International Labour Migrants: Unsung heroes of globalisation

BHARGAVI RAMAMURTHY

The impact of immigration on the labour market is currently a burning issue. On the other hand, very little is said about the other side of the coin – the consequences of emigration for the home country.

This report provides a welcome international overview of the effects of emigration on the home countries. It gives prominence to issues such as: What makes people move? How serious is the so-called "brain drain" that can arise in the home country? What is the importance for society of the flows of money, often substantial, to the emigrants' families back home? How is the labour market affected? The report also defines issues that policy-makers and researchers should study more closely.

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Sida*studies*

Foreword by Sida

Labour migration – a key aspect of globalisation

Free and rapidly increasing international flows of goods, capital and information are heralded as the hallmarks of the new era of globalisation. However, movement of people and labour across national, cultural or ethnic borders are often omitted from the equation. Yet, these flows are arguably the most complex and controversial, and with the most far-reaching consequences for the source and recipient societies and the individuals concerned. A number of factors suggest that labour migration will rapidly become an increasingly important aspect of globalisation:

- Very large differences in economic development and living standards between countries within the same broad cultural region constitute a strong incentive to migrate. For instance, per capita GDP ranges from USD 300 USD in Cambodia and Vietnam to ten times as much in Thailand, to 100 times as much in Japan and Singapore. Europe's richest countries – Switzerland and Luxembourg – have a per capita GDP that is almost 100 times higher than that of the poorest state, Moldova.

- Improved education results in better access to information about living conditions and employment opportunities abroad, improved employability, and increased aspirations and frustrations among primarily young people in poor countries. Countries characterised by highly developed human resources combined with relatively low levels of economic development and incomes provide particularly fertile grounds for outward migration of labour.

- The revolution in information technology – satellite television, the Internet, etc – and the rapid growth of cross-border contacts and flows of people also contribute to reducing the psychological distance between countries in the region and serve to illuminate the poorer countries' relative deprivation.

- Different countries find themselves at different stages in the demographic transition and have very different age structures. At the one end, most countries in Africa and some in Asia and Latin America are still at an early stage of transition and have rapidly growing and very young populations. At the other end, Japan and most of Europe are confronting the problems associated with a large and increasingly elderly population, a contracting labour force and, eventually, population decline. It is forecast that in the coming decade Europe and North America will account for a mere three per cent of the increase in the labour force.[I] In most developing countries, the labour force will increase by well over two per cent per year. Countries like Japan, Germany and Italy would need to import labour on an unprecedented scale to prevent their labour forces from shrinking.

- On the demand side, too, there are vast differences. Employment opportunities in many of the poorer countries are growing far too slowly. Sometimes growth is confined to a few sectors in the urban areas that generate little new employment, while the majority of the labour force is trapped in low-productivity agriculture in rural areas. ILO estimates suggest that one-third of the world's labour force of three billion people cannot obtain the material rewards from work that they need and to which they aspire due to unemployment and underemployment.[II] At the other end of the scale, Japan and Western Europe in particular are rapidly becoming labour-scarce economies. The ageing population and post-industrial development in these countries imply a continued growth of service industries that are labour-intensive and do not easily lend themselves to mechanisation.

Demographic change, enhanced levels of education, language skills and access to information combined with sharp geographic variations in the supply of and demand for labour, and in the economic returns to labour, will thus continue to fuel labour migration. This feature is perhaps most

I. ILO (2001) p. 1.
II. ILO (2002) p. 3.

pronounced in regions with diverse demographic and socio-economic dynamics and large differences in living standards, where domestic labour markets through migration flows are becoming increasingly interlinked into what effectively amount to emerging regional labour markets[III].

Strong impact on poverty by earlier labour migration waves

International labour migration is a far from new phenomenon. Historically, the main movements have been from the Old World to the New World: from Europe, Africa (involuntary migration) and, more recently, Asia to the Americas and Australia, as well as from European Russia to Siberia. Land shortage and impoverishment drove many Chinese from the coastal areas of China to move to South-east Asia and beyond in search of better livelihood in the 19th century, while lack of pliable labour was a main reason behind the movement of Indians to the Malay Peninsula, East and southern Africa and Fiji. However, as Jeffrey Williamson observed, most movements were either North-North or South-South.[IV] Some 60 million people moved from Europe to the New World, while similar or even higher numbers relocated from source regions in the South (like China and India) to other regions in the South. South-North migration was then, as now, of a much lower magnitude.

Indeed, from a development perspective, the impact of labour migration on poverty and income disparities during the previous global century (1820–1913) appears both important and thought-provoking. Despite the fact that migration took place in a largely North-North and South-South direction it had a strong equalising impact on incomes globally as well as between the poorer source countries and richer recipient nations.

The migrants themselves played an important part in the reduction of poverty and income disparities since their incomes generally increased substantially, at times several-fold, as a result of migration. However, migration also improved the situation of those who stayed behind by increasing the scarcity of the poor workers who remained behind and further augmenting their income through emigrant remittances. It has been

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III. East and Southeast Asia provide perhaps the most clear-cut case of this development. Here, the flows are from the poorer, labour-rich countries to the more affluent nations and display a pronounced step-wise pattern. For instance, labour from the poorest countries, such as Myanmar and Cambodia, moves in large numbers to Thailand in search of higher incomes. At the same time, Thai labour migrates to Taiwan, Singapore, Malaysia and Japan. Thus, the international labour migration within the region becomes closely linked to internal vocational and geographic labour mobility.

IV. Williamson (2002), p. 21.

estimated that emigration during the previous globalisation wave raised wages in Ireland by 32 per cent, in Italy by 28 per cent and in Norway by 10 per cent.[v] Migration from Europe to the New World in the late 19th and early 20th century is estimated to have resulted in a 28 per cent decrease in real wage dispersion between the two regions. Without migration, the real wage dispersion would have increased.[vi] All in all, migration explains about 70 per cent of the convergence in incomes during the previous globalisation period, while trade and capital flows together accounted for just 30 per cent.[vii]

Poor regulation

Notwithstanding the proven power of migration as a vehicle for reducing global income disparities and poverty, international labour migration was taken off the international agenda after World War I. When the International Labour Organisation (ILO) was established after the Treaty of Versailles it was suggested that it should be involved in regulating migration. However, this proposal encountered resistance and the ILO's ambit was ultimately confined to issues of domestic regulation, leaving the regulation of international migration to the discretion of individual countries.[viii] The international regulatory framework protecting the basic interests and rights of migrants is patchy and poorly developed. One of the few efforts to protect migrant rights, the ILO convention C143 of 1975, has so far been ratified by only 18 countries.

Thus, while the international regulatory frameworks for trade and capital flows have developed greatly in past decades and strong institutional forums have been established to deal with these issues, there has so far been no comparable development in the field of migration. At the same time as barriers to trade and capital flows have been progressively dismantled, national barriers to the movement of people have increased, not least in Western Europe, making migration increasingly hazardous and costly. Past migrants were greeted by the Statue of Liberty; present migrants are confronted by a "Schengenmauer".

v. Williamson (2002), p. 23.
vi. Williamson (2002), p. 23.
vii. Williamson (2002), p. 24.
viii. O'Rouke (2003), p. 14.

Push and pull factors versus costs and risks

Labour migration is fuelled by the combined effects of push and pull factors, while the costs and risks associated with migration act as a constraint. Put simply, labour migration will take place when the combined effects of push and pull factors exceed the costs and risks. While push factors are likely to predominate in cases of distress and forced migration, pull factors play a greater role in the case of migration of people who are relatively more affluent and originate from more developed countries.

Though push and pull factors are closely intertwined and often difficult to separate, pull factors differ from push factors in that they are based on expectations rather than on actual experience. Migration is therefore invariably associated not only with costs but with risks too. The magnitude of these factors can vary greatly but tends to be higher for people who are poor and have a weak position on the labour market. The costs include those of a pecuniary as well as social and psychological nature. Risks may range from failure to obtain the expected employment, income and living standard at the destination, to the risk of expulsion, gross exploitation or even outright slavery in cases of irregular migration. In cases where large sums of money are paid to middlemen/smugglers who facilitate the migration, the economic risk can be very high indeed. When middlemen's fees (which are often highly inflated and sometimes unspecified) are to be met by future earnings rather than made as an advance payment, the migrant worker easily becomes bonded labour and the smuggling of migrant workers turns into trafficking of human beings. The risks are closely linked to uncertainty, which in its turn is linked to access to information, the type of migration (regular/irregular) and the legal and institutional framework relating to migration and migrant labour in the destination country.

Significant flows of remittances

In spite of all the hurdles and obstacles, international migration is far from insignificant. The UN estimates that at the turn of the millennium some 150 million people, or about 2.5 per cent of the world population, were migrants in the sense that they were registered as residing in a country other than that of their citizenship. This is an increase from 120 million in 1990 and 75 million in 1965. The total number is likely to be considerably higher due to the large number of irregular and unregistered migrants and because some migrants will have obtained citizenship in their country of destination.

Migrant remittances transmitted through official channels amount to well over USD 100 billion per year. In 2002 the net inflow of remittances to developing countries was an estimated USD 80 billion.[ix] The actual total transfers resulting from migration were considerably higher, since much is transferred through informal channels or brought back by the migrants personally, both in the form of cash and capital goods, during visits or on their return home. Thus, remittances by migrants are two or three times larger than total official development assistance (ODA). In low-income countries they are also two to three times larger than total foreign direct investment (FDI).[x] Migrant remittances are also more evenly spread across developing countries than capital flows, such as FDI. They display smaller variation over time and are not associated with large reverse flows of capital, as are FDI and loan-based ODA.[xi]

A close link exists between flows of information, migrants and remittances. These interlinkages exercise a strong influence on the patterns and magnitude of migration flows. Flows of information on migration and work opportunities from destination to source countries almost always precede migration. Previous migrants are often the most important carriers of this information. Indeed, the use of migrant networks that provide direct and reliable links between the source and destination country is one of the commonest and more efficient ways for potential migrants to reduce the risks and the costs associated with migration. Flows of information and remittances from destination to source countries and extensive use of migrant networks therefore tend to create self-perpetuating processes of increasing migration. The personal nature of these flows means that the geographic patterns of migration often tend to be highly localised to specific regions, places or groups of people, particularly in the earlier phases of migration. Thus, the economies of these source regions become increasingly characterised by a geographic detachment of consumption from production. In other words, consumption and standards of living in the source countries become increasingly dependent on production and economic development in other, labour receiving countries rather than on development at home. Cases in point are the so-called MIRAB (migration, remittances, aid and bureaucracy-based) economies of the South Pacific (e.g. Tonga, Western Samoa, American Samoa and the Cook Islands)[xii] and also, arguably, Albania and Moldova in Europe.

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ix. World Bank (2003), p. 198.
x. World Bank (2003), p. 157.
xi. World Bank (2003), p.158–163.
xii. See, for instance, Watters (1984).

The impact of migration on development

Although labour migration has an overall effect of creating income convergence, its implications for source countries are complex and case-specific. At a very general level, it can be expected to ease the supply pressure on weak labour markets and result in increased foreign exchange earnings through migrant remittances. Where there is surplus labour – a characteristic of most developing countries – the reduced supply pressure on the labour market can be expected to result in reduced unemployment and underemployment, increased wage levels, and possibilities for more upward mobility for members of the labour force who have stayed behind. The inflow of remittances is also likely to result in increased consumption and a stimulation of the domestic economy. Migrants may also contribute social capital in the form of cross-country linkages and networks, the potential importance of which is demonstrated in particular by the overseas Chinese.

On the negative side, it should be noted that migration by definition implies a temporary or permanent loss of human resources. While the source countries bear most of the cost of investment in education, health care and old age care, the recipient countries exploit the benefits of these investments at little or no cost. The impact on source countries' domestic labour markets is not always positive. Migration may result in shortages of critical skills, which in its turn may constrain economic growth and aggregate labour demand. It also greatly increases the need for labour market flexibility to accommodate often large and unplanned changes on the supply side through outward and return migration. This problem is compounded when return flows of labour coincide with periods of economic recession. The possible use of migrant labour as an instrument for regulating the supply of labour in the recipient countries implies that the source countries lose whatever small scope for employment planning they might otherwise have had.

Another closely related negative aspect results from the use of migrant labour as an employment buffer by the receiving countries, to be imported during periods of labour shortage and offloaded in times of recession. The repatriation of large numbers of migrant workers in the wake of the Asian financial crisis in 1997 provides a telling example of how labour migrants come to play the role of "employment cushions" in more affluent recipient countries. The preconditions for a similar cross-border integration of labour markets no doubt also exist in the new Europe that has emerged since the collapse of the Soviet Union and the Iron Curtain. However, high legal barriers to migration from non-EU to EU member countries provide a constraint, which, although far from absolute, makes migration both hazardous and costly.

For a long time great hopes were attached to the potential for transforming migrant remittances into productive investments, thus fostering the development of employment-intensive small and medium-sized enterprises in labour-exporting areas. However, experiences in this arena have by and large been disappointing. This should not be surprising. Labour migration is usually the consequence of inadequate opportunities for employment and entrepreneurship at home, which in turn can at least partly be ascribed to inappropriate institutional and policy frameworks, unequal asset distribution, inadequate economic structures or incentives and other factors inimical to economic development.

Indeed, it could be argued that migration might serve to reduce the pressure to undertake necessary structural reforms by geographically detaching economic activity from consumption, thus further undermining the international competitiveness and long-term development of the labour exporting countries. It may actually also hamper entrepreneurship as migration cultures develop and people increasingly look abroad rather than at home for the solution to their aspirations for a better life. Similarly, the positive impact of migrant remittances on the external balance may reduce pressure to generate foreign exchange through exports. The long-term consequences of reducing the pressure for endogenous economic development can no doubt be serious.

Migration of highly skilled and professional labour has for a long time been a major concern to developing countries since it is perceived as a "brain drain" and the loss of a vital and scarce resource. This perception is great enough to warrant serious concern, though the picture varies greatly from country to country. In many African countries more than one-third of highly skilled professionals have been lost to OECD nations.[xiii] More than 60 per cent of medical doctors in the Philippines and nurses in Jamaica, to give but two examples, are working abroad.[xiv] Selective migration policies in the developed countries – brain-picking – accentuate the bias towards the highly skilled and professional in migration flows and tilt the benefits of migration in favour of the receiving countries, arguably at the expense of the source countries. It would appear that migration of highly skilled labour has both negative and positive impacts on source countries. Among the former are shortages of critical skills and forfeited economic growth. Some of the oft-mentioned positive consequences are

xiii. Ndulu, Benny (2002).

xiv. Lowell and Findlay (2002) p. 5.

return flows of knowledge, technology and capital, the role of the migrants as catalysts for increased trade and other contacts and a stronger incentive among the remaining population to pursue higher education. However, while the negative consequences are direct and appear with little time lag, the positive consequences are of a more long-term nature and depend critically on the migrants' ability and inclination to maintain close links with their native countries.

The impact of migration on recipient countries is largely beneficial, in particular in cases where the domestic population is ageing. It provides them with additional human resources, often in the prime of their working life, with little or no associated costs for education, pensions, etc. The benefits to the recipient countries are strongly influenced by the degree of labour market flexibility, the occupational mobility of the domestic labour force and the ability of society at large to integrate and make full use of the migrant labour. The arrival of migrant labour on the labour market will inevitably exercise a certain downward pressure on wages in certain occupations, which underscores the importance of an occupationally flexible domestic labour force.

Implications for development policies

The interrelationship and linkages between migration and development have only recently come into focus among policymakers and bilateral and international agencies concerned with international development co-operation. The contrast with vigorous trade-and-aid and FDI-and-development debates could hardly be more striking. This is surprising in view of migration's historically paramount importance as a mechanism for decreasing income inequality. It reflects the degree to which migration has been excluded from international discourse on globalisation and economic integration. It also points to the vast untapped scope for future developments in this field.

An attempt to outline a road map of the work ahead in this field would go far beyond the scope of the present text. Yet some of the policy issues that the migration-development nexus evokes can nevertheless be identified:

Protection of Migrant Rights

Migrants are transplanted from their home environment to a socially, culturally, institutionally and politically unfamiliar and often alien environment. In the host country they tend to become the underdogs of the labour market and disadvantaged in terms of social capital, access to legal and labour market information, language barriers and ability to defend their interests.

Much labour migration is irregular and perceived as illegal by the host country. In these cases the migrants face a constant threat of imprisonment and/or deportation. Since they lack legal status and protection they have no workers' rights or social protection, being instead totally exposed to arbitrary and exploitative practices and at the mercy of employers. However, even in cases of regular, "legal" migration, migrant labour is often discriminated against in terms of legal protection and rights, access to social security and the behaviour of employers and government officials. Women and children are likely to be particularly vulnerable as they also face the threat of sexual abuse and exploitation. As noted above, the international regulatory framework aimed at protecting the rights and interests of migrants is poorly developed and what little exists has been ratified by few countries. The UN's recent initiative to develop and strengthen such a framework is laudable. Supporting this initiative will also be an explicit component of Sweden's new policy for global development.[xv]

Reduction of Transaction Costs

Remittances and other return flows of capital resulting from migration are several times larger than the total amount of official development assistance. Individual persons and households in source countries are the immediate recipients of these flows (in contrast to ODA and FDI) and the money can be directly used to enhance their material standard of living through increased consumption, investments and savings. The scope for increasing these volumes would seem to be quite considerable. Transfer costs of these remittances tend to be very high. Anecdotal evidence suggests that fees and other costs amounting to 10–15 per cent or even higher of the transferred amounts are the rule rather than the exception. In view of the total sums involved, the welfare gains from reducing the transfer costs would be far from insignificant.

Reduction of the Costs and Risks of Migration

Reducing the costs and risks associated with migration would seem to offer very great potential for increasing the welfare effects of migration and remittances. These costs and risks are directly related to the administrative barriers to migration, erected in particular by the countries of

xv. Government Bill, Sweden, 2002/03:122.

destination. Thus, they can be directly influenced by policy changes in these countries.

In a market as imperfect as the international labour market there will be large discrepancies between the supply and demand for labour. The reserve wage of potential migrants in poor countries with surplus labour tends to be well below the wages offered in rich labour-scarce countries. This discrepancy between the supply price and demand price for labour can be seen as a rent and the imbalance between supply and demand also points to the need for some instrument to ration the employment opportunities of migrants in the countries of destination.

The fees charged by middlemen, who often operate outside the law, are typically much higher than the actual cost of the services they provide and are directly related to the size of the rent – that is the difference between the reserve wage of the migrant and the potential wage rate at the destination – and to the migrant's dependence on the middleman's services. In other words, much of the rent generated by labour migration accrues to middlemen rather than to the migrants themselves, while the fees charged also serve as an instrument for rationing employment opportunities. This conclusion is supported by the scant empirical evidence available, which suggests that the poorer the migrant the higher the fees charged by the middlemen.[xvi] This diversion of income from, in particular, poorer migrants to middlemen is often very significant indeed and is usually measured in thousands rather than in hundreds of dollars per migrant. Clearly, the scope for increasing the benefits that accrue to the migrant him/herself through the establishment of regularised and transparent channels for labour migration could be very large and could be a main area for increasing the welfare-generating and poverty-reducing impact of migration, not least in Europe.

Who and How Matters

The rules regulating migration, the type of migration regime and the skills composition of the migrants all have major implications on the developmental impact of labour migration. In the absence of a comprehensive international regulatory framework, the more affluent labour-importing countries are de facto the policymakers, while the role of the poorer labour-exporting countries is largely reduced to that of a policy-taker. The responsibility for increasing the welfare-enhancing and poverty-reducing impact of migration therefore falls heavily on the countries of destination. Generally speaking, it may be said that:

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xvi. Abella (n.d.)

- Migration through regular channels with transparent rules, providing equal chances of access to migration and overseas employment opportunities irrespective of economic and social status will have a much larger positive developmental impact than irregular or "illegal" migration.
- Temporary migration results in higher flows of remittances than permanent migration.
- Unskilled and semi-skilled migrants tend to generate more remittances than highly skilled and professional migrants. By the same token, the negative impact of their departure on the economy and labour market of the source country is smaller.
- Migrants from poor backgrounds tend to send back a higher share of their income than migrants from more affluent backgrounds.

Policy implications for source countries

Even if the recipient countries have the upper hand when it comes to setting the rules for international labour migration, the scope for domestic policymaking in the source countries aimed at enhancing the development impact of migration would seem to be quite large. The positive effects of migration can be exploited and used as a stimulus for development at home. However, migration can also act as a drug that reduces pressure for vital structural reforms and saps the country of resources and energy. The policy challenges to the source countries resulting from migration deserve particular attention, not least because large scale outward migration is, in itself, an indication that a country is unable to make full and productive use of its human resources. Three areas would seem to be particularly crucial.

First, the need for a flexible and well-functioning labour market and a high degree of occupational and social mobility stand out as particularly crucial in countries experiencing large migration. This in turn has important implications for education and vocational training systems. A dynamic and flexible labour market is needed to turn outward migration into a source of enhanced employment and income opportunities for those staying behind and to mitigate the disruptive effects of the loss of skills and labour on the economy. It is also needed for the smooth and productive reabsorption of return migrants into the labour force.

Second, it highlights the need for a well-functioning capital market. The large inflows of capital and remittances arising from migration can be exploited as an important source of capital for domestic investment. However, this requires a banking system that is capable of serving as an efficient intermediary between those with savings and borrowers/investors (at the household level too). An efficient banking system will also help reduce the cost of remittance transfers and promote the channelling of remittances through the formal banking system.

Third, there are several reasons why large-scale migration puts the need for a favourable investment and entrepreneurial climate into focus. Return migrants bring with them skills and capital essential for entrepreneurship, as well as often an ambition to start their own business.[xvii] Yet most schemes to use return migration as a vehicle for small-scale enterprise development have not lived up to expectations. Furthermore, migration is often a response to a lack of opportunities for employment and entrepreneurship at home, and migrants tend to be more enterprising than the population at large. A better domestic entrepreneurial climate would therefore help divert the entrepreneurial energy of potential migrants from migration to entrepreneurship and seeking a future at home.

As stated above, migrants and Diaspora abroad can play an important role as a source of FDI and promoters and facilitators of export-oriented economic development. The Diaspora Chinese are a particularly convincing case in point. The vast amount of FDI flowing into the coastal provinces of China and the spectacular economic development of this region has to no small extent been due to Chinese overseas migrants. Similarly, the rapid development of the software industry in Bangalore would hardly have taken place in the absence of a large number of Indian software specialists working abroad. By contrast, the Diaspora Filipino community, to mention but one, has had no similar impact on its economy of origin.

Migration can have other important policy implications for the source country. It has obvious and often far-reaching implications for educational policies, but also for social policies. Temporary migration, in particular, typically involves only individual breadwinners rather than whole families. This splintering of families and households is associated with high psychological costs for those involved and has implications for social policies. Migration often also has considerable impact on gender relations. It can serve as a vehicle for the economic and social emancipation of women but often imposes high burdens and responsibilities on them too.

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xvii. See for example Amjad (1989), pp. 16–19.

Migration on the Swedish development cooperation agenda

The incorporation of the migration dimension in Swedish development co-operation is still in its infancy. However, the recent government bill *Shared Responsibility: Sweden's Policy for Global Development* puts it squarely on the agenda, both through its general focus on policy coherence and through the prominence given to migration policies.[xviii] This implies work in several arenas.

- There is a need to support the development of an international regulatory framework covering international migration. Initiatives in this direction have recently been taken by the UN secretary general, and Sweden is committed to strongly support these efforts.
- Linked to the above, the rights perspective taken in the new Swedish policy for global development provides a basis and a reason to focus on the protection of migrants' rights.
- Great scope still exists for developing a responsible and more active policy for labour migration into the countries of the European Union. Sweden intends to play an active role in the development of such a policy and will endeavour to ensure that developing countries' interests are taken into account in the design of the policy.
- Several of Sweden's bilateral development co-operation partner countries are major labour exporters yet the integration of the migration dimension into this collaboration is still poorly developed. The discussion, above, on the policy implications of migration for source countries points to a number of areas where bilateral development co-operation can play a useful role. Improved knowledge of the linkages between migration and development, new and innovative approaches in bilateral development co-operation and, not least, closer co-ordination between migration policies and development co-operation offer exciting prospects for the future.

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xviii. Government Bill, Sweden, 2002/03:122.

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This study presented here represents a first step by Sida to build up and share knowledge on the implications of international labour migration for source countries and communities, with a focus on developing countries. More specifically, it aims to:

- Provide an assessment of the magnitude and geographical pattern of international labour migration, based on available statistics and estimates.
- Discuss the incidence and importance of cross-border regional and international labour markets and analyse the implications for source countries of this development.
- Collect and discuss existing evidence of both a theoretical and empirical nature regarding the positive and negative consequences of labour migration on source countries and communities.

It is our hope that it will generate interest and discussion and will serve as a starting point for future policy-oriented work in this field.

Per Ronnås
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Executive Summary

Labour migration has long been one of the most consistent flows of people in search of prosperity. In the present era of globalisation, dramatic improvements in transport and communication have increased the numbers of source and destination countries for migrants. The effects these flows have on the destination countries have been a popular area of research. The aim of the present study is to review migration literature on the other side: the impact of emigration on the source countries – the country left behind. Specifically, it addresses three main issues – brain drain, remittances and the labour markets in the source countries. It is an attempt to understand the dynamics of emigration with respect to the labour-source countries.

As a starting point, the paper gives a brief, descriptive account of migration trends and patterns on a global scale from the late fifteenth century onwards. Migration has occurred in waves and the present wave in the Information and Communications Technology (ICT) era differs from previous waves in that it has diversified the source countries and included Asia as a major emigration pole to the West. For the first time the North has attracted skilled and semi-skilled workers from the South. Given the huge economic disparities between the developing and the developed world today, what does such a dramatic development imply for the source countries? The paper does not restrict emigration to the ICT field alone; it tries to cover labour migration in general, mainly from the developing to the developed world and its impact on the source countries.

The review is based on secondary data and references. It attempts to

- provide a geographical and statistical overview of migration trends and patterns

- highlight the issues emerging from brain drain, remittances and labour market effects on the source countries

- provide a review which would raise issues for further consideration in migration research and policy making.

Existing literature and statistics have shaped the framework of this paper. The emphasis on remittances reflects both the existing interest in the subject among researchers as well as the more noticeable impact the remittances have on societies and economies. To provide an overview of the studies and do justice to the culture-specific elements of this very personal financial flow, the impact of remittances are reviewed in a continent-wise manner.

The actual decision to emigrate is prompted by a cost-benefit analysis of migration. For the labour migrants themselves, the benefits include better employment opportunities, higher incomes, a better standard of living, training and skills development, and exposure to other socio-cultural ways of life. For the households and families of migrants left behind, the benefits are the access to foreign goods, money from remittances and the (indirect) exposure to life abroad. In the modern era of improved transport and communication, better contact with source countries has reduced the cost of emigration.

Statistics show that the volume of outflows and inflows are high; yet the net migration rate is still small (see the glossary for definitions). The number of countries either sending or receiving migrants has increased, as has the number of countries that both send and receive migrants, reflecting increased diversity in the flow of labour.

There are region-specific patterns to the current flow of migrants. Migrants from Africa choose Western European destinations while Asians choose North America. Following the oil price hikes in the 1970s, the Gulf states became prominent destination countries for Asian labour. Eastern Europe was another net emigrant region, almost a million people left for the West in the wake of the political developments in the 1990s. The US, Canada and Australia are the prime destinations in the world, in that order. About 28 million migrants had made these countries their homes by 1990. One common entry to the US is through the channel of studies; more than half a million foreign students were in US universities in 1998. The non-return of students is an issue for the source country as it represents a dual loss: the loss of money spent on educating the migrants as well as the loss of migrants' services to the source countries.

The impact of immigration on the recipient country is the subject matter of chapter 2. Apart from a demographic effect (on the age, education, skills structure) on the recipient country, there is no conclusive evidence that immigrants have a negative, irreversible impact on the labour markets of recipient countries. Neither unemployment trends nor wage patterns bore any relation to immigration waves. The results were similar for studies relating to migration and social security and welfare benefits in the recipient countries.

Nationalist and anti-immigration sentiments in recipient countries owe more to socio-cultural factors than the economic impact of immigration. In a perpetually shrinking world, one where political borders are becoming meaningless, migration will probably continue to grow. Traditional economic theory holds that, with free mobility of factors, their returns will equalise and then the motive for mobility will cease. However, this will probably not apply to labour migration; the motive to emigrate is not just economic. The probability of convergence between the currently developed and the developing world is unlikely in the very near future, which also ensures that the economic motive to emigrate will also continue.

The impact of emigration on the source countries is addressed in chapters 3–6. Chapter 3 deals with the issue of brain drain, the exodus of skilled professionals from the developing world. The review shows that while brain drain does not always have a noticeable impact on unemployment, there are a few countries that have suffered significant damage to their human resource stocks due to brain drain. Ghana is a case in point; it lost 60 percent of the doctors it trained in the 1980s. On the other hand, there are countries such as India whose labour markets do not have the capacity to absorb all the skilled manpower they generate. Unfortunately there are not many comparative studies on brain drain; how much of emigration qualifies as brain drain is still dependent on the source country's specific circumstances. The latest discussions on the subject cast a more optimistic light on the issue – the 'brain gain' – the result of improved national human capital stocks due to prospective emigrants investing in higher education and skills development. The return of skilled migrants from abroad is another aspect to the optimistic perspective. As far as the source country is concerned, it serves as the brighter side of the story of the non-return of students from abroad. How does the source country compensate for the loss of brains? Three ways noted are remittances, return of skilled migrants and development aid from the First World. There are a number of opportunities for research into the relative roles of these mechanisms in the developing world.

The issue of remittances (chapters 4–5) is central to the discussions on the costs and benefits of emigration to the source country. Total remittances exceeded USD 100 billion by 2000. One heartening development is the increase in the share of developing countries as sources of remittances; Asia accounted for 22 percent of the remittance credits and the total for the developing world was 64 percent in 2000. Although the total remittance credits amount to under 0.5 percent of world GDP, the importance of remittances to individual countries is more noticeable when we look at remittances as a percentage of national GDP or merchandise exports. The United States, (about USD 20 billion) followed by Saudi Arabia, was the top remitting country in the world. India was the top recipient country, with USD 9 billion in 2000. Net remittances as a percentage of GDP lay within the 15 percent mark; even for the top recipient India, net remittances were under 2 percent of the GDP in 2000. However, for some Pacific Island states, the significance is so high they have been christened MIRAB (Migration, Remittances, Aid and Bureaucracy) states.

Although these statistics do not show a very dominant role for remittances, two things have to be kept in mind. Their importance at the micro, household level far exceeds any other alternative method of raising standards of living in such a short span of time. Second, official statistics severely underestimate the amount of actual remittances as most of them are sent through informal channels or bypass official systems. A continent-wise review of literature on the pattern of remittances (chapter 5) confirms these two points. Although remittances are inconsistent at the micro level and have a life-cycle, at the aggregate level they rose every year in the 1990s. Economic conditions in the developed world have a larger impact on developing economies than expected. The close links between household prosperity and remittances also reflect a more general pattern regarding the use of remittances. They are used mainly for consumption purposes unlike investment capital from abroad. Since remittances are more thinly spread out, gains from 'productive' investment uses of remittance money have not been possible. There is empirical support for the hypothesis that there are weak linkages between remittances and investment. Studies on the impact of remittances on poverty alleviation do not offer any conclusive results. However, there is evidence in different parts of the developing world that income distribution has widened as a result of remittances.

There are a large number of studies on Latin America and the Caribbean where quantifying the transfer costs of remittances is concerned. Since the US is the prime destination for migrants from this region, the technological advances (such as electronic transfers) have induced a great deal of competition in the money transfer businesses and thereby also increased remittances through formal channels. The Pacific Islands are a unique case for remittances. Remittances have not only flooded the islands with imported goods, they have been used for community development, religious donations, education, and expenses for migration of other extended family members. And remittances do not seem to be inversely related to the number of years the migrant stays abroad, they have been used to accumulate financial assets in source countries to a greater degree than any other place.

Chapter 6 summarises the impact of emigration on the labour market. The results are familiar: there has not been any general, proven relationship between emigration, unemployment and wage increases. The reasons boil down to the economic characteristics of the migrants: they are usually skilled and do not belong to the poorest sections of the society. The elasticity of supply in the labour markets does not make their departure very noticeable. A more significant impact would be of finding jobs for mass return migrants.

As mentioned several times in the report, the lack of comparable data and inconsistent methodologies used to study migration hinder any comparative exercises. It also makes it difficult to separate the impact of remittances, brain drain or emigration numbers on the labour market or any other sector of the economy from other factors.

Desirable or not, international migration is going to be a persistent feature of the global scene in the future. One of the oldest prescriptions for controlling emigration pressures is economic development of the Third World. Economic development is a goal in itself; however migration policies would be undeniably intertwined with economic development policies. While the goal is not to stop emigration altogether, it would be helpful to channel its impact at the national level. For the present, international migrants are making a big difference to their immediate families and communities in their source countries.

Guide for reading

> Globally the number of international migrants increased from 75 million to 120 million between 1965 and 1990, keeping pace with population growth. As a result, the proportion of migrants worldwide has remained around 2 percent of the total population (United Nations 1996). In 1990, international migrants were 4.5 percent of the population in developed countries and 1.6 percent in developing countries.
>
> *United Nations Population Fund (1999:26)*

International migration has many different dimensions to it; the focus of this report is on labour migration. The impact of immigration on the recipient country has received a lot of attention in conventional literature, but this report looks at the other side: what is the impact of emigration on the source country – the country left behind? The impact is analysed in three specific areas: Brain drain, Remittances and the Labour Market. The main purpose of the report is to survey the existing body of literature on the impact of emigration on source countries. This is followed by highlighting some policy issues relating to regulation of flows of labour and remittances. The report was submitted in December 2002 and revised for publication in June–July 2003.

The report is organised as follows. The introduction aims to familiarise the reader with the broader context, as well as with the concepts and current issues on the subject of migration. In chapter 1, the current trends and patterns of international migration are discussed and mapped by continent, based on available international statistics and estimates. Chapter 2 discusses the impact of immigration on recipient countries. In chapters 3–6 the core of the analysis is found – the impact of emigration on source countries in terms of brain drain, remittances and the labour market; and contains a continent-wise literature review on the impact of remittances. Chapter 7 contains concluding remarks on the report and issues for the future.

All tables and figures referred to are found towards the end of the report. To facilitate the reading, a few are also inserted in the body of the text itself. The glossary at the end of the report contains expansions of acronyms and the meanings and/or definitions of certain technical terms used in the text.

Introduction

Migration of people is by no means a new phenomenon; particularly the magnitudes of flows in the current wave of globalisation. Cohen (1995) traces the "modern" international migratory movements to the late fifteenth and early sixteenth century, marked by the flourishing of long-distance trade and the opening up of global lines of communication initiated by European mercantilism.

The distinctive nature of the modern movements lies in rapid improvements in communications and technology, which have facilitated long distance travel and improved contacts with source countries. This has expanded the number of source and recipient countries around the world. In the 20th century, the US, Canada and Australia emerged as immigration poles, a phenomenon spurred recently by the Information and Communications Technology (ICT) revolution, which created demand-pull factors for migration. The 20th century also saw Asia emerge as a major emigration region.

Migration, emigration and immigration

It is necessary at this juncture to point out the difference in the usage of certain terms, in the literature as well as in this report. Migration refers to movement from a source to a destination different from the source; emigration refers to outward migration – migration from a source; and immigration refers to inward migration – migration into a destination. The point of reference for emigration is the source region while that for immigration is the destination region. For example, labour emigrated from the developing country; labour immigrated into the developed country; labour migrated from the developing to the developed country. These terms are used with care throughout the report and understanding the difference makes it easier to appreciate the significance of each of these flows especially with regard to their impact on the source and destination areas.

Migration in the modern era

The first major wave of migration in the modern era came from slavery from western Africa to the New World dominated by trade, followed by indentured labour from China, India and Japan headed to the plantations of Europe. Chronologically, this spanned about 300 years from the late fifteenth century onwards. Another well-documented wave occurred with emigration (voluntary as well as state-sponsored) from European powers like Britain, the Netherlands, Spain, France etc. to the colonies during the period of European expansion and imperialism and lasted till the First World War. The third surge in migration came from the economic development of the USA, from the late 19th century to the Great Depression covering the period 1880–1933. Workers mainly from Europe migrated to the US to partake in the surge in the US share of world manufacturing. The flow slowed with the onset of the Great Depression, during which time immigration restrictions were introduced in the US. During the same time period, similar flows of workers were also recorded into Germany and Brazil and Argentina.

The post-World War II period initiated another wave of legal and illegal labour into the US and the victorious allied countries, as they sought to support their booming economies. This continued until the 1970s in Europe and into the 1990s in the US, stalled by nationalist arguments in these countries against international migration.

In the 1990s, the Asia-Pacific region rose as a major destination for international migrants notably Japan, Australia and New Zealand. In addition, the newest wave of globalisation in the twentieth century, brought with it its own demand for specific patterns of migration. Particularly the ICT development and its resulting demand for skilled labour initiated large international movements into the developed countries of the West as well as into the newly industrialising countries of East Asia.

Data on International migration

A major lacuna in international migration research is the lack of consistent, comparable data across countries. Global estimates of migrant stocks and flows are dependent on specific country definitions and estimates of who the migrants are, and how many they are in number.

One of the most cited sources for comparable data is the United Nations (1996) database on Trends in Migrant Stock. These data cover the period up to 1990. In 1990, the migrant population constituted approximately 2 percent of the world's population (United Nations Population Fund 1999). The stock of foreign-born citizens ranged between 2.1 and 2.3 percent of the total world population in the period 1965–1990, which implies that actual numbers of migrants have risen slightly more than the increase in population (Bongaarts and Bulatao 2000:156). International migrants were 4.5 percent of the population in developed countries and 1.6 percent in developing countries. The total stock of migrants amounted to some 120 million in 1990, an increase from 75 million in 1965 (Bongaarts and Bulatao 2000 Table 6-1).

As Table 1 (see the following page) illustrates, North America (USA and Canada) hosts almost 24 million immigrants, one-fifth of the total number worldwide. South-central Asia comes next, with India and Pakistan accounting for close to 16 million immigrants. Western Europe and the oil-rich Western Asian nations are third in line, with about 14 million immigrants each. Given its large size in area and population, Asia hosts the largest number of migrants, about 38 million.

Undocumented migrants

It should be borne in mind that the migrant numbers cited above refer to those officially documented as living in a foreign country in 1990. If we add the number of undocumented migrants not covered by official statistics, the migrant stock increases significantly. Obviously, there are no reliable data on undocumented migrants. But to give an idea of the extent, estimates for South Africa (which is attracting a number of undocumented migrants in the post-Apartheid era) alone range from 3 million to 8 million (one-tenth of the population), most of whom come from neighbouring Mozambique, Zimbabwe and Lesotho (Stalker 2000:97). For the US, undocumented workers coming from as far off as India were estimated to number around 5 million in the early 1990s.[1]

The other category excluded from official migrant stocks is refugees and asylum-seekers. The United Nations estimated their numbers to be

1. http://migration.ucdavis.edu/rmn/changingface/cf_apr2002/hinojosa_tables.html Table 3.

Table 1: World migrant stock. 1990.

Region	No. of migrants	% of total population	% of females in migrant stock
The Americas			
North America	23,868,351	11.7	51.0
Caribbean	421,654	5.3	48.5
Central America	802,834	3.2	49.9
South America	4,406,109	2.0	47.9
Europe			
Eastern Europe	1,542,428	1.1	53.4
Northern Europe	5,272,819	5.4	51.1
Southern Europe	3,196,221	14.3	52.4
Western Europe	14,691,446	20.4	46.5
Asia			
Eastern Asia	2,160,273	0.7	43.3
South-central Asia	20,782,317	2.0	47.1
South-eastern Asia	1,845,038	5.1	47.1
Western Asia	13,406,120	28.9	39.9
Africa			
Eastern Africa	5,242,711	4.3	48.5
Middle Africa	1,651,644	3.3	47.3
Northern Africa	1,979,230	3.0	45.7
Southern Africa	1,240,676	3.2	43.7
Western Africa	5,453,934	4.6	46.9
Oceania			
Australia-New Zealand	4,435,430	19.4	49.6
Melanesia	47,489	1.6	46.6
Micronesia	11,571	13.1	40.9
Polynesia	17,196	12.5	47.4
Total	**112,475,491**	**7.9**	**47.4**

This table refers to the

- estimated total number of international migrants who lived in the region on 1 January 1990
- international migrants as a percentage of the total population in the country
- females as a percentage of all international migrants

Source: United Nations (1995).

around 21.1 million worldwide in 2000. Africa and Europe are home to about 5 million refugees each.[2] Asia tops the list of refugees with 8.5 million (to which Afghan refugees, mainly in Pakistan, in the past year add about 3.5 million). Afghan refugees now constitute 30 percent of the total world refugee population.

The implications for migration research of these undocumented migrants and refugees who flee their source countries to escape political or social persecution are different from those "documented" or sometimes synonymously referred to as "legal" migrants. This report excludes undocumented migrants and refugees from the analysis.

'Net migration' and 'migrant stock'

A useful statistic, *net migration,* is calculated as the difference between immigrants (those who come in) and emigrants (those who leave) for a particular region. It is negative (net emigration) if the number of emigrants is greater than the number of immigrants; positive (net immigration) if the number of emigrants is lower than the number of immigrants; and zero if the numbers of emigrants and immigrants are equal. The *migrant stock,* on the other hand, refers only to the number of immigrants. In technical parlance, net migration is a 'flow' concept while migrant stock is a 'stock' concept.

If we look at net migration figures, the North-South divide becomes increasingly obvious. It requires no great stretch of imagination to expect that advanced countries will experience positive net migration while developing countries exhibit negative net migration rates.

The statistics in Table 2 below confirm this. For every thousand people in the developing regions, net migration was unchanged at -0.5 per thousand for the two periods 1985–1990 and 1990–1995, while for the industrial regions it actually rose between 1985–95 from 1.6 per thousand to 1.9 per thousand, reflecting more attractive economic opportunities in the latter region. Net emigration was highest in Central America at -3.1 per thousand, followed by the Pacific Islands at -2.8 per thousand, in 1990–95. Net immigration was highest in Oceania and North America at 3.4 per thousand in the same period.

The table does not give the destination regions of the outflows but it is a reasonable expectation that Pacific Islanders migrated to Australia/New Zealand accounting for the latter's high positive net migration rates

2. http://www.mindfully.org/WTO/21-Million-Refugees-2000-UN11may02.htm

of 5.9 and 5.1 per thousand in 1985–90 and 1990–95 respectively. Similarly, it is probable that North America is the prime destination for outflows from Central America. Overall, with the large numbers of inflows and outflows, net migration is not very high. In absolute numbers, the maximum net migration from developing countries to the developed world was 940,000 in 1985–89.[3]

Table 2: Net migration per thousand by world region. 1985–95.

Region	1985–1990	1990–1995
Developing Regions	-0.5	-0.5
Industrial regions	1.6	1.9
Africa	-0.5	-0.3
Sub-Saharan Africa	-0.5	-0.2
North Africa	-0.5	-0.9
Continental Asia[a]	-0.3	-0.4
West Asia	1.0	0.3
South-central Asia	-0.5	-0.8
East Asia	0.1	0.0
South-east Asia	-1.1	-0.6
Oceania	3.9	3.4
Australia/New Zealand	5.9	5.1
Pacific Islands	-2.8	-1.8
Latin America/Caribbean	-1.6	-1.2
Central America	-4.2	-3.1
Caribbean	-3.0	-2.4
South America	-0.4	-0.4
Northern America	3.0	3.4
Europe	1.3	1.4
Western Europe[b]	1.9	1.9
Eastern Europe/Russia	0.5	0.9

[a] Includes the Middle East

[b] Includes what are designated, in the UN classification, as Northern, Southern, and Western Europe

Note: These rates are not country averages but rates for entire regions from United Nations (1999).

Source: United Nations (1999).

3. http://www.un.org/popin/popdiv/intabfin.htm. *South-to-North Migration Flows*. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Migration trends and patterns in a globalisation context

CHAPTER 1

Historically, the major motives for emigration stand out as employment, study/skill improvement and refugee/asylum-seeking. Huge disparities in earning potential between advanced and developing countries, especially in the 20th century, prompted a large number of migrants to move toward the former countries. The actual decision to emigrate occurs only when the advantages of doing so are greater than the disadvantages. For migrants, the advantages include better employment opportunities, higher incomes, training and skills development, and exposure to other socio-cultural ways of life. The disadvantages include possibly difficult conditions of work, overwhelming cultural and social differences, the threat of discrimination and alienation, and diminished contact with family back home. For households with emigrants in the country left behind, the advantages are the flow of foreign goods and remittances, and exposure and learning within enlarged boundaries. Disadvantages would be diminished contact between migrants and themselves.

Despite the large numbers of inflows and outflows, net migration still represents a small percentage of the resident population, especially in the populous countries of Asia. Globalisation is increasing the volume of migrants across the world but, as the net migration statistics in the 1990–95 period show, the volume of net settlers is not great.

Another feature of these historical migration patterns is that some flows are temporary, initiated by particular circumstances within the countries concerned, while others have been more enduring. In the 20th century, the more enduring pattern was the movement of migrants from the developing countries of Asia and Latin America to the First World, mainly North America. Migrants have always been used to fill labour shortages in the developed world and they form a convenient "reserve army" whose flows can be reversed in the event of economic downturns.

This uncertainty has increased the pursuit of "permanent settlement" among migrants. This kind of permanent settlement is more common among skilled migrants trained in developing countries and working in the industrial countries, especially when labour absorption at this level of training is difficult in the source countries. Immigration policies in the developed world try to target this group of people selectively, although labour shortages in the unskilled labour category are also a common ailment. For example, the refusal of upwardly mobile Arabs in the Gulf States to work in unskilled jobs at the wages offered prompted a huge influx of Asian workers into the region in the 1970s.

In addition to these pull factors, push factors in developing countries have continued to spur sporadic and persistent outflows of migrants. In the next chapter the implications of these movements are taken up in greater detail.

1.1 The nature of population flows

International population flows are distinguishable based on the nature of the movements. As the brief history of international migration already indicates, we can draw distinctions between (Cohen 1995:6):

- Free and forced migration – often used to differentiate "pull" from "push" factors.
- Settlers and labour migration – indicating the purpose and/or length of migration. Labour migration could be contracted or for shorter periods.
- Temporary and permanent migration – tourists and visitors versus long term migrants.
- Illegal and legal migration.
- Planned and flight (refugee, asylum, ecological) migration.

As the labels indicate, these categories are not very rigid and frequently overlap. However, the distinctions between them become important from the point of view of analysing the impact of emigration or immigration, and with regard to policy formulation and evaluation. The categories sometimes characterise skills levels, motivation to migrate, levels of economic development of source countries, etc. and offer valuable support for designing emigration and immigration policies.

Some of the major issues addressed by migration analysts are:

- What motivates migrants to move?
- Are there any historical patterns or trends in international population movements?

- What is the impact of immigration on recipient countries?
- What is the impact of emigration on source countries?
- What are the characteristics of migrants – gender, age, skill, occupation, economic status etc?
- What policies, if any, are necessary to regulate the flow and minimise the costs both to source and recipient countries?

It is beyond the confines of this report to survey the literature on all the above issues. The focus, as mentioned earlier, is on the impact of emigration on source countries. However, they are touched upon in a manner deemed to be relevant for developing a framework for analysing the impact of emigration.

1.2 Growing number of source and recipient countries

All countries send and receive migrants at some point in this modern era of transport and communication. While the traditional receiving regions are the developed countries of North America, Western Europe and Oceania (see Figs. 1 to 6), the United Nations Population Fund (1999) states that the recipient countries for migrants have become more diverse since 1965 both in terms of the number of migrants they receive and their share of total population. The number of countries with a migrant population of 300,000 or greater increased by more than 50 percent between 1965 and 1990 (United Nations Population Fund 1999:27). According to an ILO study (Böhning and Oishi 1995 cited in Stalker 2000:7), the number of countries that qualified as major receivers rose from 39 to 67 between 1970 and 1990, and those that qualified as major sources rose from 29 to 55. But one of their most interesting conclusions was the increase in the number of countries that were both major sources and receivers – up from four to 15. If we delve a little deeper into the migration patterns of developing countries, we gain much more insight into the trends, patterns and their causes. A continent-wise treatment of the same is very necessary at this juncture.

1.3 Migration patterns in Africa

In 1990, Africa had approximately 15.6 million migrants (Table 1), one-third of them in West Africa. The net migration rate was -0.5 per thousand in 1985-90 and dropped to -0.3 in 1990-95 (Table 2). Historically, migrants left for work in mines and plantations. One of the most consistent patterns is of people moving from the remoter inland regions and countries to those closer to the coast to work in mines and plantations (Stalker 2000:31).

In the 1960s, Côte d'Ivoire supplanted Ghana as a major pole of attraction in West Africa (Russell et al. 1990:17). The source countries included Burkina Faso, Mali, Guinea, Ghana and Niger, and immigrants totalled almost one-quarter of the population in 1975 (*ibid*). The high number of migrants continues despite the economic downturn in Côte d'Ivoire, which triggered an emigration stream.

The source countries for migration to Nigeria since the 1970s have been Ghana, Togo, Benin, Niger and Chad.

East Africa has been both the source and the destination of a large number of refugees even into the 1990s – mainly Ethiopia, Uganda and Sudan. Consistent (agricultural) labour flows in the region exist from Rwanda, Burundi and Zaire to Uganda, Kenya and Tanzania. Also noted is the migration of Sudanese to the Middle East; there were about 334,000 Sudanese there by 1983 (*ibid*, p.16). The Gulf War reversed this flow with sudden expulsions. Further, Libya has been a magnet for Tunisian workers.

In Central Africa, mineral and timber-rich Gabon, Zaire and Equatorial Guinea have been major recipients of labour from Congo, Central African Republic (CAR), Burundi and Cameroon.

In Southern Africa, South Africa has been a major recipient of labour from Botswana, Lesotho and Swaziland – one of the most important flows in Africa has been the flood of workers into South Africa in the post-apartheid period. South Africa accounts for 40 percent of the GDP of sub-Saharan Africa and has been attracting undocumented workers by the thousands (Stalker 2000:97). The nation is also a major recipient of refugees in the region. The number of migrants in South Africa (refugees excluded) crossed the 1 million mark in 1990. The figure would have been higher were it not for the ban on emigration to South Africa imposed by neighbouring countries in the 1980s. Despite these bans, the South Africa Defence Forces estimate that they catch only one person in four who crosses, and even these will try again until they succeed (one individual was apprehended 28 times in six months) (*ibid*).

Beyond the borders of the continent, as Figures 3 and 4 show, Western Europe has been the main destination for Sub-Saharan and North African migrants; followed by North America. By the end of 1989, there was a net emigration of 52,149 people from sub-Saharan Africa to Western Europe and 20,942 to North America. The total emigration from sub-Saharan Africa was 78,293, underscoring the magnitude of inter-continental migration from this region.

Figure 3. Migration from Sub-Saharan Africa by destination continent. 1960-89. Percent.

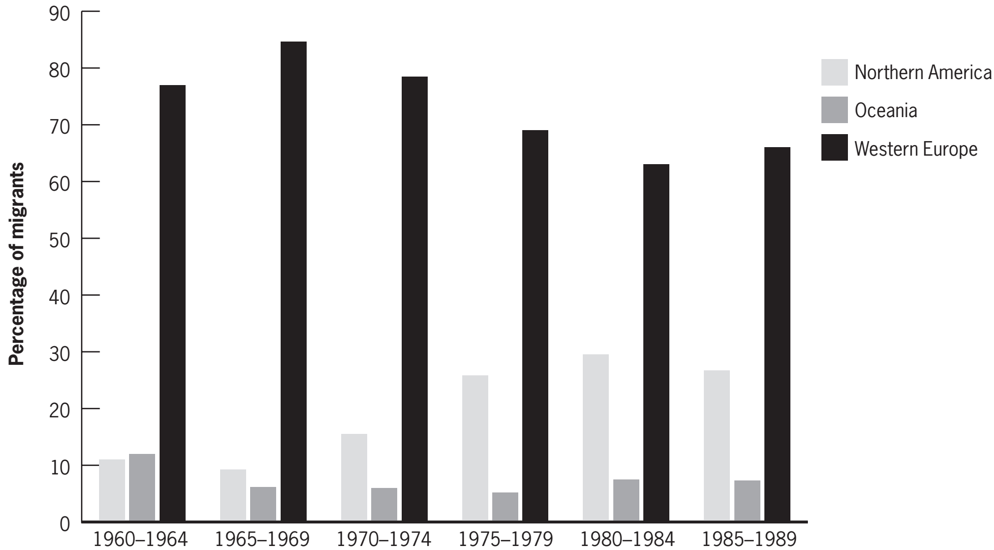
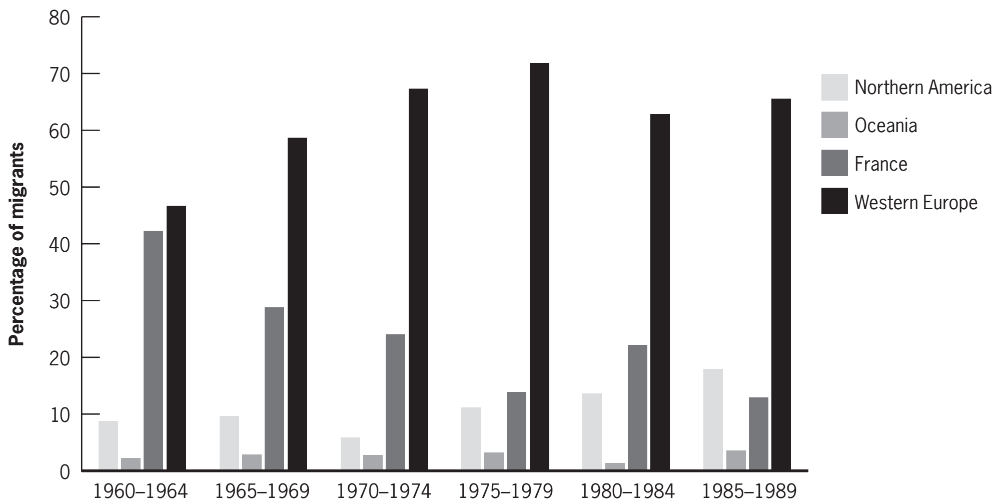


Figure 4. Migration from Northern Africa and Western Asia by destination continent. 1960-89. Percent.

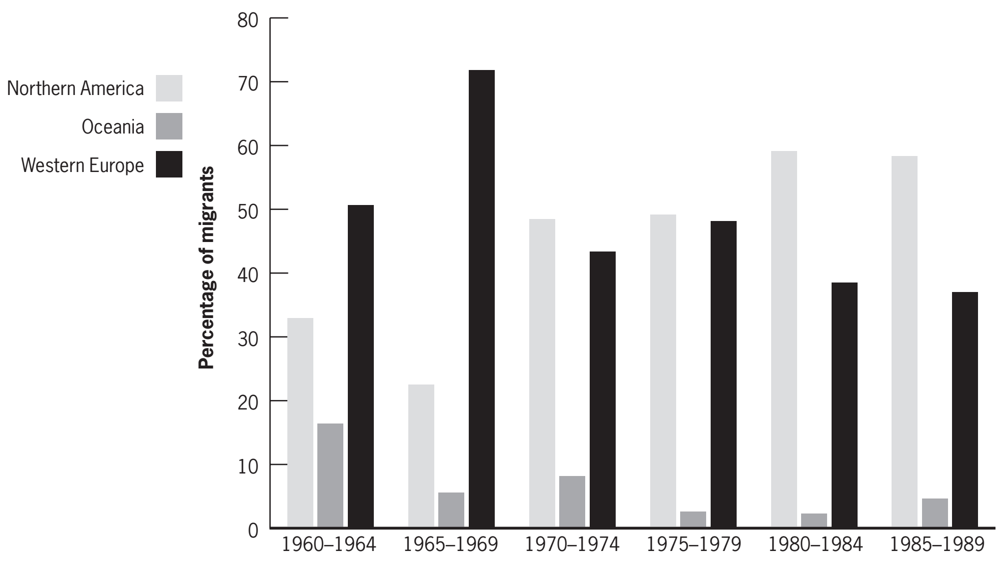


Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

1.4 Migration patterns in Asia

The migrant stock in Asia, at about 38 million, is the highest in the world (Table 1). However, net migration was -0.4 per thousand in 1990–95, implying that the continent as a whole is a source region. As Figure 5 clearly shows, North America replaced Western Europe as the major recipient for Asian migrants in the 1970s. Total emigrants from South Asia rose from 8,358 in 1960–64 to 122,562[4] in 1985–89. Net emigration also rose from 6,486 to 106,644 during the same period. East Asia and South-east Asia had, already in 1960–64, a higher number of emigrants than South Asia – 23,814 – and this rose to 374,380 by 1985–89. Net emigrants also rose from 20,882 to 323,031 during the same period. For East Asian and South-east Asian migrants, North America has consistently been the prime destination (see Figure 6, page 105). Other traditional recipients are Japan, the Persian Gulf States, and more recently the NIEs (Newly Industrialising Economies).

Figure 5. Migration from Southern Asia. 1960–89. Percent.



Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

4. Of this 71,530 left for North America, 45,344 left for Western Europe and 5,687 for Oceania.

Internally, the dominant labour flows have been to the Gulf States following the 1973 oil price hike and the politically driven migratory flows from Cambodia, Afghanistan and Lebanon. The Gulf War again saw a reversal of flows back to source countries. Kuwait in 1990–95 had an annual net migration rate of -70.2 per thousand, meaning that, in the course of five years, migration reduced the population by 30 percent (Bongaarts and Bulatao 2000:163). The major source countries for the oil-producing Arab countries were India, Pakistan and Bangladesh. At its peak in 1981, as many as 478,000 workers left these three nations as contract workers[5] for the Middle East (Amjad 1989: Table 1.1). In the 1980s, South-east Asia also joined the stream of labour heading to the OPEC nations. Falling oil prices in the 1980s and the Gulf War have definitely reversed the flow. Nevertheless there has been a recent upturn, albeit small, in labour flows to that region.

East Asia and South-east Asia have witnessed interesting labour flows in the 20th century. The Newly Industrialising Economies of Singapore, Hong Kong (China), Korea and Taiwan (China) have become receivers of immigrant labour. Korea alone had close to 1 million immigrants in 1990. Along with Japan, in the 1990s, the major migratory streams follow the "diagonal of prosperity" from Tokyo to Singapore. The ageing population of Japan has created a labour shortage within its economy, making it increasingly dependent on immigrant labour to maintain prosperity. Between 1985 and 1995, the legally resident foreign population in Japan increased by 60 percent, and the number of undocumented aliens also grew (Zlotnick 1998).

The 1990s also saw flows from poorer labour-rich countries to more affluent countries in a step-wise pattern. Labour from Myanmar, Cambodia, China and Vietnam moved in large numbers to Thailand in search of higher incomes while Thai labour migrated to Taiwan, Singapore, Malaysia and Japan, where incomes often were several times those obtained at home for the same work (Kokko et al. 2001:37). The recent financial crisis in Asia and the ailing economy of Japan have produced pressures for many migrants in East Asia to repatriate, yet the dependence on foreign workers is not expected to decline in the region. This forecast is supported by Kokko et al. (2001) who note that there were repatriation trends of these migrant labour ('employment cushions') in the wake of the financial crisis; however by 2000, the stocks of migrant labour in the main receiving countries were already back to their pre-crisis levels. Many of these migratory flows occurred through informal or irregular channels.

5. The distribution of labour outflows was mainly construction labour (skilled and unskilled), medical and fewer high-skill workers.

The "trainee" system for hiring temporary contract workers in Japan, Taiwan and Singapore (where unskilled workers mainly from Thailand, China and Malaysia were offered on-the-job training and a temporary shot at working in foreign countries) amounted in practice to a legal channel for hiring recruits who were often put to work in difficult conditions without even being paid minimum wages. Working conditions were so difficult that many trainees left their jobs and became illegal migrants looking for work elsewhere in the labour market.

With the ICT revolution of the 1990s, a new wave of migratory movements started from Asia to the developed world. Knowledge workers have found easy access to ICT-related jobs in the US, Canada, Germany as well as within the NIEs of Asia. The source countries have mainly been in Asia. "In September 2000 there were 461,000 H1-B[6] foreign professionals in the US; half were in computer-related occupations. The leading countries of origin for H1-B visas issued in FY99 were India 55,047; United Kingdom 6,665; China 5,779; Japan 3,339; and Philippines 3,065 (Martin 2001:19)."

1.5 Migration patterns in Europe

Western Europe, under the UN definition, includes Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands and Switzerland. These have been traditional recipients of migrants from all over the world. In 1990, 14.7 million migrants lived in the region, more than 10 million of them in France and Germany. The net migration rate was 4.3 per thousand in 1990–95. If we include all of continental Europe, except for Eastern Europe and the former Soviet Union, the migrant stock in 1990 increased to about 23 million – as many as the combined total for the US and Canada (Bongaarts and Bulatao 2000). The net migration rate for this larger area was 1.9 per thousand in 1990–95.

Immigration was encouraged in Western Europe in the post-World War II period to aid reconstruction efforts and make up for labour shortages.[7] The system of *gastarbeiter*, or guest workers, mainly in Germany recruited large numbers of immigrants from Turkey, Yugoslavia, Greece, Italy, Portugal and Spain. Rising public concern over immigration, in the 1970s along with the economic recession following the oil price hikes, slowed the process. Inflows continued in the 1980s, mainly from family reunions and asylum seekers. In the 1990s, the pressure to restrict immigration continued but the impact of the ICT revolution produced renewed

6. A temporary non-immigrant visa category for skilled workers.

7. This section on Western Europe is based on Bongaarts and Bulatao 2000:166.

labour shortages in Germany and France. The two countries are looking to emulate the HI-B policy of the US to get skilled workers to migrate from the same sources as those for US recruitment, viz., South Asia.

Eastern Europe and Russia have seen significant flows of migrants, with a net migration rate of 0.9 per thousand in 1990–95, an increase from 0.5 in 1985–90 (Table 2). The major impetus for migration in the region has come from the dramatic political upheavals and their consequent adverse impact on standards of living. It is estimated that about 870,000 people left the region for the West during the early 1990s.[8] Wars and environmental disasters have left close to 1 million refugees living in foreign lands. The International Organization for Migration (IOM) estimated that between 1989 and 1996 there were some 870,000 refugees and displaced persons in the ex-USSR or Commonwealth of Independent States (CIS) countries. The IOM estimates there are an additional 740,000 ecological migrants.[9] Despite hardships, Russia, Czech Republic, Hungary, Poland and Bulgaria have become net recipients of migrants from other countries in the region as well as from developing countries. An important flow has been the return of former emigrants in the mid-1990s (Bongaarts and Bulatao 2000:167). Some 4.2 million persons returned voluntarily to their country of citizenship in the early 1990s, mostly ethnic Russians to the Russian Federation (*Migration News* March 1998 v.5:3). However, a large portion of the migration flows in this region takes place through irregular channels and the number of undocumented workers is significantly high. It is estimated that 500,000-1,000,000 illegal migrant workers live in Russia *(ibid)*.

1.6 Migration patterns in Latin America and the Caribbean

Latin America, for our purposes here, encompasses South America,[10] Central America[11] and Mexico. The Caribbean includes Cuba, Barbados, Guyana, Haiti, Jamaica, Dominican Republic and Trinidad and Tobago. Latin America and the Caribbean (LAC) had a migrant stock of 7.5 million people in 1990 and a net migration rate of -1.2 per thousand in 1990–95, a fall from -1.6 per thousand in 1985–90.

Argentina, Brazil and Venezuela are the major recipient nations. Argentina draws migrants from Peru, Bolivia and Paraguay, some of whom

8. http://www.stichtingoikos.nl/rtf/Analytic%20Report%20for%20Amersfoort.rtf
9. http://www.migrationint.com.au/news/italy/mar_1998-14mn.html
10. Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay, Peru, Uruguay, Venezuela.
11. Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

are undocumented. Stalker (2000:32) notes that Argentina has an estimated 200,000 undocumented workers. Historically, the major flows were immigrant. From the 18th century up until 1970, 3 million Italians migrated to Argentina. More than 1 million Spaniards moved to Argentina and about the same number of Italians, Portuguese and Africans migrated into Brazil (Stalker 1994:221). Interestingly, Latin America turned emigrant only in the 1970s. In the 1990s, the largest emigrant flows were from Mexico, Venezuela and Argentina to the US. For people of European origin, the 1990s saw flows of Argentines and Venezuelans returning to Europe, while Japanese-origin Brazilians moved to Japan (Bongaarts and Bulatao 2000:164).

For the Caribbean, the destination for most flows is the US. Within the Caribbean, Haitian plantation workers in the Dominican Republic and unskilled labourers in the Bahamas comprise the major flows.

While Mexicans emigrate mainly to the US, the richer southern Mexico coffee plantations attract Guatemalan migrant labourers. Cross-border migration from Mexico to the US is of major concern to policy makers largely due to the high pressure of illegal immigration. A survey carried out in 1996 of 465 Mexicans who had been apprehended and removed from the US reported that they earned an average USD 31 per week in their last Mexican job compared with USD 278 per week in the US, which yields a ratio of 9:1 (United Press International 1996 cited in Stalker 2000:21). The huge disparity in wage differentials reflects the differential pattern in overall economic development. In 1999, per capita GDP was USD 4,820 in Mexico, while for the US it was USD 33,386. The total labour force of Mexican origin in the US was 5.7 million in 2000, up from 4.6 million in 1990. An annual legal, temporary flow of 36,000 Mexican workers across the border into mainly agricultural and unskilled jobs raises the contribution of Mexicans to the US labour force. Of the 5 million undocumented workers in the US, 2.7 million are from Mexico and they migrate mainly to California.[12]

1.7 Migration patterns in the United States, Canada and Australia

In terms of numbers of settlers, the US, Canada and Australia, in that order, are the world's preferred destinations for migrants. In 1990, migrant stocks were 19.6 million, 4.3 million and 4 million respectively. In 1992 alone, 846,000 immigrants were admitted legally into the US (Stalk-

12. http://migration.ucdavis.edu/rmn/changingface/cf_apr2002/hinojosa_tables.html

er 1994:169). Net migration rates for North America rose from 3.0 per thousand to 3.4 per thousand from 1985–90 to 1990–95 (Table 2). For Australia/New Zealand it dropped from 5.9 per thousand to 5.1 per thousand in the same period. However, migrants account for close to 20 percent of the total population in Australia/New Zealand (Table 1), while in North America the figure was 11.7 percent in 1990.

Historically, Europeans dominated the flow of immigrants into the US until the legislative changes in the 1960s that set national immigration quotas for countries outside the western hemisphere and encouraged family reunions. As a result of this, between 1951–1960 and 1981–1990, the proportion of immigrants coming from developing countries rose from 12 to 88 percent (Stalker 2000:26).

Table 3 shows the sources of legal immigration to the US in 1997. The two largest groups of foreigners who are considered US employees are foreign students or foreign workers and in 1998 there were 565,000 foreigners admitted as students and 372,000 foreigners admitted with H-temporary worker visas *(see footnote 6)* (Martin 2001:28). Of the 565,000 foreign students, the leading source countries were all Asian: Japan (83,000), China (55,000), Korea (46,000) and Hong Kong (25,000).

Table 3: Sources of legal immigration to the US. 1997.

Country	Arrivals	%
Mexico	163,572	18.4
Philippines	55,876	6.2
China	41,728	5.2
Vietnam	72,067	4.8
India	44,859	4.8
Cuba	26,466	4.2
Dominican Republic	39,604	3.4
El Salvador	17,903	2.3
Jamaica	19,089	2.2
Russian Federation	19,668	2.1

Source: Stalker (2000: Table 3.3).

Furthermore, many foreign students seek US employment and apply for work visas. It is estimated that 25 percent of the temporary work visas granted in the late 1990s were issued to foreign students who graduated from US universities (Lowell 2000). The distribution of the 372,000 temporary work visas was as follows: India (69,000), Mexico (51,000 mostly unskilled), United Kingdom (39,000) and Canada (20,000). However, one-third of this temporary student/worker category is estimated to repatriate, reducing net migration numbers. Of those who left in the 1980s, about 28 percent returned to Mexico, 22 percent to Europe and 15 percent to Asia (Shapiro 1992).

Canada and Australia also saw a turnaround in their immigration policies in the 1960s, with the ethnic origins of immigrants shifting from white British and Europeans to Asians and Africans. In recent years, the leading source of immigrants into Canada has been investors and entrepreneurs from Hong Kong. Poland, Vietnam and Sri Lanka are high on the Canadian list because of refugee inflows (Stalker 1994:179). The United Kingdom is the leading source for immigrants into Australia; followed by Hong Kong, Taiwan, Vietnam, New Zealand, Philippines and India. South-east Asian immigration is largely through family reunification, while India is providing skilled professionals. North-east Asian migrants are mainly entrepreneurial (Stalker 1994:184).

1.8 Migration patterns in the South Pacific Islands

The 20th century saw substantial emigration from the smaller island states of the Pacific mostly to the US (Hawaii), New Zealand and Australia. The three indigenous population groups of these islands are Polynesians, Micronesians and Melanesians. The Polynesian states of the Cook Islands, Niue and American Samoa have more islanders overseas than at home, a disparity which is gradually increasing (Connell and Brown 1995). The Melanesian states are characterised more by their internal than international migration. The total migrant stock in Melanesia (Fiji, Papua New Guinea, Vanuatu and Solomon Islands) in 1990 was about 48,000 (United Nations 1995).

Emigration is of serious concern in the region since most of the islands have very limited resources. The increasingly globalising world provides an impetus for the islanders to meet their aspirations in the neighbouring developed world. It is also encouraged as a way of hastening economic development in the island states (see chapter 5 for details on the role of remittances in the region). The region as a whole had a net migration rate of -1.8 per thousand in 1990–95, a decline from -2.8 in 1985–90 (Table 2). Emigration increased in the latter period as a result of the coup in Fiji, and the outflow has since slowed. The total migrant stock in Polynesia, Melanesia and Micronesia combined was about 76,000 in 1990, with

Papua New Guinea and Fiji accounting for about 38,000 (United Nations 1995).

1.9 Change in patterns, rather than in numbers

The analysis so far shows that while migration trends have been universal, the flows exhibit a certain pattern that makes migrants unequally distributed across the world's regions. "By 1990, 45 percent of the stock of international migrants was resident in industrial countries and 55 percent in developing countries. The largest shares were in three regions: Asia, with 36 percent, and Northern America (the US and Canada) and Europe and the former Soviet Union, with about 20 percent each." (Bongaarts and Bulatao 2000:160).

If we look at Table 1 and compare the percentage shares of migrants in the total population, the picture alters slightly. Western Asia (mainly the Gulf States) had the highest percentage of migrants (29 percent), followed by Western Europe and Australia/New Zealand (20 percent) and North America (11 percent). The share of females in the total stock of migrants does not exhibit wide variation, ranging from 45 percent to 50 percent (except in Western Asia, where it is 40 percent).

The increase in the total global migrant stock from 75 to 120 million between 1965 and 1990 (see Introduction) works out to about a 1.9 percent increase per year. But the world's average population growth in this period was 1.8 percent, implying the rate of migration is only slightly higher than the rate of population growth. If it can then be said that this process of internationalisation is not any different from earlier waves of migration, how does it (the magnitude and pattern of migration) matter in the context of globalisation, namely the ongoing economic, technological, social and political integration of the world that began after World War II? (ADB 2001:161).

The implications lie in the changing pattern of the flows, rather than the volume. Rapid improvements in transport and communication have reduced costs so as to facilitate travel over larger distances more easily. Travel from Asia to Europe and North America is much easier today than it was at the beginning of the 20th century, and the price of a phone call between the regions is much lower. This facilitates easier migration and a higher propensity for migrants to move back and forth and keep in better touch with their countries of origin.

In economic terms, the traditional neo-classical factor price equalisation theorem would hold that wage differentials will induce labour migration until real wages are equal in both source and recipient countries alike. At that time, migration would stop. However, although there is a great deal of convergence in reality among developed countries in terms of real wages, the disparities between them and developing countries is still very high, and is actually increasing. Labour is not as mobile between regions as capital. By the 20th century, all countries were regulating flows via visa requirements. There is, therefore, imperfect movement between low-wage and high-wage regions and this segmentation is also a reason for the incessant flows. Even assuming the validity of the theorem, one might well wonder if the flow of migrants would stop if all countries achieved about the same level of economic development. It requires no great leap of the imagination to suggest that the reasons to migrate are not always economic. Still, attempting to reduce development disparities should continue to be a major priority for policymakers for its own sake, since it brings with it equal access and opportunity for everyone to participate in the globalising world.

Impact of immigration on recipient countries

CHAPTER 2

2.1 Average age and fertility rates

Immigration elicits strong reactions from host country citizens all over the world. The most immediate effect is demographic change: population increases, and in favour of the typically younger age of the migrants. For instance, a developed world net migration recipient such as Australia has witnessed one of the highest proportionate increases in population from migration since the end of Second World War – 38 percent (Stalker 1994:42). Since migrants relocate at younger ages, the average age of the recipient population will also decrease. Demographics are further affected by the relatively higher fertility rates of migrants (associated with their younger ages) which possibly results in higher birth rates among immigrant families compared to host country households. In developed countries experiencing low or declining population growth rates (a greying of their population), this influx of younger working age migrants is a positive influence on the labour market and future growth potential. As a result of postwar immigration up to the early 1980s, Belgium's average age was reduced by 1.8 years, Sweden's by 0.7 years and that of Canada, France and the Federal Republic of Germany by 0.5 years (Stalker 1994:42).

However, in some countries, like Australia, projections hold that even if the net immigrant flow were 140,000 per year the proportion of elderly people would rise from 11 to 18 percent by the year 2031 (Appleyard 1989:76). The expected dent in the demographic balance made by migrants may ultimately depend on the host country's specific circumstances; the more common result would be a decrease in the average age of the population in the host countries. A commonly held hypothesis is that immigrants would tend to follow host country patterns (in terms of fertility rates etc.) so that any temporary effects on demographics would be erased or absorbed into the host country's patterns in the long run.

2.2 Education levels and skills

Immigrant education levels and skills also influence those of the host country. Although immigrants have historically been very similar to the people they joined in terms of educational attainment, in recent years the diversity of migrants has reduced the educational levels of immigrants vis-à-vis the host country population. This is very clearly documented for the US, where the recent influx of migrants from developing countries has resulted in this differential (Stalker 1994:48). Stalker (1994) quotes Borjas (1990): 'In 1940, the average immigrant (in the US) had almost one year of schooling more than the typical native. By 1970, the two were roughly equivalent. But by 1980, the typical new arrival had nearly one year less schooling. This is primarily due to the changing mix of national origins. In the 1950s and 1960s immigrants came primarily from Europe with higher average number of years of schooling while in the 1990s, increasing numbers are coming from developing countries like Mexico, Philippines with lower average years of schooling.'

The simultaneous influx of skilled, unskilled, and poorly educated migrants reduces the average educational levels of migrants as a whole. This pattern also manifests itself in the polarisation of the migrant population around very high education or very low education. For those with middle range education, the cost-benefits of rates of return on education still make it attractive to emigrate, but the task to immigrate is harder to accomplish given the restrictions imposed by recipient countries on this group of migrants.

Since the rate of return on education in their source countries is usually lower than that of the developed countries, there is an incentive for educated people to migrate from developing countries. For the recipient country, the potential advantage is of acquiring skilled labour without expending the cost of education. In return, though, the recipient country would be investing in the education of the families of the immigrants.

2.3 Labour market: Employment and wages

Perhaps the most sensitive dimension of immigration is its impact on the recipient's labour market. Fears of locals losing jobs to immigrants have historically been the prime cause for restricting immigration. These fears are based on the assumption that the number of jobs in the nation is fixed over some arbitrary time period and the more the immigrants are in number, the more intense competition will be for existing jobs between locals and immigrants. However, the common fallacy of this argument is the neglect of the impact of immigration on the demand side of the economy, i.e. that the increased demand from immigrants would generate more employment. A consistent theory of employment related to migration is conspicuous by its absence. Given the data on the current proportions of migrants to total population, the addition of migration does not significantly alter the determination of optimal employment and output in the economy anyway.

A study by OECD (SOPEMI/OECD 1997) compared the impact of immigration flows on national unemployment rates in the recipient countries between 1984–89 and 1990–95. The results suggest that there is no direct correlation between the growth in entries of foreigners in a country and changes in the unemployment rate (as cited in Stalker 2000:84). Many studies in the 1980s concluded that immigrants did not reduce opportunities for national workers and in some cases may have improved them (Stalker 2000:86). In Canada and Australia, the conclusions were the same. One study from France concluded that all categories of immigrants are complementary to nationals and that a 10 percent increase in one migrant group or another would have very little effect on wages (Tapinos 1994:164 in Stalker 2000:89).

Another common fear about immigration is the depression of wage levels as a result of the increased supply in the labour market. This is a difficult proposition to test; immigrants may have a positive or negative effect depending on the kinds of jobs and the structure of demand for their employment in the recipient country because immigrants make up a very small proportion of the population. In Australia, where the proportion is quite significant, studies showed that immigrants had a neutral effect on the labour market (McMahon 1993). Other studies that tried to follow the effects of immigration (in Australia, Canada, Hong Kong, Israel (Stalker 1994:53)) have not borne conclusive results one way or the other: neither unemployment nor wage patterns bore any relation to immigration waves. However, studies comparing immigration and wages in the US concluded that the impact on wages was slight – even a doubling of the immigrant work force reduced the wages of nationals by only 2–3 percent (Tapinos 1994:157 in Stalker 2000:87). On the other hand, one recent study (Borjas 1994) have concluded that, even if wages in aggregate were unaffected by immigration, workers at the bottom of the income ladder did seem to be losing out; while many professional groups benefited by the increased demand for services by immigrants (Stalker 2000:87). A potential advantage of immigration of unskilled labourers (such as domestic maids and nannies) for the recipient countries is that it frees up women to enter the labour force. Furthermore, from the perspective of employers/businesses, immigration is an ideal way of cutting costs since it is mostly true that immigrants accept lower wages and below-optimum conditions of work more readily than the local population. This reflects in cheaper commodities and increased production.

2.4 Social security and welfare

The effect of immigration on social security and other welfare payments is another area of concern regarding immigration. This is again, difficult to prove conclusively. While on one hand immigrants join the total number of those who will require social security payments in their post-working age years, it is also true that they will have contributed to the pool during the course of their work in the recipient country. Once again, the relatively younger ages of migrants increase the timeframe during which they contribute to these welfare benefits.

Stalker (1994:56–57) reviews studies on the relative costs and contributions of immigrants. The evidence as he points out, is mixed in this regard. Studies in the United Kingdom (Jones 1993) finds that unemployed white men were claiming unemployment benefits more extensively than those from ethnic minorities. In the United States too, the pro-immigration lobby holds that the country's 11 million immigrants (circa 1992) earned at least $240 billion per year, paid $90 billion in taxes, yet received only $5 billion in benefits (Mandel and Farrell 1992). However, if welfare is defined to include education (a proposition Stalker questions), then a study by Borjas concluded that immigrants to the United States draw $1 billion to $3 billion more from the welfare system than they contribute to it (Borjas 1990). This argument is weakened when we take illegal immigrants into account. While the majority of illegal immigrants pay social security taxes through their employers, they can use very little of the social services except for education. Stalker quotes Simon (1989:92) which suggests they pay five to ten times as much in taxes as the cost of the welfare services they use. Overall, he concludes that there is no clear picture on the welfare effect of immigrants.

The more noticeable and enduring impact of immigration is in social and cultural rather than economic spheres. The opportunity it offers to interact with multitudes of people from other cultures, for instance, is an important reason which spurs educational institutions in the US to fix international student quotas. The other side of the coin would be fears of immigrant ghettos and a dilution of the local way of life. However, it could be argued that these fears are diluted anyway in the modern age of globalisation, where political borders are losing their importance.

Impact of emigration on source countries – the 'brain drain'

CHAPTER 3

Here we come to the core of this report. As earlier stated, migration research has so far concentrated on analysing the impact of immigration on recipients and the characteristics of the economies and the migrants themselves in understanding the "propensity to migrate" better. There are fewer studies on the impact of emigration on the source countries, although interest in this issue is growing. In chapters 3–6, we will focus on the impact of emigration on source countries in the areas of Brain Drain, Remittances and the Labour Market.

The term *brain drain* is used to refer to the exodus of skilled professionals from developing to developed countries. It is the international transfer of human capital resources. Beine et al. (2002) trace the academic and empirical treatment of the subject very lucidly and the literature review that follows is largely based on their working paper.

The issue of brain drain has been studied since the 1960s (for example, Grubel and Scott 1966). Early analysis of brain drain was done within a neoclassical analytical framework, with brain drain having a negative impact on the welfare of those left behind if the migrants' contribution to the source economy was greater than their marginal product. It was widely acknowledged that brain drain adversely affected source countries because of the belief that the social return on publicly financed education exceeded the private return on education and that brain drain ensured maximum private returns to the migrant only (Bhagwati and Hamada 1974). This has led to the general view that skilled migrants who leave their countries thereby sacrifice the welfare of their compatriots back home.[13]

13. This led to a debate in the 1970s on a 'tax on brains' which would compensate the sending countries for the loss of a skilled labor force.

To understand the magnitude in numbers, Beine et al. (2002) cite the cumulative 'loss of brains' by region in 1990 has been estimated at 15 percent (of the total 'brains') for Central America, 6 percent for Africa, 3 percent for South America and 5 percent for Asia (Carrington and Detragiache 1998).

The issue of brain drain is complex. On one hand, most developing countries have chronic shortages of skilled professionals. On the other, it is very attractive for skilled professionals to emigrate to the developed countries of North America, Oceania and Europe. The loss to the source country is twofold: the heavy investment in the education of skilled professionals, and the absence of their services to the nation. This will have an adverse effect on economic development and increase the probability of future migration by other skilled professionals. The differential rates of return on education and skills between developing and developed countries are responsible for this exodus.

Added to this is the lack, in the source country, of the kind of jobs that these professionals land in their destination nation. Specifically, the lack of opportunities to develop their careers and keep abreast of their field of specialisation prompts more permanent migration of skilled professionals to developed countries.

Brain drain is also initiated by demand from developed countries whose immigration policies favour inflows of highly educated migrants. Such "quality-selective" policies are now very common among OECD countries (for e.g. Canada and Australia) and reflect domestic labour market needs within the developed world. Combined with the supply side incentive, this leads to very high migration rates among the highly educated, with the result that human capital flows to regions where it is already high – the developed countries.

The situation is different for the flow of professionals between developed countries. Skilled migration between OECD countries takes the form of temporary student migration and of transfers between managerial and technical professionals, implying a sort of brain circulation, rather than a drain, for these source countries.

3.1 Tertiary education

For the almost 90,000 highly skilled migrants who left developing countries for the US in 1990, it has been calculated that this represents a net loss in tertiary education (i.e. education leading to an advanced degree, such as those earned in colleges) for the source countries of nearly USD 7,400 each, or USD 642 million in total (Griffin and McKinley 1994:50). The UNDP Human Development Report 2001 notes that the average cost of educating computer professionals in India ranged from USD 15,000 to USD 20,000. It was expected that about 100,000 of these professionals would emigrate every year, following an increase in the number of visas granted to temporary workers in the US. The report estimated that India loses about USD 2 billion a year in resources due to the migration of computer professionals to the developed world. Although not verifiable, another estimate claims an Indian doctor for every 1,325 people in the US; in India there is one doctor for about every 2,400 citizens.[14]

3.2 Can the developing country labour market absorb skilled manpower?

The complexity emerges, in part, also as one considers that often the labour market in the developing countries is not capable of absorbing the skilled manpower that the higher education system generates. India and the Philippines are good examples. In 1990, 1.2 million out of India's 3.8 million pool of scientific-technical talent were registered as unemployed (McDonald 1992:46). Migration to the Middle East from India has also been in the semi-skilled to skilled categories. However, it has not precipitated national labour shortages. In the Philippines, nurses who invest in their nursing education tuition prefer to migrate to the US because of the huge wage differentials – USD 146 per month in the Philippines versus USD 2,500 in the US – allied to a shortage of nurses in the US (Stalker 1994:119). The bias in the education system against primary education and in favour of tertiary education is primarily responsible for this oversupply of highly educated professionals.

Then there are countries that could use the skills but are not able to. Africa and the Caribbean are cases in point. Ghana has lost 60 percent of the doctors it trained in the early 1980s. In Somalia, the output of graduates is estimated to be around five times higher than demand, and most have to seek employment abroad (*ibid*). In Cote d'Ivoire in 1985, a survey found that around 40 percent of graduates in the major cities were unemployed (Adepoju 1991:208). Similarly, in Zambia in 2001, there were 400 licensed medical doctors, or one doctor for every 25,000 inhabitants – a decline from 1,200 doctors in the 1990s; the remaining 800 left for the more lucrative markets in the US (Tanner 2002). In Eastern Europe, Bul-

14. http://www.yespakistan.com/education/brain_drain.asp

garia lost more than 7,000 professors and researchers. A survey found that in 1996, 40 percent of Bulgaria's scientists were planning to emigrate (*Migration News* v.4:1).

Again, differences in the levels of economic development create these migration flows from areas where it is much needed to areas where it is already in abundance. An alternative to this flow of people is the flow of jobs. The recent surge in the ICT industry has facilitated the movement of several 'back-office' jobs like call-centres to developing countries driven by cost-minimising pursuits. This outsourcing is a win-win situation for both the international employers and the labour-rich developing countries. Whether and how much impact this has on migration remains to be seen.

3.3 Non-return of students from developing countries

Another interesting dimension to the brain drain problem is the non-return of students who leave developing countries to acquire higher education. This is mainly true of Asian students in the US.

Migrants from developing countries have a greater propensity for permanent migration. Survey evidence of the share of foreign Ph.D. graduates in science and technology who stay abroad shows that 79% of 1990–91 doctoral recipients from India and 88% of those from China were still working in the US in 1995. In 1995, according to Chinese officials, of the 220,000 Chinese students who had gone abroad since 1979, only 75,000 had returned (*Migration News* v.2:5). In contrast, only 11% of Koreans and 15% of Japanese who earned science and engineering doctorates from US universities in 1990–91 were working in the US in 1995 (Cervantes and Guellec 2002).

3.4 Return of the highly educated professionals

The other side of the coin on the issue of non-return is the return of highly educated professionals after having gained rich experience in the First World. The role of multi-national corporations may assist in the return process by tempting migrants to return to jobs on par with those abroad. Return migration flows have not been very small either. For all US immigrants it is estimated that as many as 20 percent leave the US within ten years of arrival, and one-third leave during their lifetime (Bratsberg and Terrell 1996:789).

The major return flows in the 1990s have been to the Republic of Korea and Taiwan. Prior to the Asian crisis, Korean economic development aided the revamping of its research and academic institutions to lure expatriates back home. Not only did the number of return migrants increase, the initial outflows themselves reduced. Korean emigrants once outnumbered returnees by 19:1, but in 1994 this ratio was only about 2:1 (Stalker 1994:112). The development of Taiwan's high tech industries has also attracted return migration to a significant extent.

3.5 Coping with the brain drain

How is the source country to compensate for the loss of human capital, temporary or permanent? Tanner (2002) cites remittances, return of skilled migrants and developmental aid as the three major compensatory mechanisms. Money remittances target the families of migrants left behind in the source country and are treated in greater detail in the next section. The return of the skilled migrant, as discussed in the previous paragraph, brings back home the newly acquired skills, the know-how, the liquidity and international contacts for, perhaps, establishing an enterprise. Development aid serves as a compensating mechanism by providing materials and services to the source nation.

However, Tanner raises concerns on the long-term consequences of all three mechanisms: remittances peter out and are not consistent; the proportion of skilled migrants returning home is very small; and automation often has detrimental effects on labour-abundant developing economies. This automation increases the potential migration of the labour that it displaces. He cites Williams[15] in that aid-induced automation leads poor countries to hire high-salary specialists from abroad or rely on insufficiently capable voluntary workers to compensate for the brain loss. This perspective concludes that brain drain delivers severe irreversible damages to the source countries of migrants. For a differing perspective of the same phenomenon, we turn now to the concept of 'brain gain' in the next paragraph.

3.6 Brain Gain

Of late, however, there has been another side to the brain drain debate. Alongside the studies on the negative impact on the source country's

15. http://www.imfundo.org/brain/contents.htm

growth potential (e.g. Blomqvist 1986, Miyagiwa 1991, Haque and Kim 1995, Reichlin and Rustichini 1998 and Wong and Yip 1999) within an endogenous growth framework, the more positive aspects – "brain gain" – on human capital formation in the source country have also started coming into focus in other recent studies (e.g. Mountford 1997, Stark et al. 1998, Vidal 1998 and Beine et al. 2001).

The latter studies hold that if the returns on education are higher abroad, enrolment in education in the source country increases because of the increased possibilities of migrating. This increases the stock of human capital in the source country in the long run, as only a portion of those who are well-educated actually find opportunities abroad successfully. There are also feedback effects in the form of remittance incomes, the prospects of a highly skilled return migration (Dos Santos and Postel-Vinay 2001) and the creation of business and trade networks.

Beine et al. (2002) extended this analysis a bit further. Based on econometric analysis of emigration rates in 50 countries, they found a significant positive impact on human capital formation in those countries. Moreover, for each country they indicate the effect of a marginal increase in the migration rate of the highly educated and estimate the country's growth performance in the event the migration rate was zero. This allowed them to distinguish between winners (those with a positive effect on human capital formation) and losers (with a negative effect). They found that while losers exceeded the number of winners, this latter category included the most important countries in terms of demographic size. Winners included Indonesia, Ghana, China, Pakistan, Guyana, Jamaica, Trinidad and Tobago, which also correlated with a low proportion of highly educated people in their total population (less than 5 percent). The losers, who would benefit from a total ban on emigration were Ecuador, Korea, Philippines and Costa Rica.

Beine et al. also divided the sample into those countries that would gain by increasing the migration of their highly educated and those that would not. In the former category were China, India, Indonesia, Brazil and Pakistan. The latter category included most other countries, among them the Caribbean and Central American states.

3.7 Little consolation in the short run

While the theoretical arguments for the positive effects might be valid in the long run, they are of little consolation to countries that have lost out in real terms due to brain drain fallout in the short and medium term. The extent of brain drain is measured by the actual numbers of highly educated emigrants and their proportion to the total pool of skilled workers, relative to the cost of education. Lack of comparable data on skill levels in source countries has hindered research on studying the impact of brain drain on those countries but specific country-level estimates do exist that underscore the magnitude of the problem. It is estimated that upwards of 1.5 million skilled professionals have left developing countries for Western Europe, the US, Japan and Australia. Between 1985 and 1990, Africa is estimated to have lost 60,000 professionals and 20,000 per year since then (ACP-EU Courier 1996:59).

Finally, the traditional argument that emigration siphons off excess labour from source countries does not seem to hold water in a brain drain context since many developing countries are in dire need of the services of their skilled professionals. As long as emigration is driven by the need for personal achievement and advancement, brain drain is bound to continue as a long-lasting feature of migration. Source countries would have to take long-term measures to reduce incentives to emigrate and this brings one back to the issue of Third World economic development.

Impact of emigration on source countries – the remittances

CHAPTER 4

4.1 Household, community and national level

Another area of impact of emigration on source countries is that of financial flows from the migrants to their home countries, referred to as remittances. The issue is central in the debates about the costs and benefits of emigration. In this chapter we will discuss the issue generally, while chapter 5 contains a continent-wise review on the subject.

If labour is considered an exportable commodity, then remittances are that part of the payment for labour exports that returns to the exporting country. Given the nature of remittances, their impact can be studied at three levels: at the micro (household) level, community level and macro (national) level. The flow of money is mainly from the workers abroad to their families. Hence, the direct impact of remittances would be on the household income level. However, when remittances are of significant amounts they make a dent in the national balance of payments and their impact is felt in foreign exchange reserves and the current accounts of the balance of payments. Also, remittances are sometimes intended for community or social purposes and sent to organisations instead of households, in which case the impact is felt on community development.

Remittances may also be invested in source country government bonds. Further, remittances are not always in cash and can be in the form of consumer goods, capital goods or skilled services. They may be sent by an individual migrant or groups of migrants (e.g. the 'hometown associations' where emigrants join together and send money to Mexico and Central America for public fiestas, public works projects and other activities).

The channels by which remittances are made may be formal or informal: through bank transfers, postal money orders, money transfer organisations or cash/kind through money couriers, but mainly through family and friends.

4.2 Difficult to assess magnitude

It is immediately obvious that it is very difficult to capture the magnitude of remittances migrants actually make. Officially recorded remittances can access only those transfers made through formal organisational transfers, and then only a portion of them. Official data on remittances, therefore, understate the actual flows across international borders.

The most widely used official data on remittances are IMF estimates, which classify three kinds of remittance flows: *Workers' Remittances* sent by workers who lived abroad for more than a year; *Compensation of Employees* (previously called labour income), which are remittances sent by migrants who have lived abroad for less than one year; and *Migrant Transfers,* i.e. the value of migrants' household and personal effects, movable capital equipment, and funds transferred by them, minus their financial liabilities. For most practical purposes, total remittances ignore the last category and are calculated as the sum of workers' remittances and compensation of employees. Even these data suffer from inconsistencies arising from the different ways individual countries define, collect and report on remittances. For instance, postal money orders sent do not document whether the sender (migrant) has been abroad for less than a year or more than a year. These amounts therefore slip out of the official statistics or are included arbitrarily in one or the other categories.

Furthermore, there are two types of leakage in these statistics: "personal imports" of migrant workers (i.e. goods imported by return migrants under the duty free allowance facility or brought along with them under personal baggage/gift facilities) and the savings brought home on return (in the form of cash or traveller's cheques) subsequently converted into local currency at domestic banks (Puri and Ritzema 1994). Despite these problems, the IMF statistics offer the most comparable numbers and are thus widely used in research on remittances.

Remittances have a positive impact on their recipient households/countries as they ease foreign exchange constraints and improve balance of payments; they permit imports of capital goods and raw materials for industrial development; they are potential sources of savings and investment capital for development; they help to cushion the effects of external shocks (e.g. oil price increases); they are a net addition to resources; they raise the recipients' immediate standard of living; and they improve income distribution (when the poorer and less skilled migrate). (Russell et al. 1990:23).

Counter arguments include the unpredictability of transfers; that they are used mainly to buy consumer goods and thus fuel unproductive consumption, inflationary pressures and artificial increases in wage levels as well as increased imports and balance of payments problems; that they constitute little or no investment in productive capital; that they lead to increased investment in personal investments in real estate; that they encourage dependence on the remittance as a source of income and erode good work habits; that they heighten potential effects of return migration; and, finally, that they stir up envy, resentment and induce consumption spending by non-migrant households.

Much of the research relating to remittances has focused on the uses, determinants and volume of remittances, and their impact on sending and recipients. Studies on the use of remittances serve as evidence to support or negate the above-mentioned impacts. Depending on national circumstances and the nature of the remittances, remitters and the receiving households, the evidence may qualify either side of the debate.

4.3 Framework for analysis

Russell (1986) offers a useful framework for analysing the determinants of remittances and their impact on such decisions as – *Whether to remit or not? How to remit? What amount to remit?* – as well as the determination of the particular uses it is put to. The determinants of remittances are listed in Table 5: the number of workers abroad; wage rates; economic activity in the host and labour source countries; exchange rates; relative interest rates between labour source and recipient countries, political risk factors in the source country; facility of transferring funds; ratio of females to males in host country; years since out-migration; household income level; employment status of other household members; marital status; level of education; and the occupational level of migrants.

The following factors, according to Russell, have a definite positive correlation to remittances: number of workers abroad; economic activity in host and labour source country; facility of transferring funds; and the marital status of the migrants (married migrants tend to send more money back home to their families). The factors that have a definite negative correlation to remittances are: political risk factors in source countries (the greater the risk, the lesser the possibility of sending money home); the ratio of females in the population in host country (the greater the ratio of females, the lesser the remittances); the number of other employed people in the household; the level of education; and the occupational level of migrants. The level of education and occupational level have a negative impact, possibly due to the correlation between education and occupational skills and the income levels of the household from which the migrants originate. In other words, it is assumed that poorer families tend to send migrants with lower education and skill levels abroad, hence their greater propensity to send money home (skilled and educated migrants, on the other hand, mostly hail from financially comfortable households). The third category of determinants refers to those factors which may have a positive or negative impact on remittances depending on the individual country/household situation: wage rates; exchange rates; relative real interest rates; and years since out-migration.

In the same study, the decision-making framework for remittances is as follows. Various factors determine the disposable foreign earned incomes of the migrants and create a "pool of remittances". Major factors determining the available pool of remittances are: the number of workers, wage rates in the foreign country, and economic activity levels in the host and labour source countries. Given the available pool, the migrant has to decide whether to remit money home or keep it abroad. This decision is determined by the following factors: exchange rates; relative interest rates; political risk factors in source country; facility in transferring funds; ratio of females in population in host country; years since out-migration; and household income level. Having decided to remit, the next node of decision-making is to decide whether to remit via official or informal channels. The factors affecting this decision are: exchange rates; relative interest rates; facility of transferring funds; and (possibly) the migrant's level of education. The other related decision would be the amount to remit, affected by such factors as the period of time since outward migration, household income level, employment of other household members, marital status, and the education and occupational level of the migrant. Once this decision is made, the migrant or the migrant's household in the labour source country has to decide whether to spend it on consumption or to save/invest the money. This is again dependent on the household's income level, employment status of household members, the marital, educational and occupational status of the migrant.

This is a very useful framework for analysing remittance flows but is not completely exhaustive. Nor can such a list be standardised, as the determination of remittances is very specific to the customs and conventions of the migrant in question, the receiving household and the broader socio-cultural norms of the society. A complementary approach for identifying the determinants would be to conduct a continent-style analysis of the subject (such as the one that follows in the next chapter).

4.4 Characteristics of remitters and recipients

Another major area of research on remittance flows is the characteristics of the remitter and recipient household. The aim here is largely to understand the propensity to remit among migrants at an aggregate level and also to identify regional or specific cultural patterns and nuances in determining remittance flows. As mentioned earlier, migrants tend to belong to the younger age groups, so remitters are also more likely to fall in that category. As a corollary, recipient households are mainly skewed towards the older and very young categories. A gender perspective of remitters has been highlighted in other studies and these have found that female migrants have a greater propensity to remit, and over a longer period of time, than male migrants.

4.5 The use of remittances

The use of remittances is also a common theme of research. As the discussion earlier in this chapter illustrated, the impact and nature of uses are diverse. A broad distinction is drawn between productive and consumptive uses of remittances. Since most remittances are by individuals aimed at easing the financial constraints of the households back home, it is hardly surprising that consumption tends to dominate remittance uses. The more immediate needs of the families are usually food, housing, health care and purchase of consumer durables. It can be argued that these are important "investments" in human capital terms. Potential problems, however, arise in very poor countries that have to import the most common consumer durables in order to meet this increased demand since it will have adverse impact on the balance of payments.

4.6 Empirical data on remittance patterns

Total remittances (workers remittances plus compensation of employees) registered a 38 percent increase in 1994–2000 (Table 6), rising from USD 74.6 billion to USD 103 billion. Developing country shares of total remittance credits ranged from 57 percent in 1994 to 64 percent in 2000, with increases in each year. The increase in the share of developing countries is reflected in increasing shares of most regions of the developing world except for the Middle East (Table 6). In the 1990s, the relative shares of developing regions did not display wide fluctuations: Africa accounted for about 6 percent, Asia for about 22 percent, Europe around 7.5 percent and Latin America for about 15 percent (See Fig. 8).

Putting these figures in perspective, total remittances accounted for around 0.30 percent of world GDP between 1994 and 2000. Another commonly used benchmark of the extent of remittances is to express them as a percentage of merchandise exports. For developing countries, the share of remittances in merchandise exports ranges from 25 to 50 percent. Individual countries display wide variations around this. For example, in 1989 remittances were 94 percent of exports in Egypt, 153 percent of exports for Yemen and 1,159 percent of exports in Lesotho (Russell and Teitelbaum 1992). As a percentage of GDP, the fluctuations were smaller, varying from 2 percent to 8 percent. Again in Jordan the figure was 14 percent and in Lesotho 170 percent, illustrating the widely varying importance of total remittances to developing economies.

These figures are officially recorded flows. As has been repeatedly emphasised, unofficial flows may add 50 percent or more to these figures (Stalker 1994:122). As Table 4 illustrates, the percentage of unrecorded remittances to total remittances ranges from 8 percent in Korea to 85 percent in Sudan. This percentage depends on the extent of foreign exchange controls in the economies. The more open the economy, the greater the incentive to use formal remittance channels. In 1986, a study in Thailand found that 94 percent of workers were using banks (Tingsabadh 1989:317).

4.7 Top remitter countries

The top ten countries sending and receiving total remittances are shown in Tables 7 and 8. The US has taken over from Saudi Arabia as the top remitting country since 1996 (Table 7). Net remittances were on average USD 20 billion per year in 1994–2000. Saudi Arabia was not far behind, with an annual average of USD 16 billion. Combined OPEC outflows among the top ten matched US outflows every year in the period 1994–2000. The volume of OPEC outflows declined gradually between 1994 and 1999 from USD 21 billion to USD 15 billion but picked up in 2000 to USD 18.5 billion. The only other developing countries with negative net remittances are Israel – which saw an increase in remittance outflows from less than USD 1 billion in 1994 to USD 3 billion in 2000 – and Malaysia, which saw an in-

Table 7: Ranking by net remittances. Source countries. USD billion.

1994		1995		1996		1997		1998		1999		2000	
Saudi Arabia	-18.1	Saudi Arabia	-16.6	USA	-17.4	USA	-19.0	USA	-20.4	USA	-22.4	USA	-24.2
USA	-15.3	USA	-16.3	Saudi Arabia	-15.5	Saudi Arabia	-15.0	Saudi Arabia	-14.9	Saudi Arabia	-13.9	Saudi Arabia	-15.4
Switzerland	-7.1	Switzerland	-8.2	Switzerland	-7.8	Switzerland	-6.3	Switzerland	-6.2	Switzerland	-6.0	Switzerland	-5.7
Germany	-4.4	Germany	-6.3	Germany	-6.0	Germany	-5.2	Germany	-4.8	Germany	-4.5	Germany	-4.0
Kuwait	-1.3	Oman	-1.4	Japan	-2.5	Japan	-2.5	Israel	-2.7	Israel	-2.9	Israel	-3.0
Oman	-1.3	Luxembourg	-1.4	Israel	-1.8	Israel	-2.2	Malaysia	-2.7	Japan	-2.4	Luxembourg	-2.1
Israel	-0.7	Kuwait	-1.3	Luxembourg	-1.5	Malaysia	-1.8	Japan	-2.3	Malaysia	-2.2	Japan	-1.7
Japan	-0.7	Israel	-1.2	Kuwait	-1.3	Luxembourg	-1.5	Luxembourg	-1.8	Luxembourg	-2.0	Kuwait	-1.6
Netherlands	-0.6	Malaysia	-1.2	Oman	-1.3	Oman	-1.4	Kuwait	-1.6	Kuwait	-1.7	Oman	-1.4

Table 8: Ranking by net remittances. Recipient countries. USD billion.

1994		1995		1996		1997		1998		1999		2000	
India	5.5	India	5.8	India	8.2	India	10.1	India	9.4	India	11.0	India	9.1
Mexico	4.1	Philippines	5.2	Mexico	4.9	Philippines	6.7	Mexico	6.5	Philippines	6.8	Mexico	7.5
Portugal	3.4	Mexico	4.3	Philippines	4.8	France	5.7	France	5.7	Mexico	6.6	Philippines	6.1
Egypt	3.4	Portugal	3.4	Turkey	3.5	Mexico	5.5	Turkey	5.3	France	5.3	France	4.8
Philippines	3.3	Turkey	3.3	Portugal	3.4	China, P.R.	4.3	Philippines	5.1	Turkey	4.5	Turkey	4.5
Greece	2.6	Egypt	3.0	Egypt	2.9	Turkey	4.1	Portugal	3.3	Portugal	3.2	Portugal	2.9
Turkey	2.6	Greece	2.9	Greece	2.7	Portugal	3.3	Egypt	3.2	Egypt	3.1	Egypt	2.8
Morocco	1.8	Brazil	2.6	Spain	2.1	Egypt	3.3	Spain	2.2	Spain	2.3	Morocco	2.1
Spain	1.7	Spain	2.1	Morocco	2.1	Greece	2.7	Morocco	1.9	Morocco	1.9	Spain	2.0
Pakistan	1.7	Morocco	1.9	Thailand	1.8	Spain	2.0	Bangladesh	1.6	Bangladesh	1.8	Bangladesh	1.9

Sources table 7 and 8: IMF Balance of Payments Statistics Yearbook 2001.

crease from about USD 1.2 billion to USD 2.7 billion in remittance outflows during the same period. The other top remitters are industrial countries in Europe. Apart from the financial side, this pattern highlights the extent of dependence of the developing world, on the economies of the First World. Any changes in the labour markets and/or immigration policies are thereby bound to affect the remittance receivers in a significant way.

4.8 Top receiving countries

On the receiving end, the list is dominated by the developing countries in Asia (Table 8). Mexico, Morocco and Egypt in Africa, and Portugal, Spain and Turkey in Europe comprise the other major receivers. The only entry from the developed world is France, which has had net remittance inflows of around USD 5 billion since 1997. India tops the list for maximum net remittances for all years during the period 1994–2000, with increases from USD 5 billion to USD 9 billion.

The data in Tables 7 and 8 only show total net inflows and outflows; it is not possible to match the recipient and source countries. Also, the importance of remittances to national economies is not completely captured by this ranking in absolute terms. The percentage of net remittances to GDP would give a better idea of the reliance of national economies on remittances. For India, the largest recipient, net remittances amounted to less than 2 percent of GDP in 1994–2000, whereas for some Pacific Island nations like Kiribati, the Cook Islands, Tuvalu and Tokelau, their significance is so high that they have been christened the MIRAB states where Migration, Remittances and Aid and the resultant largely urban bureaucracy are central to the socioeconomic system (Connell and Brown 1995).

For the list of countries in Tables 7 and 8, calculations of net remittances as a percentage of GDP yield familiar results. For Saudi Arabia, Oman and Luxembourg, net remittances ranged from 9–15 percent in 1994–98. Saudi Arabia had the highest proportion, though it declined from 15 percent in 1994 to 10 percent in 1998. Kuwait's share of remittances as a percentage of GDP for the same period ranged from 4 percent to 6 percent. On the recipients' side, remittances contributed even less to GDP. The highest shares were in the Philippines (5 percent to 8 percent), Egypt (6 percent to 4 percent) and Morocco (6 percent). The rest of the source and recipient country shares of net remittances as percentages of GDP were in the 0.1 percent to 2 percent ranges.

Continent-wise review on remittance flows

CHAPTER 5

5.1 Remittance flows in Africa

This section is based on Russell et al. (1990) which is a comprehensive review of literature up until the late 1980s concerning migration flows in sub-Saharan Africa only. Data on remittances in sub-Saharan Africa are not very readily available due to the methods used to collect and report remittance data. For instance, in Botswana migrant remittances are recorded as "service payments and receipts" in the balance of payments, while in Lesotho they are included under "net factor income from abroad" (Russell et al. 1990:24). A further complication with the sub-Saharan African data is that remittances from internal and international migration are not distinguished. An added problem is the extensive use of informal channels, which are lost to the official records. Russell et al. (1990) note that the Sudanese in the Gulf tend to hand carry gold jewellery back home, both in the interests of a safe investment and of personally compensating women for managing in the absence of men. In 1983, it was estimated that almost 90 percent of remittances did not pass through the banking system (Russell and Jacobsen 1988:55).

Where few currency restrictions exist, as in Francophone Africa, it is harder to trace the extent of remittances. Sahelian migrants to France are said to send more than one-third of their remittances by hand and almost an equal amount by post office transfer. Lengthy delays by post offices, banks and other official channels in actually crediting the remittances have prompted more creative ways of sending money. In the Maghreb[16] countries, emigrants avoid exchange control restrictions by buying goods for "clients" in the home country who in turn credit the emigrants' ac-

16. Comprising Algeria, Tunisia, Morocco, Libya and Mauritania.

counts with the money in local currency at a black market rate (Garson 1993).

The studies also show the close links that remittances form between migrants and their families. Conde et al. (1986:108) found that 84 percent of Senegal River migrants to France send money home regularly, at least once a quarter, while less than 2 percent do not remit at all. The importance of remittance income to the household is most pronounced in Lesotho, where 42 percent of households report income from mine labourers as their principal source of subsistence and a further 6 percent report the mine remittances as a subsidiary source of income. Studies of Sudan (Choucri 1985, Galaleldin 1979, al-Ghul 1982 cited in Russell et al. 1990:29) conclude that the principal uses of remittances in Sudan (from Yemen) are for consumption, land acquisition, housing construction and establishment of small businesses. They also show that agriculture, although not high on the list, features in the uses of remittances, while there is little evidence of lavish expenditure on weddings and luxury items. An interesting use of remittance income, noted by Conde et al. (1986), is the use of remittance income (about 10 percent) for tax payments (which was the third major expense item – after food and clothing – for the households of Sahelian migrants to France). The same is also found in Mali, where a higher percentage of remittance income (28 percent) goes to tax payments. Other uses in the region are for healthcare, school fees, wages for seasonal workers, improvements to housing and religious observances. In Sudan, remittances have been used to finance business investments (purchase of pickup trucks, agricultural land acquisition and modern farming equipment and seed) (Young 1987:212). Conversely, in Lesotho cases of deterioration in agriculture have been noted, along with increases in growing herds, which have resulted in overgrazing and soil erosion.

Evidence from Botswana, Malawi, Mozambique, Swaziland, the Sahel and Zambia suggest that remittances have been positively associated with improvements in rural areas: cattle; housing; education; agriculture; grinding mills; tools and equipment; wells; transport vehicles; and establishment of enterprises. In Botswana, remittance incomes have been used for cattle purchases, especially in female-managed households with male emigrants, though there is a tendency for a long-term decline in holdings. Russell et al. (1990) maintain that remittances in the region have contributed to increasing social and income inequality as measured by the Gini coefficients. The distinctive feature of sub-Saharan Africa would be the greater use of remittances for education and small enterprises and relatively less on land acquisition. Households with remittance incomes had a higher savings rate and the investments were most often in real estate.

5.2 Remittance flows in Asia

Remittances in the 1980s and 1990s were substantial in Asian economies, particularly in South and South-east Asia. The major beneficiaries of remittances were India, Egypt, Bangladesh, Pakistan and the Philippines. There is scant data on the profile of remitters and the use of remittances in the region. Reflecting the major movements in the 1980s, the impact of remittances from the Middle East has been studied extensively, more from the point of view of the macro and regional impact than at household level (E.g. the collection of papers edited by Amjad 1989).

For the Philippines (Jurado 1997:5), the monetary impact of remittances has been estimated for households. An average of USD 3,000 was remitted to the households of temporary labour migrants (working in Hong Kong, Singapore and the Middle East) per year between 1992 and 1996 or the equivalent of Pesos (P) 78,000 per annum from a relative working abroad. This is equal to a salary of P 6,500 per month, 45 percent higher than the minimum wage measured on a monthly basis. Much was spent on such consumer durables as television sets, washing machines and other home appliances. Delays in bank transactions and the presence of black market rates translated into a preference by migrants to carry cash back home or use "money couriers", who took hard currency from the migrants overseas and gave the equivalent in local currency to the migrant's family in the home country. A survey of 600 overseas Filipino workers (OFWs) shows that only 40 percent of transfers passed through formal banking channels, with the rest brought during home visits (15 percent), money couriers (22 percent) and 23 percent in kind (Tiglao 1991). In the Philippines, the 1988 Household Income and Expenditure Survey found that around 15 percent of all families received income from abroad, contributing around 30 percent of their total income (Abella 1991:7).

There is also evidence that households receiving remittance income have a higher propensity to save, and this rate is not insignificant either. Surveys in Bangladesh (Amjad 1989:15) have shown that 50 percent of remittance income in rural migrant households and 40 percent in urban areas is saved. In contrast, "control" households that received no remittances with comparable incomes save only 1.8 to 4.2 percent of their incomes.

Data for Pakistan, the Philippines, Sri Lanka and Thailand in a study by Tan (1987) compared savings and investment uses of remittance income in these four countries in the 1980s. The percentage of remittance income going into savings/investment was highest in Thailand (58 percent), followed by Sri Lanka (44.5 percent), Pakistan (41.5 percent) and lowest in Philippines (15.1 percent). Investments took the form of land, housing and real estate acquisition and investments in transport, trade and services. Financial savings/deposits accounted for about 10 percent of the remittance incomes in the four countries. The surveys also showed that return migrants saved a portion of their incomes abroad which they bring back with them on their final return. These savings, when added to the migrant's household savings, increased the savings rate from 10 percent to 15 percent.

According to Tan *(ibid)* remittances from the Middle East took the form of cash, bank transfers as well as consumer durables. Stalker (1994:125) notes that planes from the Middle East were often filled not just with migrant workers but also with television sets, video recorders and other electronic goods. This proportion of cash versus kind varied across countries. The amounts of remittances were highest among temporary workers certain of returning home after a short stay abroad. Bangladeshi contract workers in the Middle East in the 1980s, for example, saved around USD 200 per month – between 70 and 80 percent of their income – either to send home or bring with them on their return (Mahmud 1989:82).

Use of remittances for housing is more prevalent in Asia than in Africa. Data for Bangladesh for 1986 suggest that around 60 percent of the gross volume of remittances is saved (Amjad 1989:15). On the use of remittance incomes, Mahmud (1989) showed the percentage distribution of remittance use as follows: current consumption (35.6 percent), housing (21.8 percent), land purchase (20.8 percent), investment in business and bank deposits (5.9 percent each), loan repayment (5 percent), farm equipment (3 percent) and gifts (2 percent). The results of a similar exercise for Thailand by Tingsabadh (1989) were: housing (33.7 percent), loan repayment (21.4 percent), current consumption (18.4 percent), bank deposits (13.3 percent), farming (6.1 percent), vehicles (5.1 percent) and personal loans (2 percent). For Thai migrant workers in South and South-east Asia, remittances were sent back mainly to parents. The remittances were used mainly to repay debts, for household expenses and for buying land and house construction (Chantavanich 2001).

In villages close to Rawalpindi, Pakistan, between 1974 and 1984, the price of bricks increased three times faster than the general price index and land prices doubled as a result of a burst of construction by returned migrants (Burki 1991:104). A study by Nair (1989) showed the impact of remittances from the Gulf in the state of Kerala, India. The evidence showed that districts with higher incidence of migration experienced greater expansion of their tertiary sector. The withdrawal of semi-skilled and skilled workers from the construction sector (to the Middle East) created a shortage of such workers and increased their wages locally. However, the relatively high segmentation of markets in Kerala was responsible for the coexistence of unemployment and high wage rates. The high wages induced inter-state labour flows, mainly construction labour from neighbouring Tamil Nadu. Apart from this impact, the weak linkages between remittances and the state economy are said to have dampened the impact of remittances. However, another study holds that the first wave of Kerala migrants' remittances went into a construction boom. But now the second generation migrants' remittances are being used more for daily consumption expenses and the reliance of the Keralite regional economy on Gulf remittances has grown stronger (Venier 2001).

Some important Asian country studies in the area of impact of remittances on the macro-economy have been conducted that look at the aggregate level. Mahmud (1989) in the Bangladesh case study draws attention to the multiplier effects that arise out of migrant households' expenditure as opposed to the direct use of remittance income on investments. He finds evidence of a shift in emphasis in the domestic economy from production of import substitutes to non-tradables such as construction and services that are compatible with the labour-intensive economy. This has created benefits in the form of higher current income and employment growth, mainly in labour source regions. Hyun (1989) reports the impact of remittances on stimulating domestic demand through increases in private consumption and fixed investment. He found that in Korea in the 1970s a 10 percent increase in remittances resulted in a 0.32 percent increase in private consumption, a 0.53 percent increase in fixed investment, a 0.22 percent increase in GDP, a 0.24 percent increase in GNP, and a 0.40 percent decrease in the ratio of the current account deficit to GNP. He argued that the more immediate effects of remittances were decreased exports due to increased prices and wages, but the net effect in the long run would be positive.

For Sri Lanka, Rodrigo and Jaytissa (1989) show the first round effects of expenditures from worker remittances as higher employment and output as a percentage of GDP between 1980–86. In Pakistan, the study by Burney (1989) concludes there was no systematic relationship between remittances and the national capital stock. The only benefits were an increase in house ownership. India, the largest beneficiary of remittance flows, yields surprising results. Remittance variables are still small in relation to macro variables, though they are not insignificant. According to Nayyar (1989), they were equal to 1.5 percent of GDP, 2 percent of final consumer expenditure, a little more than 6 percent of gross domestic savings and almost 7 percent of gross domestic capital formation.

Findings on the impact of remittances on poverty alleviation and income distribution are pretty inconclusive. It has to be noted that most migrants do not belong to the poorest strata of the population. In this sense, the impact will be seen more in the deterioration of income distribution than in the lifting of households over the poverty line. Asian cases bear witness to this trend. Although Pakistan's poverty estimates showed decreasing poverty during the mass exodus to the Middle East, it is difficult to separate the effects of remittances from the general growth in agriculture and manufacturing that occurred during the same period. Only in the case of Sri Lanka (with one migrant per 47 households) is there evidence to prove that remittances lifted many migrant households over the poverty line. Some upward mobility in the size and distribution of income was also noticed in Korea. Income distribution was calculated as having worsened in Korea, Pakistan and Sri Lanka.

With a slowdown in outflows to the Middle East, the Asian financial crisis and the bursting of the IT bubble in the West, a new issue facing Asian economies (in particular) is the impact of return migration. With the safety valve of migration no longer available, the pressures for creating employment are higher as the economy will have to generate jobs to absorb both population increases and increased return migration. Another important issue emanating from the above analysis is that the majority of remittances seem to be sent by semi-skilled or unskilled workers working for indefinite periods of time abroad, and aimed at changing the financial position of the households back home as well as preparing for life on return. Little is known about the remittance behaviour of more permanent settlers, or among the highly educated and skilled. Scattered evidence points to the fact that this latter category remits more for financial investments and other income-producing assets in the remitting countries. Research on remittance use in India is conspicuous by its absence except for the Kerala case studies. This is true for many other developing countries in the region too.

5.3 Remittance flows in Latin America and the Caribbean

Much of the literature on remittances in the region is on Latin America. There is very little data on remittances, and their uses, for Caribbean countries. The major source country for LAC inflows is the US. According to the US national census in 2000, about 14.5 million people of LAC origin lived in the US. The only other major country for LAC migrants is Spain, which hosts about 250,000 Ecuadoreans.

The major beneficiaries of remittances in the 1990s were Mexico, Dominican Republic, El Salvador, Brazil, Ecuador, Peru, Colombia, Jamaica, Guatemala and Honduras. Net remittances to Mexico increased from USD 4 billion to USD 6.6 billion in 1994–2000. Brazil actually saw a slight dip, from USD 1.6 billion to USD 1.1 billion. In terms of net remittances as a percentage of GDP, the figure for Mexico was between 1 percent and 1.5 percent in 1994–1998. For Brazil, it was less than 1 percent. In six countries, remittances equaled or exceeded 10 percent of gross domestic product: Haiti (17 percent), Nicaragua (14.4), El Salvador (12.6), Jamaica (11.7), the Dominican Republic (10) and Ecuador (10). Salvadorean workers sent home nearly seven times the country's FDI. Remittances to the Dominican Republic were three times agricultural exports, while those to Colombia were the equivalent of half its coffee exports.

The average Latin American worker in the US earns USD 26,000 a year, with the average worker from Mexico and Central America earning about USD 21,000. Most of these transfers are from poor people in the US to very poor people in Latin America. Orozco (2001) conducted a comprehensive review of the market for remittances in Latin America and concluded it had widened and deepened due to the proliferation of companies facilitating transfers, a gradual decline in transfer costs due to competition, expansion of services for money transfer as well as commodity transfers, better access to rural areas in Latin America and the growing participation of banking institutions in money transfers. Transaction costs for remitting money from the US equate to between 15 percent and 20 percent of the funds remitted but have declined in the last few years. Three Salvadorian banks set up branches in the US to facilitate easy remittances. Banco de Mexico estimated that in 1995 almost 40 percent of remittances were made via money orders, 27 percent by electronic transfer and almost one-quarter via telegraph. Eight percent were pocket and in-kind remittances and less than one percent were personal cheques (Lozano-Ascencio 1996 cited in Meyers 1998).

The importance of electronic transfers increased in the 1990s, while that of money orders declined. Of the USD 7.3 billion remitted to Mexico in 2001, it is estimated that money transfer fees accounted for USD 1.5 billion and money transfer profits (from e.g. exchange rate speculation) for USD 168 million (*Migration News* Nov. 2002 v.9:11). The dominant mode of transfers for El Salvadorians was via money courier, while for the Dominican Republic it was financial intermediaries called *remesadores*. Dominicans sending remittances rarely use international services, instead sending more than two-thirds of their remittances through their own industry of *remesadores* (Dominican-based money transmitters), who offer better prices and better service (Meyers 1998). These remesadores are licensed to operate in the US under the Money Transfer Code and have created their own association – Asociacion Dominicana de Empresas Remesadores de Divisas (Boly 1996 and Despradel 1997 cited in Meyers 1998).

Evidence from El Salvador shows that remittances are higher in the initial years of migration and then taper off. But remittances in the first year of a stay abroad are minimal as time is spent looking for work. It is estimated that one-third of all households in El Salvador have remittance incomes. Two studies of Mexicans in the US showed the length of time spent in the US was negatively associated with the amount remitted (Massey et al. 1990, Cornelius 1990).

Stalker (1994:128) notes two contrary effects of emigration on agricultural production. On the one hand, emigrants may feel it is not worthwhile for their families to work on the land. On the other, emigration may lead to increased investment in agriculture. Families of migrants have access to "migradollars" to invest in increased productivity and output. On the use of remittances, Meyers (1998) gives a good overview of the situation in Latin America. While many households receive monies from more than one relative abroad, it is generally the female, who as the head of the household decides the use patterns. For instance, in El Salvador, 47.5 percent of families receiving remittances are female-headed, compared to 32.2 percent for non-recipients. In Guatemala, 38.2 percent of receiving families are female-headed, compared to 24.8 percent for non-recipients. Meyers notes that there is a fair consensus in the literature about use of remittances – food, clothing, health care, housing, cattle purchase and purchase of consumer durables. A very small percentage went into savings or productive investment. In the Dominican Republic and El Salvador, for instance, researchers have found that remittances are spent on basic household expenses, with the remainder used to improve the standard of living through better housing, education, additional consumption, and loan repayment (Georges 1990, Pessar and Grasmuck 1991, Siri and Delgado 1995, and Boly 1996). Remittances also cover consumption in Mexico, as 76 percent of Mexican migrants surveyed spent remittances (*migradollars*) on consumption, 14 percent spent some on housing, and 10 percent said they spent some "productively" (Durand et al. 1996).

While critics point out to the "unproductive" uses of remittances and the short-term focus on consumption needs, others refer to the rational allocation decisions made by recipient families. Given the limited market for investment activity, except in small businesses, households tend to allocate remittance monies into safer bets like housing, cattle herds and the like. Meyers (1998) also finds that remittance income is not spent any differently from other sources. This was confirmed in the case of El Salvador and Guatemala, where the majority was spent on consumption. Statistical analysis finds that each USD 1 remitted to Mexico produces an increase of USD 2.90 in GDP and an increase of USD 3.20 in economic output, which leads to an increase in national income and generates billions of dollars each year (Durand et al. 1996).

Research on Latin America finds that remittances have had positive and negative effects providing discretionary income, middle-class consumption, investments in land and cattle, increased local commerce and contributions to the balance of payments and job creation. They also have led to a disparity between recipients and non-recipients, to decreased food supplies because of reduced agricultural production, to rising prices, and to a vulnerable economy (Meyers 1998).

In El Salvador, remittances are said to have eased unemployment by decreasing labour participation rates among migrant households. One report estimated that up to 55 percent of Salvadorian families were affected by remittances of between USD 100–150 a month, which is substantially higher than any other source of income. Remittances are said to have affected living standards, attitudes towards work, consumption habits and broadened the social composition of the elite. They have become the means to upward social mobility in El Salvador.

In Mexico, remittances have had mixed effects (Meyers 1998). They are used for "non-essential" consumption, inflate prices for land, housing and food, and lead to income inequality and little productive investment. Moreover, dependence on remittances often accounts for a large percentage of family income. Nevertheless, they also reduce poverty, reduce internal migration, increase employment and investment (above what it otherwise might have been) and create local demand for goods and services such as livestock, seed, cattle, transportation and education. Further, the money spent by rural recipients tends to produce larger income multipliers because rural recipients tend to consume more domestically-produced goods than urban households.

5.4 Remittance flows in the Pacific Islands

The economies of a number of Pacific island countries have become increasingly dependent on remittances of migrants (Brown et al. 1995). Most of these islands have limited resources and the most probable and viable development strategy to meet people's aspirations for higher living standards is often perceived to be reliance on migration and remittances

(Faeamani 1995). The most common destinations are New Zealand, US and Australia. Some of the greatest concentrations of Pacific islanders are said to be in cities like Auckland, Honolulu and Los Angeles rather than in the South Pacific. Data on the amount of remittances for the region are scant. According to IMF estimates, Fiji received remittances (compensation of employees) of USD 30 million in 1994. The flow peaked at USD 35 million in 1997 and by 1999 had fallen to USD 23 million. Vanuatu had about USD 18 million in 1997 and USD 21 million in 1998. Kiribati received about USD 3 million in 1994 as workers remittances. The most important beneficiary in the region seems to be Samoa, with total remittances in the range of USD 37 million in 1994 to USD 47 million in 1998. With few outflows, net remittances were about USD 40 million, about 18 percent of GDP in 1998. Tuvalu is another special case in the Pacific islands and generated, according to one estimate, USD 50 million just from leasing its internet domain characters, "dot tv" in 2000.[17] The proceeds trebled its national income and have been used for improving education, reconstruction of buildings and airport.

Studies on the impact of remittances have focused on Samoa and Tonga. They are mainly anthropological and at the micro, household level. The study by Connell and Brown (1995) sheds valuable light on the nature of remittances in the region. According to the study, remittances are mainly used for repayment of debts, financing migration of relatives and for consumption, mainly food. Nowhere is this food consumption more evident than on the small island of Ware, Papua New Guinea, where households use fully 88 percent of all remittance income for food purchase. Expenditure on food, much of which is imported, had become so extensive that the cost of food imports was considerable in some island states.

Studies of Tongans in Auckland and Sydney showed a pattern in the intended uses for remittances: subsistence; church donations; school fees; funerals and weddings; house, land and vehicle purchases; establishment of local businesses; and airfares for relatives. A substantial proportion of all cash remittances are made outside formal channels and may escape recognition in official records of capital transfers. Brown (1995) estimated that unrecorded remittances amounted to 34–41 percent of total remittances among Tongan remitters, and 42–60 percent among Western Samoans. Women tend to be more frequent remitters, even though their earnings are lesser than those of men.

17. unpan1.un.org/intradoc/groups/public/ documents/apcity/unpan005041.pdf

From the mid-1980s, an important transition has taken place at Nuku'alofa, as the goods that were initially sent for individual household use have now become the basis of a very substantial flea market (Brown and Connell 1993). Cars, which often become taxis, are also sent to Tonga as remittances. There has also been a significant increase in the number of street sellers in Apia, though the growth of market trading has been much more substantial in Nuku'alofa. Furthermore, remittances are bi-directional, and those sent from home countries are most likely to be composed of goods of various kinds, usually foods and handicrafts.

Remittances are apparently sustained over longer periods when the probability of return migration is greatest. Two key variables determining the duration of remittances are whether permanent residence has been gained and whether former dependants have joined their relatives overseas. Where both of these events have occurred, remittances are virtually non-existent.

Remittances have raised living standards, contributed to employment – especially in service sectors – eased balance of payments problems, and increased demand for high consumption (and welfare) levels. At a national level, they act as a "safety-valve" and "reduce pressures on national governments to provide employment opportunities and welfare services especially in conditions of high rates of natural increase of population and low rates of economic growth" (Connell and Brown 1995). Thus, in virtually all source countries of the region, "there is little concern over international migration but only concerns related to specific issues, such as the brain-drain or the developmental use of remittances. Throughout the region, the 'safety-valve' effect, limited economic growth plus concern over individual freedom of movement, have combined to result in steady and domestically unimpeded migration from many countries. In Tonga and Western Samoa, this has led to the domestic population being relatively unchanged for much more than a decade, despite relatively high rates of natural increase" *(ibid)*. There is also evidence of a growing shift in the use of remittances from consumption to investment in Tonga as consumption needs are met. A distinguishing feature of remittances in the region is that of contributing to social organisations and institutions, mainly churches.

On the other hand, remittances have not been invested in economic growth. Increased demand for improved consumer goods is met by further migration. Neither remittances nor return migrants make significant contributions to increased production. Further, governments have not been able to control or direct the use of remittances, while rising material consumption levels following migration tend to generate increased demand for consumer goods. This demand has not been satisfied by import-substitution industrialisation.

In another study of Tongan villages (Faeamani 1995), it was found that remittances were as high as 30 percent to 42 percent of household incomes. Religious donations, food consumption, household debts, education and vehicle maintenance were the primary uses of remittances, in that order. Productive investment was not very significant; a small proportion was invested in the small business sector and in renovation of housing used as rentals. Collective activities were financed with remittances through church community projects. Investment in education was not significant. Rather than reflecting the priority that parents place on education, this was due to free primary education and cheap and affordable high school fees.

In a country like Tonga, with low incomes, few paid jobs and high import costs, expenditure on food consumption obviously comes very high on the remittance use list. Remittances contributed to raising the standard of living in most parts of Tonga, and specifically in the four villages studied. This occurred both at household level and village level but came at the cost of rising inequality, dependence on overseas sources of income which could be uncertain (though more secure than cash crop prices), and the fragmentation of households across oceans.

On the whole, however, the benefits have been considerable. Remittances have gone beyond merely supporting subsistence and consumption levels to enabling a more balanced structure of development. Cross-sectional data from these studies prove that remittance levels do not appear to decline with the migrant's length of absence from his/her home country, and a significant motivating factor for migrants to remit is the accumulation of assets and investment in the home country (Brown et al. 1995).

5.5 Benefits at micro level rather than at macro level

The discussion so far on remittances opens up many issues. First, remittances are determined by a host of factors in source and recipient countries, many of them at the level of the individual remitting household's circumstances. As such, they exhibit two patterns. At the individual level, remittances are higher in the initial years of migration. The greater the number of years spent abroad, the smaller the flows of remittances tend to be (except in the case of the Pacific Island countries, where this remittance-decay hypothesis does not seem to hold). There are two reasons for this. First, families reunite and the majority of recipients' needs in the home country can be met by the migrants within a few years. Second, the flows, although consistent at an aggregate level, are erratic at an individual level. As mentioned earlier, the economic situation in the labour source and recipient countries determines the amount and frequency of remittances so that there is no predictability in the nature of flows. This uncertainty becomes a problem only when dependence on remittances becomes high.

Unless there is an initial big push for the economies which will then take off and begin to rely less on these flows in the longer run, economic policies cannot rely on remittances over the long run. The analysis of continents in this report shows that weak linkages between remittance flows and the productive capacity of the nations often prevent this Big Push from happening. The benefits are more at individual, family and community level than at the macro level.

Impact of emigration on source countries – the labour market

CHAPTER 6

The impact of emigration on employment in source countries was discussed in connection with brain drain, in chapter 3. However, it is useful to pull the strands together. The prime argument in favour of emigration is the "safety-valve" aspect, whereby emigration is held to be beneficial to a labour-rich developing economy as it releases the pressure on the workforce, reduces unemployment and increases wages in the source country. Ignoring brain-drain effects and looking just at numbers emigrating, there is not much support for the hypothesis that emigration influences employment and wage rates in developing countries. India, for instance, at the peak of its Gulf migration, saw outflows of just about 1.7 percent of its unemployed workforce (Nayyar 1989:114). The situation in Bangladesh was similar, with the Gulf migration of 250,000 Bangladeshis in the 1980s accounting for less than 1 percent of its labour force (Mahmud 1989:89). The coexistence of unemployment and high rates of migration have been characteristic of many developing countries.

The problem usually is that migrants do not generally belong to the ranks of the unemployed in the source country. Most are semi-skilled or skilled and their emigration frees up job opportunities in their home countries. If the supply of skills adjusts quickly to newly created vacancies the impact of emigration will not be felt. The case of Turkey is mentioned by Stalker (1994:116). Between 1974 and 1976, around one-third of Turkish emigrants were skilled. In 1965, up to 20 percent of the country's plumbers and electricians were thought to be abroad, along with up to 40 percent of its carpenters, masons and minors. Still, this did not have a noticeably damaging effect on the Turkish labour market.

Two cases when emigration did affect real wages are Pakistan and Yemen. The Gulf emigration from Pakistan in the 1970s caused a labour shortage in the construction industry and raised real wages steadily until the outflow slowed and real wages declined in response. Domestic employers tried to increase the capital-intensity of their production processes and this led to rising imports of capital goods. It is estimated that the labour requirement in the construction industry fell by 30 percent in the late 1970s.

If there was no perceptible impact on wages or employment when the mass exodus occurred, reverse flows might not have such a noticeable impact. However, the more serious effects of emigration become manifest during mass return migrations. The source country has to create jobs at a faster rate than required to absorb normal increases in the labour force. In the Philippines, it was estimated that in 1996 return migration would increase the unemployment rate from 8 percent to 12 percent (Stalker 2000:76).

In Stalker's (2000) examination of data for Philippines, Bangladesh, Sri Lanka, Indonesia, Turkey, Mexico and Egypt he found no significant relationship between emigration and unemployment and wage increase in the source countries. An interesting feature of Sri Lankan migration was the flow of women migrants to the Middle East, of whom 40 percent had not worked before. Emigration had induced higher labour participation rates, although not in the source country. Given the fact that they were not in the labour force, their emigration would have had zero impact on the Sri Lankan labour market. The only country where emigration has had effects on employment is Egypt. The emigration of construction workers to the Middle East resulted in labour shortages and steady increases in real wages and contractions in the labour force, particularly in agriculture and the construction industry. It is also true that bad economic conditions in the source country, and particularly economic crises, tend to encourage emigration, however temporary.

The collection of studies on labour migration to the Middle East in Amjad (1989) yields important conclusions regarding impact of migration on the labour market. As summarised by Amjad, they are as follows. Given the high levels of unemployment and under-employment in almost all the labour-exporting Asian countries, migration to the Middle East has not had any impact on output or output growth, although it has acted as a safety-valve in reducing pressures of employment at home. Only in the case of a few industries, such as construction, was the labour shortage actually felt. However, the short gestation period for training in that sector quickly adjusted the existing supply to fill the gaps. Emigration induced immediate increases in monetary wages but these were not sustained in the long run.

The experience of Africa differs somewhat from the Asian cases. Declining employment opportunities in the mines of South Africa in the 1980s deeply affected labour markets in neighbouring countries. The expulsion of Mozambican migrants from South Africa in 1986 resulted in the repatriation of about 68,000 workers, and the toll on unemployment in Mozambique was heavy (Russell et al. 1990:38). Botswana also experienced similar problems from this repatriation. The African experience also displays a positive relationship between migration and growth of the informal sector. There is not enough evidence to prove the causal flow, especially since most migrants are not concentrated in the informal sector.

Traditional economic theory holds that if the labour resource flows toward higher returns, then there is a tendency for convergence in wages between the source and recipient regions. Stalker (2000:12) offers statistical evidence that this convergence, largely as a result of migration, did indeed occur in the time periods 1870–1913 – when European wages caught up with those of the Americas. He notes that in Sweden, for example, between 1846 and 1924 22 percent of the population had emigrated and there were substantial wage rises. Williamson (1995) concludes that around 70 percent of the real wage convergence between 1870 and 1910 was due to mass migration. The emphasis here is on 'mass migration'. How much emigration would qualify as a mass migration is difficult to quantify. The other difficult question to answer is if migration will ensure convergence of wages in the future. Without country specific studies and comparable estimates, the answers will probably have to rely on guesswork.

Conclusions

CHAPTER 7

This report has focussed on surveying the existing body of literature in migration on the impact of international migration on the source countries and communities. To put it into perspective, a discussion on general trends and patterns of migration flows by continent as well as the impact of migration on recipient countries precedes it. As the general discussion on migration trends and patterns shows (chapter 1), labour migration is a combination of both push and pull factors in the source and recipient countries. Various institutional barriers such as immigration regulations do not allow for a free flow of labour. When labour can actually migrate, it is a result of the interaction of economic, social and psychological factors.

As noted in Chapter 1, between 1965-1990, the growth of migrants has kept pace with the growth of population growth, about 1.9 percent per year. The magnitude of inflows and outflows is quite large, thereby keeping net migration relatively small. In this modern era, improvements in information and communication technology has facilitated travel and spurred labour movements from the developing to the developed world. The difference between migration patterns in the 1990s and those in the earlier years of the twentieth century lies more in the patterns than in the numbers. The twentieth century, on the whole, saw the US, Canada and Australia emerge as immigration poles and Asia as a major emigration pole.

Historically, wage and standard of living differentials have acted as the economic incentives to migrate. The continent-wise discussion of migration patters (chapter 1) shows that the incentives to migrate in the modern era continue to centre on employment, acquisition of skills/education and asylum. The actual decision to emigrate occurs only when the advantages of doing so outweigh the disadvantages. Permanent settlement is more common among skilled migrants trained in developing countries and working in industrial countries, especially when labour absorption at this level of training is difficult in the source countries. Immigration policies in the developed world try selectively to target this group of people, although labour shortages in the unskilled labour category are an equally common ailment in the developed world.

The dynamics of adjustment of migrants was addressed in chapter 2, which dealt with the impact of immigration on the recipient countries. The chapter showed that immigrants affect the demography, society, and economy of the host countries in several ways. There is, however, a tendency for immigrants to 'fit in' and follow the host country lifestyles while at the same time diversifying the societies of the host countries. A number of studies fail to support one of the most common fears of host country population against immigration: that immigrants do lead to increased unemployment in the host countries. Studies on the impact of immigrants on the social security system also yield mixed results. There is no conclusive evidence proving the costs of immigration exceed the benefits to the host countries.

A lesser studied aspect, but the core of this report is the other side of migration – the impact of emigration on the source countries. The impact of emigration on brain drain (the exodus of skilled professionals from developing to developed countries) was analysed in chapter 3. The issues related to brain drain are complex. On one hand, most developing countries have chronic shortages of skilled professionals; on the other it is very attractive for skilled professionals to emigrate to the developed states of North America, Oceania and Europe. The loss to the source country occurs in two ways: the heavy investment in education of the skilled professionals and the absence of their services to the nation. This will have an adverse effect on economic development and increase the probability of future migration of skilled professionals.

However, recent research focuses on the "brain gain" proposition (section 3.6). From this perspective emigration acts as an incentive for human capital improvement in the source country. More people volunteer to acquire education and skills. But not all of them manage to find opportunities abroad; hence the overall stock of human capital in the source countries rises. The crucial question, given there is such positive impact on the source country, is then wether a country should take steps to decrease the brain drain. From the other perspective, if brain drain is inflicting huge costs to the source countries, then how should they be compensated for it, and to which extent? As the discussion in chapter 3 shows, there are, unfortunately, no clear-cut answers to either question. It is very difficult to measure the net impact of brain drain on a particular country. There are few studies that let us conclude on the net costs and benefits from emigration for the source countries.

Another major impact of emigration on source countries is that of financial flows from the migrants to their home countries (chapters 4 and 5). Remittances are determined by a host of factors in the source and recipient countries and the personal circumstances of the migrant household. Remittances have been most significant for the households and communities in the island economies of the Pacific.

Although the volume of remittances is high, net remittances as a percentage of GDP are still very low. Total remittances (workers remittances plus compensation of employees) registered a 38 percent increase between 1994-2000, from USD 74.6 billion to USD 103 billion. Developing country shares of total remittance credits ranged from 57 percent in 1994 to 64 percent in 2000, with increases every year. Official data on remittances understate the volume of remittances, since a large proportion of them are sent through informal channels or brought as cash or in kind.

Analysis of the nature of remittances across continents shows some common patterns relating to the use of remittances. Remittances tend to be used mainly for immediate consumption needs, repayment of debts, housing and other asset building, purchase of transport equipment and consumer durables. They are used, to a lesser extent, to finance small enterprises and agricultural investment. Remittances also exhibit a life-cycle: they are high in the initial years and tend to taper off with increased family reunions and years abroad, and once immediate consumption needs are met. The significance of remittances to the national economy varies across continents; they appear to be most significant for the island economies of the Pacific (see section 5.4).

On the micro level, the household seems to be the most important beneficiary. Without exception, remittances have raised the living standards of migrant households. However, they have not made much difference to the macro-economy, only fuelling temporary price rises, especially in the construction industry. The potential role for remittances in any planning and policy exercise has to take into account the fact that remittances seem to have a life-cycle (chapter 4). They are not consistent and reliable over the whole lifetime of the migrant staying abroad; they indeed exhibit an inverse relationship to the number of years the migrant lives abroad.

Remittances exhibit two distinctive features: individual household flows are inconsistent and peter out with time; but at the national level have been consistent and rising in the 1990 (see Figure 8). The second feature that the studies bring out is, their impact is felt much more intensely at the household level than the macro economic level.

On the distributional side, however, studies in the Pacific Islands show that emigration has indeed increased income and wealth inequalities among the remittance receiving communities. With the bias toward skills and education among the migrants, this has led to the increasing divide between the haves and the have-nots in the source countries (see section 5.4).

As far as the source of remittances are concerned, undoubtedly the US has been the top remitting country in the 1990s (see Table 7). Combined OPEC outflows match the US in every year in the period 1994–2000. This pattern only underscores the extent of dependence of the developing world on the US economy.

In chapter 6 we discussed the impact of emigration on the labour market. In labour-abundant economies, a decrease in unemployment and a rise in real wages are expected, in economic theory, to accompany increased rates of emigration. On the other hand, in a developing country context, such emigration could lead to shortage of critical skills and decreased human capital availability, which would in turn harm the growth potential. As the review showed, research studies in this area fail to give a conclusive result on the effect of emigration. Emigration had at best a neutral if not zero effect on the labour market in the source countries. It created temporary labour shortages in specific sectors, but economies have adjusted to it rather quickly. Isolated cases exist where emigration has actually resulted in rising real wages in source countries. In fact, more serious effects may be expected from a mass return migration of emigrants.

7.1 Issues ahead

There is a need for further research. As highlighted in the introduction, the data on migration is far from being comparable across the globe. Consistent methodologies and comparable studies on the issues studied in this report (brain drain, remittances and labour market) will aid in looking at emigration in a global perspective as well as learning from others' experiences.

Seen within this context, does a survey such as this offer any guidelines for policy makers? Specifically, is there a need to regulate migration? If so, how could and should it be done? It is beyond the confines of this report to go into details of policy implications; however raising these issues seem a befitting way of looking ahead.

Immigration rules and regulations, as the introductory section of this report notes, have been used to restrict immigrants in many countries. Such policies will continue to be needed in the years to come. The discussion of visa holders in the US labour market (section 1.7) shows that migration regulation is an important component of the overall domestic labour market regulations in advanced economies.

The more important issue is what the developing countries should do about the scale of emigration. The review finds that there is no conclusive evidence for emigration having an adverse impact on the source country's employment and wages. This apparent lack of the impact (of emigration) on the source country's labour market is not an argument for unrestricted emigration. If so, should there be any need for policies to regulate the brain drain? The widely prescribed panacea for stemming brain drain is economic development of the Third World, which would reduce economic incentives of emigration. Economic development, *per se*, should be a goal; what is hoped is that this economic development would lead to a convergence among nations so that internal (within the nation) and international inequalities would decrease. Reduction of inequalities is seen as a more important target for policy makers, which would, as a byproduct, reduce emigration.

This view alters the time dimension of policies to be geared more towards medium and long term. Because, with growing populations and labour forces in developing countries and already insufficient investments and infrastructure, the possibilities of convergence between developed and developing countries in the near future seem bleak.

Saith (1989) raises a useful set of policy perspectives that seek to maximise macro benefits for the economy as a whole. First, should labour migration be encouraged? The answer, in this era of globalisation would be an obvious yes; the issue has to be taken up within the national resource management network. Specifically, migration should be an input in manpower and educational planning exercises.

A second issue concerns return migrants. As the discussion has shown, migrants do not hail from the poorer strata of society. The process of self-selection requires that migrants come from the more dynamic (and therefore somewhat skilled) elements of society, whose exposure to outside work environments would significantly strengthen their positive traits. As such, governments are faced with this question: are returning migrants deserving of help vis-à-vis the non-migrant, poorer sections of society? Equity considerations intertwine with political considerations. Acting in favour of return migrants would definitely cause frustration among non-migrant classes, but economic and political power lies more with the return migrants.

Saith's third set of issues concerns the extent and type of government policy intervention. Specific areas include the outward migration process, return migrant management, regulation of remittances, and policies to promote domestic savings and investment.

While most governments in the 1990s have ignored outgoing migrants and return migrants, they have subjected remittances to some official regulation and made (largely unsuccessful) attempts to turn the migrant-saver into a migrant-investor. Very little is done vis-à-vis the emigration or return migration processes themselves. Policy measures to address the issue of migration should take a broader view in the area of human resource planning.

Finally, I would like to recall the words of former president Ramos of the Philipinnes, who once went to the airport to greet thousands of workers arriving for their Christmas holiday visits – hailing them as "modern day heroes" (Stalker 2000:81). For their families back home, they already are.

Appendix: Tables and figures

Table 1: World migrant stock. 1990.

Region	No. of migrants	% of total population	% of females in migrant stock
The Americas			
North America	23,868,351	11.7	51.0
Caribbean	421,654	5.3	48.5
Central America	802,834	3.2	49.9
South America	4,406,109	2.0	47.9
Europe			
Eastern Europe	1,542,428	1.1	53.4
Northern Europe	5,272,819	5.4	51.1
Southern Europe	3,196,221	14.3	52.4
Western Europe	14,691,446	20.4	46.5
Asia			
Eastern Asia	2,160,273	0.7	43.3
South-central Asia	20,782,317	2.0	47.1
South-eastern Asia	1,845,038	5.1	47.1
Western Asia	13,406,120	28.9	39.9
Africa			
Eastern Africa	5,242,711	4.3	48.5
Middle Africa	1,651,644	3.3	47.3
Northern Africa	1,979,230	3.0	45.7
Southern Africa	1,240,676	3.2	43.7
Western Africa	5,453,934	4.6	46.9
Oceania			
Australia-New Zealand	4,435,430	19.4	49.6
Melanesia	47,489	1.6	46.6
Micronesia	11,571	13.1	40.9
Polynesia	17,196	12.5	47.4
Total	**112,475,491**	**7.9**	**47.4**

This table refers to the

- estimated total number of international migrants who lived in the region on 1 January 1990
- international migrants as a percentage of the total population in the country
- females as a percentage of all international migrants

Source: United Nations (1995).

Table 2: Net migration per thousand by world region. 1985–95.

Region	1985–1990	1990–1995
Developing Regions	-0.5	-0.5
Industrial regions	1.6	1.9
Africa	-0.5	-0.3
Sub-Saharan Africa	-0.5	-0.2
North Africa	-0.5	-0.9
Continental Asia[a]	-0.3	-0.4
West Asia	1.0	0.3
South-central Asia	-0.5	-0.8
East Asia	0.1	0.0
South-east Asia	-1.1	-0.6
Oceania	3.9	3.4
Australia/New Zealand	5.9	5.1
Pacific Islands	-2.8	-1.8
Latin America/Caribbean	-1.6	-1.2
Central America	-4.2	-3.1
Caribbean	-3.0	-2.4
South America	-0.4	-0.4
Northern America	3.0	3.4
Europe	1.3	1.4
Western Europe[b]	1.9	1.9
Eastern Europe/Russia	0.5	0.9

[a] Includes the Middle East

[b] Includes what are designated, in the UN classification, as Northern, Southern, and Western Europe

Note: These rates are not country averages but rates for entire regions from United Nations (1999).

Source: United Nations (1999).

Table 3: Sources of legal immigration to the US. 1997.

Country	Arrivals	%
Mexico	163,572	18.4
Philippines	55,876	6.2
China	41,728	5.2
Vietnam	72,067	4.8
India	44,859	4.8
Cuba	26,466	4.2
Dominican Republic	39,604	3.4
El Salvador	17,903	2.3
Jamaica	19,089	2.2
Russian Federation	19,668	2.1

Source: Stalker (2000: Table 3.3).

Table 4: Unrecorded remittances as a percentage of total remittances.

	Source	Estimation Period	Estimate*
Bangladesh	Mahmud (1989)	1981–86	20
Korea	Hyun (1989)	1980–85	8
India**	ESCAP (1987)	1983	40
Egypt	Adams (1991)	1985–86	33
Philippines	Alburo, Abella (1992) Tan and Canlas (1989)	1990, 1982	50
Pakistan	ILO-ARTEP (1987)	1986	43
Sri Lanka	Rodrigo and Jayatissa (1989)	1980–1985	13
Sudan	Choucri (1984)	1984	85
Thailand	Tingsabadh (1989)	1977–86	18
Tonga	Brown and Connell (1993)	1992–93	43
Western Samoa	Brown and Walker (1994)	1992–93	42

Note: * Derived as ((TR-RB) / TR)*100, where TR = total estimated remittances and RB = remittances through banking channels.
** Estimate represents remittance behaviour of migrant workers from Kerala only.

Source: Puri and Ritzema (1994:Table 4).

Table 5: The remittance system: determinants and intermediate effects.

POTENTIAL DETERMINANTS OF REMITTANCES	Expected direction of relationship	Available pool of remittances	Decision to remit or not	How to remit	Amount to remit	Uses
Number of workers	+	X				
Wage rates	+/–	X				
Economic activity in host country	+	X				
Economic activity in source country	+	X				
Exchange rate	+/–		X	X		
Relative interest rate between labour source and recipient countries	+/–	X	X			
Political risk factors in source country	–	X				
Facility of transferring funds	+	?	X	X		
Ratio of females in population in host country	–		X		X	
Years since out migration	+/–		X		X	X
Household income level	–		X		X	X
Employment of other household members	–		X		X	X
Marital status	+		X		X	?
Level of education	–		X	?	X	X
Occupational level of migrants	–		X		X	X

Source: Russell (1986).

Table 6: Total remittances. 1994-2000. USD billion.

	1994	1995	1996	1997	1998	1999	2000
Total	74.62	85.06	88.27	103.19	99.81	103.58	103.10
Industrial countries	31.77	35.32	34.12	39.02	39.75	38.99	37.25
	(42.6)	(41.5)	(38.7)	(37.8)	(39.8)	(37.7)	(36.1)
Developing countries	42.85	49.74	54.15	64.17	60.06	64.58	65.85
	(57.4)	(58.5)	(61.3)	(62.2)	(60.2)	(62.4)	(63.9)
Africa	4.43	5.35	5.57	6.33	6.35	6.02	6.65
	(5.9)	(6.3)	(6.3)	(6.1)	(6.4)	(5.8)	(6.4)
Asia	16.50	19.56	22.92	29.87	22.99	27.25	25.46
	(22.1)	(23.0)	(26.0)	(28.9)	(23.0)	(26.3)	(24.7)
Europe	4.61	5.92	6.62	7.44	9.19	8.17	8.82
	(6.2)	(7.0)	(7.5)	(7.2)	(9.2)	(7.9)	(8.6)
Middle East	6.53	6.11	6.29	6.97	6.50	6.51	6.12
	(8.8)	(7.2)	(7.1)	(6.8)	(6.5)	(6.3)	(5.9)
Western Hemisphere	10.78	12.80	12.74	13.56	15.02	16.64	18.81
	(14.5)	(15.1)	(14.4)	(13.1)	(15.1)	(16.1)	(18.2)

Notes: Figures in parentheses refer to percentage of total remittances
Western Hemisphere includes Latin America and the Caribbean

Source: IMF Balance of Payments Statistics Yearbook (2001).

Table 7: Ranking by net remittances. Source countries. USD billion.

1994		1995		1996		1997		1998		1999		2000	
Saudi Arabia	-18.1	Saudi Arabia	-16.6	USA	-17.4	USA	-19.0	USA	-20.4	USA	-22.4	USA	-24.2
USA	-15.3	USA	-16.3	Saudi Arabia	-15.5	Saudi Arabia	-15.0	Saudi Arabia	-14.9	Saudi Arabia	-13.9	Saudi Arabia	-15.4
Switzerland	-7.1	Switzerland	-8.2	Switzerland	-7.8	Switzerland	-6.3	Switzerland	-6.2	Switzerland	-6.0	Switzerland	-5.7
Germany	-4.4	Germany	-6.3	Germany	-6.0	Germany	-5.2	Germany	-4.8	Germany	-4.5	Germany	-4.0
Kuwait	-1.3	Oman	-1.4	Japan	-2.5	Japan	-2.5	Israel	-2.7	Israel	-2.9	Israel	-3.0
Oman	-1.3	Luxembourg	-1.4	Israel	-1.8	Israel	-2.2	Malaysia	-2.7	Japan	-2.4	Luxembourg	-2.1
Israel	-0.7	Kuwait	-1.3	Luxembourg	-1.5	Malaysia	-1.8	Japan	-2.3	Malaysia	-2.2	Japan	-1.7
Japan	-0.7	Israel	-1.2	Kuwait	-1.3	Luxembourg	-1.5	Luxembourg	-1.8	Luxembourg	-2.0	Kuwait	-1.6
Netherlands	-0.6	Malaysia	-1.2	Oman	-1.3	Oman	-1.4	Kuwait	-1.6	Kuwait	-1.7	Oman	-1.4

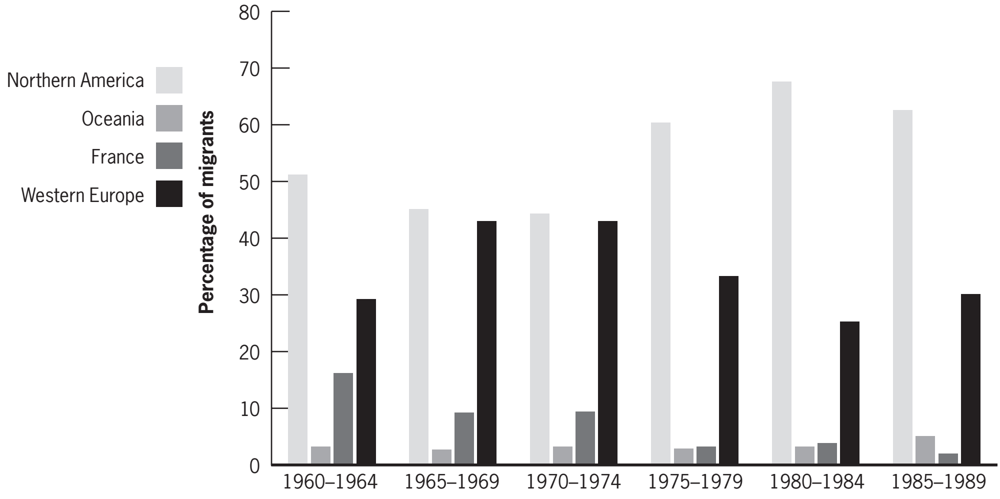
Source: IMF Balance of Payments Statistics Yearbook 2001.

Table 8: Ranking by net remittances. Recipient countries. USD billion.

1994		1995		1996		1997		1998		1999		2000	
India	5.5	India	5.8	India	8.2	India	10.1	India	9.4	India	11.0	India	9.1
Mexico	4.1	Philippines	5.2	Mexico	4.9	Philippines	6.7	Mexico	6.5	Philippines	6.8	Mexico	7.5
Portugal	3.4	Mexico	4.3	Philippines	4.8	France	5.7	France	5.7	Mexico	6.6	Philippines	6.1
Egypt	3.4	Portugal	3.4	Turkey	3.5	Mexico	5.5	Turkey	5.3	France	5.3	France	4.8
Philippines	3.3	Turkey	3.3	Portugal	3.4	China, P.R.	4.3	Philippines	5.1	Turkey	4.5	Turkey	4.5
Greece	2.6	Egypt	3.0	Egypt	2.9	Turkey	4.1	Portugal	3.3	Portugal	3.2	Portugal	2.9
Turkey	2.6	Greece	2.9	Greece	2.7	Portugal	3.3	Egypt	3.2	Egypt	3.1	Egypt	2.8
Morocco	1.8	Brazil	2.6	Spain	2.1	Egypt	3.3	Spain	2.2	Spain	2.3	Morocco	2.1
Spain	1.7	Spain	2.1	Morocco	2.1	Greece	2.7	Morocco	1.9	Morocco	1.9	Spain	2.0
Pakistan	1.7	Morocco	1.9	Thailand	1.8	Spain	2.0	Bangladesh	1.6	Bangladesh	1.8	Bangladesh	1.9

Source: IMF Balance of Payments Statistics Yearbook 2001.

Figure 1. Migration from developing countries. 1960–89. Percent.



Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Figure 2. Migration from developed countries. 1960–89. Percent.

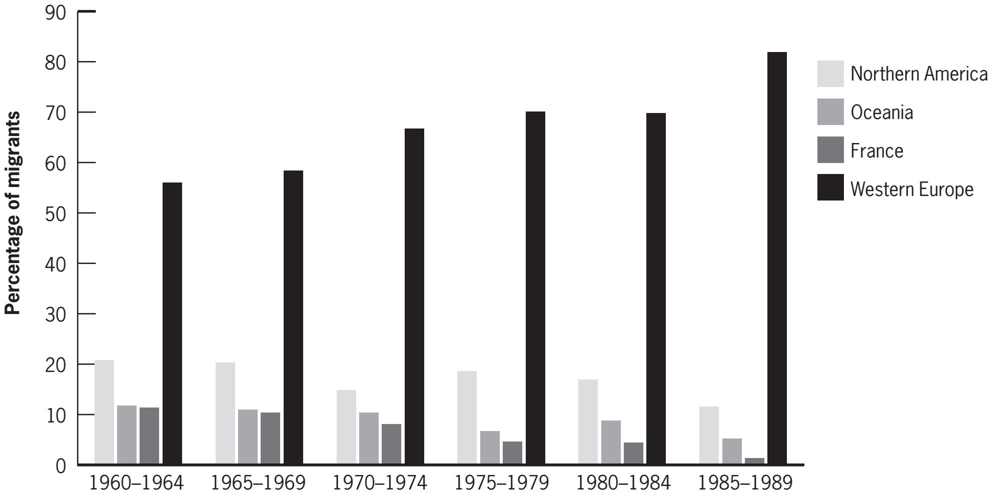


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Figure 3. Migration from Sub-Saharan Africa by destination continent. 1960–89. Percent.

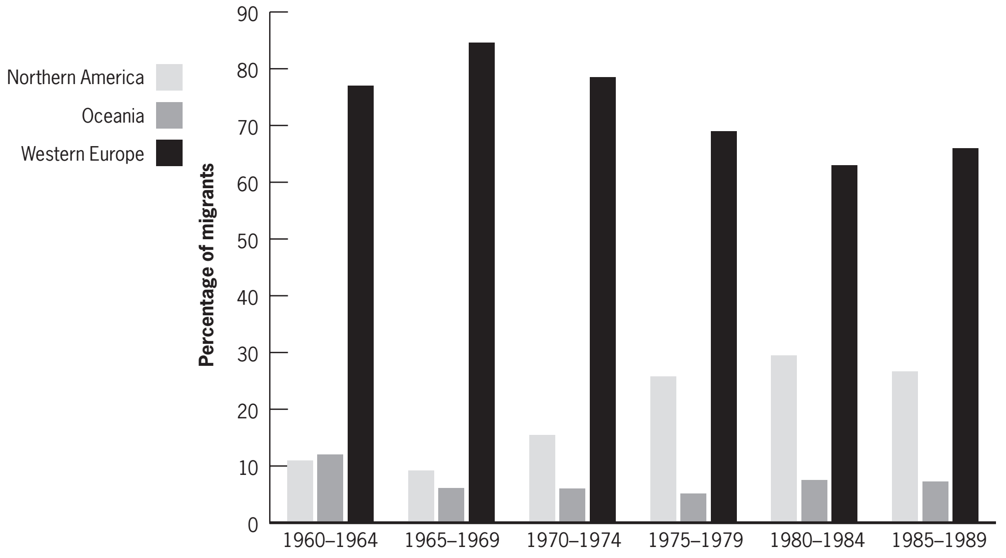

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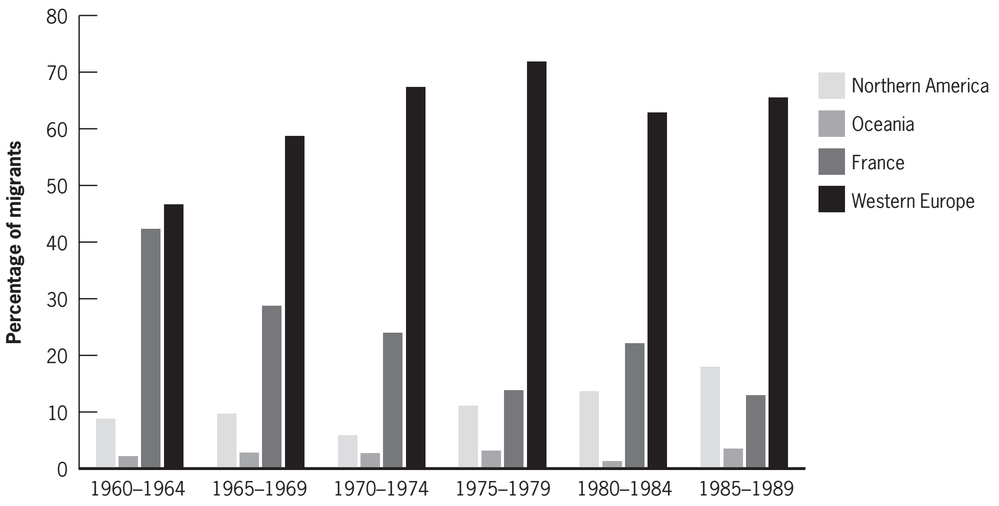
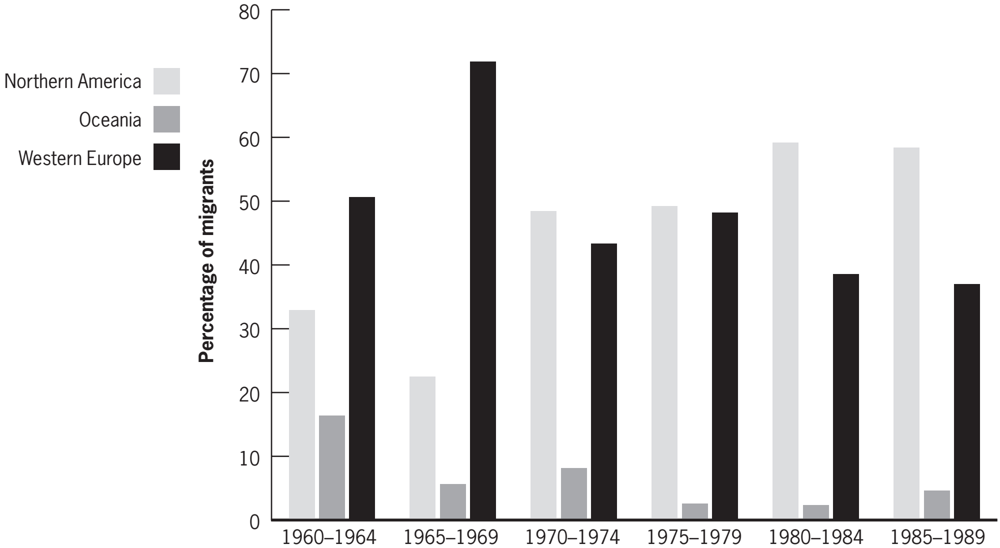
Figure 4. Migration from Northern Africa and Western Asia by destination continent. 1960–89. Percent.



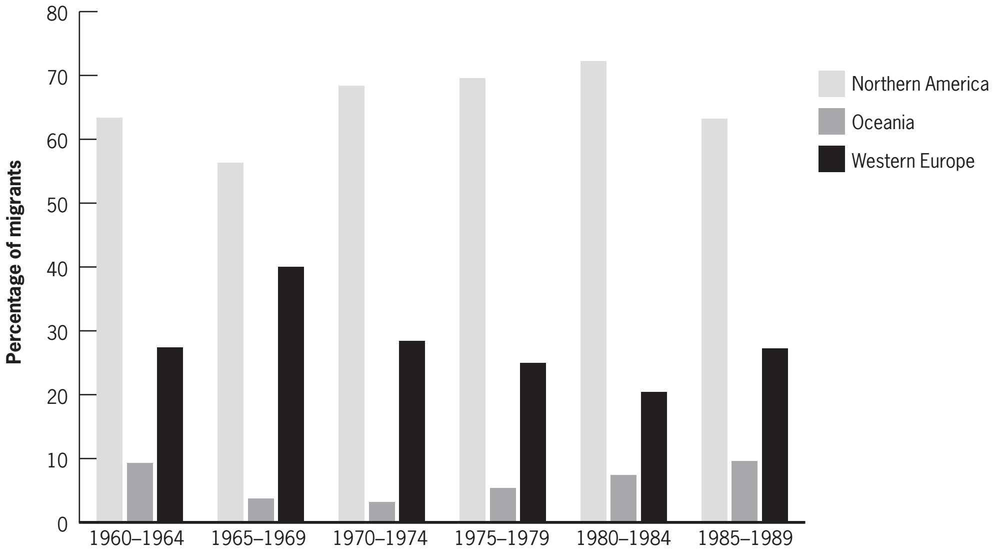
Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Figure 5. Migration from Southern Asia. 1960–89. Percent.



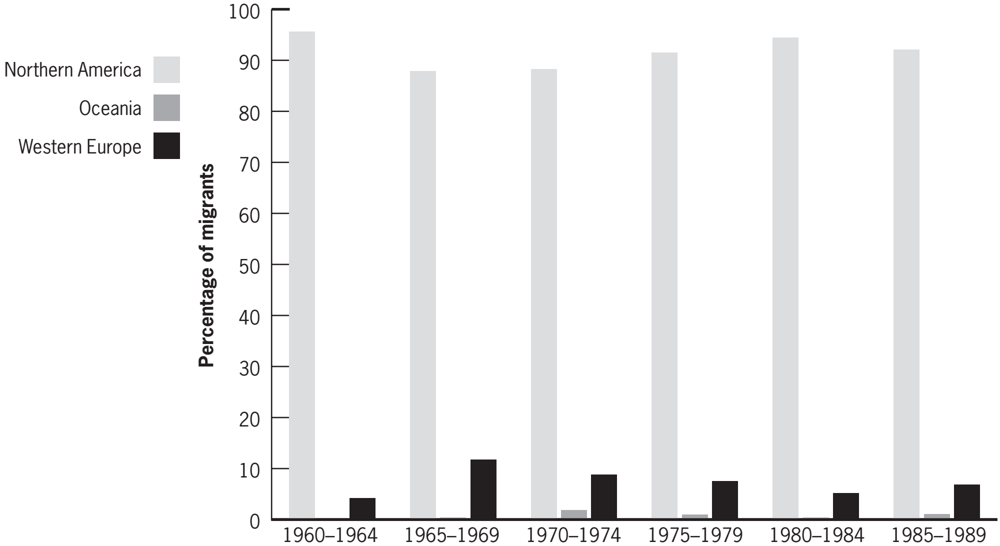
Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Figure 6. Migration from East and South-eastern Asia by destination continent. 1960–89. Percent.



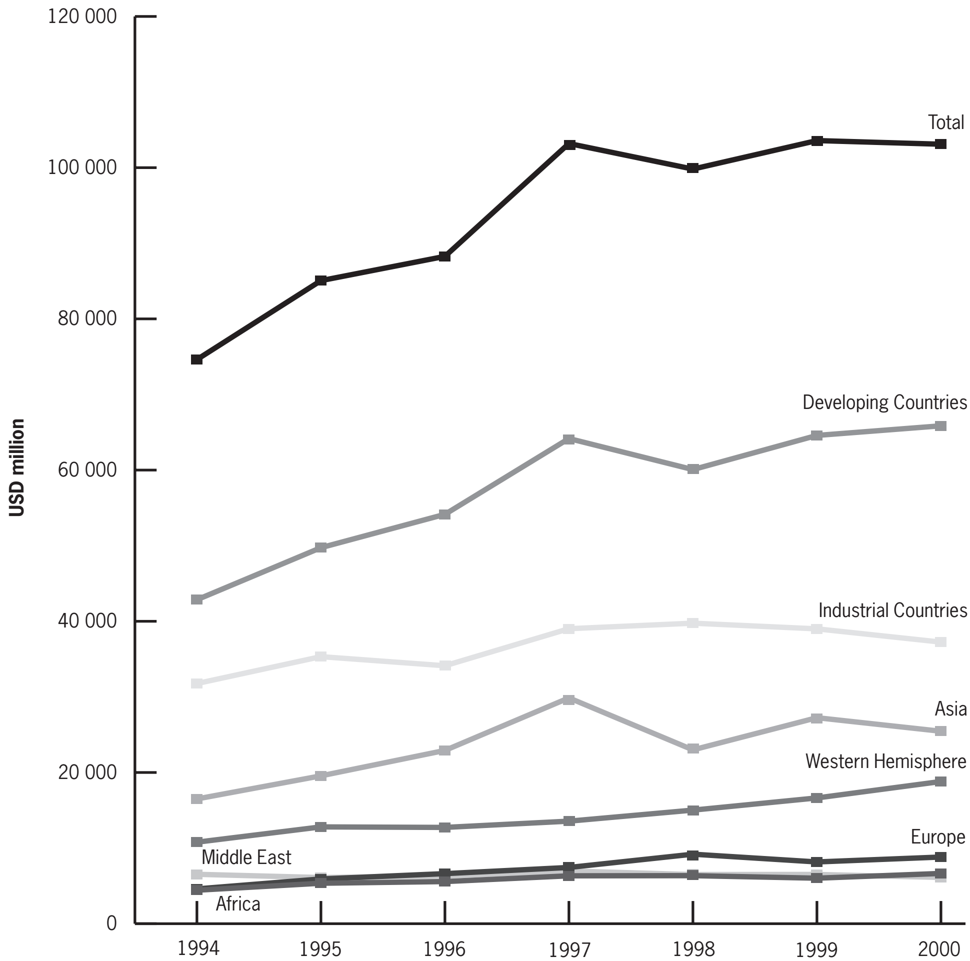
Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Figure 7. Migration from Latin America by destination continent. 1960–89. Percent.



Source: http://www.un.org/popin/popdiv/intabfin.htm. South-to-North Migration Flows. The electronic version at the Population Information Network (POPIN) Gopher/Website of the United Nations Population Division, Department of Economic and Social Affairs.

Figure 8. Total Remittances. 1994–2000. USD million.



Source: IMF Balance of Payments Statistics Yearbook 2001.

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Glossary

Brain drain	The exodus of skilled professionals from developing to developed countries
CAR	Central African Republic
CIS	Commonwealth of Independent States (ex USSR)
Compensation of Employees or labour income	Remittances sent by migrants who have lived abroad for less than one year (IMF Statistical Yearbook 2001 definition)
Emigration	refers to migration out of a particular region
GDP	Gross Domestic Product
H-visa	A temporary non-immigrant visa issued to foreign skilled workers and their families. It includes H1B (for the skilled worker) and H4(for the worker's dependants) visas.
ICT	Information and Communications Technology
IMF	International Monetary Fund
Immigration	refers to migration into a particular region
IOM	International Organization for Migration
LAC	Latin America and the Caribbean
Migrant Flow	refers to the movement of peoples (migrants) between regions
Migrant Stock or Migrant Population	refers to the numbers of people (migrants) residing in a particular country but were born in a different country

Migrant Transfers	the value of migrants' household and personal effects, movable capital equipment, and funds transferred by them, minus their financial liabilities (IMF Statistical Yearbook 2001 definition)
MIRAB	Migration, Remittance, Aid and Bureaucracy
Net migration	refers to the difference between immigration and emigration. If positive, then immigration is greater; if negative, then emigration is greater
Net remittances	The difference between remittance inflows (credits) and outflows (debits)
NIES	Newly Industrialising Economies
OECD	Organisation for Economic Cooperation and Development
OPEC	Oil and Petroleum Exporting Countries
Recipient or host country	The country of destination of the migrant
Source country	The country of origin of the migrant
Workers' Remittances	Monies sent by workers who live abroad for more than a year (IMF Statistical Yearbook 2001 definition)

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