

Leveraging Migration and Remittances for Development

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Research Conference on Remittances and Immigration

November 5, 2010

Outline

A. Stylized facts

B. Development impact of international migration

C. Policy implications

A. Stylized Facts

1. Only 3% of world population are international migrants; 97% are not
2. Economic migrants account for 93% of global migrant stock. Economic migration is set to increase in future

In future, migration pressures will increase dramatically

Projected Change in Labor Force, 2005–50 (millions), ages 15-39

Sub-Saharan Africa	328
Middle-East & N. Africa	44
Other sending regions	198
<u>All developing regions</u>	<u>570</u>

EU & other Europe	-67
North America	-9
China	-85
East Asia and Pacific	-32
E Europe & C Asia	-23
<u>Sub-total for these and other receiving regions</u>	<u>-216</u>

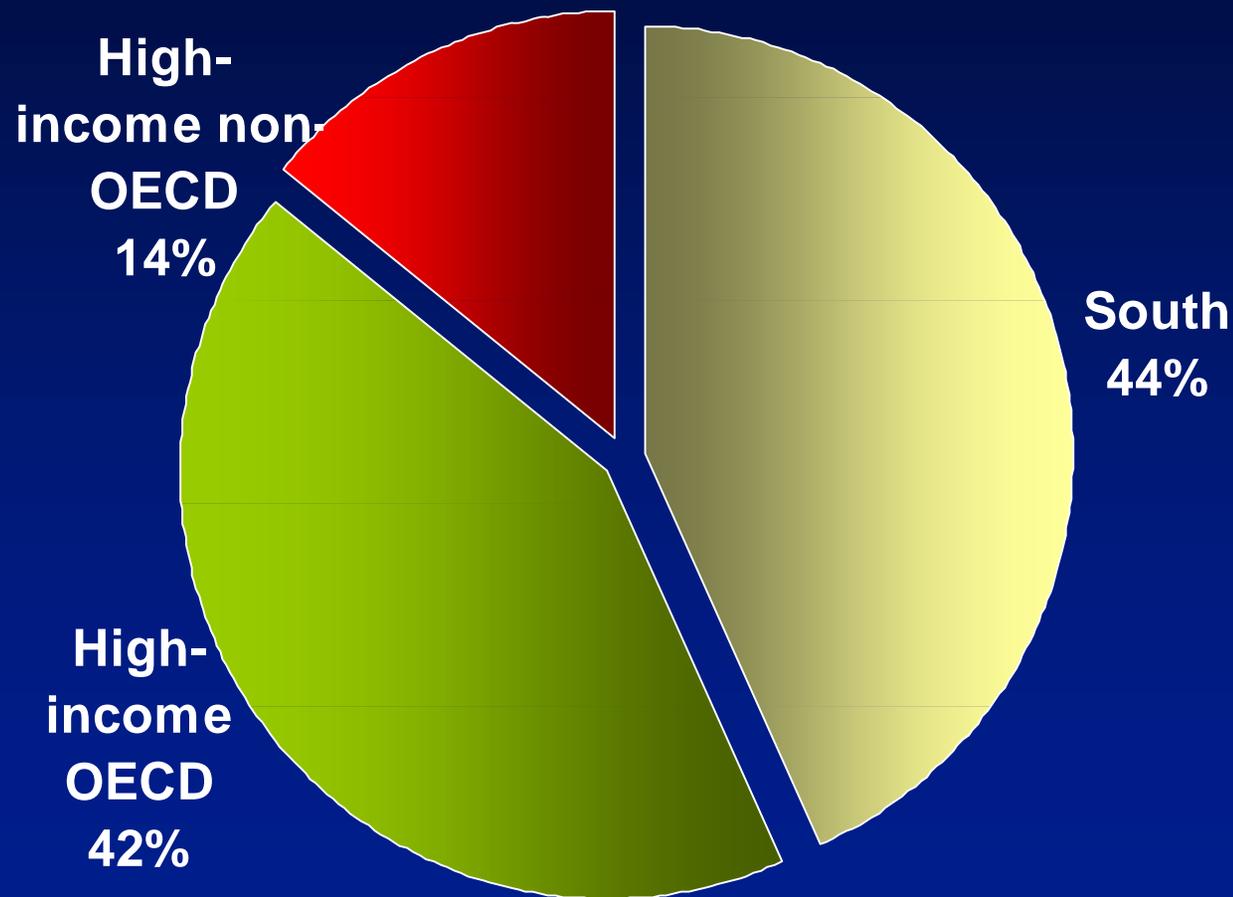
Source: Shaping the Future : A Long-Term Perspective of People and Job Mobility for the Middle East and North Africa (World Bank 2008)

A. Stylized Facts

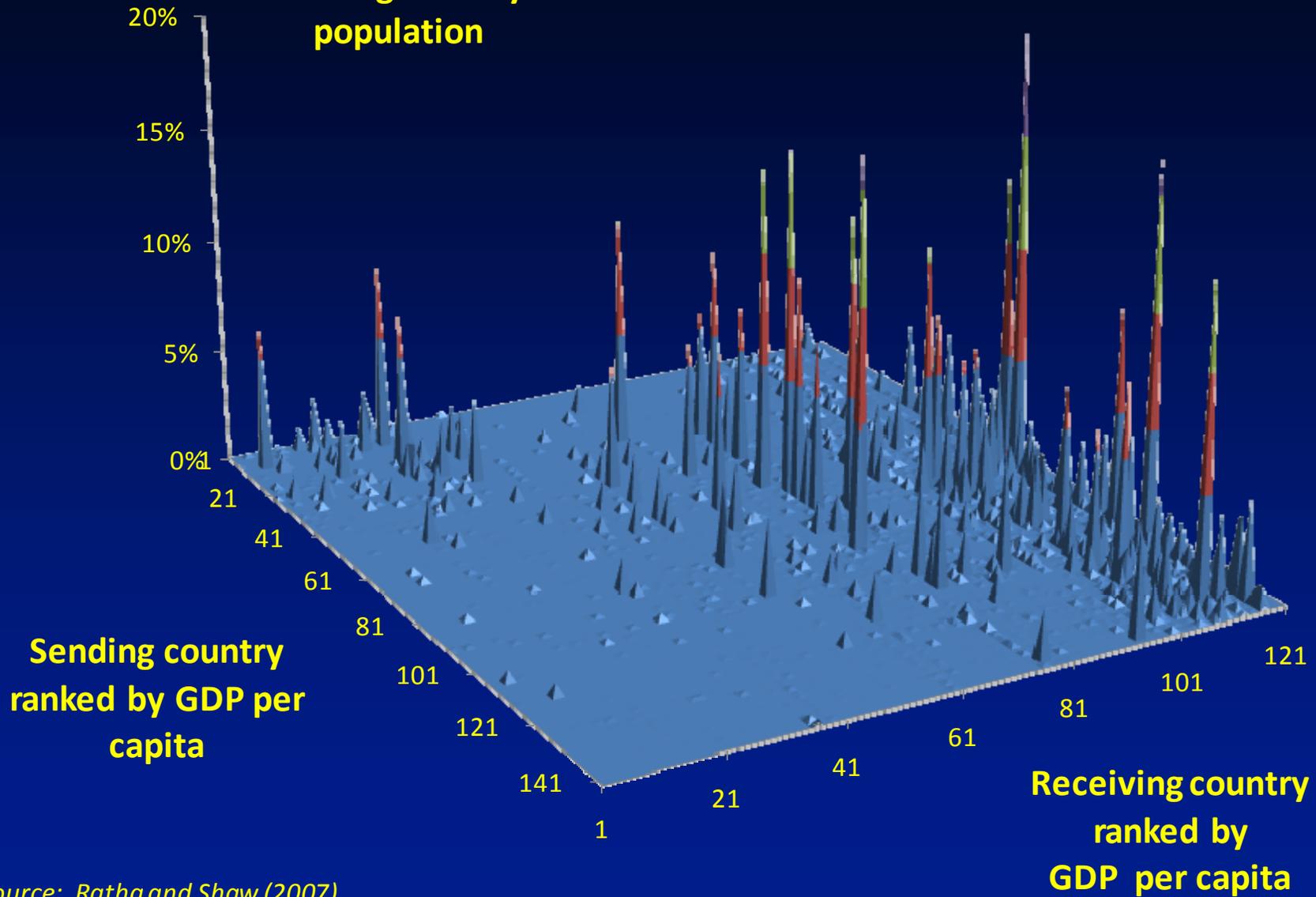
1. Only 3% of world population are international migrants; 97% are not
2. Economic migrants account for 93% of global migrant stock. Economic migration is set to increase in future
3. South-South migration is larger than South-North migration

South-South migration is larger than migration from developing countries to high-income OECD countries

Destination of migrants from the South



Migrants' share of sending country population



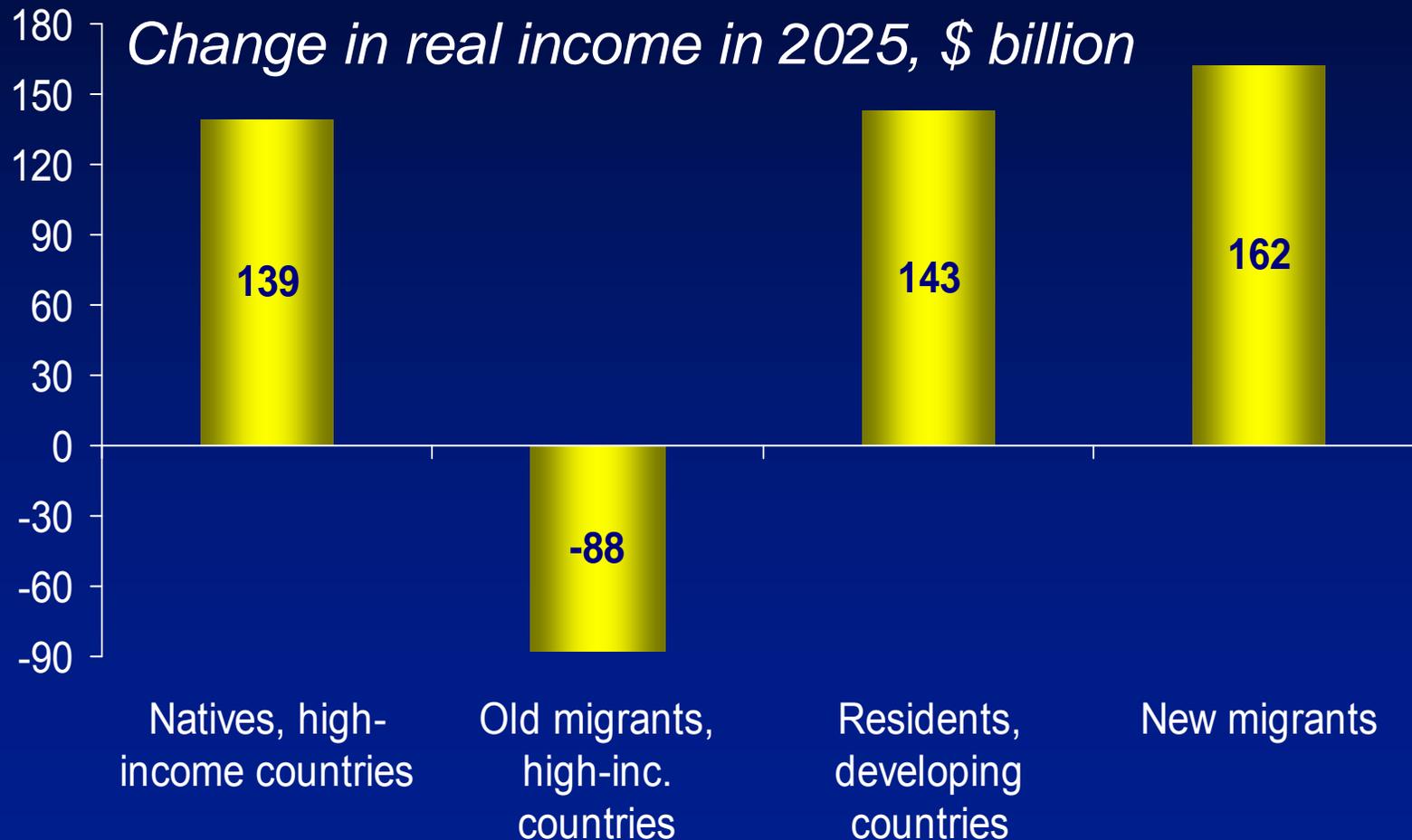
Data source: Ratha and Shaw (2007)

B. Development impact of international migration

- 1.** Migration benefits all parties – the migrants, the destination country, and the origin country.

Migration boosts welfare for most households

Global income gains of \$356 billion (0.6%)



Source: Global Economic Prospects 2006

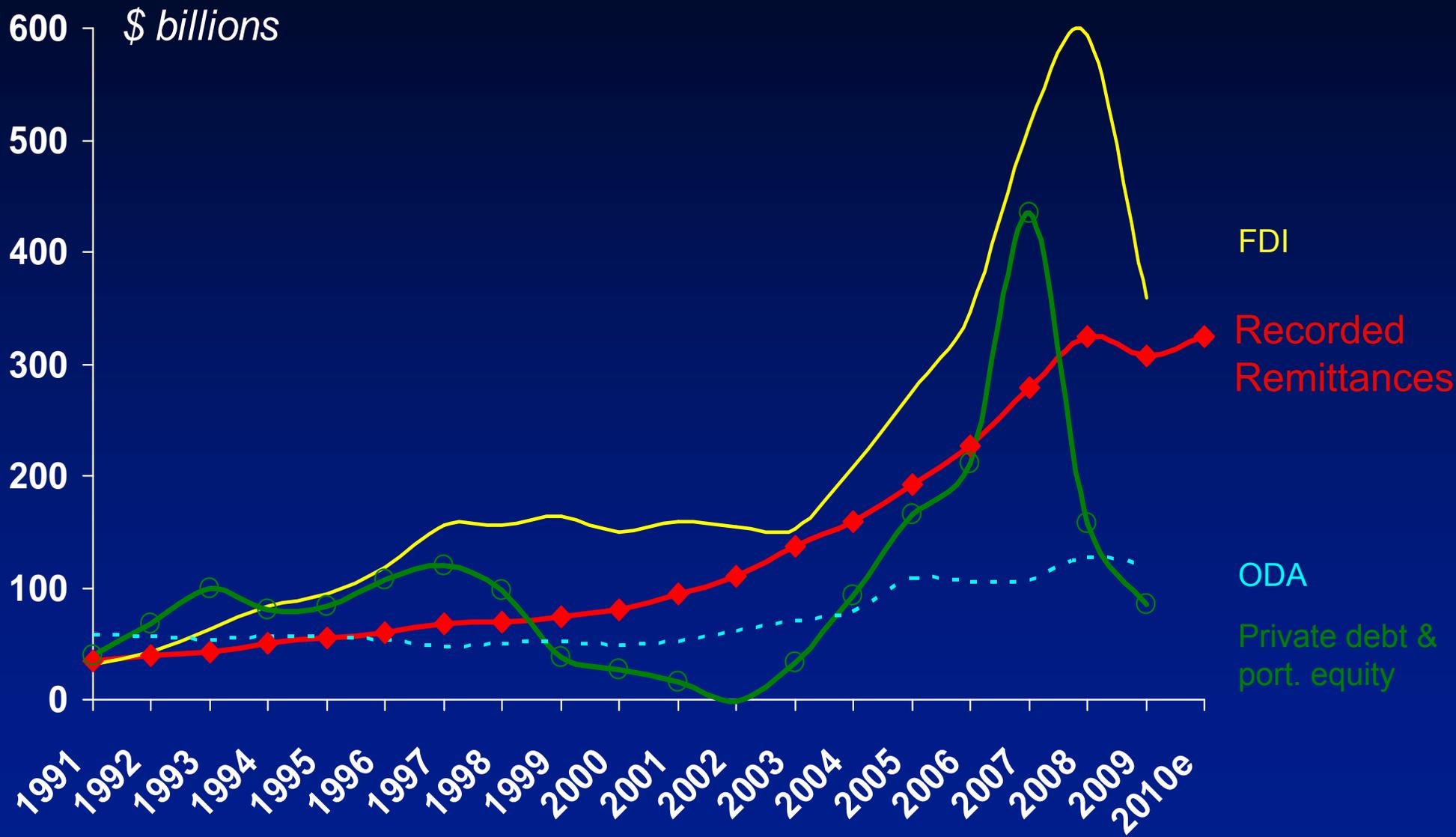
Migration benefits all parties

- Global income gains of \$356 billion from a 3% (14 million) increase in labor force of high-income countries (GEP 2006)
- Global income gains of \$675 billion (Anderson and Winters, 2008)
- “A conservative estimate of the welfare gain to a moderately skilled worker... moving to the US is PPP\$10,000 per worker, per year...” (Clemens, Montenegro and Pritchett, 2008)
- Dixon and Rimmer (2009) estimate that the difference between the long-run welfare effects for U.S. households of a tighter border policy and a liberalized guest worker program with an optimal visa charge is about \$260 billion a year.

B. Development impact of international migration

1. Migration benefits all parties – the migrants, the destination country, and the origin country.
2. Benefits to countries of origin are mostly through remittances.

Remittance flows to developing countries remained resilient during the crisis



Remittances will be resilient w r to downturns in host countries

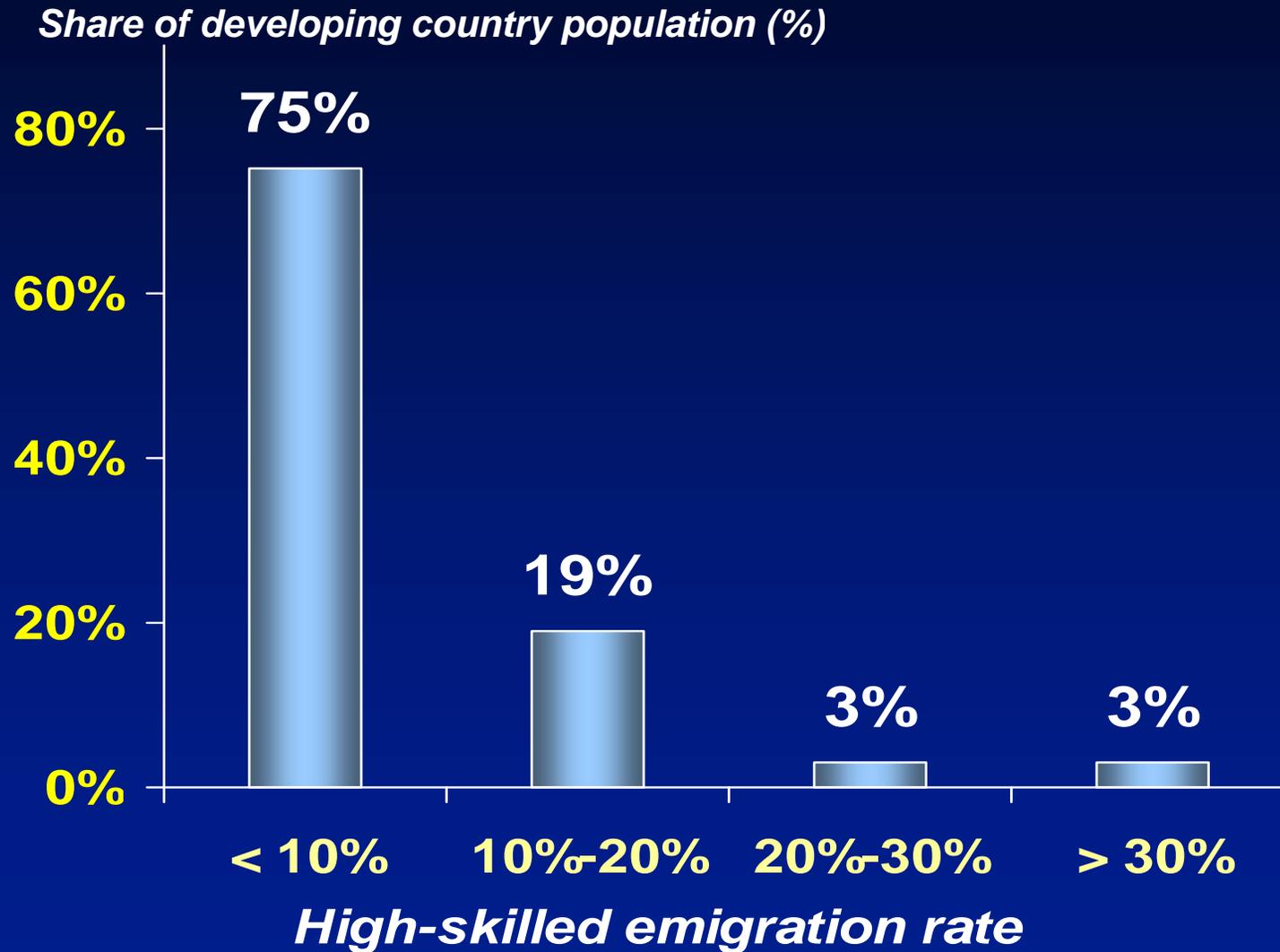
- Remittances are sent by the stock (cumulated flows) of migrants
- Remittances are a small part of migrants' incomes that can be cushioned against income shocks by migrants
- Duration of migration may increase in response to tighter border controls
- “Safe haven” factor or “home-bias” -- returnees will take back accumulated savings
- Sectoral shifts – and fiscal stimulus packages – may help some migrants

However, Anti-immigrant sentiment is rising in major migrant-destination countries

B. Development impact of international migration

1. Migration benefits all parties – the migrants, the destination country, and the origin country.
2. Benefits to countries of origin are mostly through remittances.
3. Emigration of skilled people may be a problem in small countries

Brain drain is a small country problem, if at all

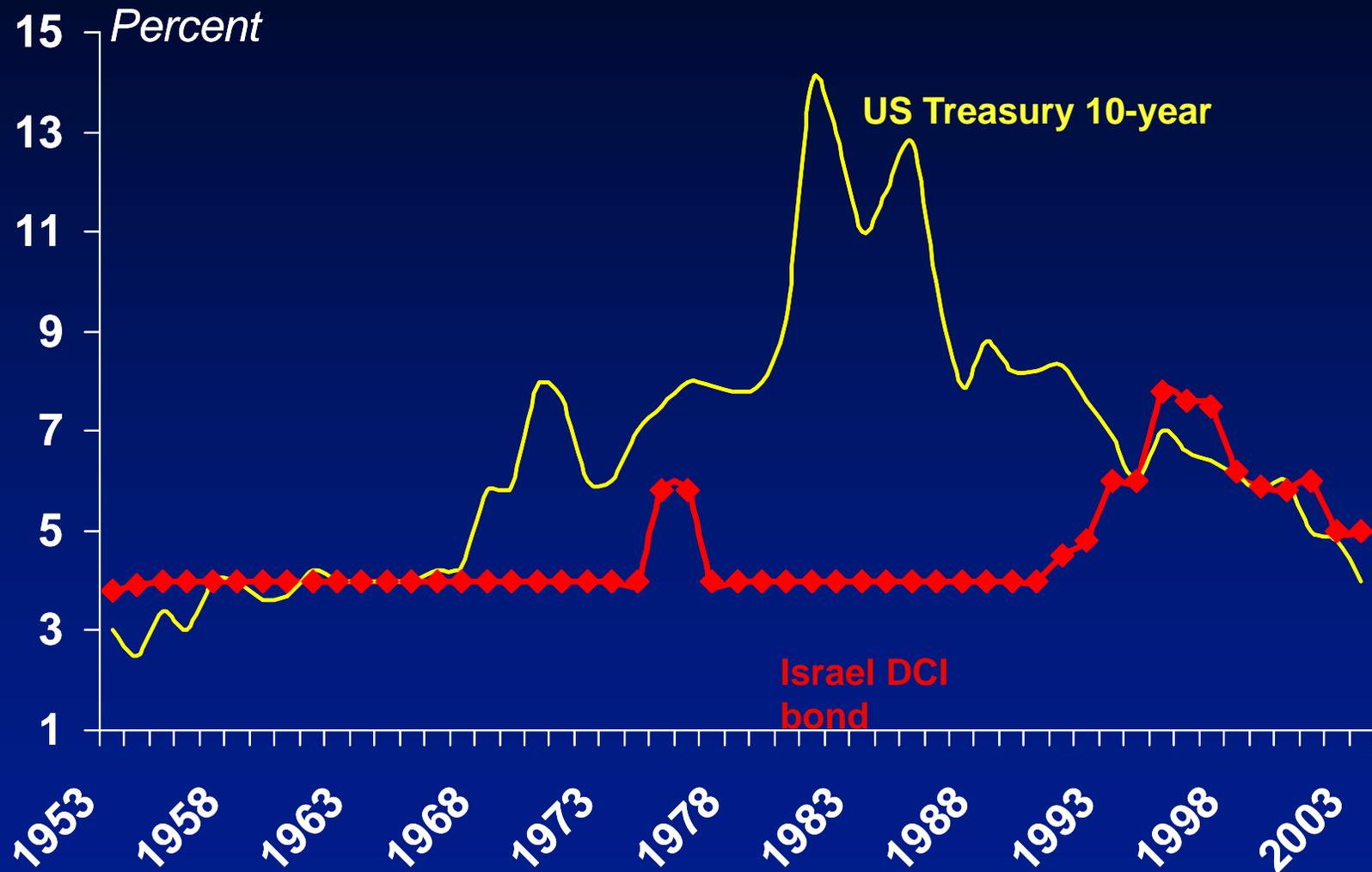


Source: Docquier and Marfouk (2004)

B. Development impact of international migration

1. Migration benefits all parties – the migrants, the destination country, and the origin country.
2. Benefits to countries of origin are mostly through remittances.
3. Emigration of skilled people may be a problem in small countries
4. Diasporas also provide business contact, trade network, technology, and capital to the origin country.

Diaspora bonds can be used to tap the wealth of the diaspora, often with “patriotic” discount



Israel and India have raised over \$35 billion via diaspora bonds

Outline

- A. Some stylized facts
- B. Development impact of international migration
- C. Policy implications

C. Policy implications

1. The international remittances agenda

1. Monitoring,
analysis, projection

3. Financial
access for
households



4. Capital
market access
for institutions

2. Retail payment
systems

International remittances Agenda

1. Improve monitoring, analysis, projection (MAPping)
2. Improve retail payment systems:
 - Reduce remittance costs
 - Improve competition in remittance industry
 - Share networks - avoid exclusivity contracts
 - Avoid overregulation of remittance industry
 - Introduce new technology
3. Leverage remittances for financial access for households
4. Leverage remittances for improving access to capital markets for institutions/countries

International remittances Agenda

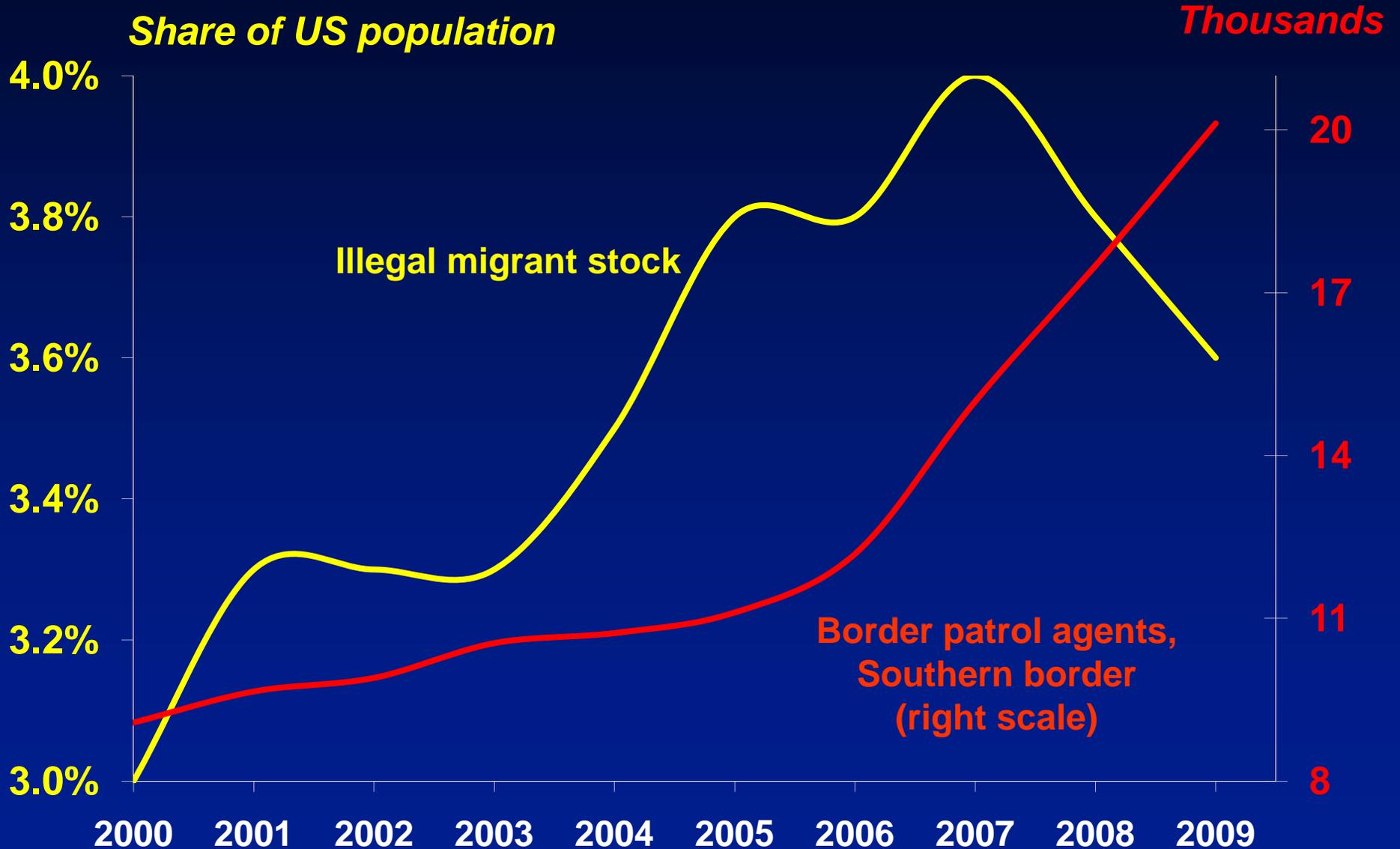
1. US Wall Street Reform Bill
2. US BRIDGE initiative

C. Policy implications

1. The international remittances agenda
2. Know your migrants/diaspora
3. Help potential migrants acquire globally marketable skills
4. Point-based systems can produce adverse effects on developing countries –
5. But ethical recruitment policies may be ineffective, and unethical
6. Improve transparency in recruitment of migrants
7. Border control policies should be revisited

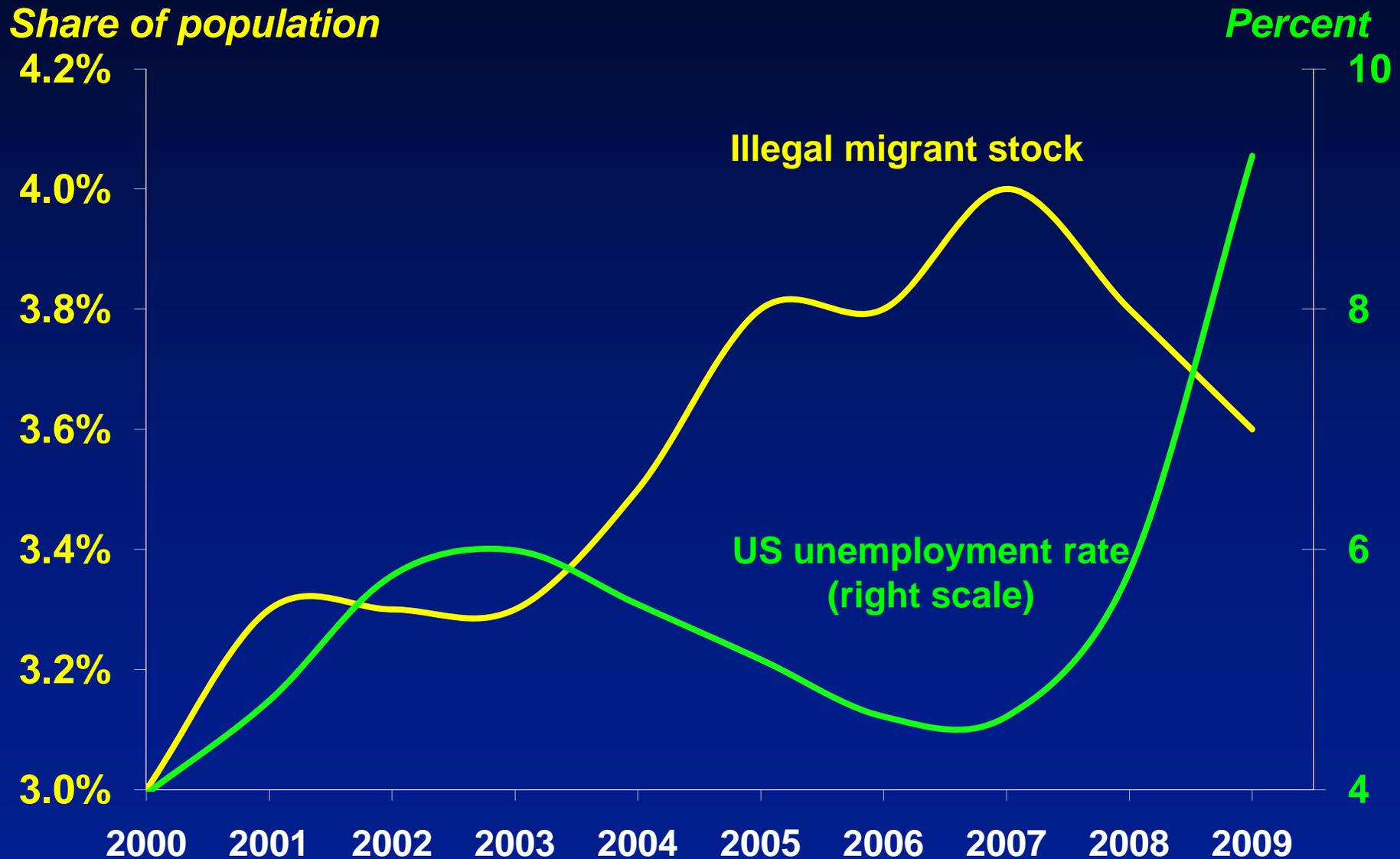
Do border controls stop migration?

Increase in border control seems to have little (perverse?) effect on illegal migrant stock



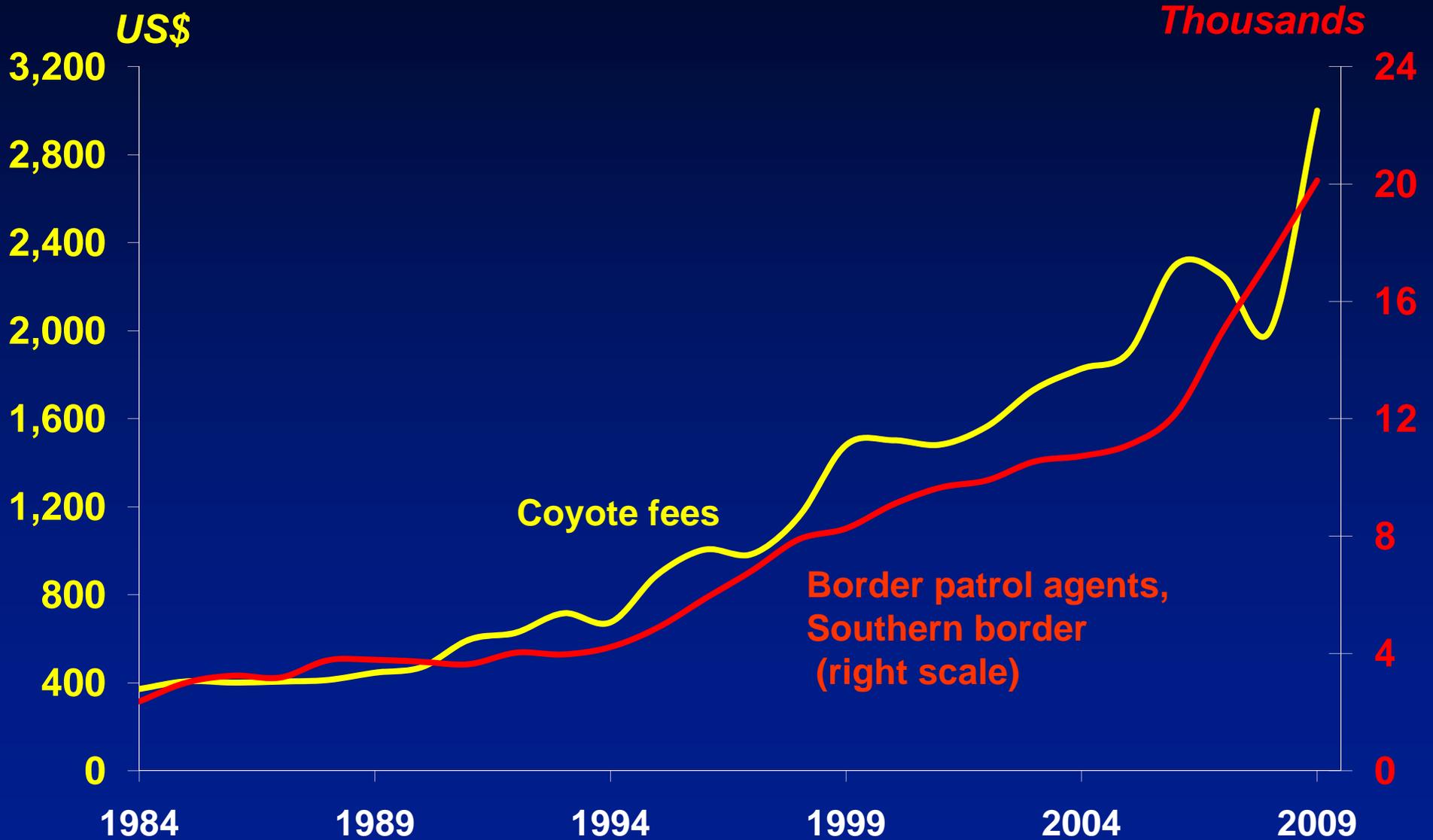
Source: Passel and Cohn (2010), Department of Homeland Security

Employment opportunities in the US appear to be a dominant pull factor for immigration



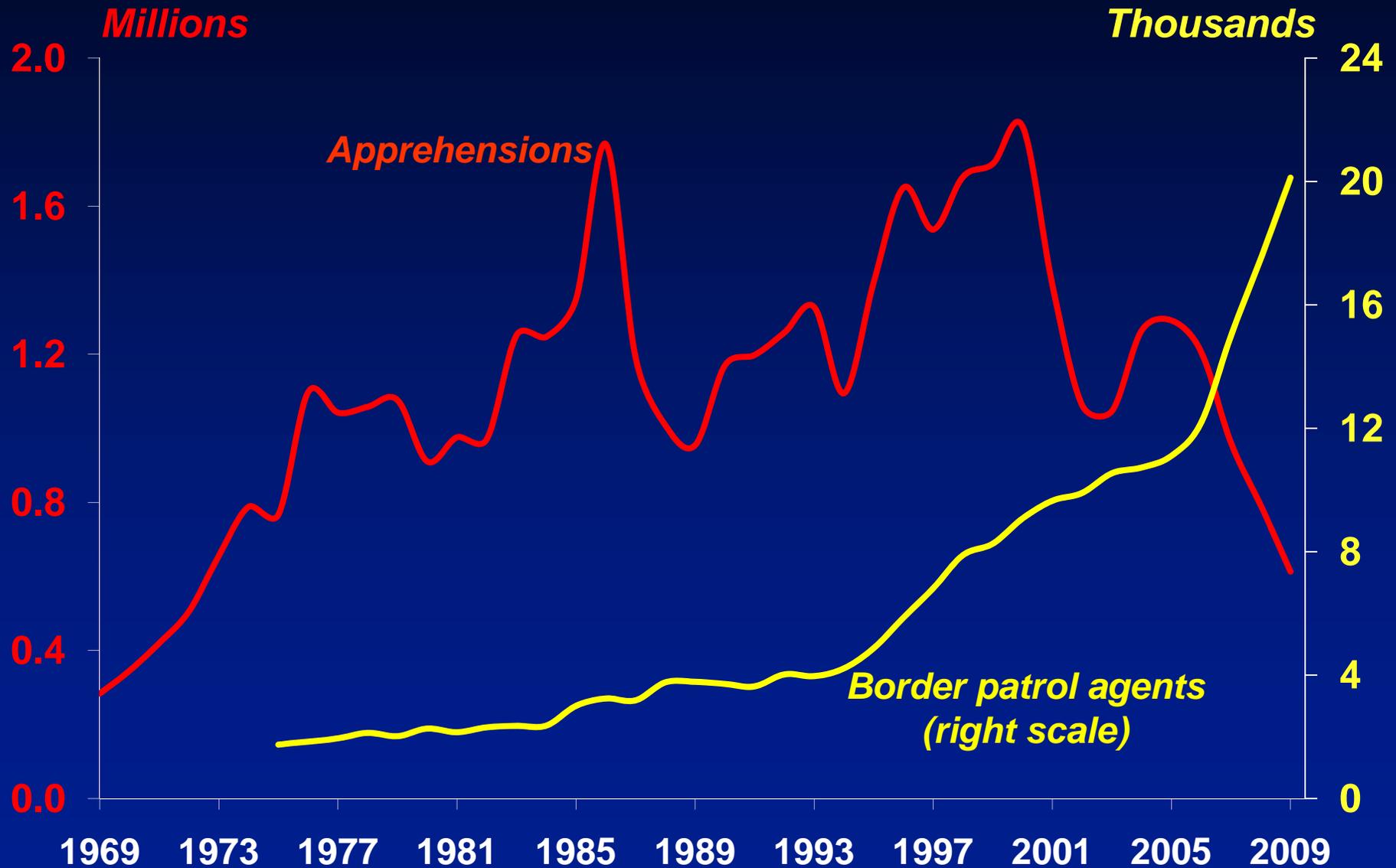
Source: Passel and Cohn (2010), Department of Homeland Security

Tighter border controls increase coyote fees



Source: DHS, MMP

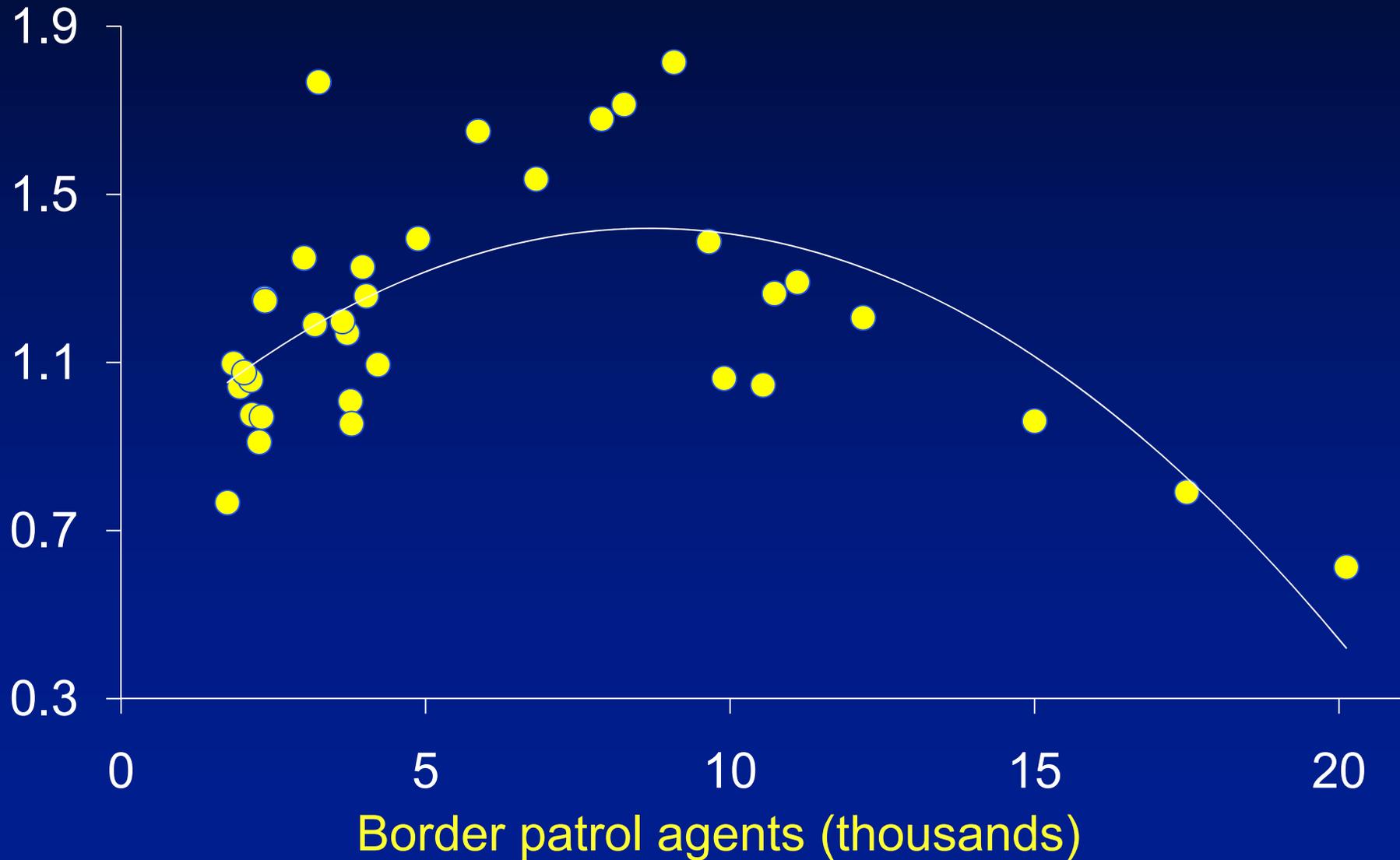
Apprehensions in the US-Mexico border have not declined significantly even though US border controls have increased



Source: DHS, CBP

Migration rises and then falls as border controls increase (the Migration Curve)

Apprehensions along US-Mexico border (millions)



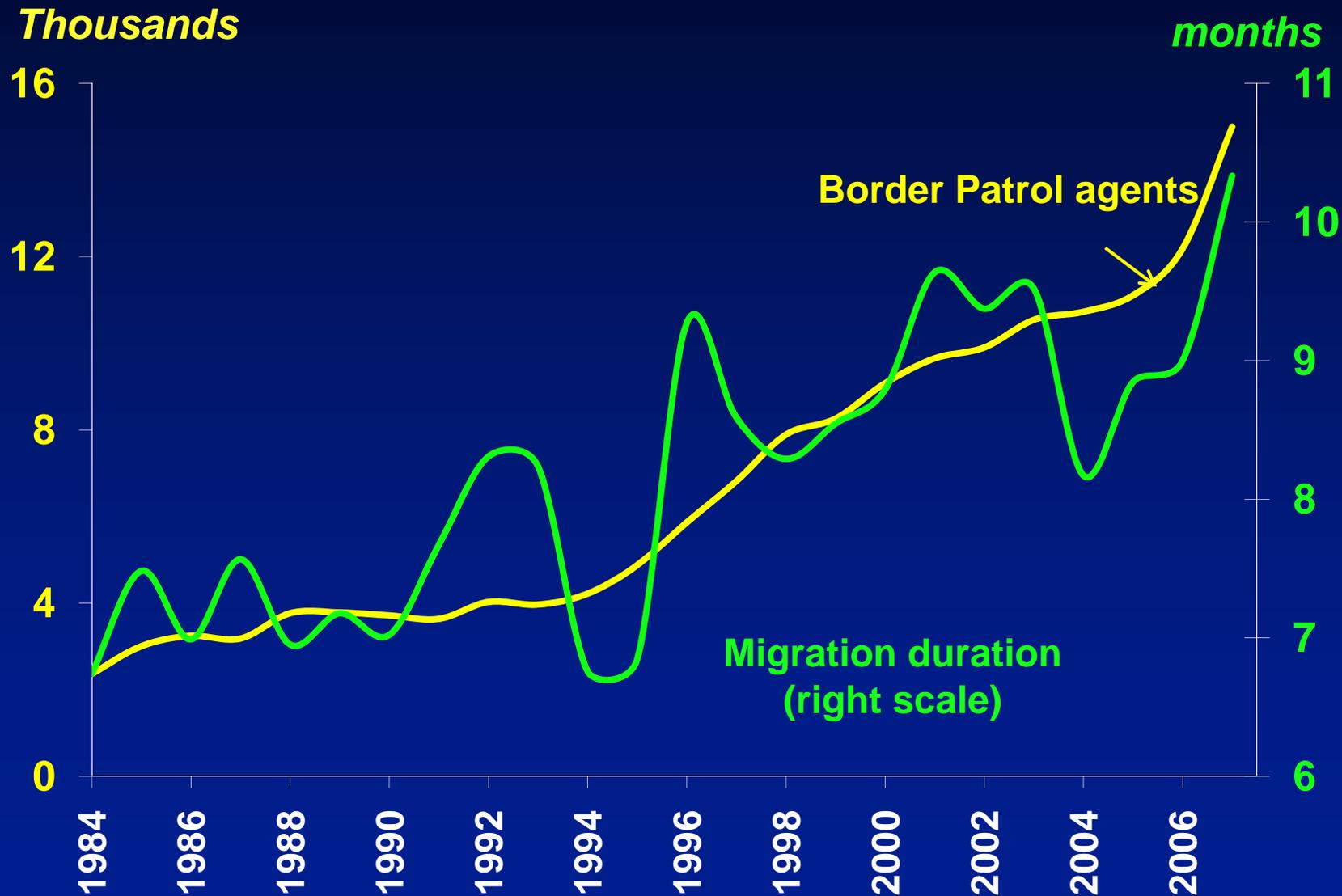
Migrant stock today
= Existing migrant stock
– Return migration
+ New migration

Or

$$M_t = M_{t-1} - R_t + \Delta M_t$$

Return migration and border controls

Duration of Mexican migration has increased – return rate has declined – as controls have been tightened at the US-Mexico border

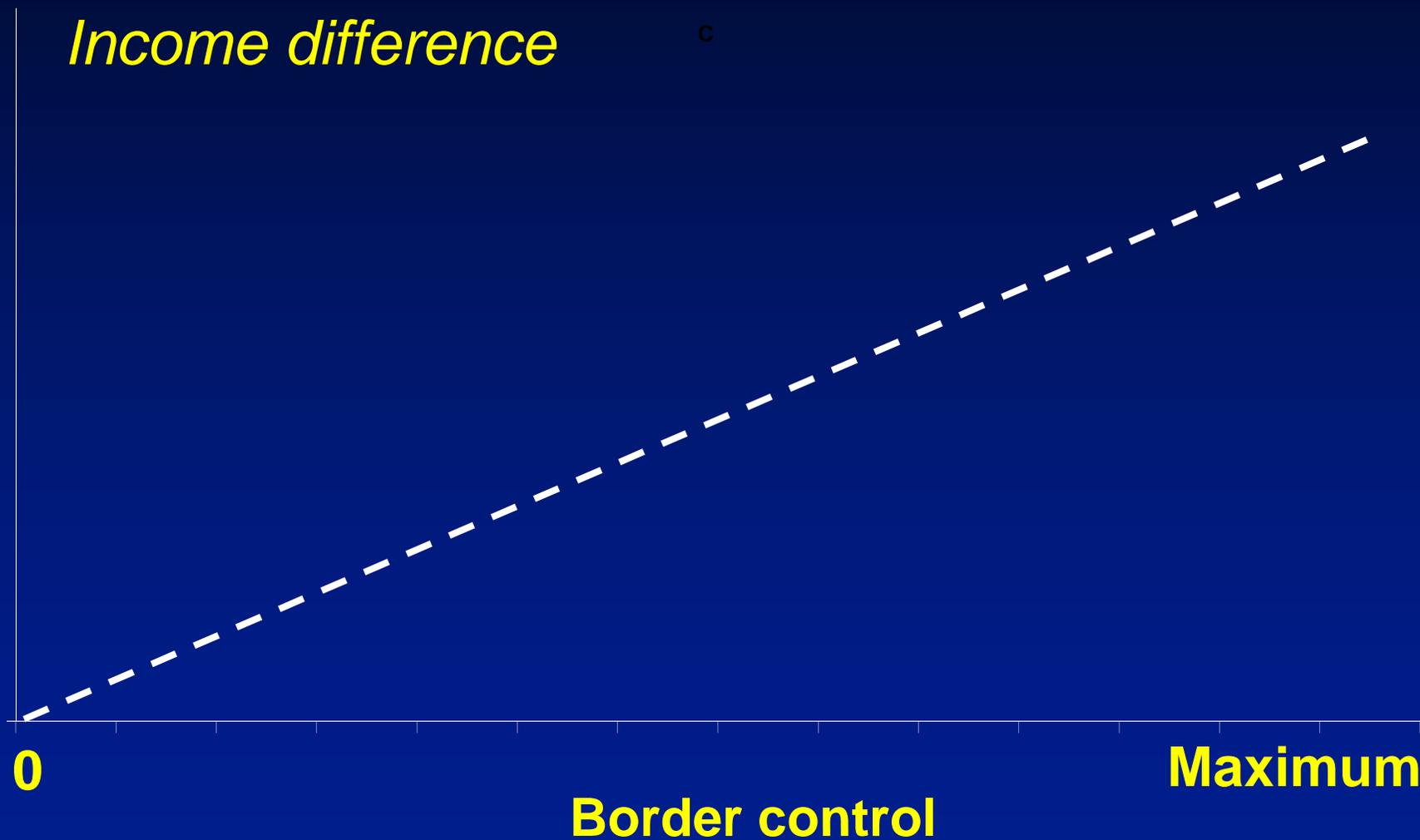


Source: DHS, MMP

New migration and border controls

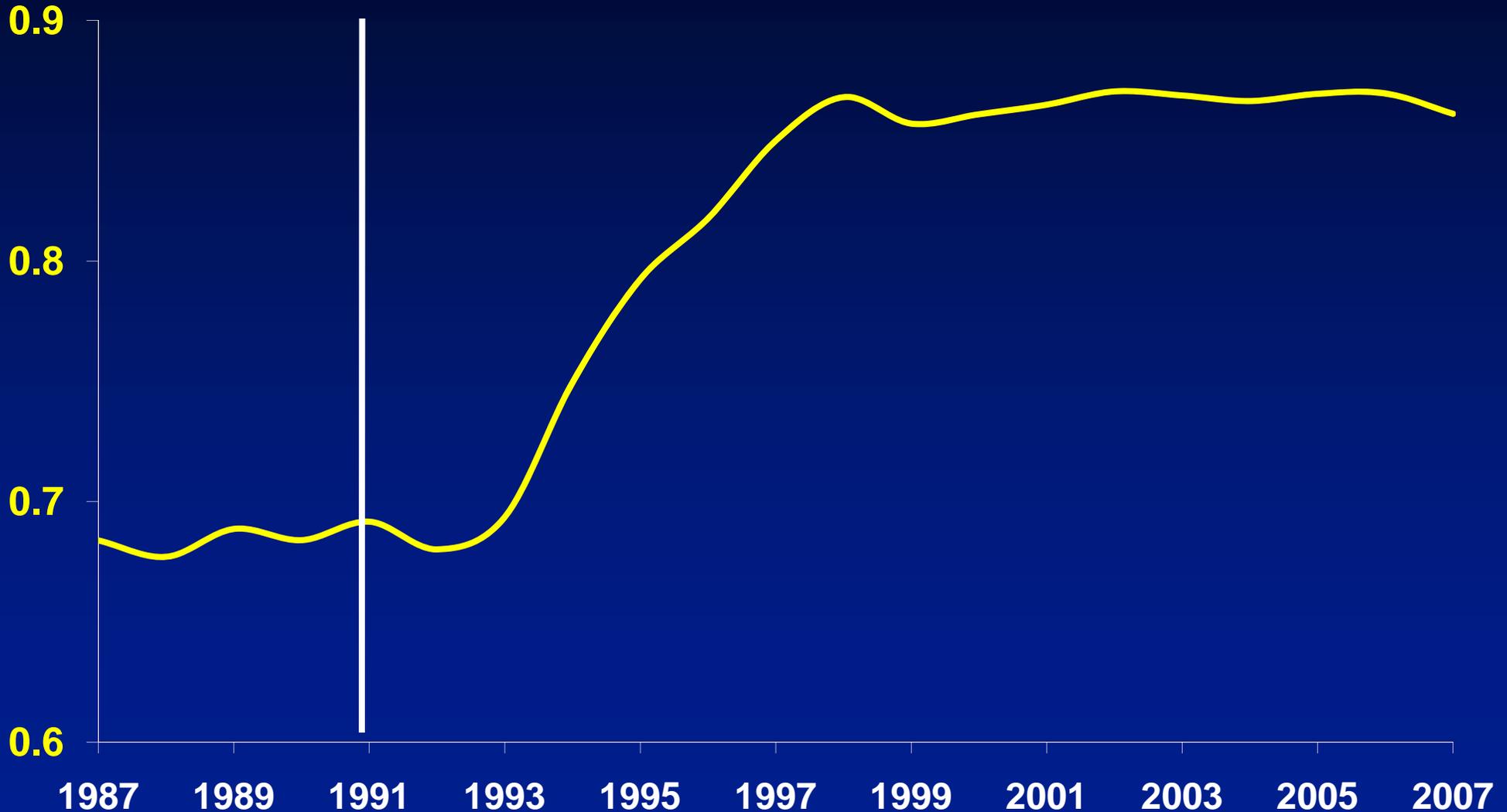
- Willingness to migrate is a function of developmental gaps
- Ability to migrate is a function of border controls
- Border controls increase the segmentation of labor markets and increase developmental gaps

Border controls also affect income differences



Break-up of the Soviet Union saw a divergence in income levels of FSU countries

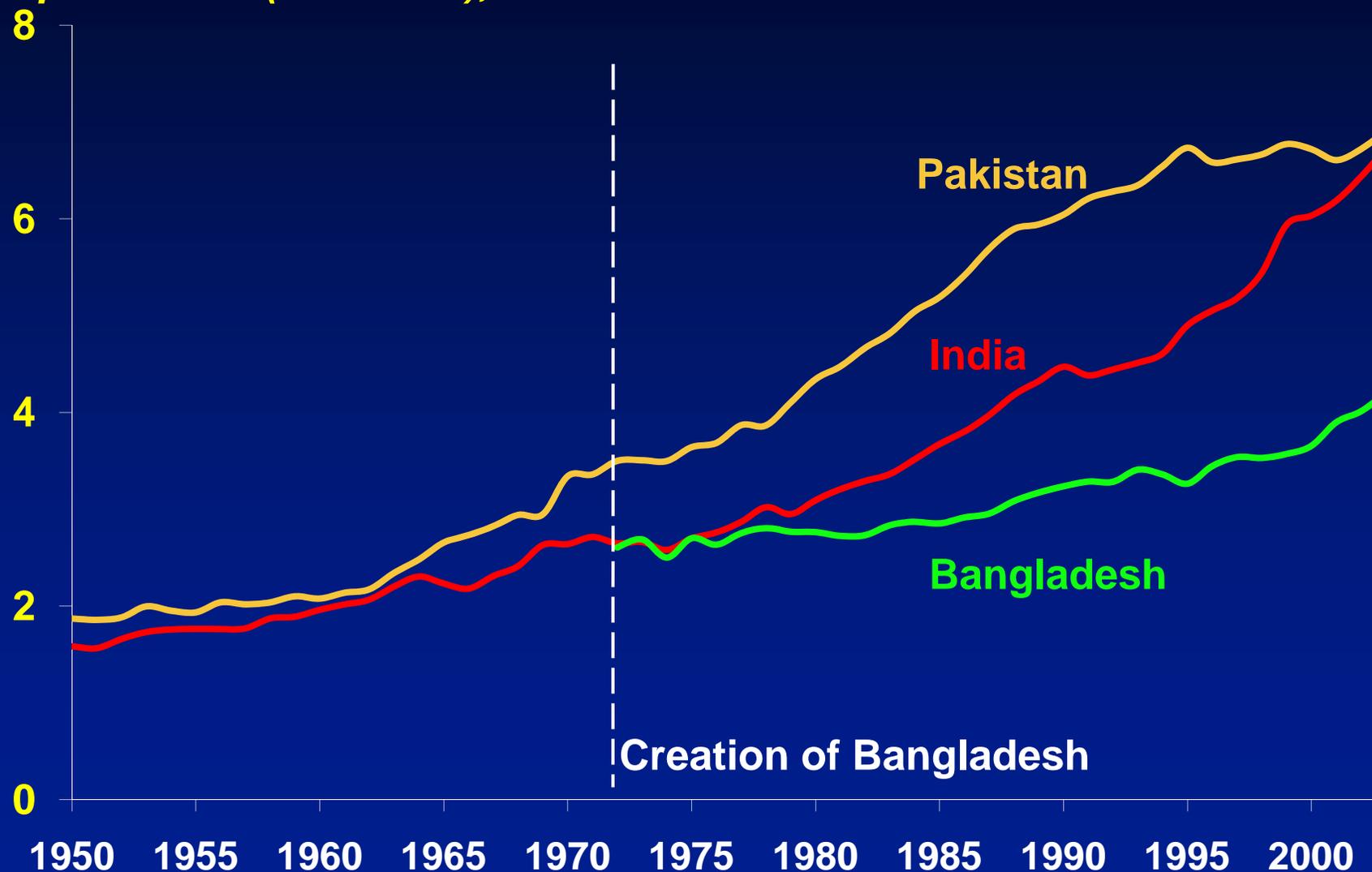
Coefficient of variation of GDP per capita (2000 US\$)



Source: DECPG

Creation of borders in South Asia led to divergence of income levels

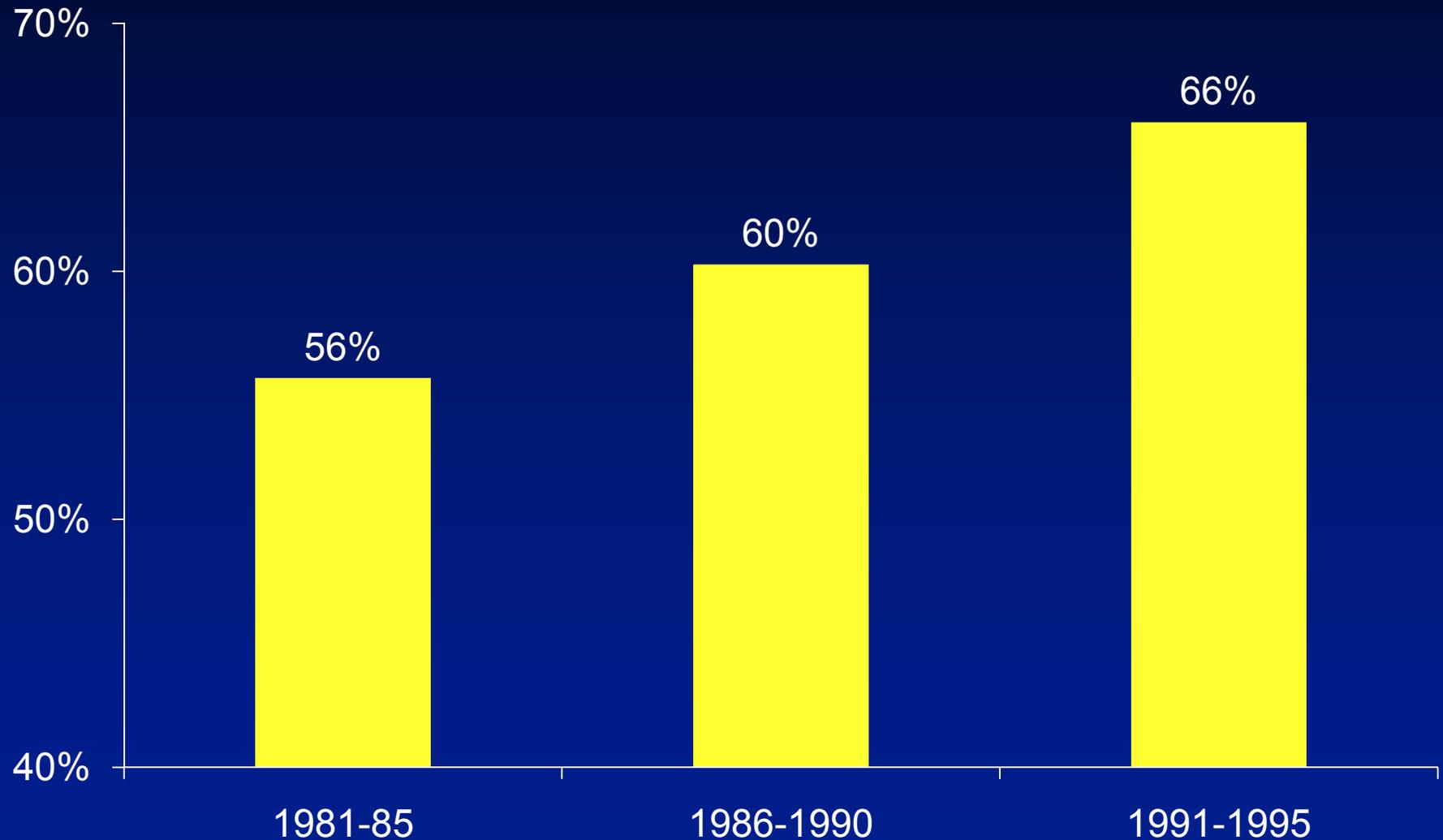
GDP per worker (2000 US\$), thousands



Source: Penn World Tables 6.2. India and Pakistan were partitioned in 1947.

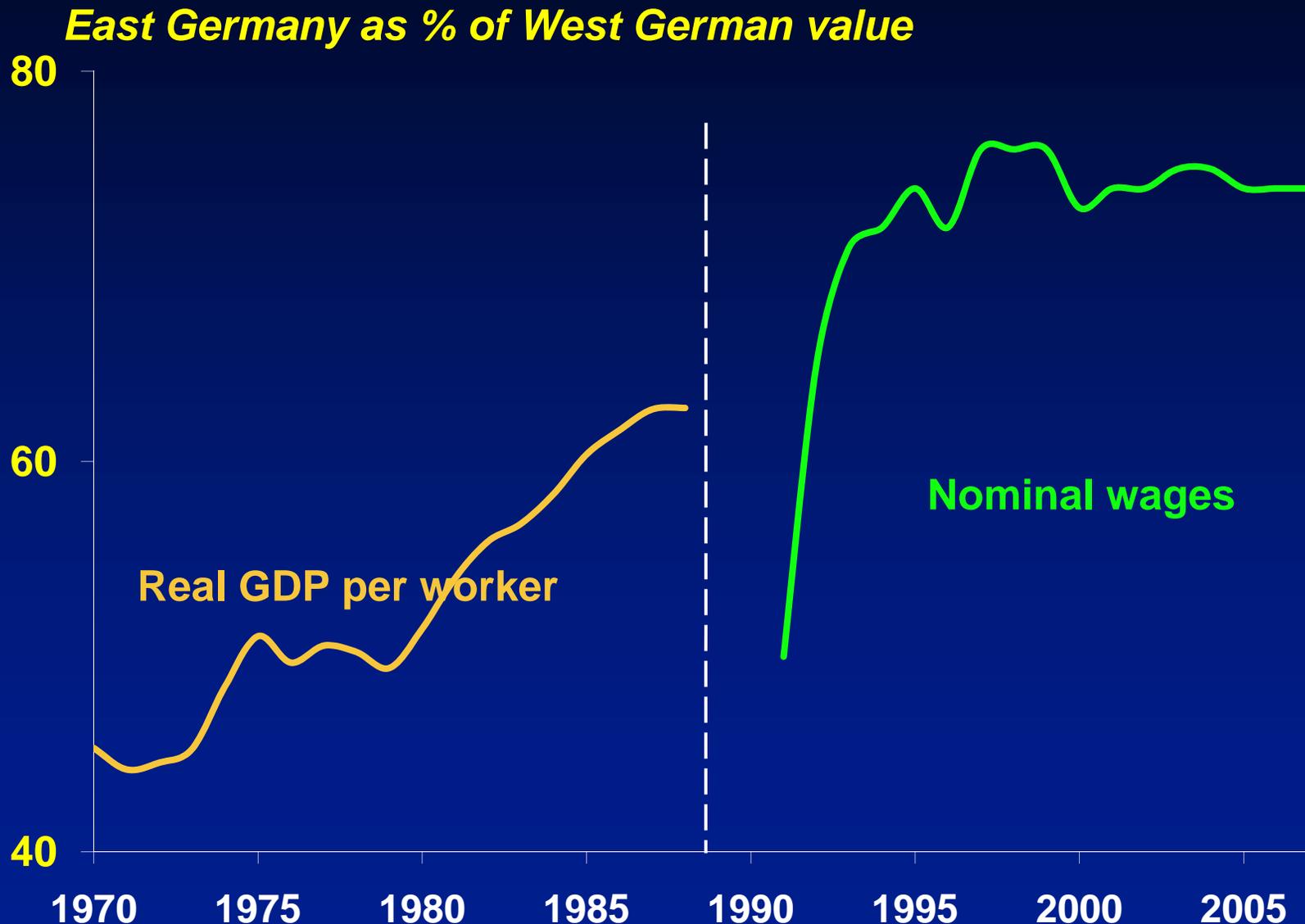
Accession of Portugal to EU in 1986 allowed it to catch up with France's income level

Portugal GDP as % of France GDP



Source: Penn World Table 6.2

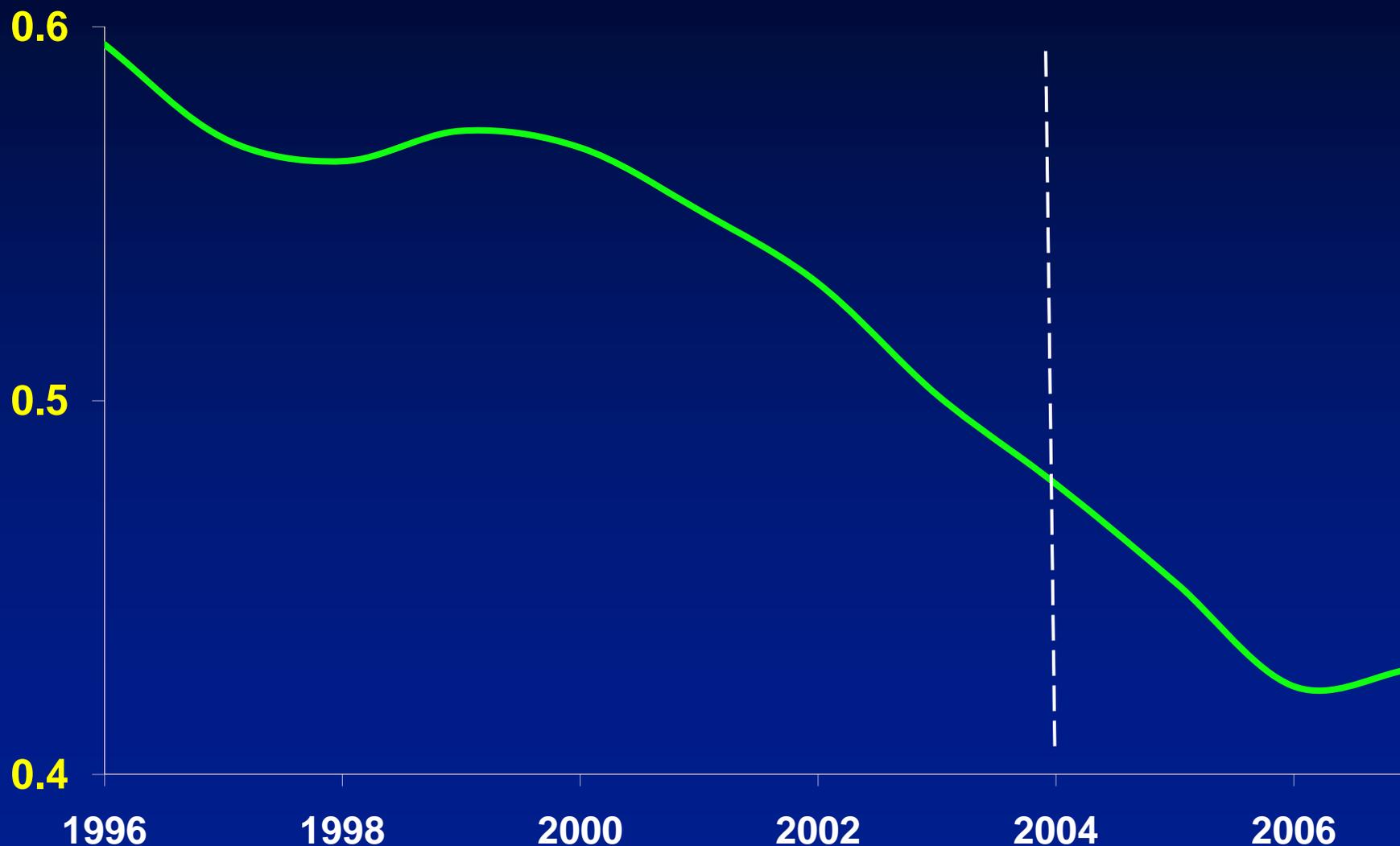
Income gaps narrowed between East and West Germany after unification



Source: Penn World Tables 5.6 and Burda (2008)

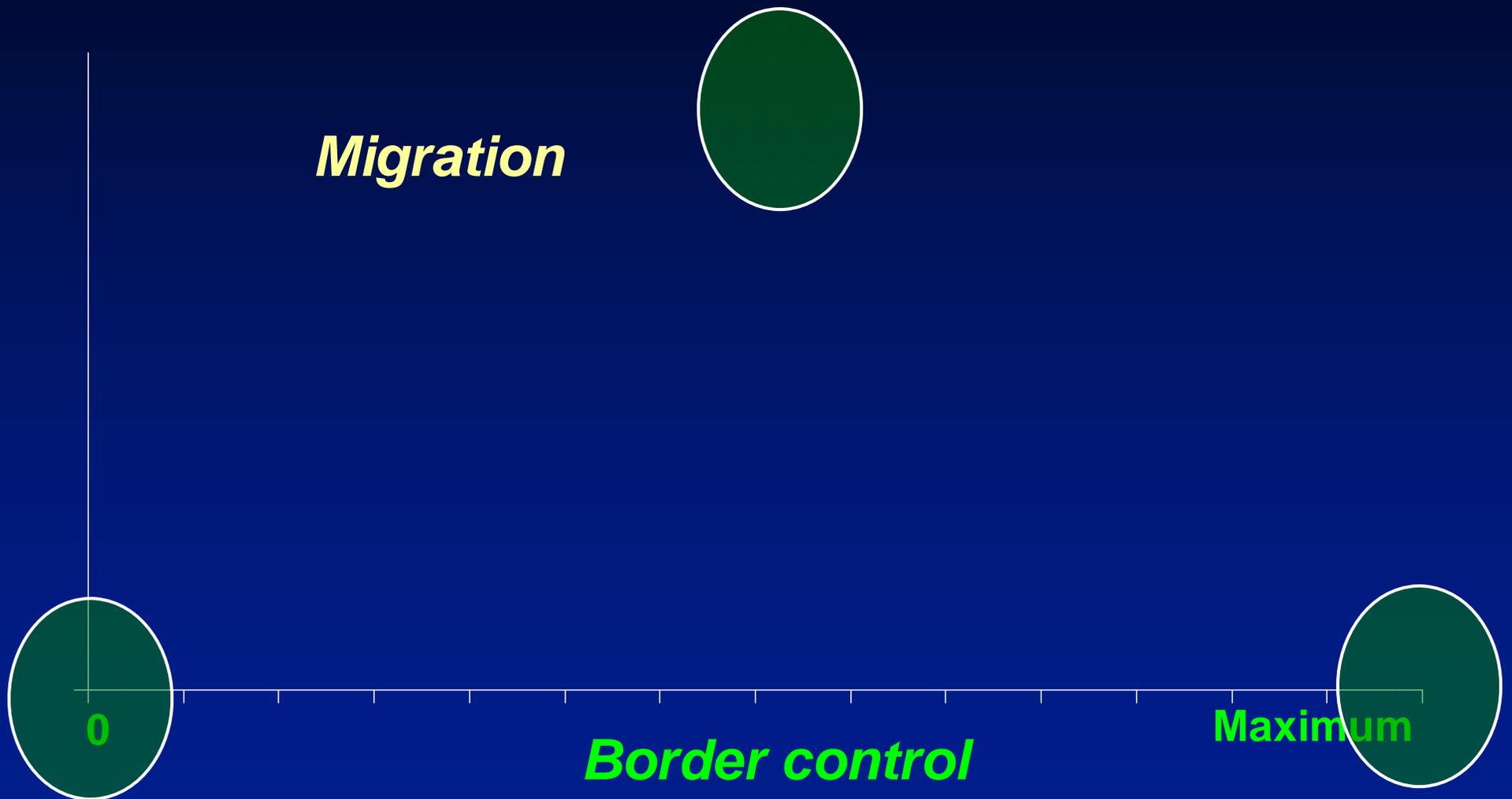
New EU accession countries also saw their income levels converge

Coefficient of variation, GDP per capita (constant 2000 \$)

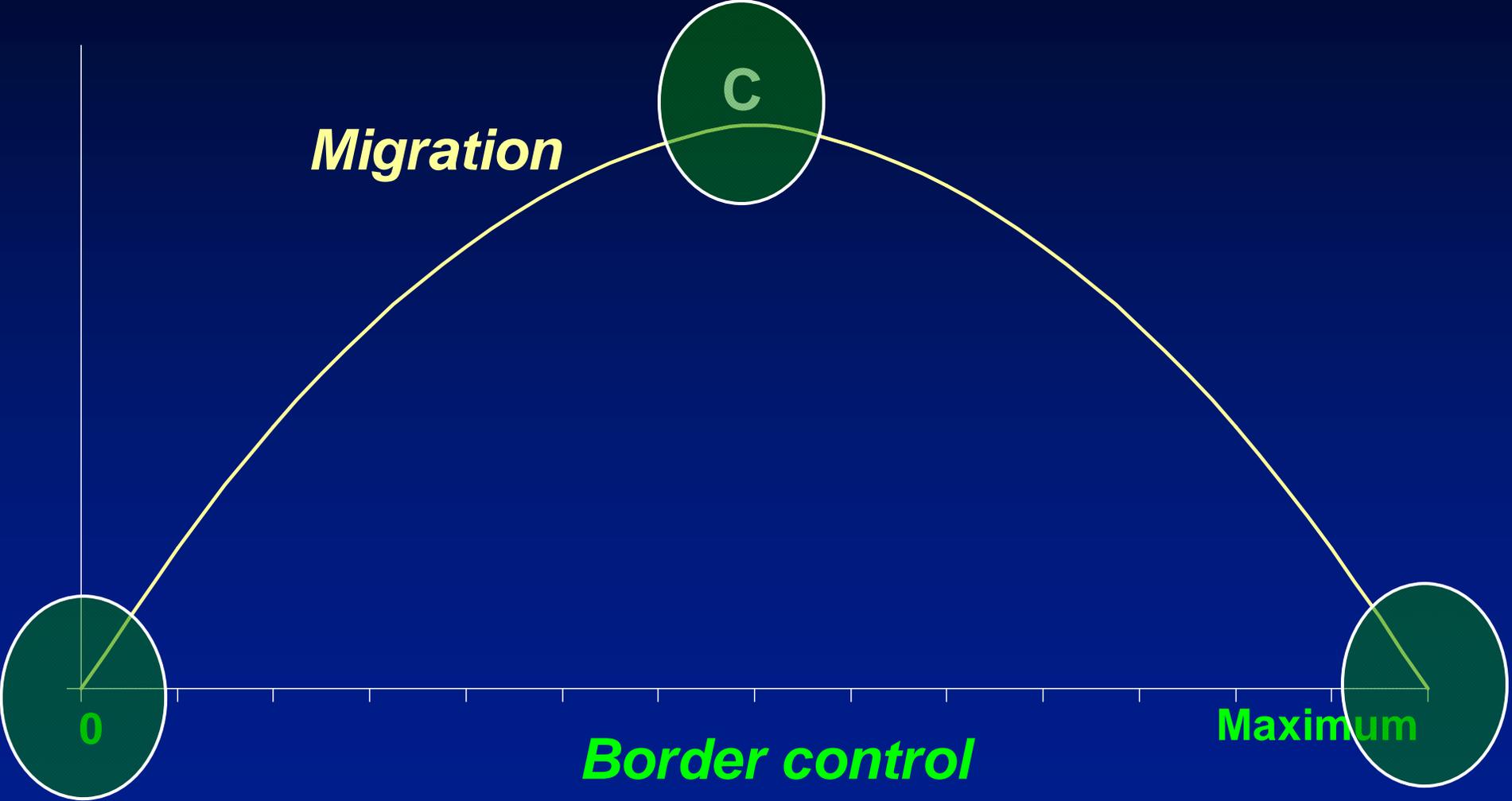


Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia joined the EU in 2004. Source: WDI

Migration Curve

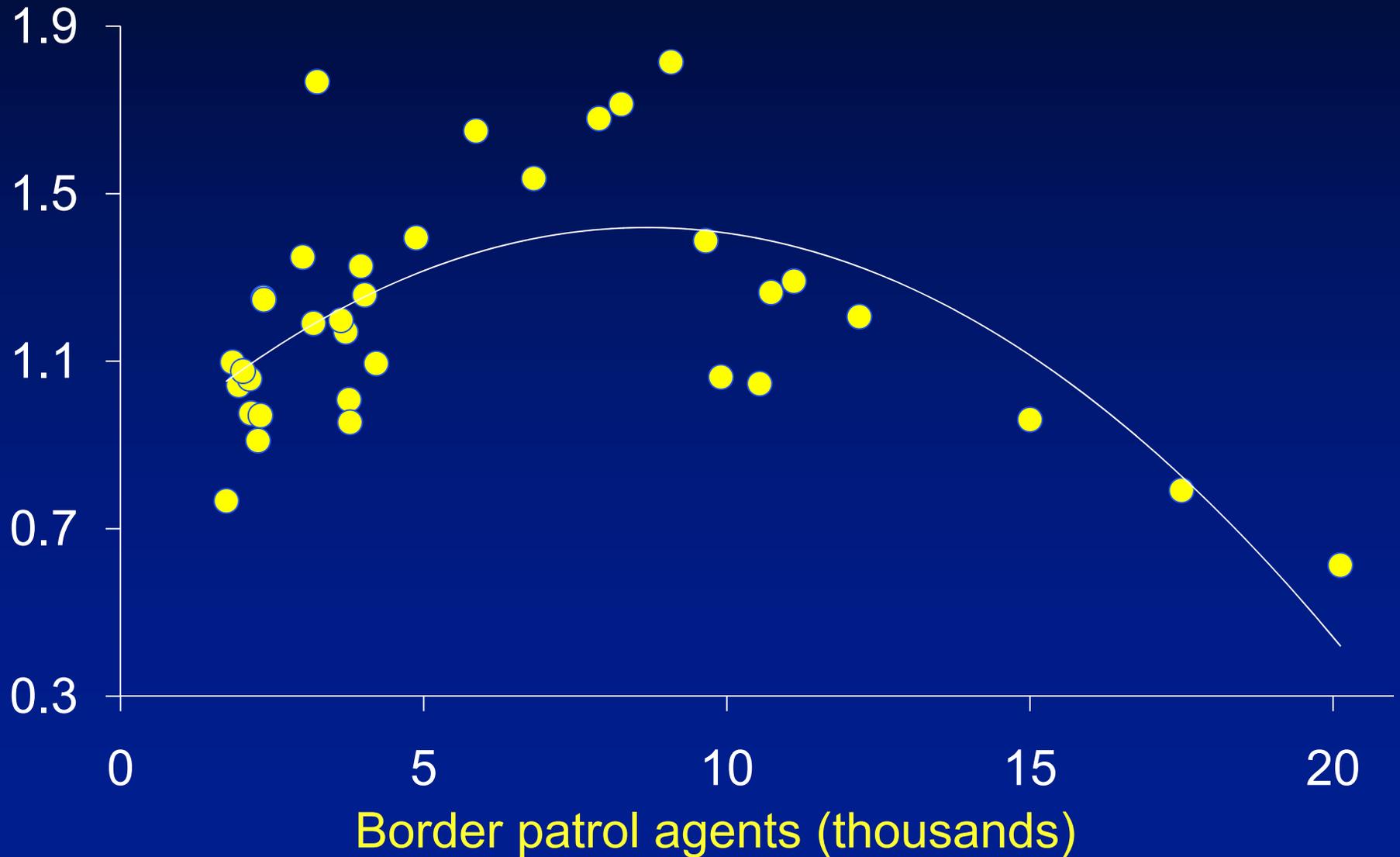


Migration Curve



Migration rises and then falls as border controls increase

Apprehensions along US-Mexico border (millions)



Migration Curve

On the left of the curve, shifting from border controls to development aid could be very effective

C

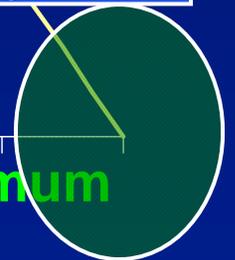
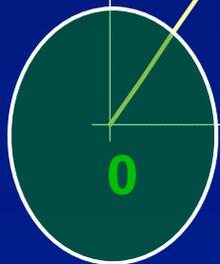
On which side of this curve are Mexico-US and Bangladesh-India corridors?

What is a border? Does it have to be the same for international trade, foreign investment, economic nationality, political sovereignty, cultural identity?

0

Border control

Maximum



C. Policy implications

1. The international remittances agenda
2. Know your migrants/diaspora
3. Help potential migrants acquire globally marketable skills
4. Ethical recruitment policies may be ineffective, and unethical –
5. Improve transparency in recruitment of migrants
6. Border control policies should be revisited
7. Migration is not a substitute for employment creation at home