

Migration: the answer to Third World poverty?

"Migration is an ideal means of promoting co-development, that is, the coordinated or concerted improvement of economic and social conditions at both origin and destination based on the complementarities between the two", former UN Secretary-General Kofi Annan¹.

In 2006, migrants sent home some US\$ 260 billion in the form of **"remittances"**. As informal remittances² add another 50% to the total of formal remittances, the full amount is probably more than twice the official development aid (ODA) received by developing countries³. Additionally, the circulation of skilled people can promote "brain gain" where a migrant's destination country can take advantage of well educated people filling-in gaps in their own economy while the country of origin can see their skilled people come back to work, teach, invest, share skills and train other people.

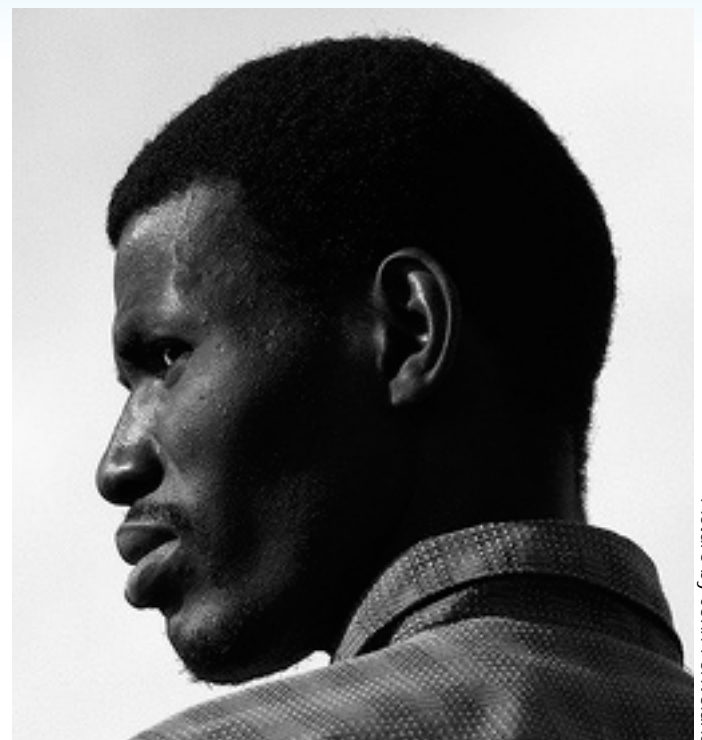
International migration is a fact and, to a large extent, the result of the lack of sustainable development in home countries, as observed for example by the Global Commission on International Migration (2005). It is furthermore encouraged by significant "pull factors" that result from the growing labour demands and demographic shortages in the "developed" countries.

In the age of globalisation and integration of markets, international migration can therefore be a potentially interesting response for both countries of origin as well as countries of destination. But, even if the economic benefits of migration might be positive, we have to look at the costs and see what the impact is, not only in terms of the economy but also with respect to the social well-being of the people involved.

Show me the money: remittances and their impact on poverty reduction.

"Diaspora is fast emerging as one of the forces for development in the globalizing world"⁴. Diaspora describes a group of nationals living abroad, whose members maintain their ethnic and national identity, keep in contact both with people in the country of origin and with other national diasporas

around the world⁵. They often create their own organisations, institutions and voluntary associations in the host countries to protect their rights; they fund community projects in countries of origin, such as schools, health centres, small-scale dams for farming, water supply system, agro-business programmes, etc. They facilitate and finance family reunification as well as migration of friends and they provide help for newly arrived migrants to find employment, housing, etc. Many work in skilled sectors and accumulate knowledge that allows them to establish and manage their own enterprises in their home countries. The creation of



Picture by John Perivolaris

networks among migrants in sending and receiving countries promotes the flow of investments and know-how in the country of origin. For instance, Indian workers in the United States are supporting the Indian software industry through transfer of IT technology.

Migrants also send home significant amounts of remittances. These international money transfers represent an important percentage of their income, although this varies by region and skill-level.

¹. In his report to the UN General Assembly, International Migration and Development, A/60/871, 2006.

². "Informal remittances are all types of money transfer services that do not involve formal contracts, and hence are unlikely to be recorded in national accounts. Formal channels include money transfer services offered by banks, post office banks, non-bank financial institutions, and forex bureaus and money transfer operators like Western Union and Money Gram. Informal channels include cash transfers based on personal relationships through business people, or carried out by courier companies, friends, relatives or oneself" (Remittances: Transaction Costs, Determinants, and Informal Flows, Caroline Freund, World Bank, Nikola Spatafora, International Monetary Fund, World Bank Policy Research Working Paper 3704, September 2005:). However, "The distinction often made between 'formal' and 'informal' remittances is a false one. Remittances and remittance systems routinely move from formal to informal procedures, often in the course of a single transaction that may involve hand couriers, banks, specialised remittance businesses and many other means of moving money or value" (Making the most of informal remittances, ID21 Global Issues, Communicating development research, 2005).

³. Migration and Development Brief 2, Remittance Trends 2006, by Sanket Mohapatra, Dilip Ratha, and Zhimei Xu of Development Prospects Group in collaboration with K. M. Vijayalakshmi of Development Data Group of the World Bank.

⁴. International Organisation for Migration (IOM).

⁵. For instance, migrants from China living in Italy are maintaining contacts with China, but also with other Chinese living in other countries.

Remittances have the potential to positively influence local development, reduce poverty and improve the lives of migrants and their families in particular. For this to happen, however, a suitable economic environment is necessary and the constraints people face need to be addressed properly. When this is not the case, remittances are used mostly for survival or emergency spending on food, water and fuel.

The recurrent structural problems which people are confronted with include: high levels of corruption, lack of access to financial institutions (especially in the rural areas), the high cost of remitting, instability of exchange rates in the home country, illiteracy, and the requirements put in place in terms of proof of identity. The latter is especially the case for undocumented migrants who fear legal action or deportation if the authorities become aware of their status as a result of transmitting money.

Additionally, the financial system makes the transfer of remittances costly for migrant workers: they pay for taxes when the money gets to its destination and for the commission levied by money transfer companies. High commissions can be collected by money transfer companies because of a lack of competition: for instance, Western Union and MoneyGram control 70% of the US remittances market and charge an average of 10%⁶ on financial transfers. However, fees can even be higher in other parts of the world, sometimes exceeding 20%. The global average for commissions on money transfers hovers at 13%⁷. The fact that identification is often required means that many migrants (temporary migrants, who only migrate for a fixed period of time, and undocumented migrants) cannot open their own savings accounts nor access banking services.

The transfer of knowledge: how to turn "brain drain" into "brain gain".

Migration of lowly as well as highly skilled migrants can have a beneficial socio-economic impact on both countries of origin and destination. While abroad, migrants gain experience, know-how, earn money, create networks between the two countries and can contribute to the development of both. If migrants come back home after a long period abroad (such as 5 to 10 years) their return can be beneficial in terms of development if (and only if) they find a favourable investment environment: they can create their own enterprises or invest in local enterprises, bring new knowledge in the fields of medicine or technology, develop educational projects and combat illiteracy through establishing schools, etc.

However, permanent return is rare since the root causes that led to emigration in the first place (often a complex combination of economic, social, political, and/or religious factors) are often still present. These push factors are a continuing reality, so migrants have very little incentives to return home. On the other hand, the loss of skilled people in countries of origin remains problematic since this "brain drain" represents a considerable loss to the sending countries. Africa lost 60,000 professionals (doctors, university lecturers, engineers) between 1985 and 1990. For every 100 professionals sent overseas for training between 1982 and 1997, 35 failed to return⁸.

For those who do return, reintegration in the local labour market is often difficult. This is particularly true for women who time and again find themselves back at home stuck in the roles of housewives and mothers and do not make the most of the skills they acquired abroad. Men find it difficult too as they adapt to a new work environment, which is different from the one they left behind.

Migrant workers who stayed abroad for less than six months usually do not have the possibility to acquire experience, knowledge or save enough money and therefore they bring very little back from their experience of migration. Finally, migrants who return for short periods (some months) tend to remain unemployed during that period, waiting to migrate again, without using or sharing their new skills.

Who should be responsible for development?

With the level of financial transfer and the potential for acquiring skills and aptitudes for many, it is difficult to ignore the development potential of migration⁹. However migrants, for the majority, tend to come from the poorest parts of the world. They are already among the most vulnerable communities and have shown incredible strength of character and often real imagination in their search for a better life for themselves and their families. In this context, is it fair to ask migrants and Diaspora around the world to shoulder the burden of development on top of their already existing difficulties? Shouldn't they be deciding themselves on how they want to spend what are after all private earnings? And isn't it terribly indecent to rely on the most vulnerable to reduce global poverty? What about the multiple promises made by the "developed" countries, such as in the context of the Millennium Development Goals?

⁶. Credit Union: Efficient Financial Institution Model for Diaspora Remittances, Presented at The Ministerial Conference of the Least Developed Countries On Improving Remittances Services, 9 and 10 February 2006, Cotonou, Benin.

⁷. IOM, idem.

⁸. From brain drain to brain gain, Education Today N° 18, UNESCO.

⁹. On 9, 10 and 11 July 2007 the first meeting of the Global Forum on Migration and Development took place in Brussels.