20th century, it was commonly quoted that over one-quarter of Macedonia's population had emigrated (Mara et al, 2012).

Macedonian migrants usually leave as young, working age adults and remain for a long period of time (5-10 years). The emigrants are often young, married males who depart for the purpose of earning money abroad. Regarding the level of education, the majority of emigrants have low or medium level of education in the time of departure. There has also been a very slight rural bias among emigrants – slightly more people from Macedonian rural areas tend to go abroad and remain. All ethnic groups experience emigration, and there is a very slight bias in the cases of Albanian, Roma and Turkish ethnic groups. This may well be an outcome of the poverty which is also slightly unfavourably biased in those ethnic groups (as is, on average, lower level of education as well) (Uzunov, 2011).

One of the important factors that cause these migratory movements is the current state of the labour market and the high percentage of youth participation in the overall rate of unemployed. The problem of long-term unemployment exists in all categories of unemployed persons, regardless of age. Emigration has a negative impact on the reproduction of the population, because "export" of women in fertile period leads to the next low birth rate that is expected not only in the next 10-15 years, but for a long time coming, probably 40-50 years. Making effort to reduce emigration will significantly mitigate the effects that cause the process of demographic aging of the population (Yusufi, 2012).

III. Remittances

III.1. The scale and impact of remittances

The widespread growth of migration in the later part of the past century eventually yielded a dramatic increase in the flow of remittances to Macedonia and Albania. Remittances have represented considerable percentage of their GDP over the past two decades (Mara et al, 2012).

Remittances are high in volume, estimated at \$1.221 billion and \$435 million (2011) respectively in Albania and Macedonia, and have become a rising source of external funding for these countries (Mohapatra et al, 2009, World Bank, 2012). Remittances are the second largest source of foreign capital in many developing countries, including Albania and Macedonia, next to foreign direct investment or exports. They are also generally higher than the received development aid. Remittances have become an increasing source of household income and their share in the income level has increased sharply. A significant fraction of

these remittances are sent to low income families. A very interesting and still open question is whether this increasing source of income has an impact on human capital accumulation decisions, including on schooling and healthcare (Mara et al, 2012).

The context is that international migration and remittances have become important components of labour market dynamics in the countries of SEE, in which real wages have fallen, unemployment is high, migrants tend to be more skilled than non-migrants, and remittances have become an important source of foreign exchange and household income (Mara et al, 2012).

Many migrant sending families receive considerable (financial) transfers from their family members living and working abroad. In fact, a number of studies have argued that the inflow of remittances in various forms – ranging from bank transfers to gifts in kind – play an important role in poverty reduction and economic development (World Bank, 2006). Among other factors such as education, income level, intention to invest or to insure the family at home against risks, the motivation of migrants to remit depends on the duration of stay. Temporary migrants seem to be much more concerned about sending remittances home than permanent migrants. Remittances help the population in migrant sending countries to cope with the distress of poverty, the inefficiencies of local labour markets and the break-down of the social security system. It is highlighted that remittances support families to survive, providing them with the means to buy food and other resources, to invest in healthcare and education of their children and to improve the housing situation. The money transferred by migrants to their native town or villages or spent and invested there during their short visits are of utmost importance for post-transition economies such as Albania and Macedonia (Mara et al, 2012).

Remittances have been studied to ascertain to what degree these flows serve to develop the migrant sending societies, including the increasing of consumption levels, providing for housing, promoting business investments, and increasing the availability of health and education services for family members left behind. In this line, remittances may play an important role providing relief during difficult economic times, ensuring complimentary social protection and correcting the limited government policy interventions. Remittances can benefit households by lifting liquidity constraints. However, migration of a family member

may also have a deleterious impact on the household's well-being. In fact, the absence of a family member may deprive the household of the migrant's market and non-market production, possibly making the household worse off. Therefore, it is of interest to ask to what extent the gains from remittances make up for the losses sustained from family migration (Mara et al, 2012).

The source of remittances, i.e. migration, according to the neo-classical model, is the result of a cost-benefit analysis carried out at individual level. Potential migrants compare the differential incomes and costs of migrating and move if the decision produces a positive net present value. The main implications of the neo-classical approach are that migration is driven by expected income differentials between different countries and by the cost of moving, considered by each individual given their particular characteristics. These neo-classical analyses have not considered potential impacts of migration or remittances on the 'sending' families. Contrary to neo-classical theory, which implicitly views migration and household economic activities as substitutes at the level of the individual, the new economics of migration allows for the possibility that migration by one member can act as a complement to household economic activities in the community of origin. For instance this can be achieved by relaxing credit constraints and/or by acting as insurance where such markets are missing or are imperfect (Mara et al, 2012).

There are aspects of remittances defined by Levitt (1998) as "social remittances", which may include issues such as ideas, behaviours, identities and social capital that flow from receiving to sending country communities. The role of these resources is to promote immigrant entrepreneurship, community and family formation and political integration. Social remittances' exchanges happen when migrants return to live or visit their communities of origin; when non-migrants visit their migrant families; or through interchanges of letters, mails, videos, cassettes and telephone calls. Migrants do not absorb all aspects of new lives unselectively. Rather, there is a screening process. Senders adopt few new ideas and adopt particular elements while they ignore others. The impact of social remittances is both positive and negative. There is no guarantee that what will be learned is constructive and that will bring social reform. However, certain kind of remittances as exchanges about health and educational practices or transfer of new business skills could contribute positively to an overall social change.

An important aspect of the migration and development debate concerns the effect of migration or remittances on educational and healthcare attainments in the migrants' countries of origin. Despite the existence of contrary views, the remittances do impact educational attainment and healthcare in various countries of the developing world. While remittances can benefit households by lifting liquidity constraints, migration of a family member may also have a deleterious impact on the household's well-being. As regards the impact of migration, the focus on effect of remittances on Albania and Macedonia, particularly in the fields of education and health is crucial. There is low schooling and low health outputs as well as low levels of educational and health achievements in both countries. The education might be publicly provided, but many families cannot afford the education of their members due to several expenses related to the school attendance such as transport, textbooks, other supplies, or other implicit costs such as losses in family members with the migration.

III.2. Remittances – Educational link

Several studies have been undertaken about educational outcomes of family members and how they are affected by the remittances and migration experience. One stream of literature has shown that there is an increase of educational outcomes of family members due to the lift of the liquidity constraints. By relaxing the household's liquidity constraints, remittances allow an investment in education. An opposite stream, while agreeing that there is a potential for remittance transfers to alleviate credit constraints and thereby increase educational attainment of children, argues that migration of a family member, i.e. absence of the parent, may have negative effects on the child's schooling. Other literature have looked at other aspects on the way remittances impact the child's schooling, including the incentives or disincentives provided by migration or remittances regarding the education of the family members left behind.

III.2.a. "Lift of liquidity constraints" approach

Substantial number of existing literature has shown that there is an increase of educational outcomes of family members left behind due to the lift of the liquidity constraints. Remittances by lifting up the budget constraint of poor families might increase the investments in human capital. Empirical research on remittances and schooling has stressed the potential for remittances to raise schooling levels by increasing the ability of households

to pay for schooling. Examples of literature include Cox Edwards and Ureta (2003) who find that remittances lower the likelihood of children leaving school in El Salvador, particularly in rural areas; Yang (2004) who finds greater child schooling in families whose migrants receive larger positive exchange rate shocks in the Philippines; and Lopez Cordova (2004) who finds municipalities in Mexico that receive more remittances have greater literacy levels and higher school attendance among 6 to 14 year olds. Borraz (2005) has found that children who live in remittance-receiving households complete more years of schooling than other children and that the effect is statistically significant for more than one year. Those children who live in households that receive remittances are more likely to extend the years of schooling.

Living in a migrant household significantly increases the chances of boys migrating themselves at all school ages and older (16 to 18 year-old) while girls doing the housework. This is at an age where work is also an important form of human capital accumulation, so it appears that Mexican females in migrant households are losing out on both schooling and work arenas. Absence of a migrant parent may require the child to undertake tasks normally carried out by that migrant, such as working in a family business or doing housework. Since it can take a while for migrants to start earning money and remitting, children may also need to work to cover short-term household liquidity constraints. Any of these activities are also consistent with the child (or the parents) no longer valuing schooling due to future migration plans. This impact is the sum of three main effects: the effect of remittances on the feasible amount of education investment, which is likely to be positive where liquidity constraints are binding; the effect of having parents absent from the household as a result of migration, which may translate into less parental inputs into education acquisition and maybe into more house and farm work by remaining household members, including children; and the effect of migration prospects on the desired amount of education, which is likely to be negative (McKenzie & Rapoport, 2006, 2009).

Empirical analysis suggests that both economic and sociological variables are important determinants for the choice between school attendance and child labour. There is some support for the hypothesis that poverty forces households to keep their children away from school. In the economic literature a number of explanations have been suggesting the following: poverty may force the households to keep the children away from school and

instead send them to work; and low quality of schooling may lead the households to substitute work for schooling.

While schools may often be state-supported, students in developing nations are often expected to pay for their books, uniforms, supplies, transport and sometimes even teachers' salaries. Furthermore, attending school imposes additional costs on the family through accompanying reductions in monetary income or household production by the attendee. Given the competition between school and work, remittances, often amounting to a sizable fraction of the household budget, have the potential to loosen household liquidity constraints and increase investments in human capital.

III.2.b. "Parental absence" approach

Another important issue considered in the literature is the issue of parental absence and its impact on the schooling of children. Parental absence as a result of migration may translate into less parental inputs into education acquisition and may also require remaining children to undertake housework or work to help meeting short-term labour and cash shortages. In related work, Hanson and Woodruff (2003) note that migration may disrupt household structure, removing children from the presence of guardians and role models, and require older children to take on additional household responsibilities. They also note that negative labour market shocks experienced by parents may both induce migration and require children to work instead of spending time in school, leading to a spurious negative relationship between migration and years of schooling. The migration of the household head can disrupt the family life and have a negative impact on children's school performance. Wahba (1996) finds evidence for this phenomenon among girls in Egypt. McKenzie & Rapoport (2006) measure significant reductions in educational attainments for children within households with migrants in Mexico. Lucas (2005) argues that remittances from the family members abroad, in particular parents, support further education of children in the country of origin, but the absence of parents and consequently no custody on school performance of children might deteriorate the educational outcomes. Castaneda & Buck (2011) argue that there is quite often a trade-off between greater financial protection of children through remittances and higher child vulnerability left without physical, psychological or emotional protection and such trade off might have important consequences for the child's development in the long run. Park et al. (2010) argue that fathers' migration affects negatively the child's development, in

particular of boys who compared to girls are more likely to drop out of the school. Mansoor and Quillin (2007) argue that children of emigrants tend to receive less supervision; they lag behind in their education. For example, it has been suggested that migration has been a significant factor in declining school enrolment of children in Moldova and Bulgaria. The lack of parental supervision and influence may affect performance at school; any extended family members may not fill the role of the absent parent adequately.

III.2.c. "Beneficial brain drain/brain gain" approach

The theoretical and empirical literature on the “beneficial brain drain” or “brain gain” suggests another channel through which migration can increase educational attainment. The basic idea of such theories is that education has a high return when migrating, and so the prospect of migrating in the future raises the expected return to education, inducing higher domestic enrolment in schools (Commander et. al., 2004; Beine et al., 2007). Recently, there has also been some attention to the possibility that emigration of highly educated persons may induce additional education amongst stayers. In such contexts, as for instance in the Philippines, the high departure rate of college educated adults has almost certainly motivated additional college attendance within the Philippines and even influenced the choice of discipline for studying.

Number of studies have analysed that when household members are keen to further migrate, they will channel the remittances toward the education and human capital formation which is exportable to the receiving countries (Vidal, 1998). For example, (McKenzie and Rapoport, 2006) state that if individuals expect that their educational profiles cannot be exported to the receiving countries, they will quit school earlier and will either start working in the home country or seek to migrate.

III.2.d. Remittances - Education in Albania

The initial effect of the migration has been the brain and skill drain. A study has estimated that half of all the country’s university teachers, scientists and intellectuals have left the country (King, 2005).

As regards Albania, using duration analysis of school participation, Giannelli and Mangiavacchi (2010) show that past parental migration has had negative effect on school

attendance in the long-term with higher hazards of school drop-outs for Albanian children left behind. Parental migration when the child is left in the sending country has had longer-term implications for the children's development and their future life. These have included, for example, changes in household structure and responsibilities leading to more pressure on older children to help in the household or to assist with agricultural duties and thus to neglect their schooling. Although parents' migration usually has benefited children economically, the lack of parental care has caused relational and psychological problems that have affected children's welfare in the long-term. The main finding of the analysis is that father's migration abroad negatively influences children's schooling in the long run, increasing the probability of dropping out and of delaying school progression. For females, the impact is even higher compared to males. The negative impact of the phenomenon tends to become smaller the further in time from the actual events the migration episode is, while the effect increases with the length of the migration episodes.

Pihlainen (2010), focusing on Albania, tests the hypothesis whether households that receive remittances from abroad spend more money on children's education than the others. It has shown that in the Albanian context this is not always confirmed. In many cases remittance-receiving households divert resources away from education into consumption with the purpose of poverty-alleviating. Hence, long-run investment in human capital is undermined by consumption needs. Remittance-receiving households are actually spending less on education than their counterparts. There is evidence that this is due to the low returns to education for migrant Albanian workers. Thus, while remittances do have the potential to be poverty-alleviating and can be an important source of foreign exchange, it seems that in the Albanian case they do not provide incentives for long-run investment in human capital. In addition, De la Garza (2010) sustains that, the different educational indicators, gender, cohorts, rural/urban location, the stage of the country's development, the effect of migration and in particular remittances on educational outcome seem to be mixed. Furthermore, Miluka & Dabalen (2008) explore the effects of international migration, in particular the effect of remittances on education, and show that in case of Albania there is a weak impact on human capital of such income sources. Taking into account the gender differences and regional location, the larger negative impact is found to be stronger for women living in rural areas. The disruptive effects on family structure can change the leadership of the family, giving more power to older males who are less educated and less prone to understand the importance

of investment in human capital regarding to their grandchildren. Thus, the possible long-term effects of migration might cancel out the effects of a temporary improvement in household incomes. In Albania, instead, migration has been male-dominated and what is observed to be in the majority of cases is that the father is the one who is absent.

III.2.e. Remittances - Education in Macedonia

Remittance recipients are believed to use a portion of the remittances to pay for daily expenses, for education and the rest for other products and services.

Regarding education in Macedonia, younger children have higher school attendance rates in families which do not receive any remittances. On the other hand, regarding older children, the remittances may reduce the incentive for families to send their children to school. In addition, remittance receipts do not seem to be associated with university attendance. Parental absence does not seem to be associated with differential school attendance rates of younger children. There is a further negative relation between the number of absent migrants and school attendance of children, but absent parents have significant effect in increasing school attendance among older children. There are two possible explanations: one that children having a migrated parent for the purpose of increasing family's income, are motivated to attend school because they believe that the parent is making a sacrifice; the second that the parents usually migrate in order to get the money for their children's education (IPPR and GDN, 2009).

III.3. Remittances – Health connection

In addition to the impact on performance in education, the importance of remittances for the migrant sending countries is measured also by the well-being of their recipients in terms of improved health status, in particular for children. Remittances are expected to help to improve the health outcome by the means of purchase of better care and nutrition.

Starting from Grossman's health production function (1972), remittances help to improve child's health outcome by the means of getting better childcare and nutrition, while the migration phenomenon might affect child's health first through the smaller amount of time spent by parents with their children and second through the health knowledge acquired abroad.

Hildebrandt and McKenzie (2005) find positive effect of migration on health outcomes of migrant households by matching increases in monetary and social remittances with increases in birth weights and reductions in infant and child mortality. The migration process can result in improved health knowledge. The first avenue is the direct effect of migration on income and wealth through remittances and repatriated savings, which allows the households to spend additional resources on food and health services. Second, migrants may gain health knowledge through exposure to destination country's practices, resulting in a more effective use of financial resources and thus a higher health attainment. Migration influences health outcomes through both of these mechanisms: it raises both wealth and health knowledge.

In contrast, Kanaiaupuni and Donato (1999) find a negative effect of migration and remittances on the child's health and more specifically an increase in infant mortality which might be due to the disruptive effect of family separations. However, this disruptive effect is observed only in the initial stage of the migration. In the long run, remittances bring significant reductions in infant mortality. Initially, migration disrupts normal community activities as growing numbers of the able-bodied workforce leave home, and infant mortality levels rise. Over time, however migration brings positive changes as it becomes an institutionalized part of local life, raising standards of living and infant survival probabilities.

III.3.a. Healthcare in Albania and Macedonia

Narazani (2012) provides the first empirical attempt in the Albanian context and shows that migrants' households have lower rates of infant mortality. According to different statistical sources, Albania had very high child and infant mortality rates in the early 1990s compared to its Balkans' neighbours. These rates have decreased rapidly in subsequent years. Also in the case of Macedonia, most children's health indicators show positive trends. The under-five mortality rate has dropped. However, these declining trends are believed to mask an indirect effect of migration and remittances as it happens in other remittance-dependent countries. It is also important to mention that the literature on migration and child health outcomes is still scares.

Conclusion

Remittances have grown rapidly in recent years and have proved to be a stable source of finance, which can be of relief during difficult economic times. While remittances can help households by lifting liquidity constraints, migration of a family member may have also a deleterious impact on the household's well-being. The short-term effect of remittances is usually related to increases in consumption, poverty alleviation and income inequality that result in changes in labour market participation. While long-term effect is more pertinent to socio-economic development and specifically on educational performance and health status improvement. Because remittances per se do not lower anyone's income, the impact on poverty is believed to be beneficial, but with limited effect on productive investments. There is empirical evidence showing that remittances are spent mostly on basic subsistence needs, and after those are fulfilled, on housing improvement and eventually land purchase. There are also "social remittances", which may include issues such as ideas, behaviours, identities and social capital that flow from receiving to sending country's communities.

Several studies have shown that there is an increase of educational outcomes of family members due to the lift of the liquidity constraints. By relaxing the household's liquidity constraints, remittances allow an investment in education. As a result, related studies have found that children who live in remittance-receiving households complete more years of schooling than other children. Several empirical studies have emphasized the potential for remittance transfers to alleviate credit constraints and thereby increase educational attainment of children in migrant families. The relaxation of credit constraints allows households to move to or towards their unconstrained optimal level of education, resulting in higher education for their children. The negative effect on education, however, results from the social consequences of having an absent parent, and the increased demand for household labour resulting from losing a working-age adult from the household.

Improved health status in particular for children is assumed with the receipt of remittances. Remittances help to improve health outcome by the means of purchasing better care and nutrition and by increasing health knowledge of the family members left behind. While negative impact is expected as smaller amount of time is spent by the parents with their

children, which is only a short-term effect. In the long-run, remittances bring significant improvements in the child's health.

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