

## *Analysis of literature on the effects of remittances on education and health of family members left behind*

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### **Abstract**

An important aspect of the migration and development debate concerns the effect of migration or remittances on educational and healthcare attainments in the migrants' origin countries. Looking at interactions between remittances on the one hand, and education and health on the other, this review reflects on the following questions: what is the value of migration and remittances for the developing countries? How remittances impact on education performance and health outcomes? The consequences of remittances have gone well beyond the confines of simply development. Despite the existence of contrary views, the remittances do impact educational attainment and healthcare in various countries of the developing world. Although the literature on these cases is weak, this review has made an effort to look exhaustively to the sources that exist on the migration and remittances for Albania and Macedonia. While remittances can benefit 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 education performance and health status improvement.

**Key words:** *literature review, migration, remittances, education, health, Albania, Macedonia*

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## **Introduction**

Migration from poor to rich countries has increased dramatically in recent years, a trend which is predicted to gain strength in the foreseeable future. This large increase in the number of international migrants worldwide has triggered considerable attention in policy circles and has led to renewed research attention to the development impacts of migration. For example, the World Bank's 2006 Global Economic Prospects were fully dedicated to exploring the "Economic Implications of Remittances and Migration" (World Bank, 2005). One important aspect of the migration and development debate concerns the effect of migration on educational and healthcare attainments in the migrants' origin countries. For many countries, including for Albania and Macedonia, remittances are among the most important sources of external financing beside exports and foreign direct investment. The remittances are among the largest sources of outside income and have served as a cushion against the economic and political turbulence brought about by transition. Remittances have exerted a positive impact on macroeconomic growth and have represented an important source of foreign exchange for these countries.

The main aim of this literature review is to map and discuss the available literature on the impact of remittances on the education and health of family members left behind from migration. This literature review intends to contribute by tackling the issue on how the existing literature examines the impact of remittances on health outcome and education performance. Looking at interactions between remittances on the one hand, and education and health on the other, this review reflects on the following questions: what is the value of migration and remittances for the developing countries? How remittances impact on education performance and health outcomes?

The critical task becomes the identification of the written sources that arise with the need of responding to the question whether the remittances have impact on education and healthcare of family members left behind. This review could provide with tools for better understanding the dynamics between remittances and education and healthcare. Effort to demonstrate the potential impact of these forces on different localities could prove helpful in understanding changes and then in planning policy responses.

The review concentrates on the education and healthcare implications and changes as a result of the remittances. The consequences of remittances have gone well beyond the confines of simply development. While the impact has differed between different localities, there is much to learn from these efforts. This literature review, despite the existence of contrary views, reveals the effect of remittances in the educational attainment and healthcare in various countries of the developing world.

Data used in this review comes from several sources. The main source of this review includes information obtained from books, journals, policy papers, and research briefs. This analytical review is structured along the following main sections: Section 1 looks to general literature on the impact of remittances on developing countries. Global analyses reveal that the impact of remittances is mixed.

Sections 2 and 3 review the literature that has had special attention on the remittances and their impact on education and healthcare, respectively.

Section 4 pays particular attention to the literature that relates directly to our case studies of Albania and Macedonia. Although the literature on these cases is weak, this review has made an

effort to look exhaustively to the sources that exist on the migration and remittances for Albania and Macedonia.

Section 5 concludes with the summary of the results of the literature review.

### **About the project**

"Migration and development in Albania and Macedonia: the effects of remittances on education and health of family members left behind", a project funded by the Regional Research Promotion Programme of the Swiss Federal Department of Foreign Affairs for the period of 2012-2013, and implemented by ACSER – Albanian Centre for Socio-Economic Research in Tirana, Albania, and by Analytica in Skopje, Macedonia. This project aims at inspecting the hypothesis that there is a positive effect of remittances on child education and health outcomes due to the lift of liquidity constraints, therefore the policies that loosen these constraints should be promoted. It is a well-documented fact that these two small developing countries (Albania and Macedonia) are characterized by a high dependency rate on remittances. Therefore, the accumulated knowledge through this research will be important not only at national level but also at regional level. The outcome from this research will be: 1- the two survey databases; 2- three working papers; 3- organisation of a regional workshop; 4- one policy paper highlighting the relevant issues and policy recommendations from the main findings. Several policy implications can be derived from this study. A positive effect of remittances on education and child health outcomes would enrich the policymakers with novel evaluation tools and induce them to introduce new measures which would contribute to the efficient channelling of these financial flows.

## **I. Remittances and their developmental value**

A growing literature has looked for impacts of international remittances on developing or poor economies. Remittances have been studied to ascertain to what degree these flows serve to raise developmentally the migrant sending societies, including in increasing consumption levels, providing for housing, promoting business investments, and increasing the availability of health and education services for family members left behind. 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. But, migration of a family member may have also a deleterious impact on the household's well-being. 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. In this light, the impact of international migration on migrants' households and communities of origin has recently received increasing attention in view of the potential role that it can play both in improving the livelihood of family members left behind and in fostering local development in the sending countries.

The effect of remittances is not only multidimensional but in terms of duration their impact might be in short as well as in long-term. Lucas (2005) provides an extensive review of the social-economic effects of remittances in the developing countries. The short-term effect 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 education performance and health status improvement. Mansoor and Quillin (2007) document the history of migration and remittances and point out the positive effect of remittances on long-term economic growth in the recipient countries. Migration can allow migrants to learn new skills and can facilitate cross-border trade and investment linkages and maintain rates of economic growth and standards of living. On the other hand, the inflow of remittances may serve to raise the real exchange rate, harming competitiveness. Also, unrecorded remittances appear to be crucial in explaining the continued high current-account deficit in many high-migration countries. Because remittances per se do not lower anyone's income, the impact on poverty is believed to be beneficial and also contributing to reshaping gender relationships as women become more active as decision makers.

The increasing frequency and volume of remittances have raised hopes that these inflows may indeed foster productive spending in sectors where market failures may be more manifest and the consequences of liquidity shortages most felt. In this light, the value of remittances in relaxing credit constraints and providing insurance has been widely recognized in a growing body of literature connected with the 'new economics of migration' theory. From this perspective, the decision to migrate may be considered a joint household decision with migration being one mechanism for diversifying risk and gaining access to capital, i.e. remittances (Stark and Levhari, 1982; Stark and Bloom, 1985). The migration decision is thereby viewed as an active attempt by households to overcome market imperfections to enhance the ability of the household to purchase inputs and to invest in productive assets. However, the income-effect of remittances may also affect labour allocation decisions among the remaining members, who may re-allocate labour away from productive activities and towards leisure. Nonetheless, the expectation is that migration, and the resulting remittances, will relax credit constraints and reduce households' exposure to income risk, leading to greater spending on variable inputs and greater investment in productive activities. The source of remittances, i.e. migration, according to neo-classical model,

is the result of a cost-benefit analysis carried out at the individual level (Sjaastad, 1962; Todaro, 1969; Harris and Todaro, 1970). Potential migrants compare the differential income 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 origin community, for instance by relaxing credit constraints and/or act as insurance where such markets are missing or imperfect. In the new economics of labour migration literature (Stark and Bloom, 1985; Stark, 1991), the migration decision becomes a joint household decision, in which both remaining household members and the migrant share the costs and returns to migration, and in which migration is part of a larger household economic strategy. Under this framework, migration is used as a mechanism to diversify economic activities of the migrant sending family in obtaining liquidity (Stark, 1991; Taylor et al, 2003).

It is assumed that higher unemployment rates in the destination states of migrants are positively correlated with a higher likelihood of remittance receipt, which supports the view that migrants may be remitting money back to their communities for self-insurance purposes. Emigrants likely bear higher employment risk during times of rising unemployment, making it prudent for them to insure against these risks by remitting funds back to their communities. In this way, migrants maintain "good standing" within the community permitting them to return (with honour) in the event of an unsuccessful migration experience (Lucas and Stark, 1985; Amuedo-Dorantes and Pozo, 2006). Yet, migrants may have multiple motives when remitting money home, including altruism (Becker, 1974; Stark, 1991). To the extent that remittances are indeed motivated by altruism, and hence concerns for loss of income at home, a trade-off may emerge with other private or public efforts at poverty alleviation. As public relief kicks in, remittances become less necessary and consequently diminish. But, remittances are indeed poverty alleviating even in contexts with complementary public relief efforts. On average, the lower income developing countries receive a higher portion of their incomes from remittances than do the middle income countries, although remittances received per capita are lower among the poorer countries (Lucas, 2005).

A number of empirical studies have been carried out which focus on the impact of migration on productive investment at the origin, and the potential trade-offs between the income effect of remittances and productivity losses due to changes in labour supply. No clear pattern has emerged yet in terms of the circumstances under which migration leads to increased productive investment. Some studies have suggested that remittances primarily raise consumption levels and do not necessarily promote investments in either physical or human capital (Durand and Massey, 1992). 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 (Appleyard 1989; Guarnizo 1992; Stahl & Arnold 1986).

Lipton (1980) has posited that remittances may have a negative effect on farm productivity as a result of a number of factors, including the loss of the youngest and most productive household members and a possible substitution of labour for leisure by the less efficient household

members left behind. Recent empirical evidence seems to support that hypothesis (Azam and Gubert, 2006a, 2006b), as well as documenting limited or no impact on investment in productive activities (Mines and de Janvry, 1982; Durand et al, 1996; Taylor et al, 1996; Taylor et al, 2005; de Brauw and Rozelle, 2003). Carletto et al (2004) finds that only small per cent of households receiving remittances reported using these funds for investment or purchase of durable goods. A number of factors are thought to contribute to these low levels of investment, including poor rural infrastructure, low public investment and safety concerns. Thus, migrants and their families reportedly use remittances mostly to cover basic needs and improve their living conditions. Where labour constraints are severe, migration may lead to a reduction in household economic activities. The evidence from previous studies of migration suggests that in some cases remittances serve primarily to increase consumption as opposed to facilitating productive investments. It is found that international migration is associated with a reduction in the total and per capita hours dedicated by household members to labour (McCarthy et al, 2009).

On the other hand, other empirical studies have found evidence that migration does indeed foster household investments in the countries of origin (Lucas, 1987; Dustmann and Kirchkamp, 2001; Woodruff and Zenteno, 2001; Black et al, 2003; Konseiga, 2007) and that it can have a net positive impact on household farm production and/or income (Stark, 1991; Taylor et al, 1996; Taylor and Wyatt, 1996; de Brauw et al, 2003; Mendola, 2004; Rozelle et al, 1999). The argument is that remittances accumulated abroad partially compensate for lost labour and allow households to improve their agricultural productivity. Remittances can also have positive effect on self-employment, though the magnitude of these effects is small. During periods of economic decline, national welfare may be improved by emigration if the value of remittances exceeds the product that would have been produced in the source country (Funkhouser, 1992).

There are aspects of remittances what Levitt (1998) defines as “social remittances”, which may include issues such as ideas, behaviours, identities and social capital that flows 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 in or visit their communities of origin; when non-migrants visit their migrant families; or through interchanges of letters, videos, cassettes and telephone calls. Migrants do not absorb all aspects of new lives unselectively. There is rather a screening process. Senders adopt few new ideas and adopt particular elements while 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 social change. Kabki (2003) brings the case of the Netherlands-based migrants from Ghana's rural Ashanti community who invest in housing and businesses back home, but also support their families with contributions towards education, healthcare and daily upkeep. If a family has a member abroad, this person is often asked to take care of all unexpected expenses, including hospital bills and funerals in the family. However, this impact varies between families and between communities, due to a number of external factors that influence the volume and frequency of remittances to families and the ability of home communities to benefit from migrant-financed support. The remittances can contribute greatly to the well-being and development of a family, but at the same time these can be highly insecure sources of income because the family may fall back into poverty the moment the flow of money from abroad stops.

*Conclusion*

Remittances have grown rapidly in recent years and remittances have proved a stable source of finance, which can be of relief during difficult economic times. While remittances can benefit 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 education 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 to 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 flows from receiving to sending country communities with the flow of remittances with various socio-economic implications to migrant sending societies.

## II. Remittances – Education 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 for the 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 child schooling. Other literature have looked at other aspects on the way the remittances impact the child schooling, including on incentives or disincentives provided by migration or remittances on the education of the family members left behind.

### *Lift of liquidity constraints*

Substantial number of existing literature has shown that there is an increase of educational outcomes of family members 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 Cordoba (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.

The hypothesis that remittances raise educational attainment or investments in schooling has received support in a growing number of studies. In this line, Amuendo-Dorantes & Pozzo (2008) disentangles the effect of migration and remittances in case of children in Haiti. They find that migration might affect negatively remaining household members due to deterioration of economic situation and as such reducing the likelihood of children to be enrolled to school. But, as remittances start to flow, they raise the school attendance. Particularly, girls' school attendance appears to rise from the receipt of remittances and secondary school-age children are the ones who gain the most from the receipt of remittances by the household. Remittances receipts have a positive impact on education outcome as remittances contribute positively to the school enrolment and years of schooling of children left behind. In terms of educational performance, Elbadawy & Roushdi (2010) investigate a sample of Egyptian children who live in remittances-receiving households and by counting for gender differences and different cohorts, find that remittances have a positive effect on school attendance of boys rather than girls. The effect is particularly strong among those boys who are close to university enrolment age while for girls this is true only for those aged from 15 to 17. The findings for boys suggest that remittances have a substantial effect on school attendance for the university-aged. There is also a mild effect on school attendance of university-aged girls. Yang (2008) examines the impact on changes in household outcomes in migrants' origin households and in particular the impact of migrant income shocks on a range of investment outcomes in Philippine households, such as child schooling, child labour, and entrepreneurial activity. The main finding is that appreciation

of a migrant's currency against the Philippine peso leads to increases in household remittances received from overseas. These positive income shocks lead to enhanced human capital accumulation in migrants' origin households. Households experiencing more favourable exchange rate shocks raise their non-consumption disbursements in several areas likely to be investment-related (in particular in educational expenditures), keep children in school longer, take children out of the labour force, raise their hours worked in self-employment, and are more likely to start relatively capital-intensive entrepreneurial enterprises. Kabki (2003) argues that remittances transferred by most of the Netherlands-based migrants from Ghana's rural Ashanti community are used to pay for the school fees of children in the (extended) family. These may be children of primary school age, but also youngsters who attend high school or university, in which case the fees are much higher than those of primary school and the burden for the migrant is higher. Some of the families interviewed indicated that if it were not for the remittances, they could not send their children to school. With respect to education, the impact of migration seems to be two-fold: firstly, a migrant family is able to educate more children through direct financial support; and secondly, the general attitude towards education appears to change towards more appreciation for being educated. As a preliminary conclusion, this article argues that remittances can contribute greatly to the development of a family, but at the same time these can be highly insecure sources of income because the family may fall back into poverty the moment the flow of money stops. Jensen & Nielsen (1996) show that poverty prevents children to access education and therefore, the flow of remittances does prevent the family in falling into poverty.

Another study that looked not only at the effect of migration on school enrolment but also to educational attainment, e.g. McKenzie & Rapoport (2006, 2009) point out that educational attainment improves significantly for girls mostly because of allocation of remittances on education of children from low educated mothers, which is consistent with remittances allowing to relax credit constraints on education investment at the lower end of the wealth and income distribution. Living in a migrant household significantly increases the chances of boys migrating themselves at all school ages and of older (16 to 18 year-old) girls doing 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. All specifications also show a strong positive effect of mother's years of education on school attendance, and that children in areas which have historically had more schools are currently more likely to attend school. The above analysis has found that children in migrant households are less likely to be attending school and complete less total years of schooling than children in non-migrant households. It is possible that the 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.

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 suggested: poverty may force the households to keep the children away from school and instead send them to work, low quality of schooling may lead the households to substitute work for schooling, and restrictions on the capital market may induce parents to reduce their investment in human capital of their children (Jensen and Nielsen, 1997).

Standard economic theory suggests that, by lifting liquidity constraints, remittances should raise investments in human capital of household members, particularly in developing and poor countries. 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 teacher 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. The effect of migration on human capital investment in the sending country can be captured mainly through the effect of remittances, which is a good source of income especially among households with financial constraints. Remittances by lifting up the budget constraint of poor families in various settings increase the investments in human capital (Dustmann, 2011). See also (Ilahi, 2001) for Peru; (Acosta et al. 2007) for a sampling of Latin American countries; (Calero et al. 2009) for Ecuador; (Wahba, 1996) and (Elbadawy & Roushdy, 2010) for Egypt, (Jensen and Nielsen, 1997) for Zambia, (Kabki, 2003) for West Africa, and (McKenzie and Rapoport, 2006) for Mexico, which provide an extensive discussion on the role of lifting of liquidity constraints. Examples of other papers which just look at the impact of remittances on education are Acosta (2006) and Lopez-Cordoba (2005) which find evidence for positive effects of migration on educational attainment for children in poorer households, which is consistent with remittances relaxing credit constraints. Remittances and potentially higher earnings after migration (such as from entrepreneurship, see Woodruff and Zenteno (2007), or farm investments, see Taylor and Wyatt (1996), increase the value of household resources, increasing the maximum years of schooling the household can afford.

#### *Parental absence*

Another important issue considered in the literature is the issue of parental absence and its impact on the schooling of the 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 school performance. Wahba (1996) finds evidence for such 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 (2010)

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 of child development in the long run. Park et. al. (2010) argue that fathers' migration affects negatively the child 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.

Booth & Tamura (2009) point out that there are generally assumed to be effects in two directions when a family member moves abroad. The positive effect results from the increased household income which generally comes with having a member working abroad. The negative effect on education, however, can result from two possible avenues: the negative social consequences of having an absent parent, and the increased demand for household labour resulting from losing a working-age adult from the household. The decision to migrate and the decision to remit do not always go hand-in-hand, as Rapoport & Docquier (2005) document very well. Two papers find a negative overall impact of migration on schooling. De Brauw and Giles (2006) look at the impact of migration on school enrolment in China, and Antman (2005) looks at the impact of migration on school attendance and hours of schooling, in Mexico, pointing to negative impact of the migration to the child schooling. Acosta et al. (2007) conclude that remittances do not raise educational attainment in the Dominican Republic. A recent study by Bansak and Chezum (2009) concerning the educational attainment of Nepalese children, acknowledges the two competing impacts of remittances and family emigration, which they describe as net remittance and absenteeism effects.

#### *Incentive effect*

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. See Commander et. al. (2004) for a review of the various channels through which a beneficial brain drain can be obtained, and Beine et al. (2007) for empirical evidence on the incentive effect. The explicit assumption in the brain drain literature is that the return to education is higher at destination than at home. However, this is not necessarily the case. For example, Chiquiar and Hanson (2005) have shown that the return to education is higher in Mexico than for Mexican migrants in the United States.

Vidal (1998) focuses on a possible effect of emigration on human capital formation and on the dynamic consequences of labour emigration on human capital formation and economic growth. The novel idea in his paper is that emigration can in fact be constructive for economic growth by providing an incentive for human capital formation in the source country. Emigration can free the sending country from poverty. The author argues that higher returns to skill in a foreign country provide an additional incentive for investment in human capital and he concludes that there is a positive correlation between the level of human capital formation in the source country and the probability of emigration. Some have argued that an educated overseas diaspora confer other forms of benefits on those at home through transnational networking, though the evidence

in this regard suggests a limited scope particularly for the lower income countries. 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 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 study. Cox and Ureta (2003) argue that the key determinant of school retention is parental schooling. The evidence of strong correlation between parental schooling and school survival both in urban and rural areas is especially interesting in El Salvador, because of the significant differences in school availability between urban and rural areas. In their paper, Amuedo-Dorantes and Pozo (2010) provide evidence of distinguishing between the presumably negative migration effect and the positive effect of remittances when examining the impact of remittance inflows on children's schooling using data from the Dominican Republic. The authors have found variations in the impact of remittance receipt on children's school attendance depending on their age, gender and order of birth – characteristics suggested as being crucial in previous studies of human capital investments on children (e.g. Calero et al., 2009; Emerson and Portela Souza, 2008). It is also interesting to note that the receipt of remittances is positively related to the number of preschoolers. Remittances are argued to be negatively related to the number of school-age children in the household as well as to the number of adults. The presence of preschoolers limits working options for adults, suggesting that remittances in these cases are compensating for market work. On the other hand, the presence of school-age children and of more adults provides the household with more flexibility with respect to garnering the necessary resources for the household, making remittances less crucial in these instances (Sana and Massey, 2005). Other determinants of children's school attendance include the number of school-age children in the household, which is positively related to school attendance, thus suggesting that the educational attainment of all children in the household is positively correlated. Finally, the likelihood of school attendance appears to significantly differ by birth order, with firstborns being more likely to attend school than their younger siblings. Becker's (1974) "investment in education model" states that families take into consideration their education rate of return and its cost, in order to choose the optimal education level for their children. Becker (1974) concludes that remittances are important for schooling only in areas with fewer than 2500 inhabitants who have a very low level of education.

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) sustain that if individuals expect that their educational profiles cannot be exported to the receiving countries, they will quit school earlier and either start working in the home country or seek to migrate.

The implicit assumption in most of the existing studies of remittances is that migration only affects educational outcomes through remittances, and not through any other channel such as the incentive effect just described. See McKenzie (2005) for a methodological discussion of this point.

### *Conclusion*

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. Most important determinant for school attendance is whether household can afford to send the children to school.

In addition to this, migration of a family member may have a number of other effects on child schooling. Migration is seen as essential for human development and positive social change, the circulation of knowledge and ideas, and the benefits of skills return. This is positive effect.

The negative effect on education, however, result 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.

Also, perhaps contrary to what one would expect from the income effect due to increases in non-labour income, number of studies concludes that remittances do not raise educational attainment in the various settings, including in those settings where lifting of liquidity constraints may play role due to economic difficulties. If credit constraints are not binding, then remittances will have no effect on their schooling.

As a result, concerning the educational attainment of children, there is two competing impacts of remittances and family emigration, which can be described as net remittance (positive, in general) and absenteeism effects (negative). Therefore, the effect of remittances on schooling is still an empirical question not accurately answered by the literature yet. Accordingly, the international literature has shown that the effect of remittances on education might be double fold.

### **III. Remittances – Health connection**

In addition to the impact on education performance, 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. More regular doctor visit by the members of the household with members residing abroad is assumed with the receipt of remittances. Remittances are expected to help to improve health outcome by the means of purchase of better care and nutrition.

In the literature pertinent to health dependence on remittances and migration status, various hypotheses on either deterioration or improvement of health outcomes of the non-migrating individuals prevail. Child health is quite important for the well-being of households and determines long-term development of human capital. Starting from Grossman's health production function (1972), remittances help to improve child health outcome by the means of purchases of childcare and nutrition, while migration phenomenon might affect child 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. They also show that migration results in less likely breastfed and vaccinated children but also higher level of health knowledge among mothers and argue that remittances somehow fail to capture the positive impact of migration to the child health as the latter may be strongly correlated with the mother health knowledge. The authors also consider the impact of migration on preventive health care. The paper provides a first investigation of the channels through which these networks affect child health, and it shows that 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 households to spend additional resources on food and health services. Second, migrants may gain health knowledge through exposure to destination country practices, resulting in a more effective use of financial resources and thus a higher health attainment. The authors find evidence that migration influences health outcomes through both of these mechanisms: it raises both wealth and health knowledge. They find that the children of migrants are less likely than the children of nonmigrants to be breastfed, fully vaccinated, or taken to a doctor in their first year of life. Frank and Hummer (2002) also show positive effects on birth weights in the families experiencing out-migration versus those without migrants. Lopes-Cordova (2005) investigates the link between migration and child health and finds that a one percent increase in the remittances reduces the infant mortality rate by 1.2 per thousand. Acosta et al. (2007) analyzes the development contribution of remittances to Latin America on a set of measures such as weight-for-age and height-for-age for children aged 1 to 5, the probability that the delivery of the children has been assisted by a doctor and the probability that children aged 2 to 5 had been had vaccination. Their analyses show that children in recipient households enjoy a better health status than in non-recipient households across all these health indicators. In their study, Amuedo-Dorantes and Pozo (2011) provide analysis on the link between remittance income and health care expenditures. The authors argue that the potential impact of remittance income on health care expenditures, which appear to rise with income transfer from abroad. Health care expenditures are more responsive to increases in remittance income than other expenditures.

Frank and Hummer (2002) examine how the international migration process affects the risk of low birth weight among infants. Although women in migrant households are characterized by a riskier socio demographic profile, members of migrant households are characterized by more positive birth outcomes than those of non migrant households, in that they have lower proportions of low birth weight and prematurity. The analysis has demonstrated that infants born in migrant households in Mexico are less likely to be of low weight in comparison to infants born in non migrant households. McKenzie (2007) analyses that migration improves child health outcomes, lowering infant mortality and increasing birth weights. While some of the improvement in health outcomes is likely to arise from the increase in household income after remittances, it is shown that migration has at least two additional impacts on child health. Higher opportunity costs of time and the absence of parents may make children of migrants less likely to receive some forms of health inputs. Evidence for this effect is seen in children in migrant households having a lower probability of being breastfed and of receiving their full dose of vaccines. A more positive impact is seen in terms of maternal health knowledge. Mothers in migrant families are found to have higher levels of health knowledge, and there is also evidence of knowledge spillovers to mothers in non migrant households. Kabki (2003) argues that remittances that most of the Netherlands-based migrants from Ghana's rural Ashanti community send to their home communities are primarily used for medical expenses. Not only are medical expenses paid with money from abroad, but also food, clothing and electricity bills, all of which ensure a higher standard of living. A preliminary hypothesis, then, is that the migration of one family member can serve as a form of insurance for the entire family.

In contrast, Kanaiaupuni and Donato (1999) find a negative effect of migration and remittances on the child 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. The authors examined how village migration patterns affect infant survival outcomes in origins. The findings from this analyses state that, the effects of migration on infant mortality unfold over time. In its initial stages, migration is disruptive to communities and families; but with time, it eases household survival as it becomes part of local institutions and community life. Migration raises infant mortality in the short run and lowers mortality risks in the long run. 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. Together, these findings suggest that infant health is linked crucially to a community's position in the process of migration.

Glewwe (1999) studies the mechanisms through which mother's education raises child health using the case of Morocco and concludes that mother's health knowledge rather than their level of schooling per se is the crucial skill for improving child health. Migrants may gain information about basic health practices while abroad and share this with family members. Such information may include better understanding of contraceptive practices, the importance of sanitation, and knowledge about diet, exercise and other lifestyle behaviours. The paper also finds that in Morocco the knowledge on child health is primarily obtained outside the classroom, although it is obtained using literacy and numeracy skills learned in school. The authors emphasize that these findings have important policy implications. For example, if the main impact of education comes from directly raising mothers' basic health knowledge, such knowledge should be taught in schools as early as possible (that is, before girls drop out) and perhaps should also be taught in

special education courses for women of child-bearing age who have already left school. Menjívar (2002) provides evidence that social networks among Guatemalan immigrants in the U.S. engage in regular transmission of medical knowledge, helping one another with information about treatments and health advice. The mentioned informal networks have a key role in having access to treatments that include prescription drugs and “traditional” medicines. The immigrant women use two kinds of channels for acquiring medicine: the first one includes local contacts and ties. In fact women start out by using a remedy that they trust, and if it is not effective, they seek the advice of others as friends and similar. The second way is from contacts back home in order to access familiar goods from homeland.

The protective effect of migration is largely provided through remittances. The reasoning follows that remittances offset the negative effects of poverty by raising standards of living and by improving nutrition and access to medical care and, thereby, decreases the risks of low birth weight. While remittances are important in explaining the better health outcomes of infants born into migrant households, there also exist additional factors operating among migrant households. The impact of migration on health outcomes may hide other effects – e.g. migrants may come from the healthy segments of population. Also natural disasters such as recurrent drought and floods or widespread violence and war conflicts may induce people to migrate but worsen their health status as well. These unobservable variables are often blamed for contaminating the estimated effects of migration on health outcomes.

### *Conclusion*

Improved health status in particular for children is assumed with the receipt of remittances. Remittances help to improve health outcome by the means of purchase of better care and nutrition and by increasing health knowledge of the family members. While negative impact is expected as smaller amount of time is spent by parents with their children, which is short-term effect. In the long-run, remittances bring significant improvements in child health. The children of migrants are less likely than the children of non-migrants to be breastfed, fully vaccinated, or taken to a doctor, lowering infant mortality and increasing birth weights. Remittances increase health care expenditures than other household expenditures.

#### **IV. Albania's and Macedonia's place in the literature**

##### *The case of Albania*

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 child'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. Having attended preschool has a positive impact on cognitive development and reduces the risk of drop out or delay for adolescents. The distance of dwelling from public transport has a strongly negative impact on the access to education. Male children are less vulnerable than females to the risk of dropping out during primary school. Variables indicating the level of education of parents and the household's social capital are always significant and with a large effect in determining school attendance of both primary and secondary school children. This finding confirms the hypothesis that traditional barriers imposed by the patriarchal society may affect female school participation in spite of the efforts made during the communist era to favour female education in Albania. The absence of parents may entail psychological costs and change the decision-making process within the household, implying a modification of intra-household duties and responsibilities, and possibly inducing children of migrants to spend less time in school related activities. Children may end up dropping out of school or being held back one or more grades due to non-completion or unsatisfactory completion of their educational formation. 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. The variables indicating the level of education of parents and household's social capital are relevant at all school levels in increasing the probability of school attendance. The economic status of the family and logistical constraints, like for example distance from school or from public transports influence the frequency of drop outs and delays among adolescents. The presence of the school in the community is the major element influencing attendance to non-compulsory schools (preschool and secondary school), a fact that could point to the inadequacy of the supply of schools in Albania. Being "left behind" still has significant positive effects on the probability of dropping school in a duration analysis that controls for the discrete time nature of the collected data.

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. They are even spending less on food, but more on durable goods. The analysis suggests that remittances do not affect all types of household expenditures in the same manner. Specifically, remittance-receiving households are diverting resources away from education and into durable

goods. 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, an important factor for economic growth. In addition, De la Garza (2010) sustains that counting for different educational indicators, gender, cohorts, rural/ urban location, the stage of country development, the effect of migration and in particular remittances on educational outcome seem to be mixed. Furthermore, Miluka & Dabaleni (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. Counting for 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 as regards 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 in the majority of cases is a father's absence.

The results of the research of Mangiavacchi and Verme (2009) for primary school children and adolescents show negative and significant coefficients for left-behind duration. An additional month left behind increases of 0.8% the probability of dropping out (outcome 0) and of 1% the probability of attending with delay, while it reduces the probability of in-time enrolment by 1.7%. For adolescents the impact is higher: an additional month reduces by 16% the probability of attending secondary school and increases of 15% the probability of not being enrolled. The negative impact of the phenomenon is reduced if it is far in the time, as shown by the coefficient of time since the last return", whereas the effect is increased with the length of the migration episode.

In addition, the study of Miluka & Dabaleni (2007) which explored the effects of international migration, in particular the effect of remittances on education showed that in case of Albania there is a weak impact on human capital of such income sources. Counting for the gender differences and regional location, the larger negative impact is found to be stronger for women living in rural areas.

As regards the empirical research exploring migration impact on child health status in Albania, there are almost no studies done so far. Narazani (2011) provides the first empirical attempt in the Albanian context and shows that migrants' households have both lower rates of infant mortality and higher birth weight. She also studies the mechanism through which mothers contribute to improve their children's health status and she finds that mother education is more important than mother health knowledge in explaining child health improvement.

King (2005) provides an overview of Albanian migration and argues that the emigration has led to decline of rural communities and the abandonment of farmland. This has not only affected the social life of rural areas but also economic and ecological: food has to be imported and land becomes degraded. There is also abandonment of old people by their emigrant sons and daughters. Remittances are only a partial compensation for the family. Positive impacts of remittances: economic improvement, recycling of remittances within the local area, investment in family enterprises and the education of young household members, and decreasing inequality

because remittances are channelled mainly to the poorer households and the poorer districts. Remittances have functioned as the main mechanism for the alleviation of poverty in Albania and for increasing household income above extremely low levels. In Albania remittances and returnees' saved capital are ploughed into quality of life improvements such as new or refurbished housing and consumer goods, only a minority is invested in productive enterprises.

#### *Focus on Macedonia*

As concerns Macedonia several studies as Markiewicz (2006), Dietz (2010), Uzunov (2011), Dietz (2010), Roberts et al (2008) have analyzed the migration flows, determinants of remittances, the size of remittances and importance to the economy, the potential impact of the flows of remittances on unemployment, poverty, families and communities left behind. In particular the study of CPRM (2007) argues that 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 Macedonia. It argues that remittances affect in local economic development, poverty reduction, improvement of education level, generate growth, investments in new value added.

IPPR and GDN (2009) provide important insights into a range of the impacts that migration appears to be having on development, and provides a discussion of current policies in this area, as well as some thoughts on how to improve migration's developmental impacts. Regarding education, 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. The paper states 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. The authors give two possible explanations: one that children having a parent migrate for the purpose of increasing family's income, are motivated to attend school because they believe that the migrating parent is making a sacrifice; the second that parent usually migrate in order to get the money for their children's education.

#### *Conclusion*

Limited studies done on the impact of remittances on the education and health outcomes in Albania and Macedonia, but particularly in the case of latter, urge the need for further research in this area. So far, researchers have shown an increased interest on the general impact of migration or remittances on the migrant sending countries of Albania and Macedonia, but less on effects of migration on human capital investment, educational attainment and health status of children belonging to migrant households or otherwise said children left behind. Empirical studies that focus on the link between remittances and education/child health outcomes are missing mainly due to the lack of accurate data necessary to capture the effect of remittances on child education and health status in Albania and Macedonia.

**For conclusion**

For many countries, including for Albania and Macedonia, remittances are among the most important sources of external financing. The consequences of remittances have gone well beyond the confines of simply development. The present study provided literature review on the impact of remittance receipt on the school attendance of children in Albania and Macedonia. Literature has agreement that the remittances do have impact (positive and negative) on children's school attendance and well-being. This literature review, despite the existence of contrary views, has revealed the effect of remittances in the educational attainment and healthcare in various countries of the developing world.

Remittances have grown rapidly in recent years and remittances have proved a stable source of finance, which can be of relief during difficult economic times. While remittances can benefit 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 education 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 to 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 flows from receiving to sending country communities with the flow of remittances with various socio-economic implications to migrant sending societies.

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. Most important determinant for school attendance is whether household can afford to send the children to school. In addition to this, migration of a family member may have a number of other effects on child schooling. Migration is seen as essential for human development and positive social change, the circulation of knowledge and ideas, and the benefits of skills return. This is positive effect. The negative effect on education, however, result 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. Also, perhaps contrary to what one would expect from the income effect due to increases in non-labour income, number of studies concludes that remittances do not raise educational attainment in the various settings, including in those settings where lifting of liquidity constraints may play role due to economic difficulties. If credit constraints are not binding, then remittances will have no effect on their schooling. As a result, concerning the educational attainment of children, there is two competing impacts of remittances and family emigration, which can be described as net remittance (positive, in general) and absenteeism effects (negative). Therefore, the effect of remittances on schooling is still an

empirical question not accurately answered by the literature yet. Accordingly, the international literature has shown that the effect of remittances on education might be double fold.

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Limited studies done on the impact of remittances on the education and health outcomes in Albania and Macedonia, but particularly in the case of latter, urge the need for further research in this area. So far, researchers have shown an increased interest on the general impact of migration or remittances on the migrant sending countries of Albania and Macedonia, but less on effects of migration on human capital investment, educational attainment and health status of children belonging to migrant households or otherwise said children left behind. Empirical studies that focus on the link between remittances and education/child health outcomes are missing mainly due to the lack of accurate data necessary to capture the effect of remittances on child education and health status in Albania and Macedonia.

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