

Impacts of Remittances on the Household of the Emigrant : Sri Lanka

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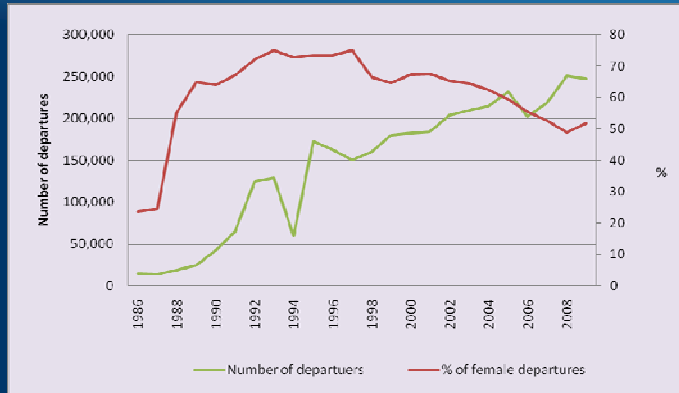
This paper is prepared based on a findings of a study carried out for South Asia Network of Economic Institutions (SANEI) funded project, by team of Nisha Arunatilake, Suwendrani Jayaratne, Priyanka Jayawardena, Roshini Jayaweera, Dushni Weerakoon of Institute of Policy Studies of Sri Lanka.

Background

- Sri Lankans influence for foreign employment -- low per-capita income, unemployment/underemployment, inflation , ethnic conflict etc.
- SL government facilitates foreign employment --employment creation, foreign exchange revenue
 - Foreign employment industry is the second largest foreign exchange earner.
 - The stock of migrant workers is around 1.8 million -- 20 % of the LF



Trends in Foreign Employment

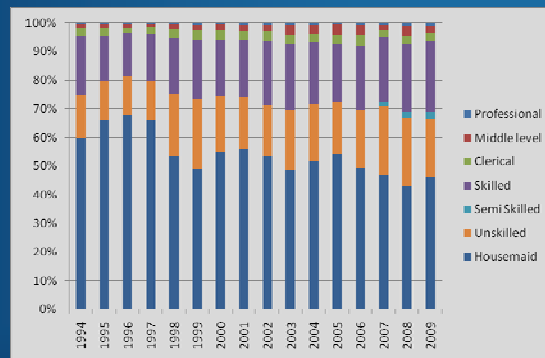


Source : SLBEF, Annual Report 2009

- Foreign employment has continuously increased -- gross outflow has increased 15,000 (1986) to 250,000 now.
- Female migrant workers dominates – esp in 1990s 65%-75%
- Increasing trend of male migration over the last few years

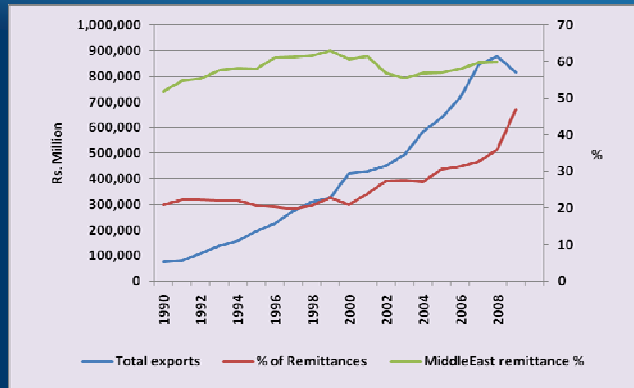
Trends in Foreign Employment ctd.

- Around 70% of total migrants are unskilled workers.
- Majority of unskilled migrants are housemaids
- Marginal increase in skilled migrants in recent years.



Source : SLBEF, Annual Report 2009

Trends in Remittance flow



Source : SLBEF, Annual Report 2009

- Foreign employment industry has steadily increased
- Remittance contribution to total foreign exchange has increased 21% (1990) to 47% (2009) – US\$ 3.3 Bn in 2009.

Trends in Remittance flow...

- Around 60% of remittances receive from the Middle East countries
- North America and Europe were important sources during 1980s
- Recent growing trend in Europe
 - Changes in composition of out migrants
 - Changes in the global labour market

	1987	1999	2009
Middle East	45.5	61.7	59.9
European Union	16.1	13.6	18.1
Far East Asia	4.1	6.1	6.1
Europe Other	5.0	5.6	4.1
North America	20.5	7.3	3.8
South East Asia	4.2	1.9	3
Other	4.6	3.8	5
Total	100	100	100

Source: Central Bank of Sri Lanka

Migrant Policy Framework

- Sri Lanka Bureau of Foreign Employment Act No.21 of 1985 under the Act.
 - Sri Lanka Bureau of Foreign Employment (SLBFE) established, 1985. Mandate to be the governing authority for Sri Lanka's migrant labour force
 - Sri Lanka Foreign Employment Agency (Pvt) Ltd. ,1996 To direct youth for foreign employment
 - Association of Licensed Foreign Employment Agencies (ALFEA) To ensure best ethical practices for foreign employment trade by strict disciplinary control of all stake holders.
- In 1996, Sri Lanka ratified the international convention on the protection of the rights of all migrant workers and their families.
- In 2007, separate ministry established
Ministry of Foreign Employment Promotion and Welfare
- In 2009, Sri Lanka National Policy on Labour Migration

Motivation

- Remittances is an important source of income -- especially for poorer households
 - Can reduce poverty
 - Improve households welfare
- Majority of the migrant workers are unskilled workers
 - 70 % of migrant workers unskilled
 - 66 % of the unskilled migrants are female domestic workers
- Hampered optimum contribution of benefits to the economic development
 - Unskilled labour is poorly paid
 - Ineffective household resource allocation
 - Incur in the social cost and related problems
- The existing knowledge on the impacts of remittances on household welfare is inadequate

Overview & objectives of the study

- Quantitatively examine the impact of remittances on household income and welfare.
 - Household consumption behavior
 - Household investments
 - Improvements on household welfare -- education and health outcomes
- Assessing the impact of remittances is tricky ...
 - Comparing migrant households to non migrant households can result in biases -- migrant households certain characteristics may influence migration behavior as well as general households welfare
 - Panel data is not available to compare the households' pre and post migration situation
- Propensity score matching technique is used to construct a control group of non-migrant households which has similar characteristics to migrant households

Methodology

- Data source
Consumer Finance Survey (CFS) - 2003/2004 household data
-- 11,722 households, migrant members on 700 households
- Propensity score matching
 - The propensity scores for each observation in the sample is estimated using standard probit models.
 - Then the impact, I , of remittances on migrant households is

$$I = \sum_{j=1}^P \left(Y_{j1} - \sum_{i=1}^{NP} W_{ij} Y_{ij0} \right) / P$$

Y_{j1} is an outcome indicator

Y_{ij0} is the outcome indicator for the i^{th} non-migrant household matched to the j^{th} migrant household

P and NP are the total number of migrant and non-migrant household

W_{ij} are the weights used to calculate the average value of the outcome indicators for non-migrants.

Households Receiving Remittances

Around 10 % of the households receive foreign remittances

Higher percent of richer households and urban households receive remittances

On average Rs. 8000 monthly income receive by foreign remittances.

	No. of migrant hhs	Sample size	% hhs receiving remittances	Average Remittances (Rs.) in the last six months
Total	1,176	11,722	10.0	49,062
Income Quintile				
1-poorest	129	2,346	5.5	9,597
2	180	2,345	7.7	14,709
3	210	2,343	9.0	25,436
4	270	2,344	11.5	36,669
5	387	2,344	16.5	99,661
By sector				
Urban	245	1,477	16.6	58,103
Rural	902	9,650	9.3	47,593
Estate	29	595	4.9	18,369

Source: Own calculations using Central Bank, Consumer Finance Survey Data 2003/2004.



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Expenditure Comparison by Migrant and Non-migrant Households

Migrant households spend higher than the non migrant households

Higher household expenditure is due to higher spending on food, non-food, health, and education expenditure

Expenditure on durable goods was lower in migrant households compared to matched-non-migrant households

Variable	Migrant households	Non-migrant households
Total expenditure	247,664	209,396
Food expenditure	95,136	82,103
Non food expenditure	116,566	87,522
Expenditure on durable goods	19,908	28,890
Health expenditure	8,901	6,607
Education expenditure	7,152	4,273

The control group in the matched method is households that look similar to migrant households.



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Income comparison by Migrant and Non-migrant Households

Economically migrant households are better off compared to non-migrant households.

Migrant households receive a higher level of income from properties, financial and physical assets

Variable	Migrant households	Non-migrant households
Properties	16,642	12,091
Household financial assets	7,361	3,652
Household physical assets	107,835	9,220

Impact on health and education outcomes

No significant effect on school enrolment and morbidity level indicators at the national or sub-national levels

Expenditure on health and education more for migrant hhs
But, lack of parental guidance and additional household responsibilities may

- Increase school absenteeism or dropouts
- Reduce nutrition and health care for children (younger children)
- Increase substance abuse (older children)

Variable	Migrant households	Non migrant households
Health outcomes by sector - Morbidity rate age <=14		
Urban	0.12	0.08
Rural	0.12	0.13
Estate	0.11	0.23
Total	0.12	0.11
Education outcomes by sector - School enrolment age >=5 & <=14		
Urban	0.91	0.97
Rural	0.92	0.93
Estate	0.85	0.88
Total	0.92	0.94

Conclusion

Macro level

- Foreign employment continued to be a vital source of foreign currency and job opportunities.
- Middle Eastern region dominate the foreign employment market
- Majority of migrant workers are housemaids and unskilled workers

Conclusion ctd.

Micro level

- A large proportion of households receive remittances.
- Households receiving remittances have higher levels of total expenditure, reflecting higher spending on food, non-food, health and education.
- Remittances have positive impact on other income sources -- from properties, financial and physical assets.
- Although investments on health and education are higher for migrant households, no significant improvement in school enrolment and morbidity level.

This could partly be due to the adverse social and political consequences of migration -- Enhance the welfare of families that are left behind

Thank You

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