

International Migration: Can It Improve Living Standards among Poor and Vulnerable Populations?

Alan de Brauw

The migration of labor across international boundaries has increased rapidly since 1990. More than 190 million individuals now live outside the countries of their birth, and the majority of migrants leave developing countries for countries with higher living standards than those of their home countries. Remittance flows have risen quickly over the same time frame, and in 2007 aggregate official remittance flows were double the amount of official development assistance. Participating in the growing wave of international migration is therefore a potential way for poor or vulnerable households to increase their living standards. Nevertheless, constraints against migration can prevent members of poor or vulnerable households from reaping its potential benefits. Costs are the most obvious constraint, but policies in both the home and the destination countries can also hinder migration. For example, in some countries passports cost more than 10 percent of per capita gross domestic product, making them prohibitively expensive for the poor. Similarly, migrant destinations often have policy preferences for highly skilled migrants, which can preclude migration by members of vulnerable households, who tend to be low-skilled. Developed countries also use visa quotas to avoid absorbing too many low-skilled migrants, in part because of perceptions that such migrants will strain their social welfare systems. Costs and constraints combine to drive some migration underground; for example, it is estimated that 12 million immigrants to the United States are here illegally, and there are concerns related to other migrant flows about migrants being forced into bonded labor or prostitution.

This chapter explores how policy can facilitate the use of migration to improve the living standards of poor or vulnerable households in developing countries. These policy prescriptions attempt to help the poor benefit from migration both directly and indirectly. Because migration in general can be defined in several ways, for reasons of brevity the discussion here is limited to international migration of individual household members specifically for the purpose of employment. The chapter also highlights the formal costs of migration because they can be mitigated most effectively by pro-migration policies. Given the focus on international rather than rural–urban migration, it is important to note that some of the policy prescriptions may not be appropriate for fostering rural–urban migration.

Migration, Its Benefits, and Poverty Reduction

A rich theoretical and empirical literature covers the motivations of individuals in developing countries to migrate for work. Perhaps the most obvious motivation is the difference in wage levels between countries sending and receiving migrants. For example, a 2006 study by McKenzie, Gibson, and Stillman found that when Tongan residents win a lottery giving them the right to move to New Zealand, their expected wages triple. But migrants also move for other reasons. Migration is often part of a household income generation or development strategy. From a rural perspective, when household income depends on agriculture, with its inherent risks, sending a migrant to a place where his or her income will not be affected by those risks can increase the household's income security. Migration can also help raise funds for investment in better housing or in productive activities at home. Nevertheless, migration is also conditional on household characteristics given that migrants tend to be younger family members. As a result, migration is not likely to help the elderly rural poor unless they have children who have migrated.

Migration—whether rural–urban or international—can have both direct and indirect effects on poverty. Migration can have direct effects on poverty in two ways. When migrants leave poor households, the number of people who must be supported by the household budget is reduced, directly increasing the living standards of those left behind. If the potential migrant was not working before leaving, this effect is particularly beneficial. Migrant remittances, from either domestic or international sources, are also immediately beneficial when they are used to supplement consumption. Migrants can and often do also remit cash or goods to their families when negative income shocks occur. Remittances help stabilize household income and prevent households from plunging further into poverty. Therefore, whether a poor rural household sends a migrant to an urban area or any poor household sends a migrant to an international destination, migration can have positive direct effects on the poor.

There are also three indirect channels by which migration can help poor or vulnerable households, even if they do not participate in migration themselves. First, migrants leave the local labor force, increasing the scarcity of local labor. Therefore, jobs become available that can potentially be filled by the poor, or wages may be pressured upward, also potentially benefiting the poor. Second, remittances add liquidity to local markets, potentially stimulating economic activity. Third, when migrants return from urban areas or abroad, they bring new skills and experiences with them, sometimes even starting microenterprises that create local employment. All of these potential channels can lead to greater well-being among poor households as long as migration rates are not so high that the local economy begins to disappear.

The Lack of Evidence of a Causal Relationship between International Migration and Poverty Reduction

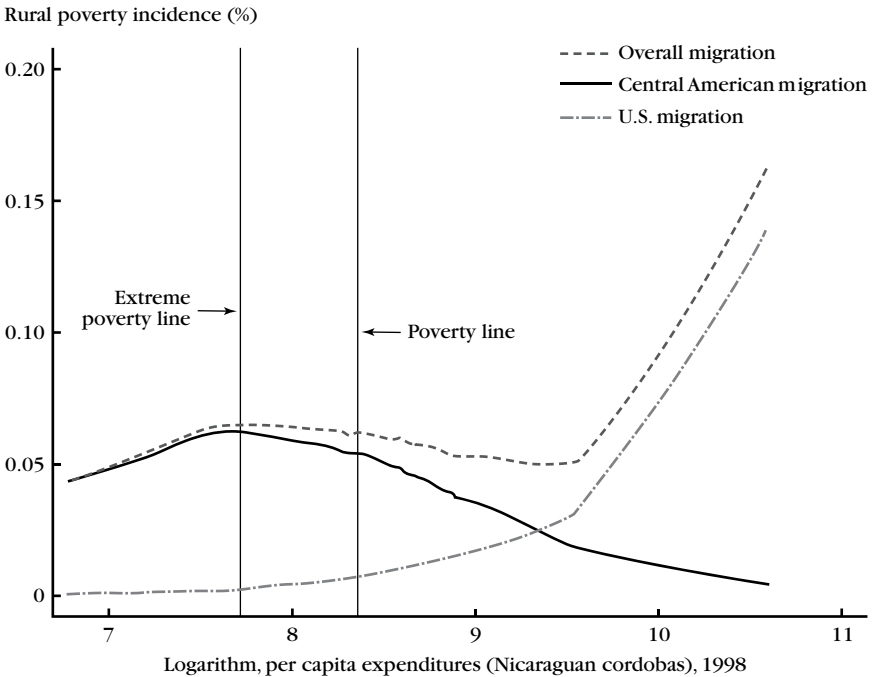
Primarily due to severe data limitations, researchers have not empirically proven that there is a causal relationship between international migration and poverty reduction. Most current sources of information on migration, such as population registers and censuses, do not include reliable information on living standards. Although cross-country data indicate that migration is associated with lower poverty rates and smaller poverty gaps, little or no research claims that migration or migrant remittances directly cause reductions in poverty rates or gaps. In most countries, data on both emigration and poverty do not exist in large enough samples to convincingly demonstrate a causal relationship. Even when such data are available, it is a challenge to confirm that migration rather than some other, unobserved factor was the cause of poverty reduction.

One reason that few datasets include information on both migration and poverty is that, on average, relatively few individuals from any given country emigrate. A study of migration, poverty, and the effects of related policy would ideally be based on a multitopic, nationally representative survey, but even in a large nationally representative survey, on average migration occurs infrequently. For example, consider a hypothetical 5,000-household survey completed in a country with an emigration rate of 3 percent of the adult population (the world average). If not specifically designed to collect information about migration, the sample would likely include only 200–300 households with an international emigrant—a number insufficient to support useful generalizations from statistical analyses. Also, migrants use family or community networks to find employment, so emigrants tend to come from specific communities. If communities with strong emigrant networks were not included in the sample framework (by chance or otherwise), the number of migrant households would likely be lower still.

Due to the scarcity of appropriate data, migration studies are typically limited to countries with significant levels of migration. For example, a nationally representative dataset collected in 2001 in Nicaragua indicates that 5 percent of households had a family member who had emigrated for work in the previous five years. The majority of emigrants went to Costa Rica or another Central American country, and about 20 percent went to the United States. Overall, households below the poverty line were less likely to have a member emigrate (Figure 15.1), and, if they did so, it was almost certainly within Central America. Only members of richer households were able to emigrate to the United States, and members of such households were less likely to emigrate within Central America.

Nicaragua’s experience may be atypical; in other countries, migration may be more or less accessible to the poor. For example, in Mexico poor households in villages with small migrant networks have few emigrants, while those in villages with stronger networks have more. Other research suggests that in both Ghana and Guatemala, remittances to households from family members abroad have a positive

Figure 15.1 The relationship between the probability of migration and per capita expenditures in Nicaragua, 2001



Source: Nicaragua National Household Living Standards Survey (EMNV), 1998 and 2001.

effect on the severity, if not the absolute level, of poverty. Migrants typically leave Ghana and Guatemala for nearby countries, making the cost of migrating low. Similarly, much migration from Nepal is to India, and research shows that poorer households are more likely to receive remittances as a result. Regardless—with the exception of Mexico—these findings indicate only correlations and do not suggest that such remittances cause a decrease in poverty.

In summary, there is evidence of the relationship between migration and poverty for a few countries only, and conclusions about this relationship are highly country- and context-specific. Policies related to migration should therefore also be context-specific, taking into account the associated costs and barriers facing poor households.

Costs of and Barriers to Migration

Two types of specific costs are associated with migration: opportunity costs and direct out-of-pocket costs. A primary opportunity cost affecting rural households is the loss of the migrant's labor from household agricultural production. Because international migrants tend to be young and able-bodied, the agricultural labor input and its resulting income can decline when family members migrate. In this way migration is different from seeking local work because individuals with local off-farm jobs can easily help during busy periods on the farm, whereas migrants cannot. In all cases, when migrants leave, other household tasks—such as rearing children or looking after the elderly or infirm—are shifted to those left behind.

Many of the direct costs associated with migration are up-front costs, although they can be partially mitigated by family and community networks. International migration requires costly travel from the source community to the destination—sometimes over long distances. Once a migrant arrives at a destination, further costs are incurred in finding work. Migration is therefore inherently risky, and the risk is mitigated if a potential migrant can secure a job prior to migrating. The process is made much easier when extended family or others from the home village are located at the migrant's destination and can offer assistance with the job search, a place to stay on arrival, and help in adjusting to the culture and language of the new country.

For poor or vulnerable households, the costs of migration can act as barriers in two important ways. First, even if jobs were available at the potential destination, poorer households might be unable to finance migration because they have few assets and lack access to credit. Second, community migration networks might not extend as readily to the poor as to others, so the poor may face higher costs in finding employment at the destination. Given the travel costs and lack of information about opportunities abroad, migration may not even be an option for poor or vulnerable households.

Potential migrants face further barriers to migration. First, passports and visas are necessary for legal emigration, and although networks can facilitate their acquisition, the poor may lack the information and connections necessary to acquire them. And, as previously mentioned, the cost of obtaining a passport can be prohibitively high. Perhaps more important, destination countries often implement policies that make legal migration for employment difficult. For example, most developed countries implement migrant visa quotas to restrict migrants to those with specific skills or education levels. Such policies leave low-skilled migrants with the option of only illegal migration with its many risks, dangers, and costs, such as the exorbitant fees demanded by intermediaries to facilitate migration, the risk that bonded labor will result from debts incurred in migrating, and the lack of labor rights and bargaining power, to name a few.

Further institutional arrangements can temper the benefits of migration to communities of origin by limiting the amount of money available as remittances. Although remittance fees have declined in recent years, they remain both high and regressive, making it extremely expensive to send small amounts of money home. For example in 2009 Western Union charges a fee of US\$9.99 for next-day transfers of US\$300.00 or less from the United States to Mexico or Central America, and fees are often much higher in other parts of the world.

Policy Ideas to Foster the Benefits of Migration for the Poor

Increased migration by the poor or vulnerable can potentially reduce poverty and create further economic benefits in the countries of both origin and destination, and pro-migration policies in both—as well as bilateral agreements between the two—can facilitate the attainment of these benefits. However, it is worth noting that many pro-migration policy options are currently only ideas at this point, and they may not be appropriate in all circumstances.

From the perspective of the country of origin, three types of policies can promote emigration by the poor:

1. Governments can limit the direct costs of finding employment overseas. First, they can ensure that the cost of obtaining a passport represents a low income share. To limit migration costs, several Asian countries have licensed companies to recruit immigrants for low-skilled jobs, which can lower the cost of migration because recruiters can provide information on, or even negotiate, lower costs for transportation, passports, and work visas. However, such companies should always be monitored by governments to ensure that emigrants are not exploited.

2. Governments can potentially encourage financial institutions to establish rural branches in order to lower the transaction costs of receiving remittances. Some companies have begun to allow individuals to send remittances via short message service in exchange for cell phone credit. Policies that encourage the development of these markets and foster creative programs such as those promoting the exchange of cell phone credits for cash—as is occurring in the Philippines—can further the positive effects of migration on poor households.
3. Countries of origin can enter bilateral agreements with countries of destination to design incentives for migrants to return, both to bring savings and new ideas back to source communities and to minimize the disruption of families for migration.

Destination countries can also adjust their policies to ensure gains from accepting low-skilled immigrants. The countries of the Organisation for Economic Co-operation and Development (OECD) are all facing a shift in their demographics that will ensure labor shortages in specific markets that could be filled by low-skilled immigrants. However, portions of OECD populations perceive labor migration as threatening. Consequently, policies that encourage either seasonal or circular migration for low-skilled employment in developed countries are likely to be most viable. Hence, policies could be designed to allow migrants to move between their home and destination countries under a fixed work contract. Suggestions include the following:

1. Bilateral agreements between countries of origin and destination could be established to enable migrants on fixed-length contracts to move between the two countries on multiple-entry visas. There are many agreements for seasonal workers with European Union countries, but few go as far as to allow multiple entries. If governments in countries of destination were to make it easier for migrants to come and go, migrants could return home during slower work periods.
2. Governments could establish portable pensions for migrants to access in their country of origin. If migrants benefited in their countries of origin from social welfare contributions made while in their destination countries, they might be more likely to return home.

Emigration has become a more frequent phenomenon in developing countries in recent years. It offers significant potential for poor and vulnerable households, and pro-migration policies could help poor and vulnerable individuals to reap these benefits. Further studies are needed to quantify the potential contribution

of migration to reducing poverty, but such studies depend on the availability of relevant data. If data on migration, its impacts, and the influence of various policy options were available, progress could be made in tapping the pro-poor potential of international migration. A final policy prescription, therefore, is that governments include migration as a specific issue in their data collection efforts.

For Further Reading

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