

Remittances and Emigration Intentions: Evidence from Armenia

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Abstract

In this paper we analyze the recent migration wave in Armenia, using household level representative data from 2011. We identify determinants of emigration intentions by estimating a bivariate probit model with endogenous remittances. The key finding is that remittances help potential migrants to ease the migration process, serving as a resource rather than as a contractual tool between migrants and non-migrants. Spatial factors dominate in the set of (community level) instruments driving remittances. When distinguishing the destination country for potential migrants, Post-Soviet versus Western countries (EU countries or USA), we find that the instruments identified for remittances are more relevant for individuals targeting the Post-Soviet area (mainly Russia). Nevertheless, remittances remain a significant resource for migrating to Western countries. In this case, we control for endogeneity of remittances using Lewbel's (2012) methodology. Our findings suggest that the two pools of potential migrants differ crucially in the main set of skill characteristics: high-skilled potential migrants opt for Western countries (brain drain), while the low-skilled prefer Post-Soviet countries as a destination. In particular, English language knowledge and computer literacy increase the likelihood for migrating to Western countries, and individuals with those skills are less likely to migrate to Post-Soviet countries. Education is significant for the Post-Soviet model only, with a negative impact on migration intentions.

Keywords: Migration, remittances, intentions, development, households.

JEL Classifications: F22, J11, O12.

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