

**SUMMARY REPORT: Discussion on Migration and Development: Using Remittances and Circular Migration as Drivers for Development**

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This report summarizes the presentations and conversation that took place during the Migration Policy Institute-Migration Information Source meeting on “Using Remittances and Circular Migration as Drivers for Development” hosted by the Center for Comparative Immigration Studies at the University of California San Diego on April 11 and 12, 2003. The meeting brought together 20 international experts from academia, research institutions, government, and multilateral organizations. The fields of expertise represented included demography, geography, refugee protection, development economics, sociology, and immigration law and policy, reflecting the complex and diverse array of issues relevant to “migration and development.” The goals of the meeting were to:

- highlight changes and new knowledge in migration and development.
- revisit old concepts of migration and development, extract those that continue to resonate, and build upon them with new ideas.
- open a frank discussion on the potential of circular migration and remittances as drivers of economic development.
- identify data and research needs in the area.
- provide the groundwork for a special issue of the Migration Information Source ([www.migrationinformation.org](http://www.migrationinformation.org)) focusing on migration and development and featuring work by many of the experts in attendance.

**I. Migration and Development: What’s New, What’s Old, What’s Out**

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**Introduction:** Migration and development have been discussed together for well over 30 years. The meeting began with a critical overview of thought on the topic, aimed at discarding flawed concepts, reviewing old debates and identifying new trends. Rather than attempting to settle questions that have long resisted conclusive answers, the meeting focused on building the knowledge base needed to develop coherent policies that maximize the development benefits of migration. Discussion was guided by realism about the limited ability of the state to influence positively migration outcomes and by recognition of the determination, hard work, and contributions of migrants themselves. There is a growing awareness of the need to move discussion away from a single-

minded focus on state policy to one that also looks at migrants themselves; several attendees spoke of a need for "immigrant policies" rather than "immigration policies."

Advances in research and thinking on migration informed this discussion. Old themes have reemerged in new contexts, new trends have been studied, and difficult debates continue.

### **Old and discredited ideas:**

- The concept that either poverty or overpopulation, in and of themselves, causes migration is an oversimplification. People move for a variety of reasons, and their movements are facilitated by complex and enduring transnational social networks.
- The wishful thinking that economic development can reduce migration pressures in the short term has been dispelled.

### **Old, but reemerging ideas:**

- Interest in remittances has grown while questions about their development impact remain. Globally, remittances have grown both in nominal terms and relative to source countries' GDPs, far outpacing growth in official development assistance. Remittances are more stable than foreign direct investment. Thus, more countries are looking to remittances as a development tool.
- Debate over the "brain drain" continues. As high-skill emigrants have increasingly lent their expertise and capital to business ventures in their home countries, discussion has shifted to embrace the concepts of "brain gain" and "brain circulation." However, many developing countries remain very concerned by their lack of control over high-skill labor exports.

### **New developments:**

- Complex "replacement" migration flows have arisen. One example is the replacement of Canadian doctors who have moved to the US by South Africans, which then leads Cuban doctors to migrate to South Africa.
- Women account for a growing proportion of migrants. In particular, Arab countries and the "Asian tigers" have attracted large numbers of domestic workers. These workers are among the most abused and least protected groups of migrants. Attempts to limit this type of migration have only driven flows underground, where more potential for abuse exists. However, innovative programs, such as one that gives mobile phones to Indonesian women working abroad, can prevent isolation and abuse in the destination country. Other implications of the feminization of migration include the "care drain" of women who leave their own families to work abroad as domestic workers.
- Financial flows from migrants other than remittances have grown, including tourism by emigrants and individual and collective foreign direct investment and philanthropy in the source country.
- The concept of "political and social remittances" has been developed in response to the recognition that migration creates an exchange of ideas and practices as well as people and money.
- Successes in places such as Hsinchu, Taiwan and Bangalore, India have drawn attention to the role of migrants in creating business linkages and outsourcing production back to their source country.

- Technology has intensified the networks that tie migrants and their source countries. Cheap transportation has made return visits or circular migration much more feasible. The Internet helps migrants maintain social and business ties, and gives prospective migrants ready information about jobs and life in the destination country, as well as information about how to get in.
- A focus on international migration, and in particular on migration from developing to developed countries, risks ignoring internal and intra-regional migration. Internal and inter-regional migration are more likely to involve the extremely poor and thus may actually be more important in terms of development impacts.
- There is a growing appreciation of the extreme measures—fueled by what some will call “desperation” and others “determination”—that people will take to migrate. A migration and development agenda must consider the adverse effects of border control policies and minimize both illegal crossings and the risks they involve. The US’s “concentrated border enforcement” on the US-Mexico border in the 1990s sought to discourage illegal entry by closing the easiest routes and raising the costs of crossing. Crossings did not drop. Rather, illegal migration flows were diverted through more dangerous terrain. As a consequence, organized smuggling increased and migrant deaths in remote border areas rose markedly. Undocumented Mexican migrants now tend to stay in the US longer in response to the increased risk involved in making another trip to the US.
- Labor migration has entered the discussion on trade liberalization and is part of the WTO’s General Agreement on Trade in Services. Although political complications make significant liberalization of labor migration under multilateral agreements a remote possibility, trade and migration experts need to work more closely. Likewise, although NAFTA and other free trade arrangements have not reduced migration pressure, migration remains relevant to developed countries when considering trade policy.

**An Enduring Debate:** Migration continues to raise difficult questions about the nature of development itself. On one level, development is the alleviation of poverty, and migration clearly achieves this. Migration that results in remittances raises the incomes of the families of migrants and sustains many poor families. Much of that additional income is spent on basic education, housing, food, and health care. Thus, migration and remittances contribute to progress toward some of the UN’s 8 Millennium Development Goals.

On another level, however, development entails long-term structural change: improvements in knowledge and technology, and the creation of efficient businesses, governments, public services, and other institutions. When viewed through this second concept of development, the effects of migration are mixed. Some analysts say that migration does not lead to the structural changes needed for long-term development and may actually delay them. This argument states that, much like a natural resource windfall, migration may raise incomes without boosting know-how and institutional capacity, while creating perverse incentives that lead to unsustainable family economies. Migration arguably robs developing countries of their most motivated and innovative people, delaying institutional change. Further, the world’s very poorest do not often migrate internationally.

This philosophical difference does not necessarily lead to different research and policy prescriptions, however. Whether or not labor export constitutes “real” economic

development, widespread agreement exists that stopping migration is neither possible nor desirable. Instead, public policy should maximize the development benefits of migration by increasing the positive impact of remittances and taking advantage of the learning and business opportunities offered by circular migration and the transnational connections that migrants create. No matter where they stand in this debate, experts agree that remittances and the other benefits of migration are the private rewards to the exceptional hard work, risk and initiative of the migrant. Public policy made in the name of economic development must reflect this reality: that the basic units of migration, and the most important actors for development, are migrants themselves, not the state. In particular, policies toward remittances must be incentive-based ways to enhance the opportunities available to migrants and their families, not an attempt to confiscate their earnings for government use.

## **II. New Issues Related to Circular Migration**

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**Introduction:** The popular legend of immigration is that migrants move to a receiving country, settle there permanently and are assimilated into a baffling new culture. The reality is that this story represents only a very small proportion of all migration: much migration is circular (migrants return to their sending country, once or many times over a period of time) and most is transnational (migrants move to migrant communities in the receiving country and maintain strong social, business, and political ties to the sending country.) These new paradigms of migration represent a potential lever for development: financial, human and social capital gained abroad can have powerful benefits for the source country if migrants return or maintain strong ties. Unfortunately, migration policy still has not addressed these predominant forms of migration and remains grounded in the binary concepts of “permanent” and “temporary” migration. Innovation is needed to help sending countries promote circular migration and use it for development and to assist labor importing countries in developing better temporary labor migration programs.

### **New knowledge and developments in circular migration**

- Modern forms of transport and communication have reduced the “friction of distance” between sending and receiving countries.
- International social networks, based on kinship and hometown ties, give migrants social capital that is useful both in the source and receiving country, encouraging movement between the two.
- The growth of international companies has resulted in more international transfers within companies.
- The number and variety of occupations that are part of the international labor market have increased, and will continue doing so. Even in middle-income countries such as Malaysia, migrants provide most of the labor in the agricultural, construction, and domestic services sectors.
- A worldwide migration industry has developed, often with the participation or encouragement of national governments, to facilitate temporary labor movement. This industry has both a legal and a black market component. Despite popular conceptions that the clandestine immigration industry is controlled by well-organized

criminal cartels, many enterprises that facilitate illegal immigration are, in fact, small family businesses.

- Policies designed to restrict undocumented immigration inflows may cause undocumented migrants to spend longer amounts of time in the host country and encourage them to bring their families. For example, Indonesian workers cross the loosely controlled border with Thailand regularly, but few settle for long. In contrast, Indonesians who make the more closely guarded passage to Sabah in Malaysia tend to bring their families and stay longer.
- Receiving countries increasingly prefer temporary migration programs to permanent ones, although they are rightly skeptical of how “temporary” they are. Australia, for example, established its first temporary worker programs in the 1990s. One estimate predicts that 15% of new “temporary” migrants will end up living in Australia on a “permanent” basis—a significant number, but not worthy of the famous quote, “There is nothing more permanent than temporary migration.” The natural tendency toward voluntary circular migration, properly encouraged, can make temporary programs more successful for all parties.
- Labor segmentation is playing an ever-increasing role in driving migration, particularly circular migration, but policy does not yet reflect this. In an increasing number of developed countries, natives are unwilling to perform low-wage, low-prestige work. As the populations of the developing countries age, the demand for low-skill service work will continue to rise. However, migration programs in the developed countries, particularly temporary ones, generally aim to attract high-skill labor and, aside from the agriculture sector, exclude low-skill labor.
- The role of migration and circular migration in spreading diseases such as AIDS and SARS needs to be examined. Still, public health measures aimed at migrants need to avoid scapegoating them and acknowledge that labor migrants are not the only—or even primary—carriers of diseases from country to country. For example, evidence shows that AIDS was introduced to Indonesia not by returning labor migrants, but Indonesian soldiers returning from peacekeeping duty.

**Temporary labor migration: The good, the bad, and the difference.** A first step toward integrating circularity into policy will be to develop temporary labor migration programs that work well. Experience with temporary labor migration has not been universally positive for migrants, sending countries or receiving countries, but good models and clear lessons do exist.

The good: Mexico's temporary agricultural labor program with Canada has been successful both in protecting worker rights and promoting circularity. The Mexican government recruits workers for jobs arranged through a Canadian employer's association. The agencies involved certify and monitor both the workers and the employers. Last year, 12,500 workers participated. In 28 years of operation, no Mexican migrants have overstayed their visa, only 5% have returned before their visa expired, and a number of workers have returned to the same employer year after year. Switzerland, too, has a successful temporary visa program that allows migrants to work in the hotel and service industry for nine months per year. Participation in the program has reflected the development state of sending countries: Southern European migrants have been gradually replaced by Eastern European workers.

The bad: Temporary labor programs have an enormous potential for abuse, particularly when they are unilaterally administered programs. The US's H-2A and H-2B visas, the majority of which go to Mexicans, are tied to specific jobs. The system gives employers and recruiters an enormous amount of power over migrants; with little regulation and enforcement on either side of the border, migrants may pay a recruiter for a visa only to end up working a job other than the one they were promised, or for sub-standard wages or conditions. In practice, the system results in illegal, long-term stays.

The difference: Future temporary labor migration programs should:

- create committed bilateral partnerships between sending and receiving countries.
- be market driven.
- take advantage of technology and be flexible.
- consider adverse effects on the receiving country's native workers.
- give migrants the same rights and obligations as native workers.
- open a clear path to legal permanent residency for temporary workers.
- not tie workers strongly to a specific employer.
- be self-financed.
- minimize bureaucracy.

### **III. New Issues Related to Remittances**

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**Introduction:** Remittances sent back by migrants continue to be a powerful financial force in developing countries. Many countries, such as Jordan, Nicaragua, and El Salvador receive remittances estimated to total 10% or more of GNP. After foreign direct investment and trade-related earnings, remittances are the largest financial flow into developing countries, far larger than official development assistance. Unlike development aid, remittances are spent directly by the families of migrants, so in many respects remittances are a very efficient way to raise the incomes of people in poor countries. However, the costs of transmitting remittances remain high and the long-term development effects of remittances are far from clear. There are ways that policy can make remittances a more effective development tool, but interventions must be prudent, incentive-based, and informed by further research.

## **New Knowledge and Developments in Remittances**

- Research continues to show that remittances are largely spent on housing, consumer durables, everyday expenses, education and health care. There are indications that in some parts of the world there has been a shift from spending on housing toward spending on everyday needs.
- Remittances, at least as officially measured, have increased far faster than developing countries' GDPs over the past decade. Remittances to Latin America have grown particularly quickly. This probably reflects both a real increase in total remittances and an increase in the proportion of remittances that move through formal, observable channels.
- Legal status affects remittances. Legal immigration status increases remittances by raising earnings and making sending remittances easier, but may decrease remittances over the long term by increasing integration in the migration-receiving country. One study showed that for migrants who enter illegally and later achieve legal status, remittances grow steadily, peak at the time of regularization, and decrease gradually thereafter.
- There are remittance "life cycles" and they vary across cultures, countries, and economic conditions. For example, Indian migrants in the US generally stop remitting within one generation, while many Koreans in Japan continue remitting two generations after migration. In many cases, if one migrant in a family returns home or stops sending money, a "replacement remitter" often migrates.
- Flows of "remittance migration" have grown in response to economic crises. Ecuador's international migration grew significantly in the late nineties when the country was hit by a major economic crisis. 75% of Ecuadorian households now receive remittances totaling \$1.5 billion a year. Most of this remittance growth has been in the past three years and 70% of households with a member abroad say that the migrant left within the past five years.
- Countries may discourage return in order to maintain the flow of remittances. El Salvador, for example, encouraged the extension of Temporary Protected Status to allow its citizens to stay in the US.
- Anti-money laundering provisions put into place after September 11<sup>th</sup> have disrupted a few informal remittance channels, specifically those involving the Middle East, Indonesia and the Philippines. The full effect of new security measures remains to be seen.
- The *matrícula consular* identification card has made it easier for undocumented Mexican migrants to get bank accounts and remit via banks, which are often cheaper. However, the political backlash to the *matrícula* in the US has led El Salvador to put similar consular identification plans on hold.
- The cost of sending remittances to Latin America from the US has remained much higher than to the rest of the world. Poor banking infrastructure in Latin America and long-term contracts with wire service companies have inhibited competition. Although US banks have entered the market, they are primarily interested in using remittance services to attract US-based immigrants as long-term customers for other banking services.

### **Comments on Policy toward Remittances**

- A light hand is needed. Concern was expressed that government intervention in remittances risks destroying the enormous benefits of remittances. Attempts to capture remittances for government use would be particularly harmful.
- Cut the cost of sending remittances. Competition, market exchange rates, and access to formal banking institutions are keys to reducing the amount of money spent on remittance transfers.
- Encourage the use of financial services. Remittances can be a way of introducing the poor to banks and they will have stronger positive developmental effects if families keep their remittances in bank accounts. Innovative micro-credit programs, an expanded banking infrastructure and the use of new financial instruments like remittance-backed bonds should be supported.
- Nothing can replace a sound macroeconomy and good investment environment. Migrants will remit more and invest remittances if exchange/inflation rates are stable and there are viable business opportunities available. Thus, a positive investment climate may be the most powerful tool for maximizing the benefits of remittances.

### **IV. Data and Research needs**

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**Introduction:** Better data and better-guided research is needed to inform policy on migration and development. In particular, migration research needs to account for circular and temporary migration, look more at the community and long-term effects of migration and reconcile differences in research and data collection methods with economists and financial institutions. Particular needs brought up by issues in migration and development include:

#### **Circularity**

- Current migration data is based on obsolete, binary models of migration. New studies must use longitudinal surveys and a more flexible view of migration that takes circularity into account.
- When each is used alone, visa information, census data and the stated intentions of migrants do not accurately reflect actual migration behavior. Data from multiple sources and new types of analysis are needed to learn more about circular migration.
- More information is needed about the effects of policies that disrupt circularity (such as tightened border controls) or that encourage it (such as transferable pensions).

## **Remittances**

- Future studies of remittance use must focus on the effect remittances have on household's spending of *total* income. Too many surveys have asked only how the remittances themselves were spent.
- Remittance studies need to look at the effects on entire communities, rather than just households, and to look at changes over time. For example, it is possible that even if remittances decline as a migrant becomes integrated into the receiving country, the social usefulness of those remittances increases because his or her family has met their basic needs and is now capable of investment.
- Current measures of remittances are incomplete, inconsistent, poorly understood and not well grounded in the reality of migration. One common measure of remittances is the IMF's measurement of "worker's remittances" in the current account, but that figure is somewhat flawed; the earnings of workers who have been living abroad for less than a year are counted separately in "compensation of employees abroad." According to the IMF, "compensation to employees" is part of a country's GNP, but "worker's remittances" are not, and many countries use their own policies when calculating GNP. The IMF determines residency using a "center of economic interest" criterion that does not match the definition of residency most often used in discussing migration. Compounding the problem, individual central banks use their own criteria to count remittances.
- The net gains of migration to a family need to be quantified. The conventional wisdom that remittances boost family incomes has not been thoroughly evaluated. If, for example, remittances are in fact repayment by migrants for a loan used to migrate, then migration may be a zero-sum outcome for the family left behind, or even a loss. While this seems unlikely, study of the net benefits to remittance-receivers is needed.
- Are remittances overcounted or undercounted? Official estimates of remittances do not usually include money sent by informal means or remittances held in foreign currency accounts (until they are converted to local currency), leading many experts to believe that they are significantly undercounted. On the other hand, official estimates may include clandestine transfers from illicit activities or other non-remittance transfers. Also, in calculating remittances, many researchers include "compensation of employees abroad" but much of this money is spent in the migration-receiving country and never remitted.

## **Other Needs**

- Questions remain about many theories commonly used in thinking about migration. For example, the "migration hump" could benefit from further exploration.
- There is a need for "counterfactuals." Migration studies rarely aspire to the rigor of a controlled scientific experiment, and all too often study only households that do migrate, while ignoring those with no migrants.
- More econometric studies of migration-related topics are needed.
- The development of transnational political identities needs to be examined more closely. As more countries emphasize dual citizenship and allow migrants to vote from abroad, the effects on both the migrants and the political systems in the sending country need to be explored.

- The role of funding from migrants in perpetuating civil conflicts deserves more examination. Examples of violent groups financed by migrants include the IRA in Ireland and Tamil Tigers in Sri Lanka.

## Summary Remarks

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As evidenced by the number and range of data and research needs identified, migration and development is a field where unanswered questions and unsettled debates still abound. A few clear points emerged, however:

- Government policy cannot limit or control migration without severe adverse consequences. Well-informed policies by government and the private sector can *manage* migration to enhance its benefits and minimize its costs, however. Research and policy advice should focus on finding better management tools and identifying places where judicious use of policy can help developing countries benefit more from migration.
- The community of researchers who study migration is developing an increasingly sophisticated understanding of the behavior of migrants. Concepts like “circularity” and “transnationalism” have drawn attention to more ways that developing countries benefit from migration. However, both data collection and public policy remain largely grounded in older, flawed concepts of migration.
- The intersection between migration and development is large and complex. Migration is tightly linked to a variety of development policy issues: international trade, development aid, finance, and macroeconomic growth, among others. Likewise, all types of migration have development impacts, from refugee resettlement to high-skill labor migration. New research is needed on a myriad of topics and researchers must be prepared to engage policymakers on a variety of issues. Coordination and collaboration will be needed to make research in the area as effective as possible.
- Policymakers and researchers alike must not forget that the fundamental units of migration are *migrants themselves*. Policies must be built around migrants to give them incentives and disincentives that further development goals.