

Migration and Development: Perspectives from Origin Countries

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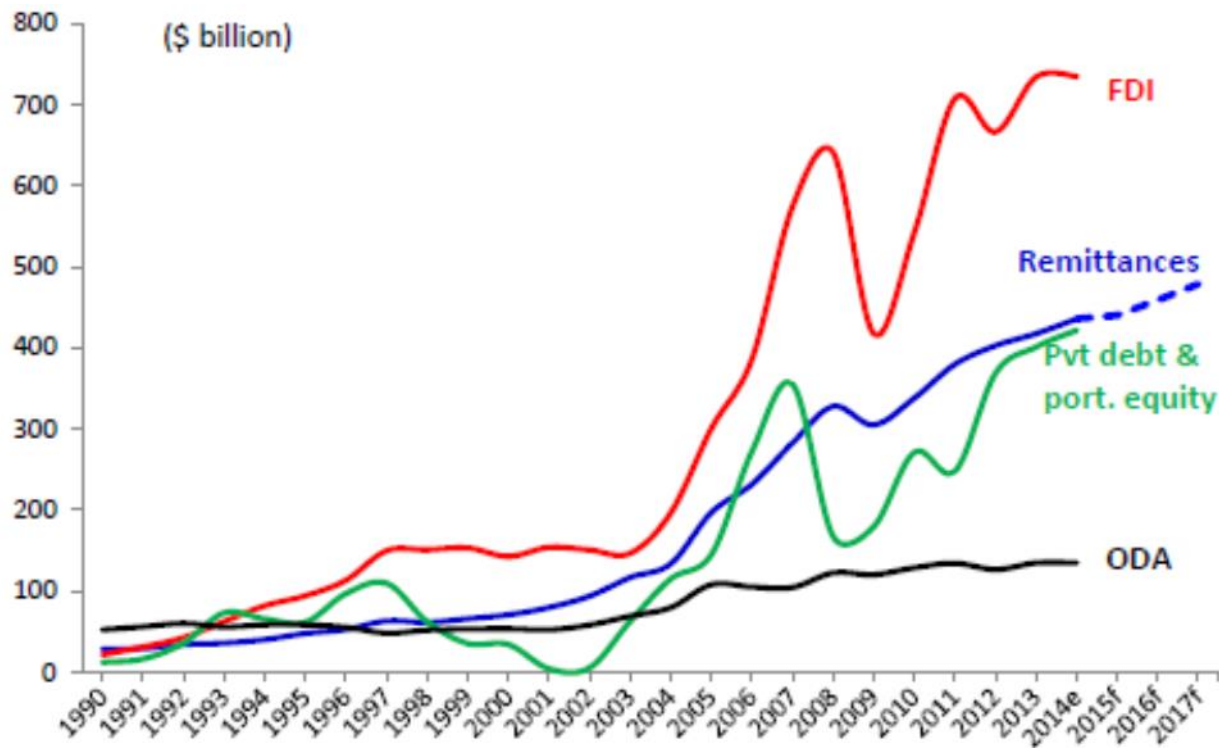
Outline

- Backgrounds
- Who migrates? Evidence?
- What are the impacts of migration and remittances at origin HH level? Evidence?
- What are being done/can be done to enhance the developmental impact of migration?

Background

- In 2015, 244 million international migrants worldwide and US\$441billion US dollars of workers' remittances to developing countries (United Nations, 2016; World Bank 2016) (Figure 1)
- Sustainable Development Goals (SDGs)

Figure 1. Sources of external financing in developing countries (excl. China)



Source: World Bank 2015

Who migrates abroad?

From origin country perspective

Literature

Positive selection of migrant households based on financial, human and social capital → **Middle class phenomenon** (de Haas, 2010a; Massey, 1990)

- Land asset/non-durable consumption associated positively with being international migrant due to high cost (VanWey, 2005; McKenzie and Rapoport, 2007).
- Positive selection of migrants based on education due to the precarious nature of migrant jobs (McKenzie and Rapoport, 2010; Portes, 1979)
- Social capital (migration network) plays critical role in determining who migrants and who does not (de Haas, 2010b; Portes, 1979).

Changes Over Time

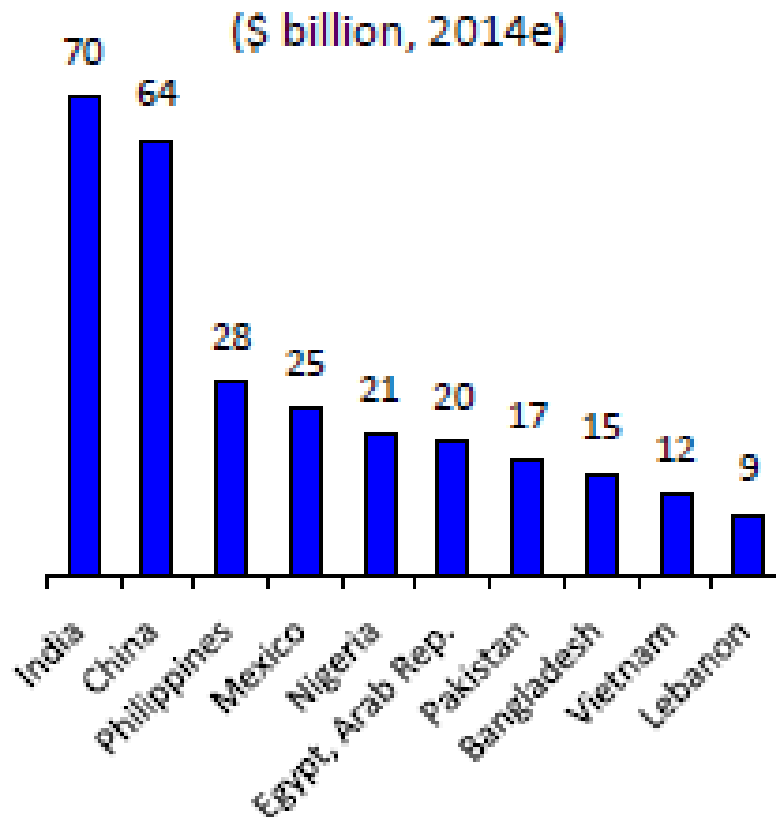
These positive selection patterns may change over time; the development of migration network is a contributing factor by reducing direct and indirect cost of migration and reducing risks associated with migrant jobs (McKenzie and Rapoport, 2007; Stark et. al., 1986).

International Migration and Bangladesh

- 7-9 million migrants abroad (top 5 in 2015)
- USD15 billion remittance (=13% of GDP in size)

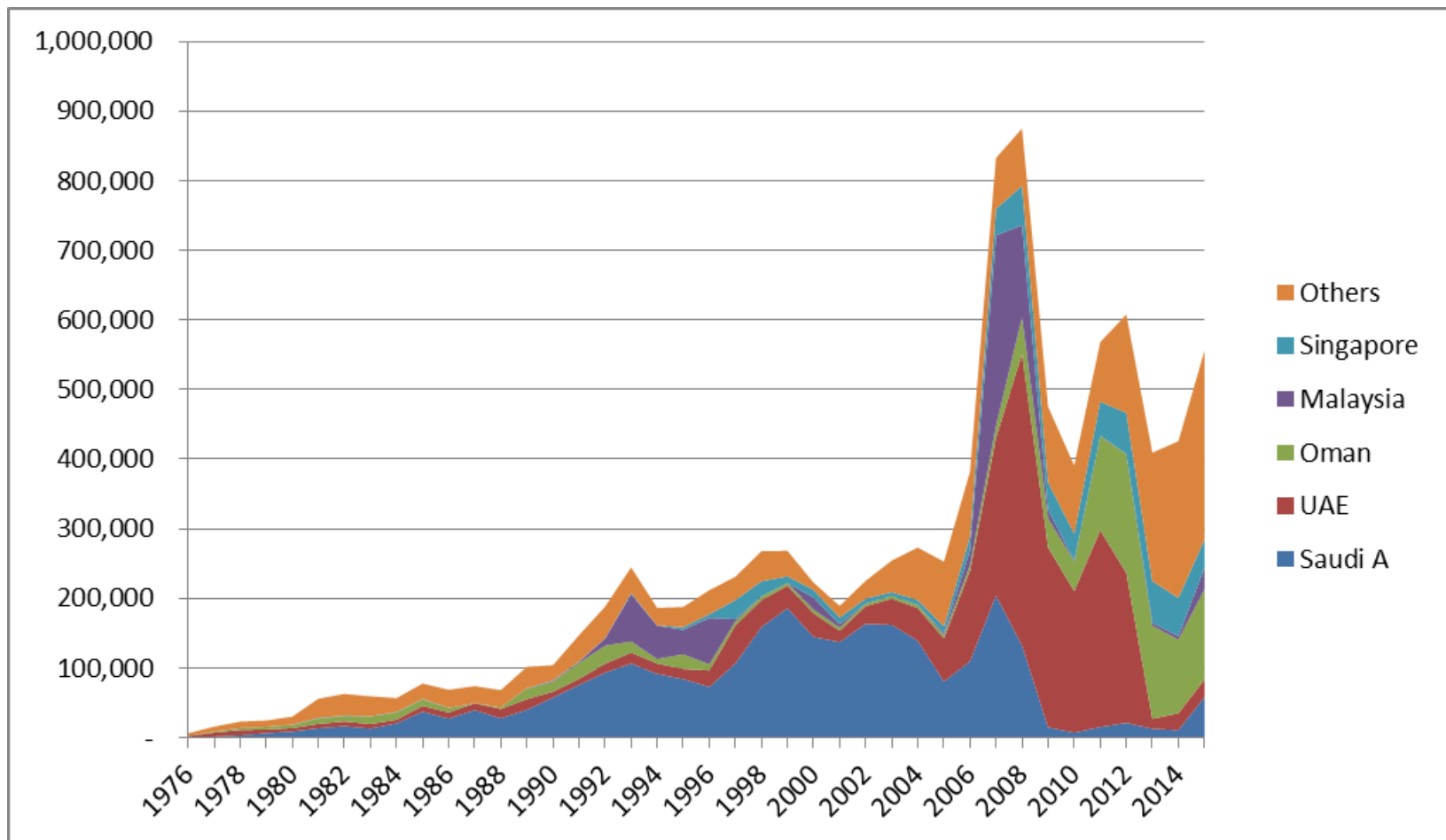


Figure 2. Top 10 countries of highest remittance receipts



Source: World Bank
2015

Figure 3. Annual Outflow of Overseas Workers from Bangladesh by Major Destination Countries, 1976-2015



Source: Bureau of Manpower, Employment and Training, Bangladesh













Table 1. Characteristics of Sample Households by Migration Status
2000 & 2014

	2000				2014			
	All	Non Migrant	Migrant	mean dif	All	Non Migrant	Migrant	mean dif
	(1)	(2)	(3)	(3) - (2)	(7)	(8)	(9)	(9) - (8)
<u>Household characteristics</u>								
Ave. years of edu. among adults	3.3	3.3	3.5	0.2	4.1	4.2	3.6	-0.6***
Owned land (ha)	0.5	0.5	0.9	0.4***	0.4	0.4	0.5	0.1**
Non-land asset (in 1,000 BDT)	7.5	6.0	25.9	19.9*	15.3	14.4	21.0	6.6
<u>Village characteristics</u>								
Travel time to district town (hr.)	1.0	1.1	0.7	-0.4***	0.6	0.6	0.5	-0.1
Distance to Dhaka (100 km)	2.0	2.1	1.5	-0.6***	2.0	2.1	1.6	-0.5***
<u>Migration Networks</u>								
International Mig Network	0.05	0.05	0.16	0.12***	0.1	0.1	0.3	0.17***
Observations	1882	1737	145		2846	2461	385	
			(8%)				(14%)	

Table 2. Characteristics of International Migrant Workers 2000-2014

	<u>2000</u>		<u>2008</u>		<u>2014</u>	
	Non-Mig	Migrant	Non-Mig	Migrant	Non-Mig	Migrant
Age	n.a	n.a.	34.9	30.4	37.6	32.5
Years of education	4.35	7.72	4.75	7.76	5.12	7.44
Yearly remittances (in 1,000 BDT)	--	122.2	--	141.1	--	132.2
Months away (cumulative)	--	50.46	--	64.93	--	90.58
Migration cost (in 1,000 BDT)	--	226.7	--	248.2	--	218.7
Job facilitated by agent (=1)	--	n.a.	--	0.342	--	0.402
Job facilitated by family members (=1)	--	n.a.	--	0.248	--	0.157
Job facilitated by friends and relatives (=1)	--	--	--	0.361	--	0.423
Observations	2,608	185	3,257	330	3,277	497
		7%		10%		15%

Econometric Identification

Probit Model

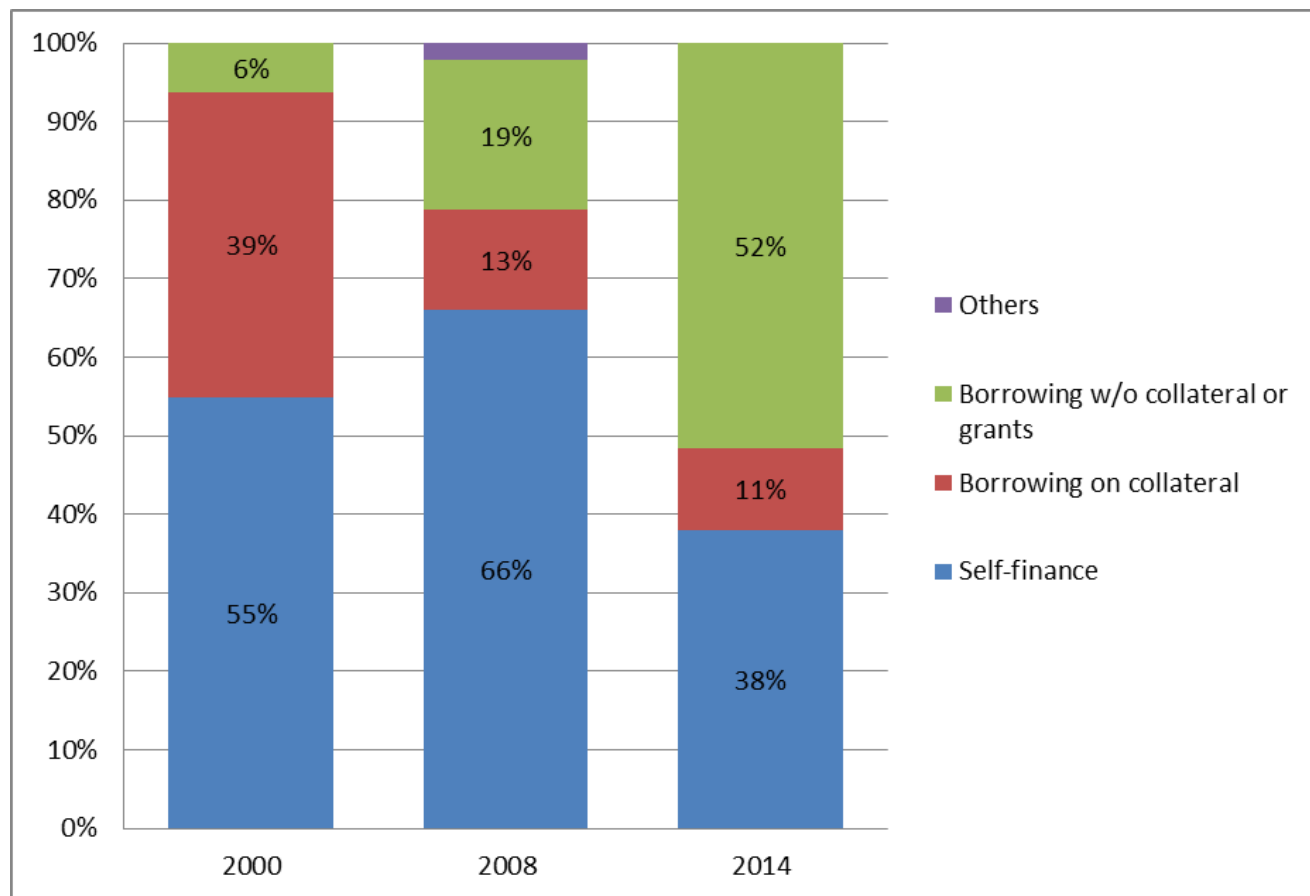
$$\Pr(\text{Migrant } hh_{ijkt} = 1) = \Phi(\beta_{1t} HH_{it} + \beta_{2t} Vill_{jt} + \beta_{3t} Mignet_{jt-1} + \beta_{4t} Dv_{kt}), (1)$$

$$\Pr(\text{NewMig } hh_{ijkt} = 1) = \Phi(\beta_{1t} HH_{it} + \beta_{2t} Vill_{jt} + \beta_{3t} Mignet_{jt-1} + \beta_{4t} Dv_{kt}), (2)$$

Results

- The human, financial and social capital of households play important roles in determining the likelihood of international migration in rural Bangladesh in 2000
- Entry barriers to international migration based on financial, human and social capital have eased in recent years
- The effect of migration network in predicting the likelihood of migration waned over time, which is in contrast to the findings of existing literature on Mexico-US migration

Figure 4. Primary Source of Fund for Migration among New Migrants in 2000, 2008, and 2014



*What are the Impacts of
International Migration
at Origin Households ?*

An Example of Impacts



Examples of Impacts



Another Example..



de Haas, H. (2010) Migration and development: a theoretical perspective. *International Migration Review*, 44(1), 227–264.

Optimistic View (-1973)

- migration as a form of optimal allocation of production factor which leads to equalize differentials (urban-rural sectors or developing-developed countries) with capital transfers taking place in the opposite direction (neo-classical (NC) view)
- Influence of post war “developmentalist” view



Optimist Claims

- MIRAB (migration, remittance, aid and [government] bureaucracy) model (Bertram 1986) was expected to contribute to the economic take off of developing countries
- Mediterranean countries actively encouraged migration then

Pessimistic View (1973-90)

- Shift in social and development theory towards historical- structuralist and dependency whose paradigm sees migration as a “flight from misery”.
- Cumulative causation theory Myrdal (1957)
- Deepening inequality, brain drain, asymmetric growth, dependency, conspicuous consumption (unproductive expenses)



Positive effect of migration is artificial and cosmetic (Lewis 1986)

Critiques of the earlier theories (1990-2000)

- There is an uncomfortable circularity in the pessimist argument that the relationship between level of migration and development is linear and inversely proportional → not substantiated by the fact
- Evaluation of the theories entails heterogeneity with regards to specific, localized migration impacts. This depends on underlying economic and political conditions There is no deterministic theoretical schemes.



Need for appropriate theoretical framework that is refined enough to deal with the heterogeneity and complexities of M&D interaction

Pluralist View (1990-2001)

New Economics of Labour Migration (NELM)

- Considers household/family as the most appropriate decision making unit (Stark 1978)
- Migration as maximizing income and minimizing/spread risks

Household livelihood strategy (sociology/anthro)

- A strategic choice of a combination of activities by households to maintain, secure and improve their livelihoods.

Migration and Development

- Macro Economic Impact
 - Foreign Reserve, Balance of Payment
 - Increased investment through remittances
 - Demand for financial service, real estates and construction, retail and other services
- Development at Micro=Household Level
 - Increasing Income
 - Reducing Poverty? Inequality?
 - Increasing household investment? Business? Education?

International Migration and its General Impacts on HH: Global Evidence

- Remittances as insurance - helps mitigate various types of shocks (e.g. natural disaster, sickness, financial crisis, and political risks) and smooths consumptions (Yang, Dean. 2008, Yang and Choi. 2007, Amuedo-Dorantes et al 2006) 。
- Remittances is a stable source of income - migrants remit not only out of their obligations and genericity, but also because they would like to hedge job insecurity and secure inheritance (Stark and Lucas 1988).

Remittances and HH Investment

Can migration and remittances promote sustainable development of the origin countries?

➤ Global evidence is highly mixed

- Investment to Human Capital? (Health care and education) –mostly yes (Acosta, 2011; Mansuri, 2006; Ureta, 2003; Yang, 2008, but some no (Ang et al., 2008) or negative (McKenzie and Rapoport, 2011).
 - Migration can pull boys out of school and add more housework on girls.
- Investment on agriculture or business?– limited evidence - yes (Böhme, 2015; Mendola, 2008; Yang, 2008). and no(Azam and Gubert, 2006; Rozelle et al., 1999).
 - High cost of migration, brain drain, lack of economic opportunities, and dependency. Migration is an investment option.

My Evaluation results based on Bangladesh Household Data

- Increased level of consumption, sustained even after the return of migrants
- Some positive impact on education but only among girls
- No or negative impact on agricultural investments
- Positive impact on business investments among returned migrants, but negative among new and continuing migrants.

Challenges/Hindrances;

- High migration cost
- Disincentive to attain education?
- Brain Drain?

Migration and Inequality

- Migrants– middle class-more inequality?
- Migration tends to crate “winner” and “loser”

Leveraging migration for development: Policy Options

Source countries of migrants are very keen to promote development through migration

- Good as it is?
- More migration? among the Poor?
- Reducing the cost of migration
- Diaspora investment? Return?
- Financial Training?

AND

Overall improvement of home country's economic condition and business environment (de Haas 2010)

Policy Context in BD

- The Poverty Reduction Strategy Paper (2013) - workers remittance as one of the two pillars of the economy along with garment
- The country's Seventh Five-Year Plan FY2016 - FY2020: now includes a dedicated section delineating the importance of aligning migration for the economic development
- Providing migration opportunities for the marginalized and encourage investment of diaspora and migrants in Bangladesh