

Migration, Remittances, and Development Nexus in South Asia

The Institute of Policy Studies (IPS) and the Friedrich-Ebert-Stiftung (FES), Colombo organized an international conference on "Migration, Remittances and Development Nexus in South Asia" during 4-5 May, 2009 at the Taj Samudra Hotel, Colombo. Prof. G.L. Peiris, Minister of Export Development and International Trade was present as the Chief Guest, and Ambassador Farooq Sobhan, President, Bangladesh Enterprise Institute (BEI), Bangladesh, attended as the Guest of Honour.

The conference focused on the relationship between development, migration and remittances. In recent literature this subject has received special attention including a journal, "Journal of International Migration" published by the International Organisation for Migration (IOM), dedicated entirely to the subject. Given the importance of remittances in South Asia, the conference examined the role of remittances and migration in each South Asian country in order to better understand the channels through which remittances and migration have an economic and social impact and share lessons that individual South Asian countries could learn from each other. The conference provided an open forum for discussion and debate among policy makers, researchers and civil society organizations from South Asia.

Background

The development nexus of migration has taken centre stage in the research and policy agenda of developing countries in recent years. As an economic activity, migration can be identified as an export of manpower and with its human and social dimensions which do not contain in exporting commodities. Migration and remittances have direct impacts on the economic development of a country. Identifying the trends of migration, migration policies, and regulations would be useful to maximize the development outcomes of migration and remittances.

An increasing number of institutions are involved in evaluating the migration and development linkage. Even though many conferences are held and more papers are written on the subject, focusing on the effects of migration on destination countries, the links between migration and development issues in the sending countries have been somewhat neglected, particularly as far as empirical research is concerned. On the other hand, development impact of migration depends on the economic policies in home countries and destination countries. Economic policies need to be developed to maximize the impact of migration and remittances. Detailed information on the relationship between development and migration is therefore important in designing such policies in home and destination countries.

Macro-Level Impacts of Migration

Four principle avenues of direct linkage between migration and development can be identified:

* Poverty Reduction and Income Inequality

Remittances increase income of migrants' families thereby reducing the poverty headcount and the depth of poverty. Moreover, receipt of remittances by the poorest households will help reduce the severity of poverty. Increased size of network and reduced cost of migration may help more people to migrate, reducing the income inequality of the country.

Trade and Balance of Payment (BOP) Effects

Migration can change the comparative advantages of countries. However, a large inflow of remittances will lead to an appreciation of real exchange rate and thereby create a loss in relative export competitiveness.

Remittance is one of the main sources of foreign exchange to many countries. It helps cover the trade deficit. For some developing countries, remittance is also a substitution for Foreign Direct Investment (FDI) and Official Development Assistance (ODA).

* Labour Market Effect

Migration has impacts on wage level and will help reduce the unemployment level in the home country. In addition, employment opportunities are created through two main channels. 1) new vacancies formed by departing migrants, and 2) employment opportunities created by new investments made by remittances. However, the brain drain impact will be a potential negative effect of migration or skilled labour leaving the economy.

* Savings, Investment and Economic Growth

Remittance recipients save part of their additional income. These savings will be invested in physical capital as well as human capital. Remittances remove capital constraints for the investment. In addition, technology transferred through migration will help in developing and continuing newly invested businesses.

Remittances have significant impact on human capital investment in addition to the physical capital. Many people tend to invest in education as it may open paths to migration. These investments may be more important for the long term economic growth and development of countries.

Micro-Level Impacts of Migration

Micro-level impacts of migration simply refer to the impacts at the household level. Private remittances from abroad can help increase household income. This increased income has impacts on consumption and livelihood development. Increased household income will help smooth consumption patterns of the household members by responding to adverse effects. On the other hand, this can be identified as a safety net mechanism for the poor.

Apart from the direct benefits of remittances on the long term economic growth and development of countries and in particular, in areas of savings, investments, technology transfers, migration can also lead to negative impacts. Migrant workers, particularly women, are faced with various social problems, vulnerabilities and risks.

Link between Remittance Transfer Systems and Development

Information on remittances transfer systems is important to maximize the development impacts of remittances. There are two channels to transfer remittances: formal and informal. Formal channels lead to economic growth through savings and investments and enhance foreign exchange reserves. Formal channels reduce illegal activities such as money laundering. Remittances channelled through informal transfer systems are highly vulnerable to risks of exploitation. Therefore, modalities of remittance transfers will also be important in terms of learning the impact of remittances.

The conference deliberated on these issues in order to identify a range of policy options that could be utilized to maximise the potential impact of migration and remittance whilst adopting the necessary safeguards to mitigate the above impacts. Experiences from across South Asia provided a suitable forum for a substantial discussion of the above issues. A South Asian Commission on Migration was launched at the conference and the IPS will take the initiative to move it forward in the near future.