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Emigration from Bulgaria 1989 - Today

Abstract: The following thesis analyses migration flows from Bulgaria to 27 OECD

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countries during the period 1985-2006. This allows me to analyze the determinants of refugee flows prior to the year 1989, due to the effects of the collapse of the communistic regime in 1989, and thus to, investigate the determinants of mostly economic migration in the years after the fall of Iron Curtain. What makes the paper unique is the usage of actual migration flows from Bulgaria to a number of destination countries. Beside economic differences between Bulgaria and receiving countries, I also control for other factors, such as: networks of migrants as measured by the stock of Bulgarian immigrants; distance between the countries; public social expenditure that helps explaining migration behavior. Thereafter, the analysis concludes that push-pull factors play an important role in international migration with more influence having pull factors. Network effects captured by stock of immigrants have strong and positive effect. Distance from the other side has strong negative effect due to increased costs associated with longer distance. Public social expenditure reveals to have negative effect thus reducing the attractiveness of the country. The importance of the different push and pull factors is changed for three time periods reflecting important historical developments in Bulgaria: post-communism, banking sector crisis and economic development.

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1. Introduction

Throughout history, people have always been migrating from one settlement to another for different reasons. It is, however, a big mistake to assume that migration as it is practiced and experienced today is the same as it has been in the past. Regardless this, one could say that migration is a very important vector of social, economic, and cultural change¹. Migration has become very intense, especially after World War 2, when many countries have seen possibilities in labor movements such as enlarging their populations and increases their workforce capabilities. Later on, migration program objectives have been adjusted to focus less on ethnic origin of the applicants and focus on people with special skills, education, capabilities, qualifications and experience, refugees and family reunification reasons.

Bulgaria became a large source of immigrants after the fall of the communist regime in 1989. It is a country of origin and transit for many migrants and to much less extend a final destination. The Bulgarian government, however, works on making Bulgaria more attractive destination for future migrants. Emigration from Bulgaria is considered as a big issue. Many people have already emigrated; a big percentage of the people still living in Bulgaria is considering or hoping to emigrate. Researchers have concluded that this emigration has resulted in serious brain drain which is preventing the development of the country and its economic growth. There are many theories developed, explaining why people decide to emigrate, which are the preferable destinations, which are the most important factors determining their decision. Some theories argue that the most influential and important factor is quality of life. Other theories go deep into the problem, trying to find whether other factors could possibly have some influence.

The aim of this paper is to explain emigration from Bulgaria after 1989 until today. The focus is on main migration determinants for Bulgarian emigration. In order to get a full picture of the situation, analysis of the importance of push and pull factors, in Bulgaria and the destination countries, will be made. The purpose of the analysis is to conclude which of the two factors has greater influence – push or pull factors. Further it will be discussed whether there are different incentives driving Bulgarian emigration in different time periods of economic development. Since 1989, Bulgarian historical developments could be divided into three major periods – the period of economic transition, the development period and period after European Union accession. The period of economic transitions starts with the

¹ <http://www.iom.int/jahia/Jahia/about-migration/migration-management-foundations/migration-history/cache/offonce/>

collapse of the communist party on 10 November, 1989. Emigration in the beginning of the 90s is of a great interest because of the large outflows of Bulgarian Turks to Turkey. People emigrated are considered as refugees and their incentives for migration are unique. Unfortunately, the data available does not allow me to analyze the rather intense political communist and post-communist emigration from Bulgaria of ethnic Bulgarian Turks in 1989-1992 to Turkey due to violation of their human rights by the totalitarian regime. However, a paragraph will be given in the thesis to describe the ethnic Bulgarian Turks outflows based on other studies. It is also of great interest the emigration after 2001, when the development period had started and the visa regulations for Bulgarians were no longer enforced. The openness of Europe has had a large influence on Bulgarian emigration, but also on economic development and financial and political stability. The Bulgarian accession to the European Union, in 2007, has led to further emigration from the country which is continuing up to now.

This paper will try to answer the following questions: which are the main factors that determine Bulgarians` decision to emigrate? Are they only pure economic or there is a tone of political influence on their decision? Which are the preferred destinations and why? It will also try to discuss how does emigration affects Bulgarian economy.

The paper is divided as follows: section 2 gives introduction to the migration theory and existing literature, section 3 describes the data and the economic, demographic and labor market conditions in Bulgaria and some of the destination countries. It also provides information about the most preferred destinations of Bulgarians in two different time periods, so the difference could be easily noticed. Based on other studied, it is also discussed why people prefer one country over another (what pulls them to the country). The next section touches the question of why did they emigrate and were there different incentives in the different time periods considered. The empirical model and findings will be discussed in depth. As mentioned, based in other studies, in depth discussion about Bulgarian – Turkish emigration will be made in order to compare the incentives of two different types of emigrants from Bulgaria – refugees and non refugees. There is a section which examines the emigration from Bulgaria after its accession to the European Union on 1st of January 2007. Since, the emigration from Bulgaria after EU accession is very broad topic and the data available covers only the years 1985-2006, I have decided not to focus much on that period. Before concluding, the main positive and negative effects of emigration on Bulgaria and its economy will be summarized in the final section.

2. Migration determinants – overview of theory and empirics

There are many theories explaining why people decide to leave their home country, leave their families, their jobs, their dreams and go alone to a completely different one, where the culture, habits, values, language, etc. are different. Why do they decide to face the difficulties of starting new life in completely different environment? There are many theories trying to explain the determinants of migration, all of which will be summarized in the following section.

Neo-classical economic perspective takes part in the first systematic theory on migration. That theory was formulated by the geographer Ravenstein (1885;1889) who formulated statistical laws of migration which put emphasis on the tendencies of people to move from low to high income countries, “to move from densely to sparsely populated areas” (Castles & Miller, 2003, pp.22). Classic economic theories have focused on income differences as the main determinants of migration (Hicks;1932).

At macro-level, the neo-classical theory explains migration by geographical differences in the supply and demand for labor. It is assumed that low-wage countries will have great supply of labor (less capital) and the opposite: high-wage countries will have scarce supply of labor (more capital). It is expected that people from low- wage countries will move to high-wage countries due to the wage differential. As a result of this movement, high labor supply country will decrease its supply and increase its wages and high-wage countries will decrease its wage thus leading to international equilibrium. Compared to labor movements, capital movements are expected to move in a completely opposite direction. By definition, in a perfectly neo-classical world, the process of “factor price equalization” (the Heckscher-Ohlin model) will result in equalization between wages in the sending and receiving country. This means that, in the long run, this process would remove the incentive to migrate (COMCAD, 2007). Massey et al. (1993) summarizes the incentives:

1. Migration is caused by wage differentials.
2. The elimination of wage differentials will eliminate labor movements
3. International flows of human capital respond to differences in the rate of return to human capital.
4. Other kind of markets, different from labor market, does not have any effect on international migrations

5. The way for governments to regulate migration is to control the labor markets in sending and receiving countries

At micro-level, the neo-classical theory views migrants as individuals who make their decision to migrate based on cost – benefits analysis. This is also known as human capital investment framework (Sjaastad, 1962). Human capital approach is one of the most widely used approaches to explain migration process. It assumes that the individual will try to maximize utility, meaning that the individual will immigrate to a country where he/she will maximize the well-being. The decision to migrate is seen as an investment and the return on that investment should be higher than the cost associated with it. The investment is the cost incurred through migration and the return is the future wage the individual will earn. In order to capture those high wages, the individuals should face material costs of travelling, cost of moving and looking for a job, efforts put to learn new language and culture, psychological costs, etc. The assumptions of the model are free information search and perfect knowledge about the disequilibria in the world market. Making those assumptions, people are expected to move to places where they will be most productive. That is the place where they can earn the highest possible wage. This of course depends on the skills that a person has and it also depends on the labor market conditions in the receiving country (Massey et al, 1993). From the theory, it could be argued that skilled and educated people would have higher expected return thus they will be pushed to migrate. This from the other side has negative effects on the country of origin, because it causes slower economical development, “brain drain”. Since neo-classical theories focus on explaining the voluntary migration of individuals, the model is criticized as being too simplistic and incapable of explaining current and predicting future migrations. The idea that the free individual who can make choice based on given free information does not seem reliable anymore. Individuals, that maximize their well-being through migration which leads to equilibrium in the market place, have little value when it comes to explaining the determinants of emigration. Harris and Todaro (1970)² model is an extension of the human capital theory and it goes further trying to explain the phenomenon of migration not only by looking at income differential. They argued that migration is motivated by “expected” income differences, i.e. the income differentials adjusted for the probability of finding a job (probability of being employed). The concluding remarks are (Massey et al., 1993):

² Harris and Todaro (1970) model analyze rural – urban migration

1. International movements stems from international differentials in both earnings and employment rates.
2. Increase of the probability of getting a job would increase the probability of movement, keeping all other factors equal
3. Individual characteristics, improved technology, globalization, social conditions lower migration costs are increasing net returns and the probability of international migration
4. Individual within the same country can have different incentives to migrate
5. There will be not international movements if there is no difference in earning and employment rates.
6. The size of the wage differential determines the size of migration flow between countries.
7. Migration decision is influenced by disequilibria in the labor markets. Other markets do not influence the decision to migrate.
8. Governments control immigration primary trough policies

Lee (1966) revised Ravenstein`s laws on migration and proposed new analytical framework for migration. He suggests that the decision to migrate is determined by the following factors: factors related to the area of origin; factors related to the area of destination; intervening obstacles (distance, physical barriers, immigration laws, etc.); and finally personal factors. He also argues that migration tends to take place “largely within well-defined streams”, (Lee 1966:54-55). That is not only so because of the opportunities tending to be highly localized but also because the flow of knowledge back from destination countries facilitates the passage for later migrants. Lee also suggests that migration is very selective because the individuals respond differently to push and pull factors at origins and destinations and have different abilities to cope with those intervening variables. Individuals differ from each other in terms of personal factors (Lee, 1966). This draws the conclusion that migrants are rarely representative of their community of origin. His framework is commonly referred to us as “push-pull” model.

In 1970, alternative explanation about international migration arises. The alternative approach was called historical-structural approach. It has its roots in Marxist political economy and in world system theory. This approach explains migration as a result of inequality. There is unequal distribution of economic and political power in the world economy, thus people have unequal access to resources. The migration is seen as new way of

mobilizing cheap labor for capital - usage of the poor country's resources to make rich countries even richer. The model ignores the assumption made by the neo-classical economists, that individuals have free choice. Instead, it argues that the individuals not only do not have free choice, but they are forced to move. As every theory, historical-structural approach was criticized by many researchers. There is one major question that this approach doesn't give an answer to: if there is such thing as capital and interests of the Western countries, how the breakdown of migration policies could be explained? Besides, this approach only looked at the interests of capital as all determining factor and ignored the possibility of any motivations and actions of the individuals to migrate (Castles & Miller, 2003).

Jackman and Savouri model (1992) looks at migration as a special case of job matching, in which a job-seeker in region A is matched to a job in region B. It is possible for the individual to live in area A and travel to B every day, but this match, more likely in the long run, will be associated with migration of the household. Thus, migration is viewed as a result of successful job search, but not a pre-condition of it. The research shows that the highest number of emigration will be from areas that have high unemployment rate and the people who will decide to migrate will be unemployed. Their model suggests that the total flow from the origin to the destination country would be determined by the share of unemployment in the origin country and the share of vacancies in the destination country (Baba et al., 2008). Unemployment rate, however, have shown insignificance in number of studies Pytlikova (2006). One reason for that could be the existence of the so-called "wage-curve"³ (Blanchflower, 1994) which has negative degree of inclination over low unemployment level. This curve becomes flat, once sufficiently high unemployment rate is reached. Jackman and Savouri model, however, assumes that distance is insignificant. But this is not completely true, since distance does matter. People would prefer to have a job near to their place of residence, in order to avoid many costs of moving, travelling, etc. From the other side, people ignore distance when factors such as high wage and good standard of life are considered (Baba et al., 2008).

Besides economic factors, which are considered as the most important factors determining the decision to migrate, there are other factors such as population pressure,

³ The literature on "wage curve" argues that wages in countries with low unemployment tend to be higher, than in countries with high unemployment rates. Blanchflower (2001) finds evidence for the existence of significant wage curves in Bulgaria.

demographic pressure, or environmental degradation which are commonly stated as “root causes” of migration. Moreover, the desire to migrate crucially depends on the aspiration of people, an element which is typically ignored in the most famous theories (COMCAD, 2007).

Migration system theory tries to cover all dimensions of migration. According to the theory, migration system is constituted by two or more countries which exchange migrants with each other. It means examining both ends of the flow and studying all the linkages between the places concerned. This theory also suggests that “migratory movements emerge from the existence of prior links between sending and receiving countries based on colonization, political influence, trade, investment or cultural ties” (Castles & Miller, 2003:26). Migratory movements are result of interaction of macro- and micro- structures. The macro-structures include the political economy of the world market, interstate relationships, and the laws, structures and practices established by the states of the sending and receiving countries to control migration settlement. The micro-structures are the informal social networks developed by the migrants themselves, in order to cope with migration and settlement. Informal networks are family, personal relationships, friendship. The researchers have found out that family and community are crucial in migration networks. It is argued that the decision to migrate is not made by the individual but rather by the family as a whole. Family linkages often provide both the financial and cultural capital which makes migration possible (Castles & Miller, 2003). Munshi (2003) claims that network based on family or on common origin help with making the migration process safer and more manageable for the migrants and their families. However, he also argues that while these social ties might improve the efficiency of the network, they also come with cost. Members of the community, most likely, will face strong pressure and thus will remain in the low-skill jobs that are chosen to maintain the stability of the network (Munshi, 2003). Another motive for people to migrate is family reunion. As the length of their stay increases, the original migrants begin to bring their spouses, children, relatives or start a new family. People fully integrate in the country and start to see their future life there.

In addition to all of the above mentioned theories explaining the determinants of emigration, Borjas (1999) claims that social security payment structures in the destination country may play a role in migrant`s decision making. Before migration, potential migrants must account for the probability of being unemployed in the destination country. The effects of this risk may be reduced by the existence of welfare benefits which are income substitutes while a person is being unemployed and in a process of searching for job. While Borjas

(1999) empirical evidence supports the magnetic effect on the immigrant population, many other like Zavodny (1997) do not find evidence for the existence of the so called welfare magnet.

The evolution of production, distribution and exchange within an increasingly integrated world economy over the last five centuries has clearly been another major determinant of migrations.

Some researchers argue that it is important to distinguish between short and long-run determinants of emigration. Migration patterns are sensitive to short-run changes in economic circumstances (Hatton, 1995). Pytlikova (2006), in her paper about Central and East European (CEE) emigration finds that push/pull factors play an important role in international migration from those countries. She also finds that immigrants' networks have strong and positive effect for immigrants from CEE. Her analysis concludes that income gaps have positive and significant effect on migration flows. Other empirical studies confirm the socio-demographic characteristics of an individual such as age, gender and education matter in the decision to migrate⁴. Usually, young and well-educated individuals are more mobile because they have higher return on migration (Pytlikova, 2006). The decision to migrate has also been analyzed from family's perspective with regards to the household's overall decision to move and take place only if the net gain to some members exceeds the others' net loss Mincer (1978). Stark (1984) argues that members of a family migrate not necessarily to increase the family's absolute income. They rather emigrate in terms of relative deprivation, i.e. to improve the family's position relative to that of other household.

So far, there is no research done about determinants of Bulgarian emigration. There are studies based on qualitative investigation of determinants of migration. Using personal interview approach, they have tried to find out what are the main determinants for Bulgarian emigration to a specific country, see Kostadinova et al (2005). The countries of destination which were investigated are Belgium, Spain, Germany, Italy, Greece and United Kingdom. The researchers have also used questionnaires in attempt to capture the main incentives. The crucial findings are that Bulgarian emigration is driven by economic push/pull factors and the network effects are very strong and significant. There are also papers based on Central and

⁴ It is argued that highly-educated people have greater ability to collect and process information, which lowers the risk and increases the chances of migration

East European emigration generally, without any specific focus on Bulgaria (Pytlikova, 2006).

In this thesis I am therefore contributing to the literature analyzing using panel data for the period 1989-2006.

3. DATA

The analysis made is based on information on Bulgarian migration flows and stocks to 27 OECD countries for the years 1985-2006, see Table 1 in Appendix for a list of countries included. The migration flows and stock data was kindly provided to me by Mariola Pytlikova, and it is described in detail in Predersen et al, 2004 and Adsera and Pytlikova, 2010. Beside migration flows and stock of immigrants, there are other variables included which will help explaining the determinants of Bulgarian emigration. The explanatory data is collected from different sources, e.g. OECD, World Bank, UN, ILO and IMF publications.

There are some problems with the dataset, however. First, the dataset is unbalanced, meaning that there are missing observations in the panel. Another problem is arising from the fact that different countries use different definitions for an “immigrant”. Countries like USA, Australia, Netherlands use “country of birth” to distinguish between foreigner and non-foreigner. Other, like Denmark and Italy use citizenship, UK uses nationality and Spain, country of origin. Another problem is the available data. I do not have available data for the years 2007-2009, so in the empirical model the period after Bulgarian accession to the European Union on 1st of January 2007 will be not included. Probably, the main problem, which prevents making good analysis of Bulgarian emigration, is the underestimated numbers of stock in the destination countries. Many Bulgarians move to countries illegally, which makes the process of obtaining real number of immigrants impossible. This fact will, however, be ignored, but one should bear in mind that the numbers for some countries used are far from real.

4. Demographic and economic conditions

4.1 Population of Bulgaria

Population ageing is a very big issue not only in Bulgaria but in the whole world. According to United Nations report on population ageing, the older population is growing faster than the total population in all regions of the world. It is also projected that by 2025-2030 the population over 60 will be growing 3.5 times as rapidly as the total population. The aging of population is major incentive for some countries to accept immigrants⁵. Besides that, the quality of immigrants is changing dramatically – more and more emigrants are well educated and they are attractive recipients for the countries. However, still, many of the emigrants are low-skilled workers and that could harm the welfare and labor market in the host country.

While global population increases, that of Europe is changing in a very different direction. Fertility remains to be below the replacement level which will lead to shrinking of the population. Shrinking of the European population combined with increasing life expectancy is destroying the demographic balance. Europe is the region with the highest proportion of older people compared to the world. About 37% of the European population is projected to be 60 or over in 2050, up from 20% in 2000⁶. Bulgaria is facing the same problem of population aging together with continuous decline. The change in age structure was influenced by the large emigration of Bulgarians. The country is among the five “oldest” countries in Europe together with Spain, Germany, Greece and Italy, Markova (2010).

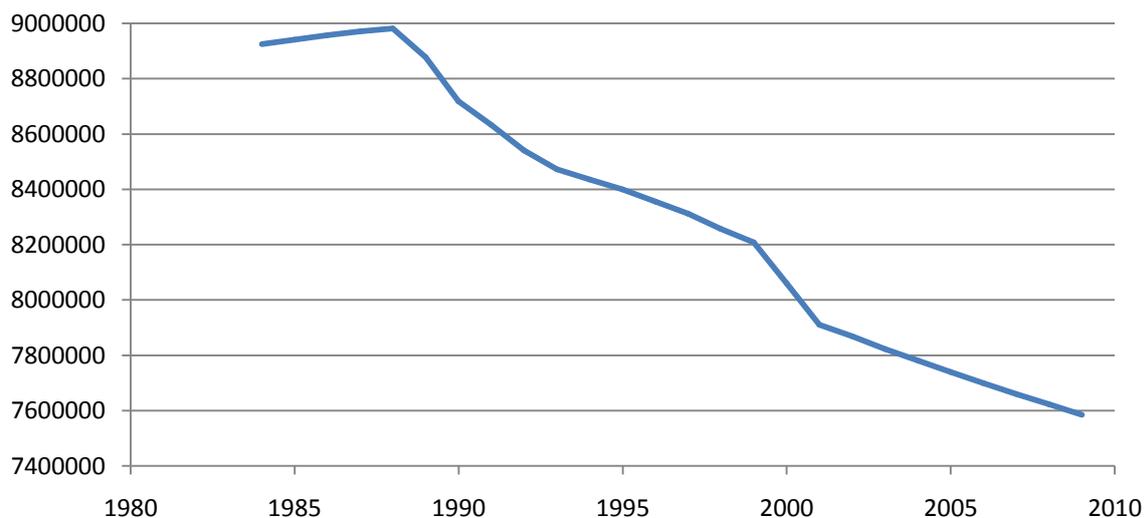
Figure 4.1 shows the population of Bulgaria from 1984 to 2009. It could be seen that during 1984-1989, the population was actually increasing and in 1989 reached almost 9 million. A big part of this increase is contributed by the communist regime in the country - the mortality rate was low, combined with positive fertility and very low emigration. The low emigration was contributed by the Communist party who was strongly controlling the mobility and migration. International migration was very limited and restricted to the Soviet bloc. Even when people were travelling to countries of the Soviet Bloc, they needed to provide reasons and duration of the trip. Since 1989, however, the population went into a completely opposite direction. The decline is considered as homemade and it is economically

⁵ <http://www.un.org/esa/population/publications/worldageing19502050/>

⁶ <http://www.un.org/esa/population/publications/worldageing19502050/>

and socially determined. Nowadays, Bulgaria is one of the countries with highest mortality and the lowest fertility rates in the world. Low income, especially among young families, high unemployment rate and low living standards have contributed to one-child families becoming normal. The economic transition of the country which began in the late 1989 was also a major contributor to the shrink in population. High inflation, decline in wages, decline in living standards, high unemployment and low labor force participation increased crime rate and poverty which were reducing the fertility and increasing the emigration. Actually, one of the most immediate effects of Bulgarian emigration was radical decrease in population. Since 1989, population has decreased by 13.27%. Massive emigration from specific, ethnically mixed regions in Bulgaria has resulted in depopulation of some areas. Due to the high emigration rate and decreased population, Bulgaria already experiences shortages of high- and low-qualified labor.

Figure 4.1: Bulgarian population since 1984



Source: Adsera and Pytlikova, 2010

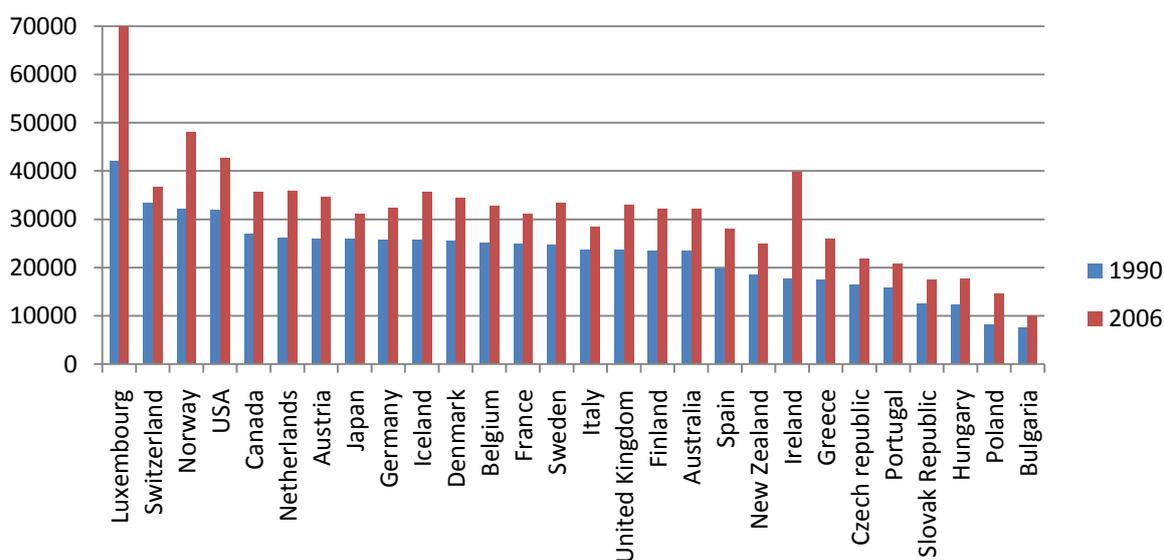
Since 1989, Bulgaria is experiencing what is called “demographic shock”. A “demographic shock” is considered as the “demographic consequence of a significant event or series of events such as the transition of one political and socioeconomic system to another thus leading to social stress, political and economic turbulence, increased crime, personal insecurity”, etc. (Vassilev, 2005:19).

4.2. Economic conditions

After 1989, Bulgaria has been gone through fundamental changes in its economy. It has transformed from one-party state to a pluralist democracy; from a state-owned economy to market-driven economy. The years in transition had the major influence on the Bulgarian economy and brought big changes on the labor market and society.

Figure 4.2 shows the GDP expressed in Purchasing Power Parity (PPP) for the years 1990 and 2006 respectively. Bulgaria, together with other Central and East European (CEE) countries, has far below the average GDP for the rich OECD countries. The low GDP of CEE countries is result of drastic recessions due to the collapse of the “Iron Curtain” and break down of the trade relations with the ex-soviet bloc, which still have influence on the economic performance of the countries. Bulgaria as a whole has the lowest GDP per capita among the other 27 countries included the figure.

Figure 4.2: GDP PPP per capita in the OECD countries and Bulgaria, 1990 and 2006

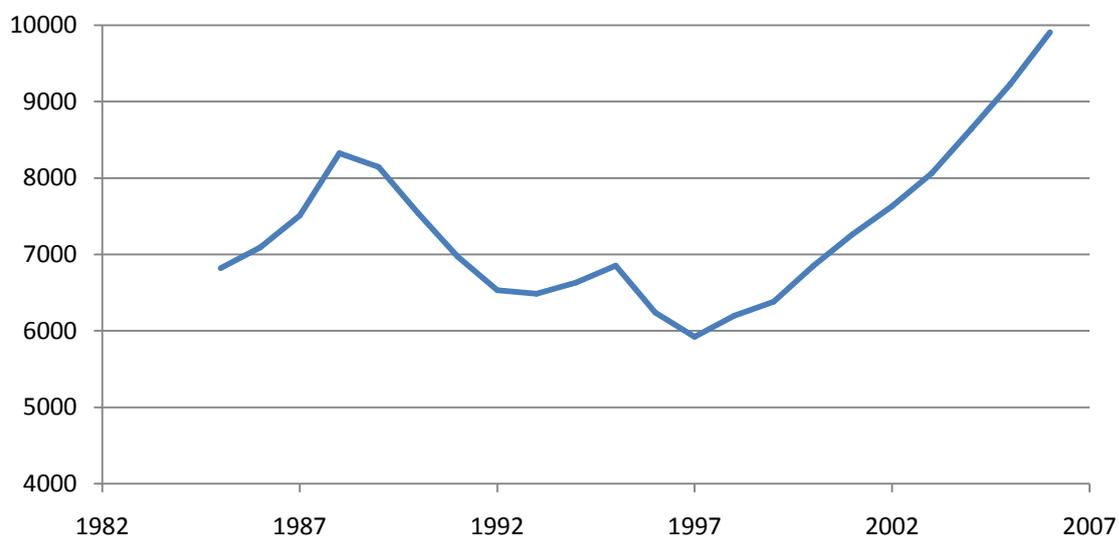


Source: Adsera and Pytlikova, 2010

During the period when Bulgaria was a communist country, the GDP per capita was increasing continuously together with population increase. This is result of high secure employment, enlarged state sector and good living standards. After the fall of socialist regime in 1989, the country faced a post-socialist dramatic recession. GDP was decreasing (Figure 4.3 below) reaching the lowest value in 1997. The communist labor market policies

contributed to the failure of the economy which resulted in excess in demand for labor, low mobility and occupational choice and low productivity (Blanchflower, 2001). In 1990 the Union of Democratic forces won the election which started the country's transition period from communistic country to democracy. The transition period started with price liberalization, opening the economy, liberalization of trade, etc. The output collapsed due to the loss of the former COMECON⁷ markets, which resulted in increased unemployment rate. Migration restrictions were lifted up and many took advantage of the already opened borders to rest of the world. That contributed to further decrease in GDP for the years until 1992. Between 1992 and 1995, there was increase in GDP followed again by sharp decrease in 1995 – 1997.

Figure 4.3: GDP PPP per capita in Bulgaria, 1985-2006



Source: Adsera and Pytlikova, 2010

The second decline in GDP, which starts in 1995, was mainly due the big transitional crisis which was contributed by the Bulgarian Socialist party. In actual fact, Bulgaria has experienced several crises in the banking sector since the beginning of the 90s. They were in 1991-1994, 1995 and 1996-1997 respectively. The crisis in 1996 was both bank sector and currency crises and it was the crisis with the biggest consequences for the country. There was

⁷ Council for Mutual Economic Assistance (1949 – 1991) economic organization between the countries in the Eastern Bloc and other communist states in the rest of the world. Bulgaria was a member of COMECON since 1949 together with Czechoslovak Republic, Republic of Hungary, Republic of Poland, Romanian People's Republic and Union of Soviet Socialist Republics. Later, many other countries became members.

a massive privatization. Many people became unemployed; there was a hyperinflation and very rapid decline in living conditions. Three years later, after a big change in the cabinet structure, a positive growth of the GDP is observed (see Figure 4.5). The changed government in 1997 was targeting decreasing the present hyperinflation. Many factories were closed, many people laid off and rapid decrease in public spending (see Figure 4.6: Total Unemployment). Another reason for the failure of the reforms in the first eight years is frequent political reshuffling (Mihov, 1999). After 1997, Bulgaria observes increase in living standards. This decrease in GDP and increased unemployment were most likely very influential on migration outflows from Bulgaria.

Over 3 years 1988-1991, Bulgaria has experienced 10% drop in its GDP, which could have possibly influenced the number of people emigrating from Bulgaria. Unemployment was high (Figure 4.6). In 1995 there was hyperinflation and Bulgarian currency – lev – was devaluated. The prices of food and services went up. The crisis was probably a major reason for people to leave the country for seeking better life abroad. In the beginning of 1997, with a change in the government, big reforms started. Currency board system was introduced which helped stabilizing the country`s economy. The structural reforms were privatization, liquidation of state-owned enterprises, reforms social insurance programs, etc.

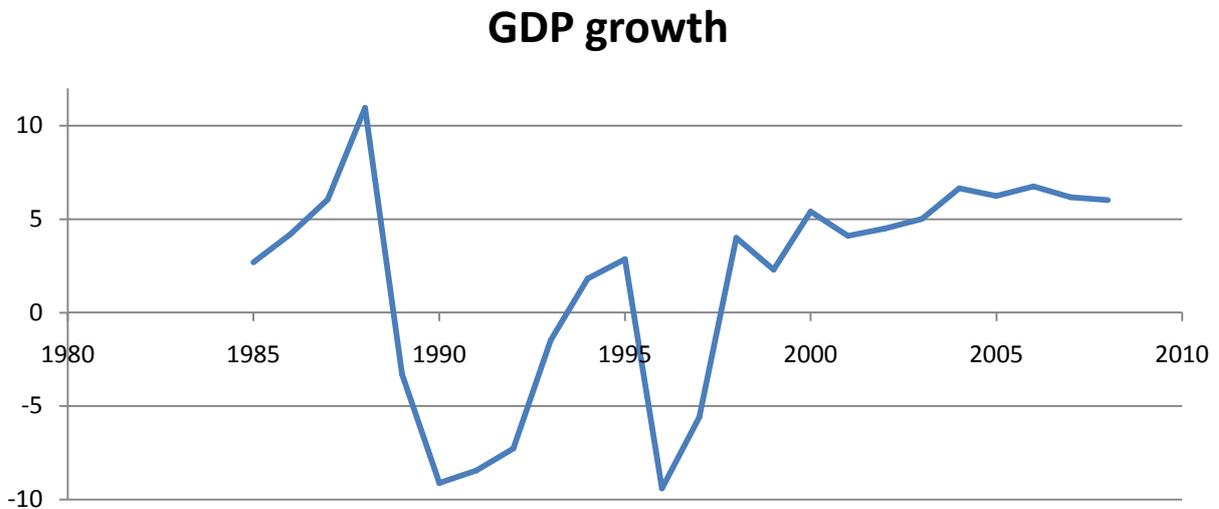
The results of the reforms after 2001 were drastic change in unemployment rate and increased foreign direct investments. The country became a member of NATO⁸ and signed the Treaty of Accession to the European Union⁹ and visa restrictions were lifted¹⁰. The level of unemployment went down very sharply. Lifting the visa requirements and less restriction policies in the countries of destination probably were a major reason for big migration outflows from Bulgaria.

⁸ Bulgaria becomes member of NATO in April, 2004

⁹ Signed by the EU Member States and Bulgaria and Romania in Luxembourg on 25 April, 2005

¹⁰ Bulgaria was excluded from “black list” visa restrictions in 2001. This gave right to Bulgarians to travel within Europe without having visa.

Figure 4.5: GDP growth in Bulgaria, 1985-2006



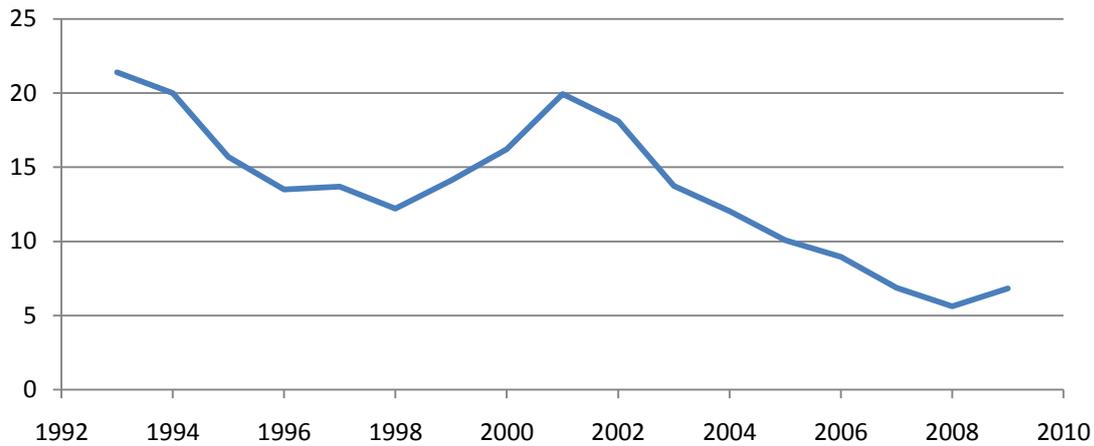
Source: Adsera and Pytlikova, 2010

High unemployment may be another main reason for the continuously increasing emigration from Bulgaria. High rates of unemployment combined with big wage differentials between Bulgaria and receiving country most likely stimulated emigration. Even though Bulgaria experienced three crises in the period 1989-1997, the unemployment rate was going down until 1997¹¹. One could argue whether the decrease in unemployment was due to increased employment or reduce in labor force. As discussed above, increased employment is not logical since in times of transition, many people were laid off due to the closed inefficient factories and lost of the Soviet – bloc market. Reduction in labor force seems to be more logical explanation.. The graph shows the unemployment rate as a % of the labor force¹². Taking a look at Figure 4.1: Bulgarian population, could be noticed that the population was declining, meaning that the labor force in Bulgaria was also declining rapidly. Besides, there were many people who were not registered as unemployed thus further reducing the labor force and unemployment respectively.

¹¹ The data used in Figure 4.6 is from 1993 until 2006

¹² Labor force is defined as total number of people who are either currently employed or unemployed but seeking for employment

Figure 4.6: Total unemployment in Bulgaria, 1993-2006

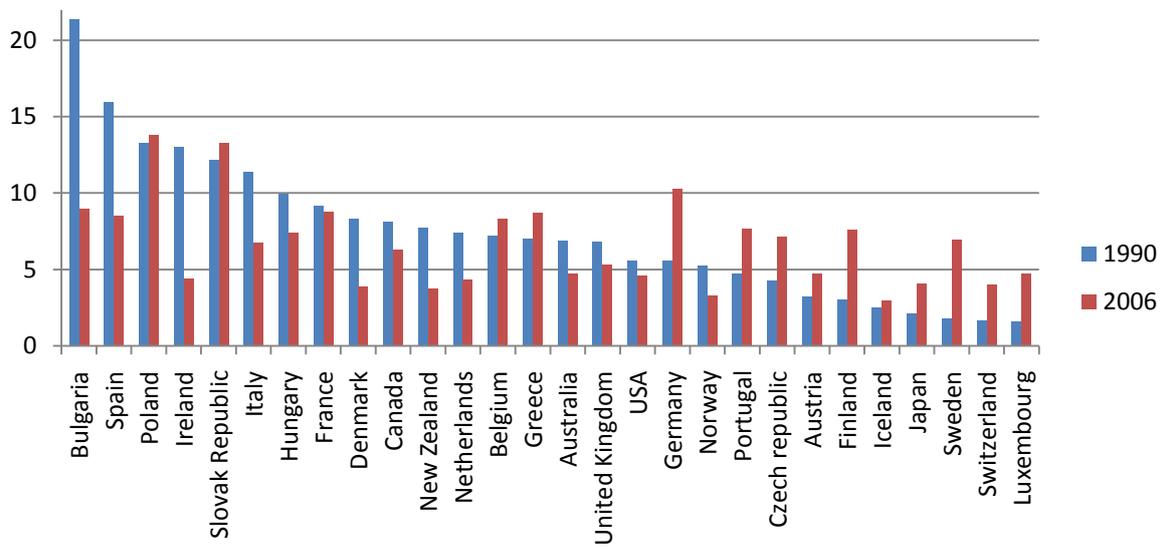


Source: Adsera and Pytlikova, 2010

In summary, the decline in unemployment rate could be explained by negative population growth, decline in labor force and increase in emigration from Bulgaria. The opposite of the GDP graph, instead of improving unemployment rate in time of economic development, there was worsening of the situation. Unemployment rate went up despite the fact that the GDP was growing and the country was already in a track of financial and economic stability. The main reason was the change in government, as mentioned above, and their policies in attempt to reduce the hyperinflation and improve the country's economy which further increased the number of unemployed in Bulgaria. Here it should be mentioned, that Figure 4.6 understates the real unemployment rate because they are calculated based on number of registered unemployed. Also, many people were forced to early retirement which drives the number even lower (Mihov, 1999).

According to Figure 4.7, Bulgaria has one of the highest unemployment rates among OECD countries. In 1999, Bulgaria had the highest unemployment rate together with Spain, Poland, Ireland and Slovak Republic. In 2006, however, the country achieved lower or almost equal unemployment rate compared to some of the main destination countries for Bulgarian emigrants - Spain, Germany and Greece.

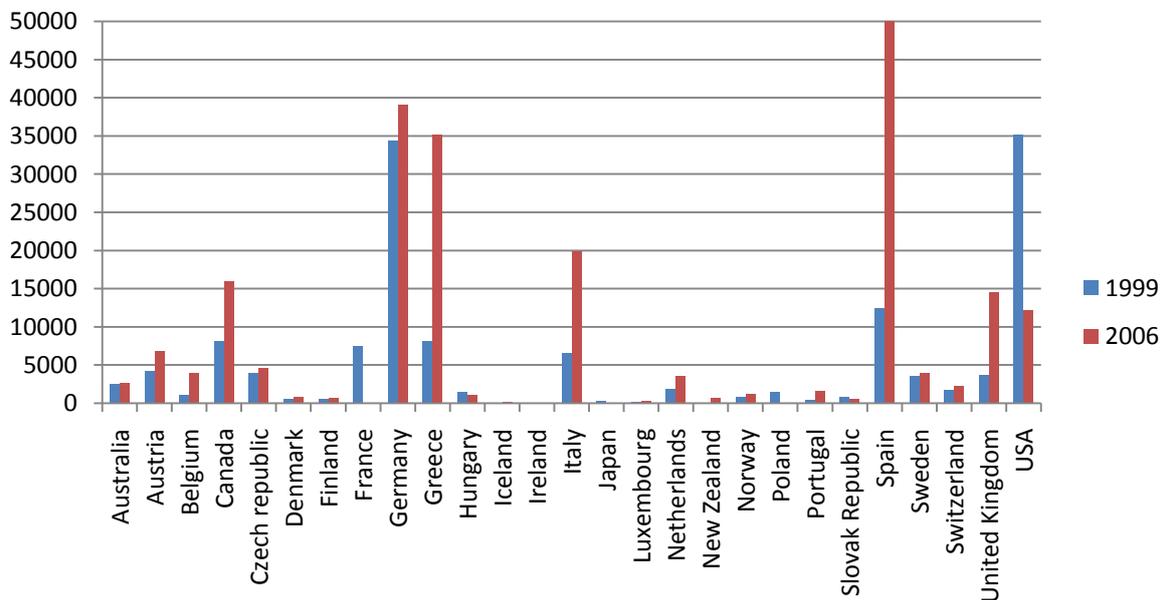
Figure 4.7: Unemployment in 27 OECD countries and Bulgaria, 1990 and 2006



Source: Adsera and Pytlikova, 2010

4.3. Where do Bulgarians go?

Table 4.8: Stock of Bulgarian immigrants in 27 OECD countries



Source: Adsera and Pytlikova, 2010

Figure 4.8 above shows the stock of Bulgarians in 27 countries (OECD countries) in 1999 and 2006 respectively. The number of immigrants at specific point of time is not the

real one due to missing data and also due to the fact that there are many immigrants who are residing in some countries illegally, so they are not counted in the immigrant stock number. Figure 4.8 shows which the preferred destinations are and how those destinations change over time. In 1999, the most preferred destinations were USA, followed by Germany, Spain, Canada and Greece. When compared to 2006, the destination countries have change to Spain, Germany, Greece, Italy, Canada, United Kingdom and finally USA. It is obvious that in recent years Bulgarians tend to go to Spain and Greece for which might be a reason the proximity factor and stock of immigrants. The number of Bulgarian immigrants to Germany has not increased a lot for the years 1999 - 2006 years which leads to conclusion that people who have emigrated, in that period, have preferred other destination country.

Probably, one of the reasons for the intense immigration to Germany is the signed bilateral agreement with Bulgaria for employment Bulgarian workers on 12.03.1991. That could explain the large immigration stock in 1999. In 1992, there is another bilateral agreement signed for employment of workers, which targets improvement of language and professional skills. Dietz (2002) states that Bulgarian emigration to Germany started in 1989 and increased very fast until 1992 followed by rapid decline thereafter because of immigration barriers introduced in 1993. She also finds that the most important factors for Bulgarians emigrating to Germany were political instability and bad economic situation. Study made by Kostadinova et al. (2005) finds that the salaries in Germany were 31 times higher than the ones in Bulgaria in 1999. That could be another explanation for the big number of Bulgarian immigrants in Germany in 1999. In 2003, the wage differential was reduced to 16 times.

Immigration to USA, however, has decreased substantially between 1999 and 2006. Some of the reasons for the decreased number of Bulgarian immigrants in the States could be the 2001 events in USA, which have probably forced the country to take actions and impose more strict immigration policies. Besides, Bulgarians who has emigrated in 2000 or prior to that year, either using the Green card program supported by the US government or family reunion, are already American citizens by the year 2006 and they are not counted as foreigners any longer. That decreases the number of immigrants in the country substantially. Even though USA is not a neighboring country, many Bulgarians still choose to emigrate, disregarding the higher costs of moving. Long distance, however, could probably be offset by the network effect. The big number of Bulgarians living in the US most likely has influence on future emigrants, thus making the country more attractive destination. USA, via its Green Card lottery is important destination for permanent migration.

The emigration to Greece has increased a lot and probably one of the reasons is proximity factor. The country attracts migrants from the lower skill end of the labor market. The cost of moving to Greece is very low, compared to other countries such as USA or Canada. It is even lower compared to Spain and Germany. Probably, the number of immigrants which have been shown and on Figure 4.8 is not the real number. One of the reasons is the Bulgarians who are emigrating for short-term employment and reside in the country illegally (Kostadinova et al., 2005). Furthermore, she finds that the dominant group of Bulgarian immigrants in Greece is 30-44, which has the knowledge about the unemployed labor force in the country. The other big group is that of people between 45 - 64 which are called transition-period-people, who face difficulties adjusting to the new labor market conditions in Bulgaria due to lack of skills and knowledge which will meet employers` requirements. Cavounidis (2004), states that the majority of the emigrants in Greece are women. Better labor market opportunities for women in specific industries in the host country increase their share of Bulgarian immigrants. This is due to the fact that most of the employment positions are female jobs such as babysitting, care for elderly people, agricultural work, etc. Cavounidis (2004) claims, that Bulgarians prefer Greece because of its proximity, presence of relatives and friends. Kostadinova et al. (2005), from interviews made in 1999, concludes that more than half reported their first entry to Greece in the period 1994-1997, which is the crisis period. 46% of interviewed also answered that Greece was not their first desired destination due to its low real wages. The existence of formal networks increases the emigration to that country which in different situation probably will be not the desired one but rather the feasible one. Wages in Greece in 1997 were 9 times higher, compared to 7 times in 2003, (Kostadinova et al., 2005).

UK became a very attractive destination country when Bulgarians started taking advantage of ECAA visas¹³, which allowed them to enter UK as self-employed. That occurred in the second half of the 90s. The labor market in UK, however, is restricted for Bulgarians and Romanians. Skilled workers with special education and experiences are allowed to take up jobs when there is no suitable UK applicant. Low-skilled migration is limited with a strict quota. Students can study in the UK and seek part-time job during their stay but they need a work authorization document to do so. It is found that low

¹³ European Community Association Agreement visa is a British immigration service

unemployment and high standard of living in the UK (GDP) per capita are reasons why workers from Bulgaria may have been attracted (Blanchflower, 2009).

Bulgarian immigrants in Spain are the second largest group in size coming from Central and Eastern Europe (Stanek, 2009). Kostadinova et al. (2005) in her paper finds that the majority of Bulgarians in Spain belong to 25-34 age groups. She argues that the dominance of young people could be explained by their flexibility and their “feeling of adventure”, which makes them prefer Spain rather than Greece. Usually, they are not married thus making them very mobile. Another reason could be that young people are often willing to take jobs which are paid less even compared to their level of qualifications. In Spain compared to Greece, the dominant gender of Bulgarian emigrants is men. After settling in the country, finding a job and own house, they usually take their women. The majority of immigrants in Spain and Greece are employed in highly seasonal activities such as construction work, domestic and care work, agriculture (Kostadinova et al., 2005). Interview made in Spain in 2003, 2004 shows that most of the immigration to Spain was in the years 2000 – 2002 and the main reason was relatives and friends. Very small percentage of Bulgarians in Spain immigrated in 1990 – 1997 (Kostadinova et al., 2005). The peak entry was 2002, 2003 and beginning of 2004. Kostadinova et al. (2005) finds that in Italy, the same as in Greece, the dominance of women is obvious and constant.

5. Empirical model

I will provide an empirical analysis in order to explain what was driving Bulgarian emigration. I focus on the push-pull factors that might affect the decision to emigrate. In order to do this, I have to make some assumptions which will be vital in explaining my model. First, I would assume that migrants are utility-maximizing people, meaning that all being equal, people tend to go to countries which provide better opportunities. My preferred empirical model is based on human capital theory. The decision to migrate is driven by many factors, such as individual factors, country of origin factors, and country of destination factors. In my model, I estimate gross migration flows from Bulgaria to 27 OECD countries.

My model, which will try to explain the determinants of migration, is (Zavodny 1997):

$$M_{bjt} = \beta_1 S_{bjt} + \beta_2 D_{bj} + \beta_3 X_{bt} + \beta_4 X_{jt} + \mu_{bjt} \quad (1)$$

where M_{bjt} is the number of immigrants moving from Bulgaria, b, to country j at time t. S_{bjt} is the variable which represents the stock of immigrants from Bulgaria in country j at time t. D_{bj} is time independent variable; X_{bt} , X_{jt} are the variables that represent the push-pull factors in Bulgaria and country j. X_{jt} includes the unemployment rate, GDP per capita, PPP, population and public social expenditure for the destination country at time t-1. X_{bt} includes GDP per capita, PPP, unemployment, population for Bulgaria at time t-1. Finally, μ_{bjt} is the error term. The error term is assumed to be independent and identically distributed over individuals and time, with zero mean and variance δ^2_{μ} . The dependent variable is defined as gross migration flow from Bulgaria to country j.

Similarly as Pedersen et al. 2004, I lag all time variables by one year, because I need to account for information based on which the individuals decide to move. One could expect that migration decision takes time and therefore past values are more appropriate to be used. Other reason is to avoid endogeneity bias (Zavodny, 1997). All of the variables are in logarithmic form to express impact elasticity.

So, the new model, with lagged and logged time variables is:

$$\ln M_{bjt-1} = \beta_1 \ln S_{bjt-1} + \beta_2 \ln D_{bj} + \beta_3 \ln X_{bt-1} + \beta_4 \ln X_{jt-1} + \mu_{bjt} \quad (2)$$

I have included the GDP, PPP of both countries in order to control for the income differences. Using those variables, I will try to find whether wage differences are the main driving factor for international migration. Using unemployment rates, I control for employment opportunities. The hypothesis is that higher (lower) level of economic development in the destination country will be followed by higher (lower) immigration because immigrants are expecting to experience better living standards when already emigrated. The effect of GDP per capita in the source country may not be with the expected sign because of the U reversed relationship between source country GDP and emigration, see Petersen et al. (2004). At very low level of GDP, emigration is low because people are too poor to migrate. When GDP increases the emigration from the country also increases due to increased income. At some point, with increase of the GDP, emigration will start decreasing due to lost incentives for migration. People will no longer expect higher return on their migration investments and decide to stay.

I also include the variable public social expenditure of the destination country to capture the potential “welfare magnet” effects. The variable will try to explain whether

increased public social expenditure in the destination country affects locational choice of new immigrants. Borjas (1999) argues that one would expect the immigrants move to countries where they can benefit from high welfare benefits. Zavodny (1997), however, found out that welfare benefits do not affect the number of new immigrants. I would also expect negative correlation between public social expenditure and immigration. Argument for my expectations is higher tax level, which logically should decrease the attractiveness of the country. Also, it is proven, that countries with good welfare system have many more restrictions and policies preventing mass immigration.

D_{ij} is distance in Kilometers and it is also used to measure the direct costs of emigration. It is measured by the distance between the capital of Bulgaria and the capital of the destination country. This time independent variable captures the cost of moving to a specific country; for example the material cost of moving from Bulgaria to country j . It is expected that it would be negatively correlated with number of immigrants. This variable also includes the influence of proximity between the country of origin and country of destination. In summary, it captures the physiological and monetary costs of moving.

The network effects are captured by the lagged stock of immigrants, S_{bjt-1} , e.g stock of Bulgarian immigrants in the destination country. I expect positive relationship between stock and future emigration. Networks send information back to the people in the source country thus reducing the cost of searching for it. Through networks is also send information about job opportunities, economic conditions, culture, immigration policy etc. It facilitates easier immigration and faster adaptation of new immigrants to the surrounding environment.

As Pedersen et al. 2004 did in some models; I also include destination fixed effects, c_j , in order to capture unobserved time-constant factors which are assumed to be equally attractive for all immigrant groups. Such time-constant factors could be the distance between the countries, the language, climate, etc.

Finally, I include variable capturing the population pressure which also controls for the country size. I expect higher migration pressure if the population pressure in the source country is also high.

My final model, which is used to explain emigration trends from Bulgaria is:

$$M_{bjt} = \beta_1 S_{bjt} + \beta_2 D_{bj} + \beta_3 X_{bt} + \beta_4 X_{jt} + c_{bj} + \mu_{bjt} \quad (3)$$

5.1. Correlation matrix

I have made a correlation matrix for all the variables that I could possibly be used in my model explaining the determinants of Bulgarian emigration. Correlation is a number between -1 and 1 which measures the degree of association between two variables. A positive value of correlation implies positive linear relationship between the variables and negative value implies negative linear relationship. From the table above could be seen that some of the variables have strong linear relationship, in other words, strong correlation. Strong correlation is considered as correlation which is above 0.8 in absolute value.

Figure 5.1: Correlation Matrix¹⁴

	EStock_1	lnEPop~1	distance	Intrade1	GDPpC~j1	Unemp~j1	lnpsepj1	Intaxrj	GDPpC~i1	Unemp~i1	freec~_i
EStock_1	1.0000										
lnEPop_ij1	0.8144	1.0000									
distance	-0.2722	-0.1572	1.0000								
Intrade1	0.7885	0.8297	-0.5180	1.0000							
GDPpCapPPPj1	-0.1448	-0.2240	0.3115	-0.1734	1.0000						
UnempRat~j1	0.4647	0.6124	-0.1390	0.5241	-0.4296	1.0000					
lnpsepj1	0.3207	0.3015	-0.2653	0.4296	0.1747	0.2949	1.0000				
Intaxrj	-0.4526	-0.2594	0.1953	-0.2733	0.1078	-0.0962	0.1758	1.0000			
GDPpCapPPPi1	0.0648	-0.1043	0.0637	-0.0418	0.1765	-0.1374	0.1193	0.1263	1.0000		
UnempRat~i1	0.0144	-0.0494	0.0461	-0.1069	0.1097	-0.2512	-0.0707	0.0145	0.3646	1.0000	
freecri_i	-0.0693	0.0566	0.0579	-0.0544	-0.0552	0.0412	-0.0441	0.0667	-0.7319	-0.0881	1.0000

From the first column could be noticed that population ratio is strongly correlated to stock of immigrants in the destination country. The correlation coefficient is 0.8144. This probably could be a result of more immigrants coming to the destination country which increases its population or the opposite; more populous countries are attracting more immigrants. In both cases, the strong correlation between the two does not allow me to use them both when explaining the determinants of emigration¹⁵. Other variables that are significantly correlated are trade volume and the stock of immigrants in the destination country. Herander (2005), claims that more immigrants from the same ethnic origin in the host country would increase the trade volume between the country of origin and country of destination. One might also argue that more populous countries attract more trade, which

¹⁴ For definition of the variables, see Appendix

¹⁵ Even though there is correlation between the two, I have tried to include them both and afterwards separately to see the difference in results. Since Stock of immigrants' variable yields better results, I have decided to exclude population ratio. For results, see table 1.2

could be confirmed by the strong correlation between population ratio and trade. Due to the correlation, I have also decided not to include the variable¹⁶. From the table above could be also seen that GDP in Bulgaria is negatively correlated to Freedom House index, which measures the civil right of citizens. Freedom House Index is measured by scale from 1 to 7, where 7 correspond to almost no right and 1 corresponds to full rights. Increase in GDP in Bulgaria leads to economic development and growth. Important determinant for economic growth is the civil rights of the population, increased political transparency of the government, decrease of grey economy in the country, decreased corruption, etc. So, when stable and positive GDP growth is present, the freedom house index decreases approaching 1. I have also considered including tax rate but due to its correlation to public social expenditure, I have decided to keep only the latter.

After revising the correlation matrix, I have chosen to include the following variables into my empirical model: GDP PPP per capita for both countries (Bulgaria and destination country), Unemployment rates, Public social expenditure in destination (a proxy for welfare magnet), distance and stock of immigrants. I also include population ratio to control for the country size and see the significance of the variable.

5.2. Estimation results

Table 5.1 below shows the results of the econometric model using different specifications. The first column indicates the pooled OLS estimated without including the lagged stock of immigrants in destination country, j . Other variables included are GDP, unemployment, distance, public social expenditure and the population ratio. In the second column, the stock of immigrants is already included. Comparing the results from the first two columns indicate that the presence of Bulgarian immigrants in a specific country is important factor explaining future migration outflows from Bulgaria. The explanatory power of the model increases from 78.1% to 90% (adjusted R-squared) when including the stock variable.

¹⁶ I have tried including it, in order to see what results are. It shows positive relationship between trade volume and emigration. I cannot argue that increase in trade would increase the probability of emigration, but surely, increased immigration to destination country will yields in increased trade between the two.

Table 5.1: Estimation of migration flows from Bulgaria (b) to 27 (OECD) destination countries (j), 1985 - 2006

Dependent variable	OLS	OLS	Fixed effects	OLS	Fixed effects
M_{bjt} – gross flow	(1)	(2)	(3)	(4)	(5)
Stock of immigrants		0.928*** (0.156)	0.942*** (0.140)	1.084*** (0.078)	0.857*** (0.152)
Population ratio	1.065*** (0.126)	0.199 (0.178)	-6.712 (4.510)		
Distance	-0.532*** (0.164)	-0.515** (0.183)	7.446 (4.963)	-0.456** (0.198)	-0.778** (0.283)
X_{jt}					
GDP per capita, PPP, j	1.291** (0.478)	1.810*** (0.528)	4.851* (2.654)	1.878*** (0.593)	2.389 (1.650)
Unemployment rate, j	-0.327 (0.371)	0.124 (0.390)	-0.142 (0.294)	0.231 (0.382)	-0.056 (0.318)
Public social expenditure, j	-1.035 (0.820)	-1.649* (0.902)	0.208 (1.456)	-1.721* (0.968)	-0.645 (1.509)
X_{it}					
GDP per capita, PPP, b	1.270 (0.962)	-0.065 (0.812)	0.345 (0.699)	-0.308 (0.740)	-0.341 (0.699)
Unemployment rate, b	-0.235 (0.263)	0.094 (0.229)	0.164 (0.291)	0.098 (0.221)	0.199 (0.313)
Constant	-27.097*** (8.760)	-12.993 (8.679)	-53.468* (28.830)	-10.306 (8.225)	-15.450 (16.935)
Observations	235	171	171	171	171
Adjusted R-squared	0.754	0.877	0.957	0.874	0.955
Fixed effects	No	No	Yes	No	Yes

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Significance of the variable is prerequisite for including it in all the subsequent models. The stock variable indicates strong network effects.

Population ratio is variable used to control for the country size. It is defined as population of destination country divided by the population of Bulgaria*1000. In my first model (1), the variable shows to be very significant, meaning that Bulgarians tend to go to more populated countries¹⁷. When including the variable controlling for stock of immigrants, population ratio loses significance probably due to its correlation with stock (2). It could be argued that the size of the destination country and its population does not matter for future

¹⁷ The result could also be interpreted as the tendency of Bulgarians to emigrate to bigger countries

migrants as long as there are other Bulgarians residing the country. However, most likely the first emigrants from Bulgaria were probably attracted by size and population density in the destination country. Unfortunately, I do not have any data, which could possibly support the argument. Furthermore, when I use fixed effect specifications, the variable changes its coefficient from positive to negative, meaning that, ignoring cultural, language, climate, etc differences, the probability of Bulgarians going to more populated country decreases significantly. Due to its mixed effects, insignificance and correlation to stock of immigrants, I have decided to exclude it from my subsequent models in order to capture the real effect of the other factors.

Reference to the culture of origin helps people maintain self-esteem in a situation where their capabilities and experience are undermined. There is a tendency of Bulgarian immigrants to cluster in specific geographic regions. New immigrants prefer the same destinations as previous ones. It cannot be concluded, however, that existence of Bulgarians is the only determinant of the locational choice even though it plays a major role. From my results could be concluded that migrants tend to go to countries where there are immigrants of the same ethnic origin. One reason for that is family reunion. Family or friends can make it easier to find employment, obtain visas or other documents, and decrease the cost in terms of information search and personal contacts. Friends and relatives may also provide affordable accommodation upon arrival. Social networks make the adjustments to a new environment far easier. Another reason could be the information send back to people who have not been emigrated yet. The best way of getting information about the standard of life and the living conditions is from someone who has or is currently living in the country. That is also the cheapest way. So, if in one country there are many Bulgarians, future emigrants have many sources from which they could obtain valuable information about the labor market conditions, employment opportunities, etc. When removing the population ratio variable in model (2), the coefficient of stock increases, showing that the variable has much stronger influence on the decision to migrate. In column (3) and (5), I have estimated my model using fixed effects. One could still see that the stock of immigrants is a very important and significant factor. 10% increase in the stock of immigrants in the destination country increases the probability of future immigration to the country with 10.84% (4). Most of the analyses done in the area of Bulgarian emigration to different countries confirm the strong effect of networks on not yet emigrated Bulgarians (Kostadinova et al., 2005).

Distance is negative with respect to emigration. Increasing the distance between Bulgaria and destination country, decreases the probability of immigration to that country. This could explain the big inflows of Bulgarian emigrants to European countries like Greece, Turkey, Spain, Italy, Germany etc. Proximity is an important determinant of emigration. Some other reason for the negative effect of distance could be the increased cost. Distance is used as a proxy of the transportation costs which an immigrant will meet when moving to a specific country. The longer the distance is, the higher the cost of migrating. Another important factor which influences on the locational choice with regard to distance is family relations. If the country of destination is closer to Bulgaria, the individuals could travel more often to meet their relatives, be with them on special celebrations, spend the holidays together, etc. Nowadays, its very easy to keep in touch with family and friends, using all the high technology such as pc, Internet, smart phones, etc. Despite this, people still prefer personal contact with their relatives and friends. There are, for example, many Bulgarians preferring to work in Greece, where they can see their families at least once per week. Distance keeps its negative relation in all my models which confirms the role of distance in the decision – making process. Network effects, however, have stronger influence on people. That could explain the intense emigration of Bulgarians to the United States.

GDP of destination country is very important factor influencing the decision to migrate. The results confirm the theory that people move to countries which are more developed than their country of origin. GDP per capita difference is also the income difference between the country of destination and country of origin. High wage appears to encourage and low wage appears to discourage migration. GDP per capita is significant in all of my models, concluding that pull economic factors in the destination country play major role. Keeping all other factors fixed, 1% increase in GDP per capita in the destination country would increase the probability of Bulgarian emigration to that country with 1.87% (1). In (2), when adding immigration stock, the variable changes its coefficient to even higher, implying that pull factors as higher wage, are even stronger when there is a presence of other Bulgarians in that specific country. Wage differential is more attractive than all other factors. In column (3), where I use fixed effects for destination countries, the most important factors determining migration are stock of Bulgarians in a specific country and wage (economic development) differential. When using fixed effects, one could see that the coefficient of GDP in destination country increases a lot. It increases from 1.810 to 4.851. 1% increase in GDP will increase the probability of migrating with 4.851%, which makes it the most influential factor on the future migrants` decision to migrate.

GDP in Bulgaria has no significant effect. However, that does not mean that push factors in Bulgaria have no influence at all. Looking at (2), (4) and (5) where I use OLS and fixed effects, respectively, GDP in Bulgaria has negative relationship with respect to emigration. Increasing the GDP decreases the probability of emigration. This relationship between GDP and emigration rejects the possibility of having a U reversed relationship between GDP and emigration.

Unemployment rates both in Bulgaria and destination country are not significant. Despite this, some conclusion could be drawn from looking at the coefficients. The first column (1), the rates in both countries are negative. For the destination country, this is not surprising, since higher unemployment leads to lower immigration, due to lack of job possibilities and lower probability of finding a job. The negative effect of unemployment rate in Bulgaria is rather mixed. It applies that increasing the unemployment rate would decrease the probability of emigration. One possible explanation could be the inability of people to cover their migration expenses when being unemployed for a longer time. Another, could be the existence of wage curves, which is confirmed by Blanchflower (2001). When including stock of immigrants (2) and control for the time-independent factors, column (3), one could notice that unemployment push factor in Bulgaria changes its sign to positive. Probably, the insignificant coefficient could explain something about the previous status of emigrants – whether employed or unemployed. Most likely, most of the Bulgarian emigrants were previously employed and the only economic factor that influenced on their decision to leave Bulgaria was the low wage (GPD). It should, however, be noted that unemployment results are very sensitive to the inclusion of additional variables. Kostadinova et al. (2005) also claims that the main reason for emigration appears to be low wage not lack of employment opportunities. The overall results show that unemployment has influence on emigration, but to a much less extent (Kostadinova et al., 2005).

When including the immigration stock into my model, welfare magnet significance level changes (2). The public social expenditure in the destination country has negative effect on immigration. One possible reason for that could be the high tax level in the destination country which is one of the main sources for government spending. Taxes have negative effect on immigration, since people prefer to go to countries where the taxes are lower¹⁸. One typical example is the case with Denmark. The taxes in Denmark are 46%, which are one of the highest in the world. That could be one of the explanations why there are no many

¹⁸ I have found that taxes are negatively correlated to migration flows from Bulgaria when performing different analyses with different variables such as Tax rate, Freedom House Index, Trade, etc.

Bulgarians currently residing in the country. Another possible reason for the negative correlation between public social expenditure and immigration could be the new restrictive policies made by the countries of destination. Usually that is done through a policy making the entering into the country more difficult or getting residence more difficult, etc. One could notice that when using fixed effects, people actually prefer countries with good welfare system. There is a positive relationship, even though not significant. Zavodny (1997) finds out that new emigrants are attracted by welfare generosity unless presence of other immigrants is controlled for. So, not the welfare attracts future immigrants, but the stock of immigrants who has previously preferred the developed country. Borjas (1994) finds out that refugees are more likely than non - refugees to participate in the welfare system (Zavodny, 1997:7).

5.3. Determinants of migration in different time periods

The economic development of Bulgaria from 1989 until today could be divided into 3 important periods regarding migration. The first period starts in 1989 until 2000, which is considered as transition period. It is characterized with economic downturn and radical social reforms. The economic downturn was grounded on liberalization of prices and trade conditions; privatization and large layoffs; liquidation of existing cooperatives in agricultural sector; All of the above mentioned has caused very high unemployment, decrease in real wages and security leading intense emigration. I further divide the transition period into two sub periods: post – communism and banking sector crisis.

The second period is between 2000 and 2007, during which, the economic and social environment in Bulgaria improved significantly resulting in creation of new employment opportunities and increase in wage. Even though the country has experienced economic development, the living standards remained poor, which was further pushing people to migrate.

The third period begins with Bulgarian`s accession as a member of the European Union in 2007. The country started experiencing very fast economic development, increase in living standards and real wages, decreased unemployment, through creating new jobs. The openness of Europe, however, caused Bulgaria many talented people, who left, seeking even better quality of life. Despite the fact that many people have left, the country, which was once a great supplier of immigrants, now turns to be a host country for many foreigners.

Table 5.2 shows the results for migration determinants in two of the periods discussed above (economic transition and economic development). As mentioned above, economic transition period is further divided into two sub-periods – prior to 1996 and afterwards. Unfortunately, lack of data does not allow me to include the third period - the years after Bulgarian accession to EU.

In the years prior to 1996, there are three significant factors that have had influence – stock of immigrants from the same ethnic origin in the destination country, distance and welfare magnet which is captured by public social expenditure. When comparing the importance of networks in all three columns, one could notice that they are most important in the period after 2000. One possible reason is family reunification trend. In 2001, Bulgarians got the right to travel within Shengen zone without having a visa and many people have decided to go to their already emigrated relatives.

Distance is significant in only two of the models – the years prior to 1996 and between 1995 and 2000. In the period until 2000, Bulgarian emigrants tended to go to countries which are geographically closer. Looking closely at the different periods, proximity factor is most influential after the communism brake. It is due to very high costs associated with longer distance, visa regulations and networks. The expenses were much higher compared to the ones that would incur today. Low incomes did not allow people considering moving to more distant country. Looking at the third column, the distance is not significant. It cannot be concluded, however, that distance and cost associated with migrating are irrelevant. The sign of the coefficient is still negative implying that increasing distance would decrease the probability of immigrating to that country. Probably the decreased cost of obtaining information, moving, due to high technology developments, searching for job, accommodation, etc. are taking some of the explanatory power of the variable.

GDP per capita in the destination countries is positively correlated to emigration after 1995. The significance of the variable confirms the importance of pull factors, which were the major reason for emigration. By 1996, Bulgaria was going through an astringent political and financial crisis, with an officially recorded inflation rate at 310.8% (Markova 2010:8). Survival was the major reason for leaving the country. Post 2000 emigration was also pulled by wage attractiveness and higher quality of life.

GDP in Bulgaria shows no significant effect in the years prior to 1995. Even though the variable is dropped in the first model, it still has sensible push effect on migration. The Bulgarian Turks who left the country were pushed by economic decline in the regions there were residing. There was a lost livelihood for them – the prices of tobacco were decreasing,

the market formed by the former socialist countries was lost and the construction sector broken. The unemployment rate was growing rapidly and GDP growth was falling drastically.

Table: 5.2: Estimation of migration flows from Bulgaria (b) to 27 (OECD) destination countries (j), 1985 – 1995, 1995 – 2000, 2000 - 2006

Dependent variable	OLS	OLS	OLS
M_{bjt} – gross flow	1985-1995	1995-2000	2000-2006
	(1)	(2)	(3)
Stock of immigrants	0.997*** (0.100)	0.955*** (0.074)	1.191*** (0.074)
Distance	-0.814*** (0.209)	-0.713*** (0.155)	-0.231 (0.271)
X_{jt}			
GDP per capita, PPP, j	1.740 (0.960)	2.745*** (0.483)	1.394** (0.655)
Unemployment rate, j	0.448 (0.633)	0.669** (0.244)	-0.032 (0.436)
Public social expenditure, j	-2.727*** (0.444)	-2.638*** (0.725)	-0.763 (1.470)
X_{bt}			
GDP per capita, PPP, b	0.000 (0.000)	0.403 (0.933)	-0.854 (1.103)
Unemployment rate, b	0.535 (3.068)	-0.391 (0.628)	0.308 (0.315)
Constant	-7.797 (10.076)	-20.379** (7.326)	-5.094 (9.603)
Observations	20	59	92
Adjusted R-squared	0.916	0.911	0.856
Fixed effects	No	No	No

Notes: 10, 5 and 1% levels of confidence are indicated by *, ** and ***, respectively. Standard errors are in parentheses.

Unemployment rate in destination countries shows significance only in the period 1995-2000. The sign of the coefficient is surprising, though. There is a positive correlation observed, meaning that the probability of emigration to a specific country increases when unemployment rate in that country increases. This is not logical, since higher unemployment should not attract immigrants but the opposite. One might argue that this is the so-called “welfare magnet” pull (Zavodny, 1997), but this is not the case, since I have already included

a variable to control for it. Another reason which might explain the positive sign is the economic situation of destination countries. Even though, observing positive economic growth, the country cannot handle with the high unemployment rate in a short period of time.

Public social expenditure variable, which controls for the “welfare magnet”, shows significance in two of the models – (1) and (2). The coefficient is very big and negative, implying that in the years up to 2000, people did not tend to emigrate to countries where the social expenditure is high. One possible reason is the tax rate, which is the main contributor for government spending. Another reason could be the restrictive policies that the countries with high welfare have. The coefficients, in both periods before 1996 and after, are almost equal, so one cannot argue whether the public social expenditure has higher influence on specific period. Interesting is that in the period after 2000, the variable loses significance. The correlation is still negative, but has no influence on the decision at all compared to the previous two periods.

In conclusion to this section, I would say that the emigration prior to 1996 was characterized by the strong influence on immigration stock, family relations, and people of the same ethnic origin living in a specific country. Those together with proximity, cost and tax rate factors (in terms of public social expenditure) have shaped the decision of preferred destination. In crisis period, Bulgarians tended to go to countries which are more developed, offer higher living standards, higher wages, and better conditions of life. The family relation and presence of other Bulgarians was vital for their decision as well. For the last period, however, nothing but stock and economic motivations were vital.

6. Bulgarian post – communism emigration

Bulgarian Communist party (BCP) was the name of the communist ruling party of Republics of Bulgaria from 1944 to 10th of November 1989 when the Communist party fell after 45 years of uninterrupted rule. From 1954 to its collapse the party was led by Todor Zhivkov who was very supportive of the Soviet Union. Even though, in 1960, he sent a request for joining the Soviet Union, the request was rejected.

Since Bulgarian independence of Ottoman rule in 1878, political actions have been directed toward a creation of unified nation state by elimination of cultural differences. The violation of human rights of ethnic Turks living in Bulgaria by the totalitarian regime resulted in massive emigration during the 1980s. The emigration during 1989, however, deserves

special attention because it was the most considerable migrant movement, not only in the history of Turkish emigration from Bulgaria, but the most massive emigration within such a short time from a socialist East European country to a non-socialist one in the post war period (Vasileva, 1992). Being a Muslim in a Christian country has many disadvantages. Turks were put in a disadvantaged position because of their changed status from people belonging to the ruling nation. The conflict between those two nations – Bulgarians and Turks, is still seeable today. The ethnic conflict has proven to be a crucial factor for the collapse of the communism. Researchers came to the conclusion that there are three main factors determining the massive emigration and those are: the character of political regime in both countries (Bulgaria and Turkey), the intensity of nationalist propaganda and the interference of foreign powers or international organization in attempt to solve the ethnic problems (Vasileva, 1992).

As mentioned above, being of the Muslim minority in a Christian country brings many disadvantages. There was an attempt to solve the problem of protecting minorities after World War 1 which was guaranteed under the system of the League of Nations. The situation after World War 2, however, when the Balkan region was divided by communist and non-communist countries, added new dimensions of the problem between Bulgaria and Turkey (Vasileva, 1992).

Despite the large number of Turks migrating to Turkey, the Bulgarian government has had the fear of the constantly increasing number of Turks due to higher birth rate compared to Bulgarian birth rate. This fear drove the government to take extraordinary measures designed to reach the demographic balance between the two ethnic groups. In the beginning of 1980s, Bulgaria was the country with the lowest birth rate and the smallest population among its socialist neighbors. Due to this, the government started accomplishment of new policy called the “national revival process”, which was designed to involve the Turks into the “developed socialist society” and thus achieving homogeneous nation. The policy’s target was to abundant the ethnic, religious, language and other differences between the members of the society. Regarding Turks, their mother tongue was prohibited in public places; the campaign began with prohibiting the traditional Turkish cloths and speaking Turkish in public places followed by a project for replacement of Turkish and Arabic Muslim names with those of Bulgarian and Slavic origin. The project was implemented using forceful measures and police intervention. The ”Bulgarization” process was faced by protests and demonstrations many of which were violently repressed. Due to the project, Bulgaria was in a situation of

international isolation. At the end of May 1989, state and Communist Party leader Todor Zhivkov proclaimed that Turkey should prove its democracy by opening the borders to Bulgarian citizens, including Muslims, who had been given the right to travel abroad. This was the official start of the new emigration wave, designed this time to lessen the interethnic conflict caused by the violation of the basic human rights of the ethnic Turks in Bulgaria (Vasileva, 1992:347-348). That was a mass exodus, ironically called “the big excursion”, which was proven to be one of the major reasons for the bust of the Communist regime (Markova, 2010:4). Turkey proved its welcoming with opening the borders. Many people had to leave their houses and jobs, sell their real estate properties and immovable, and leave their friends and relatives.

The table below shows the number of Bulgarian Turks who have emigrated in the period 1989-1991. In 1989, around 218 000 left the country. In the years after, emigration decreases caused by the Turkish government`s decision to reintroduce a visa requirements on 21 August 1989 (Markova, 2010).

Table 6.1: Bulgarian emigration to Turkey 1989-1991

Years	Number of Emigrants
1989	218 000
1990	71 195
1991	32 164
1992	23 490

Source: Migration Preview, Vol.26, No.2, Summer 1992, pp.342-352, Bulgarian Turkish Emigration and Return, accessed 06.02.2011

In November, 1989, communist regime in Bulgaria fell, just like in other Eastern European countries. The country followed Poland’s, Hungary’s and Czechoslovakia’s example, for the reconstruction of free economic market and political pluralism. One of the first enacted laws was the possibility for the members of Turkish minority group to retrieve their original names which had been forcefully changed in the campaign in 1984. The new law decreased refugee outflow to Turkey (Vasileva, 1992).

The second emigration wave starting 1990 was caused by worsen economic conditions and disappointment with the first democratic elections won by renamed communist party. More than 70 000 people left the country (see Table 6.1). Post 1989 years emigration decreased substantially.

The migration of 1989 is a typical case of political migration and emigrant Turks should be determined as refugees and asylum seekers. Researchers have found out that the motives of this huge emigration to Turkey were not only those of “escape from violence or of religious, cultural and moralistic nature”. Turks were attracted by Turkey with its promises for better life, higher wages and possibility of labor migration to Western Europe (Vasileva, 1992:348).

Vasileva (1992), states that the Islamic religion should be taken as the main element of unification of the ethnic minority. Important motives for emigration to Turkey were the freedom to go to mosques, perform religious rituals and practice pilgrimage together with retrieval of their original names in Turkish territory. The latter was very important, especially for older generations.

Vasileva (1992) concludes in her analysis of Bulgarian Turkish Emigration, that Turkish emigration during 1989 has strongly affected the demographic characteristics of the Bulgarian population. The anti-Turkish nationalist feelings together with the emergence of many nationalist organizations will have strong and long-lasting effects on interethnic relations in Bulgaria, especially in the regions with mixed population. The case with Turkish emigration proved that forceful migration is not efficient in both solving social and interethnic problems, and improving relations between countries. That is one of the tools of the totalitarian regime which could not be applied anymore.

7. Effects of migration on Bulgaria

In the next section, I discuss the implications of Bulgarian emigration on the sending country from a number of different perspectives. Migration, if properly managed, may generate huge gains not only for immigrants, but also for their source country. Migration affects the sending country in a variety of ways depending on the magnitude of migration, nature and composition of migration flows. Negative shocks of labor supply are expected at early stages of migration, when a large number of people decide to leave their home country

to seek better conditions of life and employment opportunities. Migration may even lead to depopulation of specific regions in the home country or more often to massive departure of people with specific skills which, at least in the short-run, may have negative effects on the stock of human capital (OECD, 2006). Bulgaria has already experienced shortage of labor supply and many depopulated areas. In the medium run, however, emigration may result in improved incentives for skill accumulation thus increasing productivity. The increased probability of migration increases the incentives to acquire higher education and through that, the share of skilled people in the country of origin also increases.

7.1. Trade and immigration

Many researchers have concluded that there is a positive relationship between immigration and trade volumes, see Herander M. and Saavedra A. S (2005). They argue that more immigrants of the same ethnic origin in a specific destination country would result in increased bilateral trade between them. This is due to the fact that immigrants, compared to natives, have superior knowledge of buyer and seller characteristics in their home countries. They could provide information to local agents and thus reduce their cost of searching for the same. That increases the likelihood of matching between buyer and seller. It is also proven that the cost of search is influenced by proximity among immigrant members and host-country agents. The biggest trade partner of Bulgaria is Germany followed by Greece, Italy, Romania, Turkey, Belgium and France and Austria¹⁹, which are with no doubt, the most preferred destination countries. Surprisingly, Spain and USA do not show to be significant trade partner of Bulgaria, even their high Bulgarian immigrant stock. Low trade volume with USA could be explained by the geographic proximity and their comparative advantages.

7.2. Social impact

Markova (2010) discusses the social impact due to emigration which is a very important issue. One of the social effects is grounded on family composition and child consequences in terms of health and education. Changes in family composition occur when one of the parents emigrates. This could end up with a divorce of the parents or both emigrating, leaving their children in the home country. Most affected of parents` emigration

¹⁹ Source: National Statistical Institute, Bulgaria. The data available is for the years 2009 and 2010

are the children. A study made shows that dropout school rate is highest amongst children of migrant parents, who have been left in the care of grandparents or close relatives. Those children have more money compared to their friends whose parents have not emigrated. They become easily spoiled and undisciplined, start smoking, drinking and leave school altogether. Another study shows that the most common reason for dropping out of school was to join family members who have emigrated (Markova, 2010).

7.3. Labor market impact

Emigration reduces labor supply and more specifically, the supply of particular categories of emigrating workers. This might have positive effect such as reducing unemployment pressures and pressures on the government budget, through decreased government spending on social support benefits. It might also increase the wages in the sector where the emigrants have left. Whether the effect will have positive or negative impact depends on the employment status of the emigrants prior to departure – employed or unemployed. The reduced labor supply through emigration usually implies reduced output unless the people who have emigrated were previously unemployed. In the case of skilled emigration, productivity declines as well. As migration continues, the output continues to fall as well. From the other side, increased emigration improves the information flow and thus reduces the cost associated with migration and obtaining information. Reduced costs encourage family members to follow initial immigrants. Even though, one might not expect decreased number of family migration, the country tends to experience growing inflow of remittances or human capital accumulation (Markova, 2010).

7.4. Brain drain

Brain drain is term used to describe emigration of highly-qualified people from one country to another. Brain drain is considered as one of the most negative effects of international migration. Brain drain is also a big issue regarding Bulgarian emigration. Highly- educated people usually contribute to innovation, increased productivity, technological development, etc. Emigration incentives appear to be higher among well-educated people and students. Student emigration could also be considered as brain drain since their mobility is considered as high-skilled. Student migration is significantly higher after joining the European Union. Also, the number of students abroad increases due to

lowering the costs of obtaining information and development in communication. The student migration is considered as human capital export for the sending country. There is also a loss in potential tax revenue and thus decreased public social expenditure on the potential emigrant and his/her family. The loss of qualified people may result in shortage of crucial social services, such as health care and education. Researchers have concluded that, in the 1990s, most of the emigrants were highly qualified which has prevented the faster economic development of the country. School teachers were significant number of the highly qualified emigrants. The negative birth rate, family and young people emigration resulted in job losses for them due to the decreased number of students enrolled at schools (Markova, 2010).

Long-term emigrants are those with education, especially well educated young people, while low-qualified labor moves only in short-term – seasonal work. There is a shift in the thinking, however. More and more people leave the country with the intensification of long-term migration (Markova, 2010).

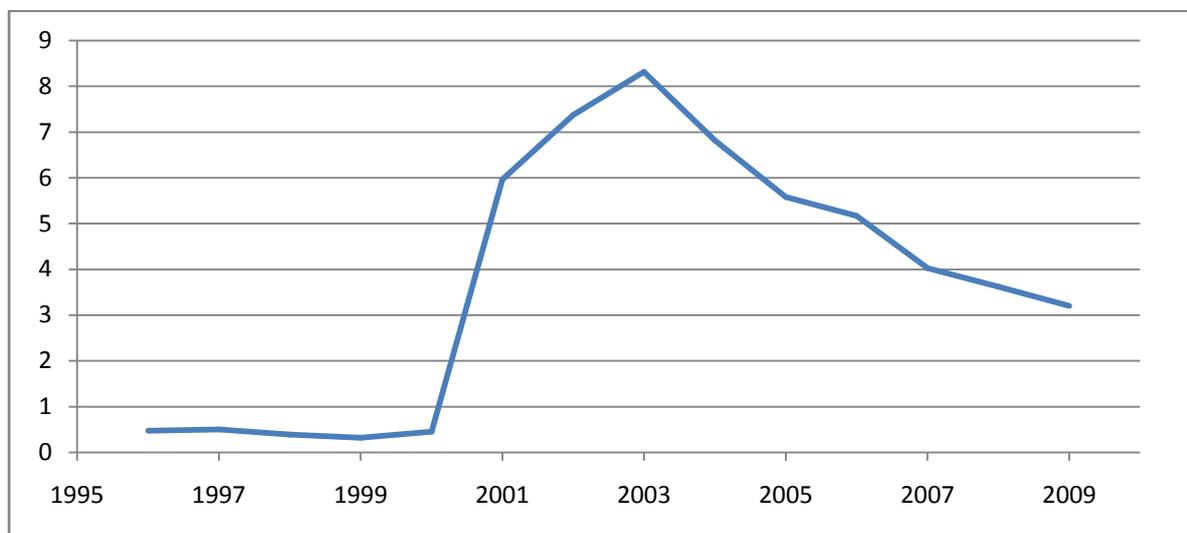
7.5. Remittances

Economic and social capital is the most important resource associated with international migration. Remittances are defined as the proportion of a migrant's earnings sent from the migration destination to the place of origin (Kostadinova et al., 2005:48). Remittances are considered as one of the positive outcomes from migration. Remittances are sent to family members who still live in the home country. Lukas (2005) argues that increased income as a result of remittances might in turn increase incomes for families who do not receive remittances at all. He argues that this could be achieved through the multiplier effect of increased spending. The increased consumption of the families receiving remittances would increase the demand for goods and services and thus creating new job positions for other families that also increase their spending.

Remittances are not only used for increasing the consumption, but investment as well. They are often used to finance improvements in housing and living conditions. Remittances also contribute to the increased educational spending and decrease in child labor. The positive effect that remittances bring might lead to delaying government reforms and policies in attempt to handle with causes of emigration. The ability of people to find solutions to their

problems could demotivate the government to work on improving the business environment and solve economic and social problems that were the main reason for pushing people initially (Markova, 2010). Received remittances as % of GDP in Bulgaria are shown on Figure 7.1 below. There is a sharp increase in received remittances especially after 2000 up to 2003. The numbers shown on the figure is probably understated because many people do not declare the remittances they send. Usually, that is the case when Bulgarians living abroad are visiting Bulgaria, giving the money directly to their relatives without using banks or other institutions as intermediary.

Figure 7.1: Received remittances as % of GDP in Bulgaria



Source: The World Bank: World Development Indicators.

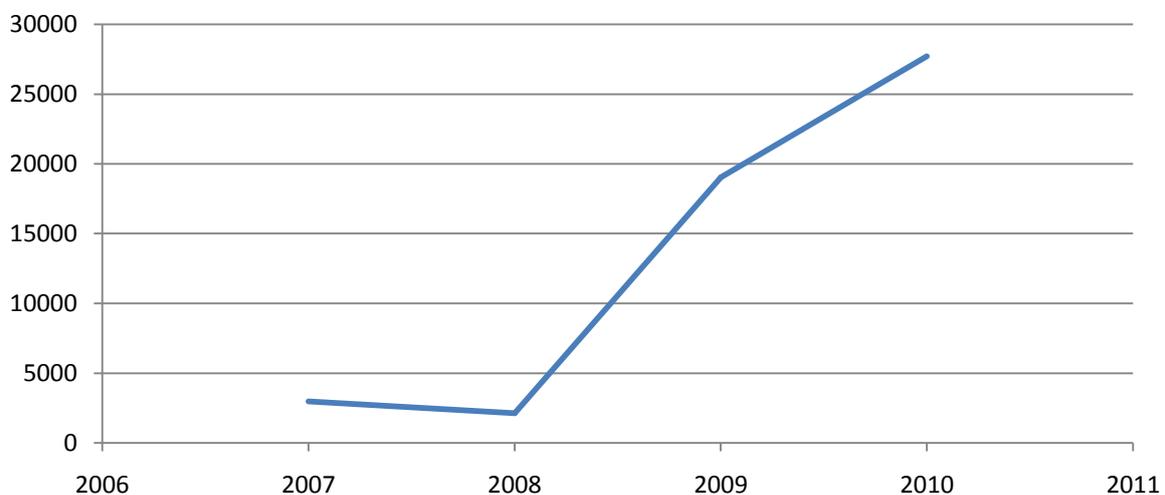
8. Bulgarian emigration after EU accession

In the first year after joining European Union on 1st of January 2007, according to SOPEMI, Bulgaria has not experienced a big emigration compared to the pre-accession period (SOPEMI, 2009). The years after, however, are characterized with significant increase (Figure 8.1). Big inflows are observed in Spain, the UK and Germany (SOPEMI, 2009), which are also most preferred destination in the pre-accession period. In 2007, Spain was the main destination followed by Germany and Greece. After the EU accession, Finland, Sweden and EU-8 countries removed all restrictions on access to their labor markets. In 2009, Greece, Hungary, Portugal, Spain and Denmark also lifted restrictions (SOPEMI, 2009). As could be noticed from Figure 8.1, the emigration during 2007 does not increase but the opposite – it decreases. After 2008, however, it increases substantially. Probably, that could be due to the

financial crisis which had influence on living standards, wages and employment opportunities. The emigrants in 2010, who have declared change of their current address in Bulgaria with address abroad are 27 708 compared to 19 039 in 2009. According to National Statistical institute report, 48% of the emigrants in 2010 are aged 20 to 39 years and 31% are aged 40-59 years. NSI survey reveals that 59% of emigrants leave the country due to permanent employment, 20% for education and 13% - marriage, change of residence or other (NSI,2010).

Most likely, push factors remained the same as the ones from the 90s while some pull factors has changed due to the world financial crisis. As found in my analysis about emigration in 1989-2006, the main factors influencing the decision to emigrate are economic pull factors in the destination country such as higher living standards and wage differential. Also, networks effects were strongly pulling people to certain destination countries. Unfortunately, I do not have data for the stock of immigrants in different countries after Bulgarian accession to European Union, so that does not allow me to discuss network effects with regards to that period.

Figure 8.1: Emigration from Bulgaria, 2007 - 2010



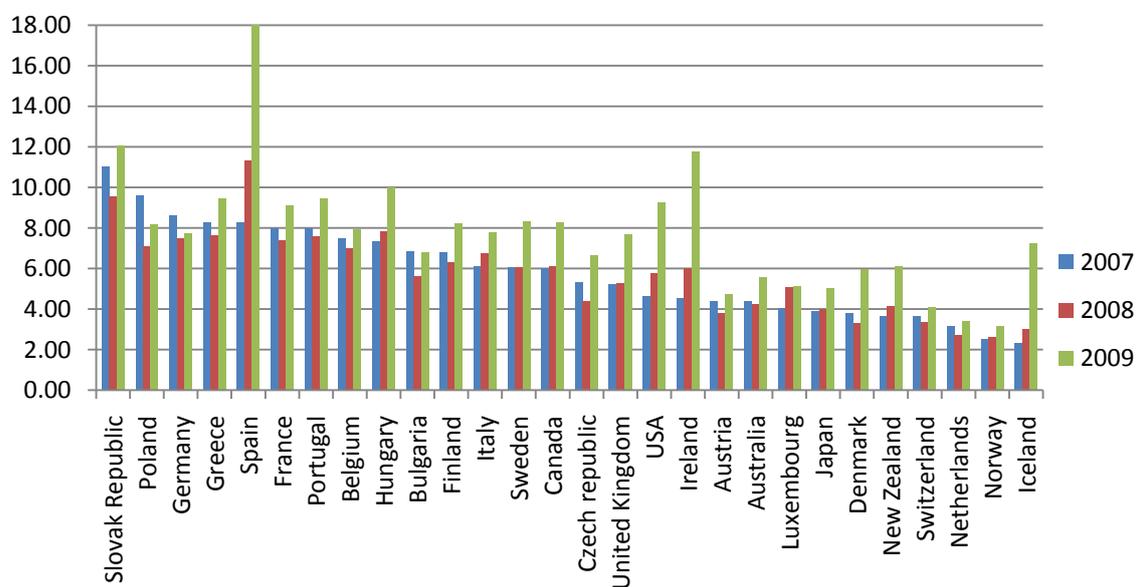
Source: National Statistical Institute, Bulgaria²⁰

Figure 8.2 below shows the unemployment rate in the 27 OECD countries in 2007, 2008 and 2009 respectively. Bulgaria has unemployment rate which is lower or almost equal to the ones in the destination countries. It has lower unemployment than Germany, Greece, Spain in

²⁰ Data on external migration include only persons who have declared to the administrative authorities change of their present address in the country with a new one outside the country

all of the years considered. Those countries are some of the main destinations for Bulgarians. Furthermore, in 2009, when the large migration outflows occurred, even USA, the UK, Canada and Italy had higher unemployment rate. Taking that into account, one cannot argue whether lack of employment opportunities was pushing people abroad. However, it is sure than due to large emigration from the country, the unemployment decreases in response of lost labor force. Probably that is the reason for the comparatively low unemployment together with no precise statistics, because many unemployed people in Bulgaria do not register themselves in an Unemployment agency due to their lack of trust in the Bulgarian Unemployment Agencies.

Figure 8.2: Unemployment in 27 OECD countries and Bulgaria, 2007, 2008 and 2009



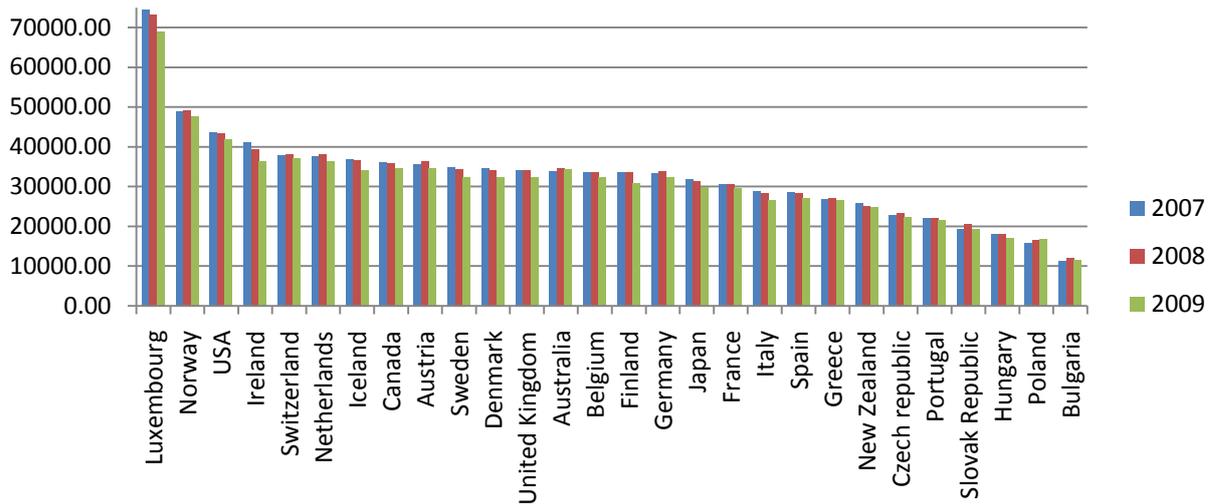
Source: The World Bank: World Development Indicators.

Probably better living conditions and higher wage are still attracting Bulgarians abroad. As noticed on Figure 8.3 below, the GDP in Bulgaria is still the lowest for the all countries observed. That most likely pulls Bulgarians abroad. As found in my analysis, the main pull in the years up to 2006 were GDP in destination country and networks. Most likely, the trend is still present in the years after 2007.

Young people accepted at universities and a lot of seasonal workers are emigrating. Seasonal work migration is expanding, especially, after Bulgarian accession to the European Union. There are many countries trying to stop that seasonal and long-term migration from Bulgaria, using policies for labor market restrictions. Seasonal migration becomes very

ethnically and regionally specific. In some regions in Bulgaria, the emigrants are dominantly ethnic Turks, in other regions, Roma people and in third – ethnic Bulgarians.

Figure 8.3: GDP PPP per capita in the OECD countries and Bulgaria, 2007, 2008 and 2009



Source: The World Bank: World Development Indicators

9. Conclusion

Based on information on Bulgarian migration database and model structure, I have presented the results from empirical work on migration flows from Bulgaria into 27 OECD countries during the years 1985-2006. My conclusion is that network effects measured by stock of immigrants of Bulgarians already residing in a destination country, have significant positive effect on immigration flows and thus having high explanatory power of current emigration flows. Further, distance is correlated negatively to emigration, suggesting that cost and proximity play an important role.

The impact of push - pull economic factors is measured by GDP per capita (PPP) and unemployment rates in both countries and welfare magnet as a public social expenditure. Migration is primary driven by income differential between Bulgaria and the host country. Since GDP in Bulgaria does not show any significance, I conclude that pull factors are more

influential. Unemployment rates also do not show any strong relationship to migration flow. Public social expenditure, however, has unexpected negative sign. Instead of attracting immigrants, increase in social expenditure actually decreases the probability of immigration, probably due to increased taxes or restrictive immigration policies.

In my thesis, I also perform analyses of determinants of Bulgarian migration for three different time periods reflecting important historical developments in Bulgaria – post-communism, banking sector crisis and economic development. Prior to 1996, the main determinant of emigration was stock of immigrants, which is expected result since those years capture communist refugee and “restricted” post communist migration.

Beside purely political factors, economic pull factors such as wage and good living standards are most influential in the years 1995-2000 when Bulgaria is going through crisis. High unemployment, low wages, hyperinflation, expensive food and very low living standards, were the main push factors. During those years, network effects also play an important role, but to much less extend, compared to the whole Bulgarian emigration after 1989.

Finally, I focus on the years after 2000 when Bulgaria becomes member of NATO and signs the Treaty of Accession to European Union. Networks and stock of immigrants show significant effect on the emigration. Beside the influential role of immigrant stock, people were also pulled by purely economic factors. Distance loses significance, but I cannot, however, conclude that cost and distance are unimportant. Due to the technology development, the cost of migrating has decreased substantially, thus making distance (cost) not that influential determinant of emigration.

The emigration of Bulgaria continues until today. Preferred destinations are Spain, Greece, Germany, Italy, UK, Netherlands and Turkey. Even though the number of emigrants to USA decreases, the country remains important destination for permanent settlement. Migration affects Bulgaria in a variety of ways depending on the magnitude of migration, nature and composition of migration flows. Some of the effects are increased trade, social impact, labor market impact, “brain-drain” and remittances.

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<http://www.worldbank.org>.www.baser.dk - The World Bank

Appendix

Table 1.1 List of countries included in the Bulgarian emigration flows' analysis:

Destination countries
Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, United Kingdom, United States of Amerika

Description and definitions of the basic variables and sources:

GDP per capita, PPP (constant 2005 international \$): PPP GDP is gross domestic product converted to international dollars using purchasing power parity rates. An international dollar has the same purchasing power over GDP as the U.S. dollar has in the United States. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in constant 2005 international dollars.

GDP growth (annual %): Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Unemployment, total (% of total labor force): Unemployment refers to the share of the labor force that is without work but available for and seeking employment. Definitions of labor force and unemployment differ by country.

Trade Volume represents bilateral trade flows that are based on IMF Direction of Trade data; the IMF data lists total trade values (both imports and exports) for all country pairs for all years.

Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship--except for refugees not permanently settled in the

country of asylum, who are generally considered part of the population of their country of origin

Public social expenditure as a percentage of GDP (SNA93): Social expenditure is the provision by public institutions of benefits to, and financial contributions targeted at, households and individuals in order to provide support during circumstances which adversely affect their welfare, provided that the provision of the benefits and financial contributions constitutes neither a direct payment for a particular good or service nor an individual contract or transfer. Such benefits can be cash transfers, or can be the direct (“in-kind”) provision of goods and services.

Workers' remittances and compensation of employees, received (% of GDP): Workers' remittances and compensation of employees comprise current transfers by migrant workers and wages and salaries earned by nonresident workers. Remittances are classified as current private transfers from migrant workers resident in the host country for more than a year, irrespective of their immigration status, to recipients in their country of origin. Migrants' transfers are defined as the net worth of migrants who are expected to remain in the host country for more than one year that is transferred from one country to another at the time of migration. Compensation of employees is the income of migrants who have lived in the host country for less than a year.

Tax revenue (% of GDP): Tax revenue comprises compulsory transfers to the central government for public purposes. Compulsory transfers such as fines, penalties, and most social security contributions are excluded. Refunds and corrections of erroneously collected tax revenue are treated as negative revenue. Data are shown for central government only.

Distance between countries – distance between capitals in km.

