Labour Migration and Development: the key contemporary issues

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Outline for today’s lecture

1. International migration as a field of study
2. Labour migration for development
3. Some numbers
4. Labour migration sustaining developed economies
5. Labour migration for development
6. The issue of remittances
7. Evidence from Nepal
8. Discussion

Traditional views of labour migration: permanent, unidirectional (developing to developed, poor to rich)

UPROOTED

Migration a result of failure and exclusion in country of origin; migration of the defeated.

Connection to the neo classical economics and dual labour market theories (migration primarily an economic decision, based on poverty and situations of wage inequality). Permanent situation, little or no prospect of successful return.

TRANSPLANTED

Migration a rational decision, often made at the household or extended family level (new economics of migration theory). Difficulties in destination country are faced through solidarity of ethnic community (diapora community) and the emergence of ethnic institutions (institutional theory) and chain migration patterns (network theory).

Continuing connection to country of origin, better scholarship into return migration and circular migration (Italians in the Americas), evidence of transnational diasporic links (New York-Buenos Aires Jews and Italians). Not necessarily a permanent situation.

Transnational links in a more connected age

Post 1945 developments in travel, communication technology, financial systems, policy changes (dual citizenship, fewer racial barriers) allow for more fluidity of movement, easier to remain connected to country of origin.

Anti-discrimination movements in destination countries and more immigrant-friendly policies in some places mean migration less of a threat to identity (uneven, cyclical). Recognition of universal human rights (but large gaps in application).

Guest and seasonal worker programmes respond to both suspicion of foreign presence and changing labour market needs, especially post 1973.

The possibilities for labour migration increase post 1990 (end of Cold War).

Expansion of migration networks (world systems theory) and hybridization of status as sender or receiver nation; more countries are at once senders, receivers, and transit countries.

Up to 2019 there were more opportunities to migrate and it could be done with greater ease though in some places there werer increasingly significant policy barriers limiting migration.

And then along came COVID 19...

Where do people go? From where?

Developing to developed/South to North is the most common perception; however:

More than a third of all international migrants have moved from one developing country to another. In 2017, 38 per cent of all international migrants were born in a country of the less developed regions and were residing in another developing country (“South-South migrants”), while 35 per cent were born in the South but residing in the North (“South-North migrants”). About one in five international migrants were born in the North and residing in the North (“North-North migrants”), while 6 per cent were born in the North but residing in the South (“North-South migrants”)

UN-DESA, Population Facts, December 2017

Labour migration for development

Growing recognition in international bodies (UN, IOM) from the1990s on (end of Cold War limitations on market expansion and human mobility) that migration can be a tool for development

1. Poverty reduction through better standard of living in destination country, but also through remittances to country of origin
2. Positive effect on health and education for both migrants and those who remain behind, especially for women and children
3. "Social remittances" that migration brings, for instance by increasing trade flows, and facilitating the transfer of skills, knowledge, values and innovation (IOM, 2013)

"the Human Development Report 2009 found that migrants who moved from a country with a low human development index to a country with a higher index experienced, on average, a **15-fold increase in income**; a **doubling in education enrolment rates**; and a **16-fold reduction in child mortality** (UNDP, 2009). Migrants' private remittances meanwhile – which were estimated to have reached some USD 406 billion in 2012 (World Bank, 2012) – contribute to **poverty reduction; higher human capital accumulation; spending on health and education; greater access to information and communication technologies; improved financial sector access, small business investment, job creation and entrepreneurship; and greater household resilience to natural disasters or economic shocks** (see Chapter 6; Ratha et al., 2011)." (IOM 2013 report)

Some numbers

IOM 2018 report: one seven people in the world a migrant, 244 million external (2015 figures), 744 million internal (2009 figures); for 2013, labour migrants amounted to 150.3 million of 232 million international migrants (approximately 65%)

Around 3.3% of world population international migrants- relatively steady as a percentage though absolute number rises as global population increases

USA by far biggest number of foreign born, Germany, Russia, Saudi Arabia, UK, UAE, Canada, France, Australia, Spain (see graph next slide for top 20, 2015)

75% in high-income countries, 23% in middle-income, 2% in low-income (labour migrants only)

Some countries top 20 receivers and senders (Russia, UK, India, Ukraine, Germany)

Male 52% female 48% but varies by region, number of highly skilled female migrants high

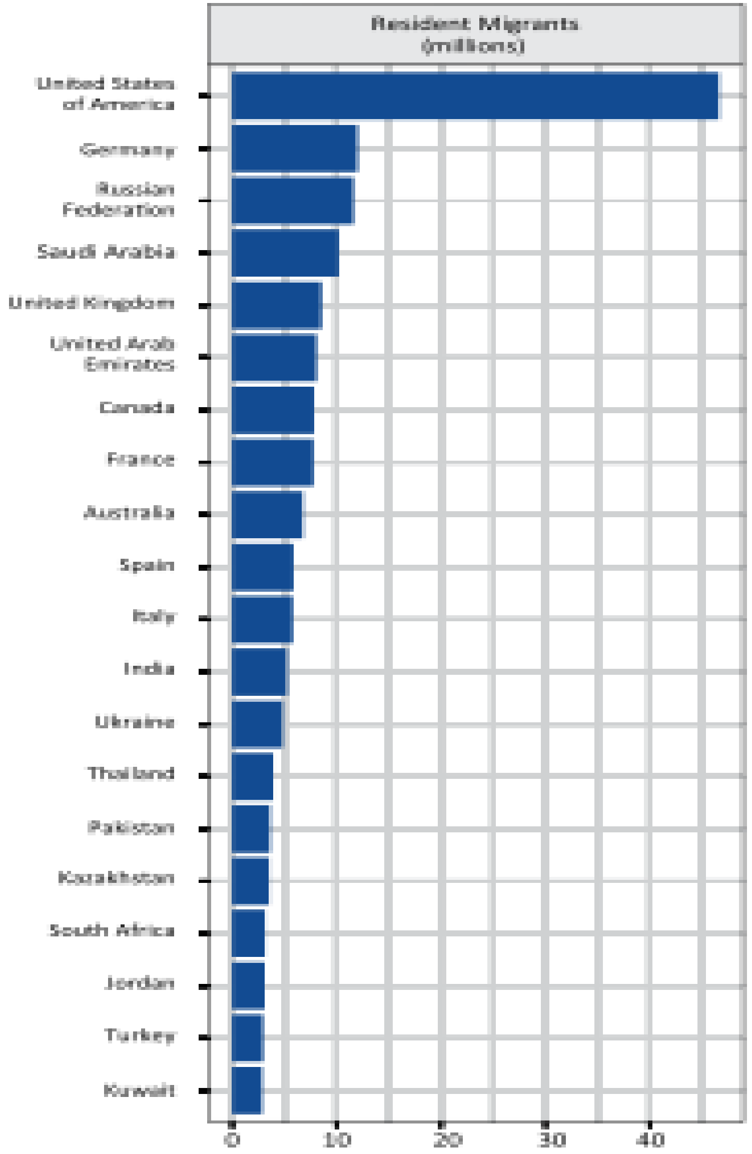
Return migrants (three months plus abroad) 12 to 37% depending on region

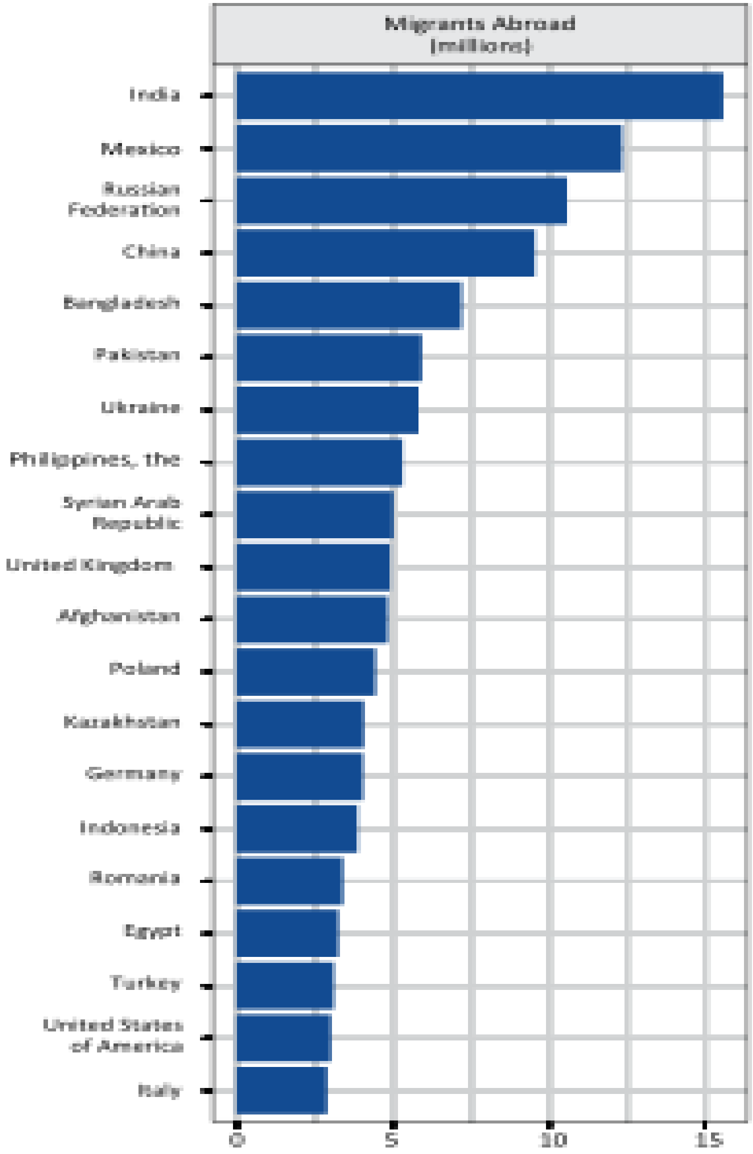
Numbers of irregular migration difficult to measure, could be up to 1/3 from developing countries

Table 1. International migrants, 1970–2015

Year	Number of migrants	Migrants as a % of world's population
1970	84,460,125	2.3%
1975	90,368,010	2.2%
1980	101,983,149	2.3%
1985	113,206,691	2.3%
1990	152,563,212	2.9%
1995	160,801,752	2.8%
2000	172,703,309	2.8%
2005	191,269,100	2.9%
2010	221,714,243	3.2%
2015	243,700,236	3.3%

Source: UN DESA, 2008 and 2015a.





WORLD MIGRATION REPORT 2018 19
https://www.iom.int/sites/default/files/country/docs/china/r5_world_migration_report_2018_en.pdf
2020/9/9

Migration for sustaining developed economies

Benefits for receiving as well as sending societies

Labour for countries experiencing demographic decline

Influx of highly-skilled workers, especially notable in the health service areas (brain drain problem for developing countries). Connection between number of immigrant health care providers and developed countries with aging populations

Student migrants and the benefits they bring to destination countries

Increased social and cultural diversity as a benefit to destination countries (ideally but problematic in practice)

Emergence of a “migration industry” in destination countries that can be economically vibrant: travel agents, immigration lawyers, ethnic associations, ethnic shops for food culture, education for conservation of language and culture, financial service providers for remittances (institutional theory of migration: migration continues because it becomes institutionalized, part of the normal scheme of things)

Risks and problem areas

Economic crisis and cultural rejection can lead to xenophobia, discrimination in practice even when legally unacceptable: **how is the pandemic affecting migrants?**

Immigration policy in most large-scale receiving nations does not allow for the numbers of people moving = increased numbers of irregular migrants with no protection from abuse: Human smuggling and human trafficking

Migration still costly (indebtedness from the beginning of process)

Labour migration can be arbitrary; forced circular migration when labour is no longer needed (voluntary repatriation programmes in Czech Republic and Japan post 2008; UAE warning labour-sending countries to repatriate their workers of face consequences now)

Lack of good data, especially when it comes to irregular migration

Lack of international coordination/cooperation (the unwanted child of global governance), lack of rational, long-term national plans (migration/immigration divided among different ministries and agencies, change as governments change)

Labour migration for poverty reduction and development is an old idea but a recent field of study (focus on developing rather than developed countries)

UNDP research: Poverty Reduction Strategy Papers (PRSPs) since 1999: increasing discussing of the role of migration in poverty reduction, especially notable in Sub-Saharan Africa in the 2000s

Intragovernmental discussion and (some) coordination:

- Global Commission on International Migration (2005)

- UN High Level Dialogue on International Migration and Development (2006)

- Global Forum on Migration and Development (2007 and 2008)

Prior to late 1990s, the dominant view that migration was a product of poverty and lack of internal development, and that policy should be aimed at encouraging migrants to return to assist in the national development project, which would reduce the need for migration

= MIGRATION AS A SIGN OF NATIONAL FAILURE, need to focus on domestic development

This idea begins to lose ground, more dominant is the idea that migration is a **tool for domestic development and a strategy for poverty reduction**

Potential connections between migration and poverty reduction

Van Hear and Nyberg-Sorensen 2002: the potential transnational role of diasporas in transferring knowledge, skills and investment in places of origin; a focus on remittances; and a recognition of the place of migration in the livelihood strategies of poor people – including those living in countries affected by conflict.

Revenue: remittances

Technical expertise: work experience in a more technically developed setting, skills and knowledge growth, higher potential for entrepreneurship

Social and cultural impacts: improved health practices/knowledge, different views of gender roles, contact with other cultures and ways of thought as a promoter of innovation

Trade links (?) formed through diasporic communities

Development of human capital (?)

Remittances: 429 billion in 2016, higher than ODA

2015 Top receiving countries and amount/billions USD (IOM 2018)

India	**68.91**
China	**63.94**
Philippines, the	**28.48**
Mexico	**26.23**
France	**23.35**
Pakistan	**19.85**
Nigeria	**18.96**
Egypt	**16.58**
Bangladesh	**15.38**
Germany	**15.36**

2015 Top sending countries and amount/billions USD (IOM 2018)

United States of America	**61.38**
Saudi Arabia	**38.79**
Switzerland	**24.38**
China	**20.42**
Russian Federation	**19.70**
Germany	**18.56**
Kuwait	**15.20**
France	**12.68**
Qatar	**12.19**
Luxembourg	**11.35**

Top remittance receivers as % of GDP (World Bank)

Small countries depend on remittances the most.

1.	Tonga	37.09
2.	Kyrgyzstan	32.86
3.	Haiti	32.37
4.	Tajikistan	31.30
5.	Nepal	27.85
6.	El Salvador	20.37
7.	Moldova	20.16
8.	Honduras	18.81
9.	Jamaica	16.61
10.	Samoa	16.39
11.	Lesotho	15.55
12.	Gambia	15.32
13.	Palestine	14.78
14.	Armenia	13.34
15.	Lebanon	13.21
16.	Comoros	12.96
17.	Liberia	12.28
18.	Georgia	11.90
19.	Cape Verde	11.88
20.	Bosnia & Herz.	11.17

For developing countries excluding China, remittances are now larger than Official Development Assistance (ODA) and Foreign Direct Investment (FDI)

Remittance flows worldwide

Remittance flows to low- and middle-income countries (LMICs) are expected to reach $551 billion in 2019, up by 4.7 percent compared to 2018 (table 1). Remittances have exceeded official aid – by a factor of three – since the mid-1990s. This year, they are on track to overtake foreign direct investment (FDI) flows to LMICs (figure 1).

Figure 1: Remittances on track to overtake FDI flows

https://images.app.goo.gl/r4acFx5dzsEwYmJw5

Sources: World Bank-KNOMAD staff estimates, World Development Indicators, and International Monetary Fund (IMF) Balance of Payments Statistics.Note: FDI = foreign direct investment; ODA = official development assistance.

Remittance trends, World Bank, 2019

https://www.worldbank.org/en/news/press-release/2019/04/08/record-high-remittances-sent-globally-in-2018

WASHINGTON, April 8, 2019 — Remittances to low- and middle-income countries reached a record high in 2018, according to the World Bank's latest Migration and Development Brief.

The Bank estimates that officially recorded annual remittance flows to low- and middle-income countries reached $529 billion in 2018, an increase of 9.6 percent over the previous record high of $483 billion in 2017. Global remittances, which include flows to high-income countries, reached $689 billion in 2018, up from $633 billion in 2017.

Regionally, growth in remittance inflows ranged from almost 7 percent in East Asia and the Pacific to 12 percent in South Asia. The overall increase was driven by a stronger economy and employment situation in the United States and a rebound in outward flows from some Gulf Cooperation Council (GCC) countries and the Russian Federation.

Excluding China, remittances to low- and middle-income countries ($462 billion) were significantly larger than foreign direct investment flows in 2018 ($344 billion).

Remittance trends because of COVID-19, World Bank 2020

https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history

WASHINGTON, April 22, 2020 — Global remittances are projected to decline sharply by about 20 percent in 2020 due to the economic crisis induced by the COVID-19 pandemic and shutdown. The projected fall, which would be the sharpest decline in recent history, is largely due to a fall in the wages and employment of migrant workers, who tend to be more vulnerable to loss of employment and wages during an economic crisis in a host country. Remittances to low and middle-income countries (LMICs) are projected to fall by 19.7 percent to $445 billion, representing a loss of a crucial financing lifeline for many vulnerable households.

Problems associated with the strategy

- Brain drain and depopulation (if migration is permanent and not cyclical)
- Lack of protection of migrants' rights in some countries
- Marginal effect on poverty reduction; is it pro-poor if it is not the poorest quintile benefitting?
- Many receiving countries still promote return policies; lack of mainstreaming of migration policy that enables poverty reduction

*Remittances as having negative effects: increasing inequality between receiver/non-receiver households, dependence on imports = balance of payment issues, inflation, or vulnerability to external shocks

* Remittances can be cyclical: Uzbeks in Russia prior to the pandemic, now COVID-19 is affecting the entire picture

Black and Sward, 2009, p. 17

"...a number of PRSPs highlight perceived problems of rural out-migration in terms of its impact on rural areas; these include concerns about **shortages of farm labour** (Bhutan 2004, Bolivia 2001, Yemen 2002); **loss of better-educated people** (Mozambique 2007, Nigeria 2005, Serbia & Montenegro 2004); population ageing (Nigeria 2005, Yemen 2002); and **a rise in the number of female-headed households and female smallholders, leading to increased adolescent maternity rates** (Honduras 2001) **constrained access to land, credit, information and markets** (Kenya 2005); and an **increased burden on women** (Yemen 2002)."

Ethiopia and Honduras: **environmental damage** caused by rural-rural migration

Other studies: pressure on urban areas caused by internal and international migration

Summary (Black and Sward, 2009, p. 12)

In this context, broadly ‘positive’ references are seen as those which highlight opportunities for development associated with **remittances, migration-related trade, the skills and resources of diaspora populations, or the potential for advancement of human capital through the export of labour.** In contrast, broadly ‘negative’ references include a range of examples in which migration is seen as constituting a problem, whether through <u>**constraining growth, increasing inequality, or being linked to human trafficking, pressure on urban settlements, crime, malnutrition, poverty, unemployment, HIV/AIDS, or the growth of slums**.</u>

Evidence from Nepal

GSID graduate (DID doctoral program, 2014) Jeevanath Devkota, *Migration and Development: The Impact of Migrants' Remittance on Poverty, Inequality and Entrepreneurship in Nepal*

Overall conclusion: "short-term labor migration is a positive force to improve worldwide living conditions" (p. 114)

Remittances are the backbone of Nepal's economy, and a more reliable source of income than ODA

<u>Caveats</u>

WTO commitments limit or restrict labour migration (GATS $ Mode); free flow of goods is encouraged, free flow of labour is not. Ambiguous international policy.

Fears of wage decline and social concerns in destination countries

Social costs in Nepal: "We can see some social problems because of the rapid increase in migration from Nepal. Some children of migrants left behind must allocate more time for household work, some drop out of school at an early age, and some are more likely to use drugs. Elderly parents are redundant in the society. Wives left behind by their husbands suffer from mental illness, and the divorce rate is also increasing. The death toll of Nepalese migrant workers is increasing every year." (p. 116)

Why do Nepalese migrate?

“The latest data shows that there are about 3 million international migrants from Nepal. A lack of job opportunities due to a weak industrial base in the domestic market, wage differences between Nepal and destination countries, internal conflict, prolonged political instability, and food insecurity are push factors, while the Gulf states’ boom, cheap labor demand, migrant networks, decreasing transportation costs, and globalization are pull factors for Nepalese migrants. Qualified and skilled migrants such as doctors, nurses, accountants and IT specialists go to developed countries and never return Nepal. Unskilled or semi-skilled Nepalese migrate to the Gulf States and Malaysia. The poorest Nepalese migrants still go to India for seasonal work.” (p. 115-116)

Do remittances reduce poverty? Mixed results

"Results showed that relatively more remittance is received by more qualified and richer households than those who are less educated and from lower quintile households. Remittance plays a significant role in reducing poverty levels. If there were no remittances, the poverty headcount level would be 26.10%. In the total remittances scenario, the poverty headcount comes down to 21.01%. This means total remittances contribute to 19.50% of the total poverty reduction in Nepal. The role of international remittances is greater (15.21%) than internal remittance (4.32%) in decreasing poverty. Remittance is also important in decreasing the poverty gap and squared poverty gap. Total remittances decrease the poverty gap from 7.59% to 5.9%, and the squared poverty gap from 3.2% to 2.4%. However, remittance slightly increases inequality in Nepal." (p. 117)

Use of remittances; long-term effects?

"Most remittance is not used in the productive sector. The largest percentage is used for daily consumption, followed by land purchase, loan repayment and house construction. Only 4.44 percent of total remittances is used in business investment (entrepreneurship)." (p. 118)

Remittances and entrepreneurship (brain gain and human capital argument)

"[The] probability of being an entrepreneur depends upon education level, remittance amount and how long ago the returnee came back to Nepal. **More educated people** are more likely to be entrepreneurs in comparison to less educated return migrants **due to better earnings in the destination countries, ability to maintain networks in the place of birth and better managerial ability. Remittance amount** sent or brought from abroad seemed to be another important factor for the likelihood of entrepreneurship. Remittance contributes capital for investment. **More investment was found among old returnees (who had returned more than two years prior to the interview) than fresh returnees**. It takes at least one year to select an appropriate business niche or suitable sector in the market**. Large family size** was also significant for business investment. I argued that division of labor is possible with larger household size than in smaller families. The **destination countries** also effected entrepreneurship. Results showed that **return migrants from developed countries were more likely to invest than those from the Gulf countries**. <u>*Skills learned abroad were not likely to contribute to business start-up in Nepal*</u>. This is possibly because the technology level and institutional set-up are more advanced in the destination countries than in Nepal…social structure, family members' age structure, geographic location, road networks, market access, and the migrant's work sector before migration also influenced entrepreneurship after return.

Only 62 returned migrants among 275 individuals were entrepreneurs. New business enterprises were **mainly located in the urban areas** rather than rural areas. The number of non-farm and service sector enterprises exceeded farm sector enterprises. **A few firms created jobs for more than 15 people but others provide jobs for less than five people**." (p. 119)

Barriers: "Return migrants viewed **power shortages** and **frequent strikes** as the first barriers for entrepreneurship in Nepal**. Unclear investment policy** and **insecurity** were other barriers to further investment. In sum, factors related to political instability are the main hindrances to increasing investment and employment creation in Nepal." (p. 119-120)

Effects of pandemic on Nepalese labour migrants: Kathmandu Post, 4/22/2020

https://kathmandupost.com/national/2020/04/22/with-hundreds-of-thousands-of-migrants-predicted-to-return-home-nepal-needs-to-brace-for-a-crisis

With hundreds of thousands of migrants predicted to return home, Nepal needs to brace for a crisis

"A scenario that experts had long warned about is likely to soon come to pass. And it is going to overwhelm the Nepali state. Foreign employment has played an instrumental role in keeping the Nepali economy afloat, but it was never a sustainable option. Now that the global economy is in the throes of a recession due to the Covid-19 pandemic, hundreds of thousands of Nepalis abroad are likely to lose their jobs and return home."

How will the national and regional governments deal with this?

How will the sudden loss of income affect families who had been receiving remittances?

Will returning migrant workers unwittingly help spread the virus further?

Discussion: labour migration for poverty reduction and development?

What is the relationship between remittances from international and internal migrants and dependency issues?

What role should governments and international organizations play in labour migration?

What responsibility does the state have to assist its poorest citizens?