

# Globalization of Family: the Role of the State

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# Motivation

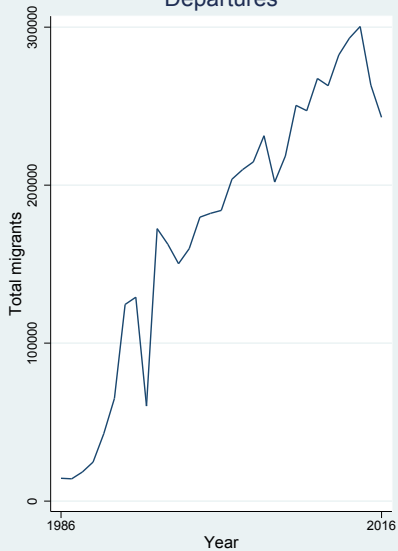
- ▶ Labour migration is an important phenomenon in Sri Lanka.
- ▶ About 1 in every 9 households [ $\approx$  families] have a migrant.
- ▶ 'The State recognizes its role in protecting and empowering migrant workers and their families in all three stages of the migration process' (??, pg. 19).

# Motivation

- ▶ Despite the existence of many concerted policy efforts by the state, many migrant families struggle to improve their socioeconomic status
  - ▶ One of the reasons : mismanagement of remittances by left behind family
  
- ▶ Objective: To show why & how the state can expand its involvement in migrant families

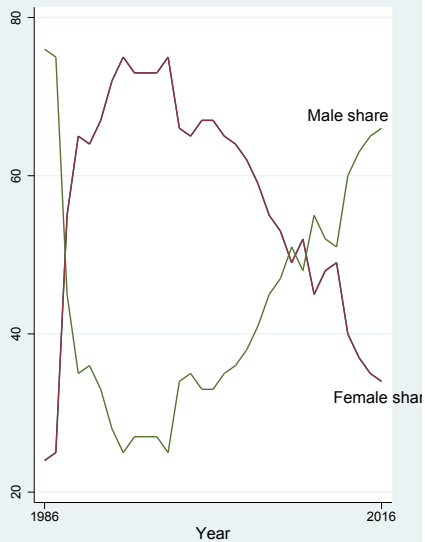
# Departures

## Departures



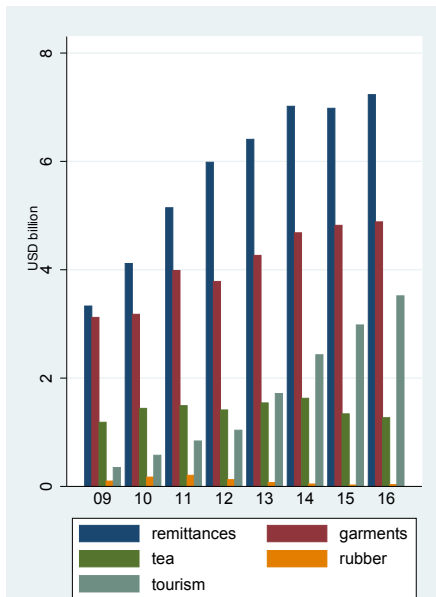
(Bilesha Weeraratne, PhD.)

## Gender

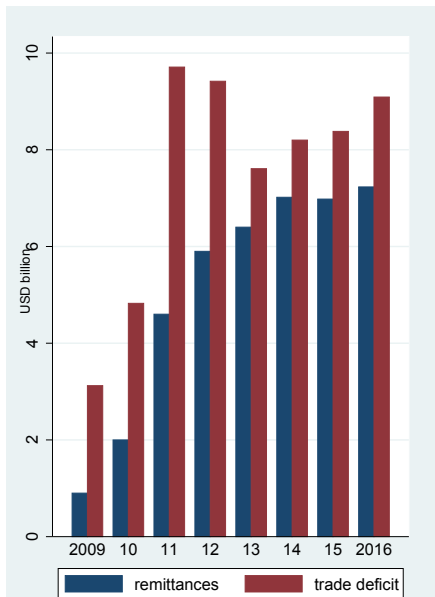


Migration, Family & State

# Remittances



(Bilesha Weeraratne, PhD.)



Migration, Family &amp; State

## Organized industry with state involvement

- ▶ National Labour Migration Policy of 2008
- ▶ Ministry of Foreign Employment (MFE)
- ▶ Sri Lanka Bureau of Foreign Employment (SLBFE) regulates the industry

# Selected State Interventions Related to Migrant Families

| PRE-DEPARTURE                     | IN SERVICE                            | RETURN                 |
|-----------------------------------|---------------------------------------|------------------------|
| FBR                               | SLBFE services in event of distress   | Social reintegration   |
| Compulsory pre-departure training | Consular services in even of distress | Economic reintegration |
|                                   | Insurance schemes                     |                        |
|                                   | Coordinated care plan                 |                        |

## Mixed results in remittance management

| POSITIVE   | NEGATIVE  |
|--|---|
| remittances contribute to income mobility and children's human capital accumulation . among migrant families (De & Ratha, 2012)      | remittances sent by migrants were not properly utilized by left behind family (Caritas, n.d.)   |
| many families uplifted their economic situation with the remittance income (Pinnawala, 2015).  | goals of migration were rarely met due to poor financial management by migrant families (Pinto-Jayawardena, 2006)   |
| successful management of remittances allowed migrant families to improve their socioeconomic status (Jayaratne <i>et al.</i> , 2014) | remittances are used mostly for consumption, while a minority invest in housing, and only a very few migrant workers are left with savings to invest in entrepreneurial activities (Dias & Jayasundere, 2002) |
| migrants remittances have had significant impact on recipient households (Lueth & Ruiz-Arranz, 2007; Wickramasekara, 2010)           |   |



## Other issues

- ▶ assign a higher value for leisure and decrease their labour force participation.
  - ▶ 'do not find it absolutely necessary to work as there is regular and sufficient income coming from the migrant' (Pinnawala, 2015, pg.112)
- ▶ change in financial behavior
  - ▶ lower savings and borrowings by migrant families (Weeraratne, 2015)
  - ▶ lower borrowings => receipt of remittances eliminates the need for borrowing.
  - ▶ lower savings => unsustainable socioeconomic progress of migrant families

- ▶ There is huge potential to improve the
  - ▶ effectiveness,
  - ▶ efficiency, and
  - ▶ utilization of remittances at the family level
- ▶ there seems to be limited guidance and advice to migrant families in terms of remittance management (ILO, 2013).

- ▶ 'the Government maintains an almost laissez-faire attitude in dealing with the remittances of migrant workers' (Dias & Jayasundere, 2002)

## New Economics of Labour Migration (NELM)

- ▶ migration is a risk-sharing behavior among families to minimize income risk => diversify labour = migration (Stark & Levhari, 1982).
- ▶ remittances serve as income insurance for households at origin (Lucas & Stark, 1985, p.p.901).
- ▶ motives to remit are aimed at
  - ▶ risk-diversification,
  - ▶ consumption smoothing,
  - ▶ insurance,
  - ▶ exchange,
  - ▶ strategic motive
  - ▶ intergenerational financing of investments,

## Principle-agent problem

- ▶ Migrant = principal, who remits his money to a family member
- ▶ Family member = agent of the migrant to manage the remittances.
- ▶ Issues arise when :
  - ▶ divergent interests
  - ▶ asymmetric information
- ▶ Migrant (principal) cannot be ensured that the family member (agent) is always acting in migrant's (the principal's) best interest.

## Principle-agent problem

- ▶ mechanisms to align interests
  - ▶ agent posting a bond
  - ▶ threat of termination of contract
  - ▶ performance measurement
- ▶ have limited validity in a family setting.

# State & Remittance Management

- ▶ Change its laissez-faire attitude in dealing with the remittances at the household level
- ▶ existing migration policy is under review => consider including guidance for remittance management as a policy priority
- ▶ Implementation should learn from experience with the FBR
  - ▶ excessive state interference in migration decision making
  - ▶ cessation of focus on the left behind family after the departure

## To minimize asymmetric information

- ▶ state can influence the commercial banks in Sri Lanka to promote the opening of joint savings accounts (between migrant and a remittance receiving family member) for remitting money.
  
- ▶ facilitate cheaper communication methods for migrant families



## To align the interests and expectations

- ▶ assist the families develop a Remittance Management Plan before the departure of the migrant
- ▶ collectively developed for greater commitment, accountability, & transparency
- ▶ unlike FBR ensure continuous support to left behind family by way of advice & guidance in resolving issues related to remittance management.

## To align the interests and expectations

- ▶ expand single session at pre-departure training to several sessions, ideally in their community/village.
- ▶ assist the migrant families in monitoring their progress, regular review meetings for remittance management
- ▶ develop a rewarding mechanism to encourage migrant families to progress as per their plan
- ▶ learn from existing mechanisms –i.e. Samurdhi group borrowing schemes

- ▶ With appropriate intervention the state can ensure macro level benefits of remittances are trickled down to families at the micro level.

Thank you