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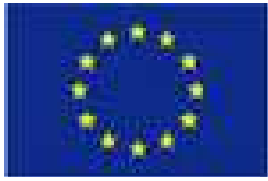
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Moldovan Migrants in Italy: Remittances and the Role of the Labour Market Partners

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November 2007

Dr. Thomas Kring

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Executive Summary

Within the framework of the project on “Beyond Poverty Alleviation: developing legal, regulatory, institutional framework for leveraging migrant remittances for entrepreneurial growth in Moldova”, the ILO, in cooperation with IOM Chisinau, is conducting research on the characteristics of remittances sent by Moldovan migrants residing in Italy. Accepting that migrants may not have the entrepreneurial skills or drive needed to successfully start a business and contribute to the economic development of the country, an alternative approach is to increase the volume of remittances transferred through banks (and the savings rate of migrant clients) thereby increasing the banks’ available capital for loans for entrepreneurs. A key component of this research is an assessment of the different methods used by migrants to transfer money and their reasons for preferring a specific method. In addition the study also identifies the potential role of employers’ and workers’ organisations in promoting or assisting migrants in using formal financial channels (banks) for transfers of remittances. The study was undertaken in October and November 2007 in Rome and Modena. The report is based on review of available literature, interviews with Trade Unions, Employers’ Organisations, Moldovan migrants in Italy, as well as financial providers and local authorities.

The majority of Moldovans in Italy are employed in the domestic work or social care sectors (25 and 39 per cent respectively). Construction, the third largest sector, accounts for 19 per cent of employment. Women constitute 64 per cent of Moldovan migrant workers in Italy and there is a clear gender related division of work. Construction is male dominated, whereas women account for the majority of workers in the domestic work and health care sectors. Common for all three sectors is that they are comprised mainly of small or private employers, frequently in the informal economy. Consequently, many migrants find themselves isolated without easy access to information and support (particularly for domestic and health care workers who often “live in”). Migrants express a lack of knowledge of basic information concerning not only financial transfers, but also their rights as migrants, procedures for obtaining regular status in Italy and how to access help and assistance in these matters. There is an absence of formal networks through which to obtain this kind of information, and none of the employers’ or workers’ organisations interviewed for this study conducted active outreach activities or were involved in any activities to facilitate remittances.

Concerning remittances, the majority of migrants use a combination of informal services and money transfer operators (MTOs) notably Western Union and Money Gram for transferring money. The preferences are largely influenced by access (both in Italy and Moldova) to the services and migrants’ knowledge of the individual methods. The fear of registration of the transaction by the authorities also affects the choice of method. The latter is a direct result of many Moldovans being irregular migrants, along with a profound mistrust towards Moldovan banks, public sector (both Italian and Moldovan) and the Moldovan government in particular.

The study reveals a clear need for both the development of channels for reaching the target group in awareness raising campaigns, as well as for information, in Rumanian/Moldovan, on the cost of transferring money through different agencies and step by step guides on how to open a bank account and order money transfers (through banks). There is also a need to sensitise Moldovans to the option and the advantages of transferring through banks and the savings products they offer. There is a great potential for the social partners

to participate actively in both the development of networks to reach migrants as well as conducting the actual awareness campaigns. However, in order to achieve this, awareness raising also needs to be conducted among the social partners themselves, at both national and local level on the situation of Moldovan migrant workers and the kind of assistance they are in need of. The environment does not appear ready yet for direct involvement by individual employers to assist in transfers, nor is there currently any support from the employers' organisation on behalf of its members to pursue such an idea. However, employers' and workers' organisations in a number of sectors have expressed support for dissemination of information material among their members.

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Abbreviations and Acronyms

ANCE	Associazione Nazionale Costruttori Edili
ANOLF	Associazione Nazionale Oltre Le Frontiere
CIS	Commonwealth of Independent States
CNA	Confederazione Nazionale dell' Artigianato e della Piccola e Media Impresa
CNCE	Commissione Nazionale Paritetica Per Le Casse Edili
FDI	Foreign Direct Investments
FENEAL	Federazione Nazionale Lavoratori Edili Affini E Del Legno
GDP	Gross Domestic Product
IDOS	Immigrazione Dossier Statistico
ILO	International Labour Organisation
IOM	International Organisation on Migration
MFI	Microfinance Institution
MSE	Micro and Small Scale Enterprise
MTO	Money Transfer Operator
UNDP	United Nations Development Programme
WB	World Bank
WU	Western Union

1. Introduction

A key element in the discussion of migration and its contribution to economic development is remittances. Remittances have a significant potential for generating economic growth. In countries such as Moldova with a large diaspora the value of remittances exceed both that of FDI and development assistance. However, while remittances used for consumption provide a financial injection into the national economy, it is clear that special efforts need to be put in place to facilitate economic development through remittances (IFAD 2004). As pointed out by Moreno-Fontes and Cantú-Bazaldúa (2005), remittances are private transfers and the actual contribution of remittances to economic growth depends on a range of factors, one of which is the extent to which migrants use formal financial services.

Increasing the use of formal financial channels for transferring remittances constitute an important factor for continued economic growth (World Bank 2005:23). Frequently, remittances are relatively small amounts, which are quickly used. However, if these small amounts instead are channelled through financial institutions, the volume alone will generate available capital for investments by entrepreneurs in start-ups and expansions of enterprises. This also addresses a problem frequently encountered when focussing solely on promoting business creation among migrants and their families: that they may very well face obstacles such as lack of training or entrepreneurial skills preventing them from successfully investing in or operating a business.

Remittances tend to follow a cyclic pattern where they decrease a few years after the migrant has left his or her country of origin. This implies that unless the greatest possible multiplier of economic development through remittances is achieved, Moldova risks becoming a country which has to continue to rely on migration for its economic prosperity. Employment creation through increased economic development may provide a genuine alternative to migration, and avoid the economic peril associated with demographic decreases in population. Facilitating remittances back to Moldova into the formal financial system represent one component for creating an environment conducive to economic growth and the return and reintegration of migrants. However, there are a range of obstacles, which are currently limiting the extent to which this is taking place.

One main obstacle and a frequent issue for migrants in general is absence of information as to the available formal methods and the associated cost. The absence of information is exaggerated by the language barrier particularly for recent arrivals. A lack of trust in the formal financial system, or understanding of how to access its services may further contribute to migrants resorting to the less secure informal methods or the more expensive money transfer operators (MTOs) for remitting their earnings. To better guide migrants' choices concerning remittance transfers a more thorough understanding needs to be established as to the factors influencing their choice. Migrants' access to information is facilitated by the efforts of several different groups which are working to assist migrant workers. These groups include national associations, consulates and diplomatic missions, and NGOs. However, few if any offer advice regarding remittances and few manage to effectively reach the Moldovan community in Italy. However, the potential role of the labour market partners has seldom been considered. The workers' and employers' organisations with their unique networks into the labour market have a great untapped potential for assisting migrants with information or even services to facilitate cheap and effective transfer of remittances to their home country.

For migrants the advantages are clear: access to information, and a better overview of the services available, and with the potential assistance of the employer, also access to cheaper and easier arrangements, thereby limiting the risk and costs for each migrant worker.

For the social partners there are likewise clear advantages. For the employers and their organisations assisting migrant workers transferring remittances will provide an incentive for the worker to stay with the employer. In the case of seasonal work, it makes the employer more attractive to the migrants thereby facilitating that the following season the employer will have access to workers where a relationship already exists, limiting the need for training and other alternative costs. Providing assistance to migrant workers to help them function in a foreign environment also represents a good ethical practise that should be embraced by all employers. For workers' organisations the advantage is a relevant service thereby increasing their organisations' appeal to members and non-members alike. Furthermore, awareness raising such as the different options for transfer of money will be a service which will constitute a low average cost to the social partners. However, to achieve this, the social partners need to be mobilised and guides and information material need to be made available to them.

Within the framework of the project on "Beyond Poverty Alleviation: developing legal, regulatory, institutional framework for leveraging migrant remittances for entrepreneurial growth in Moldova", the ILO is implementing activities focusing on the elaboration of recommendations to increase the amount of remittances transferred through formal financial channels. Furthermore, the study identifies a set of measures, mechanisms and initiatives that the social partners and their members can pursue, which will facilitate the transfer of remittances through formal financial channels and thereby indirectly contribute to the economic development of Moldova.

This study on remittances takes place within a broader understanding of remittances and their role in economic development which has recently emerged¹. Analytical discussions on remittances have become more nuanced over the past five years. While initially there was a strong push for the productive investment of remittances, often narrowly conceived in terms of investments in small enterprises, a more complex understanding of remittances have emerged. Research has shown that even when remittances are used solely on consumption it nevertheless has a multiplier effect on the local economic, albeit lower than for productive investments. Research has also shown that many remittance receiving households spend funds on family welfare including children's health and education, which in the short term may be viewed as consumption but which in the longer term represent an important investment in human capital formation, which in turn has the potential of contributing to economic growth and development. Other analysts have also pointed out that remittances are not solely monetary. Emerging analysis of social remittances - the skills, experience and confidence - that migrants gain from working overseas, when transferred back to their home country can be a significant catalyst for economic growth. Furthermore, remittance should be recognised as private funds in the same way as wages with the right to use these funds in any way they choose. Nonetheless,

¹ For a more in-depth discussion of the evolving analysis of remittances see for example "Remittances, Gender and Development" by Ramirez, C; Dominguez, M.G and Morais, J.M. UN INSTRAW, 2005.

it does not negate the importance of encouraging formal methods of transfer which can increase the amounts of capital available for investments, nor does it undermine the key role that government have to play in creating a favourable policy environment for private sector growth and employment creation. In such an environment remittances can be an enormous catalyst for development.

The study was undertaken in October and November 2007 in Rome and Modena. The report is based on review of available literature, interviews with Trade Unions, Employers' Organisations, Moldovan migrants in Italy, as well as financial providers and local authorities. The research benefited from the assistance of Natalia Moraru, Independent Cultural Mediator, who provided access to the Moldovan migrant community in Rome.

2. Remittances in the Moldovan Context

Since the regional crisis in 1998, Moldova has experienced an increase in labour migration, a development that has continued due to poverty and lack of employment opportunities (Cuc et al 2005). By 2006 an estimated 28 per cent of the working population had migrated, constituting 18 per cent of the entire population. Some estimates even suggest that in the period 2003 – 2004 up to 39 per cent of the economically active population has been working overseas (World Bank 2005:15). However, some 70 per cent of migrants are only working overseas part of the year. Particularly those going to Russia to work in agriculture or construction go as seasonal workers (Cuc et al. 2007:35). Regardless, the large diaspora now constitutes a key economic factor, and remittances have become vital to the Moldovan economy. In 2006 remittances were estimated to constitute more than 39 per cent of the country's GDP. There are indications that much of the increase in remittances in recent years may be a result of a higher percentage of remittances being transferred through formal financial channels. This increase may also be contributed to the improvements in services offered by banks (Quillin et al 2007:7; Cuc et al. 2007:35). (See Figure 2.1). Regardless of the increase, a large percentage of remittances continue to be through informal channels (Pantiru et al. 2007:17). Some estimates suggest that up to 50 per cent of remittances are sent informally and are subsequently not well recorded in the official statistics, though the National Bank of Moldova does try to adjust the remittance figures to include an estimate of the amounts transferred through informal channels (World Bank 2005:20).

Research has shown that the basic pattern of migration and remittances in Moldova is consistent with those found in other countries with large diaspora (Cuc et al. 2005:3). Though, while remittances constitute a significant percentage of GDP and has been the main driver of economic growth since 2000, this has mainly been through an increase in household consumption, whereas they are rarely invested directly in enterprises (Pantiru et al. 2007:17; Schwartz 2007:17). The high frequency of transfers through informal channels clearly indicates that there is a potential for increasing the economic impact of remittances, through increasing the use of formal financial channels.

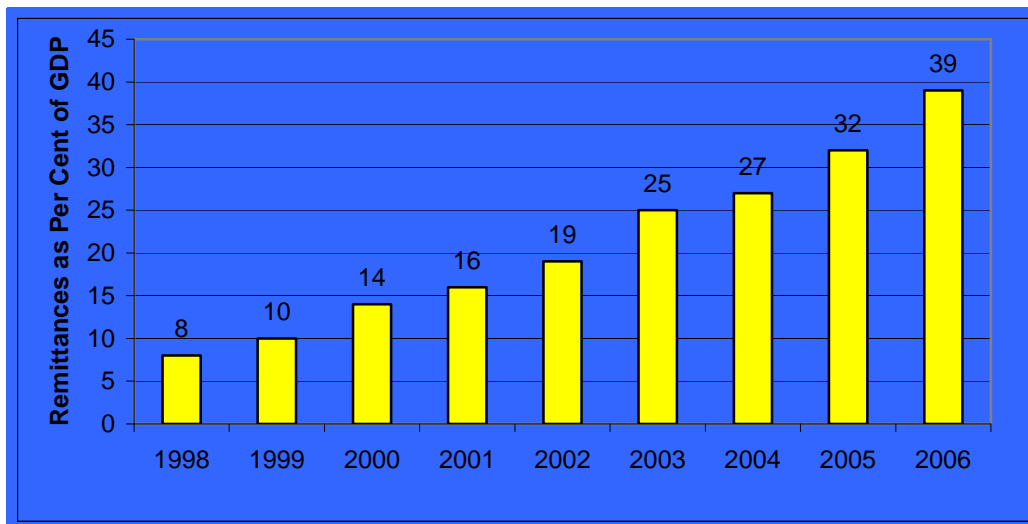
The aim is dual. One is to increase the use of the formal financial systems, making remittances and associated savings available for investments thereby contributing to economic growth. The second is to lower the costs and risks for the individual migrant to remit. Being unable to use commercial banks for transferring money home forces the migrant to either use expensive MTOs or risky informal transfer channels. Even in the case of remittances mainly being used for consumption there would still be an advantage to be obtained by ensuring their transfer through formal channels. By developing a volume it will allow capital to become available for productive investments. However, the use of MTOs, though technically part of the formal financial services, does not affect savings rates nor do they make capital available for productive investment in Moldova.

In addition to using formal financial services for transferring remittances, another factor is the savings rate. Currently, only an estimated 11 per cent of savings are placed in banks, with a similar amount saved informally, and only about six per cent of remittances are invested in business. As in other East European countries, there are indications that remittances are invested in real estate (Pantiru et al. 2007:19; Schwartz 2007:28). Consequently, there is ample scope for increasing savings rates in the formal financial sector (Sander et al. 2005:38). However, there continues to be a widespread mistrust

towards banks, which remains a main obstacle in increasing the savings rate and the sector's share of transfers. It should also be noted that there are indications that the tendency to keep informal savings does not change with length of time the migrant has been overseas, rather there is evidence to suggest that the amount kept as informal saving increases relatively (Cuc et al. 2007:30; Pantiru et al. 2007:23). This underlines the need for an intervention to change the behaviour of migrants with the purpose of increasing formal savings rates. Furthermore, there is anecdotal evidence to suggest that once migrant workers become regularised there is a tendency for them to bring their families over. This means that when they have access to using the banks for formal financial transfers, they are likely to start remitting less because their (immediate) family has joined them. As long as there are few employment opportunities at home, migrants' ties to their home country lessen over time resulting in decreasing remittances as they settle permanently overseas.

Figure 2.1

Remittances as Per Cent of GDP in Moldova



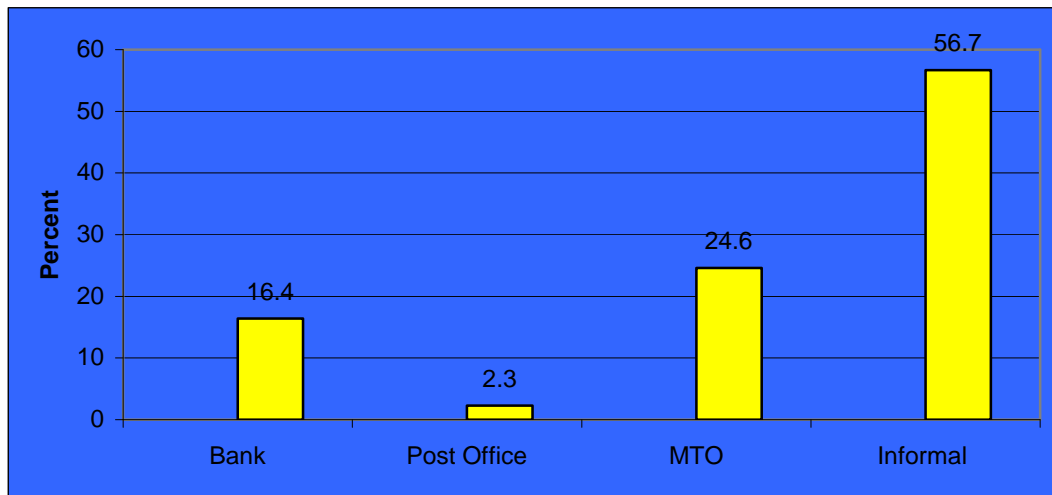
Source: World Bank and National Bank of Moldova

Though Moldova has an interest in promoting the use of formal (bank) transfers, there is an absence of systematic policies on part of the Moldovan government to mobilise migrants for the development of Moldova (Pantiru et al. 2007:16). There are no efforts to guide remittances, nor are there any efforts to reach out to Moldovan diaspora. Only few of the employment contracts, which migrants engage into are registered with the Moldovan authorities (Scanlan 2002). Given that a large number of migrants chose to use informal transfer methods or MTOs like Western Union this raises the question of the potential role of the social partners in encouraging the use of bank transfers, either through awareness raising (such as information material) or direct assistance such as transferring a percentage of the migrant's salary directly into an account in a Moldovan bank.

Migrants' choice of financial services are generally classified as informal or formal, and for the latter there is a distinction between MTOs and banks. Migrants' choice of which method to use is influenced by a range of factors. Studies indicate that Moldovan migrants' preferences are similar to that of other migrants and that safety, speed and cost are the main determinants. However, access to service providers, both in the host and

recipient country is often a major constraint. The percentage of Moldovans who have bank accounts is still low, and the fact that the majority of migrants come from poor rural backgrounds (World Bank 2005:15) further lowers the probability of them or their families having access to bank accounts in Moldova. The restrictions which Italian financial institutions impose on migrants' options for opening accounts, further limit the use of banks for transfers (See Chapter 3).

Figure 2.2
Distribution of Transfer Method for All Remittances to Moldova.



Source: Calculated from CBS-AXA 2005 survey, excluding the category: "no answer"

An estimated 71 per cent of Moldovan migrants transfer on average more than 50 per cent of their earnings back to Moldova² (Cuc et al. 2007:26). However, it is interesting to note that the use of formal transfers is on average higher for migrants living in Western Europe, with transfers from Italy coming through formal financial channels 47.2 per cent of the time. However, research elsewhere indicates that the banks often find remittance customers of little interest with regards to promotion of other financial products (Kring 2007). Banks therefore rarely make an effort to promote other financial products to migrants and their households. Furthermore, while informal channels appear preferred, they are far from safe. Other research has also indicated that losses do occur using the informal channels and that the cost associated with using them are relatively higher than the fees charged by the banks for the cheapest forms of transfers (Kring 2007).

Some remittance initiatives which are being pursued in other countries, such as GCash (using mobile phones to transfer cash, an approach particularly pursued in Asia), use of the mobile phone to transfer money has not yet been initiated in Italy or Moldova. Other communities in Italy have pursued collective remittances by establishing associations to support economic development in their country of origin. One example is Ghanacoop, which in addition to economic development also implements social projects in Ghana. This project is being implemented as a component of a programme by IOM Rome and targets a number of countries in Africa and Eastern Europe. However, the Moldovan community does not yet appear to be sufficiently established in Italy for such initiatives to

² All Moldovan workers overseas, including those working in Italy.

appear viable. Furthermore, existence of the informal services (mainly the so called "bus service") is by many (irregular) migrants seen as sufficient.

The absence of a solid organised diaspora also limits the potential of other efforts such as group transfers to Credit Unions as well as association based approaches typically seen among Latin American communities in the USA which supports economic development projects and other activities through associations – in some cases working directly with local government.

However, an estimated 60 per cent of migrants wish to return to Moldova once they have accumulated enough capital for a decent life for them and their family in Moldova (Ghencea and Gudumac 2004:69). This implies a potential for these migrants to transfer their money back into savings or investments in Moldova. Furthermore, as Italian banks are developing closer cooperation with banks in Eastern Europe the range of financial products and services which become available also increases, as does the public's trust in the private banks, a development which has been seen in Albania.

3. Characteristics of Moldovan Migrants in Italy and Their Employers.

Italy is the second largest destination country for Moldovan migrants after Russia, with some estimated 55,000 Moldovans living and working there (Caritas 2007:132; CBS AXA 2005:16). Through Moldovans constitute a large group in Italy, there is limited research available on the characteristics of this group. Most of the information comes from annual surveys conducted by CBS AXA in Moldova. The Moldovan diaspora in Italy is largely concentrated around Rome and the northern cities, such as Bologna, Milan and Trieste. An interesting characteristic is that the vast majority of Moldovans in Italy are female with one estimate suggesting that women account for up to 64 per cent of the Moldovan migrant workers in the country (CBS AXA 2005:15).

There is also an overrepresentation of migrants working in sectors where females are traditionally preferred such as homecare and domestic help. These two sectors account for 64 per cent of the employment for Moldovans in Italy. Construction, being the third largest constitutes some 19 per cent of employment. See Figure 3.1. This distribution is significantly different from that of Moldovans working in CIS, where construction is by far the largest sector of employment with 62 per cent of all Moldovan migrants.

In addition to the difference in occupation between migrants to Russia and Italy, there is also a difference in the migration pattern. While most Moldovan migrants in Russia tend to migrate for seasonal work, migrants to EU, including Italy, tend to stay for longer periods of time (CBS AXA 2005:11). This implies a potential longer lasting relationship with their employers. Furthermore, the Moldovan migrants who are working in the EU (this data is not available by host country) have a higher average education level than those who seek work in Russia (CBS AXA 2005:16). There are also indications that it is mainly migrants from the urban areas in Moldova who are migrating to Western Europe, including Italy (World Bank 2005:15). This suggests that their families may be more likely to have access to formal financial services and have bank accounts, available to them concerning means of transferring remittances than do recipients from rural areas.

There are several issues facing Moldovan migrants in Italy. These include their legal status to work and live in the country, weak representation of Moldovan diplomatic missions in Italy, the limited use of remittances which are almost exclusively used on personal consumption by recipient families in Moldova, and an absence of communication between migrants, diplomatic representations and the homeland (Schwartz 2007:3).

The privileges and ease of migration for work in Russia which Moldovans enjoy has been facilitated by bilateral labour agreements. These however are not present for EU countries. Consequently, it is difficult for Moldovans to obtain permits to enter Italy for the purpose of work. Though a bilateral labour agreement exists between Moldova and Italy it only provides for 6,500 workers. Given the difficulty in obtaining the required permits, it is not surprising that there are indications that a large percentage of Moldovans in Italy live and work there without the required permits. Some estimates suggest that 59 per cent of Moldovans in Italy live and work there under irregular status (Ghencea and Gudumac 2004:72), though this contrasts with the estimate of CBS AXA which indicates that up to 75 per cent of migrants are irregular (CBS AXA 2005:19). While it generally is difficult for non-EU citizens to obtain a permit to migrate to Italy for work, there have been amnesties on a number of occasions for irregular migrants which has given them the opportunity to regularise their status in the country.

3.1 Moldovan Diaspora

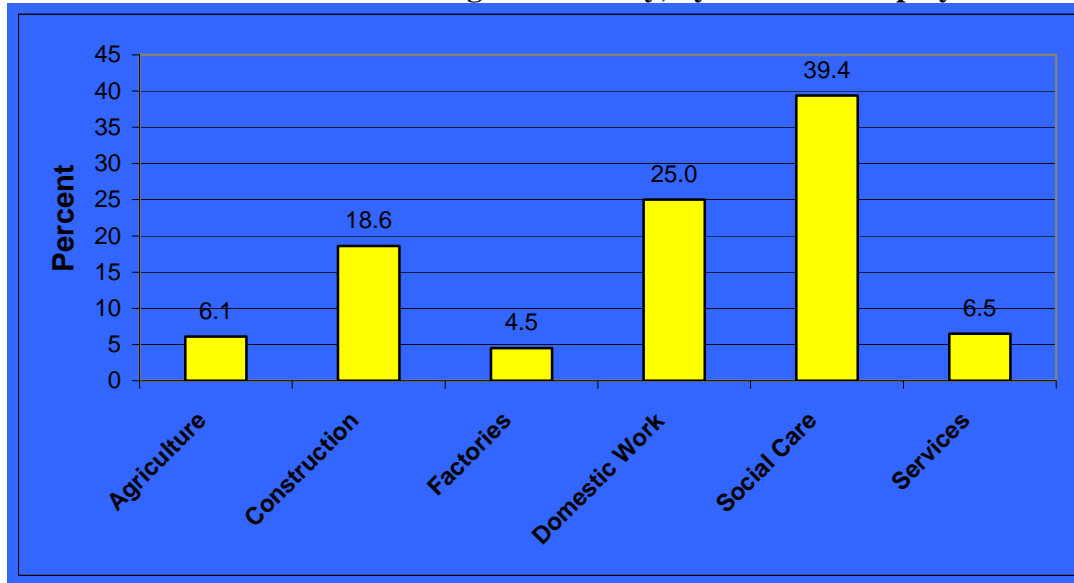
The Moldovan diaspora in Italy is characterised by very loose informal networks which do not appear to extend beyond the individual cities or towns. There is a distinct absence of the formal (or informal) national associations and clubs which normally facilitates the development of a strong diaspora network. The reasons for this absence are not well researched but indications suggest that there is a “stark disconnect” between recent migrants and those who have been in the country for a long period of time (Schwartz 2007:14). Furthermore, the irregularity of many Moldovan migrants act as a restraining factor in establishing associations and other national inspired NGOs. Anecdotal evidence also suggests the Moldovans have a less defined national identity which may be a contributing factor (Schwartz 2007:14-15).

It appears that Moldovans instead establish informal networks through word of mouth with weekly gatherings in certain cafes or public squares for socialising and where information is exchanged. Regardless of these loose networks, migrants frequently feel an absence of access to important information in Italy (Schwartz 2007:18), including information on regularisation of their status and information on financial services. Furthermore, there are no Rumanian/Moldovan language newspapers published in Italy. That being said, the informal gatherings are often considered a more reliable way of obtaining information than through the Moldovan Embassy in Rome or other official channels. Most migrants, particularly those with irregular status, perceive both the Italian and the Moldovan Governments as not trustworthy. The mistrust which many Moldovan migrants indicate towards government and authorities, also extend to Moldovan financial institutions. Italian banks are more likely to be seen as solid and reliable than their Moldovan counter parts. However, the language barrier and lack of knowledge on how to use Italian financial service providers act as disincentive for most migrants.

3.2 Sectors of Employment

The majority of Moldovan migrants in Italy are employed in the homecare and domestic work sectors, accounting for 39 and 25 per cent respectively. The two sectors are traditionally viewed as a female domain and most of the workers are women. The men are on the other hand overwhelmingly represented in the construction sector, which is the third largest sector of employment for Moldovans. (See Figure 3.1). The three sectors have certain characteristics in common. All are characterised by large numbers of small, and in the case of domestic and care work, private employers. Particularly the domestic work and health care sectors are characterised by lack of proper employment contract, and an absence of formal employment relationships. Furthermore, in all three sectors it is common practice to pay salaries in cash (weekly or monthly). The common way of obtaining employment in these sectors is through word of mouth.

Figure 3.1
Distribution of Moldovan Migrants in Italy, by Sector of Employment



Source: CBS AXA 2005.

Anecdotal evidence suggest that the unionisation level among Moldovans is relatively low, particularly for those working in private homes, though some trade unions report a unionisation level among migrants in general similar to that for Italian workers (around 25 per cent)³. Furthermore, the nature of the employers of domestic and health care workers make it unlikely that they are members of an employers' organisation. For the construction sector the organisation level of the companies employing Moldovans is not known. The isolated form of employment, particularly in the domestic and health care sectors, means that many migrants are often outside the networks normally used for providing advice and guidance, such as trade unions, national associations or co-workers. It is relevant to note in this regard that trade unions are generally regarded by migrants as a trusted source of information, underlining a strong potential role for the unions in reaching this group.

³ None of the migrants working in domestic work or health care interviewed during this research indicated a membership of a trade union.

4. Access to Financial Services and the Potential of the Social Partners

Italy is characterised by having highly developed financial service providers which offer advanced products. Regardless, the ability of migrants to draw full advantage of this is restricted by, among other things, the relatively lower sophistication of the products offered by Moldovan financial sector. In addition, migrants' use of financial services is further limited by an absence of knowledge of how to utilise them, and difficulties in accessing some of the services.

There are currently no indications of any significant or coordinated efforts by ILO's social partners in Italy to facilitate or assist Moldovan migrants transferring savings back to Moldova. As a matter of fact, there do not appear to be any efforts by the labour market partners to facilitate remittances for any group of migrants in Italy. Given the vulnerable situation of most migrants and the absence of assistance and information, this is an area which the social partners could provide assistance. Though this form of cooperation is still rare, there are a few precedents. One example is Caribbean seasonal workers in Canada where 25 per cent of their income is remitted to their respective governments. The purpose of this is to assure a minimum level of foreign currency remittances to the home country (Brem 2006:9). An added advantage is that by transferring a part of the salary back to the country of origin, it also facilitates the return of the migrant and makes it less likely that the seasonal migrant will remain in the host country after the work permit has expired. Other efforts include information on cost of transfers. One example in this regard is the efforts made by DFID, which has developed a comprehensive overview of the cost of transferring three different amounts from the UK to a number of different countries⁴.

There is a shortage of more detailed data on remittances from Italy to Moldova, in particular concerning the method of transfer. Nevertheless, some findings are available in the literature. For Moldovan migrants in general, some 55 per cent transfer remittances at least once ever three months (CBS AXA 2005:47). In Italy, an estimated 40 per cent of Moldovan migrants send home remittances on a regular basis, whereas the remaining 60 per cent only do so irregularly (CBS AXA 2005:21). The average transfer to Moldova (from all host countries) is 367 USD. However, there are indications that Moldovan migrants in Italy remit on average a larger amount than those working in most other countries (Cuc et al. 2005:26; Ghencea and Gudumac 2004:60). The average salary level for Moldovans is also higher in Italy than for example Russia, with an average of 934 USD per month (CBS AXA 2005:42). The salary level mentioned among irregular migrants in the domestic and health care services during interviews ranged from 900 to 1,300 USD per month. The interviews conducted during this research generally appear to confirm frequent transfers, the majority of which happen right after salaries have been received.

About half (55 per cent) of Moldovan migrants to Italy start remitting money less than three months after arrival, and less than 16 per cent do not start remitting until after seven months after arrival. (CBS AXA 2005:45). Anecdotal evidence suggest that migrants start remitting as soon as they have found employment, though in some cases the money remitted is used to repay any loans obtained to cover the cost of getting to Italy⁵.

⁴ www.sendmoneyhome.org/

⁵ Several migrants interviewed during the research mentioned that they had paid between 3,000 to 4,000 Euros for obtaining a tourist visa to enter Italy.

4.1 Financial Services Available

Italy has a fully developed financial sector, offering advanced products including various transfer services. For migrants the choice of transfer method is based on security, speed and ease. These are similar factors as to what is found among other groups of migrants (CBS AXA 2005:22; Kring 2007). Almost half (47 per cent) of migrants in Italy prefer using banks and MTOs for transferring money. Another 25 per cent use bus drivers. Personal transport is also a favoured method with some 62 per cent of migrants having transported more than one thousand USD in cash back to Moldova (CBS AXA 2005:22). However, migrants frequently face problems with lack of transparency concerning the services provided and the costs associated with international transfers. In addition, a problem frequently faced by migrants is exposure to swindle and theft (World Bank 2007:10; CBS AXA 2005:18).

4.1.1 Banks

While Italian banks offer a range of services, for transfers to Moldova more advanced remittance products such as debit cards and direct deposits are not yet available. A couple of banks offer transfers for a flat fee of 12 Euros (for amounts up to 10,000 Euros), making them the cheapest option for transferring larger amounts. (See Figure 4.1). On average transfers to Moldova take three to four working days. Regardless of the lower cost compared to MTOs and the reasonably short transfer time banks do not appear to have a great appeal among the migrant community. The widespread mistrust towards banks (particularly Moldovan) among migrants frequently makes them reluctant to choose this option⁶. The use of bank services is further limited by low frequency of households with access to bank accounts in Moldova, along with a low service level among financial service providers in Moldova. Only about a third of branches of Banca de Economii, Moldova's largest bank offers transfer services (World Bank 2005:21). However, though mistrust was repeatedly mentioned during interviews, it is only part of the picture. In some countries, including Italy, it is not possible for an irregular migrant to transfer money through a bank. Though in principle it is sufficient to have a passport, banks reportedly insist on identity papers showing residency in Italy (if the passport holder is not from an EU country). This excludes large numbers of potential clients. Furthermore, the absence of information in their native language and a feeling of intimidation in dealing with financial institutions make migrants wary of using this service. In addition, some migrants indicated during interviews that they transfer small amounts (50 to 100 Euros) once a week. For amounts of that size, the banks are relatively less competitive compared to informal services. A number of irregular migrants reported transferring money through the account of a trusted friend. This is especially used for larger amounts where the informal service is not considered trustworthy (See 4.1.3). Another issue frequently mentioned is the opening hours of the banks. Due to the often long working hours, it would be difficult for most migrants (particularly those working in the domestic and health care sectors) to visit the banks during normal working hours. Most migrants in these two sectors only have Sunday off.

However, there is anecdotal evidence to suggest that the Italian banks are increasingly starting to realise the financial potential of migrants. Likewise, there is anecdotal evidence that the younger (urban) population in Moldova increasingly prefers using banks

⁶ During the research a couple of anecdotes about fraud against migrants by Italian banks was encountered. The authenticity was impossible to verify, but due to the way information is accessed in the community they appeared to carry great weight.

(relatively compared to their parents generation), though currently only an estimated 12 per cent of households in Moldova have bank accounts (Orozco 2007:1). In addition, foreign banks, including Italian, have started to invest in the Moldovan banking sector. Based on experiences in other East European countries such as Albania, this is likely to gradually increase the public's trust in the financial service providers, particularly those foreign owned, as well as increase the range and quality of financial products offered (Kring 2007).

4.1.2 MTOs

As in other East European countries with a weakly developed financial sector, the Money Transfer Operators (MTOs) have managed to capture a large share of the formal financial transfer market in Moldova. MTOs account for an estimated 73 per cent of the (formal) remittance market, with Western Union having by far the largest market share (Quillin et al 2007:24). There are three main reasons for the success of the MTOs in capturing such a significant market share. Firstly, the service is fast. In most cases the transfer period is not more than a day for the money to be available in Moldova. Secondly, the MTOs are seen as easier to use. Their services are user friendly for both sender and recipient, with the paperwork being limited and straightforward. This is particularly an issue for people with limited exposure to formal financial systems (Blackwell and Seddon 2004:16). Thirdly, for irregular immigrants it is frequently the only alternative to informal transport of funds.

The fast and easy service of the MTO also means that they, rather than the banks, are frequently used in case of emergencies or other unexpected expenses. Recipient household are often able to request additional amounts from the migrant, should a sudden need arise. MTOs also have better coverage in Moldova, making it easier for the recipient who avoids having to travel to the capital to receive the transferred funds. However, the cost of using the services of the MTOs is significant, approximately five to 16 per cent of the transferred amount (See Figure 4.1). This means that there are significant savings to be obtained by migrants by shifting to traditional bank transfers. Furthermore, though the MTOs are part of the formal financial system, they offer little potential for contributing directly to economic development.

4.1.3 Informal Services

There are a couple of informal financial services available which enable transfer of money between Italy and Moldova. However, though the informal services are preferred by many migrants the system is not as well developed as examples from other migrant groups such as the hawala or hundi systems where transfers are arranged by a phone call through middlemen (Blackwell and Seddon 2004). Instead, Moldovan migrants have to find a way to physically move the money in the form of cash. Furthermore where hawala and hundi systems are often more competitive than formal financial services and better established than other informal transfer system (Blackwell and Seddon 2004:16) the absence of such services to Moldova means that migrants will have to rely on more expensive informal services which do not hold the same reliability. One of the problems frequently faced by migrants in general are exposure to swindle and theft, an issue, which also extends to the informal transfer of money (CBS AXA 2005:18).

There are two prevalent methods: personal transport during visits to Moldova, and the so-called "Bus services". The latter is a reference to the buses (operated by Moldovans), which runs between Italy and Moldova and transport persons, money and packages for a

fee. The fees are fixed at three per cent for cash, and packages are 1.5 euro per kg. It is considered a reasonably reliable service, which takes about three days.

There are two main advantages with the bus service: the money is delivered to the town or village where the recipient lives (in some cases delivery is to the door). The second advantage is that the bus service is easily accessible. It collects cash and packages every Sunday, which is also often the only day off for domestic and health care workers, thereby enabling them to access this service. Concerning personal transport of funds, Moldovan law has recently been changed and restrictions on the amount of cash a person can bring into country have been eased. Though, given that a large number of Moldovans are in Italy as irregular migrants, the option of bringing cash back during visits is limited.

However, several migrants reported problems with the bus service with money being lost due to robbery of the bus driver or direct theft by the driver himself. There is a perception that the bus service is safe for small amounts but that the risk of something going wrong increases with the amount being transferred. Consequently, the service is only used for smaller amounts such as 20 to 100 Euros (in rare cases 500 Euros) whereas larger amounts are either transferred through MTOs, being carried by a trusted friend, or (in few cases) transferred by a friend who has a bank account in Italy.

There are also general indications that language barriers, particularly for recent arrivals, contribute to migrants choosing informal channels for transfers. Likewise concerning lack of information, which is also frequently causing migrants to resort to using informal channels, as they are operated by country men (Ghencea and Gudumac 2004:59). Also, given the irregular status of many Moldovans in Italy, there is an inherited fear of having to provide identification or name and address. This concern makes the informal services seem more attractive. Furthermore, migrants originate from the rural areas, which are poorly served by the banks, offering yet another disincentive to use them, whereas informal channels on the other hand often have a better outreach (Blackwell and Seddon 2004:3).

4.1.4 Other Financial Service Providers

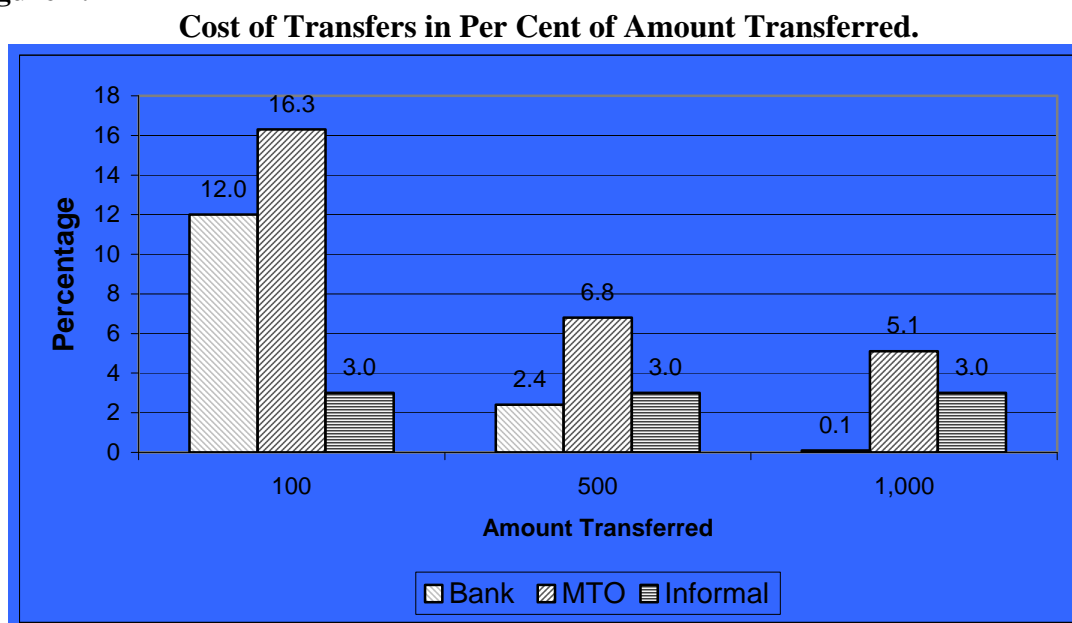
Another provider of financial services is the Postal Service. However, while it is possible to transfer money through the postal service, it is only post offices in Chisinau and regional centres that can handle remittances and only in Lei (World Bank 2005:21). Furthermore the Italian postal service has an arrangement with the MTO Money Gram and offers their products to clients.

Moldova has a growing number of microfinance institutions and Credit Unions. However, these institutions do not have the legal basis for conducting or receiving financial transfers and are therefore of little interest to migrants with regards to the actual transfer of funds. That being said, in other East European countries, these institutions have been found to have a greater appeal to remittance recipients with regards to the services they provide (such as savings products). They could therefore potentially play a role in increasing the rate of savings with formal financial institutions, even if they are not directly involved in the actual transfer of remittances.

4.2 Cost of Transfers

There is a wide variation in the cost of transfers, depending on method and amount. The formal financial service providers are clearly more expensive with regards to smaller amounts, whereas for remittances of around 500 Euro the differences in cost are less pronounced. The indications are that migrants face fees ranging from ranging from 0.12 per cent to 16 per cent of the transferred amount. See Figure 4.1. A number of banks offer a standard fee of 12 Euros for transfers regardless of the amount⁷. The informal channel, in particular the bus service, operates with a standard percentage (three per cent) of the amount transported. The fees indicated for the MTOs in Figure 4.1 are those of Western Union⁸.

Figure 4.1



Source: Author's research

It is clear that for those migrants who transfer small amounts often, such as weekly remittances, the informal service appears to be competitive. However, given that there are indications that the average amount remitted from Italy is likely to be closer to 500 the bank services becomes relatively more competitive. This particularly for those migrants whose families live in the urban areas with easier access to financial service providers. A more comprehensive picture would need to be established.

4.3 The Social Partners and their Potential Role

The ILO's social partners have a unique network through which to reach migrants and their employers. It is therefore natural that for any intervention directed towards Moldovan migrants or any other group in the labour market the social partners would have a central role to play. The challenge will be to ensure that the efforts of the social partners are targeted towards the key obstacles.

⁷ Including Banca Antonveneta and UniCredit Banca.

⁸ Money Gram has a lower fee of seven Euro for transferring 100 Euros. However, WU is used here as it has by far the greatest market share.

The outcome of this research is that the greatest obstacle is an absence of information in Rumanian/Moldovan. Furthermore, this information has to be made available through channels which not only reach Moldovan migrants but which the migrants are likely to trust. The social partners with their extensive networks have a potential for establishing and expanding such channels of information. However, the basis for this – an extensive outreach among the Moldovan migrant community – is not yet present. The fact that the majority of migrants work for small scale employers or in private households means that the likelihood of the individual migrant of being member of a trade union is limited and it is unlikely that households which employ migrants are associated with an employers organisation. There is consequently the need for greater outreach efforts by the social partners towards this group of migrants and their communities.

The general characteristics of the employers of Moldovans also mean that, for the majority of them, any awareness of the issues faced by migrants is possibly limited, and the capacity of the individual employer for providing support is probably low. However, employers' organisations can provide the lead. This can initially be by developing information material for distribution among its members. Initiatives could include providing newly hired migrants with an information package in Rumanian/Moldovan as to the different options available for transfers and the associated costs and transfer times. Employers' organisations can also explore the potential for longer term approaches such as direct assistance in opening accounts (in Italy and Moldova), transfer of money into Moldovan bank accounts and other remittance related efforts.

Enabling (regular) migrant workers to have access to bank accounts would also present an ease of work for the employers by shifting away from cash payments, which are currently the norm, to electronic transfers. For employers the advantages of, for example, offering the service of transferring a percentage of the salary into a Moldovan bank account creates an incentive for the employee to remain with the employer. Anecdotal evidence suggests that among certain groups there is a large turn over of workers. Electronic transfers may in particular appeal to the domestic and care workers employers. In the construction sector workers are paid in cash and neither workers nor the employers' organisation believe there is a need or interest to change this arrangement. The involvement of employer's organisations in facilitating remittances can also be a component of a larger initiative to improve general conditions of work and ensuring ethical standards are observed by members to avoid exploitation of migrant workers⁹.

The direct assistance by employers to facilitate remittances, besides providing information, is an approach, which needs to be developed and introduced with care. Regardless of the potential benefits, there appear currently to be little support among migrants for employers to become directly involved in actual transfers such as direct deposit of a part of the salary into an account in Moldova. It appears that one of the leading causes of the reluctance is that a number of migrants, particularly those with irregular status, have experienced being exploited in various ways by their employers. However, interviews suggest that migrants may take advice from their employers, should they provide information on how to use banks or other financial services.

⁹ Several migrants working in the domestic and health care sectors reported being paid less than minimum wage though they are regularised migrants.

Trade unions on the other hand are viewed by migrants as more reliable. However, their outreach services are limited though many have special units dealing with migrants. The establishment of contact between the migrant worker and the trade union is mainly left to the initiative of the individual migrant. There is some anecdotal evidence to suggest that in particular recent arrivals are reluctant to make contact to the trade unions, fearing their irregular status will present a problem or that the trade union will report them to the authorities. Though there is a limited unionisation level among Moldovan migrants, a strong interest in joining was expressed during the interviews. This would clearly be a contribution towards securing secure minimum wages and decent working conditions for migrant workers.

Given that many Italian trade unions already have special departments dealing with migrant workers, providing specialised services on remittances to Moldovans (and other migrant groups) should be easily achievable within the existing institutional set up. Employers' organisations and their members may have the need for developing the institutional set-up required for them to be able to deliver. It is clear though that the combined effort by the social partners, could establish an effective channel to reach Moldovans and other migrant workers. It would constitute a significant improvement in the individual migrant's access to information, not only on remittances issues, but also contribute to protect migrants from exploitation and abuse. Both the employers' and the workers' organisations in construction sector have indicated their support for development of information material and their willingness to distribute it to its members. However, the employers' organisation also believes that at this stage there would be very little support for direct interventions or initiatives such as transfers into bank accounts or other services beyond awareness raising.

Regardless of a combined effort by the social partners to reach Moldovan migrants, there are indications that several of the schemes which are pursued elsewhere such as association savings and remittances for the development of local areas are not yet relevant for this target group, in part given the absence of organisation among the diaspora.

5. Findings and Recommendations

Moldovan migrant workers' choice regarding the method of transfer of remittances is influenced by the access to information, including on the cost and reliability of available options, and their accessibility to the individual providers both in Italy and Moldova. The recurrent issue is the absence of information on a range of issues, including the financial services available with regards to savings products and transferring money back to Moldova. The lack of information is further exacerbated by the language barrier, which is a factor frequently mentioned as a cause for not using bank services (CBS AXA 2005:22). The exchange of information through informal network clearly fulfils a need, but may also contribute to distortion through "Chinese whispers". By ensuring that information material is available in Rumanian/Moldovan, behaviours can be influenced for the benefit of the individual migrant and the Moldovan economy.

The ILO's labour market partners in Italy have a large potential role to play in access to information including on remittances and facilitating the increased use of formal financial services. For the employers, it is clear that their organisation needs to take the initiative and provide the lead. As many of the employers are small or private households, it is beyond the scope for most of them to collect any information on their own. However, small employers may very well be willing to distribute information material if it is made available to them. The challenge will be for the employers' organisation to reach out to its members and support their involvement in these services. For the trade unions, providing specialised services on remittances to Moldovans (and other migrant groups) could be fairly easily achieved within the existing institutional set up.

Financial literacy is another key issue. Few of the migrants have a comprehensive knowledge of the opportunities for remitting and investing in Moldova. Given that migrants are generally paid in cash regardless of the sector in which they work, their exposure to the Italian banking system is extremely limited. Any efforts to increase transfers of remittances through banks has to focus on informing migrants on the requirements and procedures for using these services as well as outlining the relative competitive advantage of using these services. The financial illiteracy is further complicated by the language barrier, which most migrants face when arriving in Italy. The fact that many migrants start sending back money relatively shortly after arrival contributes to them resorting to methods which easy to use, such as MTOs or those operated by countrymen such as informal channels. The lack of trust in the public system and Moldovan financial institutions in particular, constitute an obstacle which needs to be addressed through awareness raising for any significant change in the transfer methods to take place.

Both migrants and their employers stand to gain from these activities. Migrants stand to save on transfer fees and for employers of domestic and home care workers, the introduction of a transfer arrangement for the salary from one bank account into another will constitute an improvement. However, it is also clear that in the current environment a more active involvement of employers and their organisations in facilitating remittances through formal financial channels is probably not feasible. In the longer term, initiatives could include employers and their organisations offering assistance or specialised financial products in cooperation with banks to facilitate remittances, which are tailored to the migrant's need. Assistance in opening bank accounts and savings accounts in Italy, and possibly offering direct deposits into bank accounts in Moldova would enable

migrants to save money. While other initiatives such as direct transfers by employers into accounts in Moldova would constitute a significant contribution towards increasing formal transfers, there is clearly a lack of support for such initiatives among both the labour market partners as well as the migrants themselves. Likewise concerning assistance in establishing bank accounts and similar activities which involve the employer directly. Therefore the initial steps should focus on awareness raising and information about costs and procedures. This could also link with ongoing efforts by Moldovan banks to increase their client base.

5.1 Recommendations:

Based on these findings the recommendations for initial action focus on development of information material and the establishment or expansion of the social partners' network for disseminating information to the target group.

5.1.1 Awareness Raising

The initial basis for awareness raising among migrants in Italy is development of information material. Given the relatively low level of use of the internet, the distribution of printed material would at least initially need to form the basis for the awareness raising along with publication in selected newspapers. The information material should also emphasise the security and safety of transfers through formal financial channels.

The initial focus should be on development of information material in Rumanian/Moldovan that provides a clear overview on costs of transfers (for three or four different amounts), transfer time and outlets in Moldova for each of the formal financial service providers.

Other information material to be developed could include:

- A step by step guide on how to open a bank account in Italy (including documentation and paperwork required)
- How to request bank transfers, including automatic monthly transfers.
- Overview of financial products (savings and investments) available in Italy and Moldova and how to access them

Other efforts could also include the establishment of a telephone help line (potentially run by the social partners) offering assistance and support (in Rumanian/Moldovan) on migration related issues. (IOM Rome is starting such an initiative, which could potentially include assistance on remittance issues).

5.1.2 Labour Market Partners

For the ILO's partners to be able to participate fully in an awareness campaign towards Moldovan migrants, greater outreach services need to be established, both on the national and local level. The current approach by some trade unions that migrants themselves will initiate contact means that, in particular, recent arrivals are likely to be excluded. Social partners can also help by providing information on the obligations of employers towards their employees and help prevent exploitation of workers. Efforts to support and protect

workers are likely to contribute to establish trust and coherence the effectiveness of awareness raising efforts by the organisations.

Specific activities could include:

- Conducting Financial Education Seminars
- Information campaign for local members on migration related issues
- Develop strategies for more pro-active efforts to reach migrants

Furthermore, social partners have unique international networks. In this case, stronger links between Italian and Moldovan social partners could be used to channel information on remittances and investment opportunities to Moldovans working abroad.

The Italian social partners could possibly also participate in the establishment of a Rumanian/Moldovan language telephone help line for migrants

5.1.3 Longer Term Efforts

The current situation among Moldovans working in Italy and the very loose structure of the diaspora presents an obstacle, which for the time being prevents the pursuit of more collective efforts to enhance remittances and economic development in Moldova. However, efforts, which could be considered in the future building on the awareness raising and information campaigns include:

- Supporting the creation of associations on the workplace (for larger employers) and establishing contact/transfers with CU and MFIs in Moldova to promote group transfers.
- Assistance to open bank accounts back in Moldova. Given that a large number of migrants do not have bank accounts in their home country, employers' organisations could explore, in cooperation with Italian banks the possibility of developing a scheme under which bank accounts are open in Moldovan banks for the migrants
- Replication of efforts by organisations such as Ghanacoop, promoting local economic development and employment in the country of origin, by expatriates forming associations. In that regard, the possibility of association based local development in Moldova, following the examples of Latin associations in the USA should also be explored.

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