Interrelations between Public Policies, Migration and Development

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Foreword

The number of international migrants has doubled in the past quarter-century, to more than 240 million. Increasing mobility means that in the future the movement of people across the world will become ever more complex and present new challenges for policy makers. The inclusion of migration in the 2030 Agenda for Sustainable Development confirms and reinforces the important relation between migration and development. By integrating migration, including forced displacement, into the Sustainable Development Goals (SDGs), the heads of State and Governments acknowledged that migration needs to work for development and that development needs to work for migration, while not ignoring its potential negative impacts.

More systematic and comparable data is therefore required to provide a sufficient knowledge base to ensure policy responses are well informed and address the real needs and challenges on the ground. For several years, the European Commission and the OECD Development Centre have thus explored ways for policy makers to best design effective long-term policies essential for leveraging migration for positive development outcomes. They have argued for a comprehensive governance system of migration, where policy coherence on migration goals is reached through multilateral, regional, bilateral, national and local levels.

The report Interrelations between Public Policies, Migration and Development *(IPPMD) is a step forward in understanding how policy coherence for sustainable development can be achieved. This report features fieldwork undertaken in ten countries – Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines – and four years of close co-operation with governmental focal points and local research partners in each country.*

The report empirically examines how different migration dimensions affect key policy sectors: the labour market, agriculture, education, investment and financial services, and social protection and health. Conversely, it analyses how sectoral policies influence different migration outcomes, such as the decision to migrate or return, the use of remittances and the integration of immigrants.

The report highlights the fact that the way sectoral policies affect migration is not straightforward. The interrelations between public policies, migration and development depend strongly on the country context and the conditions of implementation of the different programmes. There is therefore no one-size-fits-all solution to curb (or encourage) migration flows, turn remittances into productive investment or better integrate immigrants into host country societies. It is actually a mix of migration and non-migration policies that is more likely to have an impact not only on the decision to migrate, send remittances or return, but also on the ways migration, in its different dimensions, contributes to development.

This reflects the fact that public policies often work in silos and do not take into account their potential implications on other policy areas, including migration. For instance, the IPPMD data show that vocational training programmes alone do not necessarily reduce emigration flows, particularly in countries characterised by limited and poor quality labour demand and skills mismatches with domestic labour market needs. Likewise, cash transfer programmes seem to be more effective in contributing to deter emigration when tied to conditionality (e.g. regarding educational or agricultural work objectives).

The report is intended as a toolkit and the central piece for a dialogue and policy guidance not only for the IPPMD partner countries, but also for development practitioners and partners on how best to integrate migration into national development strategies. Following the discussions on guidance for action with key stakeholders and policy makers to be held in each country, the European Commission and the OECD Development Centre look forward to continuing their co-operation with partner countries willing to leverage more out of migration for better development outcomes.

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Executive summary

The international community is increasingly acknowledging that migrants can make a positive contribution to development, both in countries of origin and destination. The question that must now be answered is "what policies will allow this potential to be realised and minimise any negative impact?".

The Interrelations between Public Policies, Migration and Development (IPPMD) project – managed by the OECD Development Centre and co-financed by the European Union – was conceived to answer the key question. It does so by exploring:

- how migration, in its multiple dimensions, affects a variety of key sectors for development, including the labour market, agriculture, education, investment and financial services, and social protection and health;
- how public policies in these sectors can enhance, or undermine, the development impact of migration.

This report summarises the findings of the empirical research, conducted between 2013 and 2017 in ten partner countries – Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines – and presents the main policy recommendations.

A unique empirical approach

The IPPMD team designed a conceptual framework that explores the links between four dimensions of migration (emigration, remittances, return migration and immigration) and five key policy sectors with the most relevance to migration and development: the labour market, agriculture, education, investment and financial services, and social protection and health. It also looked at the impact of these five sectoral policies on a range of migration outcomes, including the decision to emigrate or return home, the amount of remittances sent and how they are spent, as well as the integration of immigrants.

Data to support the analysis were gathered from surveys of more than 20 500 households, interviews with 590 local authorities and community leaders and 375 in-depth stakeholder interviews in the ten partner countries. Regression analysis measured the relationships between the migration dimensions, outcomes and sectoral policies.

Migration offers development potential, but the policy context is critical

The research found strong links between migration and a range of key development indicators. It also found evidence that by improving market efficiency, relieving financial constraints, helping develop skills and reducing risk (amongst others), sectoral policies can influence people's decisions to emigrate, or to return home, or how to send and invest remittances. But the way sectoral policies affect migration is not always straightforward.

The IPPMD data reveal that similar programmes can generate a variety of effects according to the countries in which they are implemented. Despite the differences in the way specific sectoral policies or programmes affect migration, it is the combination of different policies that is more likely to influence the impacts of migration. For example:

- **Emigration** can relieve underemployment, provide an incentive for skills upgrading and increase women's economic and social autonomy in the countries of origin. Despite these opportunities, the contribution of emigration to the development of the home country remains limited. This is because the households left behind often do not have the tools to overcome the negative short-term effects associated with the departure of household members, or because the country lacks adequate mechanisms to harness the development potential of emigration. In terms of impact on the decision to migrate, policy failures affecting labour markets, rural poverty and a weak education system also may push people to leave their countries.
- **Remittances** can help build financial and human capital in origin countries. Given a supportive policy environment they can remove credit constraints and allow households to invest in businesses and other productive activities. Receipt of remittances can be linked to higher female self-employment in rural areas, and enable households to invest in human capital, particularly education. However, high transfer costs reduce the amount received and encourage the use of informal channels. The prevalence of informal channels hinders the contribution of remittances to the development of domestic financial markets and, in turn, limits households' ability to use the formal financial system for their savings and investments.
- **Return migration** is a largely underexploited resource. With the right policies in place, return migrants can invest financial capital in business start-ups and self-employment and have the potential to transfer the skills and knowledge acquired abroad. Policies that relieve financial constraints at home – and, more generally, contribute to create opportunities – encourage migrants to return, and high rates of public social protection expenditure encourage them to stay.
- **Immigrants** have much to contribute – their labour and skills, as well as investing and paying taxes in their host country. However, high levels of underemployment and low education rates – which are symptomatic of poor integration – and discrimination in access to education, health and social services, can undermine their contribution. Policies in both host and origin countries can facilitate integration and maximise the contribution of migrants to development.

A coherent policy framework can enhance migration's role in development

While most IPPMD partner countries do have a wide range of migration-specific policies in place, very few have included migration as a cross-cutting issue in their different sectoral policies. Ministries and local authorities in charge of these sectors are often unaware of the effects of migration on their areas of competency and, conversely, of the effects of their policies on different migration outcomes.

Greater awareness, through data and analysis, and a more coherent policy framework across ministries and at different levels of government would get the most out of migration. Such framework should be designed to:

- **Do more to integrate migration into development strategies**. To enhance the contribution of migration to development, public authorities in both origin and destination countries should follow a **twin-track approach**:
  1. consider migration in the design, implementation, monitoring and evaluation of relevant sectoral development policies;
  2. introduce specific actions, programmes and policies directly aimed to minimise the costs of migration and maximise its benefits.

The interactions between public policies also need to be taken into account when drawing up development strategies for a country.

- **Improve co-ordination mechanisms** across national authorities; among national, and regional and local authorities; and between public authorities and non-state actors.
- **Strengthen international co-operation**. Host and home countries alike need to develop co-operation instruments, such as bilateral and regional migration agreements, which promote regular migration, guarantee the protection of migrants' rights and facilitate the portability of social benefits.

Chapter 1

Assessment and policy recommendations

Migration's positive contribution to development is increasingly being recognised and targeted by policies designed to maximise its benefits in countries of origin and destination. But less clearly understood is (1) how migration affects a variety of key development sectors, including the labour market, agriculture, education, investment and financial services, and social protection and health; and (2) how a range of sectoral policies can enhance, or undermine, the development impact of migration. The project Interrelations between Public Policies, Migration and Development (IPPMD) was conducted between 2013 and 2017 in ten developing countries to explore these links, drawing on quantitative and qualitative analysis. This chapter provides an overview of the study's findings, highlighting the ways in which migration (comprising emigration, remittances, return migration and immigration) can boost development, and analysing the sectoral policies that will allow this to happen. It concludes with a call for a whole-of-government approach in which migration becomes an integral part of countries' development strategies and is also dealt with coherently on a bilateral and regional level.

While international migrants make up only 3% of the world's population, their significance in public debate has increased with the 2015-16 refugee crisis (OECD, 2016). In this regard, 2015 represents a turning point for the global migration agenda. On the one hand, massive refugee flows have exacerbated the discussions about the capacity of host communities to absorb and integrate immigrants, and have spurred a worldwide trend towards more restrictive immigration policies. On the other hand, the international development community, through the 2015 Addis Ababa Action Agenda (UN, 2015a) and the 2030 Agenda for Sustainable Development (UN, 2015b), acknowledged the positive contribution migrants make to sustainable development, both in their countries of origin and destination. The Sustainable Development Goals (SDGs) reflect the need to protect the rights of migrant workers, especially women (Target 8.8); adopt well-managed migration policies (Target 10.7); and reduce remittance transfer costs (Target 10.c) (UN, 2015b).

Within this context, the OECD Development Centre implemented the project Interrelations between Public Policies, Migration and Development (IPPMD), co-financed by the EU Thematic Programme on Migration and Asylum. This large and empirically based project was conducted between 2013 and 2017 in ten developing countries with significant emigration or immigration rates – Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines. The project aimed to provide policy makers with evidence of the untapped development potential embodied in migration and the role of a range of sectoral policies in realising this potential. This chapter provides an overview of the findings from the ten countries and summarises the main policy recommendations.

An innovative conceptual and methodological framework explores the links between public policies, migration and development

While evidence abounds of the impacts – both positive and negative – of migration on development,[1] the reasons why policy makers should integrate migration into development planning still lack empirical foundations. The IPPMD project aimed to fill this knowledge gap by providing reliable evidence not only for the contribution of migration to development, but also for how this can be reinforced through policies in a range of sectors. To do so, the IPPMD team designed a conceptual framework that links four dimensions of migration (emigration, remittances, return migration and immigration) and five key policy sectors: the labour market, agriculture, education, investment and financial services, and social protection and health (Figure 1.1).[2]

The conceptual framework also linked policies within these five sectors to a variety of migration outcomes (Table 1.1).

Figure 1.1. **Migration and sectoral development policies: a two-way relationship**

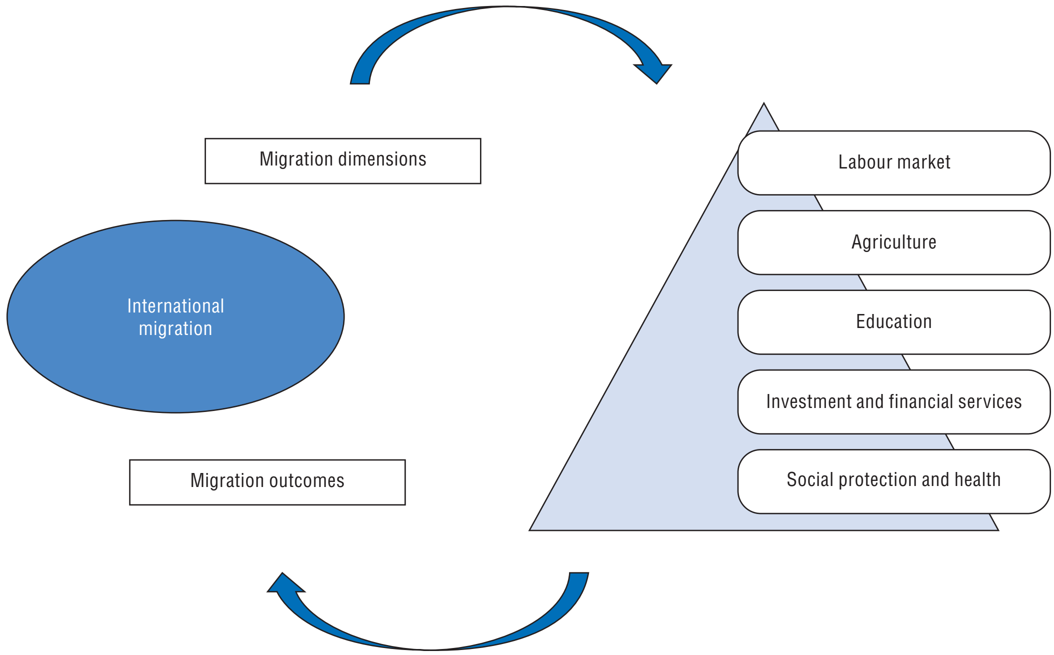


Table 1.1. **Migration dimensions and migration outcomes in the IPPMD study**

	Migration dimensions	Migration outcomes
Emigration	**Emigration** happens when people live outside of their countries of origin for at least three consecutive months.	● The **decision to emigrate** is an important outcome for the countries of origin, not only because it may lead to actual outflows of people in the short term, but also because it may increase the number of emigrants living abroad in the long term.
Remittances	**Remittances** are international transfers, mostly financial, that emigrants send to those left behind.	● The **sending and receiving of remittances** include the amount of remittances received and channels used to transfer money, which in turn affect the ability to make long-term investments. ● The **use of remittances** is often considered as a priority for policy makers, who would like to orientate remittances towards productive investment.
Return migration	**Return migration** occurs when international migrants decide to go back to and settle in, temporarily or permanently, their countries of origin.	● The **decision to return** is influenced by various factors including personal preferences towards home countries or circumstances in host countries. Return migration, either temporary or permanent, can be beneficial for countries of origin, especially when it involves highly-skilled people. ● The **sustainability of return** measures the success of return migration, whether voluntary or forced, for the migrants and their families, but also for the home country.
Immigration	**Immigration** occurs when individuals born in another country – regardless of their citizenship – stay in a country for at least three months.	● The **integration of immigrants** implies that they have better living conditions and contribute more to the development of their host and, by extension, home countries.

The methodological framework developed by the OECD Development Centre and the data collected by its local research partners together offer an opportunity to fill significant knowledge gaps in the field of international migration and development. Several aspects in particular make the IPPMD approach unique and important for shedding light on how the two-way relationship between migration and public policies affects development (Chapter 2 for details):

- The same survey tools were used in all countries over the same time period (2014-15), allowing for comparisons across countries.
- The surveys covered a variety of migration dimensions and outcomes (Table 1.1), thus providing a comprehensive overview of the migration cycle.

- The project examined a wide set of policy programmes across countries covering the five key sectors.
- Quantitative and qualitative tools were combined to collect a large new body of primary data on the ten partner countries:
  - A **household survey** covered on average around 2 000 households in each country, both migrant and non-migrant households. Overall, more than 20 500 households were interviewed for the project.
  - A **community survey** reached a total of 590 local authorities and community leaders in the communities where the household questionnaire was administered.
  - **Qualitative in-depth stakeholder interviews** were held with key stakeholders representing national and local authorities, academia, international organisations, civil society and the private sector. In total, 375 interviews were carried out across the ten countries.
- The data were analysed using both descriptive and regression techniques. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling for other factors (Chapter 2).

The results of the IPPMD empirical work confirm that migration can contribute to development in both origin and destination countries, but the full potential of migration remains to be exploited in most partner countries (Table 1.2). Even though migration can have adverse effects on the economic and social fabric of migrant-sending and receiving countries, in the long run it offers many opportunities for developing countries.

Table 1.2. **The impact of migration on five key policy sectors**

	Labour market	Agriculture	Education	Investment and financial services	Social protection and health
Emigration	Emigration can generate labour shortages in certain sectors and skills groups, but also alleviate pressure in the labour market. Emigration tends to reduce household labour supply.	Emigration revitalises the agricultural labour market, as emigrants are replaced by workers from outside the emigrant's household.	Emigration of highly educated people can negatively affect human capital, at least in the short term. Low-skilled emigration can in some cases encourage young people to drop out of school.		
Remittances	Remittances can contribute to reducing household labour supply, but also help stimulate self-employment.	Remittances increase investment in agricultural activities.	Remittance-receiving households often invest more in education and increase the demand for quality education.	Remittances support business ownership in urban areas and stimulate investment in real estate.	Remittances are not often used for social expenditures generally, but are used for specific expenditures on and use of health facilities.
Return migration	Return migration can help encourage self-employment. Return migration helps enrich the skills sets in the home country.	Return migration increases investment in agricultural activities, but also in other types of activities in agricultural households, creating opportunities for diversification.	Even though only a limited share of the highly skilled return, they help raise the stock of human capital in origin countries.	Households with return migrants are more likely to run businesses than non-migrant households.	Return migrants are less likely to benefit from government transfers than non-migrants.
Immigration	Immigration provides an ample supply of labour for the economy and can fill labour shortages in certain sectors.	Agricultural households with immigrants are more likely than other agricultural households to hire-in labour and sell their produce.	Immigrant children are less likely to attend school than native-born children.	Households with immigrants are more likely to own a non-agricultural business than households without immigrants.	Immigrants are less likely to receive government transfers, but also to pay taxes because of their concentration in the informal sector.

The IPPMD quantitative and qualitative findings also show that sectoral policies have repercussions for several migration outcomes, including the decision to emigrate, the use and volume of remittances, the sustainability of return and the integration of immigrants. However, the effects of sectoral policies sometimes differ from what might be expected (Table 1.3). This is related to the way policies are designed and implemented. The length and coverage of a specific programme may partly explain the differences between expected and actual outcomes. In many cases, the number of individuals or households covered by specific public policies, e.g. public employment programmes, agricultural subsidies or conditional cash transfers, is rather limited and, when they are, it is generally under strict conditions or for a short period. The objective, design and implementation sectoral policies may also differ across countries and depend on country context. As a result, similar policies can have different effects in different countries. This is why the diversity of countries included in the IPPMD project is helpful for understanding under which conditions sectoral policies affect migration, and in what way.

Table 1.3. **The impact of sectoral policies on migration**

	Emigration	Remittances	Return migration	Immigration
Labour market	By providing better information on job opportunities at home, government employment agencies tend to curb emigration flows. When vocational training programmes do not meet the needs of the domestic labour markets, they foster emigration. The coverage of most public employment programmes is too small to have a significant impact on emigration.		Return migrants' lack of access to government employment agencies may mean that self-employment is the only option.	Immigrants who have formal labour contracts are more likely to invest in the host country than native-born individuals.
Agriculture	While agricultural subsidies tend to lower emigration in middle-income countries, they increase it in low-income countries. Agricultural training and risk-reducing programmes have little influence on migration outcomes.	Agricultural subsidies are positively correlated with the level of remittances in certain countries.	The share of return migrants is higher in countries where a large proportion of households benefit from agricultural subsidies.	
Education	Cash-based educational programmes help deter emigration when conditions are binding.	Conditional cash transfer programmes are linked to the probability of receiving remittances, but not to the amount of remittances received.		Broadening access to education contributes to immigrants' integration and human capital gains.
Investment and financial services		A poor investment climate negatively affects households' abilities to invest remittances and accumulate savings. Financial inclusion translates into more formally sent remittances. Lack of financial training represents a missed opportunity to channel remittances towards more productive investment.		
Social protection and health	Public investment in social protection tends to curb emigration.	Increased social protection coverage reduces the probability of receiving remittances.	Social protection increases the likelihood of migrants returning home permanently.	Having better access to social protection reduces the likelihood of immigrants returning to their home countries. Access to social protection and health services fosters the integration of immigrants.

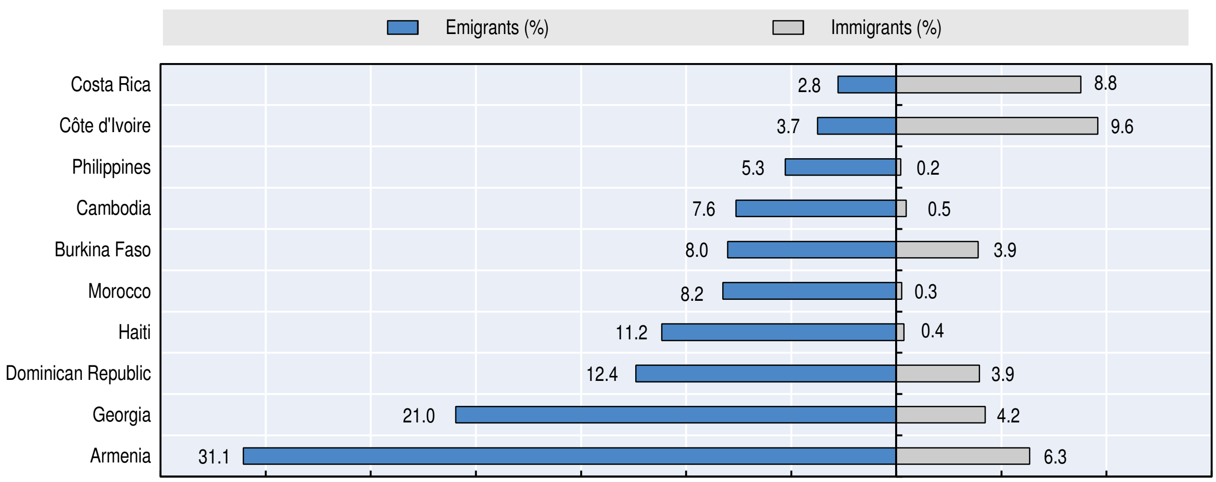
The next four sections explore the development potential of the four migration dimensions under study and the influences of sectoral policies on that potential.

Emigration represents a strong, but underexploited asset, for development

Emigration represents an important asset for the development of the migrants themselves and the families they left behind, as well as for their home communities and countries. This is the case for most countries involved in the IPPMD project, where emigration rates vary from 2.8% in Costa Rica to 31.1% in Armenia (Figure 1.2).

Figure 1.2. **Partner countries cover a range of migration contexts**

Emigrant and immigrant stocks as a percentage of the population (2015)



Note: Data come from national censuses, labour force surveys, and population registers.

Source: UNDESA, *International Migration Stock: The 2015 Revision* (database), *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

StatLink http://dx.doi.org/10.1787/888933417517

Emigration has the potential to relieve labour markets, upgrade skills and boost women's autonomy

While emigration can negatively affect households through loss of labour, the negative consequences for households are likely to only be short term, and possibly minimal.

Despite short-term labour losses, the long-term effect of emigration can be positive

Losing household labour to emigration can have a significant impact on household members, especially as migrants are often in the most productive years of their lives. Emigrants in the IPPMD sample leave on average between the ages of 25 and 36, and are usually younger than other adults in their household. The average rate of employment among emigrants prior to leaving is higher than for non-migrants. However, according to the survey, more than two-thirds of emigrants leave to seek better work opportunities. If they are successful, the remittances sent back would be able to pay off any debt incurred to finance emigration as well as the opportunity cost of losing a productive household member.

Emigration can relieve underemployment

Some sectors pay a higher price from emigration than others. Although the agricultural sector suffers a bigger loss in terms of human capital than the construction and education sectors, the sector tends to be overstocked with underemployed workers. Emigration could be relieving pressure in the sector, and even help in the country's transition towards a more diversified economy. In fact, the analysis found that agricultural households with emigrants are more likely to hire in workers from outside the household to work on the farm (Chapter 4). This provides some evidence that emigration is reducing the pressure on the low-productive jobs in sectors affected by labour surplus and underemployment.

Emigration may provide an incentive for skills upgrading

Emigration can cause skills shortages in some sectors and occupations more than others. The cost is particularly high when emigrants are tertiary educated. The IPPMD data suggest that in some countries, emigrants tend to be the most highly skilled and that better educated individuals are more likely to plan to emigrate. However, emigration can also be a catalyst for improvement, as it can push individuals to improve their skills to be able to emigrate. The success of health professionals emigrating, for example, may inspire future cohorts to become doctors and nurses. This does not mean that all of them will eventually leave the country. In fact, the stock of health professionals is likely to increase in countries with high emigration rates of doctors and nurses, such as in the Philippines.

Emigration can increase women's economic independence

Emigrants are more usually men than women. The IPPMD data show that emigrant households are more likely to have women as the household head. This is particularly striking in Armenia, Cambodia, Morocco and the Philippines. Stakeholders interviewed in these countries confirmed the redistribution of roles between males and females in migrant households. As heads of households, women take responsibility for economic decisions and market transactions, thereby increasing their economic independence. The emigration of men can therefore increase the responsibilities and autonomy of women left behind.

How do sectoral policies influence emigration and development?

Despite the positive opportunities emigration brings to origin countries, its contribution to development remains somewhat limited. This is either because the households left behind do not have the tools to overcome the negative short-term effects associated with the departure of one or several members of the household, or because the country lacks adequate mechanisms to harness the development potential of emigration. In addition, public policies may play a limited role in enhancing the positive contribution of emigration to development.

Inefficient labour markets and skills mismatches drive people to emigrate

A key emigration push factor is the inefficient functioning of labour markets in developing countries. Jobs may be available, but employers and potential employees do not always find each other. This is particularly striking in the poorest and most remote areas. Individuals often leave because they cannot find a (good) job – one that offers physical, social and financial security. Active labour market policies, especially government employment agencies, may help reduce emigration by improving access to information on labour market needs.

The IPPMD data show that in most countries, the share of people who have no plans to emigrate is higher for those who found jobs through government employment agencies than those who did not. Many of them are highly educated and on average, 77% of those who found jobs through such agencies are employed in the public sector

(90% in Burkina Faso), which is often considered a secure type of employment. All IPPMD countries except Haiti have government employment agencies, though they differ in their size, geographic area covered, platforms used to exchange the information, effectiveness and public awareness.

Policies that relieve financial constraints do not always reduce emigration

Since most people migrate because they want to improve their living conditions, one would expect that policies that relieve household financial constraints – such as subsidies, cash transfers and other types of financial aid – would help dissuade people from emigrating. However, because it can be expensive to emigrate, households with emigrants are generally not the poorest in a country. If credit access is improved or national income levels increased generally, emigration might in fact increase for those households that could not afford it previously.

Empirical evidence from the IPPMD project finds that the effect depends on the kind of policy involved. For example, conditional cash transfers are usually made on the condition that a child goes to school, and sometimes also tied to other conditions such as regular health check-ups of household members, which may imply that parents must stay. Such transfers indeed seem to reduce emigration (Chapter 5). On the other hand, agricultural subsidies often consist of lump-sum transfers or cheaper inputs, which reduce financial constraints but do not oblige farmers to stay in the country. The findings show that they indeed increase emigration by members of beneficiary households in poor countries.

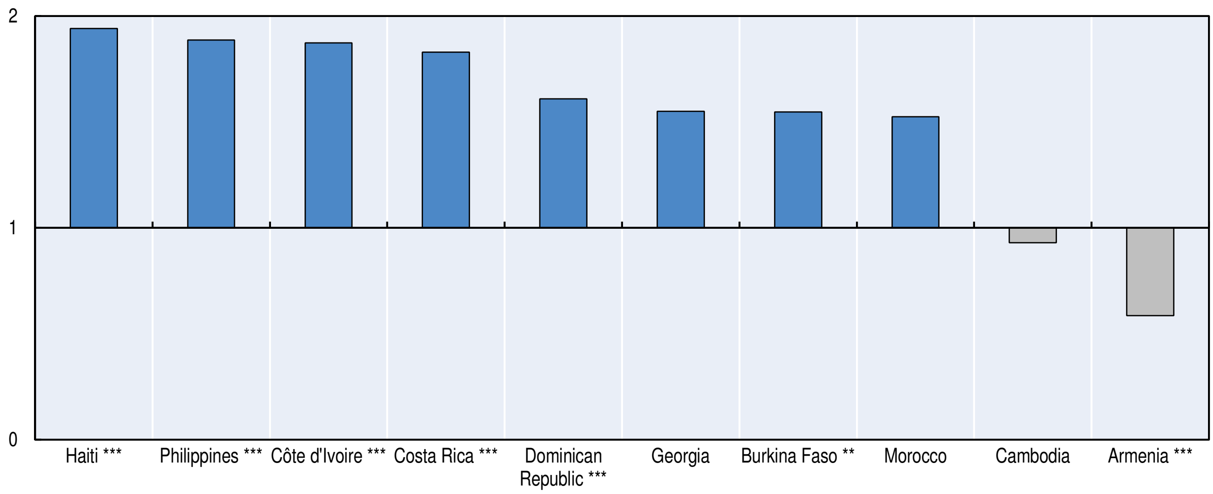
Policies to develop skills increase emigration if suitable jobs are not available

A mismatch between skills demand and supply can be a push factor for emigration. This can occur when the education and training system fails to develop the skills required by the labour market. This happens not only because poor countries lack adequate resources to invest in human capital, but also because of the lack of co-ordination between education institutions and employers, in particular the private sector. Investing in more and better skills and fostering co-ordination among the various actors involved in education and training should therefore help reduce both skills mismatches and emigration pressures.

How vocational training affects migration decisions depends on the labour market outcome. By enhancing their skills, people may find better jobs in the domestic labour market, thereby reducing the incentive to emigrate. But if training does not lead to the right job or a higher income, this may increase the incentive to withdraw from the domestic labour market and search for jobs abroad. Figure 1.3 compares the migration intentions of employed and unemployed people who participated in vocational training with those who did not. In most countries, the share of people planning to migrate appears to be higher for those who had participated in a vocational training programme than for those who did not. It is also possible that people participate in vocational training programmes to find jobs abroad. The exceptions are Armenia and Cambodia where the propensity to emigrate is higher among low-skilled occupational groups than high-skilled groups (Chapter 3). In this context, vocational training may contribute to upward labour mobility and reduce the incentives to look for other jobs abroad.

Figure 1.3. **Plans to migrate are correlated with participation in vocational training programmes**

Ratio of the share of individuals planning to emigrate among participants of vocational training programmes over that of non-participants



Note: If the ratio is above 1, the share of people who plan to emigrate is higher among the group who participated in vocational training programmes than those who did not; the opposite is true for a ratio below 1. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417697

Policies that lower risk can help, but do not always reduce emigration

Beyond labour market and financial constraints, risk may also push individuals to leave, even when they have jobs and money. For example, people with a formal fixed-term or permanent labour contract, with access to social protection, may be less likely to emigrate than those without a contract. More formal contracts provide the worker with income stability and oblige employers and the government to uphold certain safety and social protection standards. Workers therefore do not have to look for a more secure job elsewhere to reduce that risk. Creating income streams for the household across one or more countries by emigrating can also reduce the risk that an economic downturn leads to a total loss of household income, hence reducing the probability of people planning to emigrate.

The IPPMD research found that generally the higher a country's total social expenditures, the lower the share of people planning to emigrate (Chapter 7). Conversely, the higher the share of people with informal labour contracts, the higher the share who plan to emigrate.

However, other types of insurance mechanisms do not seem to reduce emigration. Emigration is more likely from households that benefit from agricultural insurance programmes, access to health insurance and labour unions. Reducing risk, therefore, does not always result in lower emigration. Three main factors could explain this paradox:

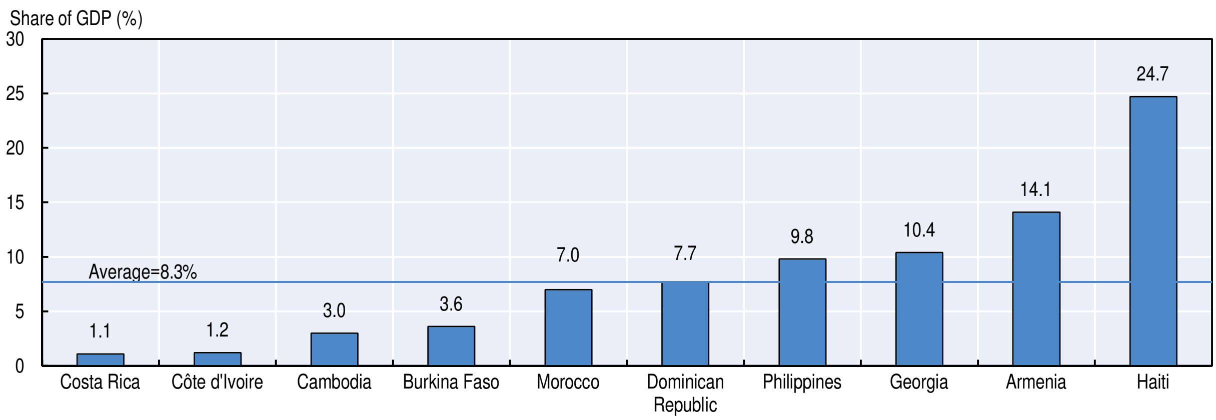
- Insurance coverage is often mostly afforded to higher skilled and mobile individuals, who can exploit work opportunities in other countries.
- Those who do not have access to insurance mechanisms are often in marginalised regions where emigration is already rather difficult; they may be too poor to afford to emigrate.
- Insurance may simply accelerate the move away from agriculture in economies transiting from agriculture to industry, which explains why agricultural insurance seems to increase emigration in countries like Cambodia and Georgia.

Remittances can build financial and human capital with the right policies in place

Remittances represent an important source of foreign funds for many developing countries, both in terms of absolute numbers and as a share of gross domestic product (GDP). Among the IPPMD countries, remittances are particularly important for the economies of Haiti (25% of GDP), Armenia (14%) and Georgia (10%) (Figure 1.4).

Figure 1.4. **The contribution of remittances to GDP varies across the IPPMD countries**

Remittances as a share of GDP (%), 2015



Source: World Bank, Annual remittances data (inflows), *World Bank Migration and Remittances Data http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data*.

StatLink http://dx.doi.org/10.1787/888933418363

Remittances are not only used for consumption, but also for investment

Even though households receiving remittances, especially the poorest, tend to use the money to increase their consumption of basic goods, this additional source of income is also used to make productive investments.

Remittances can remove credit constraints and allow households to invest

The IPPMD data show that remittance-receiving households, especially urban households, tend to have a higher share of self-employed members (Chapter 3) and a higher probability of running a business (Chapter 6). The findings also reveal that remittance-receiving households are more likely to own real estate. Agricultural households receiving remittances are more likely to spend on agricultural assets, especially in countries where asset ownership is generally low, such as Burkina Faso (Chapter 4). However, many households finance emigration by debt, which can contribute to the absence or delay of productive remittance investments.

Remittances enable households to invest in human capital

Remittances are linked to higher household expenditures on education in most partner countries, and remittance-receiving households are more likely to have children in private schools than households without remittances. However, remittances are not linked to higher school attendance in most countries, except Burkina Faso, which has the lowest primary school enrolment rates in the sample. Thus, when access to education is ensured, remittances can be spent on other areas.

Remittances are often managed by women, but discrimination can undermine their productive use

In most partner countries, business ownership is more common among male-headed households. This is especially the case in countries where male migration is more common (Burkina Faso, Costa Rica, Côte d'Ivoire and Cambodia). Male-dominated migration alters households' gender composition and gender dynamics, which in turn can have implications for the use of remittances. In a context where a majority of emigrants are men, women left in the household play a key role as recipients and managers of remittances. As discussed above, emigration may shift economic decision making towards women and thereby increase their economic independence. However, productive activities by women may be impeded by their limited access to land and credit markets.

How do sectoral policies influence remittance use?

Sectoral policies can influence indirectly the behaviour of remittance recipients by affecting individual and household characteristics as well as institutions and infrastructure. However, these policies, probably because they have broader objectives than just remittances, tend to have a lower impact than expected or unintentional side-effects.

Policies that relieve financial constraints do not seem to influence the amount of remittances received

Conditional cash transfer (CCT) programmes are a good example of a policy programme that could affect remittance patterns. Data from four partner countries with large-scale CCT programmes – Costa Rica, the Dominican Republic, Haiti and the Philippines – reveal a mixed association between CCTs and remittances. In Haiti, benefiting from CCTs seems to be linked to the probability of receiving remittances, while in the Philippines and the Dominican Republic being a beneficiary of CCTs is negatively linked to receiving remittances. This is likely related to emigration patterns, as CCT programmes are correlated with higher emigration rates in Haiti, where programme conditionality seems less binding, but with lower emigration in the other countries.

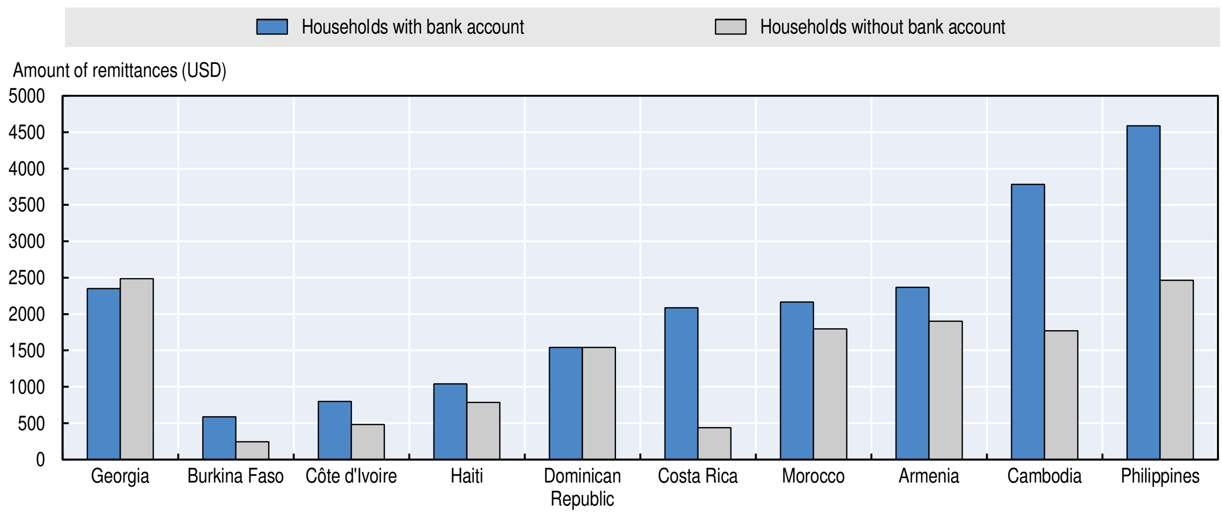
Policies that facilitate market access can generate more formal remittances and spur investments

The financial market plays a crucial role in turning remittances into productive investment. As in many developing countries, financial systems in several of the IPPMD partner countries often serve only a limited proportion of the population. Policies that make the financial sector more accessible to more people can encourage more remittances to be sent through the formal financial system, which is more secure for senders and receivers. The inflow of remittances into the formal financial sector can also generate multiplier effects in the economy by boosting local demand and increasing the capital available for credit.

Evidence from the IPPMD project shows that households without a bank account are more likely to receive remittances through informal channels (Chapter 6). Figure 1.5 compares the total amount of remittances received for households with and without bank accounts. Households with bank accounts receive on average more remittances in all countries but Georgia.

Figure 1.5. **Remittance-receiving households with bank accounts receive more remittances on average**

Amount of remittances received (in USD) in past 12 months, by whether the households have a bank account



Note: Remittances are defined as the average amount of money (in USD) received by the households from anyone living abroad in the 12 months prior to the survey. The sample only includes households that receive remittances.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933445254

Return migration is an underexploited resource

The human capital, financial means and social norms acquired by return migrants constitute an important source of development for many countries. The development potential of return migrants is a poorly researched area, but strongly depends on the economic, social and institutional environment back home. The IPPMD data suggest that return patterns differ significantly across the partner countries. While Armenia is the country with the largest absolute number of return migrants in the sample (707), the share of return migrants in the sum of returnees and emigrants varies from 9% in the Dominican Republic to 55% in Costa Rica. At the household level, the Dominican Republic has the lowest share of migrant households with return migrants (13%), while Burkina Faso has the highest (65%). This can be explained by the 2010-11 political crisis in Côte d'Ivoire, which spurred a sudden exodus of immigrants back to their homes in neighbouring countries.

Return migrants can bring financial capital, skills and knowledge

Understanding why migrants decide to return home is key for understanding the impact of return migration. Return migrants in the IPPMD household survey stated that the main reasons for coming back home were related to personal preferences, such as being closer to family, but also the failure to obtain legal status for work or residency in destination countries and the difficulties integrating economically and socially. Only a minority considered employment and investment opportunities at home as a motive for return.

Return migrants can invest financial capital in business start-ups and self-employment

The IPPMD data confirm that return migrants are usually more likely than non-migrants to run a business or to be self-employed. This may be because savings accumulated abroad are used to set up a business; for some, these activities may be the only option, especially for those who were forced to return or whose skills do not match the country's labour market needs. Return migration can therefore be a driver of economic diversification for the country, as agricultural households with return migrants are more likely to own a non-agricultural business than those without any return migrants.

Most businesses identified in the survey, however, tend to only employ family members or close relatives. This implies return migrants' contribution to the economy through job creations remain limited. Financial constraints are one of the key factors determining the scale of business; lack of access to credit can prevent return migrants from scaling up their businesses.

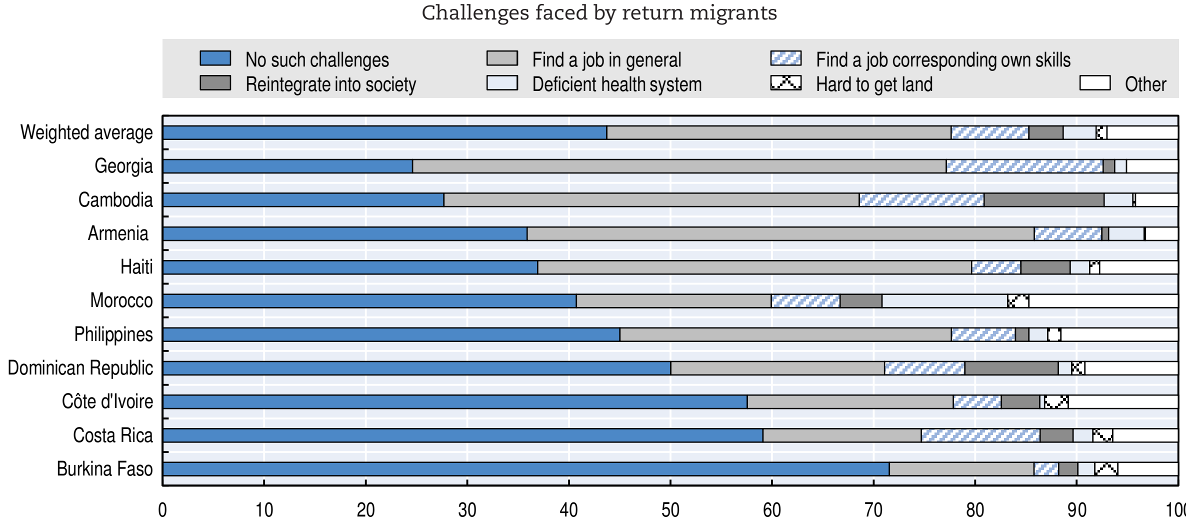
Return migrants could potentially transfer more skills and knowledge

Returning professionals with technological, managerial, marketing or scientific competencies often create new companies, transfer knowledge and increase the human capital stock in their country of origin. Return migrants in the IPPMD study tend to be better educated than non-migrants, with the exception of Burkina Faso, Cambodia and Morocco, where overall education levels are significantly lower than in the other countries. Return migrants' higher educational levels might be explained by the fact that more educated individuals are more likely to emigrate, or by their receiving further education or training abroad, or a combination of both.

Despite their higher educational levels, returnees may find it hard to reintegrate into economic, social and political life in their origin countries. The IPPMD data indicate that more than half of the returnees faced some sort of difficulty after their return (Figure 1.6). Integration into the local labour market is the biggest concern, with many returnees having difficulties finding a job of any kind. Finding a job that corresponds to returnees' skills is challenging for some. Compared to non-migrants, in many countries a higher share of return migrants is overqualified for their jobs. The underemployment of return migrants' skills could be an obstacle to their full participation in the labour market, and hence their contribution to development in their home countries.

Figure 1.6. **Finding a job is the biggest challenge facing return migrants**

Challenges faced by return migrants



Source: Authors' own work based on IPPMD data.

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How do sectoral policies influence return migration?

The IPPMD research finds that sectoral policies play a key role not only in attracting citizens back home, but also in aiding their long-lasting reintegration into society and realising the potential they have to contribute to their country's development. For example, policies which relieve financial constraints at home and which reduce risk can attract migrants home, while those that strengthen skills and facilitate job matching can encourage them to stay.

Policies that relieve financial constraints at home may attract return migrants

Relieving households' financial constraints at home can encourage emigrants to return. The IPPMD data show that the share of return migration is higher in countries where a large share of agricultural households benefit from direct financial transfers, implying that such policies might help attract return migrants. One potential explanation is that financial transfers received by the household have helped pay for the costs of return.

Policies that reduce risk can attract migrants home and encourage them to stay

Household vulnerability is a key push factor for migration. If these vulnerabilities remain over time, migrants will not be willing to return home. Due to insufficient pension portability schemes, return migrants are less likely than non-migrants to benefit from a public pension system, which may discourage emigrants from returning. Not only can policies that reduce risk provide more incentives to emigrants to come back, but they can help make their return sustainable. Higher spending on social protection is positively correlated with a higher share of return migrants and with the share of return migrants who plan to stay permanently in home countries (Chapter 10). Economic and political stability in the home country also makes return migration more attractive. More stable countries may have more resources to spend on public social welfare, for example.

Immigrants could contribute much more given supportive policies

Immigration is a key component to consider when analysing the impact of migration on development, especially in the countries where immigrants represent a significant share of the population. Many of the IPPMD partner countries have a significant share of immigrants (Figure 1.2). Costa Rica (8.8%) and Côte d'Ivoire (9.6%), in particular, register relatively high immigration rates, relative to their populations. Even though immigrants contribute to the economy in many ways, policy makers often neglect to support their economic and social integration. This is particularly the case in a number of developing countries. However, migrant rights and integration matter – making immigrants feel part of the country's social fabric can reinforce social cohesion and promote higher productivity. This is why the Sustainable Development Goals (SDGs) emphasise immigration and integration as key components of development.

Immigrants' full economic potential is still untapped

There are several ways in which immigrants contribute to their host economies; though with more supportive policies this contribution could be still greater.

Immigrants contribute labour

Immigrants bring valuable human capital to the host country and are more likely than native-born individuals to be in their most productive years and to be working. The IPPMD data show that immigrants have a higher employment rate than native-born workers, especially in Costa Rica, Côte d'Ivoire and the Dominican Republic. They contribute to three sectors in particular: agriculture, construction and activities related to motor vehicles. In Côte d'Ivoire and the Dominican Republic, around 60% of immigrants are men. This is because many immigrants work in the agricultural sector, which is dominated by men in general. Agriculture also happens to be the sector in these countries most affected by the departure of emigrants. Immigrants are therefore filling a gap.

However, in terms of job matching, while immigrants in Costa Rica and the Dominican Republic are less likely to be overqualified than native-born individuals, in Burkina Faso, immigrants are more likely to be overqualified. The country is therefore missing an opportunity to use these skills. This may not be surprising given that Burkina Faso is primarily an agrarian and informally driven economy. Reducing underemployment would in any case allow for a better allocation of skills – while sending a positive signal to future waves of potential immigrants.

Immigrants invest and pay taxes in the host country

Immigrants contribute more than just their labour; they also invest in their host country. On average, 20% of immigrants across all countries have invested in some way. Côte d'Ivoire stands out as the country with the highest rate. About half of the immigrants have invested in the agricultural sector (both in farming and livestock activities), while in the other countries they have mainly invested in real estate. Immigrant households who run their own agricultural activities, such as farming and animal rearing, are more likely than non-immigrant households to hire workers from outside the household, especially in Burkina Faso, and to bring their produce to the market (e.g. in the Dominican Republic), thereby benefitting the wider economy (Chapter 4).

Besides their labour and economic contributions, immigrants do not seem to have a negative impact on the public budget, contrary to common belief. The IPPMD data found that immigrants are less likely than native-born citizens to receive government transfers and use health facilities in the host country. However, the fact that immigrants are less likely to have a non-agricultural formal labour contract than native-born workers implies that they are less likely to pay taxes. It is also detrimental to their integration and the protection of their basic human rights, and potentially also lowers their productivity. When immigrant households do pay taxes, they actually contribute as much as native-born households. Because they also receive fewer social benefits than the native born population, immigrants could have a net positive effect on the fiscal balance of their host country, particularly if they have access to formal labour contracts.

Immigrants' lower education levels undermine their contribution

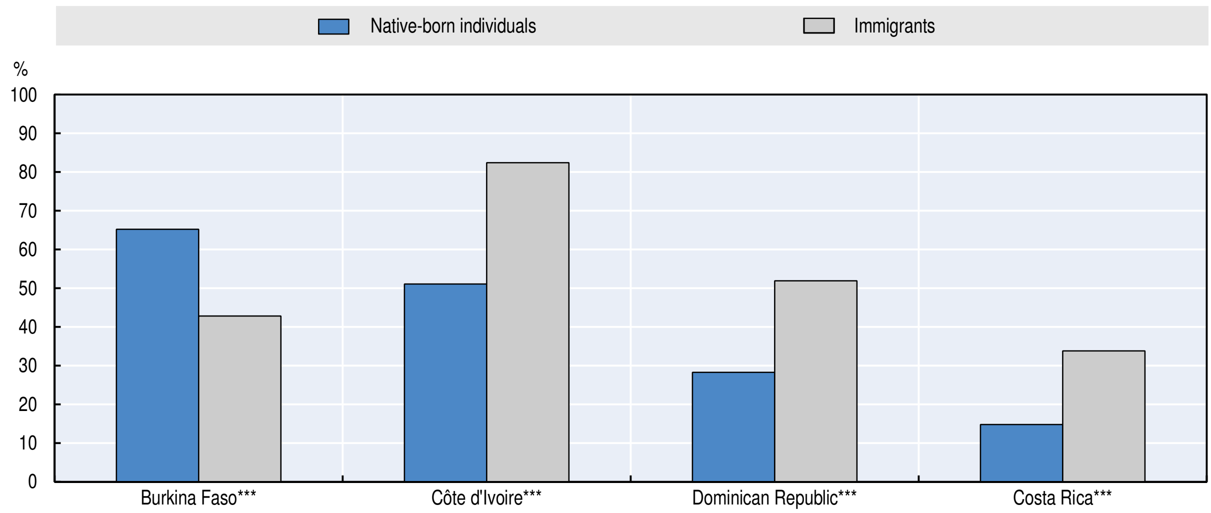
Among the sample, immigrants are on average less educated than the native-born population. The high numbers of immigrants in the IPPMD sample without any formal education are striking (Figure 1.7). This reflects the fact that the better-educated emigrants tend to go to wealthier countries.

How do sectoral policies influence immigration and development?

Despite their positive contributions to the economy, immigrants fall behind in a number of key development indicators; this is not only a missed opportunity for them, but also for the host country. Gaps in public policies play a large role in undermining immigrants' full contribution.

Figure 1.7. **Immigrants are more likely to lack formal education**

Share of individuals with no formal education (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Formal education is defined as education occurring in a *structured environment* whose explicit purpose is teaching students.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418629

The lack of access to public services undermines immigrants' successful integration

The integration of immigrants is crucial for maintaining social cohesion and obtaining the best outcomes from immigration. Education is a fundamental tool for the social integration of immigrants and their households, as it helps them learn the local language, as well as to understand the context and history of the country, and to build social networks. It is thus in the interest of the host country to provide education to immigrants and their children, as it will increase their productivity and future earning capacity. The IPPMD data also show that immigrants who are educated in the host country are more likely to stay (Chapter 5). Yet immigrant children and children of immigrants born in the host country are less likely to go to school. Immigrant households also have less access to educational support programmes, such as conditional cash transfers.

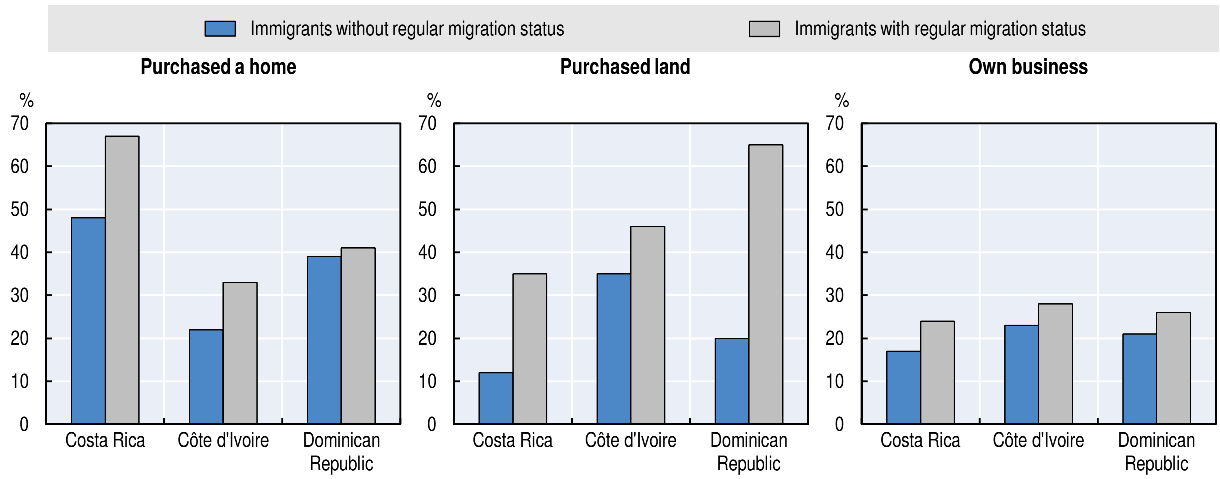
Lack of aid and social protection reduces investment opportunities

Investment can be a key vector for successful integration. In this respect, policy makers should ensure that conditions enable immigrants to invest, especially in sectors in need of a boost. Although many immigrants work in the agricultural sector, immigrant households are less likely to run their own farming businesses than native-born households and, perhaps consequently, make fewer investments in the sector (Chapter 7).

One key to unlocking the investment potential of immigrants would be to create more flexible migration policies. Immigrant household heads with regular migration status are more likely to own a home, land or a non-agricultural business (e.g. in Costa Rica, Côte d'Ivoire and the Dominican Republic; Figure 1.8). Yet many immigrants lack regular migration status – they may have entered the country through irregular channels, or they may have overstayed their visa. This is the case in the Dominican Republic, where nearly 90% of surveyed immigrants lack the required documents to live and work in the country.

Figure 1.8. **Immigrants with regular migration status are more likely to invest in the host country**

Share of immigrant household heads who have invested in the host country (%)



Note: Irregular immigrants lack the official documents required to live or work in the host country. Official documents include residency or work permits. Immigrants with host country nationality are considered to have regular status. All immigrants are included in the sample.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418676

A coherent policy agenda can realise the development potential of migration

The IPPMD project has found that migration in the dimensions under study (emigration, remittances, return migration and immigration) can contribute to development in origin and destination countries alike (and many countries are both). However, it is clear that this development potential is not being fully realised. This study has shed light on how this potential can be better exploited by examining the intentional or unintentional role of sectoral policies – especially those governing the labour market, agriculture, education, investment and financial services, and social protection and health – in people's decisions to emigrate or return home, in how they send and use remittances, and in how well immigrants integrate into and contribute to their host countries.

The study concludes that harnessing the development impact of migration requires a coherent policy framework. While most countries studied do have a wide range of migration-specific policies,[3] very few have implemented policies in other sectors for enhancing the development potential of migration. Ministries in charge of these sectors are often unaware of the effects of migration on their areas of competency and, conversely, of the effects of their policies on migration.

What would a more coherent policy framework look like? It implies the need to:

- do more to integrate migration into development strategies
- improve co-ordination mechanisms
- strengthen international co-operation.

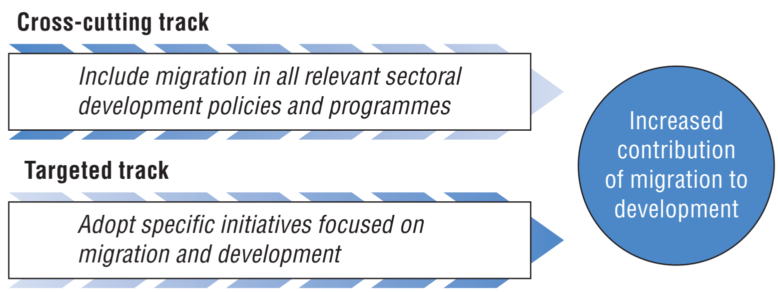
Do more to integrate migration into development strategies

To enhance the contribution of migration to development, public authorities in countries of both origin and destination need a twin-track approach as follows (Figure 1.9):

1. Cross-cutting track: consider migration in the design, implementation, monitoring and evaluation of relevant sectoral development policies

2. Targeted track: adopt specific migration and development actions, programmes and policies aimed to minimise the costs of migration and maximise its benefits.

Figure 1.9. **Enhancing the contribution of migration to development: a twin-track approach**



Sectoral policies can affect migration decisions by improving market efficiency, relieving financial constraints, helping develop relevant skills and reducing risk. The way sectoral policies affect migration is not always straightforward, however. Similar programmes can generate a variety of effects according to the countries in which they are implemented. Vocational training programmes, for instance, tend to increase emigration in some countries, but reduce it in others (Chapter 3). Despite the differences in the way specific sectoral policies or programmes affect migration, it is the combination of policies that is more likely to influence the impacts of migration. The interactions among public policies therefore also need to be taken into account when drawing up development strategies for a country.

With this approach in mind, the following sections and the tables that accompany them provide a summary of the main policy recommendations suggested in this report.

Making the most of emigration: policy recommendations

When crafting policies to maximise the development potential of migration, it is important to be clear about the goals. Countries differ in their views on emigration: some might be concerned by the loss of a significant share of skilled individuals, while others view emigration as a way of relieving oversupply in the labour market. Yet, increasing or reducing emigration per se should not be a policy objective. People are free to make their own decisions and leave their countries if they want to do so. Policy makers should therefore try to focus on establishing the conditions under which people can freely decide if they want to leave or stay and under which emigration can be a force for good, not harm. In other words, the role of public policies should be to create an environment where people migrate by choice, not by force.

When countries of origin try to build a migration and development strategy, they usually focus on the positive effects of emigration, but tend to forget the negatives, such as family disintegration and the loss of labour, especially in the agricultural sector. Policy makers in origin countries need to understand which categories of people are particularly affected by emigration and adjust their policies accordingly in order to minimise the potential costs. Countries of origin also need to adopt policies that help increase the benefits of emigration. The emigration-relevant policies emerging from the study and presented in this report (Chapters 3-8) are summarised in Table 1.4.

Table 1.4. **Policies to make the most of emigration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	● Adjust vocational training programmes to reflect demand in the local labour market and better match demand with supply. ● Expand the territorial coverage and awareness of governmental employment agencies, especially in rural areas, while working more closely with the private sector, to match needs with labour supply and ensure that households that lost labour to emigration can easily replace it if needed.
Agriculture	● Include, enforce and increase the conditionality of agricultural aid programmes, such as subsidies and agricultural training programmes, towards practices that are more sustainable and commercial, to reduce their use to enable emigration. ● Tie insurance mechanisms to in-kind benefits for the next harvest season rather than cash-based and contingent on agricultural output in quality and quantity, to ensure that they are not used to finance the emigration of a household member.
Education	● Map the education and training levels of emigrants to better forecast future human capital supply and potential skills shortages. ● Enforce conditionality measures in cash-transfer programmes to reduce their use to finance emigration and ensure that the programme objectives are fulfilled.
Investment and financial services	● Improve the investment climate to facilitate business creation, create jobs and reduce pressure to emigrate. ● Support women's access to financial and agricultural land markets, particularly in rural areas, to allow women to become more economically independent.
Social protection and health	● Strengthen compliance with labour regulations, such as requirements to provide employees with social protection benefits and to grant freedom of association, and facilitate the procedures for employers and employees to register formal labour contracts, in order to ensure decent working conditions thereby reducing the need to look for jobs elsewhere (through emigration). ● Ensure that new provisions in health facilities and social protection in marginalised or isolated regions are accompanied by adequate infrastructure and labour market mechanisms, in order to capitalise on improved human development and alleviate the pressure to emigrate.
	TARGETED RECOMMENDATIONS
Migration and development	● Run campaigns on the risks of irregular migration, smuggling and human trafficking, so that migrants make well-informed decisions. ● Provide pre-departure courses on legal migration channels available to migrants, their rights as well as information work and living conditions in countries of destination. ● Regulate and formalise the international recruitment agency sector, to ensure emigration occurs through safe and formal channels.

Making the most of remittances: policy recommendations

Policy makers can play an important role in enhancing the positive impacts of remittances by making these transactions less costly and help channel them towards more productive uses. A number of policies, such as tax exemptions for remittance income, diaspora bonds and matching grant schemes, have these as their goals.

Although remittances are private sources of funding, and policy makers cannot decide how individuals or households spend their money, public policies can play an important role in channelling remittances towards more productive investments. The remittance-relevant policies emerging from the study and presented in this report (Chapters 3-7 and 9) are summarised in Table 1.5.

Making the most of return migration: policy recommendations

An increasing number of countries have introduced policies targeted at return migration. Armenia, for instance, relies on its strong ties with diaspora networks to organise job fairs in the main countries of destination in order to encourage people to return. Offering financial and non-financial benefits to return migrants also increases the incentives to return. These range from tax and duty exemptions for transporting personal belongings, to salary subsidies or capital to start up micro businesses. Targeted programmes, such as providing return migrants with requalification training or creating environments that better harness their competencies, can also help return migrants reintegrate into their home countries.

Table 1.5. **Policies to make the most of remittances**

	CROSS-CUTTING RECOMMENDATIONS
Agriculture	• Support the investment of remittances in agricultural expansion and small-scale agri-businesses by developing household financial and entrepreneurial skills to enable more informed investment decisions. • Ensure that there are adequate credit markets and money transfer operators in rural areas by supporting agricultural cooperatives and rural credit unions, to enable remittances to be channelled easily to agricultural activities. • Build appropriate agricultural infrastructure, such as irrigation and facilitate access to land and markets to make the sector more attractive for investors.
Education	• Invest in educational infrastructure and trained teachers to meet the demand for education services from remittance inflows, while ensuring that remittance-driven demand does not affect universal access to education. • Enforce and ensure quality in educational institutions when faced with higher demand for private schools due to remittances. • Collect migration and remittance information in conditional cash transfer programme data to monitor remittance income changes over time and better understand the full impact of the programme.
Investment and financial services	• Support the start-up and operation of small-scale businesses through providing small business loans and business management training to encourage remittance investments. • Expand financial service provision, especially in rural areas, by increasing competition among service providers and adapting the regulatory framework. • Increase financial literacy and entrepreneurial skills among households in communities with high emigration rates, and especially among women in countries with a high share of male migration. • Address gender discrimination in land and credit markets by changes in the regulatory framework to ensure that women have equal access.
Social protection and health	• Develop and provide health-related services to meet demand by remittance recipients. To make them more accessible, such services could be coupled with microfinance institutions or other financial institutions.
	TARGETED RECOMMENDATIONS
Migration and development	• Reduce remittance transfer costs by avoiding restrictions or taxes on remittance inflows as well as any kind of exclusive partnership with money transfer operators. • Create incentives to attract diaspora investments, for instance through savings accounts in foreign currency and diaspora bonds.

Sectoral policies also play a key role in making return migration attractive and sustainable. The return migration-relevant policies emerging from the study and presented in this report (Chapters 3-7 and 10) are summarised in Table 1.6.

Table 1.6. **Policies to make the most of return migration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	• Expand government employment agencies' activities to reach out to emigrants overseas. They should also target return migrants so that they have a greater chance of finding a formal job. • Ensure vocational training programmes match domestic labour needs to foster the inclusion of return migrants in the labour market.
Education	• Facilitate and improve the recognition of qualifications acquired abroad to help return migrants validate their skills. • Offer training and refresher courses to potential return migrants, especially those with an education diploma, to facilitate their reintegration into the labour market in the country of origin.
Investment and financial services	• Strengthen return migrants' access to information on financial tools and opportunities to allow potential entrepreneurs to create and scale up their businesses and create more jobs, including in rural areas and the agricultural sector. • Avoid taxes on repatriated capital used to start new businesses. • Provide information about local investment opportunities to return migrants through tailored investment networks and websites.
Social protection and health	• Ensure that return migrants find it easy to register for social protection and health facilities when they return, to reduce the need to emigrate again. • Invest in bilateral agreements with main destination countries to ensure portability of pension funds and other social benefits.
	TARGETED RECOMMENDATIONS
Migration and development	• Create an official information portal, such as a website, to provide comprehensive information to potential return migrants. • Organise diaspora fairs in the main countries of destination to offer employment and investment opportunities to would-be return migrants. • Provide financial incentives, such as duty exemptions for the transport of personal belongings, and subsidies for the salaries of highly skilled return migrants.

Making the most of immigration: policy recommendations

Public policies can help maximise the impact of immigration on the economy of the host country and ease the integration process. Poor integration does not only raise challenges in terms of social cohesion; it also means that immigrants contribute less to the development of their host societies. Policy makers should therefore aim to protect immigrants' rights, regardless of their migratory status; fight against discrimination; and promote the inclusion of immigrants in society, starting with the labour market and the education system.

Successful integration does not always rely on specific integration policies: just as powerful can be universal and non-discriminatory coverage of education, social protection and health services to include immigrants, regardless of status. Likewise, if the conditions for access to credit and investment are the same for native and immigrant populations, specific policies targeting immigrants are not always required, even though policy makers need to make sure that equal conditions on paper are actually applied in the country. The immigration-relevant policies emerging from the study and presented in this report (Chapters 3-7 and 11) are summarised in Table 1.7.

Table 1.7. **Policies to make the most of immigration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	• Develop better information systems, through an extended network of employment agencies, to help immigrants as well as native-born workers find the jobs that best correspond to their skills. • Increase training opportunities to upgrade general skills levels and ensure that immigrant job seekers do not have any legal barriers to the labour market.
Agriculture, investment and financial services	• Reduce de facto barriers to investment by immigrants in the agricultural sector, such as lack of access to land and markets; as well as in the non-agricultural sector, such as lack of building and land rights. • Use websites and investment one-stop shops to encourage potential immigrants to invest in the host country. • Make agricultural aid, such as subsidies and training, accessible to settled immigrants through residential registration permits for instance, to encourage their productivity and investment.
Education	• Provide equal access to education in general, and to immigrant students in particular, for example by implementing targeted policy programmes, such as cash transfers and scholarships for vulnerable groups, including immigrants. • Invest in educational infrastructure in areas with increased education demand from immigration to ensure universal access, good quality schooling and social integration and cohesion.
Social protection and health	• Increase de jure and de facto access to social protection, such as pension plans, medical benefits, access to labour unions and the provisions covered by formal labour contracts. • Adjust investments in health facilities in neighbourhoods where there are high levels of immigration.
	TARGETED RECOMMENDATIONS
Migration and development	• Facilitate and mainstream the channels for immigrating and registering formally in the host country. • Adopt measures to fight discrimination against immigrants and ensure they are enforced.

Improve co-ordination mechanisms

Besides the twin-track approach outlined above, a coherent policy agenda also requires that policy makers improve co-ordination mechanisms at three levels: across national authorities; between national, regional and local authorities; and between public authorities and non-state actors.

Improve co-ordination across national government authorities

In most countries, the migration dossier is concentrated in the hands of a few ministries and other central agencies: the Ministries of Interior and Labour usually deal with immigration issues; the Ministry of Foreign Affairs, and in some cases a specific entity in charge of diasporas, are usually responsible for emigrants abroad; while the Central Bank deals with remittances. Very few other sectoral ministries are involved in migration decisions and in some cases, migration is not even part of their competency area. Yet, as shown in this report, migration has repercussions for a variety of policy sectors, and sectoral policies affect migration too. A greater cross-section of national government authorities should therefore be involved in the migration and development policy agenda.

One way to achieve this is through creating co-ordination bodies to gather the various entities together and decide on the key migration and development issues. Such interagency committees or bodies, which sometimes also involve multilateral and civil society organisations, already operate in Armenia, Georgia and the Philippines (Chapter 2).

Improve co-ordination among national and local government authorities

While most decisions related to migration and development are usually conceived by national governments, local and regional authorities (LRAs) deal directly with a number of migration issues, including support to families left behind, especially children; reintegration of return migrants into local communities; protection of immigrants' rights; and their access to labour market, schools and health services. Policies that rely on the experience of LRAs and involve them in the decision process are therefore more likely to enhance the contribution of migration to development (EC-UN JMDI, 2010).

LRAs thus need to develop their own migration and development agenda, especially in territories with high emigration or immigration rates. Local authorities should in particular expand local programmes and services to immigrants, and establish redress mechanisms that provide immigrants with support, especially legal aid, information about rights and procedures, and assistance in reporting abuse. They can also play an active role in promoting language learning by hiring local teachers and developing courses for foreigners. National authorities can help local actors deal better with migration issues by allocating specific economic and human resources and investing in capacity building.

Improve co-ordination with non-state actors

Non-state actors, such as civil society organisations, trade unions, employers' associations, academic institutions and the media, contribute significantly to the success of migration, both in origin and destination countries. They can, for instance, provide useful information to migrants and help change perceptions. They can also protect the rights of migrants and their families, as well as the interests of non-migrant households. Yet, many migration decisions are taken without involving them.

A coherent policy framework should include consultation mechanisms as well as partnerships with a variety of non-state actors. Besides specific issues directly related with migration, such as integration programmes, co-ordination mechanisms could include sectoral areas that have an impact on or are affected by migration. In this respect, strengthened co-operation among the ministries in charge of labour, education and skills, education institutions and employers could help design vocational and training programmes better oriented towards the needs of the domestic labour market. Likewise, better co-ordination among the various actors in the financial system – the Central Bank, financial institutions, money transfer operators and microfinance institutions – could help promote financial inclusion and investments in remittance-receiving areas.

Strengthen international co-operation

By definition, international migration involves at least two countries: the country of origin and the country of destination. To enhance the contribution of migration to development, host and home countries therefore need to develop co-operation instruments, both at the bilateral and regional levels.

Bilateral agreements

Bilateral co-operation often relies on bilateral labour agreements (BLAs) between countries of origin and destination to promote regular migration and guarantee the protection of migrants' rights. BLAs tend to favour temporary movements, as a way to prevent immigrants from settling in. They usually cover issues such as basic rights, working conditions and wages. Circular migration, which gives migrants the possibility to spend part of the year in the host country and part of the year in the home country, has also become more common in BLAs. Circular migration schemes generate benefits for the host country, since immigrants come when the labour demand is high and are more prone to return to their home countries than with other migration programmes. They also benefit countries of origin, as migrants can still contribute to local activities. The skills and savings circular migrants accumulate over the years also help them better contribute to their home countries and develop productive projects there (OECD, 2011).

Some issues still remain to be covered by bilateral agreements to facilitate the mobility process, help migrants integrate better in their host countries or reintegrate in the country of origin, and harness the full development potential of migration. Bilateral agreements should in particular address family reunification, which has become a sensitive issue in many countries, but should be a basic right for all migrants. The signature of agreements on social protection and pension portability between countries of origin and destination is also a way to promote the rights of migrants to a decent pension and to ease return migration (Holzmann, 2016).

Regional agreements

Regional co-operation can facilitate labour movements between neighbouring countries and increase the development impact of migration. Regional mobility allows for a better allocation of the skills available in the region and helps countries adjust to economic shocks, thus reducing the social cost of economic recessions. In this respect, regional agreements should not only include free mobility, but also mechanisms to guarantee that people can really move from one country to another. Policy makers should in particular:

- create regional employment agencies so that workers from each country can have information about available jobs in other countries in the region
- remove discrimination and other barriers to work to facilitate the inclusion of workers from the region in domestic labour markets, including the public sector, and provide full access to labour rights
- promote co-operation among education institutions to foster student mobility and facilitate the recognition of degrees and skills
- increase the regional integration of financial markets to reduce remittance transfer costs and spur investment
- harmonise social protection and pensions systems and promote the portability of rights to encourage regional mobility.

Roadmap to the report

The rest of the report is organised as follows.

Chapter 2 sets the scene by explaining the conceptual and methodological frameworks for the project. It presents the quantitative and qualitative tools and discusses the analytical approach and data limitations.

The rest of the report is divided into two parts. **Part I**, consisting of Chapters 3 to 7, investigates how migration affects the five sectors under study: the labour market, agriculture, education, investment and financial services, and social protection and health in the IPPMD partner countries. The analyses are presented according to the sectors. The five sectoral chapters discuss how different dimensions of migration (emigration, remittances, return migration and immigration) affect the sectors, and in turn, how policies can influence migration outcomes. In **Part II**, consisting of Chapters 8 to 11, the focus is squarely on various dimensions of migration: emigration, remittances, return migration and immigration. It revisits the interrelations between migration and public policies presented in Part I from the perspectives of migration.

Notes

1. Another project carried out by the European Commission, the International Labour Organization and the OECD Development Centre is seeking to arrive at a reliable and evidence-based understanding of how immigration affects the economies of ten developing countries across Asia, Africa and Latin America. It considers, in particular, the contribution of immigrants to GDP and growth as well as their impact on the labour market, and on public finances and social services (*www.oecd.org/dev/migration-development/eclm.htm*).
2. The dimensions of migration and the sectors studied are not comprehensive or reflective of the whole picture of the links between migration and development. For instance, the role of the diaspora – which often actively contribute to development in its country of origin through hometown associations and professional or interest networks – is not analysed in this report, due to the lack of data on this issue. Moreover, besides financial transfers, remittances also include *social remittances* – i.e. the ideas, values and social capital transferred by migrants. Even though social remittances represent an important aspect of the migration-development nexus, they go beyond the scope of this project and are also not discussed in this report. In addition, the five sectors under study in this report were considered as being the most relevant to the migration and development agenda. That does not mean that other sectoral policies do not interact with migration. Trade policies, for instance, are an important sector for development that have significant effects on migration flows and can be affected by migrant networks. Likewise, environmental policies can alter the decision to migrate, while migration flows can have repercussions on the environment in both origin and destination countries.
3. Such as providing social and legal support to emigrants through consulates, lowering the costs of remittances and channelling them towards more productive investment, encouraging the members of the diaspora to engage in development projects in their origin communities and encouraging emigrants to return.

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Chapter 2

Conceptual and methodological frameworks

The IPPMD project aimed to provide empirical evidence for policy makers on the positive contribution of migration to development and how policy can be used to reinforce these effects. To do so, it developed its unique conceptual and methodological frameworks to look beyond the impact of migration policy to explore the bi-directional links between key sectors and four dimensions of migration (emigration, remittances, return migration and immigration). This chapter gives an overview of the conceptual and methodological frameworks and presents the analytical approach.

While international migrants make up only 3% of the world's population, their significance in public debate has increased disproportionately with the 2015-16 refugee crisis. In this regard, 2015 represents a turning point for the global migration agenda. On the one hand, massive refugee inflows to Europe have generated lively discussions about the capacity of host communities to absorb and integrate immigrants, and have spurred a worldwide trend towards more restrictive immigration policies. On the other hand, the international development community, through the 2015 Addis Ababa Action Agenda (UN, 2015a) and the 2030 Agenda for Sustainable Development (UN, 2015b), has acknowledged the positive contribution migrants make to economic growth and sustainable development, both in their countries of origin and destination. The Sustainable Development Goals (SDGs) reflect the need to protect the rights of migrant workers, especially women (Target 8.8); adopt well-managed migration policies (Target 10.7); and reduce remittance transfer costs (Target 10.c) (UN, 2015b).

The recognition of migrants' contribution to development is in line with the consensus within the international community that migration should form an integral part of developing countries' strategic planning:

- Since 2007, the Global Forum on Migration and Development (GFMD) process has seen governments discuss the importance of including migration in development planning and strengthening policy coherence.[1]
- The International Organization for Migration (IOM) has published a handbook for policy makers and practitioners on how to mainstream migration into development planning (IOM, 2010).
- The African, Caribbean and Pacific Observatory on Migration has gathered a series of indicators to measure the impact of migration on human development and vice versa (Melde, 2012).
- Since 2012, a joint United Nations Development Programme (UNDP) and IOM project has been helping developing countries mainstream migration into national development strategies (UNDP, 2015).
- The Joint Migration and Development Initiative, also implemented by the IOM and UNDP, focuses on migration and development policies at the local level (EC-UN JMDI, 2010).
- The Global Knowledge Partnership on Migration and Development (KNOMAD) Thematic Working Group on Policy and Institutional Coherence has developed a dashboard of indicators for measuring policy and institutional coherence for migration and development.[2]

This convergence of efforts has raised awareness among policy makers of the need to take migration into account in the design of their development strategies and ensure cross-ministerial co-ordination to improve policy and institutional coherence between migration and development.

A number of empirical studies over the past 20 years have provided evidence of a link between migration and development (OECD, 2007, 2011):

- In their countries of origin, migrants contribute to development not only by sending remittances, which can help reduce poverty, spur consumption, foster entrepreneurship and increase households' investments in education and health, but also by sharing knowledge and norms, or being part of philanthropic diaspora projects.
- In their destination countries, immigrants help reduce labour and skills mismatches, invest in business activities, mobilise domestic resources, feed aggregate demand and pay taxes.

However, while there is an abundance of evidence on the effects – both positive and negative – of migration on development, the importance of integrating migration into development planning still lacks empirical foundations. The Interrelations between Public Policies, Migration and Development (IPPMD) project aimed to fill this knowledge gap by providing empirical evidence for policy makers not only on the positive contribution of migration to development, but also on how this can be reinforced through policies in a range of sectors.

This chapter is divided into five sections. The first section describes the choice of partner countries and the project's *modus operandi*, based on partnerships in each country. The following two sections explain how the IPPMD project's conceptual and methodological frameworks were designed. The fourth section illustrates the sampling design used for quantitative data collection. The last section describes how the analysis on the two-way relationship between migration and public policies was carried out. It also acknowledges the challenges and limitations inherent in such an ambitious global study.

Building partnerships and setting research priorities

The European Commission and the OECD Development Centre launched the IPPMD project in January 2013. Carried out in ten low and middle-income countries between 2013 and 2017, the project aimed to provide policy makers with evidence for the importance of integrating migration into development strategies and fostering coherence across sectoral policies.

The project chose a balanced mix of developing countries (Figure 2.1), representing a diverse range of regions, income levels and migration background. The project was strengthened by being developed in co-operation with each partner country, defining its priorities in collaboration with a variety of stakeholders.

The choice of partner countries was based on a set of diverse criteria

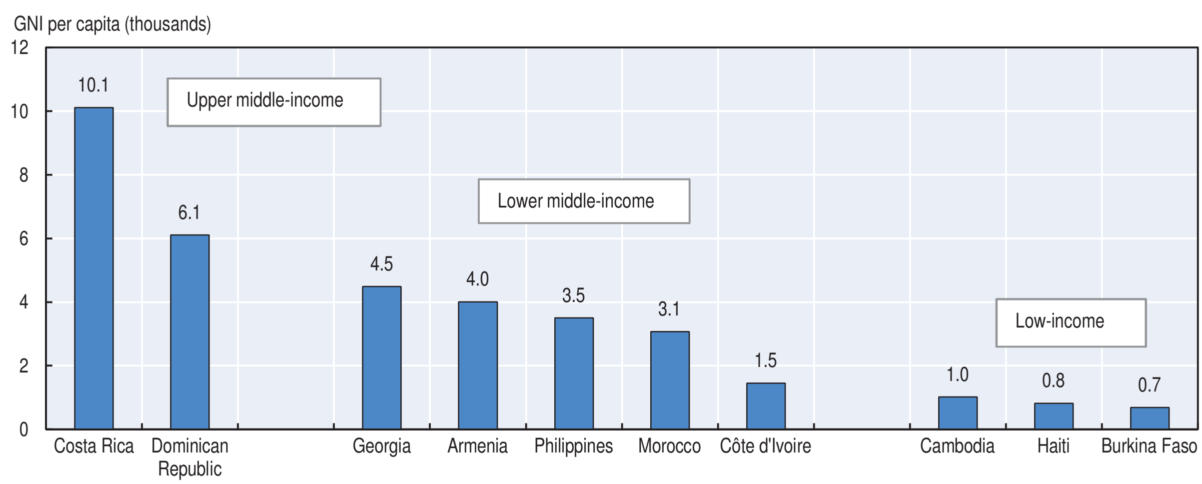
Three main criteria guided the choice of countries:

1. **The willingness of the relevant authorities in each country to become partners**. Their co-operation was obtained through discussions and negotiations, sealed with a formal agreement with the public authorities. Each country was then asked to appoint a national institution as project focal point. The diversity of institutions acting as government focal points shows the range of government bodies in charge of migration and development issues across countries (Table 2.1).
2. **A balanced representation of low and middle-income countries**. According to the World Bank's country income classification, Burkina Faso, Cambodia and Haiti were categorised in 2014 as low-income countries; Armenia, Côte d'Ivoire, Georgia, Morocco and the Philippines as lower-middle income countries; and Costa Rica and the Dominican Republic as upper middle-income countries (Figure 2.2). By including a diversity of income groups, the project aimed to explore the influence of wealth on the links between migration and public policies.

Figure 2.1. **The IPPMD partner countries**

Figure 2.2. **The IPPMD partner countries represent a spectrum of income levels**

GNI per capita (2014), Atlas method (current US$)



Source: World Bank, *World Development Indicators*, *http://data.worldbank.org/data-catalog/world-development-indicators*.

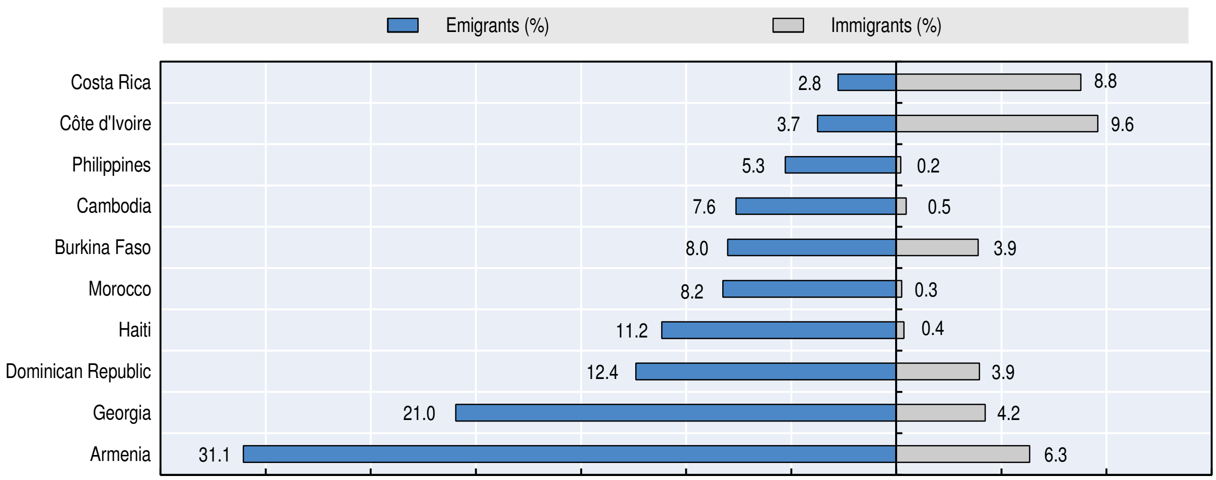
StatLink http://dx.doi.org/10.1787/888933417507

3. **A population significantly affected by migration (emigration and/or immigration).** In order to analyse the relationships between public policies, migration and development, all the countries involved were either characterised by immigration, emigration, or both (Figure 2.3). In all but two of the countries (Costa Rica and Côte d'Ivoire), emigrants

represent more than 5% of the population. Immigrants also made up more than 3% of the population in six of the ten countries: Armenia, Burkina Faso, Côte d'Ivoire, Costa Rica, the Dominican Republic and Georgia.

Figure 2.3. **Partner countries cover a range of migration contexts**

Emigrant and immigrant stocks as a percentage of the population (2015)



Note: Data come from national censuses, labour force surveys and population registers.

Source: UNDESA, *International Migration Stock: The 2015 Revision* (database), *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

StatLink http://dx.doi.org/10.1787/888933417517

To provide an additional dimension to the project, some of the countries chosen were also part of migration corridors: Burkina Faso-Côte d'Ivoire and Haiti-Dominican Republic.

Another consideration – though not a defining factor – was whether countries had migration policies and included migration in development strategies and other sectoral policies. One of the project objectives is to increase awareness among the partner countries' main stakeholders about the importance of better incorporating migration in the design and implementation of their policies. Box 2.1 presents the main characteristics of migration and development policies in the IPPMD countries.

Close collaboration helped ensure relevance and quality

In each country, the IPPMD team worked closely with government focal points and local research institutions, which helped guide key decisions for the research and policy analysis (Table 2.2).

The government focal points acted as the main links between the OECD and policy makers. They helped gather information on migration policies and data in each country and played a significant role in organising local events and bilateral meetings with key stakeholders. This collaboration helped ensure fluid transmission of information about priorities, data and policies.

Box 2.1. **The approach to migration as a tool for development differs from one country to another**

The IPPMD countries demonstrate a wide range of approaches to migration as a tool for development, from Georgia's broad attempt at mainstreaming migration into development planning through a migration strategy document and a state commission, to Morocco's decentralised and separate programmes (Table 2.1).

Table 2.1. **Migration in the partner countries is governed by a variety of bodies and strategy documents**

Country	Main development strategy document	Main body(ies) dealing with migration issues	Main migration strategy document
Armenia	Development Strategy 2014-2025	State Migration Service (Ministry of Territorial Administration and Development) and other ministries[3]	National Action Plan for implementation of the Concept for the Policy of State Regulation of Migration (2012-2016)
Burkina Faso	Plan national de développement économique et social (PNDES) 2016-2020	Ministère des affaires étrangères, de la coopération et des burkinabè de l'extérieur (MAECBE) (specifically the Secrétariat du Conseil supérieur des burkinabè de l'étranger)	Stratégie nationale de migration (drafted in 2015, not yet ratified)
Cambodia	National Strategic Development Plan 2014-2018	Ministry of Labour and Vocational Training	Policy on Migration for Cambodia 2015-2018
Côte d'Ivoire	Plan national de développement (PND) 2016-2020	Several ministries[4]	none
Costa Rica	Plan Nacional de Desarrollo 2015-2018	Dirección General de Migración y Extranjería (DGME) (Ministry of Interior and the Police)	Política Migratoria 2013-2023 and Plan Estratégico Institucional 2015-2019 "MigraVisión 20/20"
Dominican Republic	Estrategia Nacional de Desarrollo 2010-2030	Ministry of Interior and the Police (Instituto Nacional de Migración y Dirección General de Migración)	Ley General de Migración 284-04 y su Reglamento de Aplicación
Georgia	Social-economic Development Strategy 2014-2020	State Commission on Migration Issues (chaired by the Ministry of Justice)	Migration Strategy (2016-2020)
Haiti	Plan stratégique de développement 2015-2030	Office National de la Migration (Ministère des Affaires Sociales et du Travail)	National Migration Policy (2015)
Morocco	none	Ministère chargé des marocains résidant à l'étranger et des affaires de la migration (MCMREAM) and Fondation Hassan II pour les marocains résidant à l'étranger	Stratégie nationale pour les marocains résidant à l'étranger (2012) and Stratégie nationale d'immigration et d'asile (2014)
Philippines	Development plan 2011-2016	Department of Foreign Affairs Department of Labor and Employment Commission on Filipinos Overseas	Republic Act 8042 (amended by Republic 10022)

In Burkina Faso, the national *Stratégie de croissance accélérée et de développement durable* (SCADD) provided the government with a common goal from 2011 to 2015. It prioritised migration management and integration in light of the turbulence caused by the incoming flows from Côte d'Ivoire and questioned whether the Ivorian conflicts would affect remittance inflows. The strategy paper has since been replaced by the Plan National de Développement Économique et Social (PNDES), which seldom explicitly acknowledges migration as an opportunity for better development outcomes. However, Burkina Faso is also heavily engaged in the elaboration of a migration strategy (SNMig), which has yet to be approved by the government and made public.

Georgia has placed migration policy front and centre of government priorities. The country's migration strategy was renewed and adopted in 2015, and migration was also included in its Social-economic Development Strategy, "Georgia 2020".

Morocco has no common unifying national development strategy. Instead it has several smaller programmes and strategy documents, such as the 2009 *Programme sur la mobilisation des compétences des marocains résidant à l'étranger*. The Ministry of Moroccans Living Abroad was created in 1990, along with the *Fondation Hassan II pour les Marocains résidant à l'étranger*. In 2014 its mandate was extended to include migration. Both the ministry and the foundation play a role in plying development out through the diaspora, remittances and return migrants.

Box 2.1. **The approach to migration as a tool for development differs from one country to another** (*cont.*)

Some countries have created national migration co-ordination bodies:

- Georgia created the State Commission on Migration Issues (SCMI) in 2010, to act as the government's consultative and decision-making body for various issues related to migration management.
- Armenia created an interagency committee to monitor the execution of the 2012-2016 Action Plan for the Concept for the Policy of State Regulation of Migration in the Republic of Armenia, with a particular focus on employment and skills.
- The Philippines created a Sub-committee on Migration and Development in 2014. This inter-ministerial body was created following the IPPMD kick-off workshop in July 2013 (see below).

Table 2.2. **The IPPMD's government focal points and local partners in each country**

Country	Government focal point	Local partner
Armenia	*State Migration Service (SMS)*	*Caucasus Research Resource Center (CRRC) - Armenia*
Burkina Faso	*Secrétariat permanent du conseil supérieur des Burkinabè de l'étranger (CSBE)*	*Institut supérieur des sciences de la population (ISSP)*
Cambodia	*Ministry of Interior*	*Cambodia Development Resource Institute (CDRI)*
Costa Rica	*Dirección General de Migración y Extranjería (DGME)*	*Centro Centroamericano de Población (CCP)*
Côte d'Ivoire	*Office national de la population (ONP)*	*Centre ivoirien de recherches économiques et sociales (CIRES)*
Dominican Republic	*Ministerio de Economía Planificación y Desarrollo (MEPD)*	*Centro de Investigaciones y Estudios Sociales (CIES)*
Georgia	*State Commission on Migration Issues (SCMI)*	*Caucasus Research Resource Center (CRRC) - Georgia*
Haiti	*Office National de la Migration (ONM)*	*Institut interuniversitaire de recherche et de développement (INURED)*
Morocco	*Ministère chargé des Marocains résidant à l'étranger et des affaires de la migration (MCMREAM)*	*Thalys Conseil S.A.R.L.*
Philippines	*Commission on Filipinos Overseas (CFO)*	*Scalabrini Migration Center (SMC)*

The IPPMD team also worked closely with a local research institution in each country to ensure the smooth running of the project. These local partners helped organise country-level events, contributed to the design of the research strategy in their countries, ran the fieldwork and helped draft the country reports.

The delegations of the EU were also strongly involved in the project and helped organise national events, establish contacts with relevant stakeholders, identify policy priorities and increase the visibility of the project in the national media of each country.

The various stakeholders who participated in the IPPMD consultation meetings and who were interviewed and consulted during the missions to the countries also played a role in strengthening the network of project partners across countries.

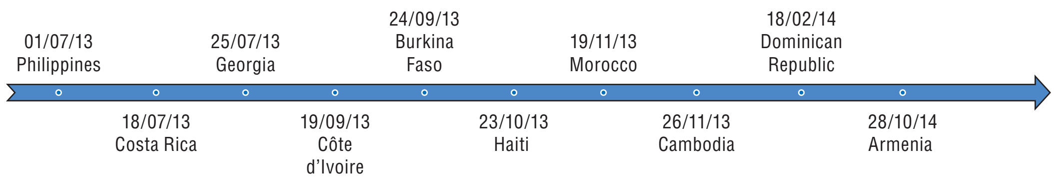
National and international consultation meetings helped guide the project

Kick-off and consultation seminars were organised in each partner country. Global consultations were also organised in some of the partner countries.

National consultations

The IPPMD project was launched in each country by a kick-off workshop to discuss research orientations with a group of experts usually composed of national and local policy makers, and representatives of international organisations, employer and employee organisations, civil society organisations and academics. As official agreements from public authorities to be involved in the project were not received from some of the ten original countries chosen, a change to the initial list of partner countries was necessary and explains the long period over which the kick-off seminars took place (Figure 2.4).

Figure 2.4. **Timeline of kick-off seminars, by country**



Discussions in each country focused on:

- whether the country analysis would only take into account emigration (including remittances and return migration) or immigration, or whether it would cover both
- the priority sectors for the project
- other themes such as justice and culture that are particular to the country and that need to be accounted for.[5]

Table 2.3 summarises the focus of the project in each country, based on the outcomes of the discussions that took place during the national consultations as well as data availability. The decision on whether to focus on emigration, immigration or both was based on the significance of these dimensions in each country's population and economy. In countries where emigration was deemed to be the most important phenomenon, such as Cambodia, Haiti and the Philippines, there was a consensus that the project should not include immigration. In other countries, like Costa Rica, Côte d'Ivoire and the Dominican Republic, the number of immigrants and the current context of emigration were deemed ripe for a discussion on both. In other countries, the issue was more heavily debated. In Armenia, Georgia and Morocco, immigration was considered important, but the IPPMD sample of immigrant households was too small for the analysis to be comprehensive (Table 2.5). In Burkina Faso, the return of Burkinabè born in Côte d'Ivoire was deemed so important that it was decided that immigration would form part of the analysis.[6]

Table 2.3. **Focus of migration analysis in each country**

Country	Emigration	Immigration
Armenia	Yes	No
Burkina Faso	Yes	Yes
Cambodia	Yes	No
Costa Rica	Yes	Yes
Côte d'Ivoire	Yes	Yes
Dominican Republic	Yes	Yes
Georgia	Yes	No
Haiti	Yes	No
Morocco	Yes	No
Philippines	Yes	No

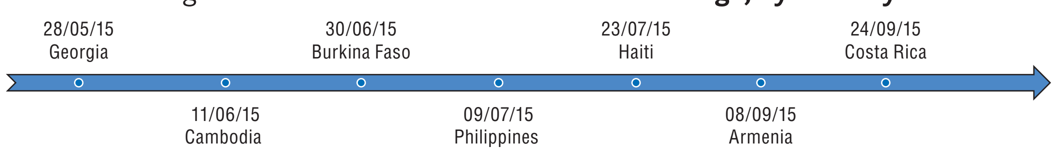
Note: For political reasons or the timing in data collection, it was not possible to organise consultation seminars in Côte d'Ivoire, the Dominican Republic and Morocco.

The initial consultations discussed nine policy sectors: agriculture, labour, trade, investment, financial services, education, health, social protection and the environment. Following lively and diverse discussions in the partner countries, the IPPMD team decided to focus the analysis on five key sectors: 1) the labour market, 2) agriculture, 3) education, 4) investment and financial services, and 5) social protection and health.

Since the key sectors combined some of the initial sectors under consideration, the only two sectors the project did not consider were trade and the environment. The two-way relationship between trade (policies) and migration is more a macroeconomic question and it was difficult to include it in a project centred around household and community surveys. Despite the growing importance of migration and the environment, this issue remains mostly related to internal migration. Since the project only considers international migration, the environment sector was not included in the scope of the study.

Once the data were collected and analysed, consultation meetings in the partner countries were organised to present the preliminary findings to relevant stakeholders, including policy makers, academic researchers and civil society organisations (Figure 2.5). The meetings discussed the different views and interpretations of the preliminary results to feed into further analysis at the country level.

Figure 2.5. **Timeline of consultation meetings, by country**



Global consultations

In December 2013, the EU, the OECD Development Centre and all government focal points and local research partners met in Paris for a global seminar to discuss the project's conceptual and methodological frameworks as well as the sectors to be studied in each country.

In October 2016, the EU, the OECD Development Centre and all partner country representatives met again in Paris for a policy dialogue based on a preliminary draft of the report, with a specific focus on the policy recommendations.

In addition, the project organised two consultation meetings on the sidelines of the Global Forum on Migration and Development. In May 2014, in Stockholm, representatives from the partner countries gathered with the OECD Development Centre and the European Commission to take stock of the progress of the project and discuss the research challenges. In October 2015, in Istanbul, an IPPMD meeting enabled the team to present the preliminary findings of the project and start discussing some policy implications with representatives of the partner countries.

These consultations at different stages of the project and with different stakeholders contributed to a better understanding of the reality of migration and its interrelations with sectoral policies in each partner country. They also provided useful guidance for the design and development of the methodology used for the fieldwork.

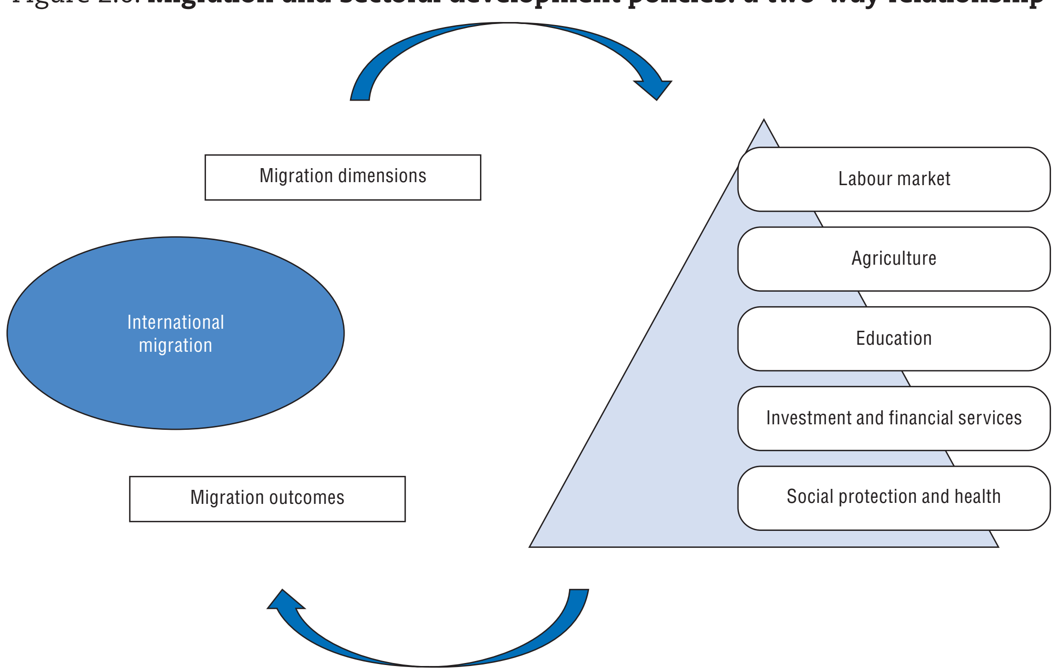
The IPPMD's sectoral focus is its conceptual strength

Public policies and migration interact, but the way in which they do so depends on the intended purpose of the policies. Three groups of public policies can be identified:

1. **Migration policies,** by setting the admission rules and practices, aim at controlling who can enter the territory and under which conditions. Beyond border management**,** migration policies also encompass immigrant integration programmes focused on protecting rights, fighting discrimination and incorporating immigrants into society (OECD, 2011).
2. **Migration and development policies**, such as those aimed at attracting more remittances and channelling them towards productive investment, fostering the mobility and contribution of the highly skilled (brain circulation) and encouraging diasporas to engage in economic and social development projects in their countries of origin, are increasingly included in national development strategies.
3. **Non-migration sectoral policies** range from education, labour market and social protection to specific sectors of the economy, such as agriculture. While they are not explicitly aimed at migration, they can influence migration outcomes. In turn, migration affects different policy sectors, and applies pressure for policy changes in the sector.

While a growing number of countries are adopting policies to make the most of the development potential of migration, these initiatives are usually specifically targeted at migrants themselves. Few countries throw the policy net more widely, to encompass those non-migration sectoral policies with an influence on, or influenced by, migration. This is the focus of the IPPMD project, which was designed to understand the influence of four migration **dimensions** (emigration, remittances, return migration and immigration) on five key sectors, as well as the effect of sectoral policies on migration **outcomes** (Figure 2.6).

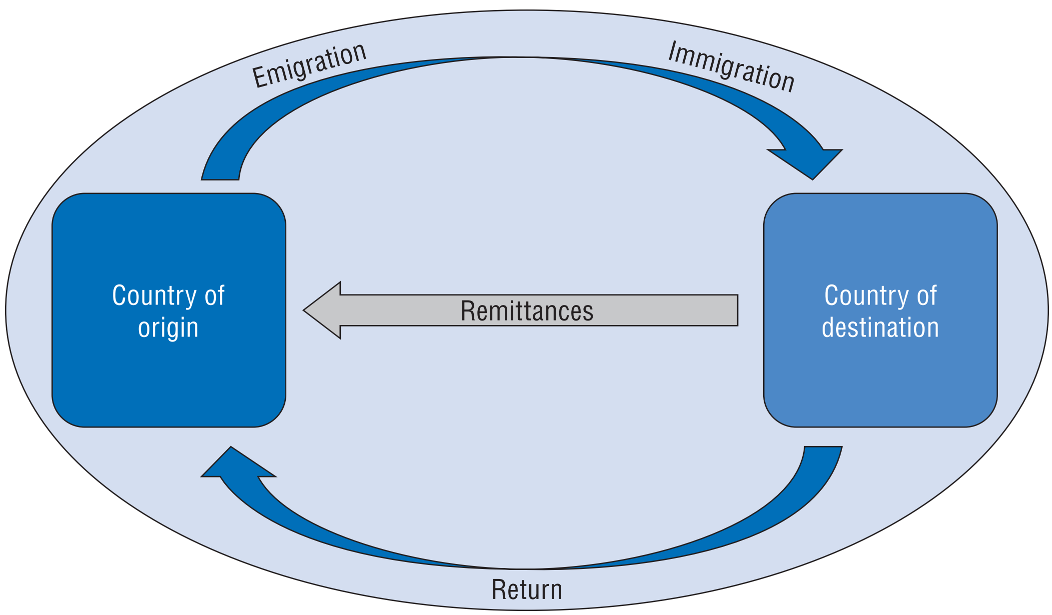
Figure 2.6. **Migration and sectoral development policies: a two-way relationship**



The IPPMD project focuses on four dimensions of migration (Figure 2.7):

1. **Emigration**, in which people leave their countries of origin for at least three consecutive months.
2. **Remittances**, the international transfers, mostly financial, that emigrants send to those left behind.
3. **Return migration**, in which international migrants decide to go back to and settle – temporarily or permanently – in their countries of origin.
4. **Immigration**, which encompasses all individuals born in another country – regardless of their citizenship – who have lived in a country for at least three months.

Figure 2.7. **The IPPMD project addresses different dimensions of the migration cycle**



The conceptual framework also considers the impact of sectoral policies on four migration *outcomes*:

1. The **decision to emigrate** is an important outcome for the countries of origin, since it affects migration outflows in the short term and the stock of emigrants abroad in the long term. Countries can also be interested in influencing what kind of people emigrate, in particular to reduce the emigration of the highest skilled.
2. The **sending and use of remittances** include the volume of remittances received and how they are spent. They are often considered a priority for policy makers, who would like to boost the inflows and orientate remittances towards productive investment to spur development.
3. The **decision and sustainability of return** are influenced by various factors. The decision to return depends largely on personal preferences towards the home country and circumstances in the host countries. The sustainability of return measures the success of return migration, whether voluntary or forced. If returnees find the right opportunities in their countries of origin and decide to stay in the long term, then return can be considered as sustainable (for the migrants and their families) and productive (for the home country).

4. The **integration of immigrants** is another important success factor in the migration-development nexus. Well-integrated immigrants have better living conditions and also contribute more to the development of their host countries and, by extension, of their home countries.

The **engagement of diasporas** is another important component of the link between migration and development, and has a strong policy dimension. However, this aspect will be less discussed in the report. This is partly because the IPPMD data in a majority of the partner countries focused on data collection in countries of origin and the main respondents were those left behind, it was difficult to collect comprehensive data on diaspora engagement, such as collective remittances, involvement in migrant associations or contribution to scientific diasporas. Questions about involvement in diaspora organisations were asked for both immigrants and emigrants in the sample, but few migrants were recorded as being part of a diaspora association.

The innovative methodological framework fills a key knowledge gap

The methodological framework developed by the OECD Development Centre and the data collected by its local research partners together offer an opportunity to fill significant knowledge gaps in the field of international migration and development. Several aspects in particular make the IPPMD approach unique and important for shedding light on how the two-way relationship between migration and public policies affects development:

- The same survey tools were used in all countries over the same time period (2014-15), allowing for comparisons across countries.
- The surveys combine different dimensions of migration, including the decision to migrate, the use of remittances, the sustainability of return and the integration of immigrants, which contribute to better understanding of migration outcomes.
- The project examined a wide set of policy programmes across countries covering the five key sectors.

The project used a mixture of quantitative and qualitative tools to collect new primary data in the ten partner countries based on a standardised methodological framework including: 1) household questionnaires, 2) community questionnaires and 3) stakeholder interviews (Table 2.4).

Table 2.4. **The IPPMD surveys covered a large number of households, communities and stakeholders**

Country	Household survey	Community survey	Qualitative stakeholder interviews
Armenia	2 000	79	47
Burkina Faso	2 200	99	48
Cambodia	2 000	100	28
Costa Rica	2 236	15	49
Côte d'Ivoire	2 345	110	44
Dominican Republic	2 037	54	21
Georgia	2 260	71	27
Haiti	1 241	n/a	41
Morocco	2 231	25	30
Philippines	1 999	37	40
Total	**20 549**	**590**	**375**

Note: Due to financial and logistic constraints, no community survey was undertaken in Haiti.

The **quantitative data** had two main components:

1. In each country a **household survey** covered on average around 2 000 households,[7] including both migrant and non-migrant households. Overall, more than 20 500 households were interviewed for the project.
2. The **community survey**, carried out in nine countries,[8] included interviews with 590 local authorities and community leaders in the communities where the household questionnaire was administered.

The quantitative data were complemented by **qualitative interviews** with key stakeholders representing national and local authorities, academia, international organisations, civil society, and the private sector. In total, 375 in-depth stakeholder interviews were carried out across the ten countries.

Household questionnaires gathered information about the households and their members

The household questionnaires were administered through face-to-face interviews by local enumerators and took between 30 minutes up to three hours depending on factors such as household size and migration status of the household.

The questionnaire includes 11 modules (Figure 2.8). The questionnaire contains questions at both individual level (for example the education and the migration experiences) and household level (such as agriculture activities and household expenditures). The first part of the questionnaire aimed at better understanding the **socio-economic characteristics** of the households and its members, such as household size and the age, gender, marital status and place of birth of all its members. It also helped identify immigrants and return migrant members in the households. A module related to household expenditures, assets and income gathered data on household economic well-being.

Figure 2.8. **Overview of modules in the household questionnaire**

Socio-economic characteristics

- Household roster *(individual level)*
- Expenditures, assets and income *(household level)*

Sector-related information

- Education *(individual level)*
- Labour market *(individual level)*
- Agriculture *(household level)*
- Investments and financial services *(household level)*
- Health and social protection *(individual level)*

Migration dimensions

- Current emigrants *(individual level)*
- Remittances *(household level)*
- Return migration *(individual level)*
- Immigrants *(individual level)*

Note: The modules on education and health and social protection mainly included questions at individual level, complemented by a few questions at household level. The remittance module collects data at emigrant (individual) level.

Five separate modules collected **sector-related information** on the households focusing on the labour market, agriculture, education, investment and financial services, and social protection and health. All sectoral modules included questions related to specific public programmes. Some of these programmes exist in the ten countries, while others are country specific or only implemented in a few countries.

The questionnaire also includes four modules on the various **migration dimensions**: emigration, remittances, return migration and immigration. Not all migration dimensions were analysed in each partner country, which had implications on the number of migration modules included in the respective country surveys. While the emigration, return migration and remittance modules were administrated in all ten countries, the immigration module was only applied in countries with significant immigrant populations. The health and social protection module is closely linked to immigration and was therefore mainly administered in combination with the immigration module. Table 2.A1 in the annex gives a more detailed overview of the questions included in each module.

The quantitative survey tools used a number of key concepts and definitions which were agreed in consultation with local research partners in the project countries (Box 2.2).

Box 2.2. **Key survey definitions**

A **household** consists of one or several persons, irrespective of whether they are related or not, who normally live together in the same housing unit or group of housing units and have common cooking and eating arrangements.

A **household head** is the most respected/responsible member of the household, who provides most of the needs of the household, makes key decisions and whose authority is recognised by all members of the household.

The **main respondent** is the person who is most knowledgeable about the household and its members. He or she may be the head, or any other member (aged 18 or over). The main respondent answers the majority of the modules in the questionnaire, with the exception of the immigrant and return migrant modules which were administered directly to the immigrants and returnees themselves. As it was not possible to interview migrants who are currently abroad, questions in the emigrant module were asked of the main respondent.

A **migrant household** is a household with at least one current international emigrant, return migrant or immigrant.

A **non-migrant household** is a household without any current international emigrant, return migrant or immigrant.

An **international emigrant** is an ex-member of the household who left to live in another country, and has been away for at least three consecutive months without returning.[9]

An **international return migrant** is a current member of the household who had previously been living in another country for at least three consecutive months and who returned to the country.

An **immigrant** is a member of the household who was born in another country and has lived at least three months in the host country.

International remittances are cash or in-kind transfers from international emigrants. In the case of in-kind remittances, the respondent is asked to estimate the value of the goods the household received.

A **remittance-receiving household** is a household that received international remittances in the past 12 months prior to the survey. Remittances can be sent by former members of the household as well as by migrants that never been part of the household.

Community questionnaires collected more information about the sampled communities

The community questionnaires were administered in the same areas as the household survey and complement them by providing more information about the communities in which the surveyed households are located. The main respondents were local authorities or community leaders. The questionnaire included around 75 questions to gather demographic, social and economic information on the communities, as well as specific questions on policies and programmes implemented in the localities.

Qualitative stakeholder interviews revealed perceptions, trends and policies in the countries

The stakeholder interviews were used to collect qualitative information on perceptions, trends and policies related to migration in partner countries to complement and enrich the information obtained from the quantitative questionnaires and analyses. The respondents were representatives from ministries and other public institutions, both at the national and local levels, civil society organisations, trade unions and private companies, academia, and international organisations.

The interviews were semi-structured and lasted around one hour. The main themes of the interview were specified in guidelines prepared by the OECD, but the interviewers formulated and adapted the questions and follow-up questions to the country context. The interviews focused on five key themes:

1. general awareness of migration
2. actions, programmes and policies directly related to migration
3. main actions, programmes and policies likely to have a link with migration
4. perceptions of migration-related issues
5. co-ordination with other stakeholders on migration.

Table 2.A2 in the annex provides a more detailed overview of the design of the stakeholder interviews.

Sampling design

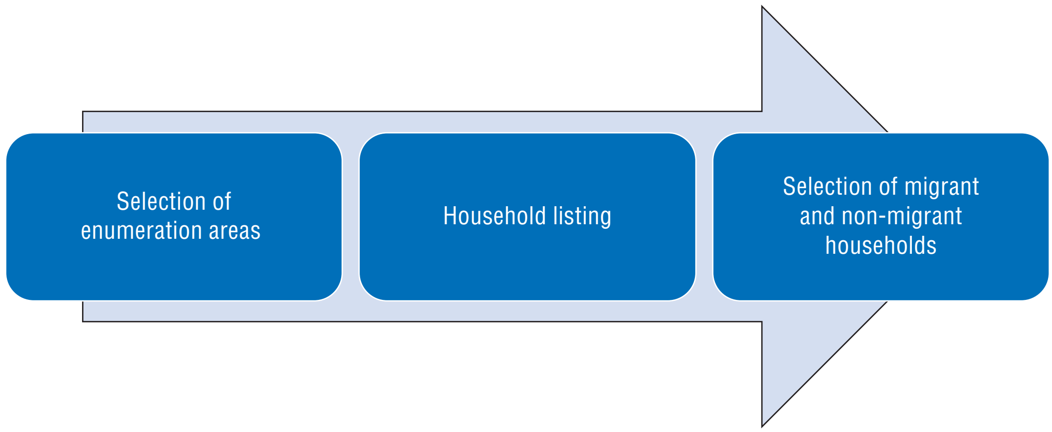
The project used a similar sampling design across countries, although it was necessary to adapt the methodology to each country's specific circumstances.

Household survey

In all countries, the sampling design for the household survey followed three main steps (Figure 2.9). This basic design was then adjusted to each country on the basis of 1) available data to create a sampling frame; 2) the distribution of emigrants and, in relevant cases, immigrants;[10] and 3) geographical and financial constraints.

A challenge with migration surveys is to ensure that a significant number of migrant households are represented in the sample. Despite the relatively high incidence of international migration in all partner countries, random sampling would not provide a large enough sample of migrant households for the purpose of the project. Migrant households therefore had to be oversampled to make up the target 50% of the sample.

Figure 2.9. **The household survey sampling design involved three steps**



Ideally, the project aimed to use national-level data sampling frames with information on migration density as the sampling basis, such as recently conducted census data. Thus, in Costa Rica, the sampling frame used census data that identified both immigrants and emigrants. However, most countries had no recently conducted census data which included migration information, so the sampling frame had to build on other sources of information. In Cambodia the sample design was based on a large-scale household migration survey, in the Dominican Republic on a number of smaller migration surveys combined with census data, and in the Philippines on data from registers of overseas workers. In Georgia, national election data were used to create the framework and the sampling in Armenia was based on the electricity grid. The available data sources were generally complemented by information on areas with high migration density from local migration experts.

This information was then used in the **first step of the sampling**: to select the enumeration areas for the household and community surveys – usually those regions with high levels of migration. The selection was based on stratification according to migration density and rural/urban distribution. In some countries additional strata were created to represent the capital (Armenia) or major urban areas (Burkina Faso).

The **second step of the sampling** process involved listing the households in the sampled localities. A number of geographical areas known as enumeration areas (EAs) were selected for enumeration from the sampling areas. In most countries, the number of EAs included in the sample corresponds to the number of communities included in the survey. In some cases several EAs were located under one community, depending on country context. Following the project sampling guidelines provided by the IPPMD team, most countries ended up with around 100 sampling units. In others, the number was adjusted based on different contextual factors. This exercise often involved a "mini census" conducted by the local research team that generated a list of all households in the EA as well as their migration status. The listing helped ensure that the sample included enough migrant households.

The third step of the sampling involved selecting households for interview. For the purposes of comparison, two groups of households were selected from the sampled enumeration areas (EA): migrant and non-migrant households. The target ratio for each group was about 50:50. In emigration countries, migrant households were defined as households with emigrants and/or return migrants. In countries with both immigration and emigration, migrant households were further stratified into emigrant and return-migrant households on the one hand, and immigrant households on the other. In most cases, around 20 households were selected per sampling unit area (see Table 2.5), with some variation in certain countries, especially in the Philippines and the Dominican Republic.

Table 2.5 gives an overview of the coverage and sample size of the household survey. As a result of the deliberate oversampling, the share of migrant households was fairly close to the 50% target, with some exceptions due to non-response rates and low migration incidence in some enumeration areas. Costa Rica had a very low share of emigrant households in the sample, mainly due to the high proportion of households which were unwilling to provide information about former members who had migrated abroad.[11] In Haiti, the sampling method did not start with a full listing process, which made it challenging to oversample emigrant households.

While the survey provided national coverage in Armenia, Burkina Faso and Côte d'Ivoire, the coverage was lower in other countries, such as the Philippines and Haiti – often for financial and logistical reasons. In the Philippines in particular, it is very difficult to run a nationally representative survey as the country is composed of thousands of islands. The project chose to carry out the household surveys in four representative regions instead. In Costa Rica and Cambodia, the high concentration of migrants in certain areas explains the reduction in the coverage of the survey.

Table 2.5. **Overview of household survey coverage by country**

Country	National coverage of survey (%)	Average number of household interviewed per EA	Share of households in urban areas (%)	Share of households by migration status (%)			
				Emigrant	*Return migrant*	*Immigrant*	*Migrant households*
Armenia	100	20	50	*28*	*25*	*4*	50[1]
Burkina Faso	100	22	60	*15*	*19*	*12*	38
Cambodia	41	20	19	*41*	*14*	*n/a*	50
Costa Rica	17	20	59	*4*	*6*	*34*	42
Côte d'Ivoire	100	24	61	*19*	*8*	*30*	50
Dominican Republic	67	9	77	*20*	*3*	*26*	47
Georgia	90	32	54	*36*	*11*	*n/a*	43
Haiti	30	34	64	*22*	*7*	*n/a*	27
Morocco	30	22	56	*36*	*14*	*2*	50
Philippines	3	54	50	*39*	*17*	*n/a*	50

Note: The migration categories are not mutually exclusive. The sample may contain households with both emigrant(s), return migrant(s) and/or immigrant(s). Migrant households are defined as households with at least one migrant member, i.e. an emigrant, return migrant or immigrant member. [1] In Armenia, migrant households make up 50% when immigrant households are considered, and 48% when only considering emigrant and return migrant households.

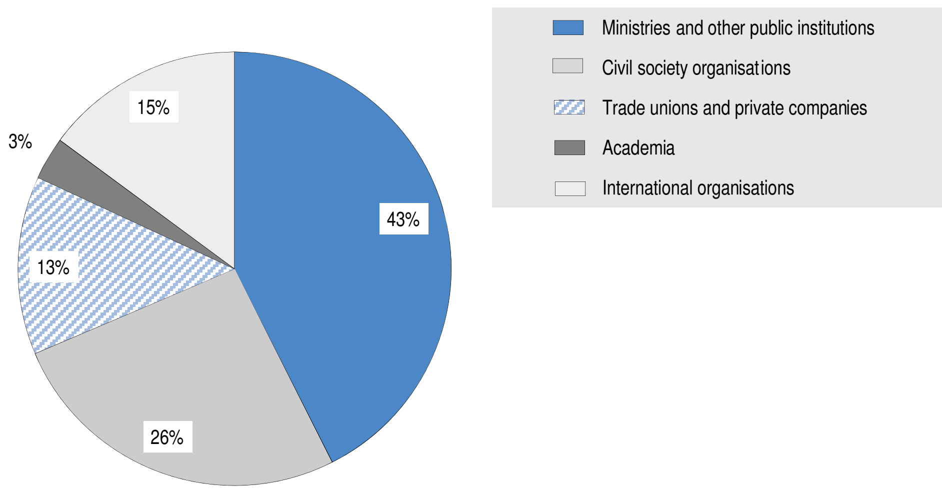
Community survey

The community survey was implemented in the same communities as the household surveys so a separate sampling design was not needed. The field supervisor who managed and supervised the household survey in the field was usually also in charge of the community survey. In most African and Asian countries the respondent was a village leader, while in Latin America and the Caucasus it was usually a representative from the local public administration.

Stakeholder interviews

The respondents for the qualitative interviews were selected through consultation with local experts in each country, with an emphasis on creating a balanced sample of key stakeholders from different institutions and organisations, ranging from government ministries to civil society organisations (Figure 2.10). The research partners came up with a list of potential respondents, from which 30 to 50 respondents were selected for interview.

Figure 2.10 **Stakeholder interview covered a cross-section of institution types**



StatLink http://dx.doi.org/10.1787/888933417528

Data analysis used both descriptive and regression analysis

The project drew on the quantitative and qualitative data gathered in the surveys for ten country studies, as well as for a comparative analysis across countries (presented in this report). The analytical process applied in the country studies and comparative analysis across countries involves both descriptive and regression analysis. The former identifies broad patterns and correlations between key variables concerning migration and public policies, while the latter deepens the empirical understanding of these interrelations by also controlling for other factors. Box 2.3 describes how the quantitative analysis was carried out. The rest of the section discusses some data and estimation challenges.

Challenges and limitations

Analysis of this kind is not without challenges, both those inherent to the data and those inherent to the nature of the analytical work itself.

Data limitations include the often incomplete household survey sample coverage, which was only national in a few countries. In addition, since the data were only collected once, the analysis cannot capture changes over time.

Because the IPPMD project only focused on international migration, the survey did not collect information on internal migration, which may have similar links to public polices and development as international migration. This is a particular gap when analysing the impact of public policies in rural areas, which can trigger intra-rural or rural/urban migration movements.

Box 2.3. **Overview of quantitative models and analysis**

Statistical analysis assesses the "statistical significance" of an estimated relationship, i.e. how likely it is that a relationship between two variables is not random. The analysis incorporates both statistical tests and regression analysis. Statistical tests, such as *t-test* and *chi-squared test*, are introduced to test the correlation between two variables, without controlling for other factors. A t-test is used to compare the means of a dependent variable for two independent groups. It is for example used to test if there is a difference in the average number of visits to health facilities between two groups: immigrants and native-born individuals (Chapter 7). A chi-squared test is applied when investigating the relationship between two categorical variables, such as private school attendance (which only has two categories: yes or no) of children living in two types of households: those who receive remittances and those not receiving remittances (Chapter 5). The statistical test determines the likelihood that the relationship between the two variables is not caused by chance or sampling error.

Regression analysis is useful to ascertain the quantitative effect of one variable upon another, controlling for other factors that also may influence the outcome. The household and community surveys include rich information about the households, its members, and the communities in which the households live. The information is used to create control variables that are included in the regression models in order to single out the effect of the variable of interest from other characteristics of the individuals, households and communities that may affect the outcome.

Three basic regression models are used in the report: Ordinary Least Square (OLS), Probit and Tobit models. The choice between these three models depends on the nature of the outcome variable. OLS regressions are applied when the outcome variable is continuous. Probit models are used when the outcome variable is binary and only takes on two values, such as owning a business or not. The tobit model, also called a censored regression model, is used when the outcome variable is constrained and there is a clustering of observations at the constraint. An example is analysis of policies on the amount of remittances received by the households. About half of the households or more in the sample do not receive remittances, leading to a large concentration of observations with value 0 for remittance income.

The analysis of the interrelations between public policies and migration is performed at both household and individual level, depending on the topic and hypothesis investigated. It is divided into two sections, which also shape the content of Part I of the report:

Section I: The impact of **migration dimensions** on **sector-specific outcomes**

$$Y_{sector\ specific\ outcome(C)} = \alpha + \beta E_{migration\ dimension(A1)} + \gamma X_{Characteristics(D)} + \varepsilon;$$

Section II: The impact of **sectoral development policies** on **migration outcomes**

$$Y_{migration\ outcome(A2)} = \alpha + \beta E_{sector\ dev.\ policy(B)} + \gamma X_{Characteristics(D)} + \varepsilon.$$

The regression analysis rests on four sets of variables:

A. **Migration**, comprising: 1) **migration dimensions** including emigration (sometimes using the proxy of an intention to emigrate in the future), remittances, return migration and immigration; and 2) **migration outcomes**, which cover the decision to emigrate, the sending and use of remittances, the decision and sustainability of return migration and the integration of immigrants (Figure 2.6).

B. **Sectoral development policies:** a set of variables representing whether an individual or household took part or benefited from a specific public policy or programme in four key sectors: the labour market, agriculture, education and skills and investment and financial services.

C. **Sector-specific outcomes:** a set of variables measuring outcomes in the project's sectors of interest, such as labour force participation, investment in livestock rearing, school attendance and business ownership.

D. **Household and individual-level characteristics:** a set of socio-economic and geographical explanatory variables that tend to influence migration and sector-specific outcomes.

However, the main analytical challenges arose from three issues:

- **Attributing causality**: it is not straightforward to establish that migration or public policies are the cause of a certain outcome. For example, remittances may be sent to mitigate the negative effects of agriculture shocks such as crop failure, suggesting a negative relation between sending remittances and agriculture output, while the real effect of reduced output is caused by the negative agriculture shock and not remittances. Similarly, the expected direction of causality might be reversed. Such reverse causality may occur when analysing the impact of public policies on immigration. For example, policy makers may respond to large immigration flows by introducing stricter eligibility criteria for welfare programmes, giving the impression of a negative link between immigration and social spending.
- **Self-selection bias:** Migrants may be systematically different than non-migrants on certain characteristics. For example, more ambitious and healthier individuals may be more likely to emigrate, which implies a positive self-selection. This can have implications when non-migrants are used as a comparison group to establish the impact of emigration on a given outcome, for example salaries. For example, if emigrants are systematically more ambitious and healthier than non-migrants, looking at the salaries of non-migrants to estimate the hypothetical salary that the emigrant would have earned in the country of origin without emigration is most likely not an accurate approximation, leading to an overestimation of the impact of migration on salaries.
- **Omitted variable bias:** some human characteristics are hard to measure and often not possible to include in the models. In addition, pre-migration information is not always available due to lack of panel data that follows individuals over time. Variables such as risk aversion, entrepreneurial skills, or pre-migration income may affect both the propensity to emigrate and the likelihood of owning a business. Thus, business investments and migration might appear to be positively correlated, even though there is no cause and effect between the two, leading to biases in the interpretation of the findings.

Several methods to address these challenges have been suggested in the literature (Mckenzie and Sasin, 2007), including exploiting random natural occurrences, controlled experiments, panel data and instrumental variables. Given the wide scope and cross-country dimension of this project, there was little room for tailored methodological solutions for each country context. Causal effects can therefore not always be established and the findings need to be interpreted with caution. However, in designing the survey and analysis, a method of triangulation was used, drawing on several sources:

- Retrospective questions on the household's previous public policy participation and migration experiences made it possible to single out emigration decisions that took place after the household benefited from a specific policy.
- Detailed modules on both migration and remittance experiences allowed distinctions between the effect of migration and the effect of remittances. This is important when analysing effects of migration on outcomes such as child school attendance, where the absence of parents may lead children to drop-out of school while remittances stimulate investments in education (see discussion in Chapter 5).
- Multiple data sources, such as community surveys and stakeholder interviews, enriched the data collected through the household surveys.

- Close co-operation with relevant policy makers in partner countries and consultation seminars better contextualised and explained the findings.
- The results of the empirical analysis for each of the sectors included in the project are presented in Part I of the report.

Notes

1. Between 2007 and 2015, the GFMD held five roundtables focused on the importance of mainstreaming migration in development strategies and fostering policy coherence:
   - Greece, 2009: Mainstreaming migration in development planning - Key actors, key strategies, key actions
   - Switzerland, 2011: Addressing irregular migration through coherent migration and development strategies
   - Mauritius, 2012: Supporting national development through migration mainstreaming processes, extended migration profiles and poverty reduction strategies
   - Sweden, 2013-14: Operationalizing mainstreaming and coherence in migration and development policies
   - Turkey, 2014-15 Mainstreaming migration into planning at the sectoral level.
2. KNOMAD was established as a platform for synthesising and generating knowledge and policy expertise around migration and development. The Thematic Working Group on Policy and Institutional Coherence, chaired by the OECD Development Centre and the UNDP, addresses the need for improved coherence in the realm of migration and development: *http://www.oecd.org/dev/migration-development/knomad.htm*.
3. Several Ministries in Armenia are dealing with migration issues including Ministry of Foreign Affairs, Police and National Security Service.
4. Several ministries are involved in the management of migration in Côte d'Ivoire and in particular the links with development, but there are three main ones: The Ministère des affaires étrangères, the Ministère de l'intégration africaine et des Ivoiriens de l'extérieur (specifically la Direction générale des Ivoiriens de l'extérieur) and the Ministère du plan et du développement (specifically l'Office national de la population).
5. Other potential sectors were discussed during the consultations, such as justice and culture, as well as more specific sectors related to different economic activities, for instance tourism or manufacturing. Because of the methodology followed in the project and the need to have concrete measures or indicators for the policies in place, the justice and cultural sectors were finally discarded. Justice is supposed to apply to all citizens in a similar manner and it is very difficult to identify specific justice programmes targeted only towards specific groups. As for culture, the main obstacle was measurement: what is culture and how to measure it in a way that can fit in household questionnaires? It is also a very subjective matter and difficult to compare across countries.
6. For the purpose of this project, country of birth determines whether one is an emigrant, immigrant or a return migrant. For instance, if an individual is born in country A and moves to country B, that individual is an immigrant in country B, regardless of his or her nationality (including if that person has the nationality of country B).
7. In Haiti, the sample size was lower due to financial constraints and security challenges.
8. Due to financial and logistic constraints, the community survey was not implemented in Haiti.
9. Migration surveys often consider individuals to be migrants only after they have been away for either 6 or 12 months. Including shorter migration spells ensures the inclusion of seasonal migrants in the sample (temporary trips such as holidays are however not considered in this definition). The survey also captures migration experiences that date long back in time as the definitions do not put any restrictions on the amount of time that elapsed since the time of emigration, immigration or return migration (although it is likely that more recent migration experiences are better captured in the survey as emigrants that left long ago are less likely to be reported by the household).
10. In the countries where immigration was considered (Burkina Faso, Costa Rica, Côte d'Ivoire, and the Dominican Republic), the sampling strategies were adjusted according to country context. The migrant sample was not constrained in any way for Burkina Faso and Côte d'Ivoire, and the share of immigrant households in the migrant sample reflects their relative importance vis-a-vis emigrant

and return migrant households. In Costa Rica and the Dominican Republic, the sampling aimed at having an equal split between immigrant households on the one hand, and emigrant and return migrant households on the other.

11. The low response rate among emigrant households was acknowledged during the fieldwork and the local research team followed up by conducting additional call backs to a selected number of emigrant households that refused to participate to learn more about the reasons behind their refusals. Irregular migration may partly explain this.

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ANNEX 2.A1

Overview of the survey tools

Table 2.A1. **Overview of the household questionnaire**

Module 1 ***Household roster***	The household roster includes questions on household characteristics, including the number of household members, relationship to the household head, sex, age, marital status etc. The module asks about intentions to migrate internationally of all household members aged 15 and above. The module also includes questions to identify return migrants and immigrants.
Module 2 ***Education and skills***	The education module records information on child school attendance and child labour. It collects information about language skills, the educational attainment of all members, and a series of policy questions related to education. Education programmes in the questionnaire include scholarships, conditional cash transfers (CCTs) and distribution of school supplies.
Module 3 ***Labour market***	The labour market module collects information on the labour characteristics of all household members aged 15 and above. This includes employment status, occupation and main sector of activity; and means of finding jobs which include government employment agencies. It also asks if members of the household participated in public employment programmes and vocational training.
Module 4 ***Expenditures, assets, income***	This module contains questions on household expenditure patterns, asset ownership and various types of income sources.
Module 5 ***Investment and financial services***	The investment module covers questions related to household financial inclusion, financial training and information on businesses activities. It also collects information about the main obstacles the household faces to operate its business, and if the household received government support through for example subsidies and tax exemptions.
Module 6 ***Agricultural activities***	The agriculture module is administered to households involved in agricultural activities including fishery, livestock husbandry and aquaculture. It records information about the agriculture plot (number of plots, size, crops grown, how the plot was acquired and the market potential) as well as information about the number and type of livestock raised. The module also collects information on whether households benefited from agricultural policies such as subsidies, agricultural related training or crop price insurance.
Module 7 ***Emigration***	The emigration module captures information on all ex-members of the household 15-years and above who currently live abroad, and their characteristics such as sex, age, marital status, relationship to the household head, language skills and educational attainment. It also collects information on destination countries, the reasons the migrant left the country and the employment status of the migrant both at the time of emigration and in the destination country.
Module 8 ***International remittances***	The remittance module collects information on remittances sent by current emigrants. It records the frequency of receiving remittances and the amount received, the channels through which remittances were sent as well as the usage of remittances.
Module 9 ***Return migration***	The return migrant module collects information on all members of the household, 15-years and above, who previously lived abroad for at least three consecutive months and returned to the country. It records information about the destination country, the duration of migration as well as the reasons for emigration and for return.
Module 10 ***Immigration***	The immigration module is administered to immigrants of the household 15-years and above, and captures information related to citizenship, reasons for immigration, employment status and occupation prior to immigration, and investments in the host country. The module also includes questions on discrimination in the host country.
Module 11 ***Health and social protection***	The module on health and social protection concerns all members of the household 15 years and above, and gathers information about health visits and health and employment protection.

Table 2.A2. **Overview of the qualitative stakeholder interviews**

Themes covered	Guiding questions/ information provided	Respondents
Introduction **General information about stakeholder and respondent**	Gathers key background information about the stakeholder (location of headquarters, years since founded, number of employees), and some basic characteristics of the respondent (age, gender, years of experience in organisation)	All stakeholders
***Topic 1*.** **General awareness of migration**	The first topic introduces two broad questions around the migration situation of the country, and how migration is affecting the respondent's area of work.	All stakeholders
***Topic 2*.** **Actions, programmes and policies directly related to migration**	*2.1* Under this topic, policies and programmes directly targeting migration, migrants and potential migrants under the ministry/public institution are discussed.	Ministries and other public institutions
	2.2 Covers the organisation's actions directly targeting migration, migrants and potential emigrants, and if migration is taking into account when designing the policies.	Civil society, trade unions and private companies, academia and international organisations
***Topic 3*.** **Actions, programmes and policies susceptible of having a link with migration**	Discusses the main policy interest of the ministry or public institution, and how these policies potentially have an impact on migration.	Ministries and other public institutions
***Topic 4*.** **Perception of migration related issues**	*4.1* Covers the organisation's views on migration, such as how migration affects the lives of people in the country, interrelations between migration and policies, as well as the link between migration and development.	Civil society, trade unions and private companies and academia
	4.2 Covers the general views regarding emigration in the country, the interrelations between migration and policies, and recommendations to improve the link between migration and development.	International organisations
***Topic 5*.** **Co-ordination with other stakeholders on migration**	*5.1* Discusses the stakeholder's view on the level of co-ordination between the ministry/public institution and other organisations on migration-related matters.	Ministries and other public institutions
	5.2 Discuss the role of the organisation in the policy making process in the country with respect to migration policy.	Civil society, trade unions and private companies and academia
	5.3 Discuss the general policy making process in the country with respect to migration policy, as well as the role of the organisation in this process	International organisations

PART I

Why integrating migration into sectoral policies matters

The first part of the report shows how different migration dimensions (emigration, remittances, return migration and immigration) affect development, by focusing on five main policy sectors: labour market (Chapter 3), agriculture (Chapter 4), education (Chapter 5), investment and financial services (Chapter 6), and social protection and health (Chapter 7). This part also analyses the impact of sectoral policies on different migration outcomes, such as whether a person decides to emigrate, send remittances or return, and whether immigrant integration is successful. The IPPMD data show that a number of sectoral policies and programmes influence migration, but that the impact is often limited. This is probably due to fact that most policy makers do not take migration sufficiently into account when designing their sectoral policies. A better integration of migration into sectoral policies would therefore help enhance the contribution of migration to development.

Chapter 3

Integrating migration and development into labour market policies

Well-functioning labour markets are key for countries' economic and social development. This chapter analyses the interrelations between migration and labour market policies. It explores how emigration affects different sectors and skills groups, whether emigration and remittances have an impact on households' decision on labour supply and how remittances and return migration are related to self-employment. It also questions how immigration affects labour markets in host countries. The chapter then explores how labour market policies affect the decision to migrate and (re)integration of immigrants and return migrants by enhancing market efficiency through government employment agencies and reinforcing labour supply through vocational training programmes.

An efficient labour market is key for development. A smooth functioning of the labour market ensures that employers find workers with adequate skills to pursue their activities and that all workers receive a remuneration that corresponds to their skills. Beyond economic efficiency, the widespread access of the population to formal and decent jobs improves social cohesion. Against this backdrop, the 2030 Agenda for Sustainable Development (SDG 8.5) reiterated the importance of achieving "full and productive employment and decent work for all […] and equal pay for work of equal value" (UN, 2015).

However, employment conditions in many countries are still far from this ideal scenario. Many developing countries are facing strong demographic pressure, insufficient and low quality labour demand and high rates of informal and vulnerable employment. The competition between workers – especially the lowest skilled – in countries characterised by the inadequate provision of the education system to meet the needs of the labour market and a lack of adequate information often push people to look for better job opportunities abroad. The existence of international wage gaps also encourages people to move to countries with better employment prospects including higher wages and, in some cases, better employment conditions.

While dysfunctional labour markets might spur international labour mobility, migration, in turn, has an impact on the labour markets of both the country of origin and destination, especially concerning wages and employment outcomes. At the same time, active labour market policies[1] (ALMPs) can positively or negatively affect the decision to migrate and return and play a significant role in the (re)integration of immigrants and returnees.

For such reasons, this chapter explores the interrelations between migration and labour market policies. It begins with an overview of the labour market characteristics in the ten partner countries involved in the Interrelations between Public Policies, Migration and Development (IPPMD) project. While the second section investigates how different migration dimensions affect labour markets in countries of origin and destination, the third section explores how labour market policies can influence migration outcomes. Based on the findings of the project and the policy practices in the ten countries, the chapter concludes with a series of policy recommendations.

Table 3.1. **Migration and labour market: Key findings**

How does migration affect labour markets?	How do labour market policies affect migration?
● Emigration can generate labour shortages in certain sectors and skills groups, but also alleviate pressure in the labour market.	● By providing better information on job opportunities at home, government employment agencies tend to curb emigration flows.
● Emigration and remittances tend to reduce household labour supply.	● When vocational training programmes do not meet the needs of the domestic labour markets, they foster emigration.
● Remittances and return migration stimulate self-employment.	● The coverage of most public employment programmes is too small to have a significant impact on emigration.
● Return migration helps enrich the skills sets in the home country.	
● Immigration provides an ample supply of labour for the economy and can fill labour shortages in certain sectors.	

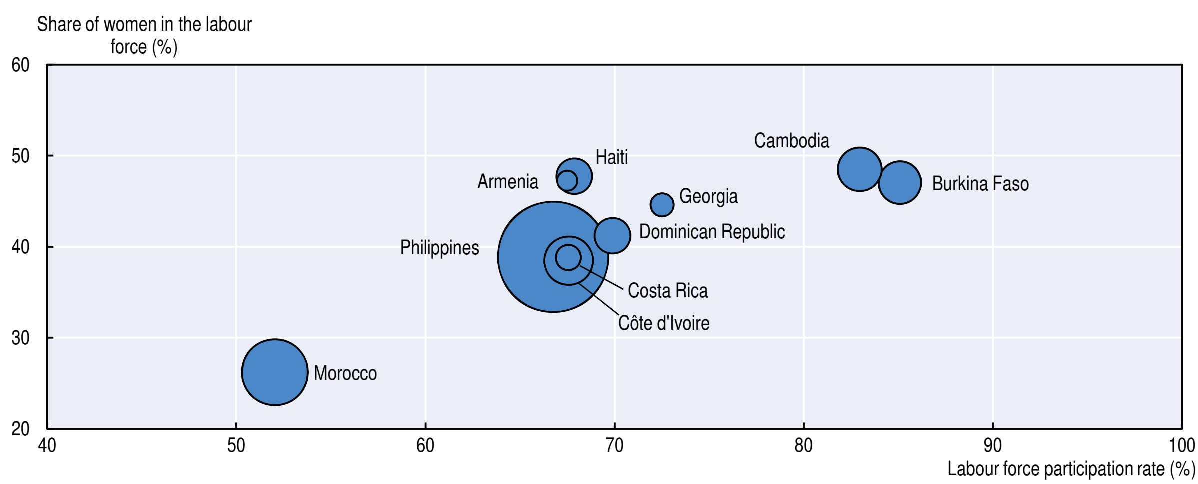
Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Overview of the labour market in the ten partner countries

The labour market situations for the ten countries are very different (Figure 3.1), with wide variation in the size of the working age population. In 2015, the Philippines had the largest working-age population, at 64 million people, while Armenia had the smallest, at 2 million people. Labour force participation rates also vary significantly across the countries. The rates are highest in Burkina Faso and Cambodia, where few people can afford not to work and levels of social safety nets are low. The lowest rate is in Morocco, largely because of the low participation rate of women. There is a higher proportion of active females in the labour force (45-48%) in Burkina Faso, Cambodia and Haiti, which are the poorest countries in the project, and where a high share of the population obtains an income from working. Armenia and Georgia, which share the common features of the former USSR countries, also have higher labour participation rates for women.

Figure 3.1. **The labour market situations vary enormously for the ten partner countries, 2015**

Size of working age population, labour force participation rate and share of women in the labour force



Note: The size of the circle reflects the size of the working age population.
Source: ILO Key Indicators of the Labour Market (KILM), *http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm*.

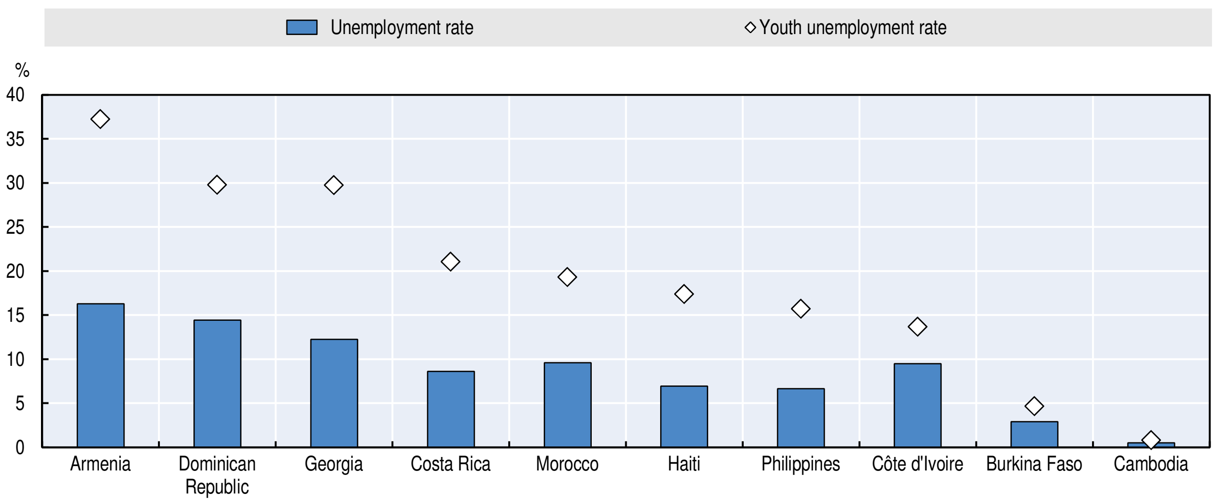
StatLink http://dx.doi.org/10.1787/888933417538

The unemployment rate also differs across countries (Figure 3.2). Armenia has the highest unemployment rate, followed by the Dominican Republic and Georgia. Unemployment in Cambodia and Burkina Faso is very low because of the high share of self-employed workers and low level of social safety nets. People aged 15 to 24 are the group the worst affected by unemployment in most countries. The youth unemployment rate is higher than 30% in the three countries with the highest unemployment rate. Unemployment, however, may not reveal the full picture. Prevalent underemployment and informal employment is another common feature in many developing countries. This, in particular, can be exacerbated in the countries where subsistence agriculture is large (OECD, 2009).

Agriculture accounts for the largest share of employment in Burkina Faso, Cambodia, Côte d'Ivoire and Georgia (Figure 3.3). It is the most important source of employment in Burkina Faso (84%), though many people are engaged in subsistence agriculture, indicating limited opportunities for better quality wage employment. In Armenia, Haiti, Morocco and the Philippines, the share of employment in the agricultural sector remains significant although the service sector is the biggest employer. The countries with the lowest share of employment in agriculture are Costa Rica and the Dominican Republic, where the service sector accounts for about 70% of employment. Figure 3.3 also illustrates how the ten countries are at different points in the transition from economies dominated by agriculture and those based on services. In general, the share of employment in agriculture has decreased in the last decade, while the share in services has increased.

Figure 3.2. **Unemployment is most severe among young people, 2015**

Unemployment rate per country, youth and overall (%)



Note: The term "youth" covers people aged between 15 and 24.

Source: ILO Key Indicators of the Labour Market (KILM) *http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm*.

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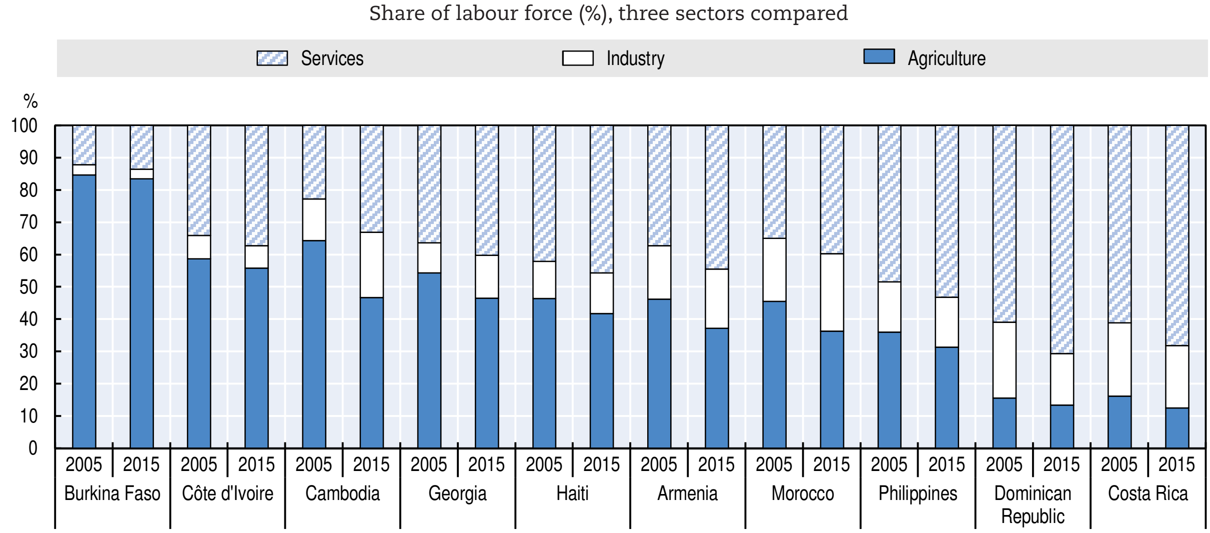
Figure 3.3. **Agriculture is accounting for a declining share of employment, 2005–2015**

Share of labour force (%), three sectors compared



Note: Data for 2015 is projected.

Source: ILO Global Employment Trends: Supporting data sets *http://www.ilo.org/global/research/global-reports/weso/2015/lang--en/index.htm*.

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How does migration affect labour markets?

Migration can affect the labour market through four different dimensions:

- **Emigration** can affect wage levels and unemployment by reducing labour supply. It also means a reduction of labour at both national and household levels, which may constrain productivity and development.
- **Remittances** can affect the remaining household members' labour decisions by increasing the lowest wage rate they would be willing to accept (the so-called reservation wage), allowing them to leave wage employment or start up a small business.
- **Return** migrants bring financial, human and social capital accumulated abroad back to their country. They too may start new businesses, creating new jobs in their country of origin.
- **Immigration** may affect the wages and employability of the native population while filling labour gaps in certain sectors.

The sectors and skills groups affected by emigration vary across countries

Emigration means a reduction in a country's population overall. It also means a reduction in labour supply if the migrants were participating in the labour market before emigrating. Theoretically, a significant drop in labour supply can relax the competition in the labour market, which in turn increases wage levels and decreases unemployment. The effect, however, can vary depending on the characteristics of the workers who fill the jobs left open by emigrants. Wages will be higher for those whose skills substitute the skills of those who left but lower for individuals whose skills complement the other workers. The effect of the fall in supply may be exacerbated in labour-intensive sectors such as agriculture.

It is possible that certain sectors are more affected by emigration than others. The IPPMD research explored this for four sectors that are key to the economy: agriculture, construction, education and health. The number of emigrants who left each sector was compared with the number of workers remaining (Table 3.2). Emigrants are more likely to come from the agricultural sector in Armenia, Burkina Faso, Cambodia, Costa Rica and Haiti. The health sector is significantly affected by emigration in the Philippines, reflecting the general trend in the country (WHO et al., 2012). In fact, stakeholders in Manila noted that the health sector has considerable shortages, especially in rural areas. Most people with relevant skills choose to leave for better job opportunities rather than stay in the domestic market.

Table 3.2. **The agriculture sector is one of the most affected by emigration**

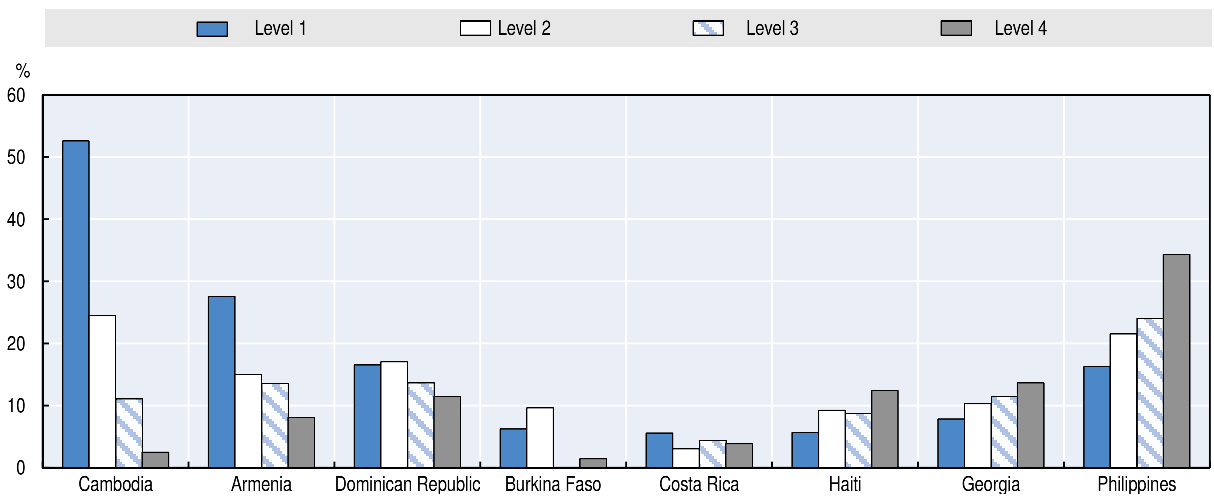
	Agriculture	Construction	Education	Health
Armenia	13	12	1	6
Burkina Faso	13	2	1	0
Cambodia	29	20	7	0
Costa Rica	8	4	3	6
Dominican Republic	10	11	10	14
Georgia	6	9	11	16
Haiti	17	6	11	6
Philippines	6	22	21	69

Note: Numbers in the table show the share of emigrants who left each sector in relation to the remaining workers in that sector. The numbers should be compared across the sectors and countries. Côte d'Ivoire and Morocco are excluded due to lack of data.
Source: Authors' own work based on IPPMD data.

The emigration of highly skilled workers has a direct impact on the labour market. When the losses are large it can damage the economy by reducing productivity. The IPPMD analysis explored the patterns of emigration among occupational groups and skills levels. Figure 3.4 compares the ratio between the number of emigrants who left each group and the workers remaining in that group. This reveals that emigrants from Georgia, Haiti and the Philippines are mostly from the more skilled occupational groups. This is not the case for the other countries. Armenia and Cambodia, for instance, are mainly losing lower skilled workers to emigration.

Figure 3.4. **Skills levels that are affected by emigration differ across the countries**

Share of current emigrants in the total number of remaining workers in each skills group



Note: The figure displays the share of emigrants who left in each skills group in relation to the remaining workers in that skills group. The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the ILO (ILO, 2012). Skills level 1: occupations which involve simple and routine physical or manual tasks (includes elementary occupations and some armed forces occupations). Skills level 2: clerical support workers; services and sales workers; skilled agricultural, forestry and fishery workers; craft and related trade workers; plan and machine operators and assemblers. Skills level 3: technicians and associate professionals and hospitality, retail and other services managers. Skills level 4: Other types of managers and professionals. Côte d'Ivoire and Morocco are excluded due to lack of data.

Source: Authors' own work based on IPPMD data.

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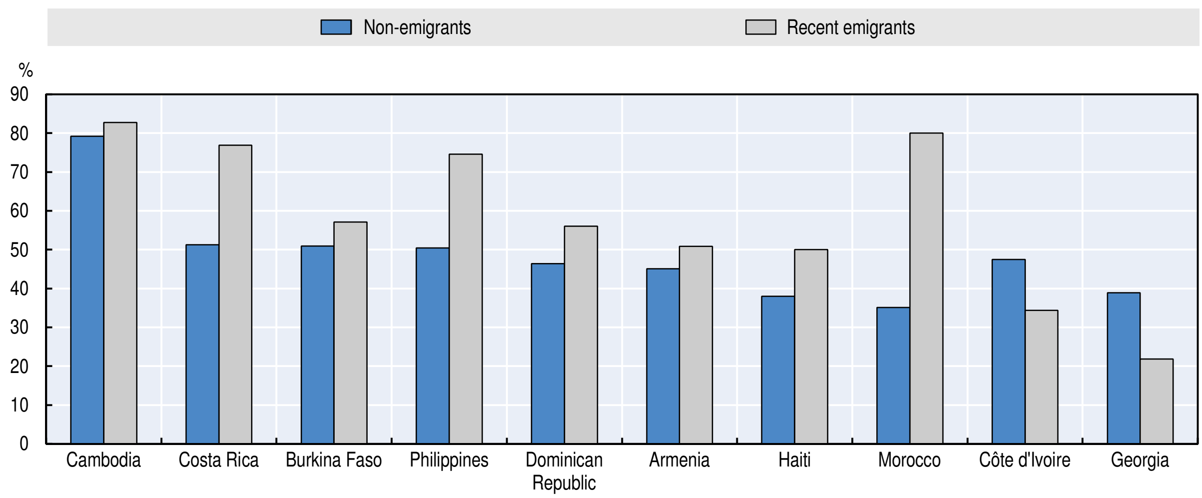
Emigration and remittances reduce household labour supply

Emigration by a household member affects the labour choices of the members left behind. Two different channels play a role here. First, if households lose their main worker, other members may need to work to compensate. The so-called lost-labour effect may be exacerbated in rural areas where more households are working in agriculture than in urban areas. Consumption in agricultural households, in particular at the subsistence level, is often directly linked to production, which makes it more necessary to replace the lost labour. On the other hand, migrants often send remittances back to their family. This income may raise the overall household income, thereby reducing their need to work. The literature generally suggests that this income effect of remittances on reduced labour supply is significant. In other words, remittance-receiving household members are less likely to participate in the labour market (Kim, 2007; Acosta, 2006; Hanson, 2007).

The lost-labour effect is driven by the fact that emigrants often leave when they are young and productive. IPPMD data confirm that in most countries for which data is available, more than half of the emigrants who left during the year prior to the survey were in the 15-to-34 age group. Most emigrants had also been working before they left. Figure 3.5 compares the share of employed people among non-migrants and recent emigrants. In all countries except Côte d'Ivoire and Georgia, the employment rate among recent emigrants was higher than among non-emigrants. In Georgia, for example, 67% of emigrants were unemployed prior to their departure, and most of them were in the productive working age group.

Figure 3.5. **Emigrants are more likely to have been employed than non-emigrants**
Share of employed people among non-migrants and recent emigrants (%)



Note: The sample is limited to the working age population and excludes immigrants. Recent emigrants are those who left less than a year ago.
Source: Authors' own work based on IPPMD data.

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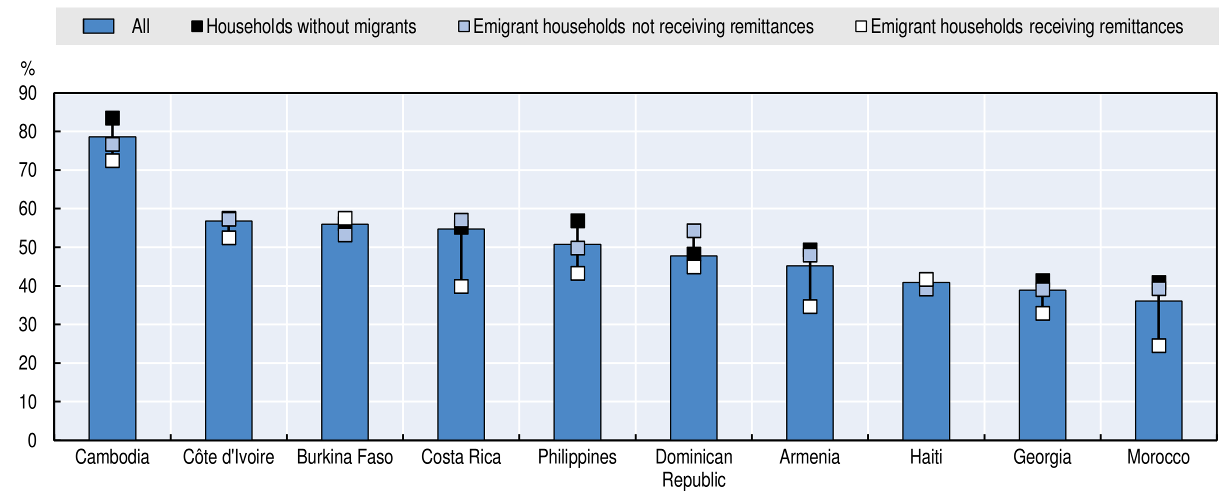
To what extent are remittances substituting for losses in labour in the IPPMD sample? Although it is challenging to differentiate the pure effects of lost labour and the receipt of remittances, the IPPMD data give some hints. Figure 3.6 compares the average share of working household members from non-migrant households, emigrant households that are *not* receiving remittances and those that *are* receiving remittances. In most countries, households that are receiving remittances from former members have the lowest share of working adults. In Burkina Faso and Haiti, emigrant households that are not receiving remittances have the lowest share of working adults. In Cambodia and Côte d'Ivoire the difference between the two groups of emigrant households is marginal. These four countries (except Haiti) have the highest share of agricultural households in the sample (Chapter 4); it may be that they have more difficulties replacing the absent member.

Many factors play a role in households' labour supply decisions. These include the size of the household, the education level of family members and household wealth. A regression framework was used to separate out the effects of these factors on households' labour decisions.[2] The results in Table 3.3 suggest that households are more likely to reduce the labour supply when they have absent members and/or when they receive remittances. The receipt of remittances appears to play a stronger role in households' labour decisions than the emigration of a household member. Although not shown in the table, the amount of remittances received also influences the labour supply when restricting the sample to those receiving remittances from current emigrants.

Figure 3.6. **In most countries, households receiving remittances from their emigrant members have the lowest share of working members**

Share of household members aged 15-64 that are working (%)



Note: The sample excludes households with return migrants only and immigrants only.

Source: Authors' own work based on IPPMD data.

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Table 3.3. **Emigration and remittances both reduce household labour supply**

Dependent variable: Share of the employed among household members aged 15-64
Main variables of interest: Household has an emigrant and household receives remittances
Type of model: Ordinary Least Squares (OLS)
Sample: All households with at least one member working

Variables of interest: ⬇ Household has an emigrant
⇩ Household receives remittances

Dependent variable:	Share of the employed household members among:		
Sample:	All	Men	Women
Armenia	⇩	⇩	⇩
Burkina Faso			
Cambodia	⬇ ⇩	⬇	⬇ ⇩
Costa Rica			
Côte d'Ivoire			
Dominican Republic	⇩		⇩
Georgia	⇩	⬇	⇩
Haiti	⇩		
Morocco	⬇ ⇩	⇩	⇩
Philippines	⬇ ⇩	⬇	

Note: The arrows indicate a statistically significant positive (upwards arrow) or negative (downwards arrow) relation between the dependent variable and the main independent variable of interest. Household labour supply is measured as the share of household members aged 15-64 that are working. The sample excludes households with return migrants only or those with immigrants.

However, the effect of having absent members can differ depending on the households' economic activity. There is some evidence in the literature that rural households whose main income comes from farming suffer more from losing labour to migration (Démurger and Li, 2012; Lacroix, 2011). To explore this for the sample, several regressions were conducted for agricultural households[3] and non-agricultural households (Table 3.4). These suggest that agricultural households are more likely to be affected than non-agricultural households by the fact that they have an emigrant. In Burkina Faso, for instance, agricultural households are found to reduce their labour supply by having an absent migrant member while non-agricultural households are not. The response also varies for men and women – the share of men working in agricultural households decreases while that of women increases. As more than 80% of current migrants from Burkina Faso are men in the IPPMD sample, it is probably hard to find substitutable male labour in the household. This means that the women left behind have to compensate with their own labour. If they lack the financial resources to hire in labour, agricultural households can face difficulties in maintaining their production levels. Remittances may allow households to hire extra labour, but at the same time a malfunctioning labour market can prevent this from happening.

Table 3.4. **Households' agricultural activities play a role in labour decision as a response to emigration and remittances**

Dependent variable: Share of employed among household members(men, women, all) aged 15-64
Main variables of interest: Household has an emigrant and household receives remittances
Type of model: OLS
Sample: All households with at least one member working

Variables of interest:
⬇ Household has an emigrant
↓ Household receives remittances

Sample:	Agricultural households			Non-agricultural households		
	All	Men	Women	All	Men	Women
Armenia	↓	↓	↓	↓	↓	↓
Burkina Faso		⬇	⬆			
Cambodia	⬇ ↓	⬇	⬇	↓		↓
Costa Rica						
Côte d'Ivoire						
Dominican Republic				↓	↓	
Georgia	↓	⬇	↓	↓	↓	↓
Haiti				↓		↓
Morocco	↓			⬇ ↓	↓	⬇
Philippines	⬇		⬇	⬇ ↓	⬇	↓

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main independent variable of interest. Household labour supply is measured as the share of household members aged 15-64 that are working. The sample excludes households with return migrants only or those with immigrants.

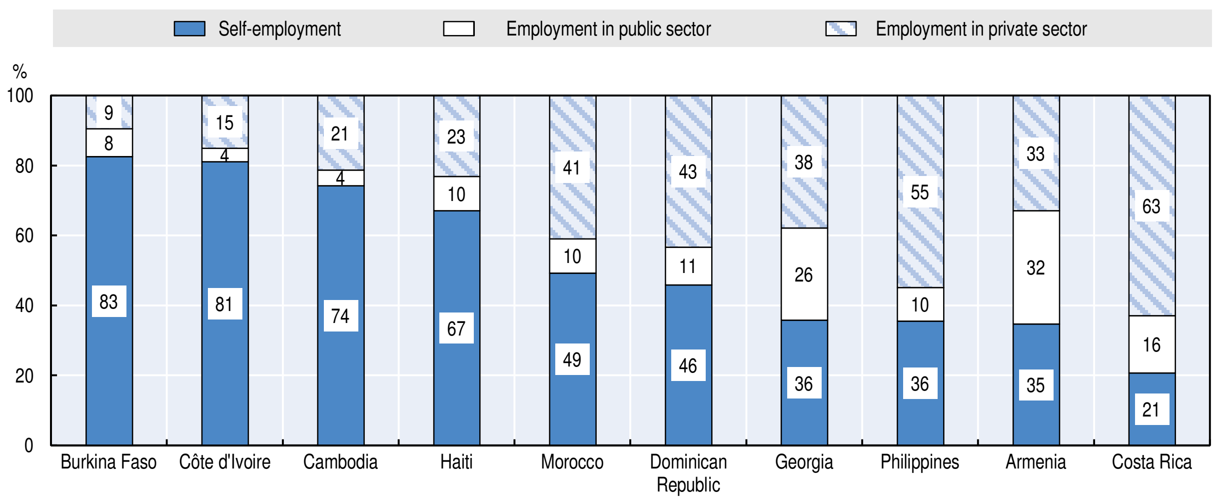
Remittances can be used to stimulate more self-employment

Self-employment is a common feature in developing countries, especially where agriculture plays a large role in the labour market. Self-employment can be seen as vulnerable employment because earnings are typically lower than wage employment and the access to social protection is often limited. However, it can be a means to overcome poverty and in many cases is the only option for earning income (Fields, 2014). Of the IPPMD survey countries, Burkina Faso had the greatest share of self-employment, followed by Côte d'Ivoire, Cambodia and Haiti (Figure 3.7). A closer look at the sectors of economic activity for which data are available reveals that in Cambodia and Burkina Faso agricultural self-employment accounts for 76% and 61% of all self-employed people respectively. In Haiti, however, only 10% of self-employed people had agricultural occupations. It seems that microenterprises such as stall and market salespersons account for more than 50% of self-employment in Haiti.

Remittances raise household income. Not only can they help meet basic consumption needs and reduce poverty (Acosta et al., 2008; Adams and Page, 2005), they can also provide members left behind with the required capital to start up a business and boost self-employment (Mesnard, 2004; Dustmann and Kirchkamp 2002; Woodruff and Zenteno, 2007; Yang, 2008). While Chapter 6 explores how remittances affect business enterprises in further detail, this section focuses on the link between remittances and self-employment. In most countries, the share of self-employed people is higher among households receiving remittances than those not-receiving remittances (Figure 3.8). The difference is statistically significant in Armenia, Burkina Faso, Cambodia, Morocco and the Philippines.

Figure 3.7. **Self-employment accounts for a large share of employment in most countries**

Employment types among employed people, working age population (%)



Source: Authors' own work based on IPPMD data.

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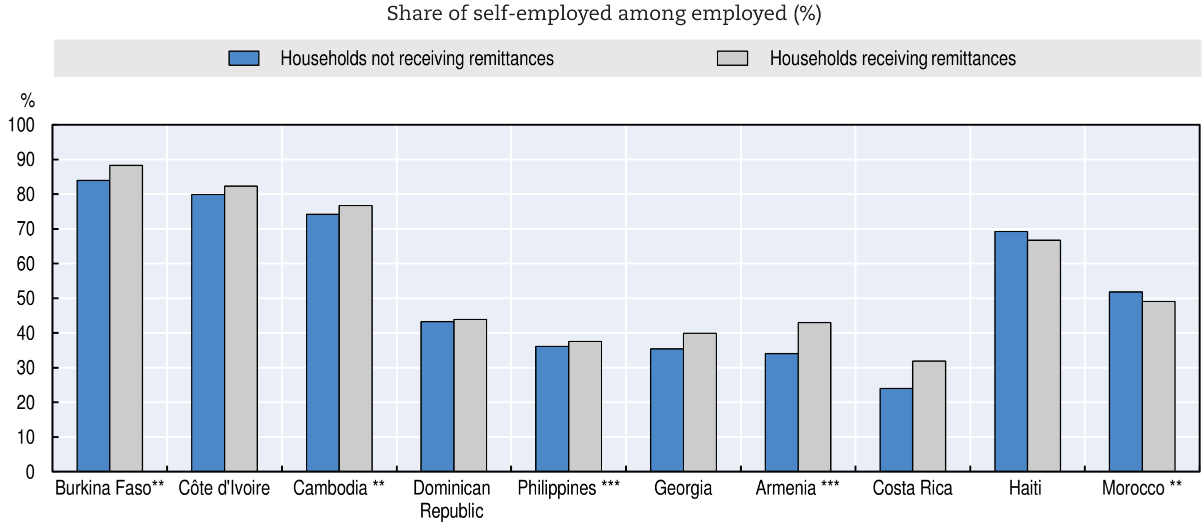
Figure 3.8. **The share of self-employed people is higher among remittance-receiving households**

Share of self-employed among employed (%)



Note: The sample excludes households with immigrants only. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417606

The link between remittances and being self-employed is further analysed in a regression framework. Probit estimations were carried out controlling for individual and household characteristics.[4] The results, shown in Table 3.5, imply that, in Armenia, Costa Rica, Côte d'Ivoire, Georgia and Haiti, people are more likely to be self-employed when they belong to households receiving remittances. The Caucasus countries differ when disaggregating the sample by gender and household location, however. In Georgia, men in rural areas are more likely to be self-employed than women in remittance-receiving households. In Armenia, on the other hand, women in rural areas are more likely to be self-employed. This is largely explained by the profile of emigrants as in rural households in Armenia four out of five emigrants are men, leaving women to become the main breadwinners in rural areas.

Table 3.5. **The links between self-employment and remittances**

Dependent variable: Individual is self-employed
Main variables of interest: Individual belongs to a household receiving remittances
Type of model: Probit
Sample: Employed people

Sample:	All individuals	Men		Women	
		Rural	Urban	Rural	Urban
Armenia	↑			↑	
Burkina Faso				↓	
Cambodia					
Costa Rica	↑				
Côte d'Ivoire	↑	↑	↑		
Dominican Republic				↓	
Georgia	↑	↑			
Haiti	↑		↑		↑
Morocco	↑		↓		
Philippines					

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main independent variable of interest. Household labour supply is measured as the share of household members aged 15-64 that are working. The sample excludes households with return migrants only or those with immigrants.

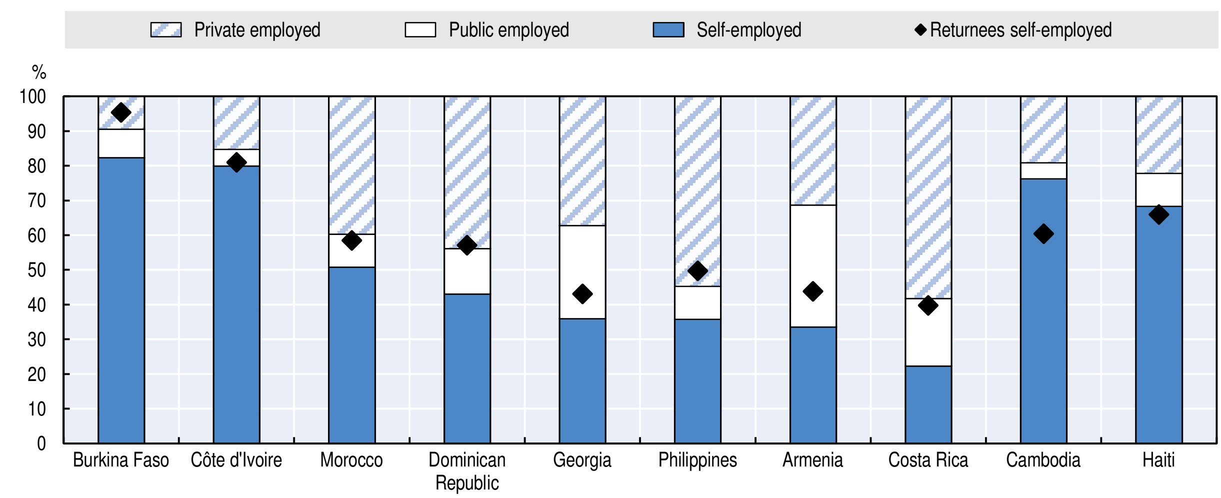
Data from the other countries do not confirm this hypothesis, but do not confirm the contrary either. There is no evidence that remittances are linked to lower rates of self-employment. The only exception is women in rural areas in the Dominican Republic, who seem to be less likely to be self-employed in remittance-receiving households. The share of self-employed women in rural Dominican Republic is considerably lower than that of rural men in general. This suggests that there is a general tendency of women for not engaging in self-employment and with remittances the need to run an additional income generating activity may be even less. Other studies have found a pronounced decline in income among self-employed women in the Dominican Republic (Abdullaev and Estevão, 2013), which may have pushed women to abandon self-employment once the household receives remittances.

In general, there is a higher probability of people being self-employed when their households receive remittances. It should be noted, however, that self-employment does not automatically mean entrepreneurship and the creation of wage-employment or additional jobs. In many cases, self-employment only involves one individual or immediate family members and therefore has a limited impact on the labour market.

Return migration can boost self-employment

Return migrants often come home with accumulated financial and human capital. The savings accrued during migration can help them fund entrepreneurial activities and self-employment. There is growing evidence from the literature of return migrants' tendency to be self-employed and establish businesses (De Vreyer et al., 2010; Ammassari, 2004). The IPPMD data confirm that return migrants are more likely than non-migrants to be self-employed in all the surveyed countries except Cambodia and Haiti (Figure 3.9). In Armenia, Costa Rica and the Philippines, the probability of being self-employed is in fact higher by 7% to 10% for return migrants. In Cambodia, however, return migrants are less likely to be self-employed.

Figure 3.9. **Return migrants are more likely to be self-employed than non-migrants**
Employment status among non-migrants and share of self-employed among returnees



Source: Authors' own work based on IPPMD data.

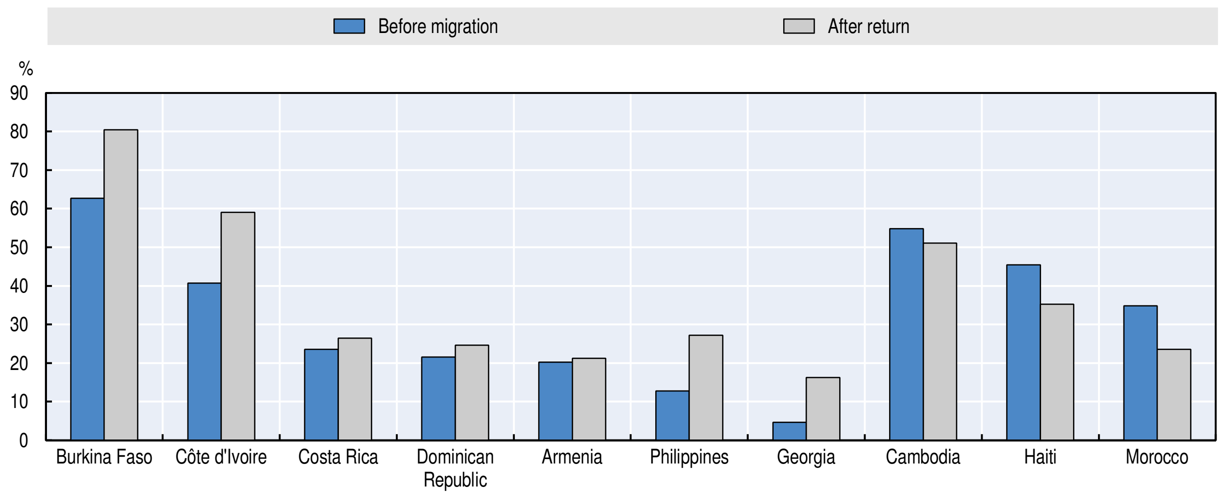
StatLink http://dx.doi.org/10.1787/888933417613

It may be the case that return migrants were already self-employed prior to their migration or that they chose migration as a strategy to set up a business or to become self-employed. In fact, pre-migratory conditions and individual characteristics including their skills and employment status before leaving increase the probability that return migrants will become entrepreneurs (Hamdouch and Wahba, 2012). The IPPMD data confirm that the share of return migrants that are self-employed is higher than it was prior to their emigrating, with the exception of Cambodia, Haiti and Morocco (Figure 3.10).

The literature finds that non-migrants living in households with return migrants are also more likely to be self-employed, thereby helping create employment opportunities in the labour market (Giulietti et al., 2013; Démurger and Xu, 2011; Piracha and Vadean, 2009). Figure 3.11 displays the ratio between the share of households with self-employed workers for households with return migrants and households with no returnees. Households with return migrants have a higher share of self-employed people in all countries except Cambodia, Côte d'Ivoire and Haiti. Probit regressions controlling for other individual and households characteristics show that having a return migrant correlates with having self-employed members in households in Armenia and Costa Rica. The link was negative in Cambodia, however.[5]

Figure 3.10. **Self-employment among return migrants is higher than before they left home**

Share of self-employed among return migrants (%)



Source: Authors' own work based on IPPMD data.

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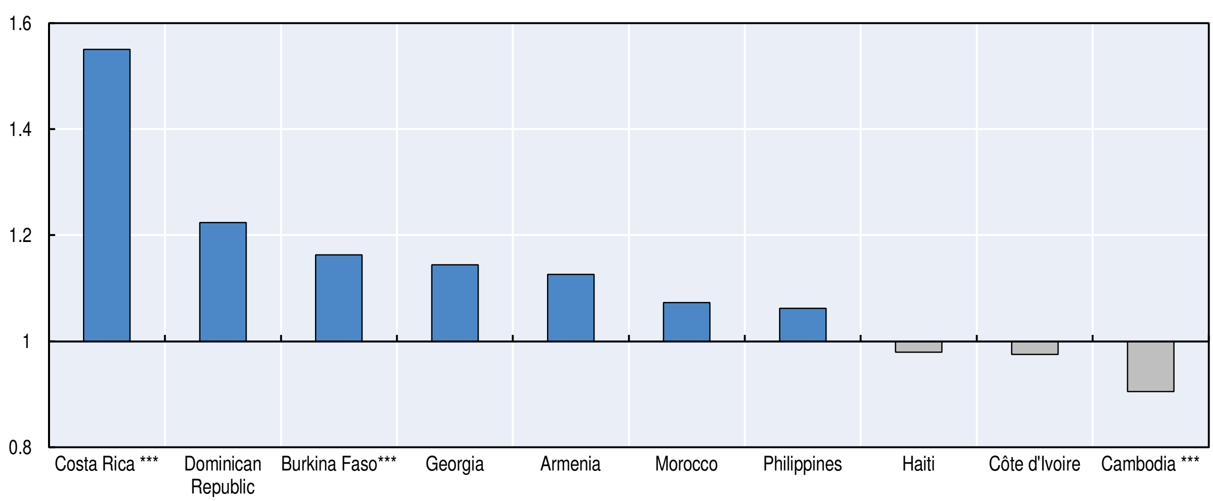
Figure 3.11. **Households with return migrants are more likely to have a self-employed member**

Ratio between the share of households with self-employed workers for households with return migrant and households without return migrant



Note: If the ratio is above 1, the share of self-employed members in households with return migrants is greater than in households without return migrants; the opposite is true for a ratio of below 1.

Source: Authors' own work based on IPPMD data.

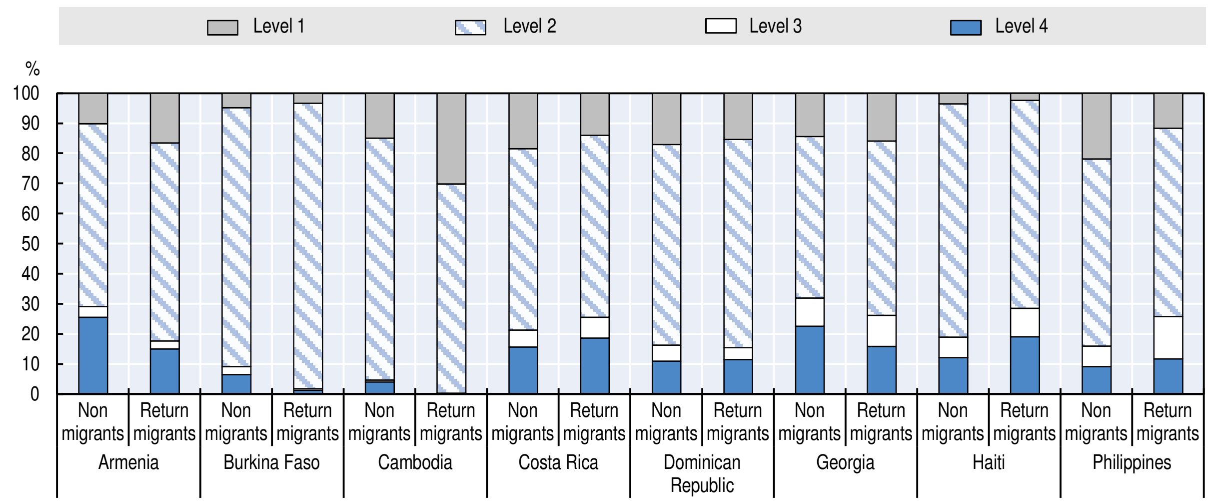
StatLink http://dx.doi.org/10.1787/888933417633

Return migrants have a different set of skills

Skills that returnees have acquired from their migration experience can enhance the skills set of labour in their home countries. Figure 3.12 compares the skills composition of return and non-migrants using the ILO classification described earlier in Figure 3.4 (ILO, 2012). Figure 3.12 shows that the composition of skills varies between the two groups in each country; however, no general patterns were found across countries.

Figure 3.12. **Occupational skills composition of non-migrants and return migrants differ**

Share of employed people in each skills group among non-migrants and return migrants (%)



Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the ILO (ILO, 2012). The higher the level, the more complex the skills and tasks required. Côte d'Ivoire and Morocco are excluded due to lack of data.

Source: Authors' own work based on IPPMD data.

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In Armenia, Burkina Faso, Cambodia and Georgia, a larger share of return migrants have lower skilled occupations than non-migrants. This can be partially explained by the fact that most migrants from these countries were low-skilled workers prior to their departure (except Georgia, as shown in Figure 3.4). Their jobs in the destination countries were often at the same skills level or even below the ones they had at home. Their lack of skills prior to emigrating makes it difficult for them to obtain more highly skilled jobs in the destination countries. In addition, very few of the migrants in the sample acquired any kind of education or participated in vocational training programmes while they were abroad. Less than 10% of return migrants in the survey in these countries reported having acquired education in destination countries (1% in Cambodia) (Chapter 5).

On the other hand, in Costa Rica, Haiti and the Philippines the share of return migrants with more highly skilled occupations is higher than for non-migrants. In these cases it is possible that these people left more highly skilled jobs when they originally emigrated, especially those from Haiti and the Philippines (Figure 3.4). IPPMD data also confirm that the share of returnees who obtained education and training in the destination countries was higher in Costa Rica (24%), the Dominican Republic (28%) and Haiti (19%). Whether return migrants' acquired skills will be used productively depends on several factors, including their migration experience as well as the transferability of the skills acquired to the home labour market.

Immigration constitutes an important source of labour and can fill shortages in certain sectors

Immigrants are an important source of labour in a growing number of developing countries. Immigration is often seen as a negative factor by native populations, who fear it could lower wages or reduce job opportunities. However, the literature generally confirms that immigration has little impact on native workers' wages or employment rates (Altonji and Card, 1991; Dustmann et al., 2013; Longhi et al., 2005). Some empirical studies have found a slightly negative impact on the wage level of the low-skilled native workers (Camarota, 1998; Orrenius and Zavodny, 2003). Most literature, however, is based on the research for OECD countries (Facchini et al., 2013; Gindling, 2008). The impact of immigration in developing countries may differ because of the structural differences as well as the different compositions of immigrant populations.

Of the IPPMD countries, Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic provide sufficient data to analyse how immigration affect their labour markets (Chapter 2). Immigrants constitute 4% of the total labour force in Burkina Faso, 28% in Costa Rica, 20% in Côte d'Ivoire and 21% in the Dominican Republic in the IPPMD surveys. Most immigrants are in their productive years and contribute labour to their adopted economies. Most of them migrated to seek better job opportunities. Immigrants in the 15-to-44 age group make up around 74% of all adult immigrants in Burkina Faso, 47% in Costa Rica, 40% in Côte d'Ivoire and 64% in the Dominican Republic. The share of employed people in the total immigrant population is higher than for the native population in all these countries except Burkina Faso (Figure 3.13). Immigrants in Burkina Faso have similar characteristics to return migrants rather than immigrants in other countries because most of them are the children of Burkinabe parents (Chapter 11).

Immigrants are more likely to concentrate in certain sectors and industries (Patel and Vella, 2007; Kerr and Mandorff, 2015). Table 3.6 shows from the IPPMD data for Burkina Faso, Costa Rica and the Dominican Republic, the share of immigrants in the total number of workers in the four sectors: agriculture, construction, education and health. In Burkina Faso, the education and health sectors have larger shares of immigrant labour than the agriculture and construction sectors. It is mainly explained by the different education and skills profiles of the immigrants in Burkina Faso. In Costa Rica and the Dominican Republic, however, the agriculture and construction sectors heavily depend on immigrant workers. Without the immigrant workers, these sectors can face labour shortages. Stakeholder interviews revealed a concern related to the construction of the Canal of Nicaragua – if those jobs pay well and offer good conditions, many of the Nicaraguan construction workers in Costa Rica may leave to work on that project, creating a labour shortage.

A closer look at the immigrants' occupational skills in Costa Rica and the Dominican Republic show that most are employed in jobs that require lower skills levels (Figure 3.14). Immigrants may be forced to accept low-skilled jobs and lower wages than native workers on account of their limited access to the labour market. Those with irregular migration status, in particular, are more likely to accept worse employment conditions and this may negatively affect employment opportunities and wage levels of the native workers.

Figure 3.13. **The share of employed adults is higher among immigrants than for the native population**

Share of adults with different employment status (%), among native population and immigrants

Note: The outer circle shows the share of employment status among native workers; the inner circle shows the share for immigrants. The sample includes adults aged 15 and over.

Source: Authors' own work based on IPPMD data.

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Table 3.6. **The agriculture and construction sectors heavily depend on immigrant workers in Costa Rica and the Dominican Republic**

Share of immigrants in the total number of workers in the corresponding sector in countries of destination (%)

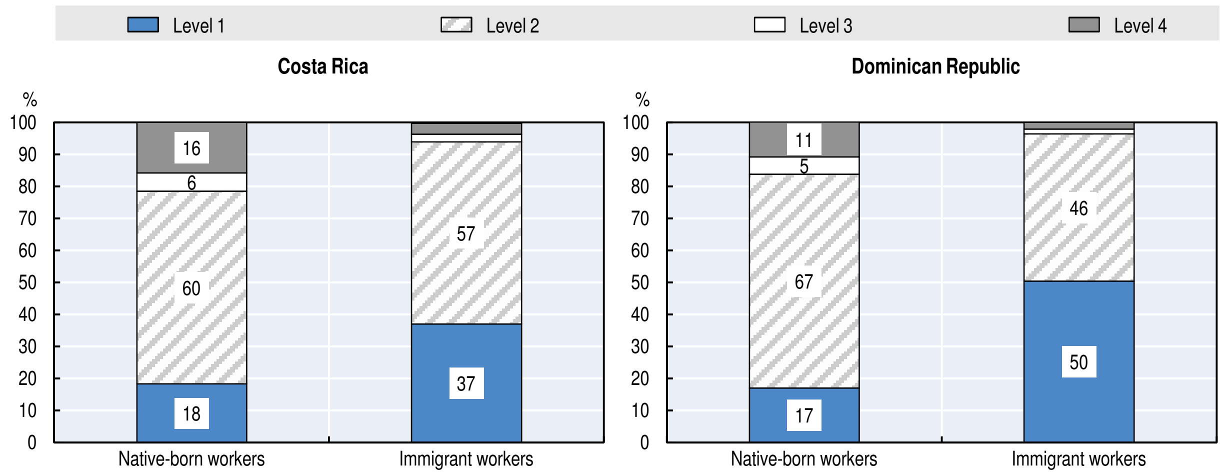
	Agriculture	Construction	Education	Health
Burkina Faso	2	3	9	6
Costa Rica	42	55	13	11
Dominican Republic	48	32	3	2

Note: Numbers in the table show the share of immigrants in relation to the sum of native-born and immigrant workers in the four sectors. The numbers should be compared across the sectors and countries. Côte d'Ivoire is excluded due to lack of data.

Source: Authors' own work based on IPPMD data.

Figure 3.14. **Immigrant workers in Costa Rica and the Dominican Republic are more concentrated in lower skilled jobs**

Share of employed people in each skills group (%), among native-born workers and immigrant workers



Note: The skills level of occupations has been categorised using the International Standard Classification of Occupations (ISCO) provided by the ILO (ILO, 2012). The higher the level, the more complex the skills and tasks required.

Source: Authors' own work based on IPPMD data.

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How do labour market policies affect migration?

The previous section shows that migration affects the labour market through various channels. At the same time, migration may also be affected by the labour market policies implemented in individual countries. Labour market policies try to balance the appropriate degree of flexibility while providing necessary protection for workers. Several policy instruments, such as wage setting, legislation protecting employers, unemployment insurance and other benefits and various active labour market policies (ALMPs) targeting unemployed workers are typically used to improve labour market outcomes. These policies largely focus on the formal sector, which means the way they interact with the informal sector is less clear.

Effective labour market policies can have an indirect impact on households' migration decisions by improving their labour outcome. IPPMD data confirm that most existing emigrants decided to migrate for job-related reasons. Policy instruments that improve the domestic labour market may therefore reduce the incentive to migrate. The labour market policies studied within the IPPMD project can be implemented through several instruments and with different objectives:

- **Government employment agencies** can help to enhance labour market efficiency.
- Many countries are enlarging the scope of **vocational training** in order to reinforce their labour supply.
- Finally, **public employment programmes** are often introduced to increase labour demand.

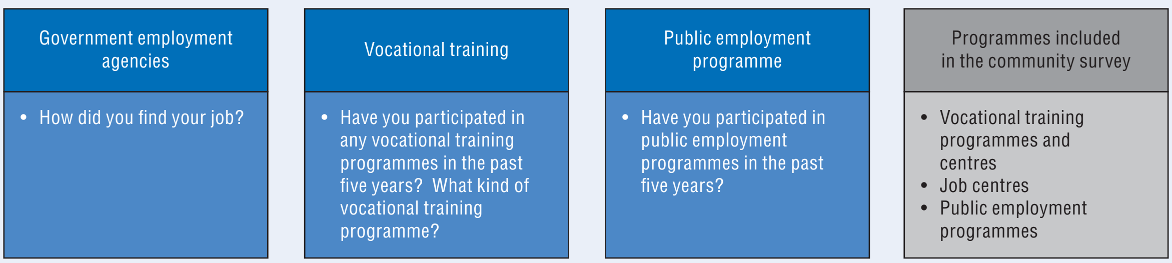
To date, the impact of these labour market policies on migration remains unexplored in the research. This section attempts to disentangle the links between the policies and the decision to emigrate, the reintegration of return migrants and the integration of immigrants in the labour market.

Box 3.1. **Labour market policies and programmes covered in the IPPMD project**

The IPPMD household survey asked household adult members whether they benefited from certain labour market policies and programmes (listed in Figure 3.15).

The community survey collected information on whether the communities have vocational training centres and job centres. It also asked if certain types of training programmes were implemented in the communities and whether they have been offered public employment programmes.

Figure 3.15. **Labour market policies explored in the IPPMD surveys**



Note: The IPPMD survey also asked if individuals received unemployment benefits; however, no country had unemployment benefits at the time of the survey.[6]

Government employment agencies tend to curb emigration flows

Efficient employment services should help job seekers find suitable jobs and ensure employers fill their needs. Government employment agencies aim to improve the functioning of the labour market by providing information on the economy and local labour market, including employment opportunities. There are government employment agencies in all the IPPMD countries except Haiti. They differ in terms of the size of the institutions in charge, geographic area covered, platforms used to exchange the information, effectiveness and public awareness. Their rate of usage by IPPMD survey respondents appears to be low in general, ranging from 1% in Morocco to 5% in Georgia.

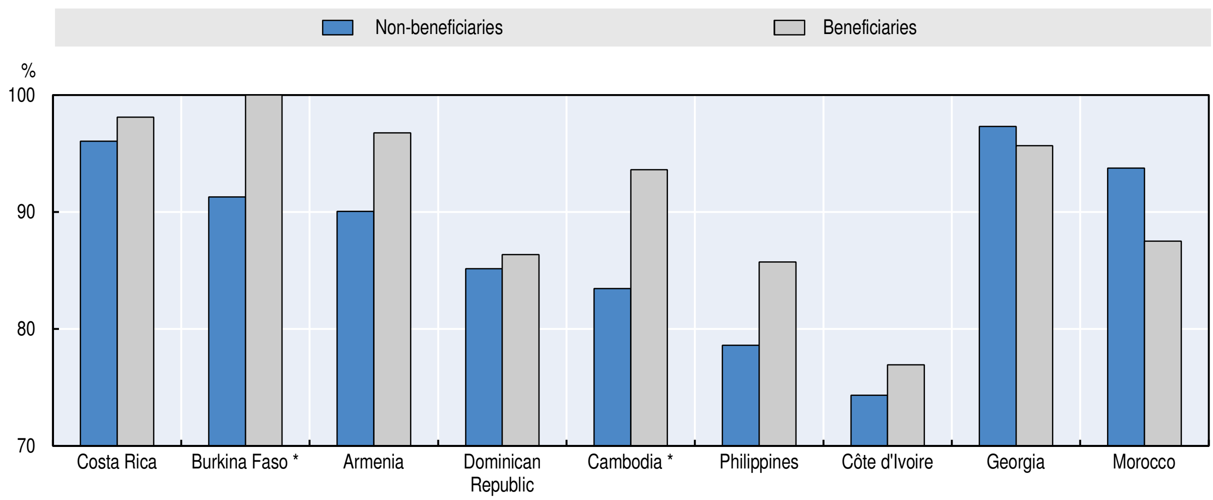
If people can find jobs in the local labour market through government employment agencies, they may choose to stay rather than move abroad to seek work. The survey shows that in most countries except Georgia and Morocco, the share of people who have no plans to emigrate is higher for those who found jobs through government employment agencies than those who did not (Figure 3.16). Of course, the individual characteristics of the respondents matter. Many of them are highly educated (except in Cambodia) and have public jobs, which are seen as a secure type of employment. On average, 77% of them are employed in the public sector; in Burkina Faso 90% of those who found jobs through such agencies are public employed. They are also more likely to belong to households with no current emigrants. A considerably higher share of them is living in households without any emigrants in all countries (though the difference is marginal in the Philippines).

It should be noted, however, that to be able to establish a causal relationship between government employment agencies and households' emigration decisions, further information is required, such as when they benefited from the employment agencies.

The use rate of government employment agencies by return migrants is close to zero in all countries. Most return migrants (with the exception of those in Costa Rica) either do not participate in the labour market or are self-employed. Return migrants' lack of passage to the government employment agencies may partially explain their propensity to self-employment. In this case, they may have chosen to be self-employed as a last resort.

Figure 3.16. **A higher share of beneficiaries from government employment agencies have no plans to emigrate than non-beneficiaries**

Share of people with no plans to emigrate among non-beneficiaries and beneficiaries from government employment agencies (%)



Note: Haiti is not shown because there are no government employment agencies. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%; **: 95%; *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417670

Almost no immigrants (with the exception of those in Burkina Faso) have used government employment agencies in the destination countries, even though they have access to the services in most countries. Most immigrants tend to rely more on their own networks than native populations for job searches. Government employment agencies can play a role in better integrating immigrants into the labour market and boosting their potential contribution to the economy.

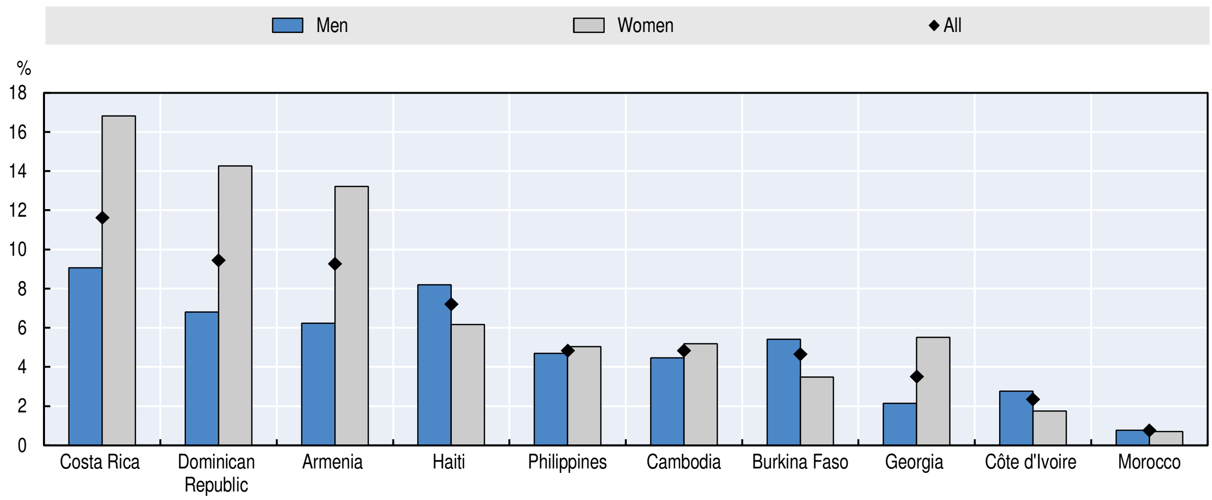
Vocational training may increase emigration

Vocational training has become a key labour market strategy in many developing countries. With growing global economic integration and rapid technological change, acquiring new skills across all sectors is important to adapt to market demand. The participation rate in vocational training programmes in the past five years varies across the IPPMD countries (Figure 3.17). Costa Rica has the highest share (12% of the surveyed labour force), while Morocco has the lowest (1%). In Armenia, Costa Rica, the Dominican Republic and Haiti, a considerably greater share of women have participated in vocational training programmes than men.

Vocational training programmes can affect different outcomes of migration. By enhancing labour skills, people may find better jobs in the domestic labour market, thereby reducing the incentive to emigrate. On the other hand, vocational training can be a means to make would-be migrants more employable overseas. Figure 3.18 compares the migration intentions of employed and unemployed people who participated in vocational training with those who did not. In most countries, the share of people planning to migrate appears to be higher for those who had participated in a vocational training programme than for those who did not. The exceptions are Armenia and Cambodia. As seen earlier in Figure 3.4, the propensity to emigrate is higher among low-skilled occupational groups than high-skilled groups in these countries. Vocational training in this context may contribute to upward labour mobility and reduce the incentives to look for other jobs abroad.

Figure 3.17. **The participation rate in vocational training programmes varies across IPPMD countries**

Share of labour force who have participated in vocational training in the last five years (%), by gender



Source: Authors' own work based on IPPMD data.

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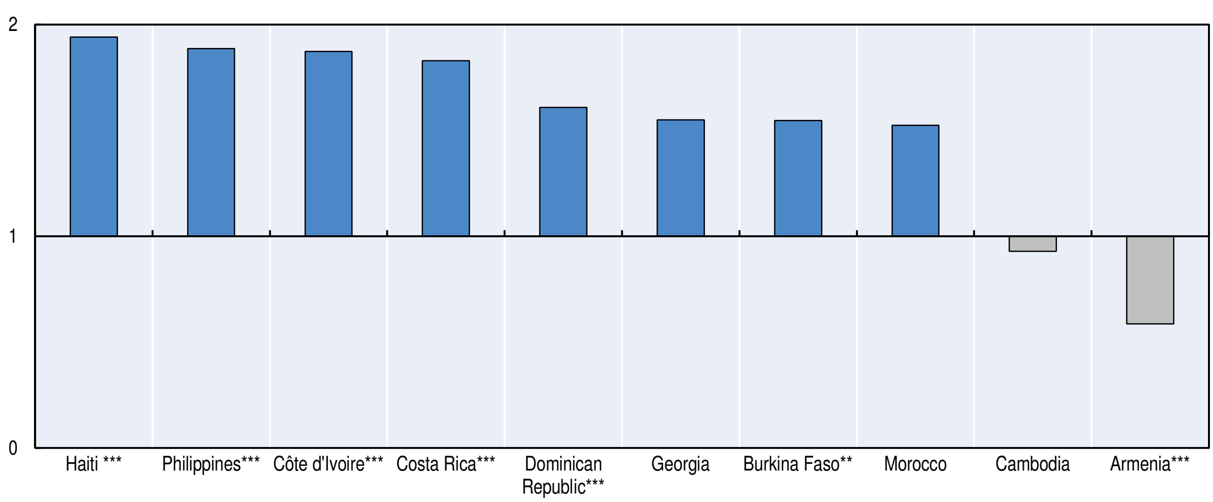
Figure 3.18. **Plans to migrate are correlated with participation in vocational training programmes**

Ratio of the share of individuals planning to emigrate among participants of vocational training programmes over that of non-participants



Note: If the ratio is above 1, the share of people who plan to emigrate is higher among the group who participated in vocational training programmes than those who did not; the opposite is true for a ratio below 1. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417697

Regression analysis suggests it is possible people are participating in vocational training programmes with the goal of finding jobs abroad. Probit estimations explored the link while controlling for other individual and household characteristics.[7] They found a positive and statistically significant relationship in the Dominican Republic, Haiti and the Philippines (Table 3.7). How vocational training affects migration decisions can depend on the labour market outcome. If training does not lead to the right job or a higher income, this may increase the incentive to withdraw from the domestic labour market and search for other jobs abroad.

If the impact of vocational training on participants' income is positive, the income differential might be used to help another household member migrate. Table 3.7 also shows that in Burkina Faso, Costa Rica, the Dominican Republic, Haiti, Morocco and the Philippines, households with a member who has participated in vocational training are also likely to have a member who plans to migrate in the future.

Table 3.7. **The links between vocational training participation and plans to emigrate**

Dependent variable: Intention to emigrate
Main variables of interest: Participation in vocational training programmes
Type of model: Probit
Sample: Labour force aged 15-64

Sample:	Individual level	Household level
Armenia		
Burkina Faso		↑
Cambodia		
Costa Rica		↑
Côte d'Ivoire		
Dominican Republic	↑	↑
Georgia		
Haiti	↑	↑
Morocco		↑
Philippines	↑	↑

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main independent variable of interest. Household labour supply is measured as the share of household members aged 15-64 that are working. The sample excludes households with return migrants only or those with immigrants.

Vocational training programmes can serve as a (re)integration channel for return migrants and immigrant workers. As re-entry to the home labour market may require certain return migrants to acquire new skills, training programmes can help returnees to develop these skills and find employment. In countries of destination, most immigrants have low-skilled jobs as shown above (Figure 3.14). In this respect, supporting both return migrants and immigrants to reinforce their skills through vocational training programmes can help them to find jobs which correspond better to their education and skills level, thereby increasing their potential contribution to the economy both in countries of origin and destination.

Public employment programmes have a limited impact on migration

Public employment programmes (PEPs) are in place in all the countries, with multiple objectives and varying priorities. Some governments introduce PEPs to increase overall labour demand and to complement job creation in the private sector. In other contexts, these programmes act as a social safety net, especially for the poor and vulnerable. For instance, cash-for-work or food-for-work programmes are often targeted to households close to the poverty line to provide a minimum income in return for temporary work. In some cases, governments use PEPs following a disaster or as emergency mechanisms.

The take-up ratio for PEPs in the IPPMD survey appears to be very limited. The participation rate was around 1% or even less in most countries, except Haiti and Cambodia. Haiti has the highest share (4%) of its labour force who participated in such programmes, followed by Cambodia (3%). PEPs in Haiti were introduced in the post-disaster context following the 2010 earthquake and mainly included cash-for-work and rubble-removal initiatives. At the time of the survey, these initiatives were in their final stages. In Cambodia, PEPs have been implemented to better integrate the poor and vulnerable in the local labour markets. Most of them were taken up by people in rural areas.

How can PEPs affect households' migration decisions? They can either increase or decrease the incentives to migrate depending on the households' response to the additional income received. Where these programmes improve local employment opportunities, there may be less incentives to migrate as the opportunity cost of migration increases. In rural areas in particular, public works programmes to support agricultural workers during the farming off-season can provide an alternative to seasonal migration. On the other hand, the increased income received may encourage migration. Overall, the impact of PEPs on migration is likely to depend on three critical factors:

- **Duration:** PEPs typically provide only short-term employment to individuals. In most countries, jobs are likely to last for weeks rather than months. This should not alter much the decision to migrate of beneficiaries. At the same time, the short duration limits the effect PEPs might have in providing the resources that would-be migrants need to leave.
- **Coverage:** Very few PEPs offer a guarantee of work to eligible individuals, and in any case the programmes are limited to the lean season each year.[8] Because the potential population for this kind of programme is very high, and most governments lack the resources to implement them everywhere they are required, their capacity to lower the incentives to emigrate remains low.
- **Income level:** Because the individuals' decision to migrate is often driven by the level of income rather than the availability of work, PEPs are unlikely to have a major impact on migration. In the best case, these programmes offer a wage equivalent to the prevailing salary for unskilled (typically agricultural) work in the area they cover. More often, however, the wage is set below this, either as a means of extending coverage, limiting distortions to the local labour market or as a self-selection mechanism that ensures only the neediest apply.

Further analysis was carried out in the regression framework for Haiti and Cambodia to explore the link between participation in PEPs and households' migration decisions. The results for Haiti showed households benefitting from such programmes were more likely to have a member who plans to emigrate. However, no evidence was found to suggest this intention was leading to actual migration. Descriptive data from the community survey in Cambodia suggests PEPs may be positively associated with emigration as the share of households with emigrants is higher in communities with such programmes than in those without.

Policy recommendations

Well-functioning labour markets are key for countries' economic and social development. While the labour market characteristics vary across the IPPMD countries, they seem to be tightly linked to migration in all cases. This chapter calls on governments to take into account migration when designing labour market policies in view of the country's development.

Depending to what extent sector and skills groups are losing labour to emigration, labour shortages may transpire while workers may benefit from less competition for jobs. Households also respond to emigration and remittances by working less. However, migration is found to contribute to the labour market by stimulating more self-employment. This is supported by remittances and financial capital brought by return migrants. Return migrants' occupational skills acquired in previous countries of residence can also contribute to the skills set of the home country labour market. Likewise, immigrants constitute an important source of labour for certain sectors in the economy.

Migration is, in turn, affected by labour market policies. This chapter has explored how different active labour market policies can influence the decision to emigrate and the (re)integration of return migrants as well as immigrants. The analysis demonstrated a link between labour market policies and the decision to emigrate. By enhancing labour market efficiency and providing people with easier access to the domestic labour market, government employment agencies can help people stay rather than move abroad to seek jobs. On the other hand, vocational training programmes may encourage people to emigrate by equipping them with skills that are more employable abroad. This is the case when training programmes do not match labour market needs. Whether PEPs affect migration depends on several factors such as the duration, coverage and income level of the programmes.

Policies are needed to address the potential negative effects and leverage the positive effects migration can bring to the labour market. At the same time, labour market policies should incorporate migration into their design.

Table 3.8. **Integrating migration and development into labour market policies**

	Policy recommendations
Emigration	• Adjust vocational training programmes to reflect demand in the local labour market and better match demand with supply. • Expand the territorial coverage and awareness of governmental employment agencies, especially in rural areas, while working more closely with the private sector, to match needs with labour supply and ensure that households that lost labour to emigration can easily replace it if needed.
Return migration	• Expand government employment agencies' activities to reach out to emigrants overseas. They should also target return migrants so that they have a greater chance of finding a formal job. • Ensure vocational training programmes match domestic labour needs to foster the inclusion of return migrants in the labour market.
Immigration	• Develop better information systems, through an extended network of employment agencies, to help immigrant as well as native-born workers find the jobs that best correspond to their skills. • Increase training opportunities to upgrade general skills levels and ensure that immigrant job seekers do not have any legal barriers to the labour market.

Notes

1. Active Labour Market Policies (ALMPs) defined by OECD include all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. *https://stats.oecd.org/glossary/detail.asp?ID=28*
2. The analysis controls for household size, dependency ratio, male-female ratio, average education level, household wealth and geographical location (rural/urban). Fixed effects were applied for different regions.
3. The IPPMD survey defines households as agricultural when they cultivate land and/or raise livestock (Chapter 4).
4. The analysis controls for individuals' age, sex, and education level. At the household level, the set of controls includes household size, dependency ratio, household wealth and geographical location (rural/urban). Fixed effects were applied for different regions.
5. Further discussion can be found in country reports.
6. Armenia abolished unemployment benefits in 2013 in view of strengthening vocational training programmes.
7. The analysis controls for individuals' age, sex and education level and employment status. At the household level, the set of controls includes household size, dependency ratio, household wealth and geographical location (rural/urban) and whether the household has an emigrant or not. Fixed effects were applied for different regions.
8. This is the case for India's Mahatma Ghandi National Rural Employment Guarantee Scheme and the Productive Safety Net Programme in Ethiopia.

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Chapter 4

Leveraging migration for development in the agricultural sector

Many developing countries are substantially focused on agriculture, which forms the basis of many households' livelihoods. This chapter looks at the impact of international migration on the agricultural sector in the ten IPPMD partner countries. It specifically investigates whether emigration affects household labour, due to the departure of a working member, whether capital from remittances and return migration are being channelled in or out, and in what ways immigrant households contribute to the sector. It also examines whether agricultural policies – such as subsidies, training and insurance programmes – are linked to migration outcomes, such as emigration, the decision to remit and return and the integration prospects of immigrants.

Many developing economies are based substantially on agriculture, which comprises an essential component of most people's livelihoods. This fact has been recognised through Sustainable Development Goal (SDG) 2, which aims to "end hunger, achieve food security and improved nutrition and promote sustainable agriculture". Agriculture figured prominently in the 2015 Addis Ababa Action Agenda on Financing for Development (United Nations, 2015), particularly regarding the efforts needed to end hunger and malnutrition. Climate change has also put agriculture at the centre of many development concerns. Forecasts on the impact of climate change on migration vary, with 200 million people displaced being the most widely cited estimate (including internal migrants) (IOM, 2009), many from rural areas and dependent on agriculture.

Several of the IPPMD countries are also experiencing fast economic and social development, which history suggests is often accompanied by a general depopulation of rural areas and a move away from agricultural activities, meaning a declining ratio of food producers to food consumers. While in many cases this movement tends to be internal, from rural to urban areas, international migration is also frequent. Because the agricultural sector is vital for jobs and labour income and to a country's development and poverty reduction, it is important to understand its links with migration and investigate whether and how migration can be part of the solution in making the sector more productive and sustainable to counter the decrease in available labour. This chapter looks at what impact international migration has on the agriculture sector. Is it constraining farming activities or enhancing them? It also examines whether agricultural policies – such as subsidies, training and insurance programmes – are contributing to or stemming the flow of emigrants, remittances and return migrants, as well as the integration of immigrants.

The chapter is divided into four sections. The first section provides a contextual overview of the agricultural sector across the 10 countries of the IPPMD project and the data collected in 2014. The second section discusses the impact migration may have on the agricultural sector across four dimensions: emigration, remittances, return migration and immigration. The third section explores the impact agricultural policies may have on agricultural household members' decisions to leave, remit and return from migration or on immigrants' experience in integrating into their host society. The final section discusses policy implications.

Table 4.1. **Migration and agriculture: Key findings**

How does migration affect agriculture?	How do agricultural policies affect migration?
● Emigration revitalises the agricultural labour market,as emigrants are replaced by workers from outside of the emigrant's household.	● While agricultural subsidies tend to increase emigration in primarily agrarian economies, they tend to decrease it in more diversified ones.
● Remittances and return migration increase investment in agricultural activities, but also in other types of activities in agricultural households, creating opportunities for diversification.	● Agricultural subsidies are positively correlated with the level of remittances in certain countries.
● Agricultural households with immigrants are more likely than other agricultural households to hire-in labour and sell their produce.	● Immigrants are less likely to benefit from agricultural programmes.

Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Overview of the agricultural sector in the ten partner countries

The agricultural sector is essential to society for several reasons. It provides food security for the population. It creates linkages and inputs and forms part of a value chain, which provides revenue and jobs. The jobs sustain livelihoods, sometimes for the very poorest segments of the population and in rural areas with few other opportunities.

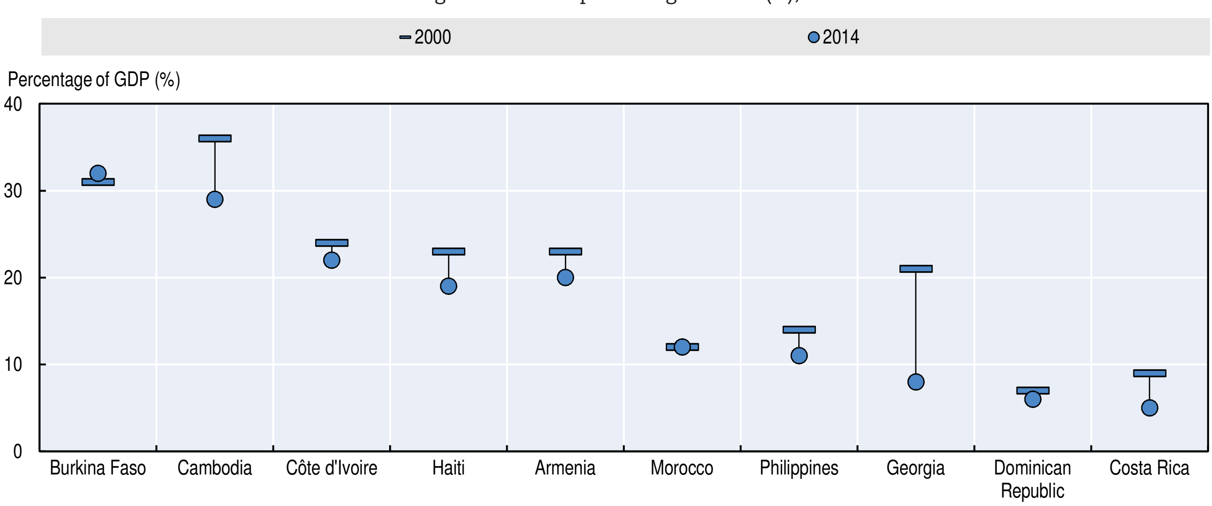
Emigration from the sector often goes hand in hand with structural change and the gradual move towards a more industrialised or service-oriented and capital-intensive economy (Lewis, 1954; Harris and Todaro, 1970). As pointed out in Chapter 3, the share of employment in agriculture has generally decreased in all IPPMD partner countries in the last decade, while the share in services has increased. In the process, the sector loses its most important asset: human capital. Keeping the rural – and sometimes urban – parts of the agricultural economy healthy is therefore vital for avoiding inequality, extreme poverty and a general breakup of social cohesion.

The size of the agricultural sector varies across the countries studied

The countries involved in the IPPMD project reflect the different points at which developing countries may find themselves in their transition from a primarily agrarian society towards a more diversified one. Figure 4.1 illustrates this by painting a dynamic picture of the trends in value added in agriculture as a percentage of gross domestic product (GDP) in 2000 and 2014.

Figure 4.1. **The weight of agriculture in the economy varies by country**

Value added in agriculture as a percentage of GDP (%), 2000 and 2014



Note: Figures also include value added from forestry and fishing.

Source: FAO, FAOSTAT database, *http://faostat.fao.org/*.

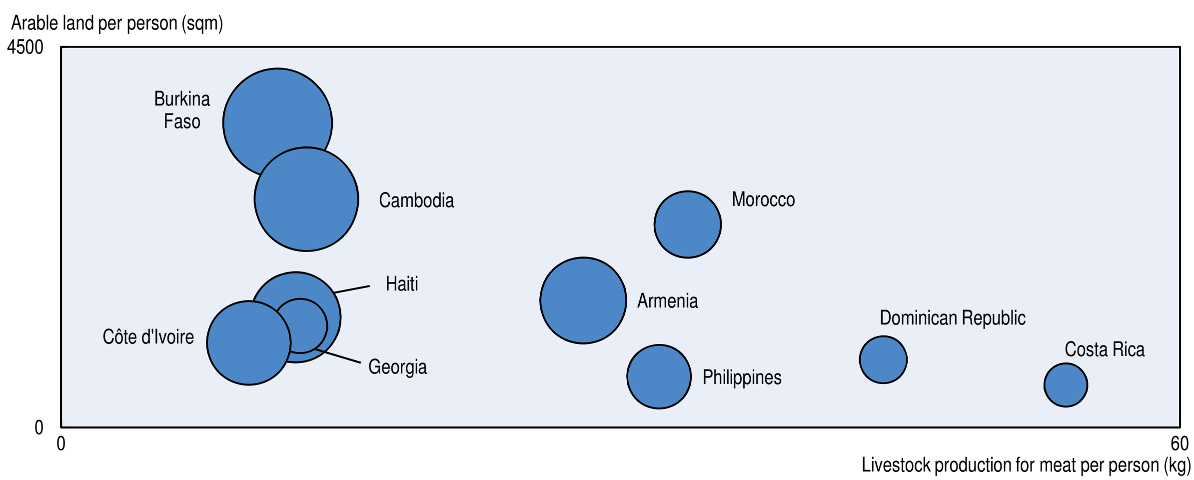
StatLink http://dx.doi.org/10.1787/888933417702

The first striking feature is the range across countries, from more than 30% in Burkina Faso in 2014 to around 5% in Costa Rica. The second is the change in the weight of agriculture in GDP over time. From 2000 to 2014, the weight of agriculture in GDP has gradually decreased in all but two countries: Burkina Faso, where there was a slight increase and Morocco, where there was no change. Nowhere is the decrease more evident than in Georgia, which experienced a spike in agriculture's contribution to GDP in the late 1990s and a dramatic fall from 2000 to 2014 due to reforms following transition, a return to peace after a period of conflict and a diversification of its economy. Georgia now has among the lowest rates of agriculture of the countries studied, along with Costa Rica, the Dominican Republic, Morocco and the Philippines. Cambodia has also experienced a quick reduction in the weight of agriculture, following reforms and a diversification and opening of its economy, although the weight of agriculture in the economy has remained relatively high.

Countries also differ in their types of agricultural activities, and this seems to be correlated with the weight of agriculture described above. This division between countries is summarised in Figure 4.2, using a scatterplot between arable land per person and livestock production for meat per person, where the size of the circles reflects the share of agricultural value added in GDP. The figure suggests that in relative terms the Philippines, Costa Rica and the Dominican Republic rear more livestock, whereas arable farming is more common in Burkina Faso and Cambodia. Armenia, Côte d'Ivoire, Georgia, Haiti and Morocco stand somewhere in the middle, although Côte d'Ivoire, Georgia and Haiti are smaller producers overall, relatively speaking. The figure also suggests that countries that have diversified and have a lower share of agricultural value-added are also those that engage relatively more in animal rearing, whereas those where agriculture plays a large role are also those where arable farming is relatively more important.

Figure 4.2. **Emphasis on arable farming versus livestock production varies by country**

Arable land (sqm) and livestock production (kg) per person



Note: Data are from 2013. Arable land (in hectares) includes land defined by the FAO as land under temporary crops (double-cropped areas are counted once), temporary meadows for mowing or for pasture, land under market or kitchen gardens, and land temporarily fallow. Land abandoned as a result of shifting cultivation is excluded. The livestock categorisation is based on data on the total primary livestock production for meat in each country. The size of the circles reflects the share of value added in agriculture as a percentage of the country's GDP.

Source: World Bank, *World Development Indicators* (WDI) database, *http://data.worldbank.org/products/wdi*; FAO, FAOSTAT database, *http://faostat.fao.org/*.

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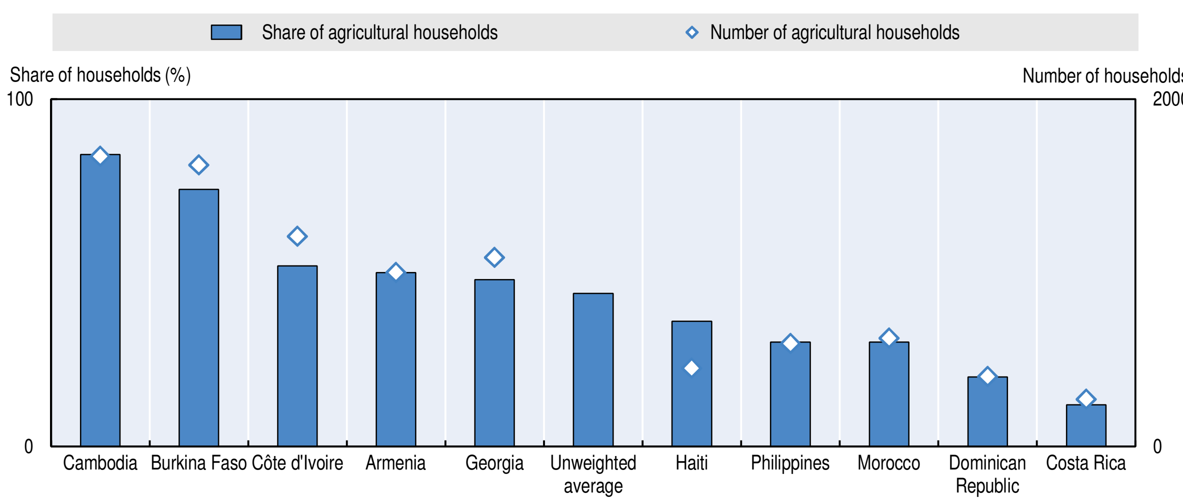
The level and type of agricultural activity varies across countries in the IPPMD data

The IPPMD survey includes a specific module on household agricultural activity (Chapter 2). The module is divided into three strands: 1) activities related to arable farming; 2) those related to animal husbandry; and 3) specific agricultural policies from which households may have benefited. Any household declaring an involvement in arable farming or livestock rearing is considered to be an agricultural household and the questions on agricultural policies were only put to these households.[1]

Less than half of the households in the sample are involved in agriculture. Of the 20 549 households interviewed overall, 8 932 (43%) were involved in agriculture at the time of the interview, partly reflecting the nature of the sampling framework, which was stratified along rural and urban areas in some countries (Chapter 2). However, the share of households undertaking agricultural activity varied greatly across countries (Figure 4.3). In Cambodia (84%) and Burkina Faso (74%), the share of sampled agricultural households was high, while it was much smaller in Costa Rica (12%) and the Dominican Republic (20%). In Cambodia, the high rate is explained by the fact that there was an oversample of rural households (80%). In Burkina Faso, although 60% of the sample is urban, many households deemed "urban" have agricultural activities (57%).

Figure 4.3. **The share and number of agricultural households sampled varies by country**

Share and number of agricultural households sampled (%), by country



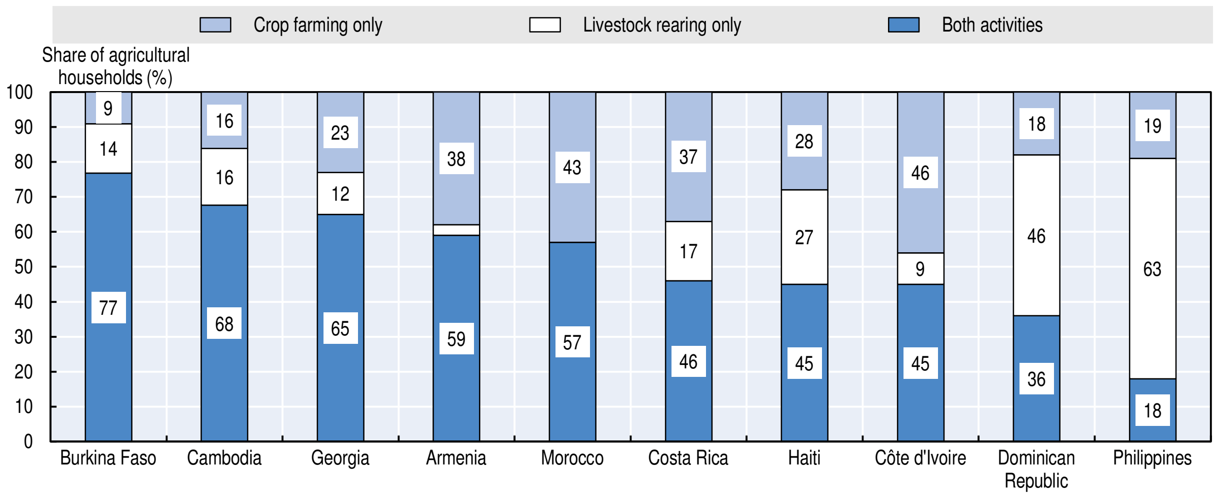
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417729

Countries also differ in terms of the types of farming activity in which households engage. Households in countries like the Philippines and the Dominican Republic were more engaged in livestock rearing than in other countries (as expected from the macroeconomic data presented in Figure 4.2), whereas Armenia and Costa Rica had more households engaged in arable farming (Figure 4.4). The IPPMD data for Costa Rica are at odds with the macroeconomic data. This is a reflection of the fact that much data was collected from the province of Alajuela, which has a large arable farming area. Households in countries like Burkina Faso, Cambodia and Georgia were involved in both types of activity. In the former two, mainly backyard farming[2] rather than commercial farming dominates.

Figure 4.4. **Household farming activity mostly reflects the macroeconomic picture**

Relative share of agricultural households (%), by activity



Source: Authors' own work based on IPPMD data.

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How does migration affect agriculture?

The agricultural sector relies heavily on manual labour, especially in countries which lack investment in the sector. As such, the departure, arrival and return of workers as well as the remittances migrants send back or return with can potentially alter the activities of households and more generally the sector as a whole. There are two main views on how migration affects the agricultural sector, which are not mutually exclusive and can be summarised as follows (FAO and IFAD, 2008; Lucas, 1987):

- The first paints a **negative picture**, highlighting the loss in labour and the potential for that loss to affect food security and economic growth in rural areas. The departure of a member decreases labour availability within the household and potentially in the community from which the person leaves, which may affect how the household manages its agricultural activities. As a result, **emigration is often presented as posing a challenge** for the sustainability of the agricultural sector and to rural development in general through its linkages with the rest of the economy.
- The second highlights the **positive effect** garnered from leaving an overcrowded labour market, remittances and return migration. Migration can be a source of investment and innovation for the sector as emigrants send remittances and return migrants bring back social and financial capital. At the same time, migration can also be the catalyst for diversification or a move out away from the sector as remittances and the various forms of capital repatriated by returned migrants can be used to invest in activities outside of the agricultural sector. **Migration is therefore presented as an opportunity** for households to escape poor living conditions, reduce pressure on resources in the places they leave behind and add resources by sending remittances and eventually returning back home.

In addition to emigration remittances and return migration, international immigrants can also be a source of investment and economic contribution to the sector.

This section explores these issues in the ten partner countries, drawing on the empirical analysis of the IPPMD dataset.

Emigration revitalises the agricultural labour market

The agricultural sector is one of the most affected by emigration; in 5 of 8 IPPMD countries with available data (Armenia, Burkina Faso, Cambodia, Costa Rica and Haiti), it figures as the sector with the highest emigration rate, vis-à-vis the number of people employed in the country. This has implications for the sector but also for households that make a living in the sector. The emigration of one or more household members has important consequences in terms of labour allocation and the division of labour within the household. The departure of a household member may lead to adjustments in labour supply by remaining family members, including directly contributing to the household's farming activities. According to research, households in central Mali consider the loss of a young man's agricultural contribution greater than the gain from remittances (McDowell and de Haan, 1997). When less productive workers are left behind, the drop in productivity may even lead to labour shortages (Tacoli, 2002) and food insecurity in certain communities (Skeldon, 2003; Cotula and Toulmin, 2004), evidence of which has been documented in Mali (Cissé and Daum, 2010) and Zimbabwe (Tsiko, 2009).

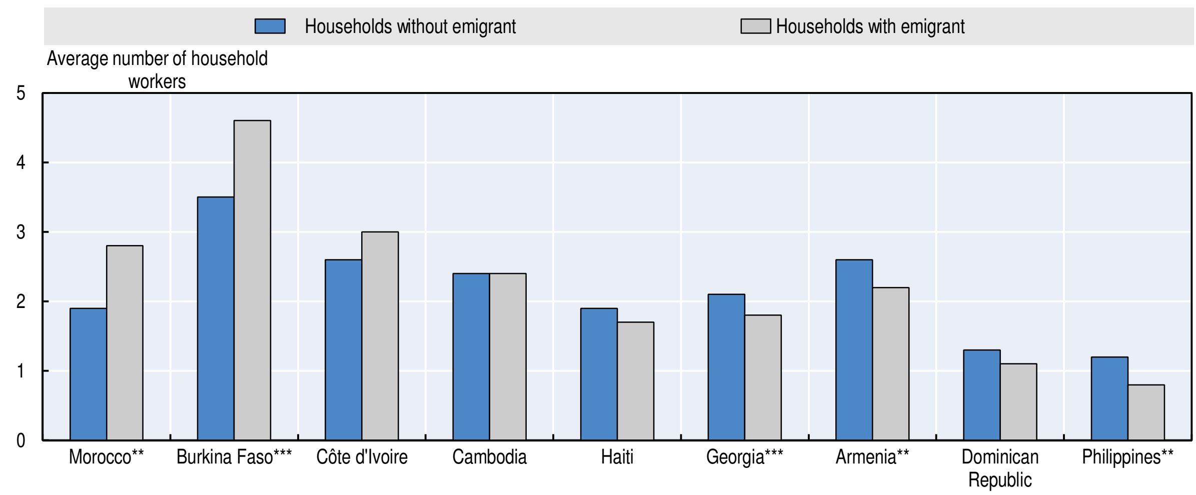
This section explores the link between emigration and the use of labour in agricultural activities. There are two ways agricultural households can satisfy an increase in their demand for labour. First is by requiring more household members to work (or work more) their fields. Second is by turning to the external labour market to hire workers. When a household member emigrates, households may need to look for more labour, either by drawing more on the labour of other household members or by hiring external workers. This is in line with the discussions in Chapter 3 on the impact of emigration on household labour, although empirical studies confirming this specifically for agricultural households are rather scarce. Emigration likely reduces the labour supply overall, and particularly the availability of labour in emigrant communities (FAO and IFAD, 2008).

Comparing emigrant and non-emigrant agricultural households with respect to the number of household members working in the household's farming activities reveals a mixed picture. In Burkina Faso, Côte d'Ivoire and Morocco, emigrant households draw on more household members to work the farm than those without emigrants (Figure 4.5). This relationship is statistically significant according to regression analysis for Burkina Faso and Morocco (Table 4.2). However, there are more countries in which agricultural households with emigrated members had fewer, not more, household members working in the fields, although the difference between emigrant and non-emigrant households is relatively smaller. These are Armenia, the Dominican Republic, Georgia, Haiti and the Philippines. In these countries, emigrant labour could either not have been replaced, or alternatively may have been replaced in other ways than drawing on internal resources. In fact, if households lack the internal capacity to fill labour shortages following the emigration of a member and if labour markets are more developed and accessible, they can turn to hiring external labour.

The IPPMD project collected data on the extent to which households hired external labour. In several cases – notably in Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines – emigrant households were more likely to have done so than non-emigrant households (Figure 4.6). The relationship is robust for all of these countries, with the exception of Georgia (Table 4.2). This is perhaps related to the fact that Georgia has rather quickly moved away from an economy dependent on agriculture to a more diversified one, meaning households are less in need of agriculture labour there (Figure 4.1).

Figure 4.5. **In some countries, agricultural households with emigrants draw on more household labour**

Average number of household members working in agricultural activities, by whether the household has an emigrant



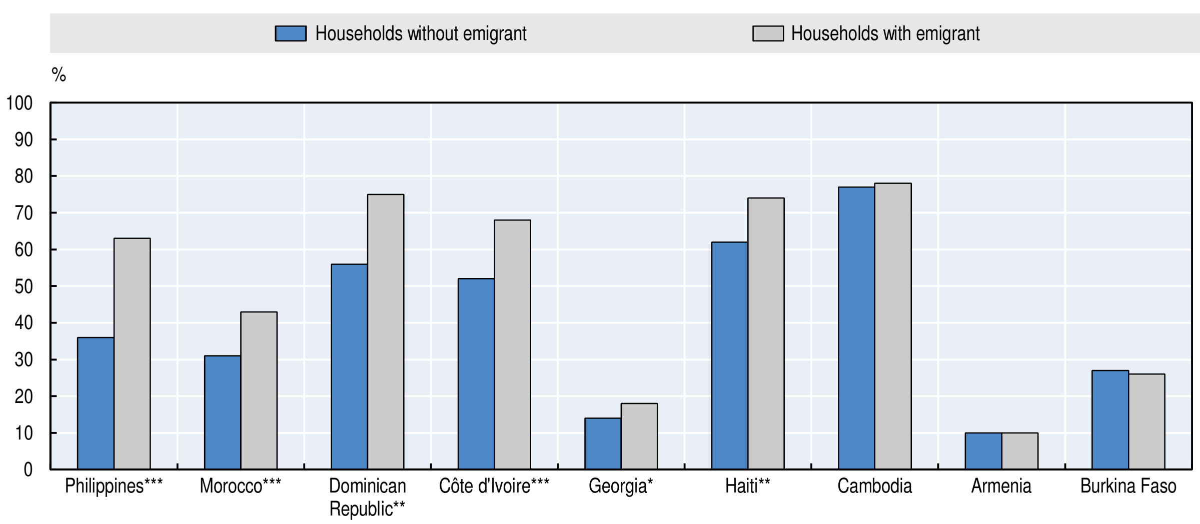
Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of households with emigrants over those without. Costa Rica is not included due to its small sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417744

Figure 4.6. **Households with emigrants are more likely to hire external agricultural labour**

Share of households hiring external agricultural labour (%), by whether they have an emigrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of share of households with emigrants over those without. Costa Rica is not included due to its small sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417752

Overall this paints a picture that households with emigrants are indeed using more labour, which provides further evidence that the labour market is not as tight when workers emigrate, although productivity likely decreases given emigrants are generally younger and more productive than those staying behind.

In the partner country where agriculture plays the biggest role in terms of GDP (and even increasing), Burkina Faso (Figure 4.1), emigrant households draw on more household labour, but not on external labour. It could be a sign that labour markets are underdeveloped in the regions that are affected, and households struggle to hire labour from outside. Morocco, on the other hand, has a considerably lower agricultural value-added per GDP compared to Burkina Faso. This could be because Morocco has urbanised rather rapidly in the last years, from a 48% urbanised population in 1990 to one projected to be 60% in 2015 (United Nations, 2014), creating a similar decrease in labour supply as with international emigration. At the same time, Morocco is also transitioning to a country less dependent on its agricultural output; emigration seems to be acting as a way for the market to be revitalised – which also explains why households are also hiring in labour than outside of the household (although this relationship is not as robust).

It is equally notable that many of the countries in which emigrant households hire more external labour are some of the wealthier countries of the project and also countries for which agriculture plays a smaller part in the economy (for example, the Dominican Republic, Georgia, Morocco and the Philippines). This likely reflects that labour markets in these countries are more efficient than in poorer countries, meaning that it is easier to find and hire labour.

In the case of Côte d'Ivoire, emigrant households are also more likely to hire external labour. Although Côte d'Ivoire has relatively low production according to Figure 4.2, agriculture's importance in GDP there is high, meaning many workers still likely rely on the sector for employment. The country is also coming out of a violent crisis, in which many rural areas were not spared. Many people may have left following the crisis, and when stability returned to agricultural areas, demand for labour may have spiked. A similar argument can be made for Haiti in the aftermath of the 2010 earthquake.

Table 4.2. **The links between emigration and agricultural activities**

Dependent variables: Number of household members farming for the household and household hired external farming labour
Main variable of interest: Household has an emigrant
Type of model: Ordinary least squares (OLS) (column 1) and probit (column 2)
Sample: Agricultural households

Dependent variable:	Number of household members farming for the household	Household hired external farming labour
Armenia		
Burkina Faso	↑	
Cambodia		
Côte d'Ivoire		↑
Dominican Republic		↑
Georgia	↓	
Haiti		↑
Morocco	↑	↑
Philippines		↑

Note: The arrows indicate a statistically significant positive (upwards arrow) or negative (downwards arrow) relation between the dependent variable and main independent variable of interest. Costa Rica is not included due to its small sample size. The model was tested for robustness by excluding households with only return migrants, only immigrants or both, but this did not alter the results much.[3]

In sum, in households with emigrants there is some tendency to draw on more labour, sometimes from the household and often from outside of it.

Remittances and return migrants' financial and human capital are used to invest in productive activities

As urbanisation intensifies, particularly in Africa, the growing urban centres are being viewed as potential sources of investment for agriculture, especially through tools like agricultural investment funds (McNeils et al., 2010). International migration can also play a role in generating much needed financing. Many households receive money and goods from friends and family living in other countries and as agricultural households are mostly located in rural areas with poor credit and labour markets, remittances may be especially important. Given the transition away from agriculture and the emigration of productive labour, countries need to ensure that the sector remains viable, by increasing productivity for instance.

An inherent issue, however, is that the cost of transferring remittances to rural areas is also high and problematic given the shortage of banking facilities, compared to urban areas. While little is known about the remitting rate of migrants to rural or urban areas, research suggests that 40% of remittances go to rural areas (FAO, 2016), a rate that is lower than the share of the world living in rural areas (46%), and much lower than the rural share of the world living in less-developed countries (52%), least-developed countries (69) and low-income countries (70%) (United Nations, 2014).

Return migration can also potentially affect the agricultural sector in many of the same ways as remittances, since migrants may bring back financial savings, as well as their direct labour contribution and experience learned abroad.

Remittances and savings from return migrants can be invested in agricultural productive assets. Households might invest in productive assets such as machinery, barns, fencing, feeding mechanisms, irrigation systems and tractors. There are several examples of remittances being invested in agricultural assets. International migration allowed emigrant households to increase agricultural production in general in Bangladesh (Mendola, 2005) and in Ghana (Tsegai, 2004). They help counter the loss of labour induced by emigration. In fact, lost labour due to internal migration in China has been found to have a negative impact on maize production in the sending household, but remittances partially offset some of this loss (Rozelle et al., 1999).

Investment can also take several forms. Remittances can for instance stimulate shifts in agricultural activity but exactly in what remains debated. For example, the productive investment of remittances can help households move from labour-intensive to capital-intensive activities. In Botswana, Malawi and Mozambique, remittances from South Africa have enhanced both crop productivity and cattle accumulation (Lucas, 1987). Remittances help rural households shift away from producing low-yielding crops to commercial crops and animal husbandry, evidence of which has been documented in Albania (Carletto et al., 2009) and Burkina Faso (Taylor and Wouterse, 2008). Evidence for Mexico suggests that remittances are used to invest in agricultural assets, although not for investments in livestock (Böhme, 2015). A study on the Philippines found that remittances increase the share of households that produce high-value commercial crops and increase the use of mechanical tools, but they decrease the share of households that engage in crop diversification (Gonzalez-Velosa, 2011).

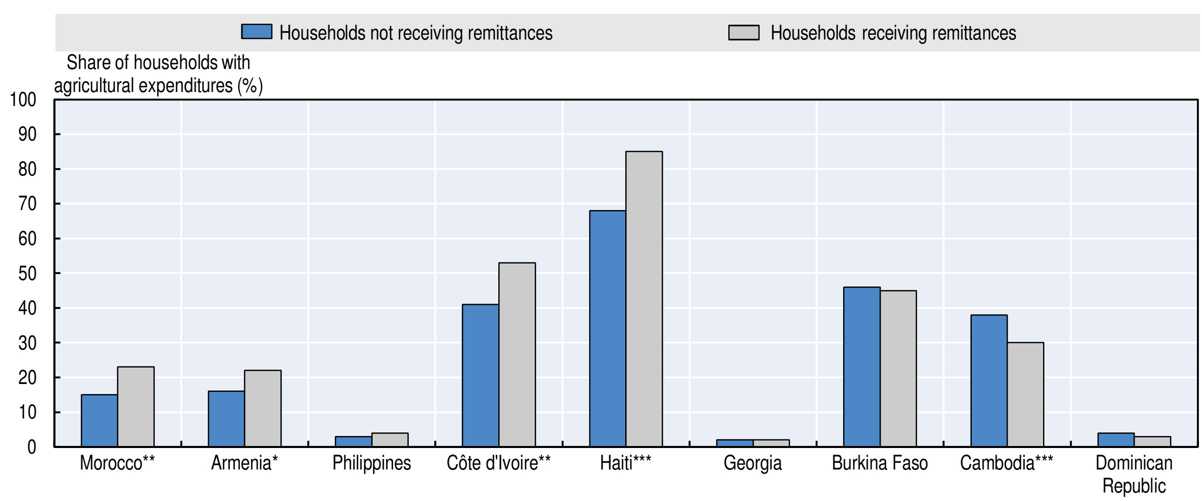
Remittances also permit agricultural households to resist and insure against hardships. Remittances sent to Botswana, for instance, allowed rural households to overcome the hardships brought on by droughts (Lucas and Stark, 1985).

This is the theory of how remittances and the savings and knowledge accrued by return migrants might be used. But what do the IPPMD data say about what is happening in the partner countries? While data on efficiency and productivity were not collected, the IPPMD research explores whether farming households use remittances to invest in agricultural assets using collected data on whether households have spent money on agricultural assets.[4]

The rate at which households invested in agricultural assets varies by country. In Haiti, it is highest, followed by Côte d'Ivoire, Burkina Faso and Cambodia. These are notably four of the poorest partner countries in the project, where productive investment in agriculture has been low in the past, and where, in the case of Côte d'Ivoire (civil unrest) and Haiti (earthquake), partly destroyed. They are also amongst the countries with the highest levels of value added in agriculture as a share of GDP amongst the IPPMD partner countries. Indeed, in Côte d'Ivoire and Haiti – and also Armenia and Morocco – there is a positive correlation between remittance receipts and agricultural assets expenditures (Figure 4.7).[5] Remittances in these countries are fuelling investment in a sector that needs it and where the returns on investment are probably high, compared to countries where the investment in agriculture was already high in the past and where dependence on agriculture in the economy is lower, such as the Dominican Republic, Georgia and the Philippines. In Armenia and Haiti, these relationships are confirmed by a probit regression analysis (Table 4.3). In Cambodia, remittance-receiving households are less as likely to spend on agricultural assets.

Figure 4.7. **Households in several countries invest remittances into agricultural assets**

Share of households with agricultural asset expenditures in the past 12 months (%), by whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of households receiving remittances over those not receiving any. Costa Rica is not included due to its small sample size.

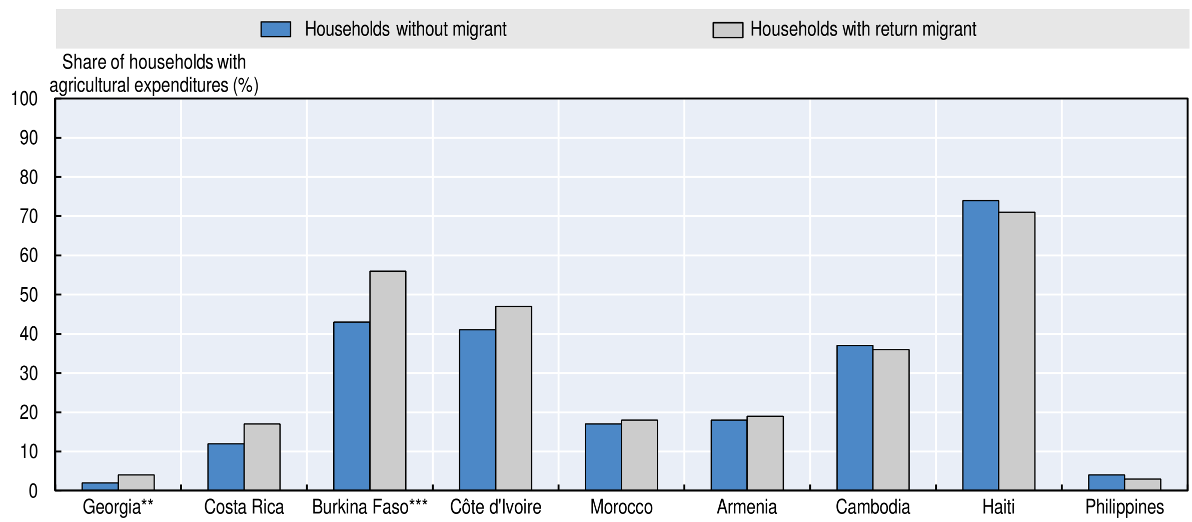
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417761

Just as for remittances, households with return migrants may positively affect the sector in terms of investments. However, the IPPMD data suggest that it is rather limited compared to the effect of remittances. Only in Burkina Faso, for instance, are return migrant households more commonly to have made agricultural asset expenditures in the past 12 months, compared to households without any returned migrant (Figure 4.8). A probit regression model confirms this positive relationship (Table 4.3). There is little literature on this subject and therefore it is difficult to understand why there is such a limited effect. In the case of Burkina Faso, many migrants were forced back during the civil strife in Côte d'Ivoire and many of them were in the midst of their productive life, with money and skills gained in agriculture. As such, it is not so surprising that those households are also investing in agriculture in their home country. For the other countries, return migrants, particularly those that return with investment plans, may go to cities or invest in non-agricultural projects. Migration may be part of a strategy to move away from agricultural activities.

Figure 4.8. **Only in Burkina Faso are return migrant households more likely to have had agricultural expenditures**

Share of households with agricultural expenditures in the previous 12 months (%), by whether they have a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of households with at least one return migrant over those without any. The Dominican Republic is excluded due to its small sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417776

Table 4.3. **The role of remittances and return migration in agricultural investment**

Dependent variable: Household has had agricultural asset expenditures
Main variables of interest: Household has received remittances in the past 12 months and household has a return migrant
Type of model: Probit
Sample: Agricultural households

Variables of interest:	Household has received remittances in the past 12 months	Household has a return migrant
Armenia	⬆	
Burkina Faso		⬆
Cambodia	⬇	
Costa Rica	n/a	
Côte d'Ivoire		
Dominican Republic		n/a
Georgia		
Haiti	⬆	
Morocco		
Philippines		

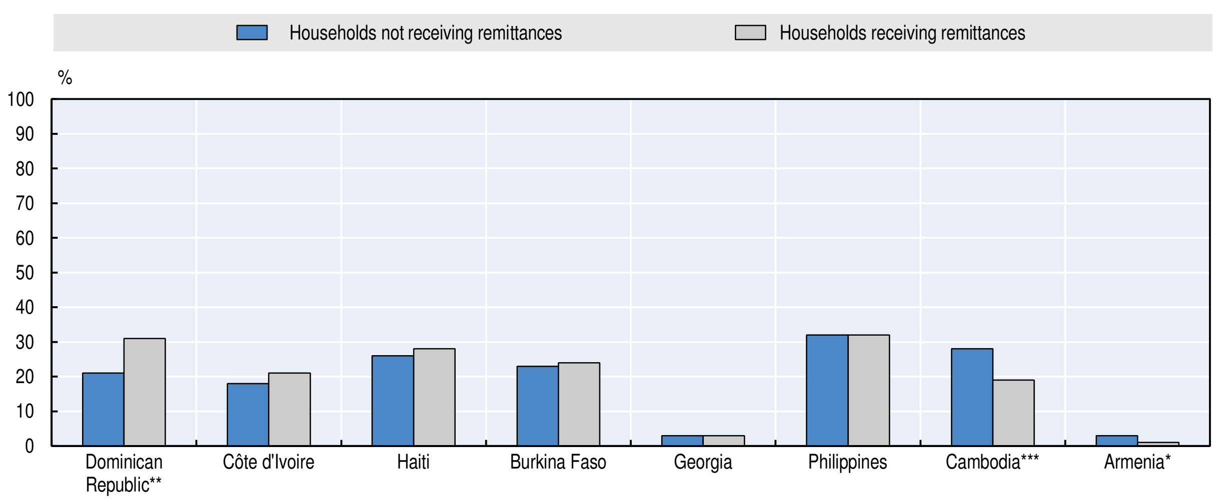
Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. The model was tested for robustness by excluding households with only return migrants or only immigrants, but this did not alter the results much.[6]

Households that receive remittances and return migrant households may also choose to spend their additional income on entrepreneurial non-farm activities (FAO-IFAD, 2008). Such a point of view would be consistent with development and the gradual move away from agricultural dependence. This has been the case in Albania, for instance, where remittances have been negatively associated with both labour and non-labour inputs in agriculture (Carletto et al., 2010). Indeed, Carletto et al. (2009) also find that emigration from Albania contributed towards a downward pressure on agricultural labour per capita.

The IPPMD survey included a question on whether households operated a non-agricultural business. Looking at the countries, there seems to be little evidence that remittances to agricultural households are being used to finance such businesses. Only in the Dominican Republic do the descriptive statistics point in this direction, and in fact in Cambodia, remittances are correlated with fewer non-agricultural businesses. Controlling for other factors that could affect having such a business, a probit regression analysis further confirms that not only are remittances correlated negatively with non-agricultural businesses in Cambodia, but it is also the case in Armenia and the Philippines. This may possibly be because remittances are used mostly for consumption, particularly in a poor country like Cambodia. The positive correlation found in the Dominican Republic in Figure 4.9 is not confirmed by regression analysis in Table 4.4.

Figure 4.9. **Only in the Dominican Republic are remittance-receiving agricultural households more likely to own a non-agricultural business**

Share of agricultural households operating a non-agricultural business (%), by whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of households receiving remittances over those not receiving any. Costa Rica and Morocco are excluded due to their small sample sizes.

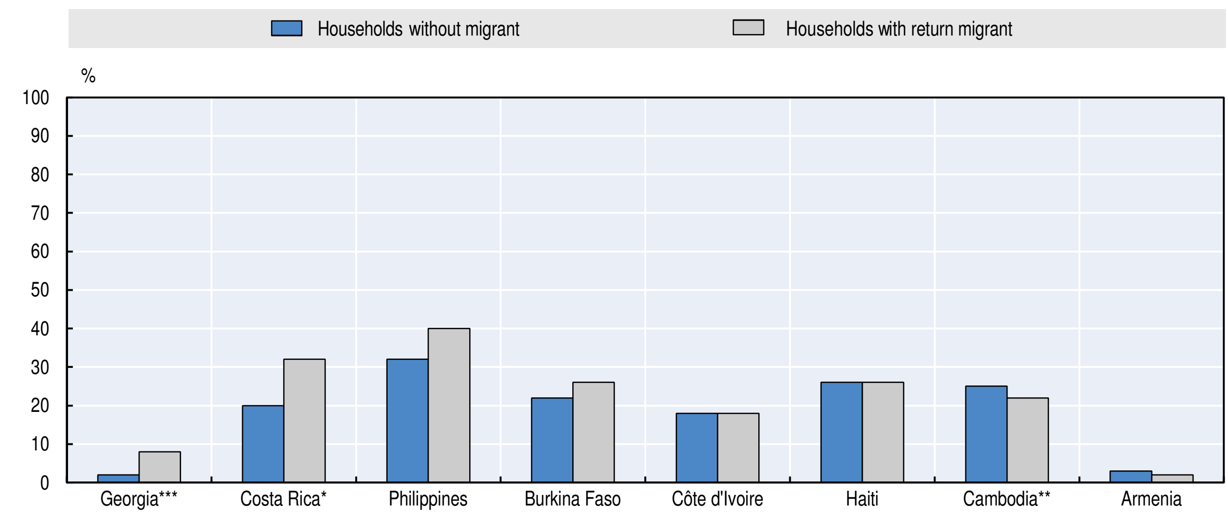
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417787

Alternatively, households with return migrants do indeed seem to channel the savings and knowledge brought back from abroad towards non-agricultural businesses. In Burkina Faso, Costa Rica, Georgia and the Philippines, agricultural households with return migrants were more likely to own a non-agricultural business (Figure 4.10). This was confirmed by a probit regression analysis in Costa Rica and Georgia. Compared to receiving remittances, having a return migrant is a much more powerful vehicle towards business ownership for agricultural households. This may be because, in addition to financial capital, businesses need know-how, which they get from return migrants, who accumulate experience abroad. In fact, in Burkina Faso, the return of migrants from Côte d'Ivoire following conflict there has been a boon for the country, since return migrants invest in the agricultural sector (Figure 4.8) but also non-agricultural businesses as well, as shown in Table 4.4.

Figure 4.10. **In some countries, agricultural households with return migrants are more likely to own a non-agricultural business**

Share of agricultural households operating a non-agricultural business (%), by whether they have a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of households with at least one return migrant over those without any. The Dominican Republic and Morocco are not included due to their small sample sizes.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417793

Table 4.4. **The role of remittances and return migration in non-agricultural investment**

Dependent variable: Household operates a non-agricultural business
Main variables of interest: Household has received remittances in past 12 months and household has a return migrant
Type of model: Probit
Sample: Agricultural households

Variable of interest:	Household has received remittances in the past 12 months	Household has a return migrant
Armenia	⬇	
Burkina Faso		
Cambodia	⬇	
Costa Rica	n/a	⬆
Côte d'Ivoire		
Dominican Republic		
Georgia		⬆
Haiti		
Morocco	n/a	
Philippines	⬇	

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. Results denoted "n/a" refer to countries for which sample size was too small.[7]

Households with immigrants can be more likely to generate jobs and goods for the market compared to households without them

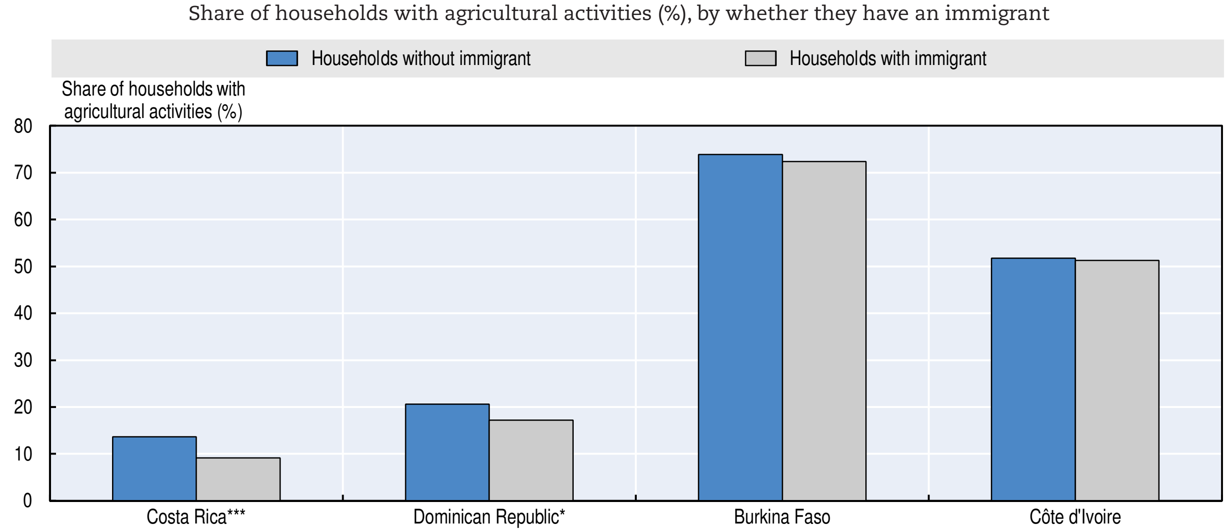
Immigrants provide labour but also the social, financial and human capital required to keep agriculture growing – often in a context in which local residents are no longer willing to work in the sector. In many countries, immigrants help fill shortages, particularly during planting and harvesting seasons. For example, emigration of rural workers from the Senegalese region of Bakel was followed by the immigration of Malian workers into Senegal (Cotula and Toulmin, 2004).

Immigrants may also bring with them new ideas and methods, as well as capital accumulated in their home countries. Moreover, jobs and investment in the agricultural sector often generate additional jobs as markets develop due to the inputs needed by farmers to produce and the transition of this production to the markets. This section explores whether immigrants play these roles in the agricultural sector in the four countries where sufficient immigrant data was collected: Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic.

According to the IPPMD data collected, households with immigrants were less likely to be involved in their own agricultural activities, although the differences were significant only in Costa Rica and the Dominican Republic (Figure 4.11). This is in contrast to the fact that immigrants often work in the agricultural sector (Chapter 3). One possible explanation is that immigrants do not have the necessary capital to invest in agricultural activities. Although immigrants bring capital with them to their host country, it may not be enough to invest in their own agricultural activities. This is credible given that the data show that households with immigrants are on average poorer than households without any, with the exception of Burkina Faso. Therefore, despite being underrepresented in the agricultural sector, immigrant households can still contribute to it through, for instance, their labour (Chapter 3).

Figure 4.11. **Households with immigrants are less likely to have their own agricultural activities**

Share of households with agricultural activities (%), by whether they have an immigrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of households without immigrants over those with immigrants. Armenia, Cambodia, Georgia, Haiti, Morocco and the Philippines are excluded due to the fact that immigrant data was not collected in these countries, or the immigrant sample is too small.

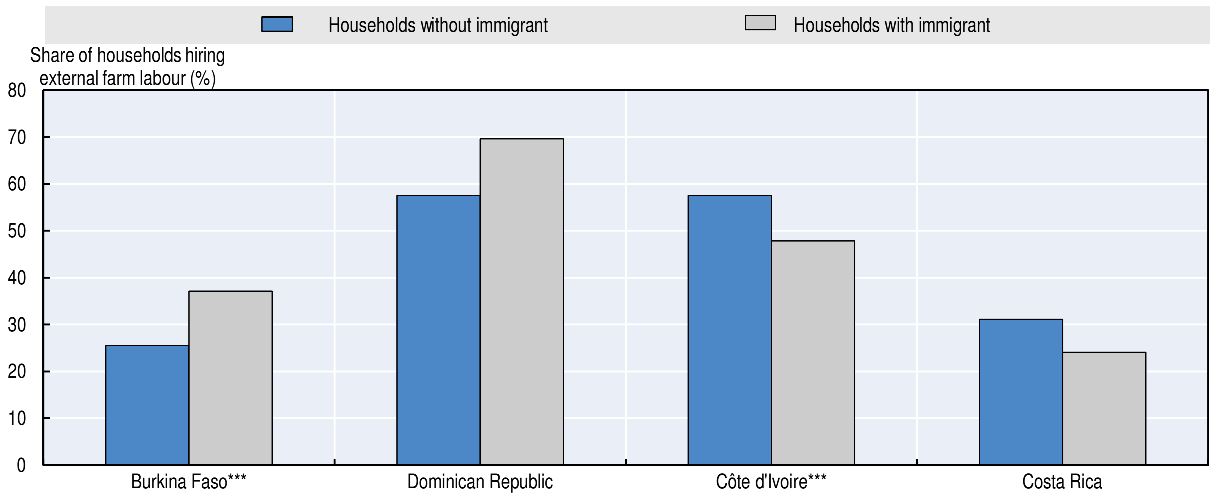
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417808

In addition, in the Dominican Republic, agricultural households with immigrants were more likely than households without immigrants to sell their produce from the last harvest on the market (90% vs. 74%), thus benefiting the economy as a whole. Immigrants also tend to hire more workers from outside the household in Burkina Faso and the Dominican Republic (Figure 4.12). These findings are further confirmed for Burkina Faso by regression analysis (Table 4.5).

Figure 4.12. **Households with immigrants can contribute to the creation of jobs**

Share of households hiring external farm labour (%), by whether they have an immigrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Armenia, Cambodia, Georgia, Haiti, Morocco and the Philippines are excluded due to the fact that immigrant data was not collected in these countries, or the immigrant sample is too small.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417819

Table 4.5. **The role of immigrants in the agricultural sector**

Dependent variable: Household hired external farming labour
Main variable of interest: Household has an immigrant member
Type of model: Probit
Sample: Agricultural households

Dependent variable:	Household hired external farming labour
Burkina Faso	⬆
Costa Rica	
Côte d'Ivoire	
Dominican Republic	

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main independent variable of interest. Armenia, Cambodia, Georgia, Haiti, Morocco and the Philippines are excluded due to the fact that immigrant data was not collected in these countries, or the immigrant sample is too small.[8]

As a conclusion to this section, migration would seem to imply a labour cost for households that lose a productive member, but it generally benefits the countries of origin. Households with emigrants draw on more labour – either internal or external, helping to revitalise the labour market. Consequently, there is likely to be less underemployment in the sector and in rural areas in general. In addition, in certain countries remittances and also return migration fuel investment both within and outside the agricultural sector, spurring diversification. This may be a sign that the country is edging its way out of an agricultural dependence. For countries of destination, there is sparse evidence that immigrants generate positive spillovers in the economy.

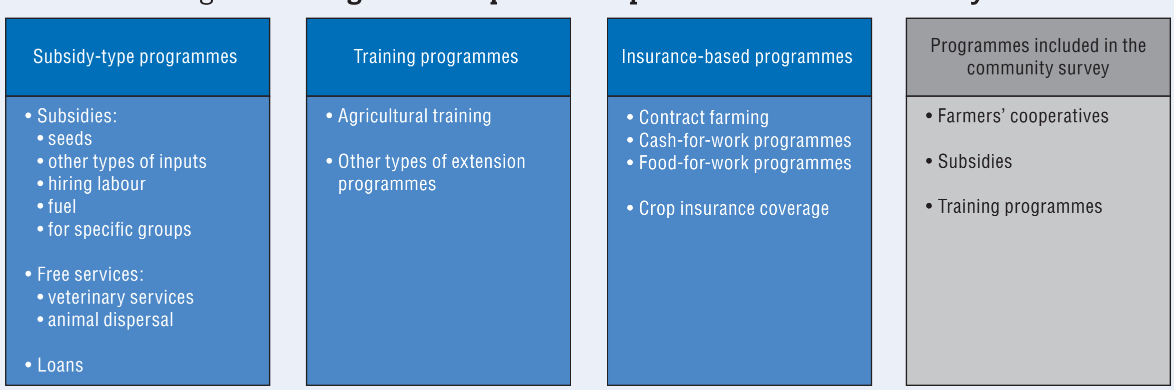
How do agricultural policies affect migration?

The previous section looks at how migration affects the agricultural sector. But the opposite is also true: agricultural policies can affect migration outcomes. The IPPMD project collected data on certain policies and programmes directly targeting farmers. These are described below and categorised into three separate groups: those that relieve cash constraints, those that are training-based and those that offer some sort of risk-reducing or insurance mechanism (Box 4.1).

Box 4.1. **Agricultural policies and programmes covered in the IPPMD project**

The IPPMD household survey asked household adult members whether they benefited from certain agricultural policies and programmes.[9] Agricultural policies include subsidies or free services, agricultural training programmes and insurance mechanisms such as cash-for-work, input-for-work, food-for-work, crop insurance and contract farming (listed in Figure 4.13). Annex 4.A1 contains a full list of the programmes in place in each of the 10 countries. In addition, the community survey collected information on whether the communities have farmer's cooperatives. It also asked if certain types of subsidies and training programmes were implemented in the communities.

Figure 4.13. **Agricultural policies explored in the IPPMD surveys**



It is not always clear whether the agricultural policies introduced in Box 4.1 have a net positive or negative effect on migration flows.

By increasing the household's income flow, **agricultural subsidies** reduce financial constraints. In doing so, they may reduce the household's need to seek income elsewhere, and thus reduce emigration pressure. On the other hand, they may provide enough additional income to enable emigration. Indeed, the empirical literature is mixed. The evidence surrounding the Mexican *Procampo* subsidy programme, which mainly consists of *unconditional* cash transfers to farmers, is debated. On one hand, one study argues that it has reduced flows (Cuecuecha and Scott, 2009), while another one observes an increase of flows to the United States (Cortina, 2014). Agricultural subsidies may also provide the incentive for households to invest and channel funds towards agricultural activities, thus increasing remittances, or they may make them less necessary, thereby reducing their flow. Similarly, they may reduce the need for a member to remain abroad and therefore the incentive for emigrants to return and – more importantly – to stay.

Improving the skills of workers is a taken strategy in many developing countries, as pointed out in Chapter 3. **Agricultural training** can provide the skills needed to increase efficiency and improve yields on their own farm or find a job on another one, thereby reducing the need to emigrate. On the other hand, by making workers more efficient and perhaps more employable, training may actually make workers more attractive to employers in other countries. Remittances can complement new skills, by providing the income necessary to invest in mechanisation for instance. Similarly, the availability of training could provide emigrants with an incentive to return if they feel the training would lead to better yields, and can increase their probability of staying in the home country. But again, if training makes workers more employable elsewhere they may be less likely to return as their employers may want to keep them longer.

Insurance and risk reduction are at the core of emigration. Risk plays a key role in migration decisions, in two ways. First, migration may be an answer to the general level of risk in the living conditions. The New Economics of Labour Migration (NELM) theory suggests that migration is a risk diversification strategy (Stark, 1991). It posits that in high-risk environments, where credit and insurance markets are weak, migration represents an alternative route in reducing household risk, by diversifying income sources. In other words, migration is viewed as a means to escape from environments with high income variability. Second, as migration is a risky decision, individual and household-level attitudes towards risk will also play a role in encouraging or discouraging emigration. Empirical evidence suggests that risk-averse individuals are less likely to engage in migration. For instance, a study on rural Mexico indicates that highly risk-averse women have a higher probability of migrating away from places with high variability in climatic conditions, while such variability does not affect the incidence of migration for men (Conroy, 2009). Another study on rural-urban migration in China, Akgüç et al. (2015) finds that migrants and their family members are substantially less risk-averse than their counterparts staying behind.

Individuals therefore often emigrate in search of more stable income or to overcome a shock. Data collected for the IPPMD project are therefore more adapted to investigating the first link, as information on attitudes towards risk was not collected. Exposure to risk, through a lack of land or land title for instance, can push households to search for alternatives such as migration. Without land, for example, rural workers in poor agricultural economies see few alternatives other than migration. Reducing that risk should decrease the need to emigrate. However, on some occasions, it may increase it for risk-taking individuals, who see the reduced risk as an opportunity to exploit. Risk is also a main determinant for sending remittances, helping households smooth consumption and survive financial stress. Mechanisms which reduce risk – such as crop insurance protection and government contract farming programmes which guarantee incomes even when harvests are poor – may therefore also reduce the need to send remittances. On the other hand, measures which reduce risk may also make investments more secure and thus increase the flow of remittances. Similarly, reduced risk may provide the incentive to return, especially if the reason to emigrate in the first place was to avoid risk. It may also increase the potential to stay once the individual has returned.

In addition to these links, access to such policies may provide the impetus for immigrants to invest in the sector and economically integrate into society.

In sum, the potential links between agricultural policies and migration are complex. The IPPMD research has attempted to tease out some patterns through empirical analysis. The findings are presented below.

Overall, subsidies were the most common among the 10 countries surveyed. Of all the households surveyed, 9% had benefitted from subsidies and similar policies, compared to 5% for training and 1% for insurance/risk-reduction policies (Table 4.6). There are a few reasons for this. First, subsidies are often easier to administer. By deciding to subsidise seeds or pay for veterinary services, the government can provide a nudge to households to use certain products or invest in services. This is unlike training programmes, where households must play an active part in attending the course. Subsidies are also much more universal; all targeted households can access the programmes, no matter their previous training or knowledge. In a training programme, the ability to read and write, as well as a certain level of knowledge, is often required for the training to be of interest. In addition, it is not always clear for the household that it benefits from an insurance-related programme.

Table 4.6. **Subsidy-type programmes were the most common among IPPMD households**

Number and share of households benefiting from agricultural programmes

Country	Subsidy-type programmes (%)	Training (%)	Insurance (%)
Armenia	229 (23)	5 (1)	31 (3)
Burkina Faso	217 (13)	61 (4)	22 (1)
Cambodia	136 (8)	322 (19)	9 (1)
Costa Rica	24 (9)	27 (10)	13 (5)
Côte d'Ivoire	51 (4)	26 (2)	1 (<1)
Dominican Republic	10 (2)	11 (3)	4 (1)
Georgia	124 (11)	19 (2)	26 (2)
Haiti	49 (11)	20 (4)	8 (2)
Morocco	35 (6)	0 (0)	0 (0)
Philippines	33 (6)	11 (2)	2 (<1)
Unweighted average	9%	5%	1%

Note: Numbers in parentheses represent the share amongst total agricultural households interviewed.
Source: Authors' own work based on IPPMD data.

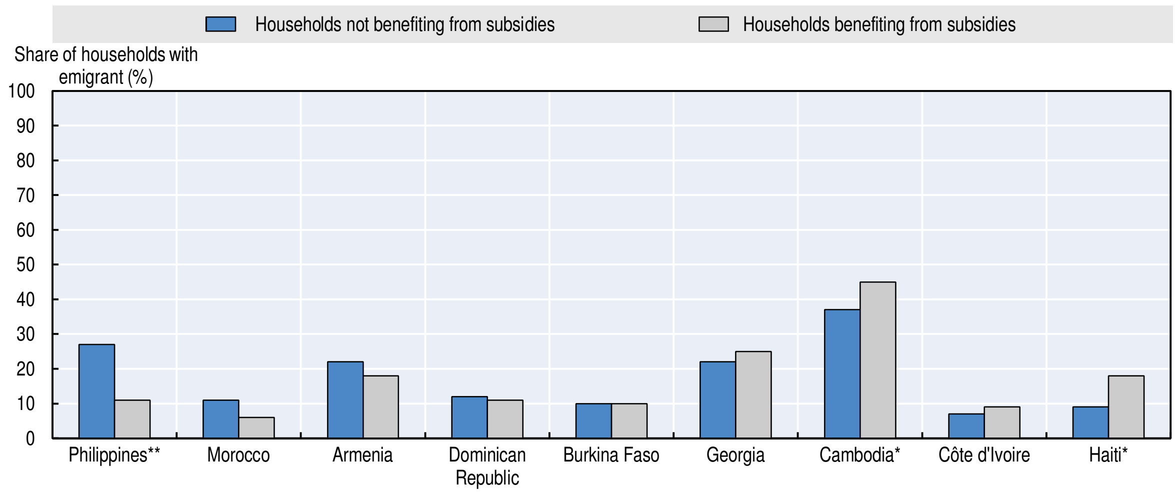
Agricultural subsidies can decrease emigration in richer countries, but increase it in poorer ones

Overall, agricultural subsidies seem to play a role in certain countries (Figure 4.14). For instance, IPPMD results show that households with an emigrant that left in the past 5 years were more likely to benefit in Cambodia (43% vs. 37%) and Haiti (18% vs. 9%), while the opposite is true for Morocco (6% vs. 11%) and the Philippines (11% vs. 27%). These differences are confirmed by regression analysis for Cambodia, Morocco and the Philippines (Table 4.7).

Benefiting households were also more likely to have a member planning to emigrate specifically within the next 12 months in Cambodia (18% vs. 12% for non-benefitting households) and Haiti (12% vs. 6%), as well to plan to emigrate at an undetermined timeframe in Burkina Faso (18% vs. 13%) and Côte d'Ivoire (41% vs. 25%). In these countries, agricultural subsidies seem to weaken the barriers to emigration – real or imagined – in the immediate term. This is confirmed by regression analysis for Burkina Faso, Cambodia and Côte d'Ivoire, as the probability of having a member planning to emigrate is higher in households benefiting from subsidies. It is the opposite for Armenia, where subsidies tend to reduce the probability of having a member plan to emigrate (Table 4.7, column 2).

Figure 4.14. **The influence of agricultural subsidies depends on the extent of structural transformation of the economy**

Share of households with emigrant (%), by whether they have benefited from agricultural subsidies



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of non-benefiting households over benefiting ones. Costa Rica is excluded due to its small sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417829

Table 4.7. **The links between agricultural subsidies and migration outcomes**

Dependent variables: Migration outcome
Main variable of interest: Household has benefited from an agricultural subsidy in the past five years
Type of model: Probit
Sample: Agricultural households

Dependent variable:	Household has an emigrant that left within the past 5 years	Household has a member planning to emigrate	Household has received remittances in the past 12 months	Return migrant household has a return migrant not planning to migrate again	Household has an immigrant
Armenia		↓			n/a
Burkina Faso		↑			↓
Cambodia	↑	↑ [1]	↑		n/a
Costa Rica	n/a	n/a		n/a	↓
Côte d'Ivoire		↑			↓
Dominican Republic				n/a	n/a
Georgia					n/a
Haiti		10		n/a	n/a
Morocco	↓		↓		n/a
Philippines	↓				n/a

Note: The arrows indicate a statistically significant positive or negative relation between the policy and the migration outcome in question. An additional fixed effect for geographic regions was included for regressions on emigration and remittance-based outcomes. "n/a" refers to countries for which the sample was too small to carry out accurate analysis.

1. The positive estimated link between plans to emigrate and agricultural subsidies are only valid for those planning to emigrate within the next 12 months in Cambodia.[11]

What might explain these differences? In Cambodia, the government plans to expand the farming sector, partly by subsidising and financially helping households invest and diversify their activities. But is this increase in subsidies encouraging greater emigration from the sector? It is also likely that subsidy programmes in countries like Burkina Faso, Cambodia, Côte d'Ivoire and Haiti aim at helping subsistence farmers make ends meet. In Morocco and the Philippines, the subsidies have seemed to encourage people to stay in the country – perhaps even in a productive manner. Scaling them up could therefore yield benefits to the agricultural sector in these countries. Such subsidies may, for instance, be aimed at helping the transition towards more commercial and post-harvesting activities.

Regression analysis confirms that agricultural subsidies likely crowd out remittances in Morocco, despite descriptive statistics suggesting little difference in remitting rate between those benefiting from subsidies and those not benefiting from them (24% each). This is because remittances are strongly correlated with being rural and the dependency ratio and negatively correlated with the male-to-female adult ratio in Morocco, all of which are controlled for in regression analysis. For instance, remittances may be sent to compensate for the loss of men working in the fields, or for the lack of available credit in rural areas; remittances help fill the void. On the other hand, in Cambodia the data confirm a positive link between remittances and agricultural subsidies (49% for benefiting households, 40% for non-benefiting households), signalling they may provide the incentive to invest more in agricultural activities there (Table 4.7). As is the case with emigration, Morocco and Cambodia are on opposite sides of the agricultural development spectrum. Although agriculture plays an important role in Morocco, its weight in the country's GDP is lower than in Cambodia, where agriculture is the main sector of activity. Starting from a lower level of (agricultural) development, emigrants may be more keen to keep sending remittances in Cambodia, relative to a more developed economy like Morocco.

On the flipside, there is generally no link between return migration and agricultural subsidies, with the exception of Armenia, where 69% of benefiting households had a return migrant compared to 65% of households that did not benefit. Agricultural subsidies there seem to provide the incentive for migrants to return. However, they do not seem to provide incentives to stay in the country, as regression analysis shows no link between agricultural subsidies and the sustainability of return migration. Although in 73% of benefiting households in Morocco for instance, return migrants had no plans to migrate again, whereas this rate was 60% in non-benefiting households, regression analysis does not confirm such link. Due to the very small samples, these results have to be interpreted with caution however.

In terms of immigration, it is difficult to pinpoint whether immigrants have come to work in the country because of the existence of agricultural subsidies using the data collected for the project. However, analysis using the IPPMD data confirms that immigrant households are underrepresented in Burkina Faso, Costa Rica and Côte d'Ivoire – three of the four countries for which immigration was analysed in the IPPMD project (Figure 4.15). This is more likely a sign that households with immigrants have less access to these types of programmes than households without any. Regression analysis confirms the negative link in all three countries (Table 4.7).

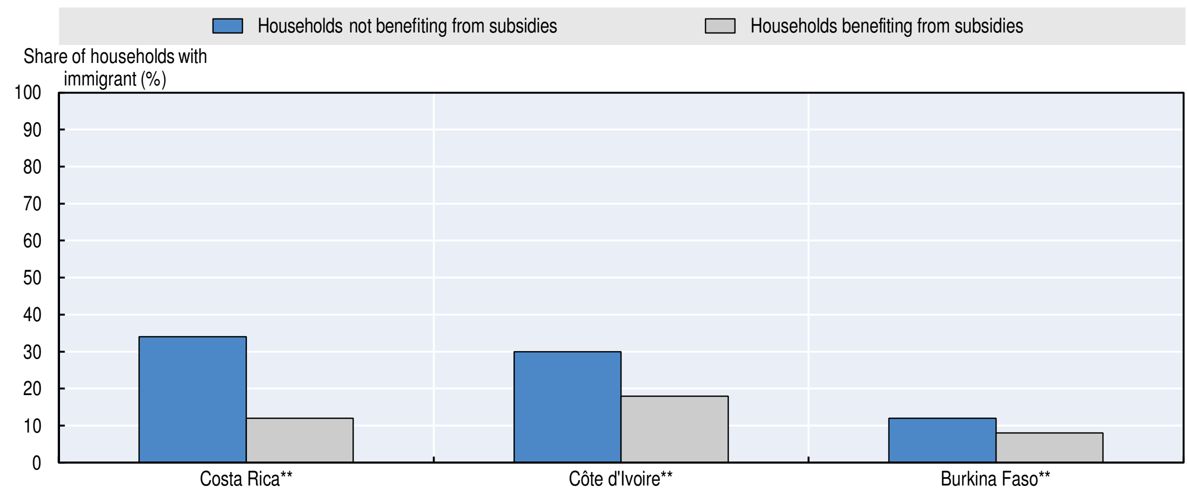
Agricultural training has little influence on migration outcomes

Agricultural training programmes seem to have little effect on migration outcomes. This may be because they take time to bear fruit. It may also be because they benefit individuals, while this analysis is focused on households and the links between one household member's training and another's emigration decision may not always be clear-cut.

Looking at the link between emigration and agricultural training, data from several countries – notably Burkina Faso, Côte d'Ivoire and Georgia – suggest that emigration is higher in benefiting households (Figure 4.16). However, the lone country in which there is a robust correlation between agricultural training and emigration according to regression analysis is Georgia (Table 4.8). The agricultural sector's weight in the economy has diminished quickly and manufacturing and services are fast expanding. As a result, agricultural training may be precipitating a move out of the sector. Moreover, looking at plans to emigrate, Cambodian households that had a member benefit from training also were more likely to have a member plan to emigrate in the next 12 months, compared to households not benefiting. This also suggests that training may either be inadequate for the local labour market or that demand in nearby countries, in this case Thailand, is so strong and jobs better paid that the pull factor wins out.

Figure 4.15. **Immigrants have less access to agricultural subsidies**

Share of households with immigrant (%), by whether they have benefited from agricultural subsidies



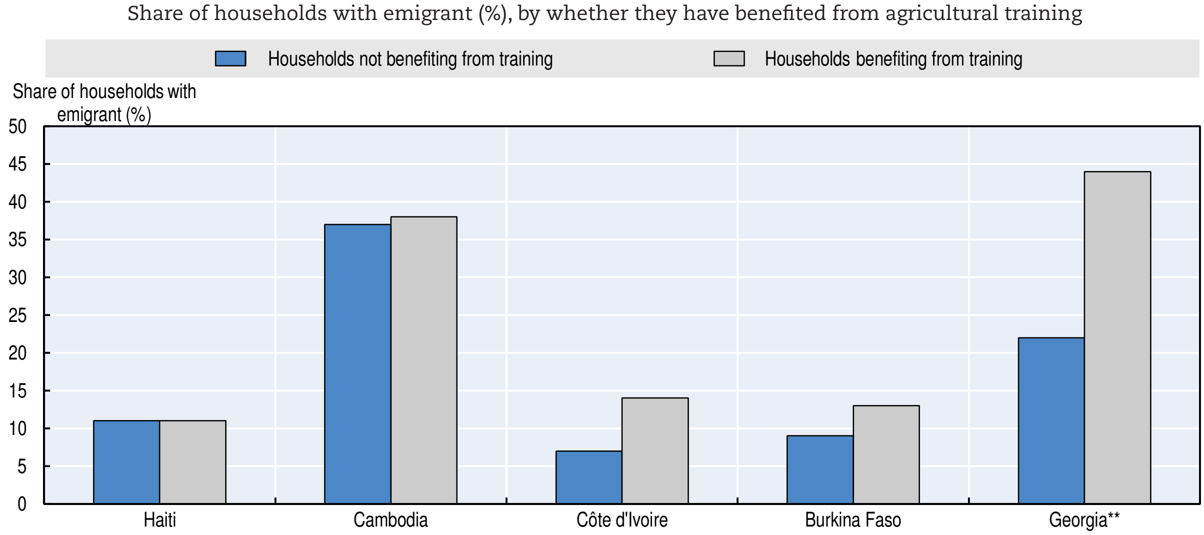
Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of non-benefiting households over benefiting ones. Armenia, Cambodia, Georgia, Haiti, Morocco and the Philippines are excluded due to the fact that immigrant data was not collected in these countries, or the immigrant sample is too small. The Dominican Republic is not included due to its small sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417839

Figure 4.16. **In some countries, emigration is linked to agricultural training**

Share of households with emigrant (%), by whether they have benefited from agricultural training



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of non-benefiting households over benefiting ones. Armenia, Costa Rica, the Dominican Republic, Morocco and the Philippines are excluded due to the fact that their sample is too small.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417848

It is notable that households benefiting from training were less likely to have immigrants in Côte d'Ivoire (Table 4.8); 30% of households not benefiting had an immigrant, whereas only 19% of households benefiting did. This does not suggest that the presence of such training is a pull factor for immigrants, but it may be immigrants are either targeted by such programmes or may be particularly interested in participating given they may lack knowledge of local agricultural activities. In fact, as noted earlier, immigrant households are underrepresented among households with their own agricultural activities.

Table 4.8. **The links between agricultural training programmes and migration outcomes**

Dependent variables: Migration outcome
Main variable of interest: Household has benefited from an agricultural training
Type of model: Probit
Sample: Agricultural households

Dependent variable:	Household has an emigrant	Household has a member planning to emigrate	Household has an immigrant
Burkina Faso			
Cambodia		↑	n/a
Costa Rica	n/a	n/a	
Côte d'Ivoire			↓
Georgia	↑		n/a
Haiti			n/a

Note: The arrows indicate a statistically significant positive or negative relation between the policy and the migration outcome in question. Due to the general small sample sizes, a geographic regional fixed effect was not included. Armenia, the Dominican Republic, Morocco and the Philippines are not included due to their small sample sizes. "n/a" refers to countries for which the sample was too small to analyse adequately.[12]

The effect of insurance and risk-reducing programmes varies

Few robust relationships between insurance programmes and migration outcomes are found. The effect of insurance-based mechanisms is more varied. This could be because of the varied nature of the programmes, which range from government contracts based on households' agricultural output to compensation in case of a natural shock. There are also substantially fewer countries for which sufficient data were collected for a thorough analysis.

The one country where such programmes tends to have an effect is in Georgia. For example, households generally covered by such insurance mechanisms in Georgia tend to have an emigrant, while they also have a lower probability of having a return migrant (Table 4.9). This may be related to the recent path taken by Georgia in terms of agriculture's weight in its GDP. Since 2000, the share of value-added in agriculture in GDP in Georgia has decreased tremendously over the last decade. It is therefore possible that these types of programmes, much like for training programmes, are increasing the likelihood of Georgian farmers or their household members leaving this low-growth sector.

Agricultural insurance mechanisms have no link with remittances in the four countries in which data was collected, meaning the policy does not seem to crowd out remittances. In terms of immigrants, there does not seem to be a difference in access in households with immigrants or not in Burkina Faso and Costa Rica.

Table 4.9. **The links between agricultural insurance programmes and migration outcomes**

Dependent variables: Migration outcome
Main variable of interest: Household has benefited from an agricultural insurance mechanism
Type of model: Probit
Sample: Agricultural households

Dependent variable:	Household has an emigrant	Household has a member planning to emigrate	Household has received remittances in the past 12 months	Migrant household has a return migrant	Household has an immigrant
Armenia					n/a
Burkina Faso					
Costa Rica	n/a	n/a		n/a	
Georgia	↑			↓	n/a

Note: The arrows indicate a statistically significant positive or negative relation between the policy and the migration outcome in question. Cambodia, Côte d'Ivoire, the Dominican Republic, Haiti, Morocco and the Philippines are not included due to their small sample sizes. "n/a" refers to countries for which the sample was too small to be analysed adequately.[13]

Policy recommendations

Agriculture figures as an important sector in all development strategies of the IPPMD project countries. They all aim to diversify, expand, and export and invest more, despite the fact that agricultural value added is decreasing as a share of GDP. This chapter provides some evidence that migration can help reach these goals.

Evidence points to emigrant households drawing on more internal household labour but also hiring more outside labour. While this may put more pressure on emigrant households, it also points to a better allocation of labour in countries where the agricultural sector is characterised by underemployment and low productivity. Migration has also benefited the sector through remittances and to a lesser extent, return migration, which are linked to greater investment in agricultural assets. In addition, return migration is particularly linked with investment in non-agricultural businesses, which may reflect a transition away from the sector. Households with immigrants are less likely to run their own household activities in agriculture than households without them, possibly due to the financial constraints. However, there is some evidence that immigrant households do contribute to the agricultural economy. For example, they are more likely to sell their produce on the market in the Dominican Republic and hire in external workers for their agricultural activities in Burkina Faso.

Policies in the agricultural sector have an impact on migration decisions, which in turn affect how much migration can help the sector grow. The effect of agricultural subsidies depends on the level of development and agricultural value added in the country's GDP. In countries that have a diversified economy, they are related to less emigration, perhaps by allowing households to invest in or diversify their activities. In poorer countries, where agriculture plays an important role in the economy and where many agricultural activities are linked with subsistence, agricultural subsidies seem to increase emigration, likely by helping to lift financial constraints. This may be because subsidies in diversified economies aim at transition towards commercial and post-harvesting activities, whereas those in primarily poor and agrarian-based economies aim at reducing poverty for subsistence farmers. If reducing emigration is an objective of the policies in these countries, conditionality should be included or tightened, preferably to a direct output in the home country like agricultural yields or investment. In addition, agricultural subsidies may interact with the decision to remit. There is some evidence that training programmes increase emigration, suggesting that the skills learned through such programmes may be useful to work elsewhere. Agricultural insurance mechanisms are linked with emigration in Georgia, where the programmes are diversified and offer stability and secured income through cash-for-work programmes and contract farming. In addition, such programmes decrease the rate of return migration back to Georgia. On the other hand, they seem to reduce emigration in Armenia, where insurance mechanisms focus primarily on compensation from natural shocks. An explanation is that in Armenia, the compensation programme happens ex-post and therefore still requires high labour input from the agricultural household, which may count on this output as their only source of financing, whereas in Georgia, the stability and guaranteed part of the mechanisms may allow the financing of the emigration of a household member. In addition, immigrants are typically not covered by agricultural subsidy and insurance programmes, which may limit their contribution to the sector, including investment in (and out) of the sector.

Individual agricultural programmes should not be treated as silos however. Agricultural subisidies that enable transition towards more post-harvesting activities need other adequate programmes that facilitate such transition, such as infrastructure, skilled labour and easier access to inputs, like land.

Table 4.10. **Leveraging migration for development in the agricultural sector**

	Policy recommendations
Emigration	● Ensure labour market mechanisms such as job centres are extended to rural areas, so that emigrant agricultural households can more easily replace lost labour if needed. ● Include, enforce and increase the conditionality of agricultural aid programmes, such as subsidies and agricultural training programmes, towards practices that are more sustainable and commercial, to reduce their use to enable emigration. ● Tie insurance mechanisms to in-kind benefits for the next harvest season rather than cash-based and contingent on agricultural output in quality and quantity, to ensure that they are not used to finance the emigration of a household member.
Remittances and return migration	● Support the investment of remittances in agricultural expansion and small-scale agri-businesses by developing household financial and entrepreneurial skills to enable more informed investment decisions. ● Provide financial incentives for return migrants seeking to invest in agriculture to register with tax authorities, such as access to loans and tax credits, and entrepreneurial skills. ● Ensure that there are adequate credit markets and money transfer operators in rural areas by supporting agricultural cooperatives and rural credit unions, to enable remittances to be channelled easily to agricultural activities. ● Build appropriate agricultural infrastructure, such as irrigation and facilitate access to land and markets to make the sector more attractive for investors.
Immigration	● Reduce *de facto* barriers toinvestment byimmigrants in the agricultural sector, such as lack of access to land and markets;as well as in the non-agricultural sector, such as lack of building and land rights. ● Make agricultural aid, such as subsidies and training, accessible to settled immigrants through residential registration permits for instance, to encourage their productivity and investment.

Notes

1. This chapter focuses its analysis on households, which distinguishes it from the focus on individual agricultural workers in Chapter 3.
2. Backyard farming consists of small-scale agricultural activities, within the confines of one's home, similar in comparison to the cottage industry in the non-agricultural sector.
3. Control variables in these regressions include household size, a household wealth indicator adjusted for agricultural households, the adult male-to-female household ratio and the household's dependency ratio, as well as whether the household receives international remittances and was in a rural area and a fixed effect for its geographic region. Standard errors are robust to heteroskedasticity.
4. The question posed to households was whether they had incurred expenditures for agricultural productive assets, such as farming equipment. It is important to note that in most cases, the timeframe provided was six months. This was not the case in Armenia and Georgia, where the timeframe was one year. In Burkina Faso and Côte d'Ivoire, the respondent provided the timeframe, which in most cases was one year (80% and 91% of the cases respectively).

5. Although there is a correlation between remittances and agricultural expenditures in Morocco, it is not confirmed by regression analysis.
6. Control variables in the regressions include household size, a household wealth indicator adjusted for agricultural households, the adult male-to-female household ratio and the household's dependency ratio, whether the household lives in a rural area as well as a fixed effect for its geographic region. Standard errors are robust to heteroskedasticity.
7. Control variables in the regressions include household size, a household wealth indicator adjusted for agricultural households, the adult male-to-female household ratio and the household's dependency ratio, whether the household lives in a rural area as well as a fixed effect for its geographic region. Standard errors are robust to heteroskedasticity.
8. Control variables in the regressions include household size, a household wealth indicator adjusted for agricultural households, the adult male-to-female household ratio and the household's dependency ratio, whether the household was in a rural region as well as a fixed effect for its geographic region. Standard errors are robust to heteroskedasticity.
9. The question on participation in agricultural-related programmes was stated as the following: "In the past five years, did anyone in this household participate in the following programme?".
10. This correlation is only valid when looking at households with members planning to emigrate within the next 12 months.
11. Estimations on whether the household has had an emigrant in the past 5 years do not include households with emigrants that left more than five years prior to the survey or with only return migrants. Control variables include household size, household's dependency ratio, household adult male-to-female ratio, a household wealth indicator as well as a rural dummy variable. Due to the small sample sizes, a fixed effect for regions was not included. Standard errors are robust to heteroskedasticity.
12. Control variables include household size, a household's dependency ratio, the household adult male-to-female ratio, a household wealth indicator as well as a rural dummy variable. Due to the small sample sizes, a fixed effect for regions was not included. Standard errors are robust to heteroskedasticity.
13. Control variables include household size, the household's dependency ratio, the household adult male-to-female ratio, a household wealth indicator, as well as a rural dummy variable. Due to the small sample sizes, a fixed effect for regions was not included. Standard errors are robust to heteroskedasticity.

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ANNEX 4.A1

List of agricultural programmes included in the IPPMD household survey, by country

	Armenia	Burkina Faso	Cambodia	Costa Rica	Côte d'Ivoire	Dominican Republic	Georgia	Haiti	Morocco	Philippines
Subsidies for seeds	√	√	√	√	√	√	√	√	√	√
Subsidies for other inputs	√	√	√	√	√	√	√	√	√	√
Subsidies to hire labour	√	√	√	√	√	√	√	√	√	√
Subsidies for fuel	√									
Subsidies for specific groups	√									
Subsidised veterinary services	√									
Free animal dispersal programme										√
Subsidised loans	√									
Agricultural voucher programme							√			
Agricultural training programme	√	√	√	√	√	√	√	√	√	√
Other extension programme			√	√		√				√
Contract farming	√		√	√		√	√	√		√
Crop insurance	√	√	√	√	√	√	√	√	√	√
Cash-for-work programme	√	√			√		√	√	√	
Input-for-work programme	√	√			√		√		√	
Food-for-work programme		√								
Post-disaster financial aid	√	√	√	√	√	√	√	√	√	√
Land reform	√	√	√	√	√	√	√	√	√	√

Chapter 5

Enhancing migration-led development by facilitating investment in education

Access to quality education plays a critical role in promoting national development and enhancing the welfare of households and individuals. This chapter empirically investigates the interlinkages between migration and education in the ten IPPMD partner countries. It analyses the role of education in the decision to migrate, and how migration influences school attendance and educational expenditures. In addition, the chapter investigates the link between existing education policies and migration outcomes. The chapter points to a number of supportive policies that are important to realise the potential of migration to strengthen the positive synergies between education and development.

Quality education is fundamental to individual and economic development and key for reducing poverty, improving health outcomes and promoting gender equality. Education and human capital generally play a critical role in driving economic growth in both advanced and emerging economies. Access to education and basic literacy skills in developing countries has improved in the last decade, and global enrolment in primary education reached 91% in 2015. However, the global number of out-of-school children of primary school age amounts to more than 59 million and gender disparities in access to primary school remain (UNESCO, 2015). Substantial progress in these areas will be required to achieve Sustainable Development Goal (SDG) 4, which calls for access to quality education and lifelong learning opportunities for all by 2030.

Against this backdrop, migration can play an important role in improving educational outcomes at individual and national level. Migration and education decisions are closely linked in many ways, and there are several channels through which migration can affect the education sector. Migration can change the skills composition in both countries of origin and destination. Remittances can relax household credit constraints and allow households to invest in their children's education. At the same time, educational policies may also influence emigration and return decisions, remittance patterns and the integration of immigrants.

The first part of the chapter gives an overview of the education sector in the ten IPPMD partner countries. The second examines the direct role of education in the decision to migrate and how the various dimensions of migration as defined in the IPPMD project – including emigration, remittances, return migration and immigration – influence school attainment and educational expenditures. The third part of the chapter analyses the role that existing education policies can play in these dimensions of migration.

Table 5.1. **Migration and education: Key findings**

How does migration affect education?	How do education policies affect migration?
● Emigration of highly educated people can negatively affect human capital, at least in the short-term.	● Most education programmes do not seem to have a significant impact on migration outcomes.
● Even though only a limited share of the highly skilled return, they help raise the stock of human capital in origin countries.	● Cash-based educational programmes contribute to deterring emigration when conditions are binding.
● Remittance-receiving households often invest more in education and increase the demand for quality education.	● Conditional cash transfer programmes are linked to the probability of receiving remittances, but not to the amount of remittances received.
● Low-skilled emigration can in some cases encourage young people to drop out of school.	● Broadening access to education contributes to immigrants' integration and human capital gains.
● Immigrant children are less likely to attend school than native-born children.	

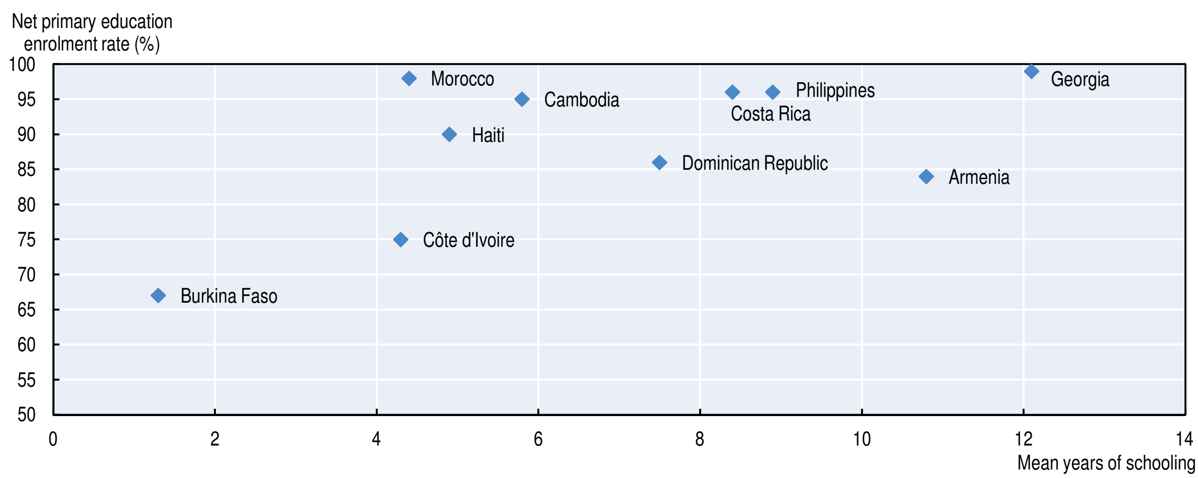
Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Overview of the education sector in the ten partner countries

A comparison of key statistics related to education levels and government spending in the education sector reveals some important differences among the ten IPPMD partner countries. Primary education net enrolment rates range from 67% in Burkina Faso and 75% in Côte d'Ivoire to above 95% in Costa Rica, Georgia, Morocco and the Philippines (Figure 5.1). The lower rates in the sub-Saharan African countries are in line with global statistics showing that among the 59 million out-of-school children of primary school age, more than 56 million reside in sub-Saharan Africa (UNESCO, 2015). Burkina Faso and Côte d'Ivoire also have the population with the lowest average education among the partner countries – on average 1.3 years in Burkina Faso and 4.3 years in Côte d'Ivoire.

Figure 5.1. **Net enrolment rates in primary education and mean years of schooling vary in the ten partner countries**

Net primary education enrolment rates (%) and mean years of schooling of adults



Note: Haiti primary education enrolment rate is for 2012; all other indicators from 2013 or 2014.

Source: World Bank, *World Data Bank, http://databank.worldbank.org; UNDP, Human Development Reports, http://hdr.undp.org/en/content/mean-years-schooling-adults-years.*

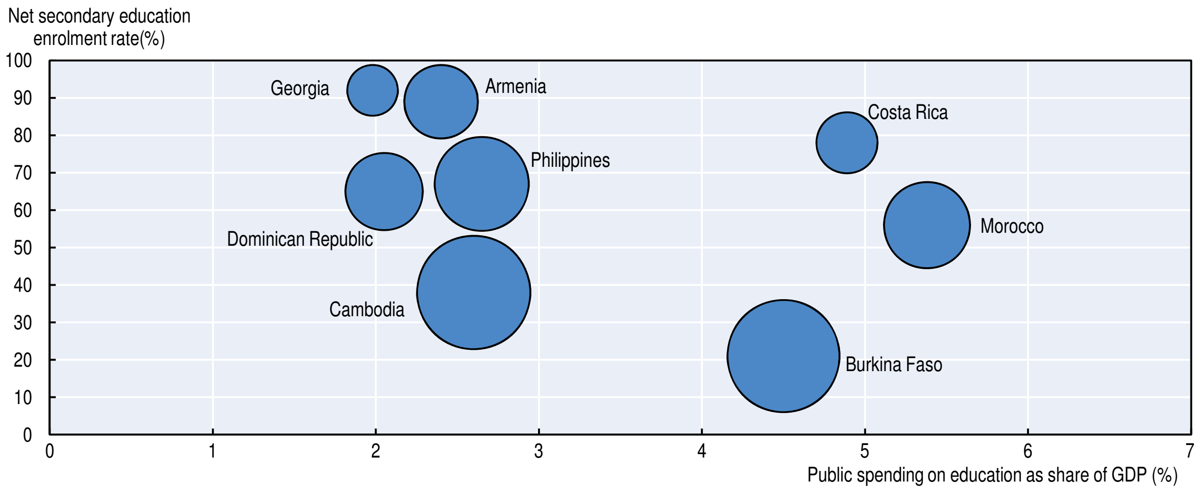
StatLink http://dx.doi.org/10.1787/888933417851

Morocco and Costa Rica have the highest educational expenditure as a share of gross domestic product (GDP) (Figure 5.2), while Haiti has the lowest at 1.7% (not displayed in the Figure due to data limitations). Public expenditures on education and educational outcomes are not necessarily linked. Armenia and Georgia have the highest secondary education enrolment rate and, together with Costa Rica, the lowest pupil-teacher ratios but are among the lowest spending countries on education as share of GDP, in the sample. A linear relationship between resources and outcomes may however not be expected, since the level of public spending on education does not provide a full picture of the school system.[1] The level of spending also says little on how the expenditures are distributed.

The share of the population with post-secondary education varies across the partner countries (Figure 5.3). A similar pattern as primary and secondary education enrolment rates also holds for higher education: Armenia and Georgia have the most educated populations in the sample (close to 50% of the adult population in both countries has post-secondary education), while Burkina Faso and Cambodia have the least educated populations.

Figure 5.2. **Public spending on education is not necessarily linked to enrolment rates and the pupil-teacher ratio**

Net secondary education enrolment rate (%), public spending on education (% of GDP), pupil-teacher ratio in primary education



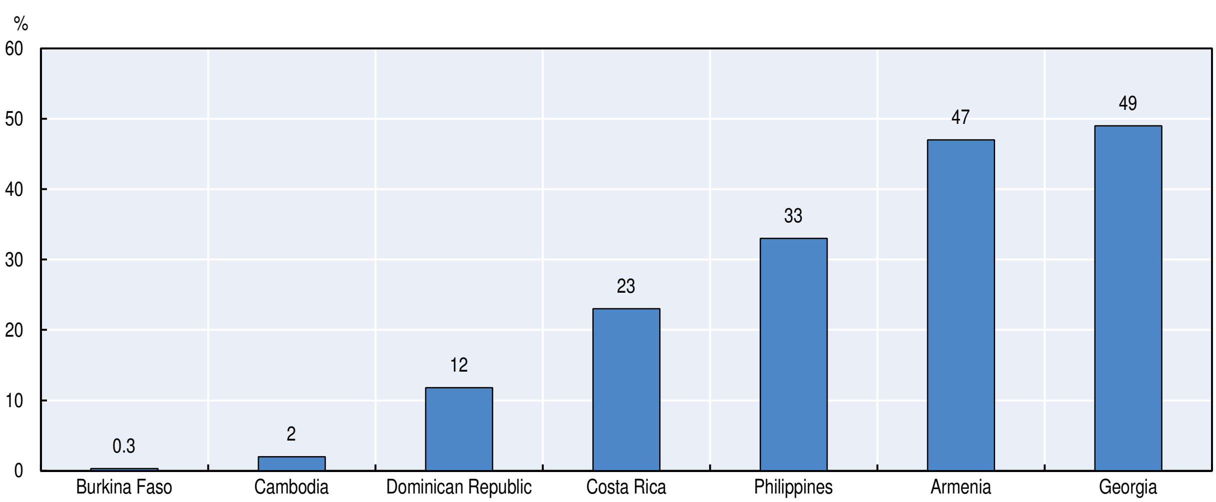
Note: The size of the circles reflects the pupil-teacher ratio in primary education. Georgia has the lowest pupil-teacher ratio in the sample with 9 pupils per teacher, while Cambodia has the highest with 45 pupils per teacher. Data for the net secondary education enrolment rate are not available for Haiti and Côte d'Ivoire. Educational expenditures as share of GDP for Côte d'Ivoire are 4.7% and for Haiti 1.7%.

Source: World Bank, *World DataBank*, *http://databank.worldbank.org; UNESCO, Institute for Statistics (UIS) database, http://www.uis.unesco.org.*

StatLink http://dx.doi.org/10.1787/888933417869

Figure 5.3. **Share of population with post-secondary education varies significantly across countries**

Share of population aged 25 years and above with post-secondary education (%)



Note: Post-secondary education includes both non-tertiary and tertiary education (The International Standard Classification of Education (ISCED) level 4-8)). Data for Côte d'Ivoire, Haiti and Morocco are not available.

Source: UNESCO, UIS database, *http://www.uis.unesco.org*.

StatLink http://dx.doi.org/10.1787/888933417873

How does migration affect education?

The literature shows that migration and remittances can affect education through several different channels (see for example Cox-Edwards and Ureta, 2003; de Vreyer et al. 2010; Dustmann and Glitz, 2011). The main channels, leading to both structural effects at national level and effects at individual/household level, are:

- Emigration and immigration can modify the **stock and composition of human capital** available in both countries of origin and destination.
- Return migration can **bring back new knowledge and skills** to the country of origin.
- Migration can lead to **education incentive effects** if returns to education are higher/lower abroad.
- Remittances can loosen credit constraints and **stimulate investments in education**.
- Migration can affect household compositions and children's well-being and thereby decrease **educational attendance** of children left behind.

These channels are explored in this chapter, drawing on the analysis of IPPMD data from the ten countries studied.[2]

Emigration is more likely among the best and the brightest

Analysing how education influences people's decisions to migrate helps determine how emigration affects human capital in the country of origin. High-skilled emigrants may be more prone to emigrate due to larger wage differentials for high-skilled than low-skilled. A higher education level may also facilitate migration, as low-skilled emigrants may face higher emigration costs and more barriers. The loss of human capital through the emigration of highly skilled can have negative consequence in the country of origin, commonly referred to as "brain drain". The prospects of emigration however, may also increase the number of individuals obtaining high levels of education, by raising the expected return on education and inducing additional investment in education, a phenomenon which has been termed "brain gain" (Beine et al., 2001). Emigration of highly educated individuals may also lead to positive effects through remittances, where more educated migrants with higher salaries can translate into greater volumes of remittances (Bollard et al. 2011), and skills transfers through return and circular migration.

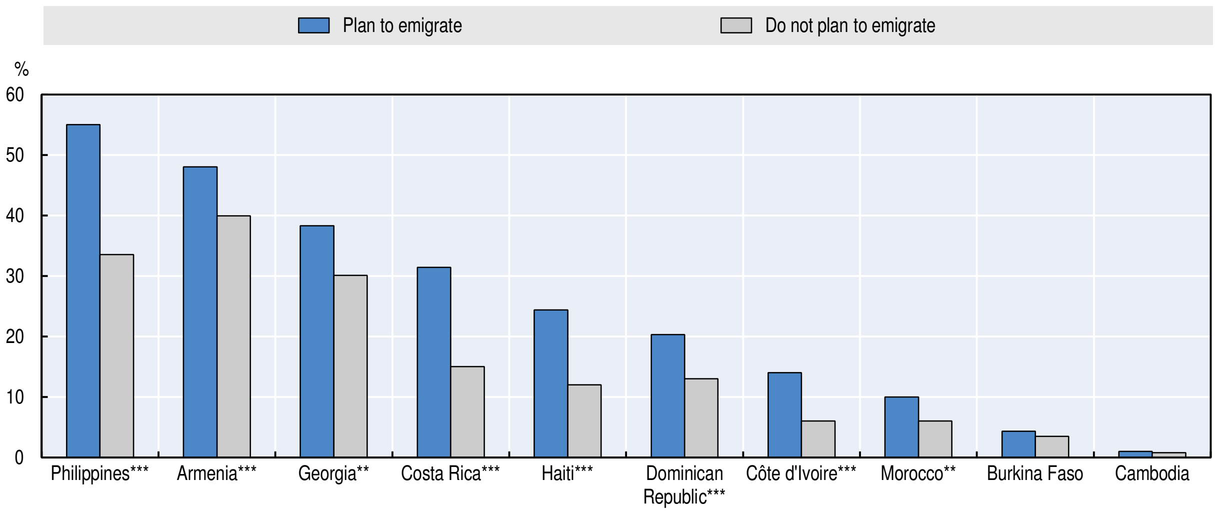
The emigration of highly skilled people was one of the most commonly recurring topics in the stakeholder interviews on education in the partner countries. In most countries, respondents expressed a concern that such emigration could lead to productivity losses and hamper development. The emigration of teachers was also mentioned as a concern by respondents in Armenia, Cambodia, Côte d'Ivoire and Haiti.

Previous studies looking at the role of education in migration decisions typically find that education, especially higher education, has a positive effect on the probability of emigrating (Faini, 2006). However, other studies show a negative influence of education on emigration (e.g. Danzer and Dietz, 2009; de Vreyer et al. 2010).

How do the IPPMD data shed light on the issue? Figure 5.4 compares the education levels of individuals who intend to emigrate in the future with those who do not. For all countries, the share of individuals with post-secondary education is higher among individuals who are planning to emigrate than among those who are not. The difference is particularly pronounced in the Philippines, Costa Rica and Haiti, and it is statistically significant in almost all countries. The two exceptions are Burkina Faso and Cambodia, which have the lowest share of individuals with post-secondary education.

Figure 5.4. **Individuals with post-secondary education are more likely to plan to emigrate**

Share of individuals with post-secondary education (%), by whether they plan to emigrate



Note: The sample includes individuals aged 20 years and above. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Post-secondary education includes tertiary education and post-secondary vocational training.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417888

The role of education in the decision to emigrate was further analysed by controlling for individual and household characteristics.[3] The results, summarised in Table 5.2, show that education levels are positively linked to emigration in all countries except Cambodia and Costa Rica. In Burkina Faso, education only influences the intention to emigrate of females with secondary education. This may reflect a higher demand for low-skilled male workers in the destination countries, which makes education a less important determinant for men than for women.

In Cambodia, there is a negative link between educational levels and plans to emigrate. This is in line with Cambodian emigrants being from a poorer background and in general leaving to Thailand where the demand for low-skilled workers is high.

The education effect is stronger in magnitude in urban than in rural areas in about half of the countries in the sample. The link between education levels and intention to emigrate does not differ much between men and women. The positive influence of education on plans to emigrate is slightly stronger in magnitude for men in Armenia and Georgia.

Overall, the results indicate that better educated individuals are more likely to plan to emigrate in the future in a majority of the countries. If these plans to emigrate are realised, the effect on human capital and the skill base may be negative. However, the negative effect could be mitigated by skills transfers though return migration and immigration. This will be investigated further in the sections which follow.

However, in Burkina Faso and Cambodia, where education levels are low, education has a limited or even negative influence on migration intentions. This may be linked to the incentive effects from emigration. For example, well-educated people who emigrate might inspire others to acquire education, while emigration of less educated individuals may decrease the incentives to get an education and could increase dropout rates of potential migrants (see Batista et al., 2007; McKenzie and Rapoport, 2006).

Table 5.2. **The role of education in the decision to emigrate**

Dependent variable: Intention to emigrate
Main variables of interest: education level
Type of model: Probit

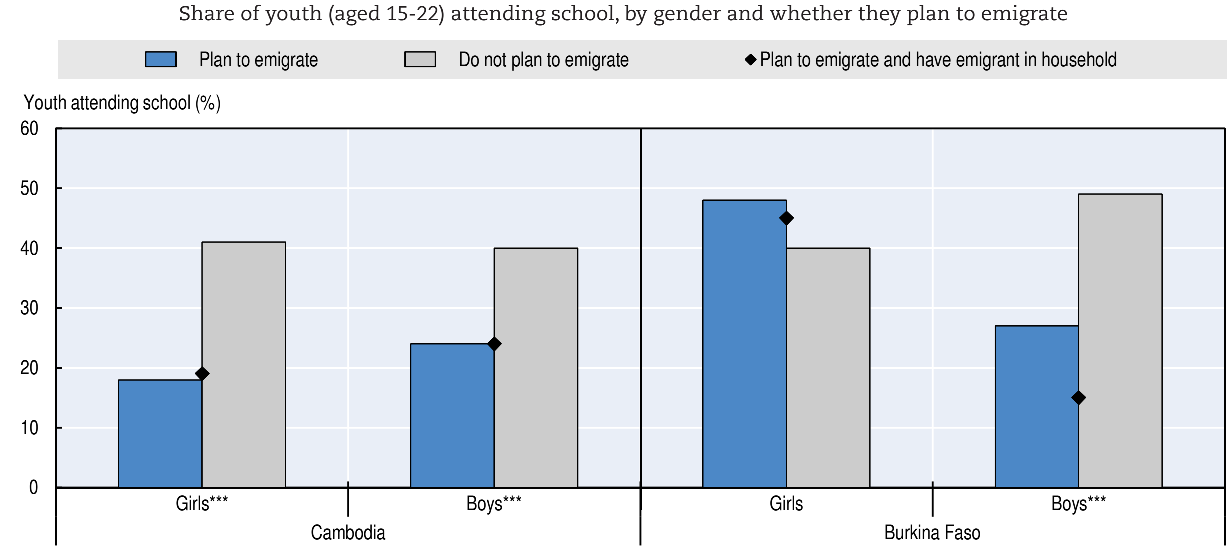
Sample:	Individuals 20 years of age and above, and:				
	All individuals	Males	Females	Urban	Rural
Armenia	↑	↑	↑	↑	↑
Burkina Faso			↑		
Cambodia	↓	↓			↓
Costa Rica					
Côte d'Ivoire	↑	↑	↑	↑	↑
Dominican Republic	↑	↑	↑	↑	
Georgia	↑	↑	↑	↑	↑
Haiti	↑	↑	↑	↑	
Morocco	↑	↑	↑	↑	↑
Philippines	↑	↑	↑	↑	↑

Note: The variable of interest (education level) is divided into five education categories 1) no formal education, 2) primary education, 3) lower secondary, 4) upper secondary and 5) post-secondary education. The regression includes four binary variables, no formal education being the reference category. The arrows indicate a statistically significant positive (upwards arrow) or negative (downwards arrow) relation between the dependant variable and at least one of those dummies. The sample is restricted to individuals 20 years and above to capture individuals that have reached/completed higher education.

Comparing education levels with future plans to emigrate among youth in Cambodia and Burkina Faso reveals that young people who plan to emigrate are much less likely to attend school (Figure 5.5). This is particularly true for young men in Burkina Faso, especially in households with a current emigrant. For girls the pattern is the reverse: those who plan to emigrate are more likely to be in school than those who do not. Hence, in countries with low-skilled emigration, migration intentions and school attendance are interlinked.

Figure 5.5. **Links between school attendance and plans to emigrate, Burkina Faso and Cambodia**

Share of youth (aged 15-22) attending school, by gender and whether they plan to emigrate



Note: Sample only includes individuals aged 15-22 years. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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Emigration and return migration can help develop skills back home

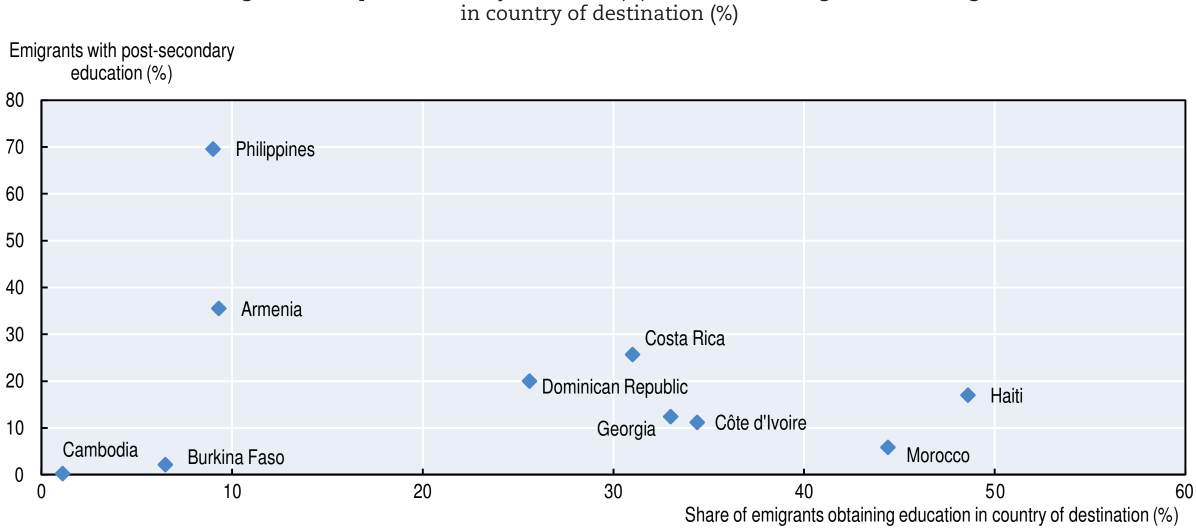
There are two main elements to migration and human capital accumulation in the origin country – the degree to which emigrants improve their skills during their migration period and the degree to which they bring these skills back on their return. These two aspects are explored in this section.

Whether or not migrants acquire education and skills in the destination country is important for the economic payoff of migration (Dustmann and Glitz, 2011). Better-educated return migrants can increase human capital in their home country, thereby alleviating the "brain drain" effect (OECD, 2008). Figure 5.6 displays the education level of migrants before emigrating and the share of migrants who acquired any education in the country of destination. The share of emigrants with post-secondary education before leaving is highest in the Philippines, at almost 70%, followed by Armenia, at around 35%. In other countries, especially Cambodia and Burkina Faso, a much smaller share of emigrants have obtained post-secondary education before leaving. This is not surprising given the low share of the population with post-secondary education in these countries (see Figure 5.3). Few Haitian emigrants have acquired a post-secondary education at their departure, but close to half of them obtain education abroad. In Armenia and the Philippines, emigrants are in general more likely to have a post-secondary degree when leaving the country but not as likely to acquire more education abroad than emigrants in other partner countries.

The pattern in the figure is also in line with the share of emigrants stating that their main reason for emigrating was to improve their education. The share was highest in Costa Rica (13%), Georgia and Haiti (both 8%). The share for the rest of the countries was 3% or less.

Figure 5.6. **Emigrants from Côte d'Ivoire, Haiti and Morocco are the most likely to enhance their skills through migration**

Share of emigrants with post-secondary education (%) and share of emigrants obtaining education in country of destination (%)



Note: The vertical axis displays the share of current emigrants having obtained a post-secondary education before leaving the household. Post-secondary education includes tertiary education and post-secondary vocational training.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417901

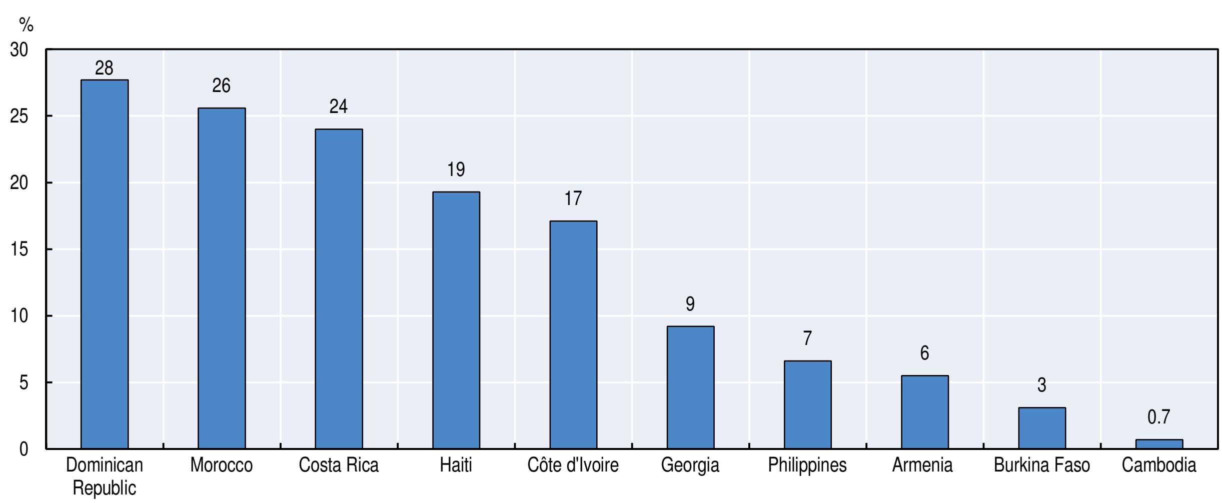
Chapter 10 confirms that return migrants tend to be better educated than non-migrants, with the exception of Burkina Faso, Cambodia and Morocco, where education levels in general are significantly lower than in the other countries. The higher level of educational attainment among return migrants might reflect the fact that emigrants are more highly educated in the first place or that they have acquired education or training abroad, or a combination of the two.

Figure 5.7 shows the share of return migrants who acquired any education (regardless of level) in the destination country. Migrants returning to Costa Rica, the Dominican Republic and Morocco are the most likely to have obtained education while abroad (24%, 28% and 26% respectively), followed by those from Haiti, at 19%. Compared to the educational acquisition by emigrants currently abroad (Figure 5.6), return migrants tend to have acquired less education. The exception is migrants returning to the Dominican Republic, where about 25% of both existing and return migrants have obtained education abroad. While almost half the current emigrants from Haiti have acquired education abroad, only about one in five return migrants acquired education while they were abroad.

The results indicate that emigration and return migration can lead to skills transfers in origin countries, but that the full potential of these skills transfers are not realised as emigrants receiving education abroad are not returning to the same extent as migrants who did not acquire education.

Figure 5.7. **A large share of migrants return to the Dominican Republic, Morocco and Costa Rica with additional skills**

Share of return migrants who acquired education in the destination country (%)



Source: Authors' own work based on IPPMD data.

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Remittances are often invested in education

To what extent does migration influence the education of children left behind in emigrant households? There are two main channels through which migration and remittances affect the education of children and young people: school enrolment and educational expenditures. Remittances can alleviate households' credit constraints and increase their investments in child and youth schooling (Cox Edwards and Ureta, 2003;

Hanson and Woodruff, 2003; Yang, 2008). On the other hand, the departure of a household member due to emigration may require the remaining children in the household to take on more housework, farm labour or to work outside the household, thereby forcing them to drop out of school. Parental migration may also result in a decline in children's psychological and emotional well-being (Save the Children, 2006), which in turn can negatively affect school attendance and performance (Cortés, 2007; Salah, 2008). However, some studies find no such negative impact (Gassmann et al., 2013).

The link between migration and educational attendance was analysed using regression analysis, controlling for individual and household characteristics (Table 5.3).[4] The analysis shows relatively weak links between migration, remittances and school attendance, with no statistically significant effects found for most countries. However, in Burkina Faso and Côte d'Ivoire there is a statistically significant relationship between remittances and youth school attendance rates, especially for boys. In Armenia, girls from emigrant households are less likely to go to school. These results may be explained by the fact that boys receive preference for schooling, while girls tend to be expected to do household chores.

Table 5.3. **The links between migration, remittances and youth school attendance**

Dependent variable: Youth school attendance
Main variables of interest: Individual belongs to a household having an emigrant and individual belongs to a household receiving remittances
Type of model: Probit
Sample: Youth 15-22 years old

Variables of interest: ↑ Having an emigrant (blue) ↑ Receiving remittances (grey)

Sample:	Youth aged 15-22 (emigrant)	Youth aged 15-22 (remittances)	Youth aged 18-22 (emigrant)	Youth aged 18-22 (remittances)	Boys aged 15-22 (emigrant)	Boys aged 15-22 (remittances)	Girls aged 15-22 (emigrant)	Girls aged 15-22 (remittances)
Armenia							↓	
Burkina Faso			↑	↑	↑	↑		
Cambodia								
Côte d'Ivoire	↑	↑	↑	↑	↑	↑		
Dominican Republic								
Georgia								
Haiti								
Morocco								
Philippines	↑	↓	↑	↓			↑	

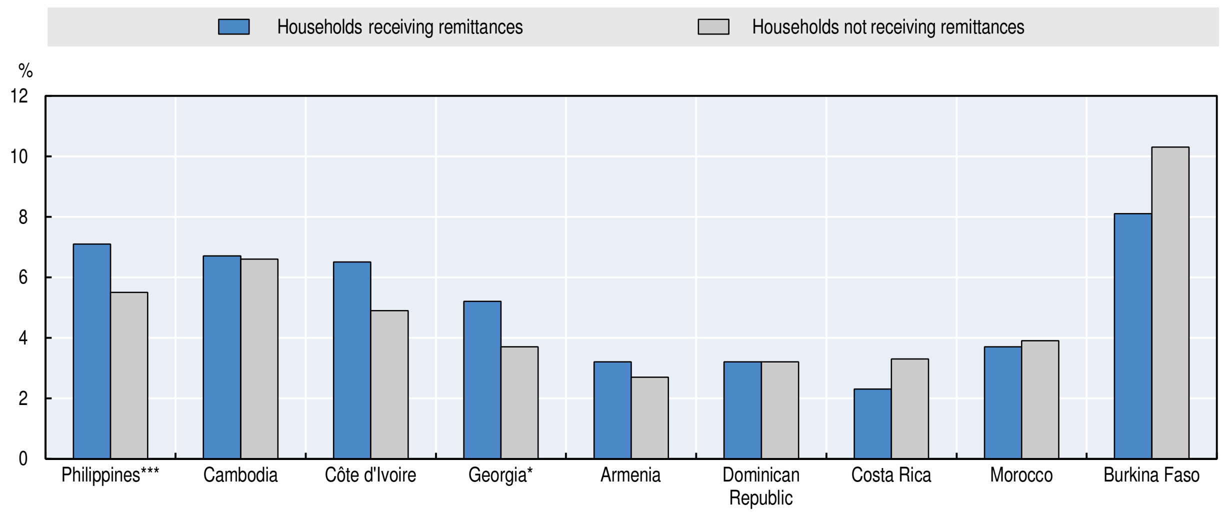
Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main independent variable of interest. The remittance variable covers all remittances, i.e. both from former household members and migrants who were never part of the household. The sample consists of people aged 15-22. No analysis was carried out for Costa Rica due to the small sample size for this age group.

Another way in which migration can affect child and youth education is through educational expenditures. Households receiving remittances may decide to invest more in their children's education, for example by buying text books and other materials, hiring private tutors, or moving children to better schools. The descriptive statistics show that the share of total household expenditures on education is higher among households receiving remittances in five out of nine countries: the Philippines, Cambodia, Georgia and Armenia (Figure 5.8). A statistical test reveals that the difference is only statistically significant in Georgia and the Philippines.

Descriptive statistics also show that households in Burkina Faso, Côte d'Ivoire, the Philippines, Cambodia and Georgia on average devote a relatively higher share of their budget to educational expenditures than households in the other countries (Figure 5.8).

Figure 5.8. **Households receiving remittances spend more on education in five out of nine countries**

Share of household budget spent on education (%), by whether they receive remittances



Note: The sample only includes households with children of primary and secondary school age. Haiti is not included as the response rate was low for the expenditure questions. Statistical significance calculated using a t-test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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Table 5.4 shows the results of a regression analysis of the relationship between remittances and total yearly educational expenditures and educational expenditures as a share of the total household budget.[5] Remittances are measured as amounts the household has received from former household members in the past 12 months. The results show that remittances are positively linked to educational expenditures in Armenia, Cambodia, Côte d'Ivoire, Georgia and the Philippines. In Armenia, Côte d'Ivoire, Georgia and the Philippines remittances are positively linked both with total educational expenditures and the share of expenditures in the household budget. In Cambodia remittances were only linked positively to the share of household budget allocated to education. No statistically significant effects were found in Burkina Faso, the Dominican Republic or Morocco.

Table 5.4. **The links between remittances and educational expenditures**

Dependent variables: Educational expenditures (absolute amounts and as share of total household budget)
Main variable of interest: Amount of remittances
Type of model: Ordinary Least Squares (OLS)
Sample: All households

Dependent variable:	Educational expenditures, share of household budget	Educational expenditures, absolute values
Armenia	↑	↑
Burkina Faso		
Cambodia	↑	
Côte d'Ivoire	↑	↑
Dominican Republic		
Georgia	↑	↑
Morocco		
Philippines	↑	↑

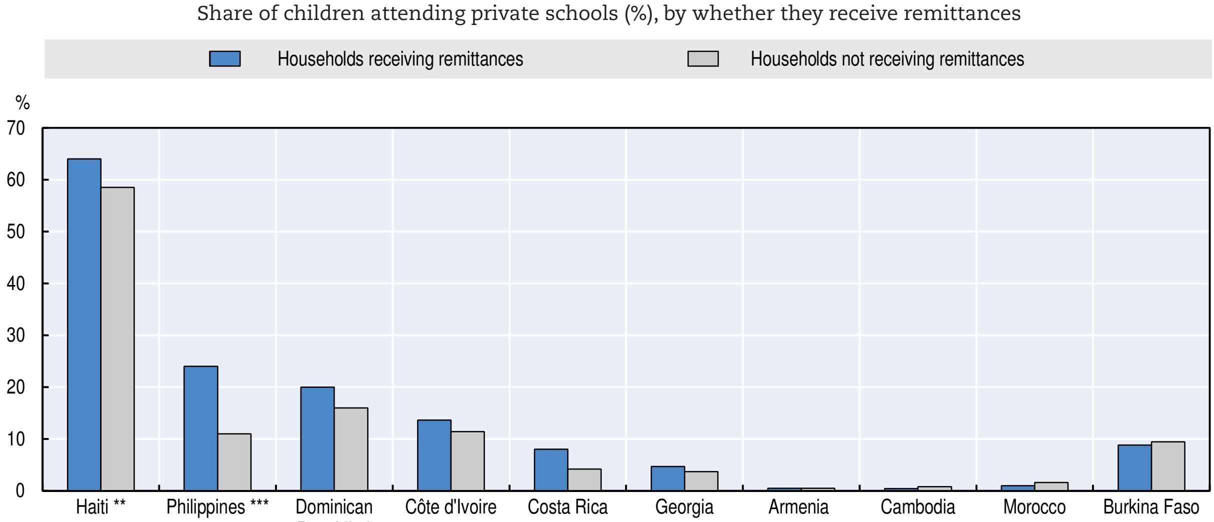
Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. The remittance variable covers all remittances, i.e. both from former household members and migrants who were never part of the household. No analysis was carried out for Costa Rica and Haiti due to the small sample size for this age group.

The fact that remittances are positively linked with educational expenditures in five of the eight countries investigated suggests that the links between migration and education go beyond school attendance. Households receiving remittances are more likely to spend the income on other educational expenditures. This finding is in line with several other studies (e.g. Chappell et al., 2010; Medina and Cardona, 2010).

One potential use of remittances is on private schools. For example, there is some evidence that children in remittance-receiving households in Latin America are more likely to attend private schools (Medina and Cardona, 2010; Jakob, 2015). The descriptive IPPMD statistics indicate that parts of the increase in education investments due to remittances may be directed towards private schools, which are often more costly but may offer higher quality education.[6] According to the IPPMD data, in most countries, children in households that receive remittances are more likely to attend private schools. The share of children at private schools (both primary and secondary) varies significantly across the ten IPPMD countries (Figure 5.9), and is highest in Haiti, at 60%. The difference is statistically significant in the countries where private school attendance is the highest: the Dominican Republic, Haiti and the Philippines. The quality of private education is however not always guaranteed. In Haiti, the shortage of public institutions has led to the proliferation of private schools in response to demand, especially after the earthquake in 2010 where many of the public education institutions were destroyed. However, a majority of the private institutions in Haiti operate without a formal license, highlighting the need for standardisation to ensure quality. In the Philippines, public-private partnerships (PPPs) in the education sector have been used to address problems of overcrowded high-schools. A voucher scheme has been set up between the government and the private sector to ensure access to schooling for all.

Figure 5.9. **Share of children attending private schools is higher among children in remittance-receiving households**

Share of children attending private schools (%), by whether they receive remittances



Note: The sample only includes children between 6 and 17 years old. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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In sum, the increase in demand for education in general and private education in particular may put pressure on the educational infrastructure. Previous studies have shown that a better supply of educational infrastructure is crucial for the positive effects of remittances on child education to fully materialise (Benedictis et al., 2010). Hence, investments in educational infrastructure in areas with high emigration rates can enhance positive linkages between remittances and education investments.

Return migration has little impact on school attendance or educational investment

Return migrants may accumulate savings while abroad that can finance educational investments for their household members. They may also influence the education incentives of children and youth in their household in a positive or negative way, depending on the demand for low- or high-skilled labour in the countries of destination. Table 5.5 investigates these relationships further. The results show little link between return migration and youth education enrolment rates, and the effect is actually negative in Armenia and Cambodia. This is possibly linked to education incentives, at least in the case of Cambodia, where return migrants are low-skilled. Armenian return migrants are also fairly low-skilled, so return migrants may decrease the incentives to accumulate more education among those who plan to emigrate in the future. On the other hand, return migration is linked to higher educational expenditures in the Dominican Republic and the Philippines.

To sum up, the link between return migration and educational investments seems weaker than the links with current emigrants, remittances and educational investments explored in the previous section.

Table 5.5. **The links between return migration, school attendance and educational expenditures**

Dependent variables: School attendance for youth and household educational expenditures (absolute amounts and as share of total household budget)
Main variable of interest: Household has a return migrant
Type of model: Probit, OLS
Sample: Youth aged 15- to 22 and all households

Dependent variable:	School attendance	Educational expenditures, share of household budget	Educational expenditures, absolute values
Sample :	Youth aged 15-22	All households	
Armenia	⬇		
Burkina Faso			
Cambodia	⬇	⬇	
Costa Rica		n/a	n/a
Côte d'Ivoire			
Dominican Republic	n/a		⬆
Georgia			
Morocco			
Philippines			⬆

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. The remittance variable covers all remittances, i.e. both from former household members and migrants who were never part of the household. Haiti is excluded from the analysis due to limited information about educational expenditures and a small sample of return migrants.

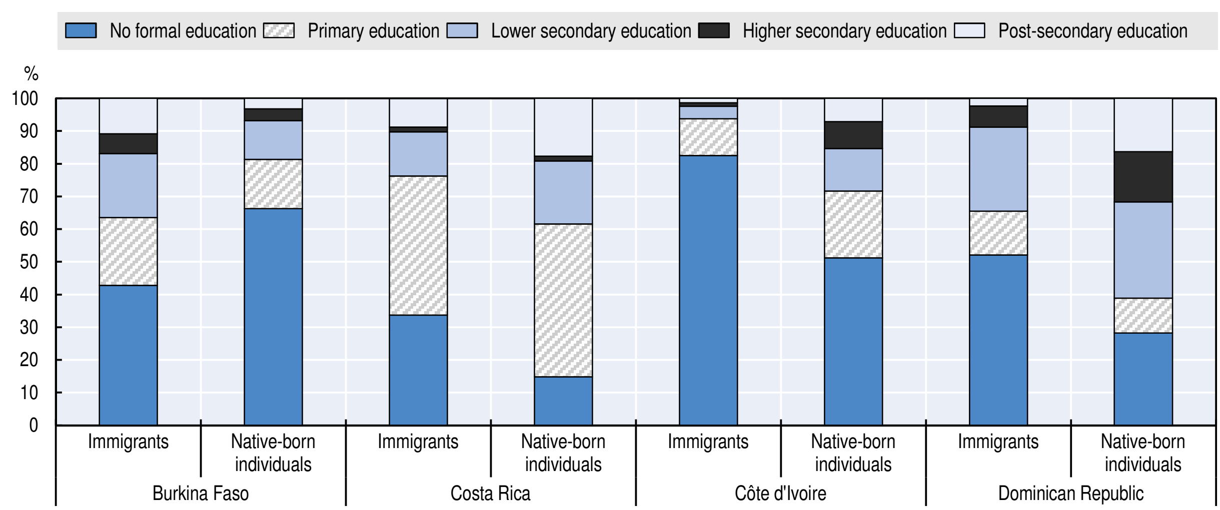
Educational levels matter in immigrants' decisions to return

The newly adopted Sustainable Development Goals (SDGs) mark a common effort to ensure the well-being of current and future generations around the globe. SDG 4 seeks to achieve universal access to quality education and lifelong learning opportunities. Achieving this goal will require that migrants and their children are able to access education in the country of destination. This applies to children who are immigrants themselves, as well as children of immigrant parents born in the host country. Access to education is also a key determinant of immigrant integration and an opportunity for future human capital accumulation for both immigrant origin and destination countries. The following section will look more closely into the links between immigration and education.

Figure 5.10 displays the differences in education levels between immigrants and the native-born population in the countries with a significant share of immigrant households in the sample: Burkina Faso, Côte d'Ivoire, the Dominican Republic and Costa Rica. In Burkina Faso, immigrants have a higher education level than native-born individuals. For example, 11% of the immigrants have a post-secondary education, compared to only 3% among native-born individuals. In the remaining three countries, immigrants have a lower education level overall than the native-born population. In the Dominican Republic, the share of individuals with post-secondary education is 16% among the native-born adult population and 2% among immigrants. In Costa Rica the share of immigrants with post-secondary education is 10%, compared to 19% of the native-born population. The share of immigrants with no formal education is also considerably higher than among native-born people in all three countries. This is not surprising as the large majority of the immigrants in the Dominican Republic and Costa Rica originates from less developed neighbouring countries (Haiti and Nicaragua respectively) where educational levels are lower.

Figure 5.10. **Immigrants tend to have a lower level of education than native-born individuals**

Education level (adults, 15 years and above)



Note: The sample includes immigrant, return migrant and non-migrant adults 15 years old and above. The education codes follow the International Standard Classification of Education (ISCED) standardised system. No standardised ISCED codes exists for Costa Rica, hence the education codes are slightly adjusted.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417949

Many people migrate in order to acquire education. In the IPPMD sample, this is particularly true for immigrants in Burkina Faso, where almost 25% of the immigrants stated that they immigrated for education purposes. Education was not as strong of a driver in the other countries, where economic motives such as job prospects and wages were more common reasons (Chapter 8). In Costa Rica, about 5% of immigrants immigrated because of the better education opportunities; for the Dominican Republic the share was 3%. Around 6% of the adult (15 years old and above) immigrants interviewed in Costa Rica and 2% of those in the Dominican Republic were enrolled in education at the time of the survey.

First and second generation immigrants are less likely to attend school

Another important link between immigration and education is access to education for immigrant children and children of immigrants. In Table 5.6, child and youth school attendance among immigrants and the native-born population is investigated in a regression framework.[7] The results show that immigrants and children in immigrant households in Côte d'Ivoire and the Dominican Republic are less likely to attend school than native-born students. In Costa Rica, while there is no difference in educational enrolment between children living in immigrant households and those without immigrants, being born abroad is negatively associated with youth school attendance. School attendance seems to be lower among immigrant children and young people in the Dominican Republic, Costa Rica and Côte d'Ivoire, which may have consequences for their integration into their host country and their future employability. In Burkina Faso, no difference in school attendance between immigrant and native-born students were found.

Table 5.6. **The links between immigration and school attendance rates**

Dependent variable: School attendance
Main variables of interest: Individual is an immigrant and individual lives in a household with immigrants
Type of model: Probit
Sample: Children and youth (6-17)

Sample:	Children aged 6-14)	Youth aged 15-17	Youth aged 15-17
Variable of interest:	Individual lives in a household with immigrants	Individual lives in a household with immigrants	Individual is an immigrant
Burkina Faso			
Costa Rica			⬇
Dominican Republic	⬇	⬇	⬇
Côte d'Ivoire	⬇	⬇	⬇

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. The first two columns analyse the link between school attendance and children (aged 6-14) and youth (aged 15-17) living in households with immigrants (regardless of whether the child was born abroad or not); the third column analyses first generation youth (aged 15-17) immigrants, i.e. youth that were born abroad.

How do education policies affect migration?

Education policies can affect migration patterns in various ways. Generally, educational policies that aim at non-discriminatory treatment, retention and mandatory years in the system can improve human capital and help nationals find alternatives to emigration. However, when other sectors such as the labour market do not improve in tandem, an increase in human capital can spur migration, as the divergence in wages between countries grows wider with higher levels of education and as workers become more employable in other countries.

Adults may also decide to emigrate if educational conditions are not up to standard for their children in the home country. If there are not enough schools locally, families may decide to migrate with or send their children to school in other parts of the country or abroad. Thus, education policies aiming at improving the education system may increase the incentives to return to the country of origin, especially for migrants with children of school age.

More specific education policies and programmes can decrease the incentives to leave if the motivation for emigration was to finance their children's education. Conditional cash transfers (CCTs) which pay households to send their children to school can either encourage or deter migration. On the one hand, a government transfer to support child schooling can reduce the pressure to emigrate if remittances and cash transfers are viewed as substitutes by households with potential migrant members. The conditionality of the programme, that requires members of the household to be physically present to obtain the transfer, also induces a cost on migration which may deter flows (Stecklov et al., 2005). On the other hand, receiving a cash transfer can relax credit constraints and encourage migration if remittances and cash transfers are complements and the transfer is used as a means to finance migration.[8] CCTs may also increase emigration if the transfer received is not large enough to satisfy the financial needs of the household, the programme leads to human capital accumulation that increases the returns to migration or if the conditionality of the programme does not apply to all members of the household (Hagen-Zanker and Himmelstine, 2013). Finally, CCT programmes may affect the level of remittances received by the household as households may be less dependent on remittances for educational investments when they receive public government support which lowers the incentives for the remittance senders.

The IPPMD household surveys conducted in the ten partner countries included questions about a variety of education programmes.[9] These can roughly be divided into three categories (Box 5.1):

- **In-kind distribution programmes**, such as the distribution of school textbooks, uniforms and free school meals. These are the most common types of programmes, implemented in all ten countries.

Box 5.1. **Education policies and programmes covered in the IPPMD survey**

The household and community surveys distributed in the ten IPPMD countries identified a large set of existing educational programmes. The questionnaires were tailored to each country's context, with the aim of capturing the most widespread and relevant programmes currently in place. Both national and locally implemented policies and programmes were taken into account. The survey considered both programmes funded and implemented by national and local authorities, international organisations and NGOs. Figure 5.11 displays the various programmes included in the household questionnaires, by type of programme. Some of the programmes were unique to one or a few of the countries in the project, while others exist in more or less all countries. Apart from the education policies mentioned here, questions on vocational training programmes were also included in the survey and are analysed in the labour market chapter (Chapter 3). Annex 5.A1 provides an overview of the specific programmes included in the household survey.

Figure 5.11. **Education policies explored in the household surveys**

In-kind distribution programmes	Cash -based programmes	Other types of programmes
• Distribution of school textbooks • Distribution of uniforms • Distribution of school supplies • School meal programmes • Distribution of computers • Take home rations[1]	• Scholarship for primary education • Scholarship for secondary education • Scholarship for tertiary education • Conditional cash programmes • Education service contracting[2]	• Literacy campaigns • Boarding schools • Home-based education programmes • School transport programmes • Support programme for young parents • Language classes • School fee subsidies • Medical check-up

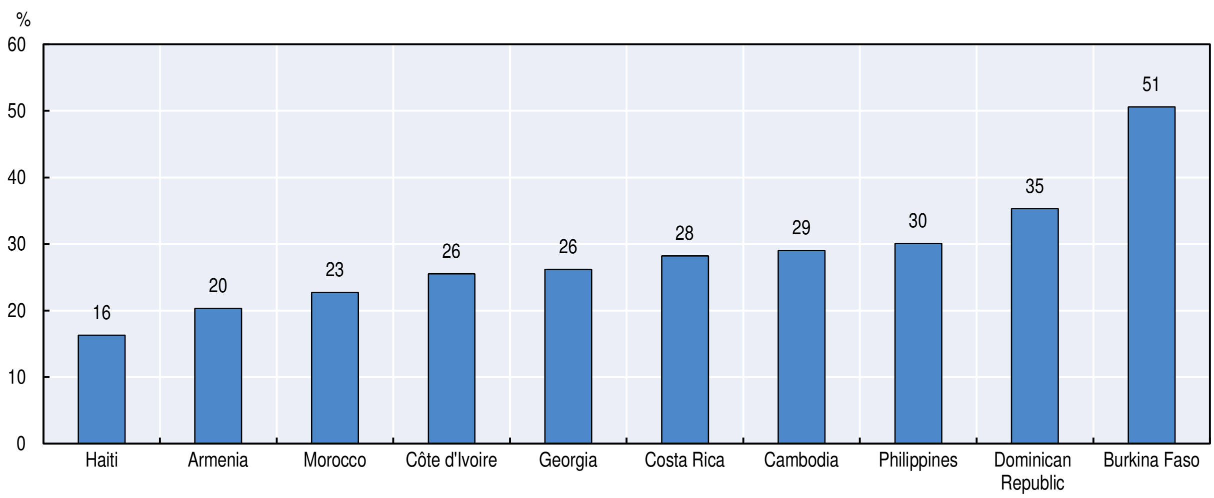
Notes: 1. Take home rations consist of monthly food rations of rice given to children from poor families when they attend school in Cambodia.
2. Educational service contracting is a programme in the Philippines providing grants to households to finance private schooling (when public schools are overcrowded).

- **Cash-based programmes**, such as conditional cash transfer (CCT) programmes and educational scholarships. Seven of the countries have implemented CCT programmes, but the participation rate was very low among the surveyed households in some of these countries. Scholarship programmes were identified in all countries but Georgia.
- **Other types of educational support programmes**, such as school transport programmes, literacy programmes and support programmes to allow young parents to stay in school. Some of these programmes are very country specific and exist in only a few countries, while literacy campaigns and boarding schools are more common.

Figure 5.12 displays the share of households benefiting from any of the education policies included in the IPPMD household survey (Box 5.1). In most countries this share is around 25%, ranging from a low of 16% in Haiti to a high of 51% in Burkina Faso.

Figure 5.12. **The share of education policy beneficiaries varies across countries**

Share of households who benefitted from education policies in the past five years (%)



Note: Benefiting from an education programme means that the household has benefitted from any of the education programmes included in the survey in the past five years, excluding literacy programmes.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417959

Most education programmes do not seem to affect migration and remittance decisions

As discussed above, the link between education programmes and migration is not immediately clear. The policies outlined above may reduce the need to emigrate by improving access to education, or by reducing credit constraints they may actually finance the emigration of a household member, thereby increasing emigration flows. To analyse these patterns, the link between migration, remittances and any of the types of education policy programmes listed in Box 5.1 is investigated. The results show very limited associations between households benefiting from an education programme and migration and remittance patterns for most countries (Table 5.7).[10] In the Philippines, there seems to be a correlation between benefiting from an educational programme and having a household member planning to emigrate in the future. In Cambodia, households that are beneficiaries of any education policy programme are more likely to receive remittances and also receive more remittances in actual fact.

Table 5.7. **The links between education programmes, migration and remittances**

Dependent variables: Household has an emigrant (who left in the past five years), household has a member intending to emigrate in the future, household receives remittances and amount of remittances
Main variable of interest: Household has benefited from any education programme
Type of model: Probit, Tobit
Sample: Households with children (robustness checks with all households)

Dependent variable:	Household has an emigrant (past 5 years)	Household has a member planning to emigrate	Household receives remittances	Amount of remittances
Armenia				
Burkina Faso		⬇		
Cambodia				⬆
Côte d'Ivoire		⬇		
Dominican Republic				
Georgia				
Haiti			⬆	
Morocco	⬆	⬇		
Philippines		⬆		

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. The variable of interest indicates if the household has benefited from any of the education programmes (specified in Box 5.1) in the past five years prior to the survey. Costa Rica not included in the analysis due to small sample size.

The migration impact of cash-based educational programmes is mixed

Although the results above indicate only a weak link between the full set of education programmes and emigration and remittance decisions, the link to migration decisions may depend on the nature of the programme and the households and individuals it is targeting. This section therefore looks at the three categories of education programmes separately.

The literature finds mixed results regarding the link between CCTs and migration outflows. Some studies of the Mexican conditional cash transfer programme *Oportunidades*,[11] for example, found that it increased international emigration (Angelucci, 2004; Angelucci, 2012; Azuara, 2009), while other studies found that it decreased it (Behrman et al., 2008; Rodriguez-Oreggia and Freije, 2012; Stecklov et al., 2005). Studies of other CCT programmes in Latin America also diverge in their assessment of the impact on migration. One study found no effect of CCTs on migration flows in Honduras, while in Nicaragua CCTs increased emigration by male household members, who were not constrained by any of the conditions of the programme (Winters et al., 2005).

What do the IPPMD data tell us about the subject? All IPPMD countries in Latin America and Africa, along with the Philippines, have both types of cash-based programmes (scholarships and CCT programmes) (Annex 1). Cash-based education programmes are much more limited in the two Caucasus countries: Georgia and Armenia. Seven countries have some form of CCT programme: Burkina Faso, Côte d'Ivoire, Costa Rica, the Dominican Republic, Haiti, Morocco and the Philippines. However, the number of households receiving conditional cash transfers is very low in Burkina Faso (only six households in the sample benefited) and in Morocco (42 households). These countries were therefore not included in the analysis.

The Filipino Conditional Cash Transfer Programme (*Pantawid ng Pamilyang Pilipino Program* or 4Ps) is the largest social protection programme implemented by the government, and targets extremely poor families with children under 18 years old.[12] The programme provides monthly cash assistance of PHP 500 (about USD 10) to help families with health and nutrition expenses and PHP 300 per child (for up to three children) for educational expenses. The cash assistance is conditional upon mothers seeking pre-natal and/or post-natal care and children attending school. In Costa Rica, the CCT programme *Avancemos* was introduced in 2006 to encourage young people in secondary school from poor backgrounds to stay in formal schooling. The monthly cash transfer amounts to between USD 26 and USD 87 per child depending on the school grade. The CCT programme *Solidaridad* in the Dominican Republic provides cash transfers to poor households to invest in education, health and nutrition. Households receive about USD 75 per month if they comply with the following conditions: school enrolment and attendance by all children in the household and regular health check-ups for children under five.

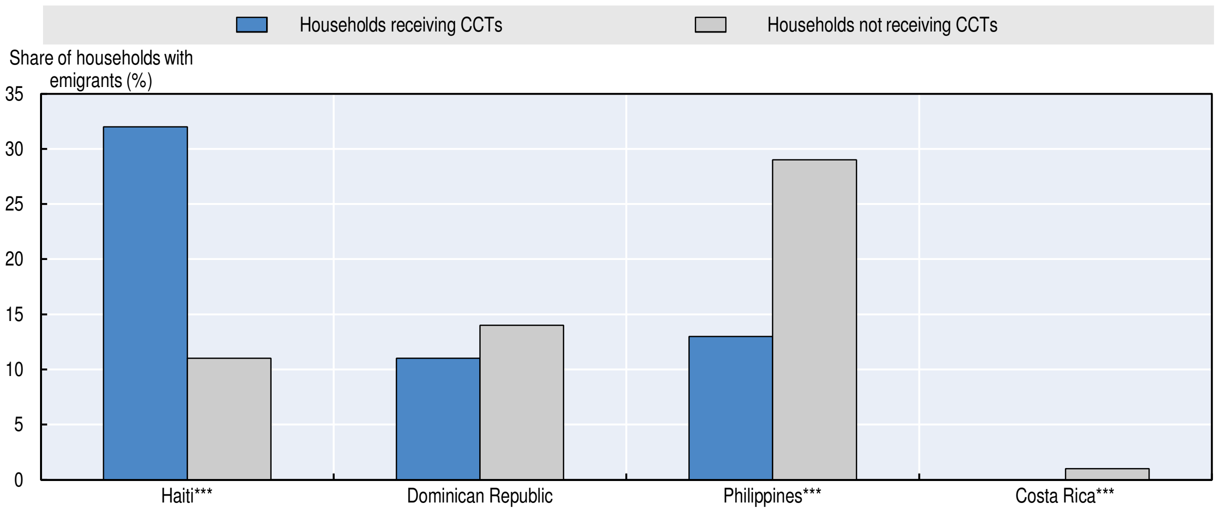
Haiti does currently not have a large-scale cash transfer programme. Instead various decentralised cash transfer programmes run by either the government or NGOs and international organisations have been initiated, especially since the earthquake. The *Ti Manman Cheri* (TMC) government-led programme was initiated in 2012 with funds from the Venezuela's PetroCaribe fund.[13] The Government of Haiti directly controlled and disbursed the funds. The programme aimed to complement and strengthen the universal access to education programme, *Lekol Timoun Yo*, by providing a small monthly cash transfer to mothers with children in grades one through six. The contribution was conditional on the children's continued enrolment in school.

The IPPMD survey collected information on households benefiting from education programmes in the past five years prior to the survey, and information about the emigration of former household members. As the survey did not specify in which year the household benefited from a programme, this information is not enough to determine whether someone left the household to emigrate abroad after the household benefited from a policy. However, it is possible to restrict the sample to households that benefited from the policy and had members emigrating at around the same time. The analysis shows that in the Dominican Republic and the Philippines, households that benefited from conditional cash programmes are less likely to have an emigrant (Figure 5.13). In Haiti on the other hand, households receiving cash transfers are more likely to have an emigrant. In Costa Rica, none of the households receiving conditional cash transfers had an emigrant (although the sample of emigrant households was limited, at 29 households).

The relationships between receiving conditional cash transfers and migration and remittance patterns were also investigated in a regression framework, presented in Table 5.8.[14] The results show that in Costa Rica and the Philippines, households that received conditional cash transfers are less likely to have emigrant members or members planning to emigrate. In Haiti, receiving conditional cash transfers seems to be positively associated with members emigrating abroad. A possible explanation for these results is that the programmes in Haiti are less binding. Many programmes in Haiti seem to have handed out the cash transfers without any conditions, which remove some of the barriers and induced costs to migration. The programmes in Costa Rica, the Dominican Republic and the Philippines are, in contrast, national government programmes with a clear conditionality component (the households receive transfers provided that their children enrol in school and attend regular health check-ups). Furthermore, receiving CCTs is linked to a lower probability to receive remittances in the Dominican Republic and the Philippines, but a higher probability in Haiti. This may be linked to emigration decisions. The link to amounts of remittances received could only be tested in two countries due to limited sample size. No link between receiving CCTs and the amount of remittances received was found.

Figure 5.13. **Conditional cash transfers for education may reduce emigration in the Dominican Republic and the Philippines**

Share of households with emigrants who left in past five years (%), by whether they receive conditional cash transfers



Note: The figure shows the share of households with emigrants who left in the five past years prior to the survey. No households with emigrants received CCTs in Costa Rica. The sample only includes households with children in school age (6-20 years old). Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417968

Table 5.8. **The links between conditional cash transfer programmes, migration and remittances**

Dependent variable: Household has an emigrant (who left in the past five years), household receives remittances and amount of remittances
Main variable of interest: Household benefited from CCT programme
Type of model: Probit, Tobit
Sample: Households with children (robustness checks with all households)

Dependent variable:	Household has an emigrant	Household receives remittances	Amounts of remittances
Costa Rica	↑ 1		n/a
Dominican Republic		↓	n/a
Haiti	↑	↑	
Philippines	↓	↓	

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. 1. Given the limited sample size of emigrants who left within the five years prior to the survey in Costa Rica, the dependent variable in the analysis for Costa Rica is having a member planning to emigrate in the future.

Information about scholarship programmes was collected in all of the countries studied except Georgia. Scholarships are offered for different levels of education: from primary school to tertiary education. The sample of households benefiting from the scholarship programmes, however, is too small to allow for disaggregated analyses of each type of scholarship. Scholarship programmes for all levels of education have therefore been merged for the analysis presented in Table 5.9.[15] The results show that households with children that received a scholarship in the past five years have a higher probability of receiving remittances in Burkina Faso and Costa Rica. In most countries, however, no link was found between receiving a scholarship and having a migrant or receiving remittances.

Table 5.9. **The links between scholarship programmes, migration and remittances**

Dependent variable: Household has an emigrant (who left in the past five years), household receives remittances and amount of remittances
Main variable of interest: Household receives scholarships (primary, secondary and/or tertiary)
Type of model: Probit, OLS (Tobit)
Sample: Households with children (robustness checks with all households)

Dependent variable:	Household has an emigrant (past 5 years)	Household has a member planning to emigrate	Household receives remittances	Amount of remittances
Burkina Faso	↑		↑	n/a
Costa Rica			↑	n/a
Côte d'Ivoire				
Dominican Republic				n/a
Cambodia				
Haiti				
Morocco		↓	↓	n/a
Philippines	↓	↑		

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. The variable of interest indicates if the household has benefited from any scholarship programme in the five years prior to the survey. Given the limited sample size of emigrants who left within the five years prior to the survey in Costa Rica, the dependent variable in the analysis for Costa Rica is having a member planning to emigrate in the future.

Households with immigrants could benefit more from education programmes

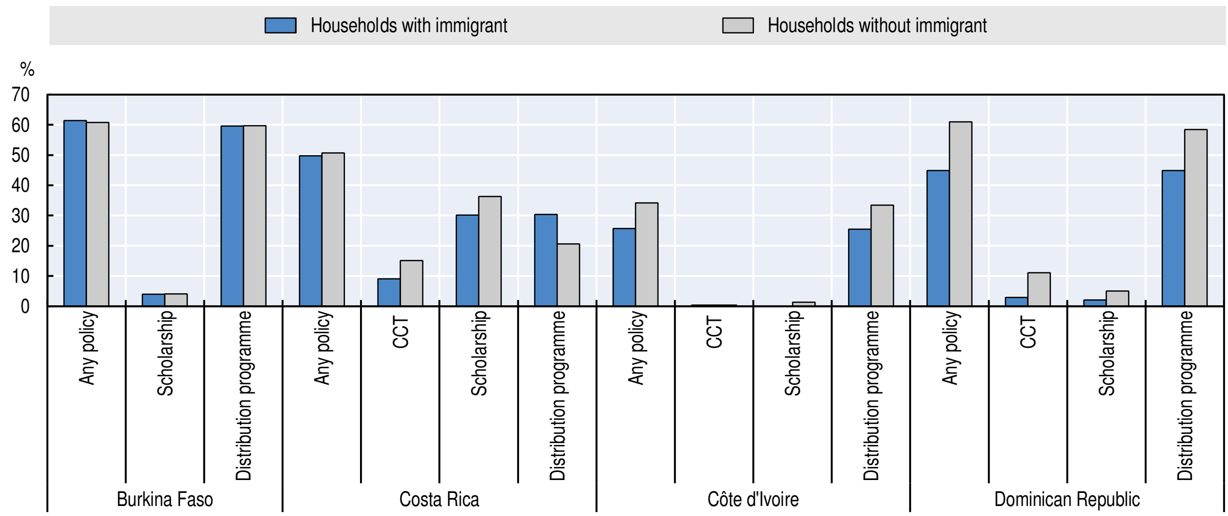
The quality and provision of education may both spur and deter migration. Adults may decide to emigrate if educational conditions, for themselves or for their children, are more favourable abroad. Educational policies addressing access and quality of education thus have the potential to influence migration decisions and integration processes.

Having access to education is of the utmost importance for the integration of first and second generation immigrants and for human capital accumulation in host countries. Access to the type of educational programmes described in this chapter may play an important role in improving school enrolment rates for the population in general, and for immigrant households in particular, who often constitute a vulnerable part of the population. IPPMD data from the three main immigrant countries – Costa Rica, Côte d'Ivoire and the Dominican Republic – show that although immigrant households do benefit from education programmes, it is not always to the same extent as households without immigrants (Figure 5.13). In Costa Rica households with immigrants are more likely to benefit from distribution programmes than native-born households but less likely to benefit from scholarship or CCT programmes. In the Dominican Republic, households without immigrants have better access to all types of programmes.

Apart from contributing to more education investments and better integration, education programmes may also affect immigrants' intentions to return to their countries of origin. For example, scholarships that enable young people to be educated in the host country may allow them to become better integrated in the labour market later in life, thereby decreasing their incentives to return. The correlation between education policies and immigrants' intentions to return is investigated in Table 5.10.[16] The results show that immigrants in Costa Rica who benefited from scholarship programmes are significantly less likely to state that they intend to return to their countries of origin compared to immigrants that did not receive scholarship programmes.

Figure 5.14. **Households with immigrants have less access to education programmes**

Share of households benefiting from education policy programmes (%), by whether they have an immigrant



Note: For Burkina Faso, CCTs are not included due to low participation rate.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417976

Table 5.10. **Education policies and immigrants' intentions to return**

Dependent variable: Individual plans to return to country of origin
Main variables of interest: Education programmes
Type of model: Probit
Sample: Immigrants (above 15 years)

Variable of interest:	CCT programmes	Scholarship programmes	Distribution programme
Costa Rica		⬇	⬆
Côte d'Ivoire	n/a	n/a	
Dominican Republic	n/a	n/a	

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. Few immigrants benefited from scholarship programmes in Côte d'Ivoire and the Dominican Republic, so the analysis is restricted to Costa Rica. Burkina Faso is not included in the analysis due to small sample planning to return to country of origin (11 individuals).

Policy recommendations

Universal access to quality education plays a key role in sustainable development, poverty reduction and other development outcomes in both developing and developed economies. Migration has the potential to contribute to current and future human capital formation and sustainable development through its close links to education investments. With supportive policies in place, migration can strengthen the positive synergies between education and development.

Firstly, education is shown to be an important determinant of the decision to emigrate. Higher education increases the propensity to plan to emigrate in the future in most countries. The departure of well-educated individuals is partly compensated for by emigrants obtaining education abroad and returning with new skills. However, the results indicate that the potential of these highly skilled migrants will not be fully realised as not all of them will decide to return. Policies to attract back current migrants, especially the highly skilled, can contribute to enhancing the positive links between migration and human capital. Such policies can include measures to facilitate the recognition of qualifications acquired abroad, and offering refresher trainings for professionals working abroad. A broader monitoring and mapping system of the education background and specialisation of current emigrants could help better forecast future human capital supply and potential skills shortages due to emigration.

The research also found that remittances lead to increased investments in child and youth education. Remittances are linked to higher educational expenditures in a majority of the countries analysed. Remittance-receiving households are more likely to have children in private schools than households that do not receive remittances. An increase in the demand for educational services from remittance-receiving households requires investments in the supply of education services in order to meet the potential excess demand. One potential way to address increasing demand for schooling is public-private partnerships (PPPs) in the education sector. PPPs can help expand education provision and increase efficiency and choice to ensure education access for all and improve education outcomes. An increase in the demand for private schools in particular implies that quality of schooling is a key aspect in the link between migration and education. This also calls for measures to assure the quality of both private and public school services.

Access to education in the countries of destination plays an important role in the integration of immigrants. The results show that immigrant children are less likely to attend school than native-born children despite having a legal right to attend school. This effect is more prevalent for first generation immigrants and highlights an important shortcoming. Access to education may also influence the length of immigrants' stay in the host country. Implementing targeted policy programmes, such as cash transfers and scholarships for vulnerable groups, including immigrants, can remove barriers to education. Immigrant flows may also affect the access and quality of education available to native-born students, as an increased demand for school services may lead to overcrowded schools and a decrease in education quality. This may in turn affect social cohesion in communities with a large share of immigrants. Investments in educational infrastructure in areas with a high immigration incidence can ensure quality of schooling and avoid negative impacts on social cohesion.

Furthermore, the results indicate that cash-based programmes can play a role in emigration and remittance decisions. Conditional cash transfer programmes seem to discourage emigration when conditions are binding but encourage emigration when conditions are less clear. CCTs are also linked to the probability of receiving remittances. Conditionality hence becomes an important aspect in the design of CCT programmes to ensure that the transfer is used for the intended purpose. CCTs also seem to lead to changes in the probability of receiving remittances, and could lead to a reduction in remittances in countries where CCTs are binding. In order to anticipate and monitor the full welfare impact of CCT programmes it is thus important to also take changes in remittance income into account when designing and evaluating CCT programmes.

Table 5.11. **Enhancing migration-led development by facilitating investment in education**

	Policy recommendations
Emigration	● Map the education and training levels of emigrants to better forecast future human capital supply and potential skills shortages. ● Enforce conditionality measures in cash-transfer programmes to reduce the use of transfers to finance emigration and to ensure that the programme objectives are fulfilled.
Remittances	● Invest in educational infrastructure and trained teachers to meet the demand for education services from remittance inflows, while ensuring that remittance-driven demand does not affect universal access to education. ● Enforce and ensure quality in educational institutions when faced with higher demand for private schools due to remittances. ● Collect migration and remittance information in conditional cash transfer programme data to monitor remittance income changes over time and better understand the full impact of the programme.
Return migration	● Facilitate and improve the recognition of qualifications acquired abroad to help return migrants validate their skills. ● Offer training and refresher courses to potential return migrants, especially those with an education diploma, to facilitate their reintegration into the labour market in the country of origin.
Immigration	● Provide equal access to education in general, and to immigrant students in particular, for example by implementing targeted policy programmes, such as cash transfers and scholarships for vulnerable groups, including immigrants. ● Invest in educational infrastructure in areas with increased education demand from immigration to ensure universal access, good quality schooling and social integration and cohesion.

Notes

1. Studies of the impact of educational expenditures on school outcomes from developed and developing countries have reached mixed conclusions, partly due to challenges when it comes to data and estimation strategies, but likely also because of the complexity of the relationship (Leclercq, 2005).

2. Additional channels through which emigration could affect education have also been identified in the literature. For example, remittances and diaspora investments can also improve the educational infrastructure in the country of origin and foster human capital investments beyond migrant families. These potential effects will however not be analysed in this chapter due to data limitations.

3. The control variables included in the regression were the following: age, gender and employment status (unemployed or not), household size, number of members with tertiary education, mean education level of adults in the household, urban/rural location, region in which the household is located, and household wealth (measured by an asset index).

4. The control variables included in the regression were the following: age and gender of child/youth, household size, dependency ratio (share of children and elderly to working age population in the household), urban/rural location, number of children in the household, male-to-female ratio, region in which the household is located, and household wealth (measured by an asset index).

5. The control variables included in the regression were the following: household size, dependency ratio (share of children and elderly to working age population in the household), urban/rural location, mean education level in the household, region in which the household is located, and household wealth (measured by an asset index).

6. No regression analysis was carried out due to the limited sample size.

7. The control variables included in the regression were the following: age and gender of child/youth, household size, dependency ratio (share of children and elderly to working age population in the household), urban/rural location, number of children in the household, male-to-female ratio, region in which the household is located, and household wealth (measured by an asset index).

8. Cash-based educational support is given out to finance child and youth education and may hence not directly finance migration. But because money is interchangeable, the funds could free up resources in the household budget that enables the household to send an emigrant.

9. Apart from the questions on education programmes in the household surveys, information about the availability of education programmes in the survey locations was also collected through the community survey.

10. The control variables included in the regression were the following: household size, dependency ratio (share of children and elderly to working age population in the household), urban/rural location, mean education level in the household, region in which the household is located, and household wealth (measured by an asset index).
11. *Oportunidades* is the principal anti-poverty programme of the Mexican government and the first programme of this kind to be introduced (originally the programme was named *Progresa* but the name was changed in 2002). *Oportunidades* provides cash transfers to households with children conditional on regular school attendance, along with health measures such as visits to health clinics and nutritional supplements intake.
12. The coverage of families with children up to 18 years old applies from 2013. When the programme started in 2007, the coverage was for families with children aged 14 and below.
13. The programme does no longer exist, but was still included in the questionnaire as it asks about programmes that household benefited from in the past five years.
14. See endnote 10.
15. See endnote 10.
16. The control variables included in the regression were the following: age, gender, education level and employment status (unemployed or not), household size, number of children, dependency ratio (share of children and elderly to working age population in the household), urban/rural location, region in which the household is located, and household wealth (measured by an asset index).

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ANNEX 5.A1

List of educational programmes included in the IPPMD household survey, by country

	Armenia	Burkina Faso	Cambodia	Côte d'Ivoire	Costa Rica	Dominican Republic	Georgia	Haiti	Morocco	Philippines
Literacy campaigns	√	√	√	√		√	√	√	√	√
Scholarship for primary education		√	√	√	√	√		√	√	√
Scholarship for secondary education		√	√	√	√	√		√	√	√
Scholarship for tertiary education	√	√	√	√	√	√		√	√	√
Scholarship for technical vocational training						√				
School meal programmes	√	√	√	√	√	√		√	√	√
Take home ration[1]			√							
Conditional-Cash Transfers		√		√	√	√		√	√	√
Distribution of school textbooks	√	√	√	√	√	√	√	√	√	√
Distribution of school uniform	√	√		√	√	√	√	√	√	√
Boarding school	√	√	√	√		√	√	√	√	
Inclusive and home-based education	√		√				√		√	
Distribution of school supplies	√						√			√
Education service contracting[2]										√
School transport programme	√				√				√	
Support programme for young mothers and fathers					√					
Distribution of computers	√						√		√	
Language or other catch-up classes	√									
Medical checkups									√	
School fee subsidies									√	

1. Monthly food rations of rice given children from poor families when attending school.
2. Government provided funds to enable students to enrol in private schools.

Chapter 6

Strengthening the links between migration, investment, financial services and development

Policy makers have long been interested in harnessing the development potential of migration. This chapter explores whether and under what conditions migration is likely to promote both greater well-being for migrant households, and more long-term development, through increased investment and entrepreneurship. The chapter starts by examining if and how migration and remittances can spur business and real estate investments. Potential differences between rural and urban areas when it comes to investments following migration and remittances are also analysed. It then examines the role of return migration for investments in migrant origin countries. Finally, the chapter analyses the role of public policies for investment decisions linked to return migration and remittances, with particular focus on sectoral policies to improve the wider investment and financial service sector such as financial training and more inclusive financial services.

Migration and remittances have the potential to strengthen development processes through long-term investments that benefit migrants, their households and their countries of origin. Policy makers widely acknowledge the positive impacts of migration and remittances on development globally, most recently in the 2030 Agenda for Sustainable Development (UN, 2015a). The total amount of international remittances sent home by migrants to developing countries is estimated to have reached USD 432 billion in 2015 (World Bank, 2016a), constituting a significant and important source of funding for development in low and middle-income countries. Migrants can accumulate savings abroad and bring financial resources to their countries of origin on their return. Migration and remittances can help overcome financial constraints and stimulate investments and entrepreneurship, especially in countries where access to credit is limited and formal financial markets are underdeveloped (see for example Acosta, 2007; Woodruff and Zenteno, 2007; Yang, 2008). In addition, remittances can have a broader impact, by boosting domestic demand, especially if they are channelled into productive investments (Durand et al., 1996).

The development potential of the increasing flow of remittances into low and middle-income countries has generated interest among policy makers in boosting remittance volumes and channelling remittances into more productive investment. Signatories to the Addis Ababa Action Agenda have committed to ensuring that affordable financial services are available to migrants and their households, as well as to reducing remittance transfer costs (UN, 2015b). Other initiatives to promote remittance investments include tax exemptions for migrants on imported capital for investments, match funding and support for diaspora bonds. There is also a growing interest in harnessing the migration-development potential through return migration.

Apart from policies directly targeting migration and remittances, the sending and use of remittances and investment decisions by return migrants also depends on other factors, such as a favourable investment climate and inclusive financial systems that stimulate saving and investments. It is therefore important to understand the conditions under which remittances and return migration are likely to promote well-being for migrants' households and more long-term development.

This chapter explores these conditions, contributing new insights on the importance of public policies for enhancing the development impacts of migration and remittances.

This chapter explores these conditions, contributing new insights on the importance of public policies for enhancing the development impacts of migration and remittances. The first section of the chapter gives a brief overview of the investment and financial services sector in the partner countries. In a second section, the link between migration, remittances and investment is analysed. Finally, the third section of the chapter discusses the link between investment and financial service policies and migration.

Table 6.1. **Migration, investment and financial services: key findings**

How does migration affect investment?	How do investment and financial service policies affect migration?
• Remittances support business ownership in urban areas and stimulate investment in real estate.	• A poor investment climate negatively affects households' abilities to invest remittances and accumulate savings.
• Households with return migrants are more likely to run businesses than non-migrant households.	• Financial inclusion translates into more formally sent remittances.
	• Lack of financial training represents a missed opportunity to channel remittances towards more productive investment.

Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Overview of the investment and financial service sector in the ten partner countries

Access to finance and basic financial services can help individuals manage and grow their funds and plan for both long-term goals and short-term emergencies. Yet around 2 billion individuals worldwide – 38% of all adults – are estimated to lack access to basic financial services (Demirguc-Kunt et al., 2015). More than 200 million formal and informal, micro, small and medium-sized enterprises in developing economies are also estimated to have their financing needs either unserved or under-served (Stein et al., 2013).

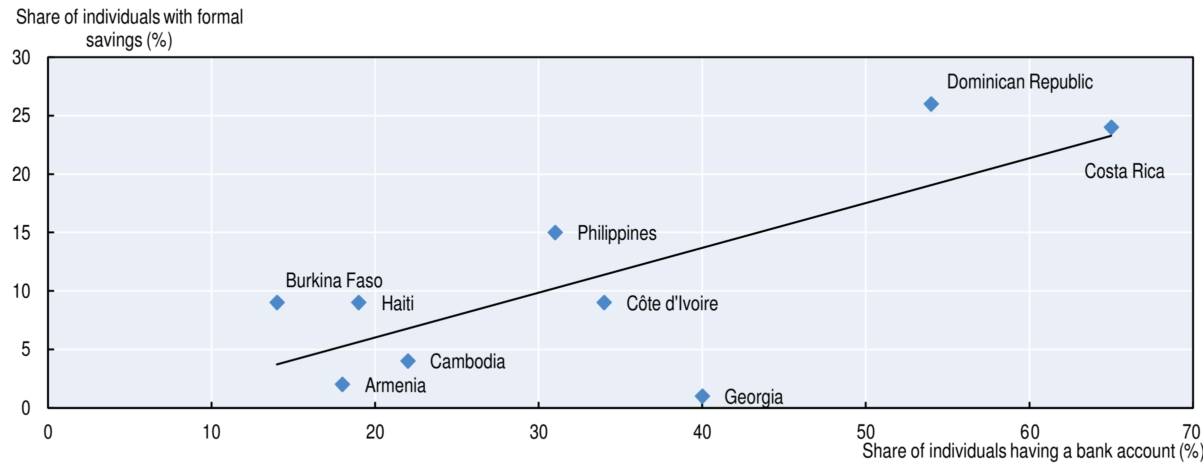
Access to financial services varies across the IPPMD partner countries (Figure 6.1). Access to bank accounts and formal savings is particularly low in Armenia, Burkina Faso, Cambodia and Haiti. The Dominican Republic and Costa Rica are the most advanced countries in the sample for access to banks, being the only partner countries where more than 50% of adults have access to a bank account. Armenia and Georgia stand out for their low rate of formal savings: only 1% of adults in Georgia and 2% in Armenia save formally.[1] In Armenia this may partially be due to the low share of people with access to bank accounts (less than 20%), but this explanation does not hold for Georgia, where around 40% of the population has access to a bank account. Having a bank account does not automatically imply formal savings – globally only 42% of account holders save (Demirguc-Kunt et al., 2015). The IPPMD sample does however show a positive association between access to a bank account and formal savings.

The IPPMD community survey collected data on the existence of formal financial service providers (banks, microcredit organisations and money transfer operators) in the localities where the household and community surveys were implemented. Figure 6.2 displays the share of urban and rural communities with service institutions across the partner countries. The gap between urban and rural areas is most prominent in Armenia, followed by Burkina Faso and Cambodia. More than 90% of the sampled communities in urban areas of Armenia have bank branches, while the corresponding share for rural communities is less than 10%. The low share of adults with a bank account and the low rate of formal savings shown in Figure 6.1 are likely to therefore be linked to weak financial service infrastructure in rural Armenia, Burkina Faso and Cambodia. The Dominican Republic and the Philippines have the smallest difference between rural and urban areas when it comes to financial infrastructure. The share of communities with bank offices in rural areas is almost as high as in urban areas.

Formal banks constitute the most common financial institution in urban areas in most countries. However, microcredit organisations are more common than formal banks in urban areas in Cambodia and the Philippines. In the Philippines, microcredit organisations also outnumber banks in rural areas.

Figure 6.1. **Possession of bank accounts and formal saving rates are positively correlated**

Formal savings (%) and bank account possession (%)



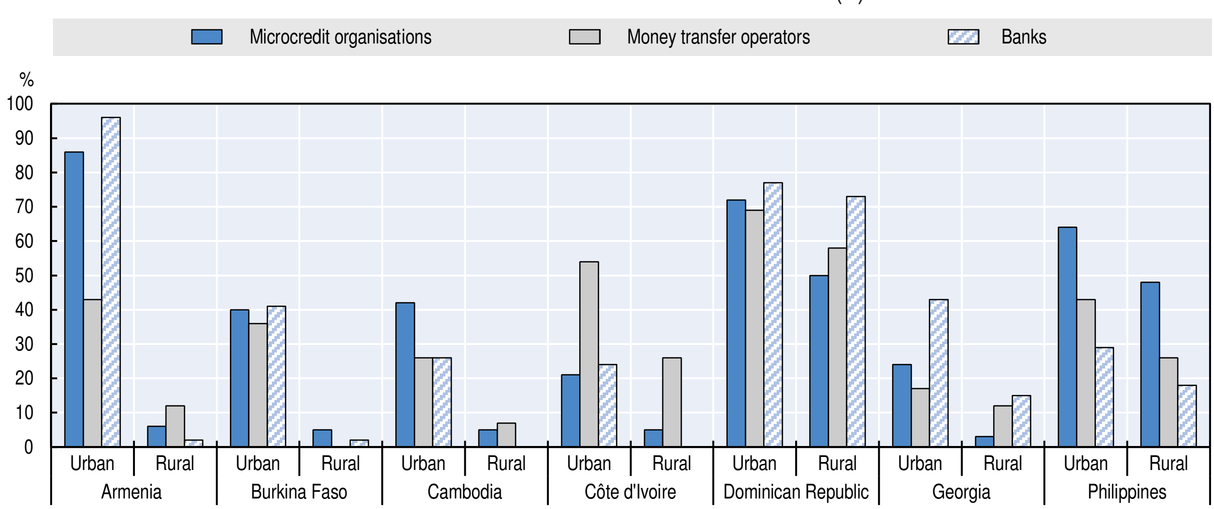
Note: The definition of formal savings is having saved in a formal bank or other financial institution. Only individuals 15 years and older are included. Data are not available for Morocco.

Source: World Bank *Global Financial Inclusion Database*, *http://databank.worldbank.org/data/reports.aspx?source=global-findex*.

StatLink http://dx.doi.org/10.1787/888933417986

Figure 6.2. **Urban communities are better covered by financial service institutions**

Share of communities with financial institutions (%)



Note: The community survey was not implemented in Haiti due to financial and logistic constraints. Cross-country comparisons of financial service institutions require some caution as the size of the communities differs across countries (Chapter 2), as do urban-rural definitions. Data for Costa Rica, Haiti and Morocco are not available.

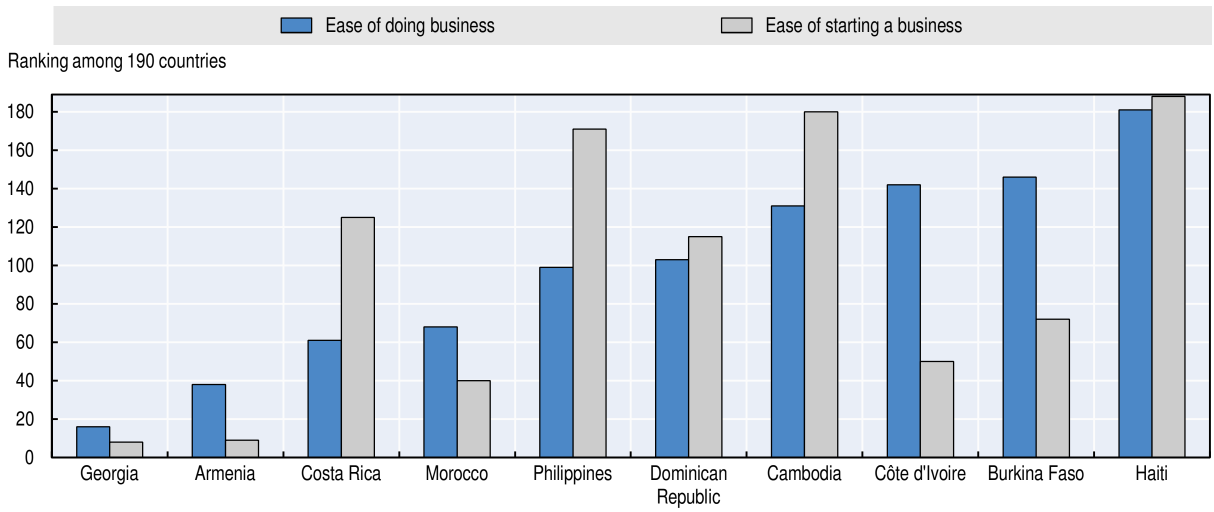
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933417995

Another factor that may impede productive investments is an unfavourable investment climate. The World Bank *Doing Business Index* ranks countries by how favourable their regulatory environment is for the start-up and operation of local firms. A high ranking (i.e. a low numerical value) indicates a more favourable business environment (World Bank, 2016b). The IPPMD countries differ markedly in the 2017 index (Figure 6.3). Both Georgia and Armenia are within the top 40, while Cambodia and Haiti rank close to the bottom of the 189 countries ranked.

Figure 6.3. **IPPMD countries vary enormously in their ease of doing business**

Ease of doing business ranking by country



Note: A high rank (represented by a *low* numerical value) indicates a relatively more favourable business environment. Starting a business is one of the sub-topics in the overall ease of doing business index. The countries in the figure are ordered according to their overall ease of doing business ranking.

Source: World Bank Doing Business Index (2017 ranking), *www.doingbusiness.org/rankings*.

StatLink http://dx.doi.org/10.1787/888933418003

Georgia and Armenia rank among the top ten countries globally when it comes to the ease of starting up a business: Georgia at number 8 and Armenia at number 9. Other partner countries have significant discrepancies between their overall ease of doing business rank and their ease of starting a business. While Costa Rica ranks 58 overall, it ranks 121 for the ease of starting up a business. In Côte d'Ivoire and Burkina Faso, it is the other way round: while there seem to be few barriers to starting a business, keeping it going is more challenging.

It is worth noting that the ease of doing business seems correlated with overall development. The four countries faced with most barriers to doing business – Burkina Faso, Cambodia, Côte d'Ivoire and Haiti – are the lowest on the Human Development Index, while Armenia, Georgia and Costa Rica are the most advanced economies in terms of human development (UNDP, 2015). It is also important to keep in mind that the *Doing Business Index* measures business regulations that apply mainly to businesses that are officially registered, while many small businesses in developing countries operate on an informal basis and may face other types of obstacles.

How does migration affect investments?

Migration can affect investments in various ways:

- migrants can accumulate savings and start and run businesses while abroad or on their return
- remittances can fund productive investments, for example in businesses and real estate
- return migrants can bring funds, entrepreneurial skills and valuable networks back to their country of origin.

The link between migration and productive investments has been widely discussed in the literature. However, the overall effect of migration and remittances on investments is not straightforward. Migration and remittances can offer a way to overcome credit market imperfections and enable households to invest in productive activities such as businesses or land and property (Adams and Cuecuecha, 2010a; Massey and Parrado, 1998; Woodruff and Zenteno, 2007; Yang, 2008). Several studies have shown that return migrants are more likely to start a business than individuals who have never migrated (McCormick and Wahba, 2001; Mesnard, 2004; Wahba and Zenou, 2012).

On the other hand, other studies found that the effect of remittances on productive investments is often limited. For example, households are more prone to spend their remittances on daily needs and consumption goods than to invest them for the future (Basok, 2000; Chami et al., 2003; Zarate-Hoyos, 2004), and remittance-receipt is sometimes associated with lower likelihood of business ownership (Amuedo-Dorantes and Pozo, 2006). This is particularly true in countries where remittances are received by some of the poorest households – those in more urgent need of satisfying their daily requirements for food and clothing (Adams and Cuecuecha, 2010b). Furthermore, the fact that emigrants and return migrants are often over-represented among the self-employed is not necessarily an active investment decision, but could reflect the fact that barriers to formal wage employment push them towards self-employment (Brixy et al., 2013). Migration could also have disruptive effects on investment if households need to sell their businesses or other valuable assets to finance the cost of migration.

However, it is important to keep in mind that remittances have potential multiplier effects (Durand et al., 1996). For example, remittances spent on consumption may, apart from being an important income source for the household, also contribute to development and growth by increasing the demand for goods and services and stimulating production and employment. Migration has been shown to reduce poverty even in households without migrants, due to an increase in economic activity driven by remittance flows and by remittances directed to households without migrants (Martinez and Yang, 2007).

The link between migration and investment was extensively discussed in the IPPMD stakeholder interviews. Remittance and return migrant investments in business activities, land and construction were identified as positive outcomes of migration for both migrant households and the local and national economy. However, stakeholders also identified some barriers to productive investment, including poor infrastructure and the security situation in Haiti and (return) migrants' lack of business skills in Georgia. Despite their favourable ranking when it comes to business regulations (Figure 6.3), stakeholders in both Georgia and Armenia mentioned that the investment climate should be improved in order to maximise investments stemming from remittances and return migration. Stakeholders in Armenia and Cambodia also pointed out that a better investment climate – one that facilitates business investments and job creation – could prevent people from emigrating in the first place.

Finally, diaspora investments were also mentioned frequently in the stakeholder interviews. Governments have in general become increasingly interested in how to engage their diasporas in the development processes and how to channel diaspora investments into entrepreneurship, innovation and priority sectors of the economy (Agunias and Newland, 2012). Such effects are however hard to capture using surveys administrated in migrant-sending countries and are therefore not analysed in this chapter.

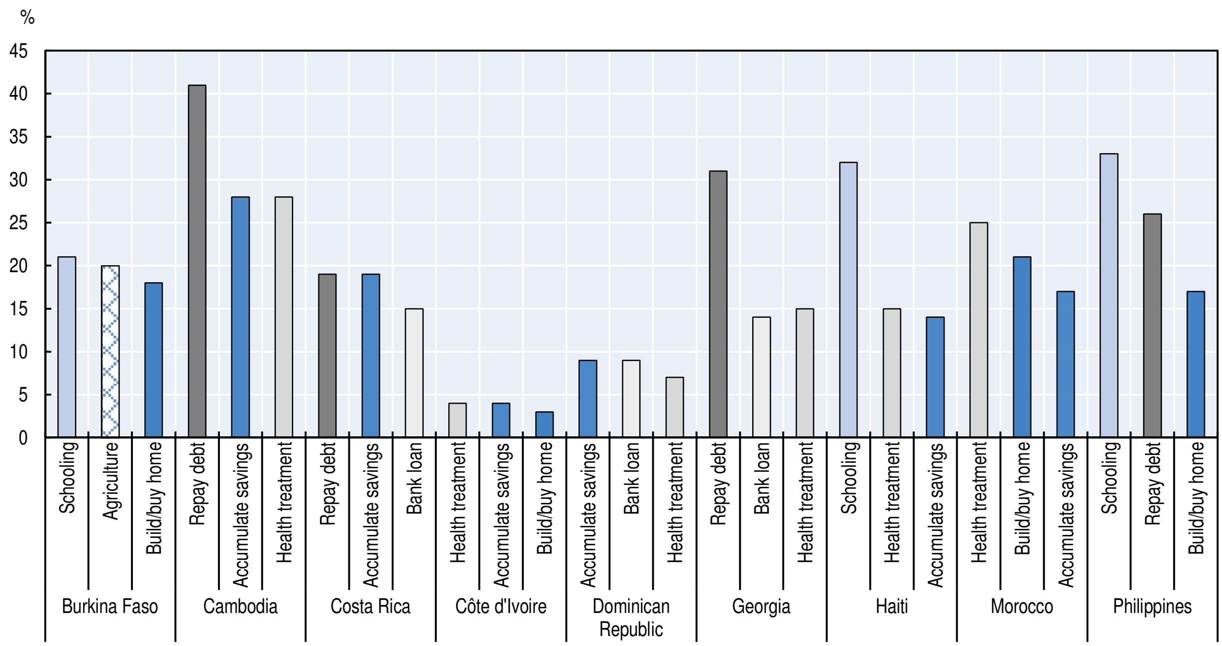
Remittances are often used to repay debt, secure a loan and finance healthcare

Understanding the motives underlying the sending and use of remittances is important when analysing and developing policies related to the linkages between migration and productive investments. The IPPMD questionnaire explored this by asking remittance-receiving households about the long-term and short-term activities carried out following the emigration of a household member.[2]

Three activities were common to most countries: taking out a bank loan, paying for a member's health treatment and repaying a loan or debt (Figure 6.4). Paying for the schooling of a household member and accumulating savings were other common activities. The fact that many households repay debts after a household member emigrates may not be surprising if households took out a loan to finance emigration costs. Accumulation of debts with very high interest rates was mentioned as a push factor for emigration by a stakeholder during the expert interviews in Cambodia.

Figure 6.4. **Many households choose to repay debts after a member has emigrated**

Top three activities undertaken by households since emigrant left the household



Note: The figure displays the top three most common activities reported by households for each country. The sample only includes households that received remittances from a former member. Households could specify up to three different activities undertaken after a migrant left the household from the following list: taking a loan from a bank, paying for health treatment or schooling of a household member, accumulating savings, repaying a debt/loan, building or buying a home, investing in agricultural activities, taking out a loan from informal sources, accumulating debt, setting up a business, building a dwelling to sell to others, buying land, and restoring or improving housing. The households were also free to specify other alternatives, not included in the list.

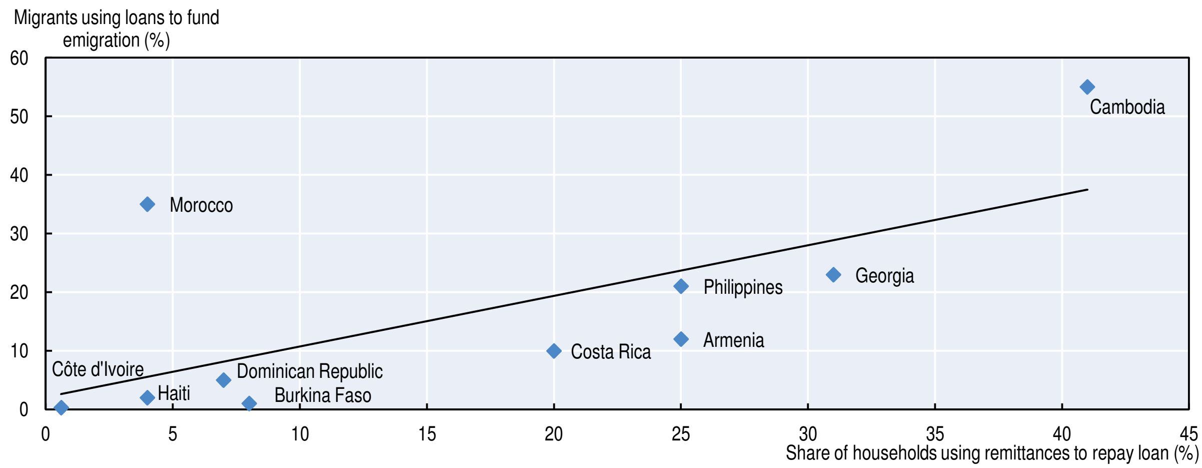
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418017

Indeed, investigating how migrants in the sample financed their migration reveals that the use of loans is highest in countries with the highest share of households using remittances to repay debts (Cambodia, Georgia and the Philippines). Some 55% of Cambodian, 23% of Georgian and 21% of Filipino emigrants stated that loans were the main means of funding their migration. In Burkina Faso, Côte d'Ivoire, the Dominican Republic and Haiti – where few households used remittances to repay loans – the share of households using loans to finance emigration was much lower, at 1%, 0.3%, 5% and 2% respectively (Figure 6.5).

Figure 6.5. **Remittance use for debt repayment is linked to emigration funded by loans**

Share of households using remittances to repay loan (%) and share of emigrants funding emigration by loans (%)



Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418020

Using remittances for savings was among the top activities in Costa Rica and the Dominican Republic – the two countries with the highest rate of access to bank accounts – although it was also top in Cambodia and Haiti where the share of individuals with a bank account is considerably lower (Figure 6.1).

The rate at which households take out a bank loan following the emigration of a household member may suggest that remittances augment household collateral. Remittance income may be factored in when financial institutions and providers evaluate the creditworthiness of applicants for microloans, consumer loans and small business loans. International remittances also serve as an external income source that can help smooth the income of poor households that face income volatility and negative income shocks; this would make remittance-receiving households more attractive to lenders (Ratha et al., 2011).

Few households in the IPPMD sample stated that they used the remittances to start a business (around 6% of the households in the Philippines and 4% or less in the other countries). This is not enough to conclude that remittances are not used for investments in business start-ups or investments, however. Using remittances for daily consumption may free up resources in the household budget for investment, such as starting a business or investing in an existing one, thereby indirectly contributing to an increase in investments. The next section of this chapter investigates the link between migration and business entrepreneurship.

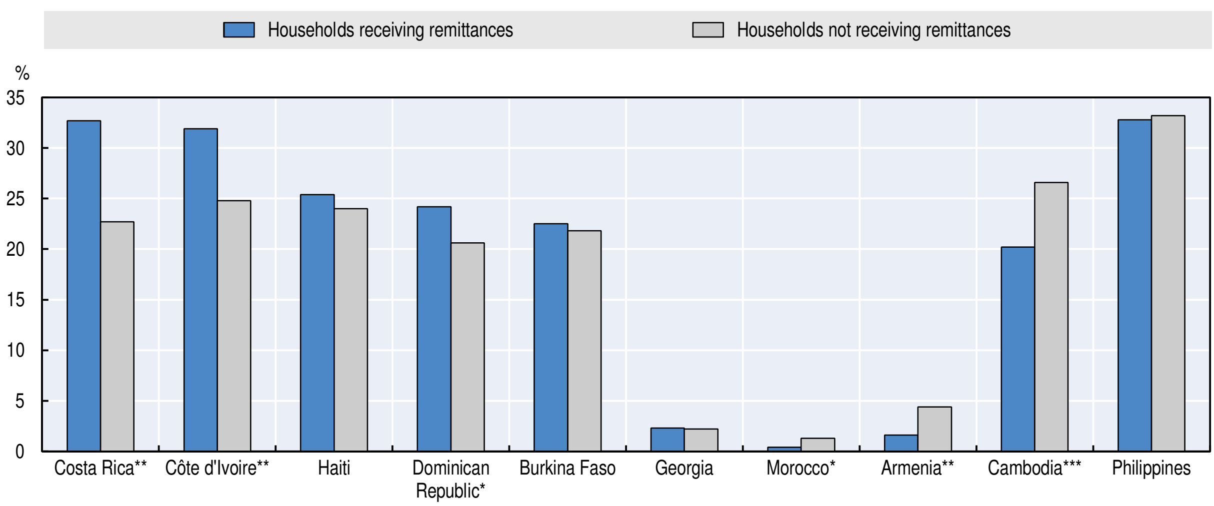
Remittances are mainly associated with business ownership in urban areas

As discussed above, the empirical evidence for the link between migration and business investments is mixed. The IPPMD data contain detailed information about households' business ownership in the non-agricultural sector. Overall, about one-quarter of the households across the ten countries own at least one business. Figure 6.6 compares business ownership between households receiving and not receiving remittances. Households receiving remittances are more likely to own a business than those without in Burkina Faso, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia and Haiti, while the opposite is true for Armenia, Cambodia, Morocco and the Philippines. The difference is statistically significant in six countries (Armenia, Cambodia, Costa Rica, Côte d'Ivoire, Morocco and the Dominican Republic).

Business ownership is in general much lower in Armenia and Georgia than in the other countries, which is a bit surprising given that they have the most business-friendly regulations in the sample, as shown in Figure 6.3. One potential explanation is that households in these countries were less likely to include small informal businesses in the definition of a business, though the questionnaire was designed to capture business activities ranging from informal self-employment to larger enterprises.

Figure 6.6. **Households that receive remittances are often more likely to be business owners**

Share of households owning a business (%), by whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

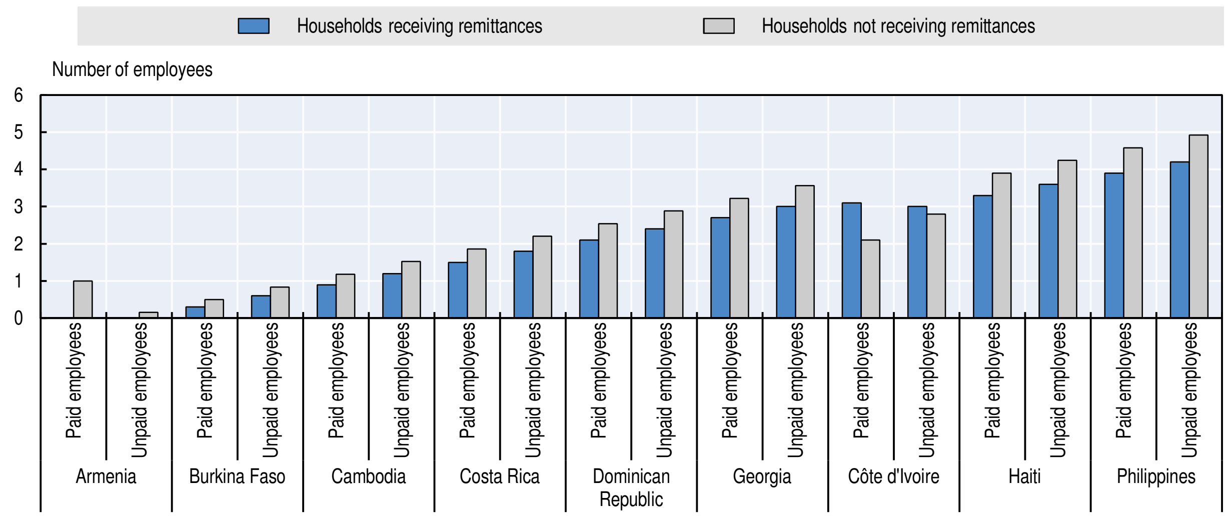
StatLink http://dx.doi.org/10.1787/888933418034

Business ownership can also generate employment opportunities within and beyond households with remittances. A majority of the businesses run by households in the sample are small, however, and do not have any paid employees. Less than one in five households with a business hire any paid employees in all countries except Georgia, where one out of three households with a business hires paid employees. In Cambodia and Haiti, very few household businesses employ anyone outside the household, at 6% and 7% respectively.

Among those households that do hire employees, households receiving remittances employ on average slightly fewer paid employees than households without remittances. This is true for both paid and unpaid employees, and for all countries except Côte d'Ivoire. This indicates that remittances play a limited role in job creation beyond households receiving remittances.

Figure 6.7. **Households not receiving remittances run slightly larger businesses**

Average number of paid and unpaid employees hired by households running businesses, by whether they receive remittances



Note: The figure displays the average number of employees (paid and unpaid) among households with businesses that have employees. None of the businesses run by remittance-receiving households in Armenia had any employees. Morocco is not included due to limited sample size.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418042

Table 6.2 analyses the relationship between migration, remittances and business ownership using regression analysis controlling for individual and household characteristics.[3] The results show a mixed relationship between remittances and business ownership. There was a positive link between receiving remittances and running a business in Burkina Faso, Costa Rica and the Dominican Republic. However, the link was only significant in urban areas. Furthermore, in line with the descriptive statistics (Figure 6.6) the link between remittances and business ownership is negative in Cambodia (urban areas). Analysis also showed a positive link between the amount of remittances and business ownership in Burkina Faso and Haiti, and a negative link in the Philippines.

Overall, the results show a fairly weak association between migration and business ownership in most of the partner countries, especially in rural areas. This implies that households may not be receiving enough remittances to finance business investments. Productive investments normally require higher levels of remittances or accumulated savings than purchase of consumption goods. The descriptive statistics on the use of remittances also suggest that remittances are being used to pay for health care and debt repayments rather than productive investments (Figure 6.4).

The fact that the only positive links between remittances and business ownership are found in urban areas suggests that barriers to investments may be higher in rural areas. The negative relationship between receiving remittances and business ownership found in Cambodia, and to some extent in Armenia, is likely explained by the fact that the decision to migrate is influenced by poverty and lack of employment, as migrants in general come from a poorer part of the population (Chapter 8). Remittances may in this case become more of a last resort for households to cover short-term expenses rather than a means to finance long-term investments.

Table 6.2. **The links between remittances and business investments**

Dependent variable: Household owns a business
Main variables of interest: Household receiving remittances and amount of remittances
Type of model: Probit
Sample: All households and by geographical location

Variable of interest:	Receiving remittances			Amount of remittances
Sample:	All households	Urban areas	Rural areas	All households
Burkina Faso		↑		↑
Cambodia		↓		
Costa Rica		↑		
Côte d'Ivoire				
Dominican Republic		↑		
Haiti				↑
Philippines				↓

Note: The arrows indicate a statistically significant positive (upwards arrow) or negative (downwards arrow) relation between the dependent variable and the main independent variable of interest. In some specifications, the sample size is very limited given the small sample of households running a business (Armenia, Georgia and Morocco) or limited sample of remittance-receiving households (Costa Rica). Morocco, Armenia and Georgia are therefore not included in the analysis.

Remittances seem to stimulate investments in real estate, but only in a few countries

Apart from business activities, migrant and remittance-receiving households may also decide to spend their remittances on other productive assets, such as investments in real estate (here defined as land and property). Real estate is often considered a relatively safe investment that requires less financial, human and social capital than investment in business activities. Investments in land and property can thus be a way for migrants and their households to save, and can also act as collateral for further borrowing and investments, especially if access to credit is hampered by imperfect credit markets. Investments in real estate can give households access to new sources of income such as rental income, and can potentially create multiplier effects in the local economy by boosting demand for construction (Chappell et al., 2010; Mezger and Beauchemin, 2010).

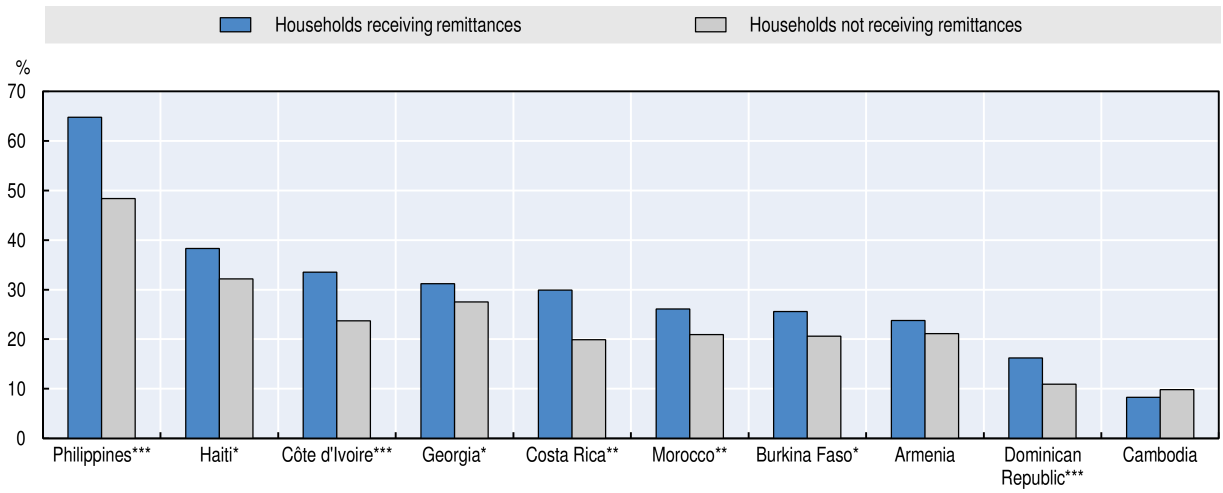
The IPPMD questionnaire asks about household land and property ownership (defined as non-agricultural land and property assets, such as houses and apartments other than the building in which the household lives).[4] Figure 6.8 compares ownership of non-agricultural land and/or property assets among households that receive and do not receive remittances.[5] In all countries but Cambodia remittance-receiving households are more likely to own real estate than those not receiving remittances. The difference is significant for all countries except Armenia and Cambodia.

Table 6.3 presents the results from regression analysis examining the link between remittances and real estate ownership.[6] The results show a statistically significant positive association between remittances and real estate in Armenia, Côte d'Ivoire, Georgia, Haiti, Morocco and the Philippines. In Armenia and Georgia, however, the effect is only significant for higher levels of remittances, indicating that receiving remittances is not enough on its own; the amount received is important.

All in all, the results show mixed and fairly weak associations between real-estate ownership and remittances. In contrast to the results for business ownership, there are no differences between rural and urban areas. The fact that significant results are only found in countries where real estate ownership is higher (Figure 6.8) indicates that some results may in part by driven by a fairly small sample size.

Figure 6.8. **Real estate ownership is in general higher among remittance-receiving households**

Share of households owning real estate (land and housing) (%), by whether they receive remittances



Note: Real estate includes non-agricultural land and property (housing and/or apartments) other than the house the household currently lives in. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418056

Table 6.3. **The links between remittances and real estate ownership**

Dependent variable: Household owns real estate
Main variables of interest: Household receive remittances and amount of remittances
Type of model: Probit

Variable of interest:	Receiving remittances			Amount of remittances
Sample:	All households	Urban areas	Rural areas	All households
Armenia				↑
Burkina Faso				
Cambodia				
Costa Rica				
Côte d'Ivoire	↑	↑	↑	↑
Dominican Republic				
Georgia				↑
Haiti	↑ 1			
Morocco	↑	↑		
Philippines	↑	↑		↓ 2

Note: the arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. 1. The association is only statistically significant for emigration, not for remittances. 2. Emigration is positively and remittances are negatively associated with business ownerships. Separate analyses were carried out only for land ownership, but the results did not differ from the aggregated measure of land and property.

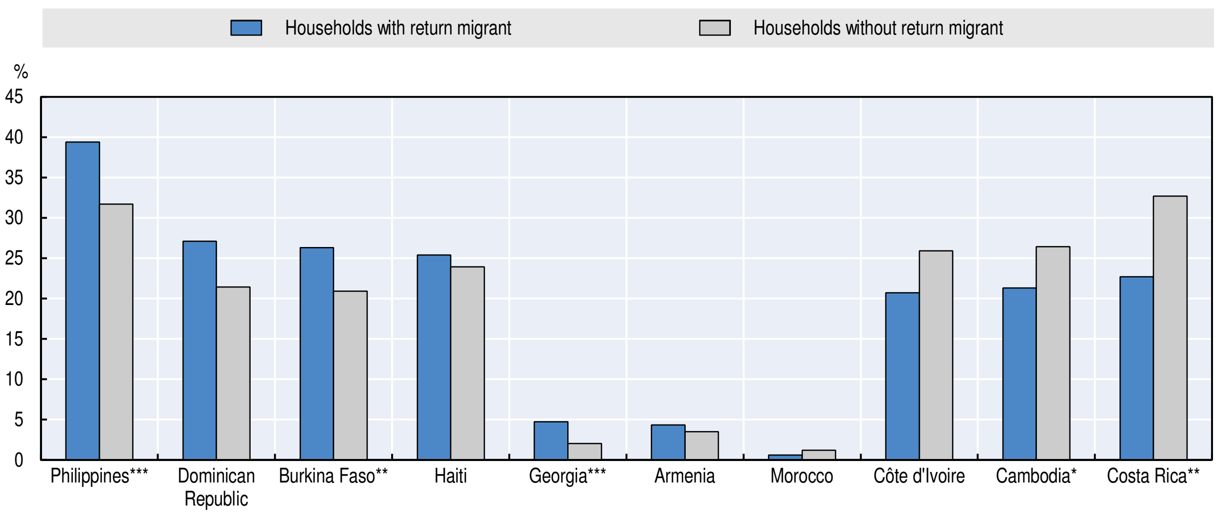
Return migrants have the potential to invest in their countries of origin

As discussed above, return migration may generate investments in business activities and real estate. Migrants may return with new knowledge and capital that can be used to finance business activities and invest in productive assets. On the other hand, migration may also undermine return migrants' labour market integration if their experience involved employment below their qualifications or weakened their social ties in their country of origin. Creating a business can sometimes then be the "last resort" for returning migrants who cannot find a job locally (Mezger and Flahaux, 2013).

IPPMD data include information about return migrants in the household as well as household business activities. However, the information about business activities is at household level, so it does not show if the business is run by the return migrants themselves or by other members of the household. The analysis therefore can only compare productive assets and business activities at household level. Figure 6.9 shows that return migrant households are more likely to operate a business in a majority of the countries except Cambodia, Costa Rica, Côte d'Ivoire and Morocco.

Figure 6.9. **Households with return migrants are in general more likely to run a business**

Share of households running a business (%), by whether they have a return migrant



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418061

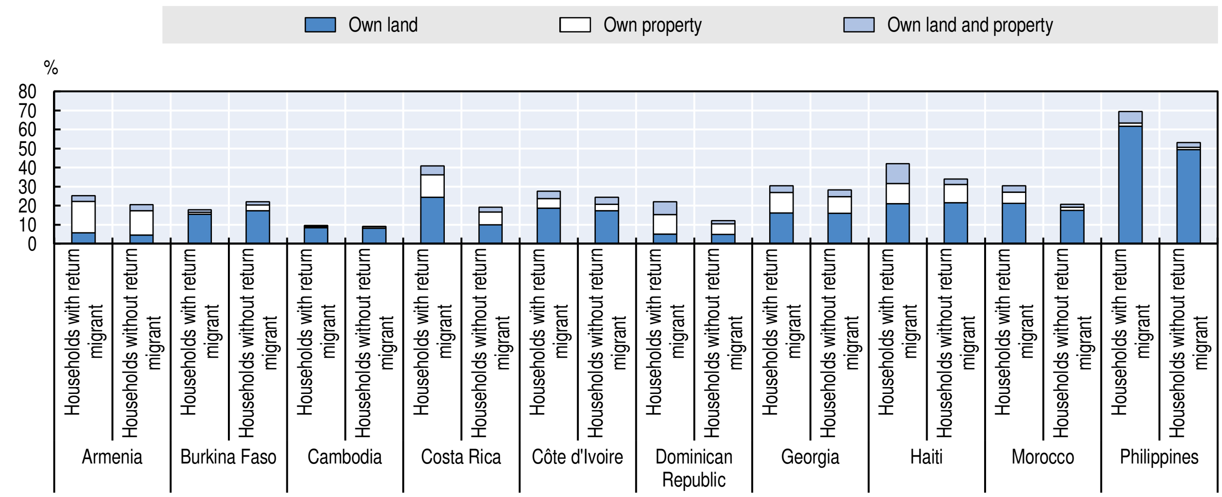
In most countries real estate ownership is more likely in households with return migrants than in those without. Land is a more common real estate asset than property in a majority of the countries, particularly in Burkina Faso, Cambodia and the Philippines. Property ownership is more common in Armenia and the Dominican Republic (Figure 6.10).

A probit regression analysis was run to explore the link between return migration and productive investments in business and real estate in urban and rural areas, controlling for additional individual and household characteristics (Table 6.4).[7] The results reveal both positive and negative linkages. Return migration is associated with higher asset ownership (of both businesses and real estate) in urban areas of Costa Rica; in the Philippines return migrant households had higher business ownership rates in rural areas, but were more likely to own real estate in urban areas.

In Burkina Faso, the association between real-estate ownership and emigration is negative in rural areas, but not in urban areas. One explanation may be that households use real-estate assets to finance emigration, selling them off to finance the migration of a member. Another explanation may lie in the profile of return migrant households. Migrants from the poorer part of the population who move to neighbouring countries to work in unskilled occupations may not be able to accumulate enough savings to invest in businesses or real estate on their return.

Figure 6.10. **Households with return migrants are slightly more likely to own real estate**

Share of households owning real estate property (%), by whether they have a return migrant



Note: Real estate includes non-agricultural land and buildings other than the household's own house.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418076

The link between return migration and investments is weak in several of the partner countries. This may reflect emigration's potentially disruptive effect on labour market integration and access to financial services. For example, stakeholders in Costa Rica mentioned that return migrants face problems opening bank accounts on their return.

Table 6.4. **The links between return migration and productive investments**

Dependent variable: Business and real estate ownership
Main variables of interest: Household has a return migrant
Type of model: Probit
Sample: All households, by geographical location

Dependent variable:	Business ownership		Real-estate ownership	
Sample:	Urban	Rural	Urban	Rural
Armenia				
Burkina Faso				↓
Cambodia				
Costa Rica	↑		↑	
Côte d'Ivoire		↑		
Dominican Republic				↑
Georgia[1]	↑	↑		
Haiti				
Morocco	n/a	n/a		↑
Philippines		↑	↑	

Note: the arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. There was no difference in results when land only was analysed separately.

1. There is a statistically significant association between business ownership and return migration when the overall sample is analysed (rural and urban), no analysis could however be performed for urban and rural areas separately due to a limited sample size of households owning a business.

How do investment and financial service policies affect migration?

Policy makers have paid substantial attention to the relationship between migration and investment in recent decades. Countries with significant migration and remittance flows have implemented policies to harness the potential of remittances to finance development. These include migrant entrepreneurial training, policies linking migrants to financial institutions to obtain loans for business start-ups, promoting village savings groups with a focus on remittances, developing new technologies to address the costs and ease of sending remittances, and issuing diaspora bonds to stimulate investment in development projects (see for example Ratha, 2013; IFAD, 2015).

However, most of the attention has focused on policies that explicitly target migrants, their households and diaspora communities. Public policies to improve the wider investment and financial service sector have received less attention. Given the large inflows of remittances to low and middle-income countries and the potential multiplier effects that remittances can have at local, regional and national level, policies not directly targeting migration can also be an important tool to enhance the positive linkages between migration and investments. The rest of this chapter focuses on policies on financial inclusion, financial training and their impact on remittance patterns.

The IPPMD household survey includes modules on business ownership, and financial services and businesses. All households were asked questions about financial services, while households with at least one business were also asked about business operation, investment policies and obstacles to running a business (Box 6.1).

Meeting bank requirements is a barrier to access to bank accounts in many countries

Realising the full multiplier effect of remittances requires households, both with and without remittances, to have access to formal financial institutions. Figure 6.1 showed a positive correlation between access to bank accounts and formal savings. Access to the formal financial system encourages migrants to send remittances though formal channels and can strengthen the impact of remittances on development by encouraging more savings and better matching of savings with investment opportunities (UNDP, 2011). Remittances sent through formal channels are not only more secure for the sender and the receiver, they can also contribute to the development of the financial sector and create multiplier effects by making resources available to finance economic activities, which in turn can encourage more productive investments.

Figure 6.12 gives an overview of the use of bank accounts among households in partner countries, by remittance status. Households receiving remittances are more likely to have access to bank accounts in a majority of the partner countries, with a substantial (and statistically significant) difference in Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Haiti, Morocco and the Philippines. In Burkina Faso and Georgia there is virtually no difference in access. Armenia is the only country where remittance-receiving households are less likely to have access to a bank account.

The overall rate of holding bank accounts among households also differs substantially across countries. Less than 10% of households in the Cambodian sample have a bank account, compared to around 80% of households in Costa Rica and Georgia.[8]

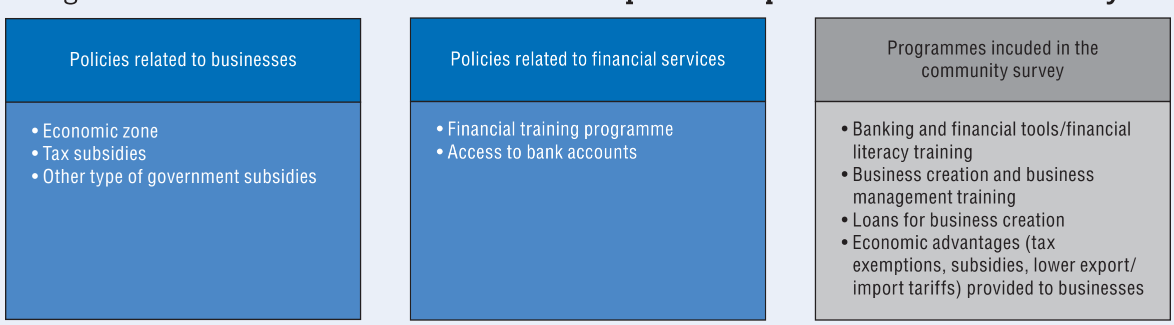
Box 6.1. **Investment and financial service policies covered in the IPPMD survey**

The IPPMD household questionnaire includes a number of questions on business investment policies, business obstacles and access to the formal financial sector (Figure 6.11). Business policy questions included questions related to tax subsidies and other subsidies from which the household business has benefited. However, these questions were only asked to households with businesses with at least four employees. The sample size is therefore limited.

The questionnaire also asked about access to bank accounts and participation in financial training. Access to an account in a formal bank gives people access to the formal financial sector, which can facilitate remittances and other capital transfers, encourage more remittances to be sent through formal channels, and facilitate access to credit and other financial services. Households without bank accounts ("un-banked households") often have to pay more to access basic financial services. The questionnaire also asked if anyone in the household had taken part in a financial training programme in the previous five years. Financial training can provide guidance to migrants, return migrants and remittance-receiving households on investment products and investment opportunities that can help households to use their remittances in more productive ways.

The community questionnaire also included a number of questions about policies and programmes related to investment and financial services available in the communities being surveyed. These include financial and business training programmes, loans for business start-ups and other types of economic advantages to stimulate investments such as tax exemptions, business subsidies, and favourable import and export tariffs.

Figure 6.11. **Investment and financial service policies explored in the IPPMD surveys**

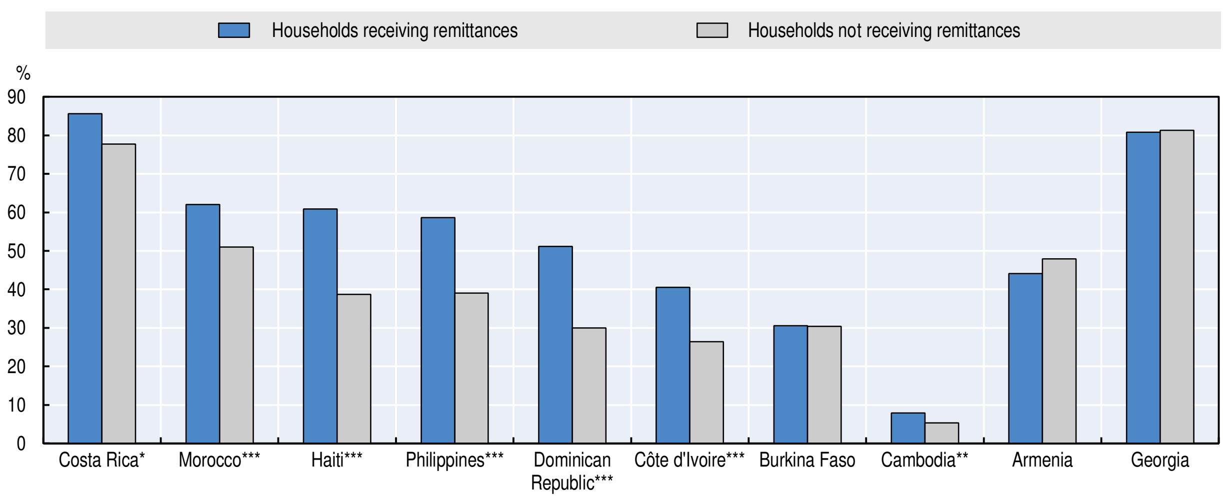


The link between access to bank accounts and remittances could work in two directions. Having a bank account makes it easier to receive remittances and so may increase the chances of receiving them. On the other hand, receiving remittances may create a need among households for a formal account to deposit the money. In the latter case, it is the remittances that lead to better access to financial institutions rather than the other way round. Studies have shown that an inflow of remittances can stimulate financial development (Gupta et al., 2009). Comparing the information about the time of emigration and when the household opened its first bank account shows that households generally opened a bank account before the member left the household.

Financial exclusion can be driven by barriers on both the supply and the demand side. On the supply side, high costs and strict requirements can prevent poorer households from accessing financial services. Demand-side barriers include language barriers, low levels of financial literacy and a lack of trust in financial institutions (Atkinson and Messy, 2015). The IPPMD survey asked households about their reasons for not having a bank account. Figure 6.13 shows the main reasons for not having a bank account in selected countries where access to bank accounts is relatively low. The responses can be divided into two main groups: (1) the household does not need a bank account or (2) it cannot access one – either because it is too expensive or because the household cannot meet the bank's requirements. For around 15% of the households without a bank account in the Dominican Republic and the Philippines it is because a bank account is too expensive. Hence, addressing supply side barriers of high costs and strict requirements could improve unbanked households' access to the financial sector. Developing financial products to meet the needs of households and providing information about available products and services could also lead to an expansion in financial exclusion. The inability to access an account is more common among households not receiving remittances, which might suggest that remittances are a means for households to access the financial sector.

Figure 6.12. **Households receiving remittances are substantially more likely to have bank accounts in a majority of the partner countries**

Share of households having a bank account (%), by whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Remittances include all remittances, from former members and migrants that never been part of the household.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418086

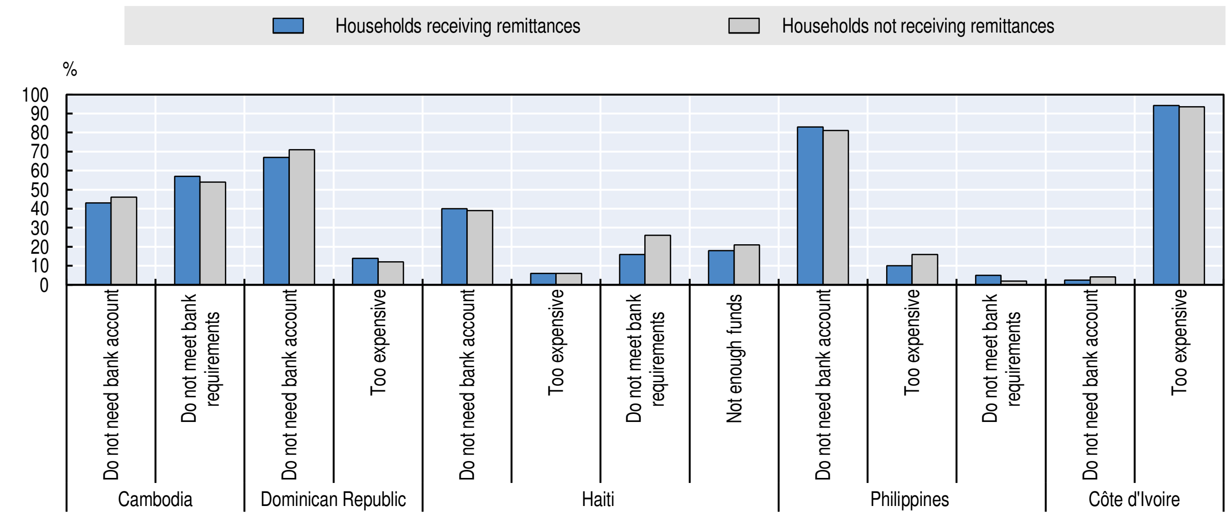
Access to the formal financial sector translates into more formal remittances

As mentioned above, access to the formal financial sector may facilitate the sending and receiving of remittances and stimulate increased remittances in general, particularly those sent through formal channels. Remittances sent through banks or other financial intermediaries have also been shown to stimulate savings (Aggarwal et al., 2006; Gupta et al., 2009).

Figure 6.14 compares the total amount of remittances received for households with and without bank accounts. Households with bank accounts receive on average more remittances, the only exception being Georgia (in the Dominican Republic there is essentially no difference). The difference in average remittances received between banked and un-banked households is quite striking in Cambodia and the Philippines. Households with a bank account in Cambodia receive on average almost twice the amount of remittances compared to households without bank accounts (USD 3 800 vs. USD 1 800). In the Philippines, the difference is USD 4600 for households with a bank account compared to USD 2 600 for households without bank accounts.

Figure 6.13. **Meeting bank requirements is a barrier to access in many countries**

Main reasons for not opening a bank account, by whether the households receive remittances



Note: The figure displays the most common reasons for not having a bank account in selected countries where access to bank accounts is relatively low. All reasons stated by at least 4% of the sample are displayed.

Source: Authors' own work based on IPPMD data.

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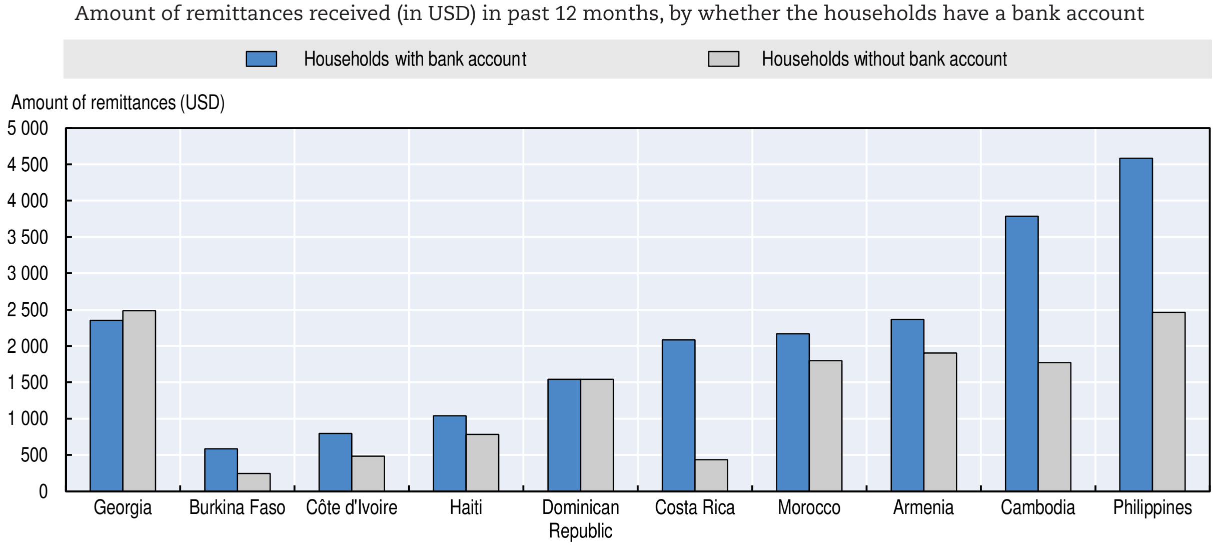
Figure 6.14. **Remittance-receiving households with bank accounts receive more remittances on average**

Amount of remittances received (in USD) in past 12 months, by whether the households have a bank account



Note: Remittances are defined as the average amount of money (in USD) received from anyone living abroad by the households in the 12 months prior to the survey. The sample only includes households that receive remittances.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933445254

Table 6.5 presents the results of a regression analysis on the link between access to bank accounts and the level and formality of remittances.[9] The results suggest that in most of the sampled countries having access to a bank account is positively and significantly associated with households receiving higher amounts of remittances, and lowers the likelihood of receiving remittances through informal channels. Access to a bank account is associated with higher amounts of remittances in Cambodia, Costa Rica, Côte d'Ivoire and Haiti, although the difference is only statistically significant in rural areas for Côte d'Ivoire and Haiti. Remittances are less likely to be sent through informal channels if the receiving households have a bank account in all countries except Armenia and Georgia. In Georgia, most households already have access to a bank account, which might be driving the results.

Table 6.5. **The links between bank accounts and remittance-sending behaviour**

Dependent variable: Household has access to a bank account
Main variables of interest: Amount of remittances and household receives informal remittances
Type of model: Ordinary Least Square (OLS) and probit
Sample: Households receiving remittances

Variable of interest:	Informal remittances	Amount of remittances
Armenia		
Burkina Faso	↓ [1]	
Cambodia	↓	↑
Costa Rica	*n/a*	↑
Côte d'Ivoire	*n/a*	↑ [2]
Dominican Republic	*n/a*	
Georgia		
Haiti	↓	↑ [2]
Morocco		
Philippines	↓	

Note: the arrows indicate a statistically significant positive or negative relation between the dependent variable and the main variable of interest. Very few households receive remittances through informal channels in Côte d'Ivoire, Costa Rica and the Dominican Republic (12, 2 and 8 households respectively).
1. Only statistically significant in urban areas. 2. Only statistically significant in rural areas.

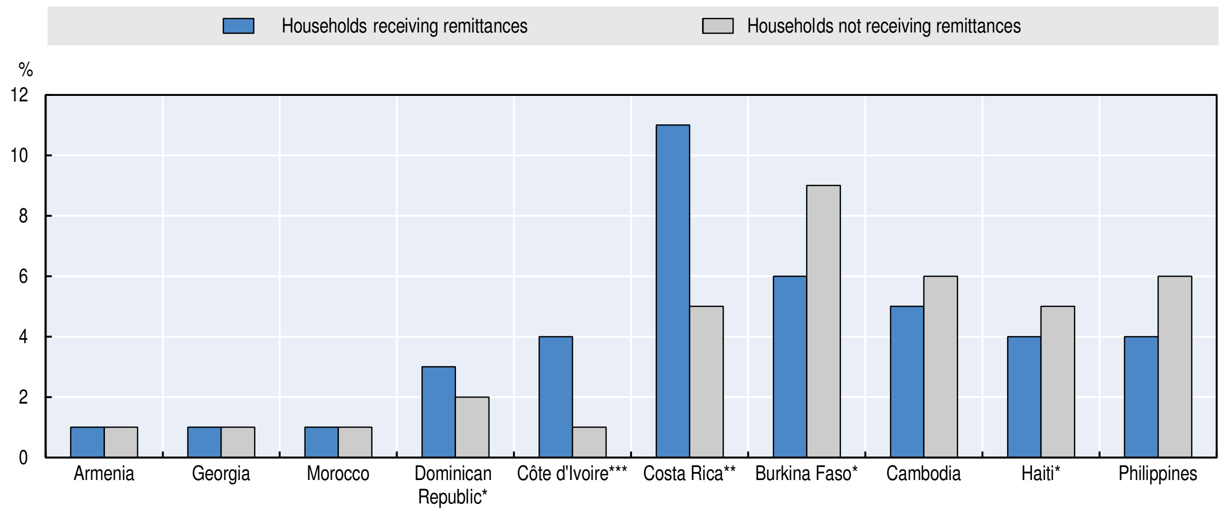
Few households have benefited from financial training programmes

If remittances are to be used productively, households need to be aware of the investment products available, and any saving and investment opportunities. This applies to both households receiving remittances and households in communities where remittances inflows are high and thereby subject to multiplier effects. Starting up and operating businesses also require business management skills. Financial training programmes help to build financial literacy, which can encourage investment in productive assets. To date there are few empirical studies evaluating the impact of financial education programmes on migrants and their households; nevertheless there is some evidence that training increases financial knowledge and in some cases also encourages saving of remittances by household members in the country of origin (Doi et al., 2012; Atkinson and Messy, 2015).

Based on the number of households in the IPPMD sample benefiting from financial training programmes in the previous five years, the coverage of such programmes is relatively low in most partner countries (Figure 6.15). The overall participation rate is around 5%, with Burkina Faso the highest at around 10%. Less than 1% of households in Georgia and Armenia have benefited from a financial training programme. Remittance households are more likely to have attended a financial training than households not receiving remittances in a majority of the countries, but the difference is often marginal.

Figure 6.15. **Few households participated in financial training programmes**

Share of households taking part in a financial training programme in the past five years (%), by whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

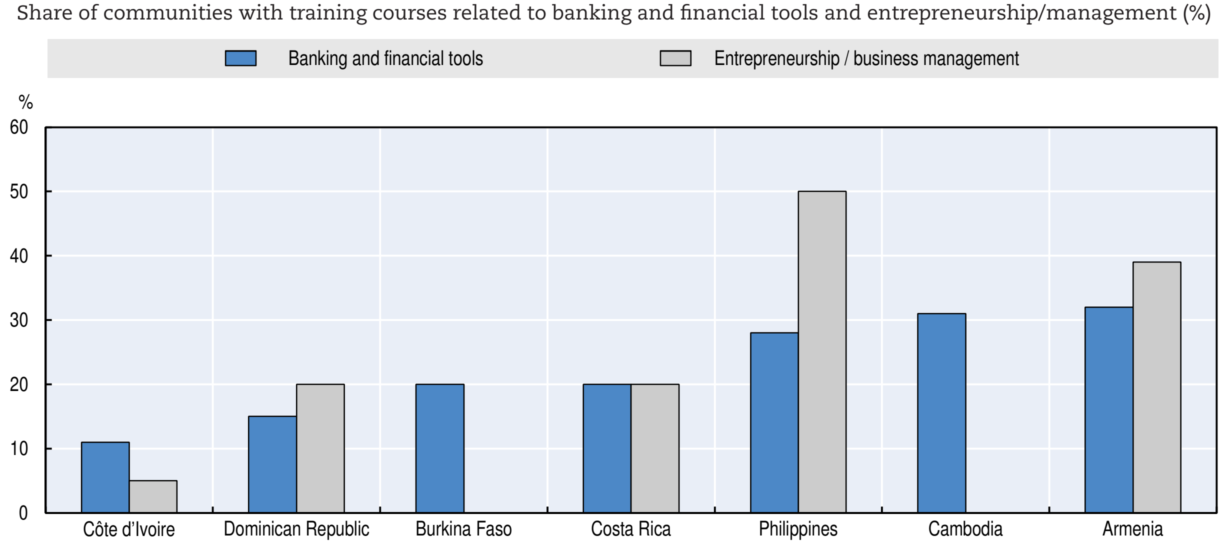
Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418108

The community survey also found that the share of communities in the sample covered by government financial and business education programmes varies across countries (Figure 6.16). Few communities have access to training in banking and financial tools (i.e. savings and loans) or entrepreneurship. All countries for which data is available, except Georgia, had courses related to financial services while in Burkina Faso or Cambodia no communities had any training programmes related to entrepreneurship.

Figure 6.16. **Courses on entrepreneurship and business management are available in less than half of the communities in the sample**

Share of communities with training courses related to banking and financial tools and entrepreneurship/management (%)



Note: Georgia is not included in the figure as no communities sampled offered any courses, and no communities offered entrepreneurship/business management courses in Burkina Faso and Cambodia. No data is available for Haiti and Morocco.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418115

Policy recommendations

Migration and remittances generate income for millions of households in low and middle-income countries, which can help households overcome financial constraints and become a source of developing funding. The results from the ten IPPMD countries confirm previous findings that savings accumulated by return migrants and from remittances can spur investment and entrepreneurship, but that the link is not automatic. Households receiving remittances and having a return migrant are generally more likely to own businesses or real estate than those without, particularly in urban areas. However, the link between migration and investments is not clear cut, and the results suggest that the impact of migration and remittances on investments has not yet been fully realised. A poor investment climate may negatively affect households' abilities to use remittances and accumulate savings. Facilitating business creation and operation of small-scale businesses is particularly important as remittance households tend to run businesses with no or few employees. Offering small business loans and business management training could help strengthen remittance investments in business activities.

In addition, migration is often financed by debt, and remittances are more likely to be used to repay debt, secure loans or pay for healthcare than invest in business directly. The costs of emigration could also contribute to the absence or delay of productive investments following emigration. In the absence of functional credit markets, households may have to pay high interest rates. The amount of time and resources it takes the household to repay debts may then undermine their ability to invest. It is therefore important to provide information about safe and secure migration channels to enable emigrants to make well informed decisions.

The sending and use of remittances and investment decisions by return migrants depends on contextual factors such as a favourable investment climate and inclusive financial systems that stimulate saving and investments. The countries vary widely from access to bank accounts and the availability of financial literacy training, to the ease of starting and doing business. Participation in financial training programmes is very low among both migrant and non-migrant households in the sample, which might be a missed opportunity to channel remittances into more productive investments. Financial service institutions and level of financial inclusion, such as the share of the population who have a bank account, are also fairly poor in several countries, especially in rural areas. Yet, financial inclusion is shown to be positively linked to greater amounts of remittances and less reliance on informal channels. In addition, expanding financial inclusion could also stimulate more competition among service providers, which in turn would contribute to lowering the costs of transferring money. Sectoral policies could hence help create a more enabling environment by for example introducing measures to expand financial inclusion and provide financial literacy training for migration and remittance funds to be used more efficiently.

Table 6.6. **Strengthening the links between migration, investment, financial services and development**

	Policy recommendations
Remittances	● Support the start-up and operation of small-scale businesses through providing small business loans and business managements training to encourage remittance investments. ● Expand financial service provision, especially in rural areas, by increasing competition among service providers and adapting the regulatory framework. ● Increase financial literacy among households in communities with high emigration rates.
Return migration	● Provide information about local investment opportunities to return migrants through tailored investment networks and websites.

Notes

1. It is worth noting that World Bank data on formal savings concern only savings accumulated in the 12 months prior to the survey date.
2. A pre-specified list of activities was provided in the questionnaire, but households could also state activities beyond those included in the questionnaire.
3. The control variables included in the regression were the following: household size and household size squared, dependency ratio (share of children and elderly to working age population in the household), mean education level of adults in the household, urban/rural location, household headed by male or female, number of children in the household, region in which the household is located, and household wealth (measured by an asset index).
4. The questionnaire included a question recording the number of certain assets, such as land and property assets, which the household owns, but no details on when these assets were acquired. It is hence not possible to distinguish between assets acquired before and after a migrant left the household and/or started receiving remittances, which limits the analyses.
5. Receiving remittances is analysed here regardless of whether the household has a migrant or not. Not all remittance-receiving households are migrant households, and not all migrant households receive remittances. Whether the household has a migrant or not is however included as a control variable in the regression models.
6. The control variables included in the regression are the same as in the specification in Table 6.2; see endnote 3.
7. The control variables included in the regression are the same as in the specification in Table 6.2; see endnote 3.
8. The rate of access to bank accounts differs slightly from the data shown in Figure 6.1. This is probably because Figure 6.1 displays individual access to bank accounts while Figure 6.12 represents household access. Sampling may also have affected the levels in Figure 6.12. In most countries the sample is not nationally representative, and the areas included may be over/under represented when it comes to access to bank accounts.
9. See endnote 3.

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Chapter 7

Expanding the coverage of social protection and health services for better migration and development outcomes

Social protection and health coverage play an increasingly important role in development policy, including the Sustainable Development Goals. This chapter considers the impact of migration on such services, whether increasing demand or supporting their provision. It first looks at how new entrants into the country, such as immigrants and return migrants, use and contribute to the system. It then analyses whether remittances are used for social and health expenditures, highlighting differences in urban and rural localities. The chapter also investigates how social protection and health policies might affect decisions to migrate and remit, based on individual and household coverage of such policies.

Social protection is concerned with preventing, managing, and overcoming situations that adversely affect people's well-being (UNRISD, 2010). From a policy perspective, they are enacted through labour interventions, social insurance and social assistance (i.e. transfers).[1] Good social protection and health coverage are essential to society as they promote social cohesion, ensure happier lives and improve productivity, yet more than 70% of the world population lacks proper social protection (ILO, 2014) and at least 400 million people worldwide do not have access to essential health services (WHO and World Bank, 2015).

The international community has committed to improving on this front. The International Labor Organization's (ILO) 2012 Social Protection Floors Recommendation (Recommendation Number 202) aims to get countries to guarantee access to essential health care and basic income security, nutrition and education for children, older persons and those of active age but unable to earn a sufficient income (ILO, 2012). In addition, two landmark commitments were made by leaders from governments and United Nations organisations, city chiefs, and health experts from around the world at the 9th Global Conference on Health Promotion in November 2016, on bold political choices concerning health: The Shanghai Declaration on Health Promotion and The Shanghai Healthy Cities Mayors' Consensus (WHO, 2016). Social protection and health concerns are set to play an increasingly important role in development policy with the adoption of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs), most prominently:

- **SDG 1**, which aims at ending poverty and explicitly calls for the implementation of nationally **appropriate social protection systems**, particularly where the poor are concentrated: micro and small enterprises and the informal sector.
- **SDG 3**, which aims to ensure healthy lives and promote well-being for all at all ages, and **universal health coverage**.
- **SDG 8**, which aims at decent work – opportunities to find work that provides **social protection for families**.
- **SDG 10**, which aims at adopting **social protection policies**, and progressively achieving greater equality.

As social protection gains in importance in many countries, so does its potential to interact with migration outcomes in many ways. The United Nations' New York Declaration for Refugees and Migrants for instance, adopted in September 2016 by the United Nations General Assembly, commits member states to taking measures to improve the integration of immigrants through access to education and health care, amongst other things (UN, 2016). Migrants can be users of services, but they can also contribute to them. Households may use remittances to finance social expenditures, thus expanding the private sector and even providing an incentive for governments to spend less on social protection. On the other hand, social protection policies can determine whether people stay or leave the country, whether remittances are sent and whether integration is successful. This chapter considers how migration affects the social protection sector and whether policies in the sector affect migration.

The chapter is divided into four sections. The first section provides a contextual overview of the social protection and health sectors in six of the IPPMD project countries and the data collected in 2014-15. The second section discusses the impact of the four dimensions of migration – emigration, remittances, return migration and immigration – on social protection and health. The third section explores the impact that social protection and health policies may have on the decisions to migrate, whether to send remittances, whether to return, and the chances of successful integration in the host country. The chapter concludes with a series of policy recommendations.

Table 7.1. **Migration and social protection and health: Key findings**

How does migration affect social protection and health?	How do social protection and health policies affect migration?
● Return migrants and immigrants are less likely to benefit from government transfers thannon-migrants.	● Public investment in social protection tend to curb emigration.
● Immigrants are less likely to pay taxes because of their concentration in the informal sector.	● Increased social protection coverage reduces the probability of receiving remittances.
● Remittances are not often used for social expenditures generally, but are used for specificexpenditures on and use of health facilities.	● Having better access to social protection reduces the likelihood of immigrants returning to their home countries.
	● Access to social protection and health services foster the integration of immigrants,.

Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Overview of social protection and health in the ten partner countries

The IPPMD project collected data on social services use, coverage and expenditures; types of labour contracts; and employment benefits, for six countries, Armenia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia and Morocco.[2] However, data on immigrants were not collected in Georgia, and the number of immigrants sampled was small in Armenia (127 immigrants in 75 households) and Morocco (52 immigrants in 39 households). Therefore, analyses of immigrants focus solely on Costa Rica, Côte d'Ivoire and the Dominican Republic. All sampled households were surveyed, including rural and urban ones, and those with and without all types of migrants (current emigrants, return migrants and immigrants; Chapter 2). Some questions were asked at the household level, including on social expenditures, government transfers and distance to the nearest health clinic. Others, such as on the use of services, the type of labour contracts and the benefits included, were asked to individuals over the age of 14.

This chapter compares various groups of households or individuals depending on their migration background: households receiving remittances (from any source, not just former members) are compared to households not receiving remittances. Individual return migrants are compared to individuals that have no migration background at all. Immigrants are compared to native-born individuals, including return migrants (Chapter 2).

The presence and importance of social protection varies quite widely across countries, and strategies also vary in their objectives. A universal social protection system is costly and can often seems out of reach for developing countries. However, there is a global trend towards extending both health and social protection coverage (Honorati et al., 2015; WHO and World Bank, 2015). All IPPMD countries share the aim of expanding their social protection coverage (Box 7.1).

Box 7.1. **Social protection in the IPPMD countries' national development strategies**

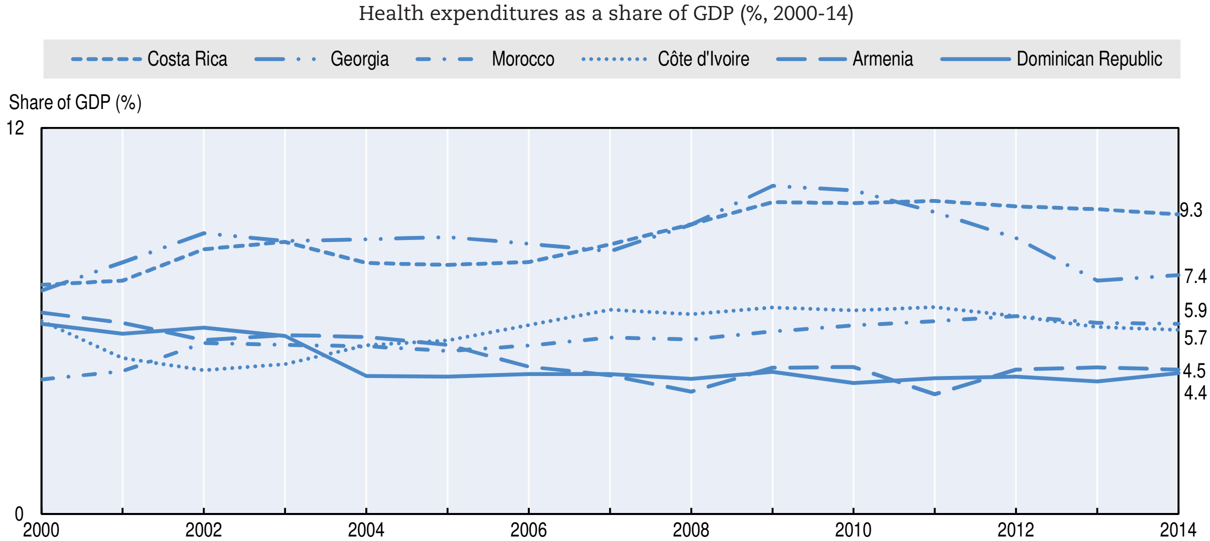
In addition to having a prominent place in the SDGs, social protection is also a main feature in national development strategies.

- In Armenia's 2014-25 Perspective Development Strategic Programme, the improvement of the social protection system is one of its four key priorities.
- In Costa Rica's 2015-18 National Development Plan, the first three key strategic sectors discussed are 1) labour and social security; 2) human development and social cohesion; and 3) health, nutrition and sport.
- Côte d'Ivoire's 2016-20 National Development Plan outlines strengthening social protection systems as a key part of the fight against vulnerability and as a major challenge for the country.
- The Dominican Republic's 2010-30 National Development Strategy describes the gap in the provision of health services and the insufficient growth in decent employment as major shortcomings. One of the strategy's four axes is to guarantee health and comprehensive social security for everyone within a framework of territorial cohesion.
- In Georgia's 2014-20 national development strategy (Georgia 2020), improving the social assistance system is a sub-pillar of the main strategy on the development of human resources.
- While no overarching national strategy provides direction for the social sector in Morocco, the 2012-16 sectoral health strategy comprises seven axes, one of which is improvement in access to health services, health outcomes for vulnerable populations and resources for health. Morocco's 2015-25 national employment strategy also has a pillar dedicated to enhancing human capital, with an objective of expanding social protection coverage.

The IPPMD countries provide a broad array of social protection coverage. Figure 7.1 provides a picture of health expenditures as a percentage of gross domestic product (GDP) in the IPPMD countries, from 2000 to 2014.

Figure 7.1. **Health expenditures in the IPPMD countries vary widely as a share of GDP**

Health expenditures as a share of GDP (%, 2000-14)



Note: Health expenditure includes both public and private health expenditures. Only IPPMD partner countries covered in this chapter are shown.

Source: World Bank, *World Development Indicators*, *http://data.worldbank.org/products/wdi*.

StatLink http://dx.doi.org/10.1787/888933418124

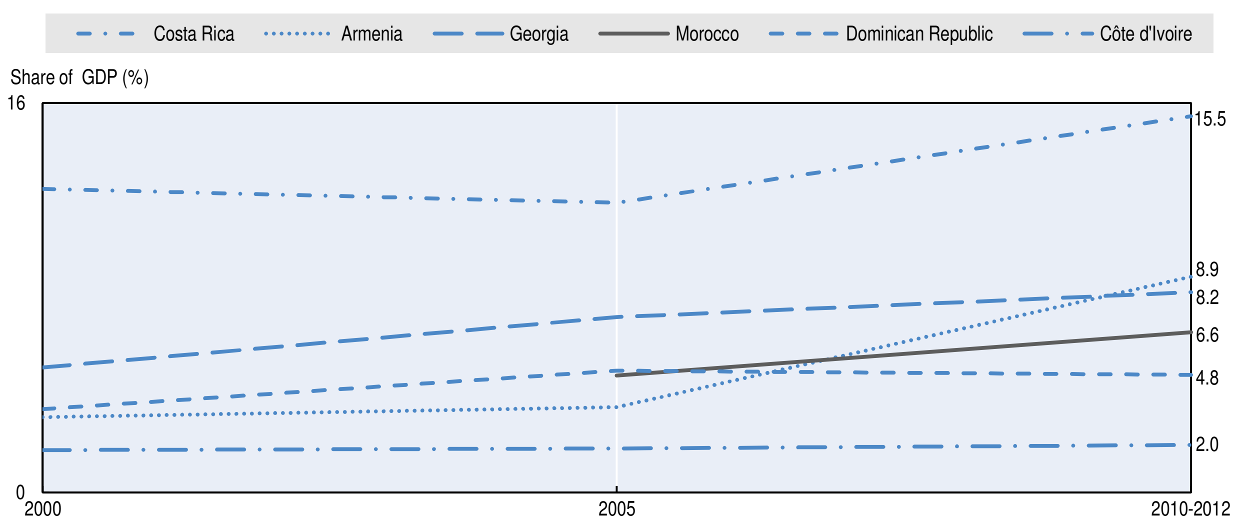
Costa Rica and Georgia spend relatively large shares of their GDP on health provision. Spending on health has fluctuated in some countries, but less so in others. Georgia spent roughly the same share of GDP in 2014 (7.4%) as it did in 2000 (6.9%), but expenditures had reached 10% in 2009-10. In Costa Rica, health expenditures in 2000 amounted to 7.1%, and they increased to 9.3% by 2014, a 2.2 percentage point increase and an increase of about 31% over the period. No country had a higher relative percentage increase than Morocco, where the share of health expenditures grew 1.7 percentage points, from 4.2% in 2000 to 5.9% in 2014 (a 41% increase). On the other hand, in Armenia and the Dominican Republic the share of GDP spent on health fell substantially between 2000 and 2014, by 28% and 26% respectively.

The shares shown in Figure 7.1 are for total expenditures (including private ones), but the role of government ranges widely across countries. In Costa Rica, 73% of health expenditures were from public sources in 2014. Public expenditures were also relatively high in the Dominican Republic (67% of total expenditures), while in contrast, they were below 50% of total health expenditures in Georgia (21%), Côte d'Ivoire (29%), Morocco (34%) and Armenia (42%) (World Bank, 2016a).

Looking at social expenditures, Costa Rica is by a wide margin the country spending the most at 15.5% of GDP in 2010, while Côte d'Ivoire spends the least at around 2% in 2011 (Figure 7.2). The growth rates also varied between countries. Expenditures over the 2000 to 2012 period grew fastest in Armenia at 161%, whereas they barely changed in Côte d'Ivoire from 2000 to 2011.

Figure 7.2. **Social expenditures in the IPPMD countries vary widely as a share of GDP**

Social expenditures as a share of GDP (%, 2000-2010/12)



Note: Data availability varies by country. For Morocco, the starting point is 2005, while for all other countries it is 2000. For Costa Rica, the Dominican Republic and Morocco, the ending point is 2010, while for Côte d'Ivoire it is 2011 and for Armenia and Georgia it is 2012.

Source: ILO, ILOSTAT Database, *www.ilo.org/ilostat*.

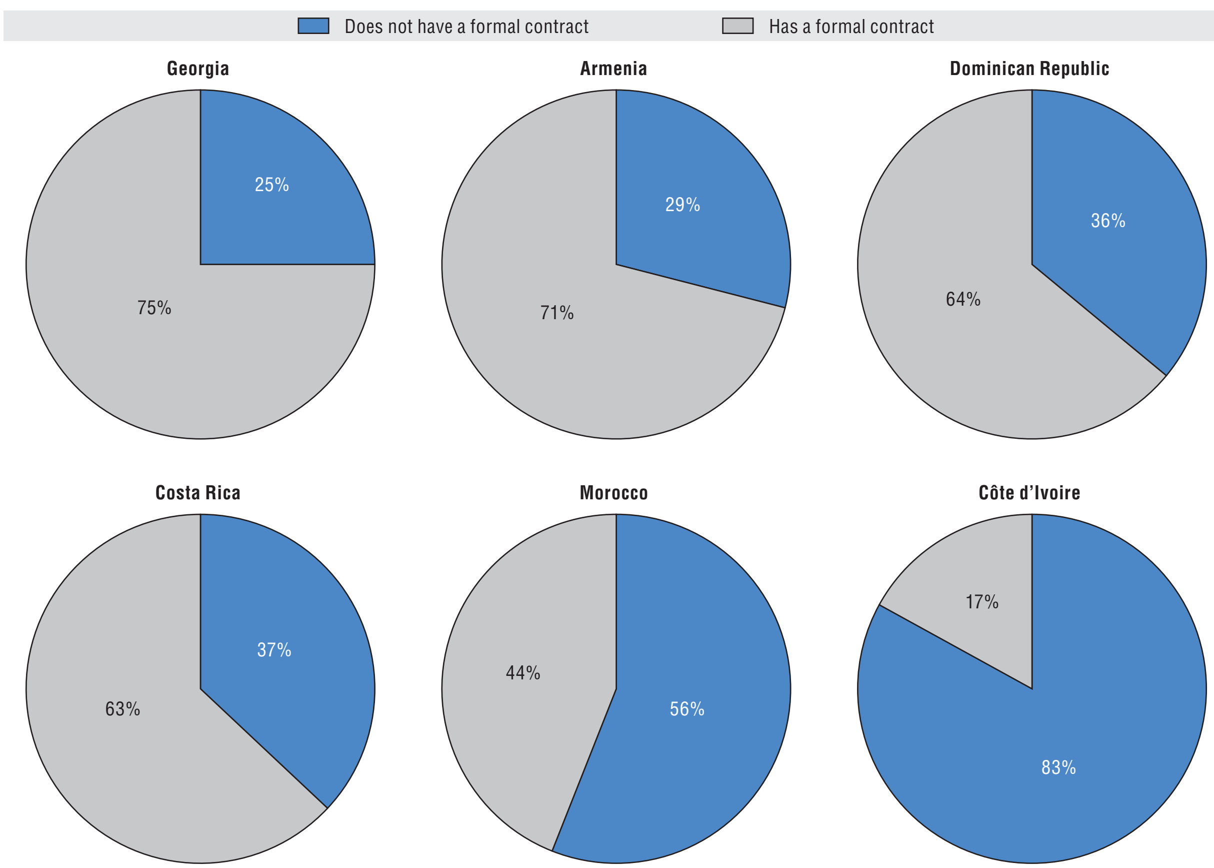
StatLink http://dx.doi.org/10.1787/888933418130

There is a diversity in how countries spend on social protection. According to the World Bank's ASPIRE Database, which looks specifically at expenditures on social assistance transfers, in Georgia, expenditures are mostly for social pensions, in Armenia for cash transfers, in the Dominican Republic a mix of in-kind transfers, school meals and fee waivers, while in Costa Rica, it is mostly attributable to conditional cash transfers. For social contributions in Costa Rica, compulsory payments made to the government make up a relatively large share of the country's total revenue (World Bank, 2016b).

Having a formal labour contract is an important determinant of social protection – not only for workers, but also their families. They minimise the likelihood of working under precarious conditions and increase the probability of obtaining work-related benefits and insurance. Many of the benefits covered in formal labour contracts also extend to immediate family members. Formal labour contracts often ensure that workers use legal systems if problems arise between the worker and the employer (OECD, 2009). It is a general reflection of the level of social protection coverage in a country. Figure 7.3 presents an overview of the IPPMD findings on labour contracts.[3] The percentage of workers without formal contracts varies widely across the countries, from 25% in Georgia to 83% in Côte d'Ivoire. It is important to note that the percentage in the IPPMD data is lower than the official figures for Costa Rica (44%) and the Dominican Republic (49%), and higher than the official figures for Armenia (20%) and Côte d'Ivoire (70%) (ILO, 2013).[4] This may reflect the difficulty of accurately sampling informal urban workers in Costa Rica and the Dominican Republic. It may also reflect the level of informal employment in the regions that were sampled in those two countries, as coverage was not national. The official figures for Côte d'Ivoire certainly report people employed in the informal sector but omit those informally employed outside of the informal sector,[5] which would increase the official figure and make it closer to that found in the IPPMD data.

Figure 7.3. **Rates of informal work vary enormously among IPPMD countries**

Share of non-agricultural workers without formal labour contracts (%)



Note: Individuals employed in the agricultural sector are not included. Agricultural occupations are defined by agricultural, forestry and fishery workers (ISCO category 6), as well as those working in elementary occupations in those fields (ISCO category 92), except for Morocco where elementary occupations are not included as agricultural occupations as they cannot be identified from the data.

Source: Authors' own work based on IPPMD data.

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How does migration affect social protection and health?

One of the major effects migration has on social protection and health comes down to whether migration is allowing individuals to contribute more to the system than they are taking out, and whether remittances are being used to pay for services in the sector. The question can be explored by breaking it down as follows:

1. Entrants into the country can be users of services. These consist of:
   a. immigrants – who may have limited *de jure* and *de facto* access to the services for a number of reasons
   b. return migrants – who often have previous knowledge of the system and generally easier access.
2. Entrants can also contribute towards replenishing the system:
   a. emigrant workers[6] may leave the sector while immigrant and return migrant workers may fill the vacancies
   b. immigrants and return migrants can help finance the services by paying taxes and through deductions from labour income.
3. Remittances may be used to cope with shocks, which may spur more supply from the private sector, and in extreme cases provide an incentive for governments to spend less on social programmes.

This section explores some of these issues, drawing on the empirical analysis of the IPPMD dataset.

Immigrants and return migrants use social services less than other individuals

There is a common belief in many countries that immigrants are net beneficiaries of social services, and thus have a negative fiscal impact. If many entrants, whether immigrants or return migrants, use social facilities, an increase in either group may increase the pressure on the system. Evidence on the net fiscal impact of immigration focusing on OECD countries finds that on average the impact is either very small relative to GDP or zero. The variation across countries can be largely accounted for by whether immigrants are working and if they entered for labour, family or humanitarian reasons; labour migrants tend to contribute the most (OECD, 2013).

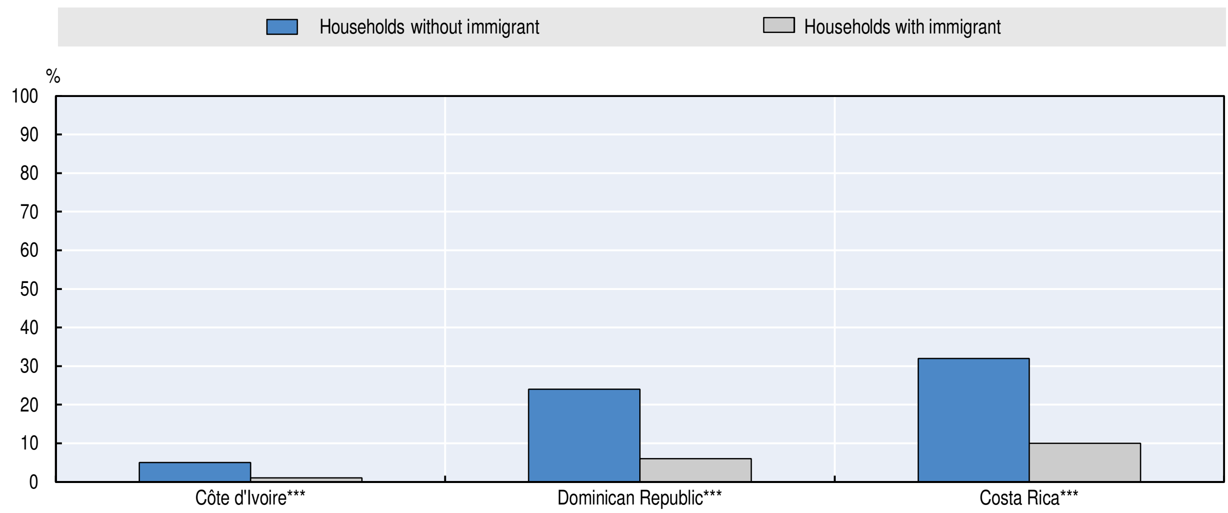
The IPPMD team collected data on whether households received government transfers for social services; whether individuals had visited a health-related facility and if so, how often in the past 12 months.[7] In the three IPPMD countries where immigration is studied – Costa Rica, Côte d'Ivoire and the Dominican Republic – immigrant households tend to be less likely than households without immigrants to receive social transfers from the government (Figure 7.4).

Moreover, regression analysis controlling for the household's size, wealth, and a rural and geographic regional dummy variable confirms the negative link between being an immigrant household and receiving social protection for Costa Rica, Côte d'Ivoire and the Dominican Republic (Table 7.2). The data also show, moreover, that whether the household resides in a rural or urban region does not determine this result.

Return migrants have more knowledge of the country, and therefore may use the system differently than immigrants, and more like others living in the country. They may return to retire, claiming a pension from their previous employment in the country. However, here too, the results for Armenia and Georgia suggest that return migrants are less likely to receive governmental transfers than other native-born individuals (Table 7.2). Both countries have actively called for emigrants to return to the country, following the years of unsteady growth in the countries. With better employment and living standard prospects, it could be that prime age and educated emigrants are returning to the country, characteristics of individuals that typically necessitate fewer social transfers. In Armenia, circular migrants that work part of the year in Russia may not stay long enough in Armenia to qualify for such transfers. While the results were valid for both rural and urban regions in Armenia, in Georgia return migrants are less likely to access government transfers than other native-born individuals exclusively in rural areas.

Figure 7.4. **Households with immigrants are less likely than households without immigrants to receive government transfers**

Share of households receiving government transfers (%), by whether they have an immigrant



Note: Governmental transfers include pension payments and any other social payment received from the government (including for health). Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of households without immigrant over immigrant ones.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418154

Table 7.2. **The links between migrant status and government transfers**

Dependent variable: Household received government transfers
Variables of interest: Household has an immigrant and household has a return migrant
Type of model: Probit
Sample: All households

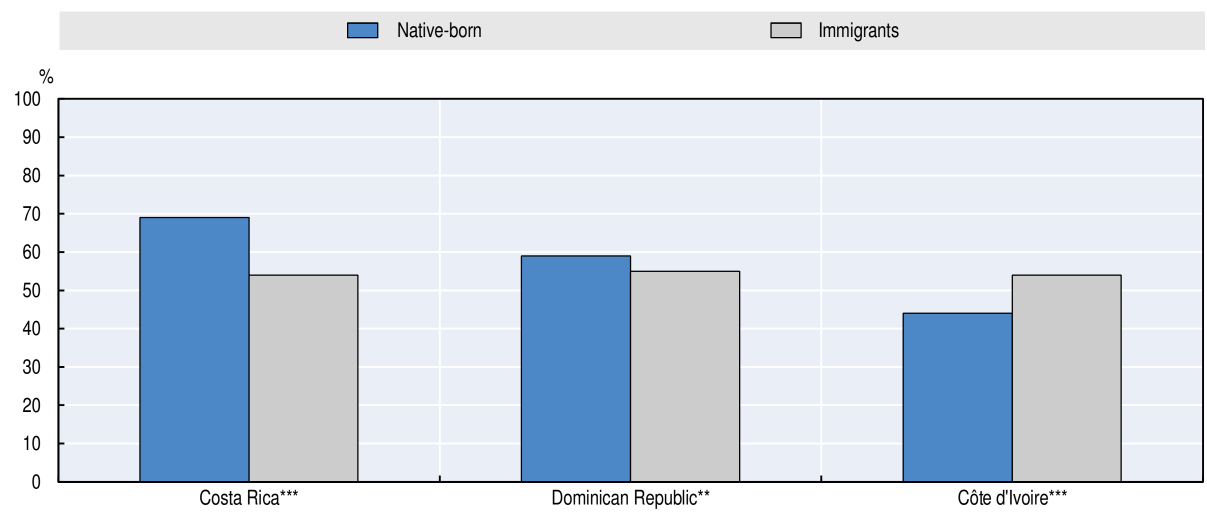
Variable of interest:	Household has an immigrant	Household has a return migrant
Armenia	n/a	⬇
Costa Rica	⬇	
Côte d'Ivoire	⬇	
Dominican Republic	⬇	
Georgia	n/a	⬇
Morocco	n/a	n/a

Note: Arrows reflect the sign of the relation between the dependent variable and the main independent variable of interest and are presented only when the significance level is at 90% or higher. The analysis of return migrants does not include households with any other link with migration (emigration, remittances or immigration). Results denoted "n/a" refer to countries for which data were not collected.[8]

Turning to health services, the data suggest that individual immigrants are not necessarily more likely to use a health facility than native-born individuals (Figure 7.5). In fact, in Costa Rica and the Dominican Republic they are less likely to do so, although regression analysis shows that the results for the Dominican Republic are not robust when other determinants are considered such as gender, age, household size and rural setting (Table 7.3). In Côte d'Ivoire, immigrants are more likely to use health services than native-born individuals. In general, and across all countries, women, older individuals, and those living in smaller and rural households are more likely to have used a health facility in the past 12 months. In fact, running separate regressions for each gender and whether the individual lives in a rural or urban region shows that the difference in use between immigrants and native-born individuals in Côte d'Ivoire is true for women, but not for men. Whether the individual lives in an urban or rural area does not explain this difference.

Figure 7.5. **Immigrant versus native-born individuals' use of health services varies across countries**

Share of individuals having visited a health facility at least once in the past 12 months (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according the ratio between native-born individuals and immigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418162

Table 7.3. **The links between migrant status and use of health facilities**

Dependent variable: Individual has visited a health facility in the past 12 months
Main variables of interest: Individual is an immigrant/ individual is a return migrant
Type of model: Probit
Sample: Individuals 15+

Variable of interest:	Immigrant	Return migrant
Armenia	n/a	
Costa Rica	⬇	
Côte d'Ivoire	⬆	
Dominican Republic		
Georgia	n/a	⬆
Morocco	n/a	

Note: The arrows indicate a statistically positive (upwards arrow) or negative (downwards arrow) relation between the dependent variable and the main independent variable of interest. Countries with "n/a" refer to the fact that the data were not collected in that country or that sample sizes are too small to analyse. The analysis on return migrants does not include immigrants or individuals living in households receiving remittances.[9]

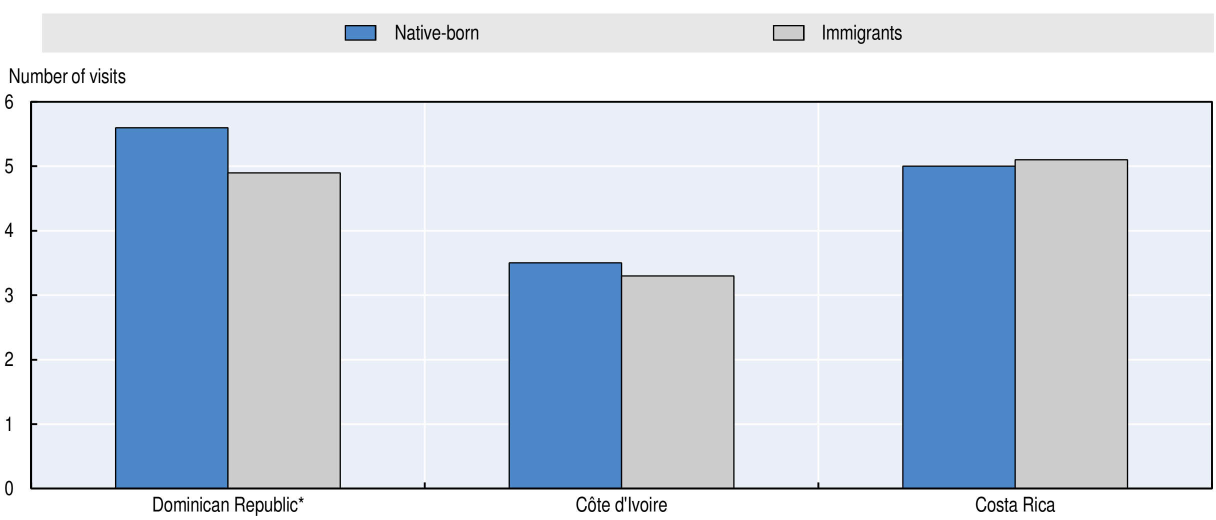
Return migrants use health services like others. The one exception is in Georgia, where they are more likely to use them. Georgia is also the only country where the use of health services is more common in urban areas. Return migrants settling in urban areas may therefore choose to do so in cities because health services are better and improving compared to those in rural areas.

The frequency with which groups use health services is another part of the picture. On average, among individuals who had visited a health facility at all in the past 12 months, the average number of individual visits varied across countries: 4.4 in Armenia, 5 in Costa Rica, 3.4 in Côte d'Ivoire, 5.5 in the Dominican Republic, 4.9 in Georgia and 1.1 in Morocco.

Immigration status made no statistically significant difference to the number of times individuals visited health facilities in the past 12 months (Figure 7.6). Among those who had used health facilities at least once, immigrants visited on average the same amount of times as native-born individuals, and even slightly less in the Dominican Republic. The picture is similar for return migrants in Armenia, Côte d'Ivoire, Costa Rica, the Dominican Republic, Georgia and Morocco (not shown). An ordinary least squares (OLS) regression analysis, controlling for age, gender, education level, whether the individual lives in a rural or urban area and a regional control variable confirms (results not shown) that the differences between immigrants or return migrants and others living in the country are not statistically significant.

Figure 7.6. **There is little difference between how often immigrants and native-born individuals use health services**

Average number of visits to health services in the past 12 months



Note: Statistical significance calculated using a t-test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio between the average number of visits by native-born individuals over immigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418174

There is therefore no evidence that immigrants or return migrants put pressure on the system, at least in terms of government transfers and use of health services. However, much of the difference between immigrants and native-born individuals has to do with the needs of the immigrant population. Immigrants often arrive in their prime, to work. Their need for social transfers is thus often at a minimum. Moreover, the IPPMD data suggest that social benefits are not a reason to immigrate to or to specifically choose the host country. Finally, immigrants may remain unregistered with any governmental authority, limiting the possibility to access such services.

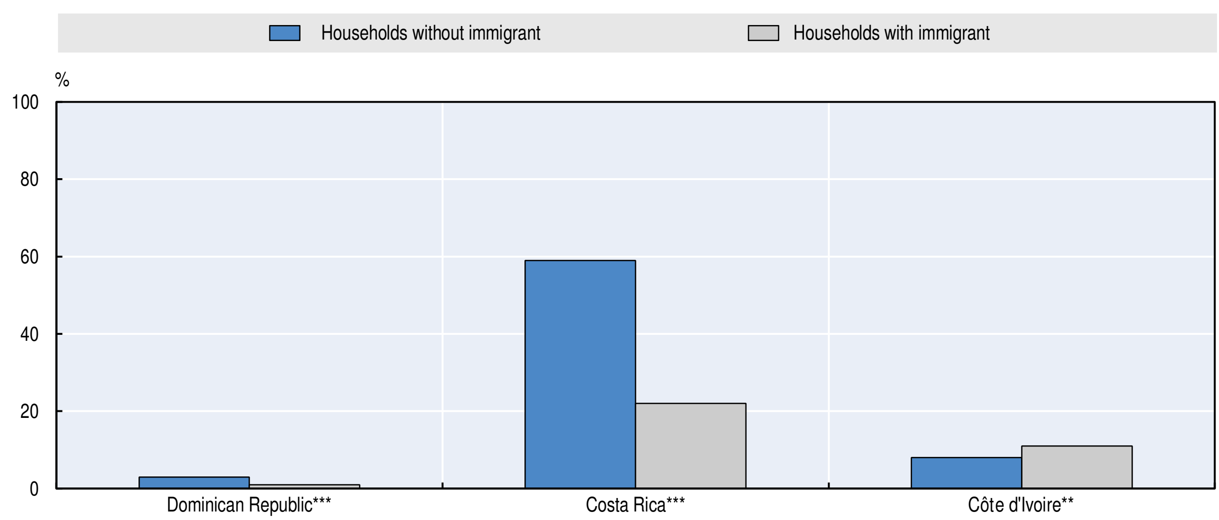
Immigrants are less likely to pay direct taxes, partly because they do not have formal job contracts

Immigrants and return migrants can contribute to the social protection sector by financing it through taxes or payroll deductions, which usually necessitates a formal labour contract. The IPPMD project collected data on whether households paid direct taxes,[10] how much they paid in the past 12 months and whether individual workers had a formal labour contract.[11]

Compared to households without immigrants, those with immigrants tend to be less likely to pay direct taxes in Costa Rica and in the Dominican Republic, although the response rate in the latter is very low. In contrast, immigrant households in Côte d'Ivoire are more likely to pay taxes (Figure 7.7). A probit regression model confirms these results in both Costa Rica and Côte d'Ivoire (Table 7.4). One likely reason for the positive results in Côte d'Ivoire is that the immigrant population there is long established and relatively well integrated into the country's system. Many work with established companies in the cacao plantations.

Figure 7.7. **Households with immigrants in Costa Rica and the Dominican Republic are generally less likely to pay taxes than households without immigrants**

Share of households paying taxes (%), by whether they have an immigrant



Note: Sample size of households claiming to have paid taxes is small in the Dominican Republic (53). Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of shares of households without immigrants over immigrant ones.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418186

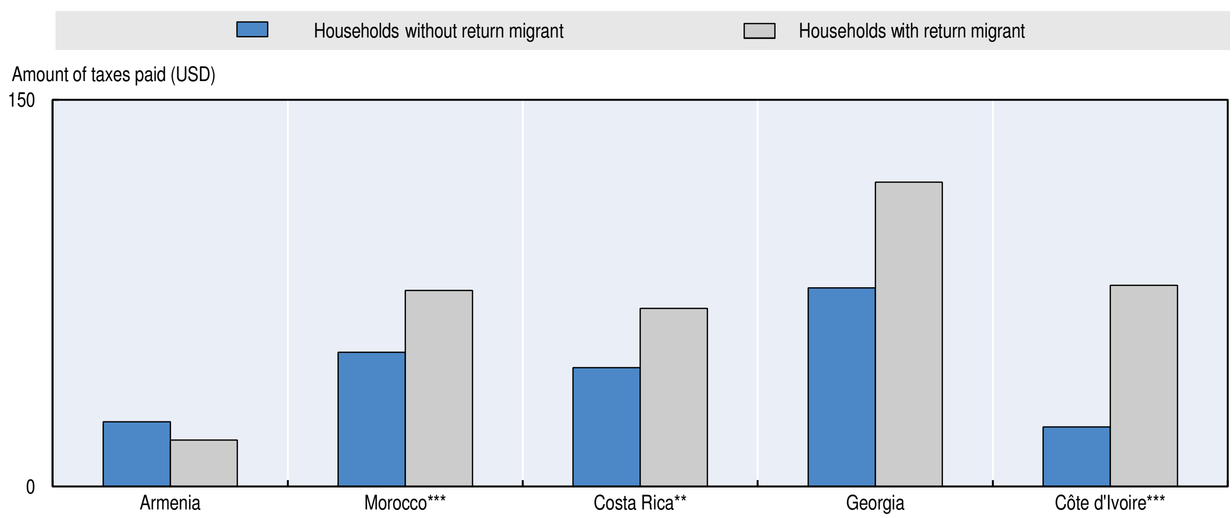
Households with return migrants tend to be more likely to pay taxes in Armenia but less likely in Morocco, although neither of these differences are confirmed by a probit model (Table 7.4). Instead, regression analysis controlling for household wealth and size shows that households with return migrants are less likely to pay taxes in Costa Rica.

But it is not just about paying taxes – it is also how much one pays. The IPPMD team also collected data on how much tax households paid in the previous 12 months. There is virtually no difference between the amount of taxes paid between households with and without immigrants in most countries, and in fact, households with immigrants pay even more in Costa Rica, according to regression analysis (Table 7.4).

Households with return migrants pay more taxes than households without return migrants in four of the five countries examined, and the trend is confirmed by regression analysis in Costa Rica, Côte d'Ivoire and Morocco (Figure 7.8 and Table 7.4). This suggests that return migrants in these countries have returned to productive jobs, after working and gaining experience abroad. In any case, they help finance the social protection system.

Figure 7.8. **Households with return migrants generally pay more direct taxes than those without**

Average amount of taxes paid in the last 12 months per household member (USD), by whether the household has a return migrant



Note: Exchange rate calculated on 1 July 2014. Statistical significance calculated using a t-test is indicated as follows: ***: 99%, **: 95%, *: 90%. Figure only includes households that pay taxes. Countries are ordered according to the ratio of the shares of households without any return migrant over households with one. The Dominican Republic is not included due to its small sample size. Households without return migrants does not include households with any link with migration, including emigration, remittances and immigration.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418190

Table 7.4. **The links between migrant status and household tax payment**

Dependent variables: Household pays taxes) and amount of taxes paid by household
Main variables of interest: Individual is an immigrant and individual is a return migrant
Type of model: Probit and OLS
Sample: All households

Dependent variable:	Paid taxes		Amount of taxes paid	
Variable of interest:	Immigrant	Return migrant	Immigrant	Return migrant
Armenia	n/a		n/a	
Costa Rica	↓	↓	↑	↑
Côte d'Ivoire	↑			↑
Dominican Republic				
Georgia	n/a		n/a	
Morocco	n/a		n/a	↑

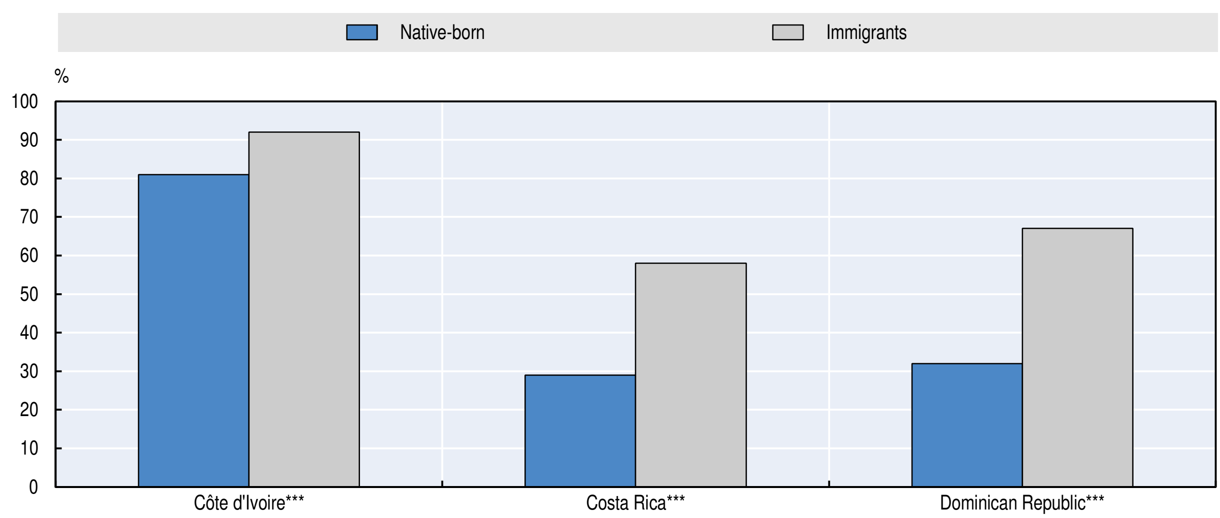
Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. Countries with "n/a" refer to the fact that the data were not collected in that country or that sample sizes are too small to analyse. The analysis of return migrants does not include households with any other link with migration (emigration, remittances or immigration).[12]

There are a number of reasons why immigrants may tend to be less likely to pay taxes. First, households with immigrants may not stay long enough to be required to pay taxes, since they often work seasonally. Second, and possibly the main reason, is that immigrants are more likely to work outside of the formal sector, and therefore to be outside of the tax collection system. Figure 7.9 compares immigration status with having a formal labour contract for working individuals. Immigrants in Costa Rica, Côte d'Ivoire and the Dominican Republic stand out as being overwhelmingly more likely to be informally employed than native-born individuals. The differences between immigrants and native-born individuals were confirmed through regression analysis in all three countries (Table 7.5). Indeed, this seems to be related to whether the household paid direct taxes. Although all three countries show that having a member with a formal labour contract is correlated with the household paying taxes, the difference in shares of households that paid taxes while having a member with a formal labour contract was much larger in Costa Rica (55% vs. 32%) than in Côte d'Ivoire (12% vs. 9%), which may partly explain why households with immigrants are less likely to pay taxes than households without immigrants in Costa Rica and not in Côte d'Ivoire.

The regression results suggest that this has much to do with workers' individual characteristics, and therefore likely with their occupations. For instance, more highly educated and older workers were more likely to have formal labour contracts. In Costa Rica, formal labour contracts were more common for men and in urban regions, which suggests that informal employment is more prevalent among women and in rural areas, for example domestic work and retail and cottage industry activities.

Figure 7.9. **Immigrants are more likely to lack a formal labour contract**

Share of non-agricultural workers without a formal labour contract (%)



Note: Agricultural, forestry and fishery sectors are not included (ISCO group 6 and 92). Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio of shares of native-born individuals over immigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418201

Non-agricultural return migrant workers were also more likely to lack a formal contract in Armenia and Morocco. In Armenia, this has probably to do with short stays in the home country due to seasonal migration movements (not shown), which can be outside of the agricultural sector (e.g. the construction sector in Russia). In Morocco, it is correlated with younger and less educated individuals, possibly reflecting the fact that many youth have started returning to Morocco as employment opportunities are on the rise and the push to leave Europe following a general crackdown on irregular migrants. Many may be finding informal jobs in the country, finding it difficult to land a formal job after not having lived there for many years.

Table 7.5. **The links between migrant status and formal employment**

Dependent variable: Individual lacks a formal labour contract
Main variables of interest: Individual is an immigrant and individual is a return migrant
Type of model: Probit
Sample: Employed individuals 15+

Variable of interest:	Immigrant	Return migrant
Armenia	n/a	↑
Costa Rica	↑	
Côte d'Ivoire	↑	
Dominican Republic	↑	
Georgia	n/a	
Morocco	n/a	↑

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. Countries with n/a refer to the fact that data were not collected in that country. The analysis of return migrants does not include households with any other link with migration (emigration, remittances or immigration).[13]

In summary, while immigrants and return migrants do seem to use social services less than native-born individuals (and households), they also seem to contribute less towards them because of their concentration in the informal sector. This may be due to a lack of recognition of their educational qualifications, or a lack of opportunities in the formal sector. Overcoming these barriers could boost human capital in labour shortage sectors and expand the tax base for the state.

Remittances are used to finance health expenditures

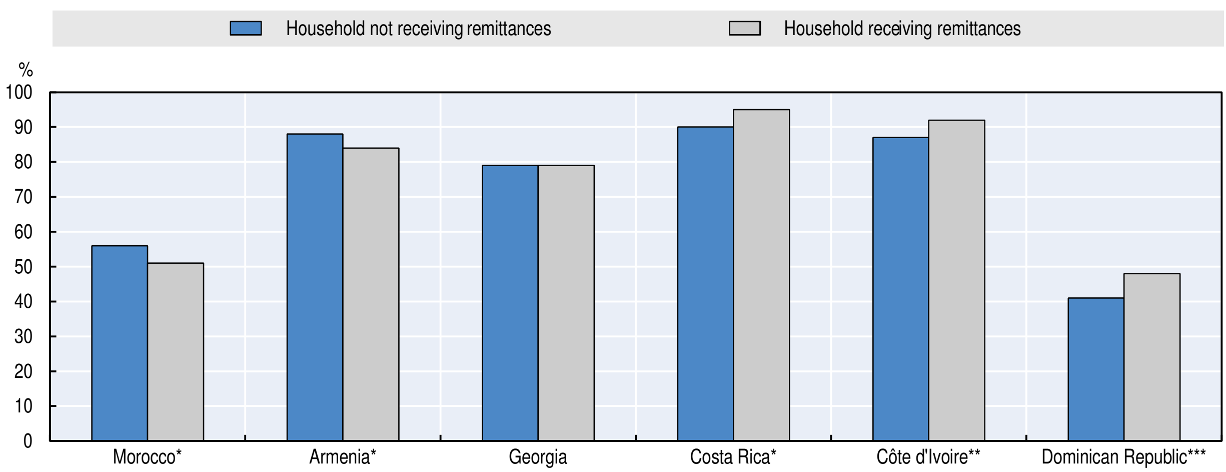
Remittances help overcome credit constraints, and can be invested by the household in social protection and health (Amuedo-Dorantes and Pozo, 2009; Bebczuk and Battistón, 2010; Kalaj, 2010; Kan, 2016). This may make up for poor services in the country (see next section). However, remittances can also lead countries into a development trap, if they come to rely on them rather than develop their own social services. Governments in developing countries with high levels of remittances have been found to spend less on public social protection (Kapur and Singer, 2006). Descriptive statistics presented in Chapter 6 suggest that health treatment is one of the top three activities undertaken by households since a member emigrated in six of the IPPMD countries.

The IPPMD team collected data on three types of social expenditures: pensions, health and insurance.[14] Combined together, remittance-receiving households are more likely to spend on (or save for) at least one of these types of social expenditures in Costa Rica, Côte d'Ivoire and the Dominican Republic, while in Armenia and Morocco, households receiving remittances were statistically significantly less likely to spend on such expenditures (Figure 7.10).

However, regression analysis suggests that when controlling for household size, wealth, whether it is in a rural or urban setting as well as the geographic region, the differences between those receiving remittances or not were only significant in Armenia (lower) and the Dominican Republic (higher) (Table 7.6). What drives social expenditures across most countries, rather than remittances, is greater household size and wealth and rural or urban setting, the latter effect depending on the country. Larger households may have a greater need for social expenditures, simply because there are more people that may require them, including children and elderly people. Wealthier households may also be predisposed to spend more on social expenditures, first because they may be more likely to engage in migration (positive self-selection) but also because poorer households may have other more fundamental priorities, such as food consumption. In terms of rural and urban setting, social expenditures were correlated with rural households in Costa Rica, Côte d'Ivoire and the Dominican Republic, but with urban ones in Armenia and Morocco. In fact, running a separate regression solely on rural households in the Dominican Republic suggests that remittances are particularly used for social expenditures there; this is not the case in urban regions.[15] This is likely due to the fact that remittances compensate for the lack of social services in rural areas relative to urban ones.

Figure 7.10. **Remittances do not generally increase households' social expenditure**

Share of households with social expenditures in the past 12 months (%), by whether they receive remittances



Note: Social expenditures include household-level expenditures for pension contributions, insurance or health reasons. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of households not receiving remittances over those that do.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418212

Breaking down expenditure into health, insurance and pension spending reveals a few differences across countries. According to household-level probit regressions, the positive difference for remittance-receiving households in Costa Rica and Côte d'Ivoire (Figure 7.10) is driven by expenditures on health – 95% of remittance-receiving households in Costa Rica had health expenditures against only 88% of households not receiving remittances, while the numbers were 91% and 85% in Côte d'Ivoire. The negative link found in Armenia in Figure 7.10 can be explained by the fact that only 7% of households receiving remittances in Armenia spent money on pensions, while 11% of households not receiving any did.

Remittances might not play a bigger role in household expenditures on social protection in countries where there is universal coverage of social protection and these services are not particularly difficult for individuals to access. In the case of Morocco, the medical system may be adequate for the demand, and remittances are not needed for this reason.

This reinforces the point that households could be channelling remittances to specific expenditures according to the country's policy context. It may make sense to spend on health in some countries but not in others, due to the quality of services offered or the access to such services. In other countries, it may make more sense to spend on pension contributions, given how limited or non-existent the pension system in the country is. This is precisely the point of the analysis of policies in the next section.

In addition to being directly channelled toward health expenditures (ie. in Côte d'Ivoire and Costa Rica), remittances could also be enabling individuals to use health facilities through expenditure not directly linked to health. For instance, they may cover the cost of getting to a facility or the lost income from spending time at one. Indeed, when probit regressions are run on whether individuals visited a health facility at least once in the past 12 months, this was positively linked to remittances in Armenia and Georgia (Table 7.6). Running separate regressions for both rural and urban regions suggests that in both countries, remittances are used to access health facilities in rural areas, which is not the case when looking specifically at urban regions. Both countries have regions that are isolated, particularly during winter, which may explain the reason since remittances may be used either to finance more expensive services in that region or to travel to another one. In fact, 41% of communities surveyed in Georgia do not have a health centre, according to the community survey. In contrast, remittances seem to be used to access health facilities in urban regions of Morocco.

Table 7.6. **The links between remittances and social expenditure**

Dependent variables: Social expenditures in general and use of health facilities
Main variable of interest: Household receives remittances
Type of model: Probit
Sample: All households and all individuals

Dependent variable:	Social expenditures in general	Use of health facilities
Sample:	All households	All individuals
Armenia	↓	↑
Costa Rica		
Côte d'Ivoire		
Dominican Republic	↑	
Georgia		↑
Morocco		↑[16]

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest.[17]

How do social protection and health policies affect migration?

The previous section discussed how migration affects the social protection and health sectors but the effects can also run in the other direction; that is, the policies governing these sectors may affect migration outcomes.

The effect of health and social protection policies will depend on the context of the country

Access to health care and other social services is generally universal in the IPPMD countries. However, in practice, access can vary. In remote areas, it may be limited by geography and the cost of supplying reliable services in certain areas. In Armenia, stakeholder interviews pointed to a lack of access for poor households. Moreover, bureaucratic processes can limit access for return migrants.

Immigrants generally have access to services in the IPPMD countries, as long as they have a legitimate work permit or residential status. For instance, in Costa Rica, universal healthcare is provided to all permanent residents. In the Dominican Republic, Dominican law and the Constitution of the Republic guarantee universal access to health care to anyone, no matter their descent, race, nationality or immigration status. For instance, Dominican public hospitals cannot deny medical services based on nationality or legal status. In Côte d'Ivoire, access to health is a service offered equally to all members of society, immigrant or not, with formal documents or not. These policy trends are covered by the countries' national development strategies (Box 7.1).

Lack of access to such services can push individuals to leave the country or send remittances to help meet shortcomings. It may also affect return migration. Emigrants may choose not to return to their home country if they risk losing access to their pension plan accrued in the host country. Moreover, access to such services is a fundamental building block of social cohesion and by extension, part of how immigrants can be integrated. In short, the potential links between social protection and health policies and migration are complicated.

The IPPMD research attempted to tease out some patterns through empirical analysis. The findings are presented below.

In order to measure the links between health and social protection policies and migration outcomes, the IPPMD project asked households and community leaders a series of questions on their access to services and coverage of social protection (Box 7.2).

Box 7.2. **Social protection policies in the IPPMD survey**

The IPPMD project collected data on general access to health services, as well as policies related to social protection, particularly those covered by labour contracts. While these interventions are not always driven by the government, the government does have a role to play in ensuring all resident individuals have access to health and protection from situations that adversely affect people's well-being. The IPPMD household questionnaire includes a number of questions on policies related to health services and labour contracts (Figure 7.11). While the chapter's lens is seen through the UNRISD definition described earlier, the working definition of the sectors in this chapter is much more narrow, and focuses primarily on formal labour contracts and conditions and *de facto* access to health care.

Policies related to health services include questions on the access to health facilities, both physical access and the right to access such services, the distance to the nearest facility and medical insurance coverage of the household. The questionnaire also asked whether workers had formal labour contracts, whether they were open-ended, and whether they included benefits such as health insurance and paid holidays. The community questionnaire also included questions about policies and programmes related to social protection services available in the communities being surveyed, such as the number of health centres and the quality of the water used for drinking in the community.

Figure 7.11. **Social protection and health-related policies explored in the IPPMD surveys**

Policies related to health or other social protection	Policies related to labour contracts	Programmes included in the community survey
• Access to health services • Distance to nearest health facility • Medical insurance coverage • Access to a pension plan	• Existence of a formal labour contract • Health benefits • Other subsidies and benefits • Paid holidays • Access to a labour union	• Number of health centres • Water quality

Use of health facilities, which forms the basis of the analysis on access, varied from country to country, from 37% in Armenia to 65% in Costa Rica (Table 7.6).[18] The number of health centres in the communities where data was collected varied greatly from country to country. In Côte d'Ivoire and Georgia, 40% and 41% of communities do not have a health centre respectively, whereas all other countries have at least one in all communities surveyed. In Armenia, 50% of communities had only one, whereas in Costa Rica and the Dominican Republic, 86% and 76% have at least one health centre per community surveyed.[19]

In terms of social protection coverage, nearly all individuals claimed to have access to either labour unions, work benefits or pensions. In Georgia, for example, this is because pensions are universal and everyone has access to a pension scheme, both legally and in practice. This was not necessarily the case in other countries, where individual social protection coverage varied from type to type, but coverage was nearly universal when all types were taken together.

Table 7.7. **Access to some form of social protection is nearly universal**

Number (and percentage) of individuals surveyed aged 16-64

Country	Use of health facilities	Has some form of social protection coverage
Armenia	2 368 (37%)	972 (98%)
Costa Rica	3 920 (65%)	1 597 (98%)
Côte d'Ivoire	3 816 (46%)	405 (68%)
Dominican Republic	3 120 (58%)	731 (99%)
Georgia	2 603 (41%)	368 (100%)
Morocco	2 545 (34%)	725 (100%)
Unweighted average	47%	94%

Source: Authors' own work based on IPPMD data.

Better access to social protection can reduce the rate at which individuals migrate

The project investigated whether access to social protection programmes affects native-born individuals' plan to emigrate, immigrants' plan to return and return migrants' plan to migrate away again. The results were verified by regression analysis.

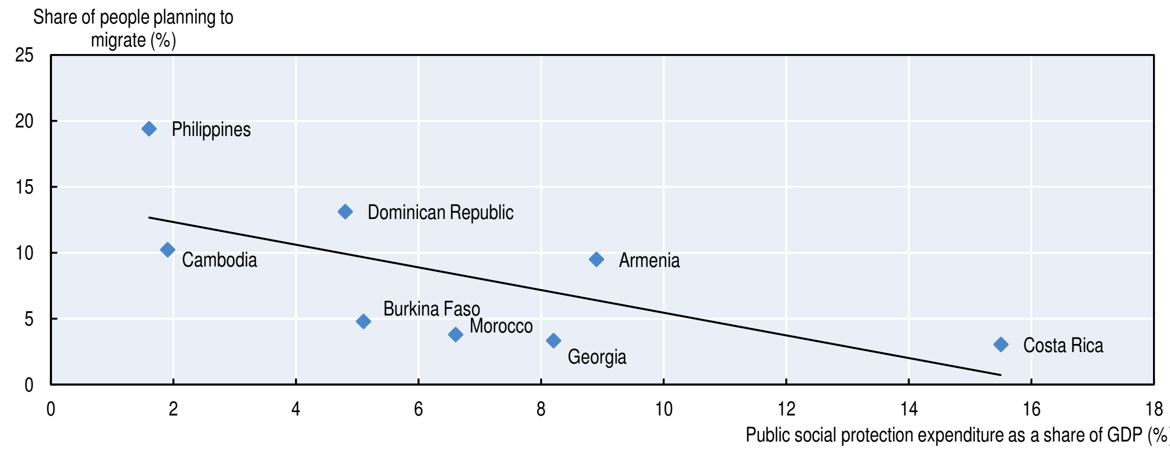
Emigration is often a response to shocks, uncertainty and vulnerability in the home country (Hagen-Zanker and Himmelstine, 2013; Sabates-Wheeler and Waite, 2003). By reducing vulnerability, social protection programmes can prevent individuals from being forced to emigrate, rather than freely choosing to do so. In fact, within the group of eight IPPMD countries where data is available, public social expenditure (as a share of GDP) is negatively correlated to the share of people planning to migrate from that country, suggesting that such expenditures have the ability to reduce emigration (Figure 7.12).

More specifically, the lack of a formal labour contract is positively correlated with the share of those planning to migrate in each country (Figure 7.13). In fact, according to regression analysis, having a formal contract in Morocco is correlated with not having plans to emigrate (Table 7.9), as is having an open-ended contract in Georgia (not shown).

However, there are many cases where plans to emigrate among native-born individuals increase with social protection coverage. The scenario seems to be one of individuals having access to outside options, through aptitude and social standing. For instance, having access to a labour union in Armenia, or being a member of one in Costa Rica, increases the probability of planning to emigrate, as does having health benefits through one's employment contract in Costa Rica. These are likely related to individuals having decent jobs in their home country and good job prospects abroad. Marginalised groups, such as those denied health care during their last visit to a health facility, are less likely to plan to emigrate in Armenia, Costa Rica, the Dominican Republic and Morocco (Table 7.8).

Figure 7.12. **Public social expenditures reduce the rate of migration**

Share of people planning to emigrate and public social expenditures as a share of GDP (%)



Note: Data on public social expenditures taken from last year available, ranging from 2010 to 2012. Côte d'Ivoire and Haiti are not included due to data limitations.

Source: Public social protection expenditures are from ILO, ILOSTAT Database *http://www.ilo.org/ilostat/*. Share of people planning to emigrate is authors' own work based on IPPMD data.

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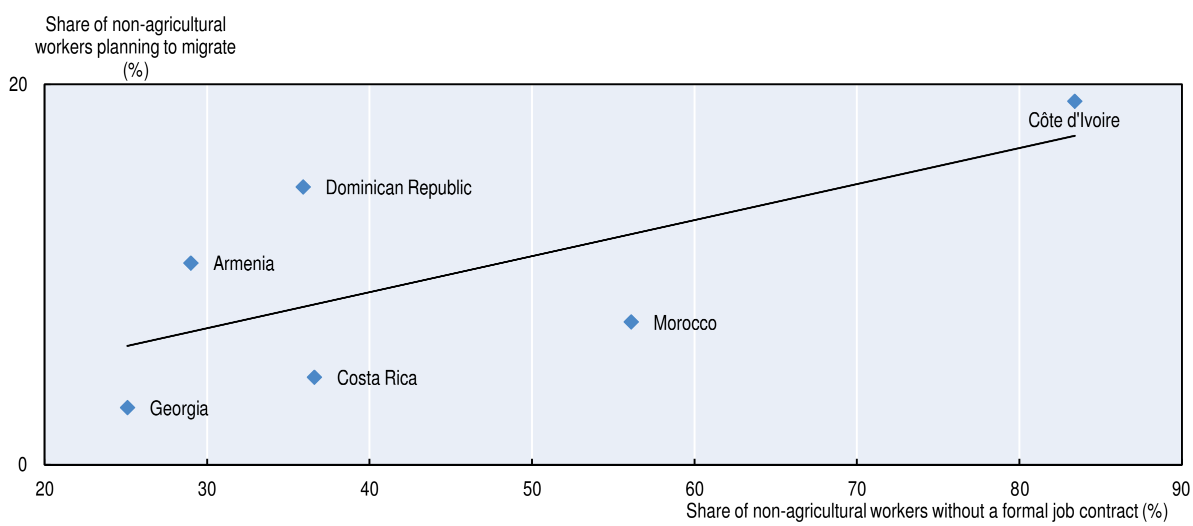
Figure 7.13. **Lack of formal labour contracts increases the rate of emigration**

Share of people planning to emigrate (%) and the share of workers without a formal job contract (%)



Source: Authors' own work based on IPPMD data.

StatLink *http://dx.doi.org/10.1787/888933418230*

Social protection also affects the likelihood of immigrants planning to return. For instance, the time it takes for a worker to get to the nearest health facility in Costa Rica is correlated with immigrants planning to go back to their home country. In the Dominican Republic, access to employment benefits – such as medical insurance, a pension, membership of a labour union and other benefits such as for transport and electricity – are correlated with immigrants having a lower likelihood of returning to their home country. In Costa Rica, immigrant workers without a formal labour contract are also more likely to return (Table 7.9). However, in some cases, social protections have an unexpected effect. In Costa

Rica, for instance, access to benefits other than medical insurance is correlated with an increase in immigrants planning to return. This is possibly because immigrants may have access to such benefits through seasonal migration contracts.

Table 7.8. **The links between lack of access to health services and migration**

Dependant variables: Individual plans to emigrate and individual plans to return
Main variable of interest: Individual tried to access a health facility but was unable to
Type of model: OLS (linear probability model)
Sample: Individuals aged 15+

Dependent variable (sample):	Plans to emigrate (non-migrants)	Plans to return (immigrants)	Plans to emigrate again (return migrants)
Armenia	↓	n/a	n/a
Costa Rica	↓		n/a
Côte d'Ivoire			↓
Dominican Republic	↓		n/a
Georgia		n/a	
Morocco	↓	n/a	↓

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. The group of individuals analysed according to whether they plan to emigrate or not does not include return migrants and immigrants. Results denoted n/a indicate that data was not collected for the country in question.[20]

Table 7.9. **The links between labour contracts and migration**

Dependant variables: Individual plans to emigrate and individual plans to return
Main variable of interest: Individual lacks a formal labour contract
Type of model: Probit
Sample: Employed individuals aged 15+

Dependent variable (sample):	Plans to emigrate (non-migrants)	Plans to return (immigrants)	Plans to emigrate again (return migrants)
Armenia		n/a	↑
Costa Rica		↑	↓
Côte d'Ivoire			
Dominican Republic			
Georgia		n/a	
Morocco	↑	n/a	

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. The group of individuals analysed according to whether they plan to emigrate or not does not include return migrants and immigrants. Results denoted n/a indicate that data was not collected for the country in question.[21]

Similar results are found when asking return migrants about their plans to emigrate abroad again. Being a member of a labour union in Costa Rica, having a formal labour contract in Armenia or having an open-ended contract in Morocco reduces the probability of return migrants planning to emigrate again, as does having a pension plan in Armenia – perhaps because they may risk losing the right to claim it when they retire. This is consistent with stakeholder interviews providing a positive picture of the reintegration services available to return migrants in Armenia.

However, the results are not all as expected. Having access to a labour union in the Dominican Republic and having medical insurance in Costa Rica are both indicative of plans to emigrate again for return migrants, even though one would expect such services to keep people from needing to do so. This might suggest that returned individuals with access to these services have good jobs, which provide them with an advantage when considering whether to emigrate again or not.

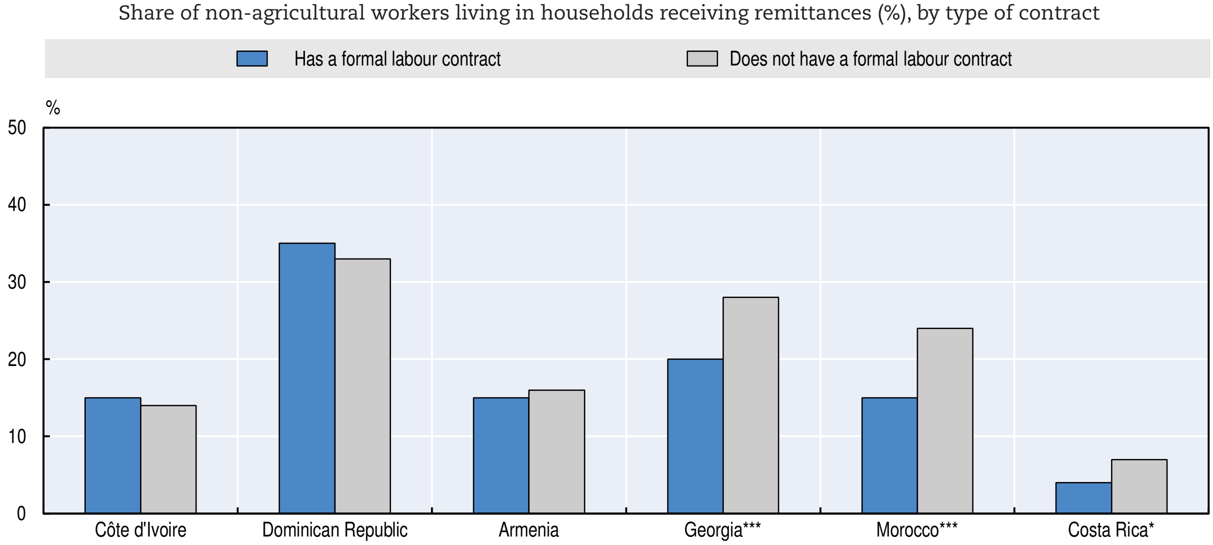
Being covered by social protection reduces remittance flows

Social protection coverage may also affect remittances. Remittances may substitute for a lack in coverage, and there is ample evidence that remittances act as a sort of insurance mechanism. Essentially, the literature finds that remittances can act as a sort of private social protection strategy, providing income transfers to disadvantaged households. It suggests two main reasons or strategies for such transfers. The first is a coping strategy, in which households use remittances for insurance and risk diversification. The second, more focused on the migrants themselves, is one of investment and inheritance – where migrants invest in the family in hopes of an inheritance (see Sabates-Wheeler and Waite, 2003 for a review). Empirically, remittances have been found to increase in the absence of social protection systems or programmes (Valero-Gil, 2008; Amuedo-Dorantes and Pozo, 2009; Bebczuk and Battistón, 2010; Brown et al., 2013). The analysis here focuses on the first hypothesis.

A main finding has to do with formal labour contracts, which often come with a minimum social protection assured by the state. As seen earlier, the rate of workers with a formal labour contract varies widely across countries. In Costa Rica, Georgia and Morocco, non-agricultural workers without a formal labour contract are more likely to live in households receiving remittances (Figure 7.14). This is in line with the idea that remittances compensate for the lack of social coverage in the household. In Georgia and Morocco the findings are also robust to a probit model, accounting for age, education level and gender, as well as the household's size, wealth, whether it lies in a rural or urban area and its geographic region. In addition, a separate OLS regression shows that individuals without formal labour contracts in Côte d'Ivoire and Georgia are in households that receive smaller amounts of remittances.[22]

Figure 7.14. **Individuals without formal contracts are more likely to be in receipt of remittances**

Share of non-agricultural workers living in households receiving remittances (%), by type of contract



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of individuals with formal labour contracts over those without a formal labour contract. Immigrants and return migrants are not included in the figures. Burkina Faso, Cambodia, Haiti and the Philippines are not included due to data limitations.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418247

In addition, having access to a labour union provides the opportunity for workers to negotiate better working conditions and other work-related benefits. Remittances may fill the void in cases where workers do not have such access. In fact, individuals with access to a labour union in Costa Rica and Morocco, live in households that are less likely to receive remittances. Table 7.10 summarises the findings for labour contracts and access to a labour union (other results not shown).

Table 7.10. **The links between social protection and remittances**

Dependent variables: Household receives remittances and amount of remittances received
Main variables of interest: Individual lacks a formal labour contract and individual has access to a labour union
Type of model: Probit and OLS
Sample: Employed individuals 15+

Dependent variable:	Household receives remittances		Amount of remittances received	
Variable of interest:	Individual lacks a formal labour contract	Individual has access to a labour union	Individual lacks a formal labour contract	Individual has access to a labour union
Armenia				
Costa Rica		⬇		
Côte d'Ivoire			⬇	⬆
Dominican Republic				
Georgia	⬆		⬇	
Morocco	⬆	⬇		

Note: The arrows indicate a statistically significant positive or negative relation between the dependent variable and main independent variable of interest. The group of individuals analysed according to whether they plan to emigrate or not does not include return migrants and immigrants. Results denoted n/a indicate that data was not collected for the country in question.[23]

The fact that households covered by social protection mechanisms tend to receive fewer remittances suggests that remittances serve as a social safety net in countries where the welfare state is weak. It could also imply that those who receive remittances could use them in a more productive way when they already benefit from social protection. Yet, the IPPMD data do not show any evidence that being the owner of a business is directly linked to social protection coverage. This may be related to the fact that although individuals not covered by social protection are in households receiving remittances, in some cases, those households also receive smaller amounts of remittances (Table 7.10). These households are likely at the margin between receiving remittances and not, and therefore at the lower end of the scale in terms of remittance amounts.

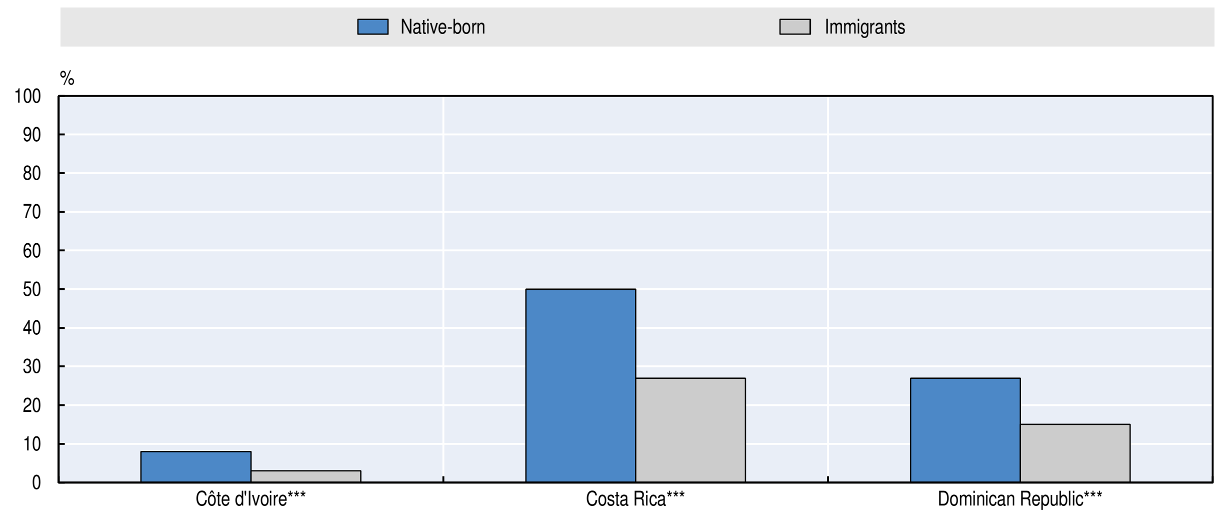
Immigrants benefit less from social protection, possibly hampering integration

A final aspect of how social protection policies affect the migration process is immigrants' integration experience. It is difficult to measure integration in a single variable. Chapter 3 considered inclusion in the labour market and Chapter 5 educational inclusion. This chapter considers whether social protection coverage leads to a sense of inclusion in society.

The picture is rather grim for immigrants, as they are often further away from the nearest health clinic and less likely to be covered by medical insurance through their employment (Figure 7.15), to have a pension plan and access to a labour union. This is likely due to the fact that they are also less likely to have a non-agricultural formal labour contract, or an open-ended contract. Figure 7.9 and Table 7.4 have already pointed to the fact that immigrants more often lack a formal labour contract compared to native-born individuals. Table 7.11 plots regression results in which a probit model[24] compares immigrants with native-born individuals in their access to a number of social protection outcomes, controlling for the individual's age, education level, gender, household size and wealth, as well as its rural or urban setting and geographic region. In addition to a formal labour contract, they are also less likely to have an open-ended contract than native-born individuals.

Figure 7.15. **Immigrants are less likely to have work-related health benefits**

Share of workers with work-related health benefits (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered by the ratio of native-born individuals over immigrants.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418255

According to the stakeholder interviews, part of the issue in Costa Rica is the difficulty of obtaining official documents, such as a residency permit. Although these are not always necessary for access in law, they do make access easier in practice. According to the interviews, official documents can be difficult to obtain and require funds and some minimum literacy skills.

Table 7.11. **The links between immigrant status and social protection coverage**

Dependent variable: Individual is an immigrant
Main variable of interest: Access to social protection
Type of model: Probit and OLS
Sample: Employed individuals 15+) and all individuals 15+

Variable of interest:	Has access to a labour union	Has a pension plan	Has medical benefits through employment	Time to nearest medical clinic
Sample:	Employed individuals 15+			All individuals 15+
Costa Rica	⬇	⬇	⬇	⬆
Côte d'Ivoire	⬇	⬇	⬇	⬆
Dominican Republic		⬇	⬇	

Note: The arrows indicate a statistically positive or negative relation between the dependent and main independent variable of interest.[25]

Table 7.11 already points to poor integration of immigrants, but discrimination and home ownership further clarify the picture. Data was collected that could be used as a proxy, albeit imperfect, for whether an immigrant has integrated. The first is whether an immigrant feels discriminated against or not in the host country. This chapter does not delve into why individuals feel discriminated against, but only whether or not they do. The second is whether the household has purchased a house. Purchasing a house is typically a good indicator that an individual intends to stay and is content in the host country (OECD and EU, 2015). Due to the small sample of working immigrants, the data is insufficient for regression analysis. They do suggest in general, however, that whether or not an immigrant has coverage does not seem to have much of an impact on the incidence of discrimination nor on the ownership of a house in the host country. In Costa Rica (36% vs. 44%) and the Dominican Republic (13% vs. 23%), immigrants who lack an formal labour contract are less likely to own a house, while they are more likely in Cote d'Ivoire (57% vs. 43%). However, lacking a formal employment contract has little incidence on claims of feeling discriminated in all three countries.

Policy recommendations

Social protection has garnered lots of attention recently, with many countries increasing their budgets, aiming for a greater coverage and better social cohesion. This has ultimately been reflected throughout the SDGs. This chapter has focused on the relationship between social protection and health, and migration.

It finds that immigrants, contrary to common beliefs, do not use social services more than native-born individuals, as well as return migrants compared to non-migrants. And while they are less likely to pay taxes, they are also less likely to have a formal labour contract, which limits the opportunities for the state to tax them. Remittances, in a few cases, seem to also be used for social and health expenditures.

On the other hand, social protection and health coverage can affect migration outcomes. In general, social protection tends to reduce emigration outflows, the rate at which immigrants return to their home country, but also increase the rate at which return migrants stay in their country of origin once they return. Many of the social protection mechanisms that are effective are through one's employment. Therefore, providing incentives to both employers and employees to be covered by formal labour contracts can reduce the need to migrate, as are employment benefits and protection such as access to a labour union, health benefits and pension plans. In addition, when providing new benefits to regions, such as health facilities, policy makers should ensure that adequate labour market mechanisms and infrastructure are in place so that individuals are given an opportunity to stay. Bilateral agreements on pension portability between countries of origin and destination can also be a useful way to facilitate the return of migrants (Holzmann, 2016).

Increased social protection coverage also contributes to diminishing remittance inflows. Therefore, when instituting new social protection policies, it is advisable to couple them with alternative incentives to invest and reroute remittances to other productive uses.

Immigrants are by a large margin not covered by most social protection services, compared to native-born individuals. While samples are very small and hence not representative, this lack of coverage seems to affect integration in terms of home ownership, especially in Costa Rica and the Dominican Republic.

Table 7.12. **Expanding the coverage of social protection and health services for better migration and development outcomes**

	Policy recommendations
Emigration	● Strengthen compliance with labour regulations, such as requirements to provide employees with social protection benefits and to grant freedom of association, and facilitate the procedures for employers and employees to register formal labour contracts, in order to ensure decent working conditions thereby reducing the need to look for jobs elsewhere (through emigration). ● Ensure that new provisions in health facilities and social protection in marginalised or isolated regions are accompanied by adequate infrastructure and labour market mechanisms, in order to capitalise on improved human development and alleviate the pressure to emigrate.
Remittances	● Develop and provide health-related services to meet demand by remittance recipients. To make them more accessible, such services could be coupled with microfinance institutions or other financial institutions.
Return migration	● Ensure that return migrants find it easy to register for social protection and health facilities when they return, to reduce the need to emigrate again. ● Invest in bilateral agreements with main destination countries to ensure portability of pension funds and other social benefits.
Immigration	● Increase *de jure* and *de facto* access to social protection, such as pension plans, medical benefits, access to labour unions and the provisions covered by formal labour contracts. ● Adjust investments in health facilities in neighbourhoods where there are high levels of immigration.

Notes

1. Some of the policies already covered in the previous chapters may form part of the social protection sector, but are not discussed in this chapter. The labour interventions discussed in this chapter, for instance, are those that are directly concerned with providing decent work, such as employment benefits, union access and formal labour contracts. Conditional cash transfers (CCT) linked to education, as well as all policies and programmes dealing specifically with the educational sector, were also discussed in the context of the education sector, in Chapter 5.
2. Although other chapters include Burkina Faso in the analysis on immigration, adequate data on social protection were not collected there and Burkina Faso is therefore excluded from the analysis in this chapter.
3. As per statistical convention, agricultural workers are excluded from such measures.
4. Data are not available for Georgia and Morocco.
5. Informal employment outside the informal sector is terminology used by the ILO to mean employees holding informal jobs in formal enterprises, as paid domestic workers employed by households, or as contributing family workers in formal enterprises.
6. While this chapter will not focus on this question, it is notable that Chapter 3 showed that the health sector is significantly affected by emigration in the Philippines and argued that stakeholders in Manila noted the health sector has considerable shortages, especially in rural areas.
7. Data on governmental transfers were collected at the household level and questions on the use of health facilities were asked to every working individual over the age of 15.
8. Control variables in the regressions include household size, whether it is in a rural region, an indicator for household wealth. In the regression model specific to immigrants, an additional control for whether the household has any other link with migration, besides immigration was included. Standard errors are robust to heteroskedasticity.
9. The model includes household-level control variables (size, wealth) as well as controls for rural and administrative regions. Standard errors are robust to heteroskedasticity.
10. The tax data collected for the IPPMD project did not differentiate between different types of taxes. However, as the information is derived from the expenditure module, it is reasonable to expect that they reflect income and property taxes paid by the household, and therefore direct taxes. Immigrants may, in addition, pay indirect taxes such as those applied on the sale of goods and services.
11. When comparing households based on whether they paid taxes or not, it is important to keep in mind potential self-selection in their willingness to answer the question. It is possible that wealthier or tax-evading households would be less likely to answer. The share of households responding to

the question on taxes was very low in Georgia and the Dominican Republic, and therefore this section concentrates more on Armenia, Costa Rica, Côte d'Ivoire and Morocco, where the response rate was higher.

12. The model includes household-level control variables (size, wealth) as well as controls for rural regions and a fixed effect for geographic regions. Standard errors are robust to heteroskedasticity.
13. The model includes individual (age, gender and education level) and household-level control variables (size, wealth) as well as for rural regions and a fixed effect for geographic regions. Standard errors are robust to heteroskedasticity.
14. This data is derived from a list of expenditures asked to the household drawing from a specific module of the questionnaire. As such, while health expenditures are relatively more straightforward expenditures to interpret, the expenditures on pensions and insurance are relatively more difficult to do so. As such, they are interpreted as private expenditures incurred by the household for this analysis.
15. No statistically significant link was found for the other countries.
16. Only in urban regions.
17. The model in column 1 includes household level control variables (size, wealth) as well as for whether the household is in a rural region and a fixed effect for geographic regions. In column 2, the model includes household-level control variables (size, wealth), whether the household is in a rural region and a fixed effect for the household's geographic location as well individual-level control variables (gender, age, education level). Standard errors are robust to heteroskedasticity.
18. In many countries of the project, *de jure* access to health services is universal. However, *de facto* access varies and for this reason analysis focuses on this aspect.
19. Data was not available for Morocco for this question.
20. The model includes control variables at individual (age, gender, education level) and household levels (size, wealth) as well as for rural region. A fixed effect for geographic region was not included due to the small sample sizes. Standard errors are robust to heteroskedasticity.
21. The model includes control variables at individual (age, gender, education level) and household levels (size, wealth) as well as for rural region. A fixed effect for geographic region was not included due to the small sample sizes. Standard errors are robust to heteroskedasticity.
22. The amount of remittances is based on households with former members that are currently emigrated, as opposed to remittances from any source.
23. Standard errors are robust to heteroskedasticity. The model includes control variables at individual (age, gender, education level) and household levels (size, wealth) as well as for rural regions and a fixed effect for geographic regions.
24. For the regression measuring the distance to the nearest clinic, an OLS model was applied.
25. The model includes control variables at individual (age, gender, education level) and household levels (size, wealth) as well as for rural regions and a fixed effect for geographic regions. Standard errors are robust to heteroskedasticity and clustered at the household level in regressions featuring policies or coverage measured at the household level.

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PART II

Enhancing the contribution of migration to development

The second part of the report revisits the sectoral approach presented in Part I by analysing the interrelations between public policies, migration and development through a migration lens. Each chapter focuses on one specific dimension of migration: emigration (Chapter 8), remittances (Chapter 9), return (Chapter 10) and immigration (Chapter 11). It highlights the fact that, even though migration constitutes an enabler for development, both in IPPMD countries of origin and destination, its full potential remains untapped. Sectoral policies can affect migration outcomes by improving market efficiency, relieving financial constraints, helping develop relevant skills and reducing risk. While the way policies in different sectors affect migration diverges, it is the combination of policies that really influences migration. To enhance the contribution of migration, policy makers thus need to consider the interactions between public policies when designing development strategies and strengthen co-ordination mechanisms across sectors.

Chapter 8

Making emigration a better asset for origin countries

Despite the financial, human and social capital costs for households and the home country, emigration can be beneficial in several ways: for labour markets characterised by underemployment; for skill levels in the home country; and for women who stay behind and take on more responsibility. This chapter provides an overview of emigration in the IPPMD countries and its impact on the economic and social development of the home country. It also demonstrates how public policies and the lack or inadequacy of certain policies can play a role in the decision to emigrate. It explores a holistic view of migration in development policy, rather than a piecemeal approach which can have unexpected impacts, and outlines ways in which policy can make the most of emigration.

When people migrate to another country, they affect the country they leave behind. There may be costs to the households and communities that lose productive members, but opportunities are also created and overcrowded labour markets relieved. Policies can help reduce or increase the rate of emigration. While admission requirements and border controls certainly play an important role, sectoral policies do as well.

This chapter sheds light on how the findings in the previous chapters should be viewed together for a more holistic approach to strategies on development. It starts by providing an overview of the many faces of emigration across the IPPMD countries, drawing on data on emigrants and their households. It then explores the general impact of emigration on society, highlighting the ways in which it can be beneficial – despite the short-term costs and the potential for some long-term ones. The third section outlines the role of public policies in minimising the costs and maximising the benefits of emigration. The chapter concludes with policy recommendations.

Table 8.1. **Emigration, sectoral policies and development: Key findings**

How does emigration affect countries of origin?	How do sectoral policies affect emigration?
• Certain sectors are more likely than others to lose labour to emigration, which can generate shortages, but also release pressure and revitalise sectors characterised with underemployment.	• Policies that provide cash transfers to households tend to increase emigration in the poorest households and countries, especially when they are not conditional.
• The emigration of highly skilled individuals can be partly compensated by the fact that those who stay might have more incentives to upgrade their skills.	• Training programmes seem to increase emigration, probably because they do not provide what the domestic market needs.
• The emigration of men provides an opportunity of an increase in the responsibilities and autonomy of women who are left behind.	• Mechanisms that provide better information on labour market needs, such as government employment agencies, contribute to reducing emigration.
	• The intention to emigrate is lower in countries that invest social protection mechanisms.

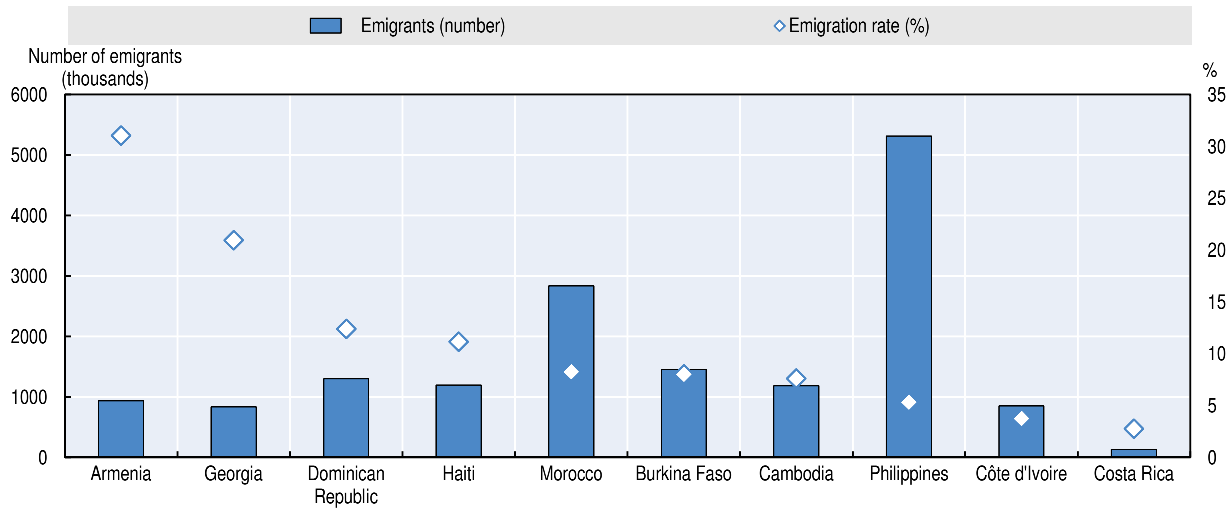
Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

The countries in the IPPMD project vary in their emigration experience

Countries vary greatly in their rates and drivers of emigration. The IPPMD partner countries were selected to represent this diversity in migration experience (Figure 8.1; and Chapter 2 for the methodology). This section describes the characteristics of emigration across the ten countries, and provides some context as to why the rates differ from one to another. Figure 8.1 shows that although the Philippines has the largest number of emigrants (5.3 million), it has one of the lowest emigration rates – less than 10% of the population. On the other hand, Armenia and Georgia have relatively few migrants, but they make up a large share of their populations (31% and 21% respectively). In these countries emigration is mostly driven by instability following the early years of transition. Costa Rica (3%) and Côte d'Ivoire (4%) have the lowest rates, partly reflecting the fact that both countries have more immigrants than emigrants.

Figure 8.1. **Emigration experience varies across the IPPMD countries**

Number of emigrants and as a share of the population, 2015



Source: UNDESA, International migration stock: The 2015 revision, *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

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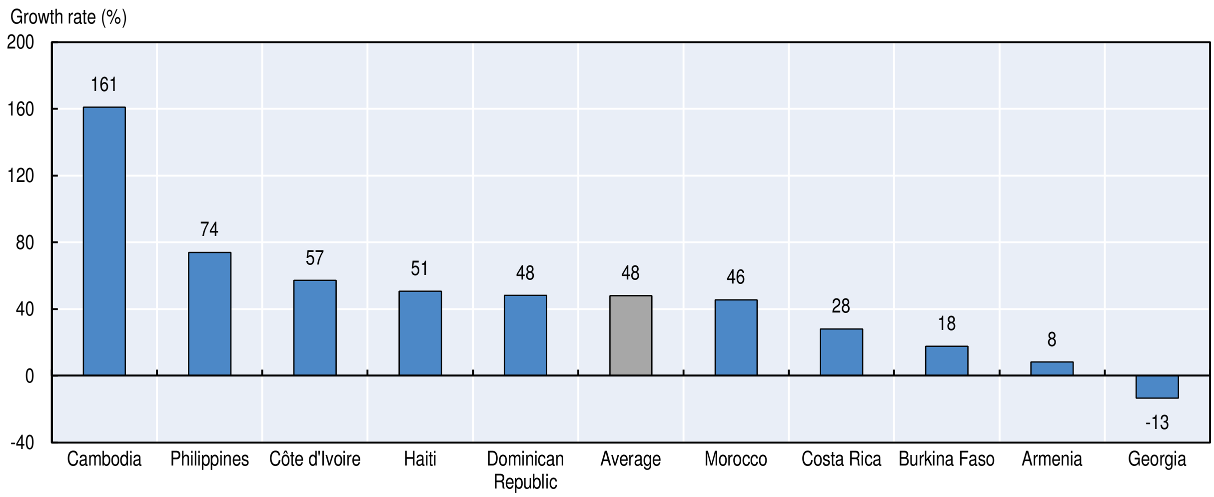
Emigration rates tend to reflect a country's level of development. In theory, emigration rates in developing countries should first increase and then gradually decrease as the country develops; the gaps in economic and social well-being close and job opportunities arise at home (Martin and Taylor, 1996). However, most countries in the project have not yet reached that point of inflection, with the exception of Costa Rica, which has not experienced a high rate of emigration in its history (IDB et al., 2012).

A snapshot of a country's emigrant numbers tells us little about trends over time. In fact, all countries apart from Georgia saw the number of emigrants grow between 2000 and 2015 – by 48% on average (Figure 8.2). The highest growth was in Cambodia, at 161%, where a young and growing population is experiencing the benefits of freer mobility and the economic difficulties of the transition from a communist regime. This is followed by the Philippines (74%), where emigration is facilitated and to some extent encouraged. Georgia saw its number of emigrants decrease by 13%, partly due to return migration, while Armenia experienced only modest growth (8%) (Figure 8.2). While these two countries have the highest emigration rates of all the IPPMD countries, these data show that emigration is decreasing as the countries stabilise.

As explained in Chapter 2, the methodological framework aimed to sample an equal number of migrant (emigrant, return migrant and in some cases immigrant households) and non-migrant households.[1] The migrant half of the sample reflects the relative importance of emigration and return migration for each country, with the exception of Costa Rica (Table 8.2).[2,3] In five of the countries (the Dominican Republic,[4] Cambodia, Georgia, Haiti and the Philippines) there were at least three emigrant households for every four migrant households sampled, reflecting the low rate of return migration in the areas where data was collected.[5] In contrast, the share of emigrants was much lower in Armenia (where policy has explicitly encouraged return migration – Chapter 10) and Burkina Faso (due to the return of Burkinabé emigrants following the recent conflicts in Côte d'Ivoire).

Figure 8.2. **Cambodia has seen the greatest growth in emigration**

Growth rate in emigrant numbers, 2000-2015 (%)



Note: The definition of an international emigrant is any person who changes his or her country of usual residence and has lived outside of this country for at least three months. The average represents the average across IPPMD countries only.

Source: UNDESA, International migration stock: The 2015 revision, *www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

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Table 8.2. **The share of emigrant households sampled varied by country**

Country	Number of individual emigrants	Emigrant households			Non-migrant households		Share of individuals who plan to emigrate %
		Total	Share of total sample (%)	Share of migrant sample (%)	Total	Share of total sample (%)	
Armenia	819	550	27.5	57.7	996	49.8	6.9
Burkina Faso	566	320	14.6	49.8	1 375	62.5	4.1
Cambodia	1 483	816	40.8	81.7	1 001	50.1	8.5
Costa Rica	113	95	4.3	44.6	1 299	58.1	1.3
Côte d'Ivoire	630	450	19.2	74.4	1 180	50.3	17.1
Dominican Republic	622	417	20.5	92.1	1 073	52.7	12.5
Georgia	980	804	35.6	82.7	1 288	57	2.6
Haiti	342	272	21.9	82.4	911	73.4	8.6
Morocco	1 128	808	36.1	74.3	1 126	50.4	4.4
Philippines	1 037	788	39.4	78.6	996	49.8	18.4

Note: Emigrants were generally interviewed by proxy, as they were not always available for interview in the home country. Questions were therefore asked to a member most familiar with them (usually the household head). In a few cases, emigrants were interviewed in person because they happened to be in the home country at the time of the interview. Emigrant households are those with at least one member who has emigrated. Non-migrant households are those with no emigrants, returned migrants or immigrants. The migrant sample does not include immigrants. The share of individuals planning to emigrate does not include returned migrants or immigrants.

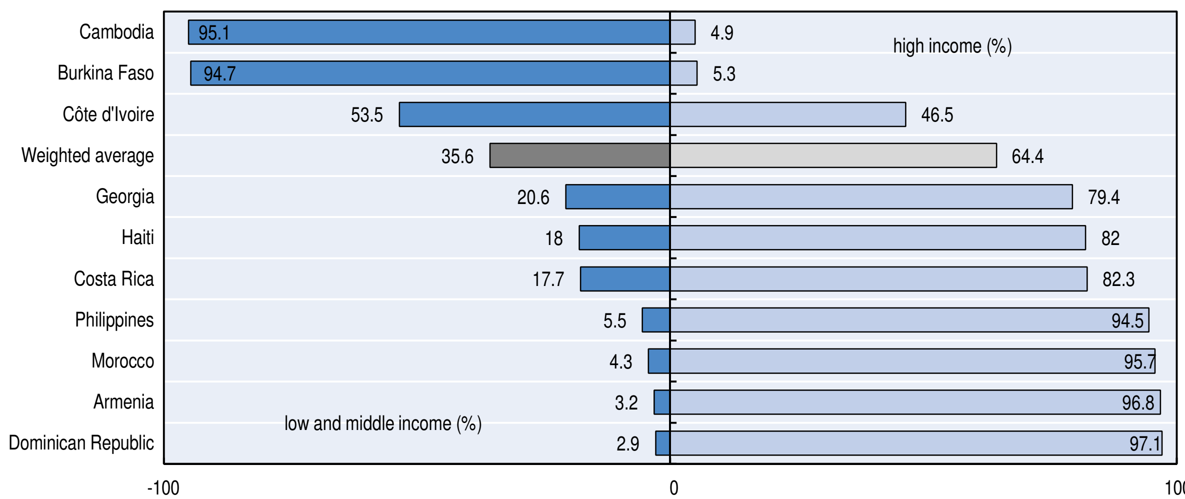
Source: Authors' own work based on IPPMD data.

In addition to information on emigrants, the IPPMD team also collected data on whether non-migrant individuals living in the home country intend to emigrate or not (Table 8.2). The rates vary remarkably from country to country and were highest in the Philippines (18.4%), and lowest in Costa Rica (1.3%). In almost all cases, they reflect the relative order of magnitude across countries of current flows (Figures 8.1 and 8.2).

The IPPMD project revealed a broad spectrum of destination countries. Emigrants from Armenia, the Dominican Republic, Morocco and the Philippines are more present in high-income countries (Figure 8.3). This may mean that the available channels into their host countries are not always as easily accessible as they would be for closer and poorer countries; and perhaps why, according to stakeholders, many Armenians emigrate through formal seasonal migration programmes. It is also partly explained by the level of development and the average level of education in the country as a whole. The Dominican Republic and Morocco are two of the richest countries in the project and education levels are relatively high, which may partly explain why many emigrants go to high-income countries. On the other end of the income scale, most emigrants from Burkina Faso and Cambodia go to low and middle-income countries, which tend to be neighbouring and therefore more accessible, and so circulation between the countries is more fluid.

Figure 8.3. **Most emigrants move to high-income countries**

Share of emigrants (%), according to the income level of the countries of destination



Note: The figure is based on the current country of residence of the emigrants whose households were interviewed for the IPPMD project. Income levels are based on the World Bank's five-level classification, divided into two groups: (1) low and middle income (World Bank categories of low income, lower middle income and upper middle income); and (2) high income (World Bank categories of non-OECD and high-income OECD). Countries are ranked based on their share of emigrants in low and middle-income countries.

Source: Authors' own work based on IPPMD data.

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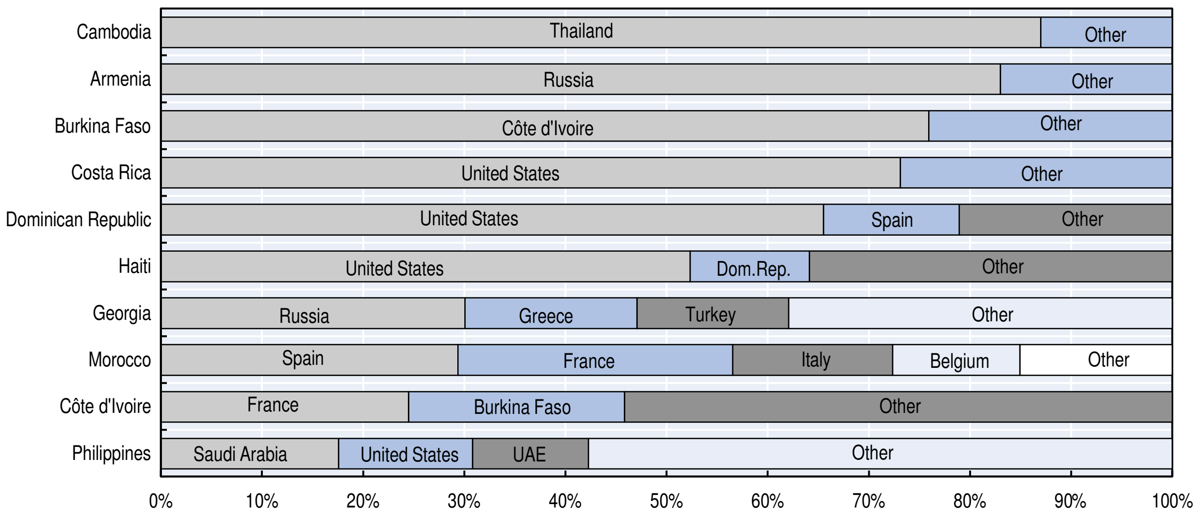
Emigrants from some countries tend to go to only a few nearby countries, while emigrants from other countries are more scattered and travel further (Figure 8.4). According to the IPPMD data, more than three out of every four Armenian emigrants go to Russia, 76% of emigrants from Burkina Faso go to Côte d'Ivoire (where there is a long tradition of working in cacao fields) and 87% of Cambodians go to neighbouring Thailand. Where a country's emigrants mainly go to a single destination country, negotiating bilateral agreements on migration is easier and the flow of general knowledge on the country, through various social, political and economic links, is more fluid. However, it can mean the country is particularly heavily affected by natural, political or economic shocks in destination countries (such as earthquakes, civil strife or recessions) that may force migrants to return or affect remittance flows. Emigrants from Côte d'Ivoire, Georgia, Morocco and the Philippines are much more scattered. The more diverse set of destination countries provides some insulation from such shocks.

Figure 8.4. **The concentration of emigrants across destination countries varies widely across countries**

Emigrants' country of destination (%), by country of origin



Note: Countries are ordered according to the share of emigrants in the main country of destination. UAE stands for United Arab Emirates. Dom.Rep stands for the Dominican Republic. Only countries which are the destination for at least 10% of the overall stock of emigrants are named.

Source: Authors' own work based on IPPMD data.

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Emigration can benefit countries and communities of origin, as well as individuals left behind

The characteristics described above influence how emigration affects the source country. In the previous chapters, the impact of emigration has been discussed in the context of the labour market, agriculture, education, investment and financial services, and social protection and health. However, looking at any sector in isolation is not enough, since the impacts may interact and reinforce each other. Instead, a whole-economy picture is required, one which looks at how emigration affects a country and how policies can affect emigration decisions.

Emigration can imply costs that require incurring debt as well as the separation of family members and the necessity to replace lost household labour. However, emigration also provides countries with long-term benefits, including those derived from remittances and return migration. Beyond those dimensions, which are discussed later, emigration itself can provide benefits to the country.

Despite the short-term costs, households and entire countries can benefit from emigration:

- by reducing pressure on the labour market
- by encouraging individuals to increase their skills
- by allowing women greater economic responsibility and independence.

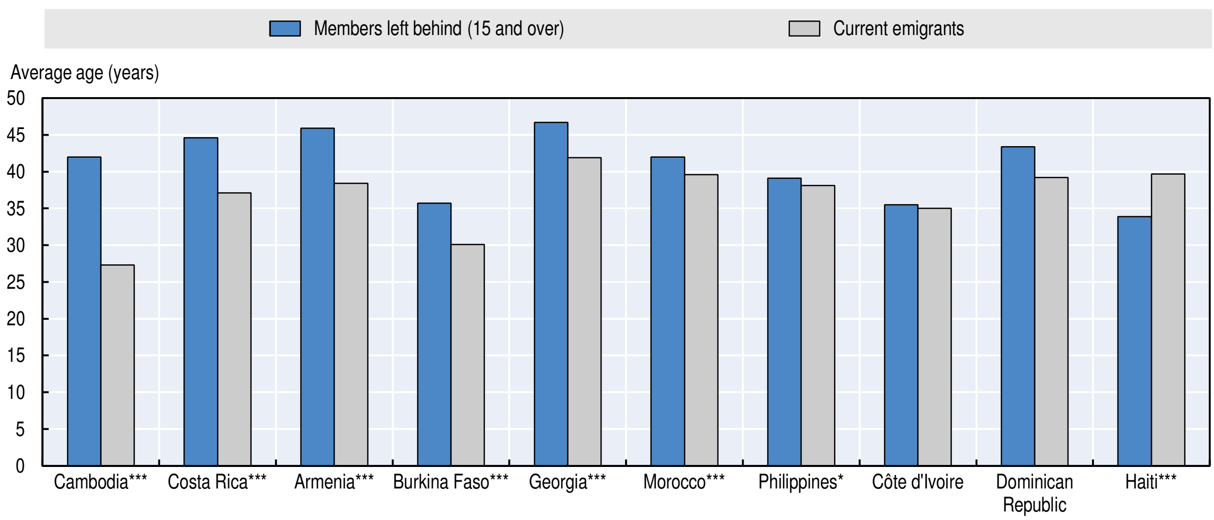
Labour losses may hurt in the short term, but in the longer term the effect can be positive

While labour losses can be detrimental for some economies, in certain cases they can relieve pressure on an over-crowded market. By decreasing the labour pool in the sending country, emigration may help alleviate unemployment (and mostly underemployment) and increase incomes for the remaining workers (Asch, 1994). Where emigrants were unemployed before moving or where their departure allows others to take their jobs, emigration can efficiently relieve source countries of excess labour, and help lower unemployment and enhance wage growth.[6]

While emigration can negatively affect households through loss of labour, the economic consequences for households are likely to only be short-term, and possibly minimal. As shown in this chapter and the next two, the longer-term benefits far outweigh the costs. Chapter 3 shows that on average across the IPPMD countries, the rate of employment among emigrants prior to leaving is higher than for non-migrants.[7] Losing household labour to emigration can have a deep impact on household members, especially as migrants are often in the most productive years of their lives. Emigrants in the IPPMD sample left on average in each country between the ages of 25 and 36 (not shown), and are usually younger than the average age of all adults in their household (Figure 8.5).

Figure 8.5. **Emigrants are typically the younger members of their household**

Current average age, household members (15+) vs. emigrated members



Note: Statistical significance calculated using a t-test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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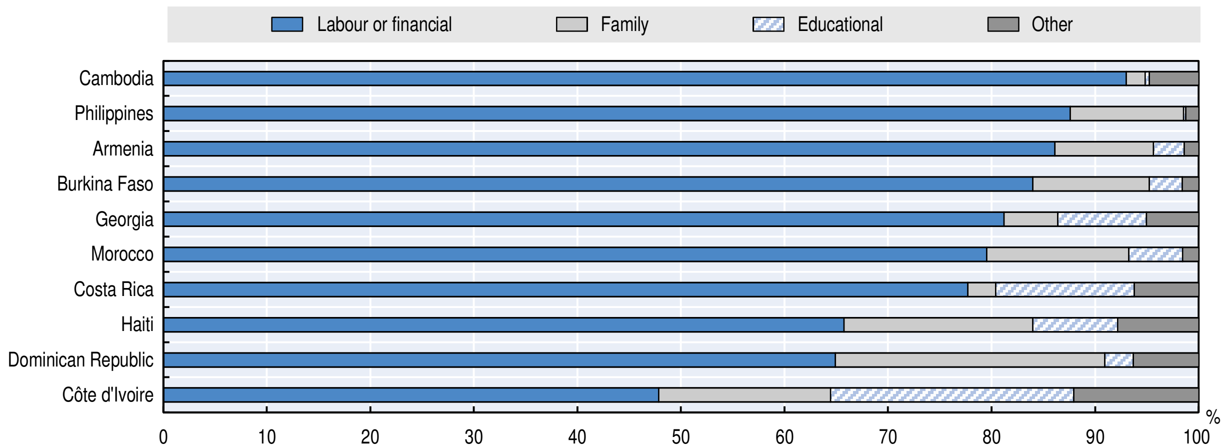
However, as most emigrants left to seek better work overseas, in the medium term a new income stream would be generated for the household in the form of remittances, and any debt incurred to finance emigration could be paid off – assuming that the emigrant manages to find work. The IPPMD questionnaire asked why emigrants had left their country; the overwhelming response was for work-related reasons (Figure 8.6). Even in the country in which the rate of labour-driven emigration was lowest (Côte d'Ivoire), the share was above 50%. All other countries had a rate of labour-driven emigration of at least 65%.

The effect of a loss in labour is minimised under certain policies, however. For instance, if emigrants are seasonal, they are not absent from their households for a substantial amount of time, and the timing of the departure can be such that the household does not suffer the labour loss. Several stakeholders mentioned that seasonal migration was an important phenomenon in their countries. The country that stands out the most is Armenia, where 40% of the emigrants are seasonal, mostly going to nearby Russia, followed by Burkina Faso (21%), Morocco (21%), Haiti (20%) and the Philippines (11%). The loss of labour can also be minimised if the country of destination is nearby. Ease of circulation at the border may minimise loss of labour, which is perhaps why Cambodian emigrant agricultural households do not draw on more labour, as most emigrants go to nearby Thailand (Chapter 4).

Figure 8.6. **Emigrants typically emigrate for labour-related reasons**

Relative share of reasons emigrants left (%)



Note: Countries are ordered from top to bottom according to their relative share of emigrants who left for labour or financial-related reasons. Respondents were given the chance to provide multiple reasons for emigrating, but only the first reason was taken into account.

Source: Authors' own work based on IPPMD data.

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At a sectoral level, some sectors may also pay the price more than others. Chapter 3 shows that the agricultural sector suffers a bigger loss in terms of human capital than the construction and education sectors. However, the agricultural sector tends to be overstocked with underemployed workers. Emigration could be relieving pressure in the sector, and even help in the country's transition towards a more industrial or service-oriented economy. In fact, Chapter 4 showed that households with emigrants are more likely to hire workers from outside the household – many of which may have been underemployed themselves. This provides some evidence that emigration is reducing the pressure on the few and less productive jobs in the sector.

Emigration may provide an incentive for skills upgrading

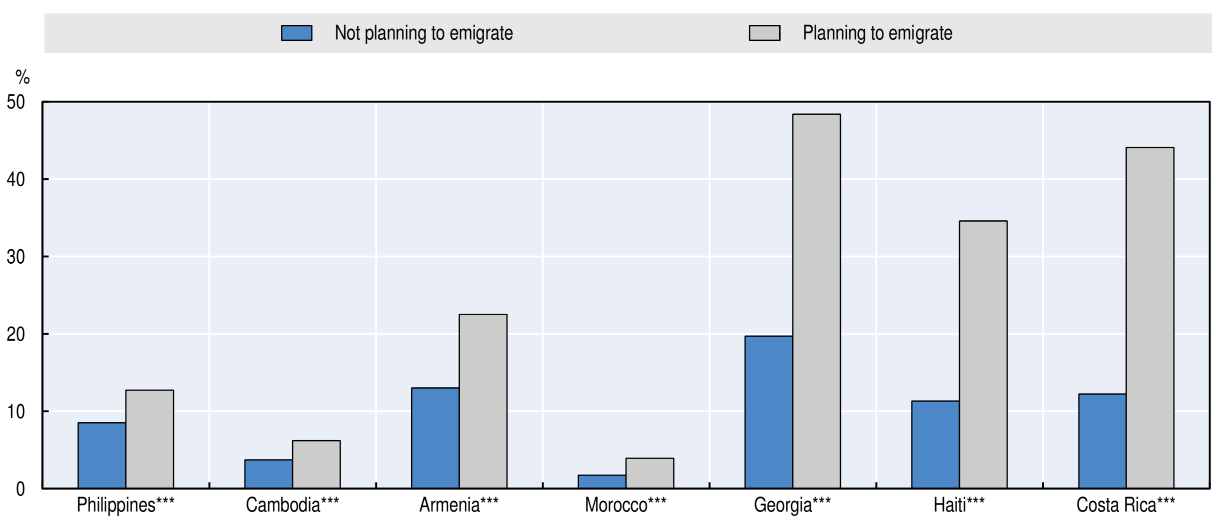
Emigration can generate skills shortages in some sectors and occupations more than in others. The cost is particularly high when emigrants are tertiary-educated. This can have deep consequences for the country's education sector, which invests in upskilling the population without reaping the benefits. The IPPMD data suggest that better educated individuals are more likely to plan to emigrate. Most concerning is the loss of human capital from the health sector. Across the world, shortages in health care workers amounted to about 7.2 million in 2013; this is projected to climb to 12.9 million by 2035 (GHW and WHO, 2013). The poorest countries are the worst affected.

Despite this burden, emigration can also be a catalyst for improvement, as it can push individuals to develop their skills to improve their prospects of emigrating. As the prospects of doing so are not certain, many individuals with improved skills will stay in the country and contribute towards increasing the level of skills there. Such a dynamic is termed the "brain gain", and in large numbers it can boost the human capital of the home country (Mountford, 1997; Stark et al., 1997). The success of health professionals emigrating, for example, may inspire future cohorts to become doctors and nurses.[8] In the Philippines, emigration has spawned a market to service the demand for upgrading vocational skills, especially nursing. By 2006 there were about 460 nursing colleges in the Philippines – up from 170 in 1990 – with a total of 20 000 nurses graduating each year (Esposo-Ramirez, 2001; Lorenzo et al., 2007). Given the number of emigrants who leave the Philippines each year, the prospects of emigration may have increased the number of nurses in the Philippines, although no study has investigated whether that has indeed been the case. However, despite the prospects of an increase in enrolment in nursing programmes in the Philippines, Chapter 3 described how the country suffers from a shortage in the health sector in rural areas. For such reasons, the World Health Organisation adopted the *Global Code of Practice on the International Recruitment of Health* Personnel (WHO, 2010), at their 63rd World Health Assembly in 2010, which promotes principles and practices for the ethical international recruitment of health personnel.

Language skills also greatly improve people's chances of emigrating, yet not all those learning a language will manage to emigrate – their skills can therefore be of benefit in their home country. The IPPMD data on language skills confirm that individuals who intend to emigrate are more likely to be able to speak a foreign language (Figure 8.7). The difference in language skills between people intending to emigrate and others was most notable in Armenia (for English), Costa Rica (English), Haiti (English and Spanish) and Georgia (English). An even larger difference is found between non-migrants and emigrants (not shown), although current emigrants may have learned a foreign language in their host country, and therefore after emigrating. Even if individuals do emigrate after upgrading their skills, they may return or become a committed member of the diaspora. Emigrants who learn a foreign language, for instance, may become conduits for stronger links between countries, including for trade (Genç, 2014).

Figure 8.7. **Individuals planning to emigrate are more likely to have learned a foreign language**

Share of individuals who speak a language other than those commonly spoken in the home country (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ordered according to the ratio between the share of individuals not planning to emigrate over those planning to do so. Common languages spoken in the country were defined as follows: Armenia (Armenian, Kurdish, Russian), Burkina Faso (general West African languages, French), Cambodia (Khmer, Cham), Costa Rica (Spanish, indigenous languages), Côte d'Ivoire (general West African languages, French), the Dominican Republic (Creole, French, Spanish), Haiti (Creole, French), Georgia (Georgian, Mingrelian, Russian, Svan), Morocco (Arabic, Berber languages, French), the Philippines (Tagalog, regional languages). The figure does not include return migrants and immigrants.

Source: Authors' own work based on IPPMD data.

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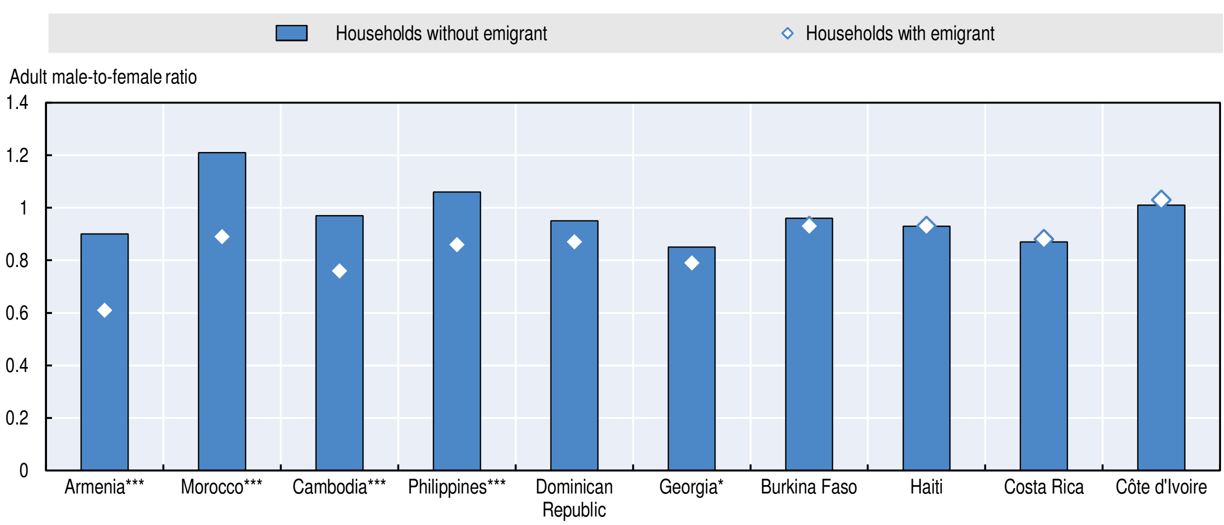
Emigration can increase women's economic independence

Emigrants are more commonly men than women. Among the IPPMD countries, emigrants were only more likely to be women in the Dominican Republic, Georgia and the Philippines. In addition, the rate of female emigrants from agricultural households is even lower for countries where the female emigration rate is low in general: Armenia, Burkina Faso, Costa Rica and Morocco. This highlights the potential consequences for farming in these countries, as well as the burden placed on women. In rural areas the gender of the emigrant may have an impact on the household's organisation, given that agricultural households typically have set gender-based tasks (Wouterse, 2010). The consequences can run deep, since women face stronger constraints than men in rural and especially agricultural markets (FAO, 2011). Women, for instance, have difficulties accessing financial services in rural areas (Fletschner and Kenney, 2011), which are key to a successful rural development strategy.

In some IPPMD countries, adult male-to-female ratios in households also suggest that men emigrate more than women. In four of the countries in the project (Armenia, Cambodia, Morocco and the Philippines), the ratio is statistically and significantly lower in emigrant households, providing more evidence that men leave in greater proportions than women (Figure 8.8). While this can have social consequences as well, particularly for children who are separated from their fathers, or who are not sufficiently surrounded by adults in their households, the IPPMD data suggest that in most cases, the adult-to-child ratio is highest in emigrant households, and not the other way around (not shown). In fact, it suggests that individuals living in households with higher adult-to-child ratios are more likely to emigrate in the first place, that is, having more adults in the household is a determinant of emigration.

Figure 8.8. **Emigrant households have fewer adult men than women**

Average household adult male-to-female ratio (15+)



Note: The adult male-to-female ratio is calculated by taking the total of male adults in a household and dividing it by the total of female adults in the household. A ratio of 1 would indicate that there are as many adult men as there are women; a ratio higher than 1 would indicate that there are more adult men than adult women; while a ratio less than one would indicate the opposite. Statistical significance calculated using a t-test is indicated as follows: ***: 99%, **: 95%, *: 90%. Countries are ranked based on the ratio of non-migrant households (blue bars) over emigrant households (white diamonds).

Source: Authors' own work based on IPPMD data.

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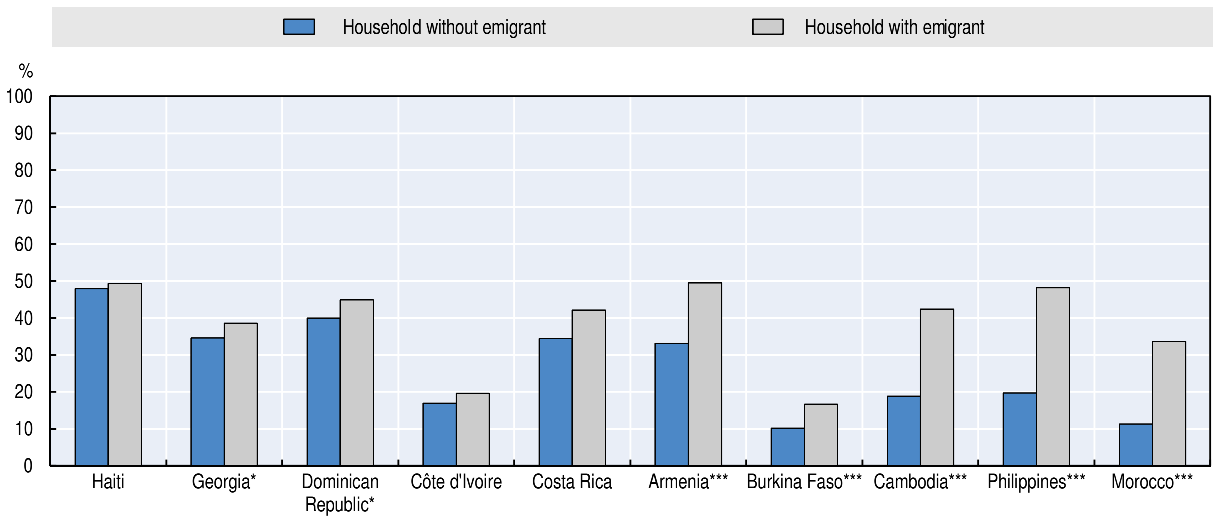
Emigration can also open opportunities for women, when men leave and they take on more household financial and managerial responsibility (Bauer et al., 2012; DFID, 2007; Hughes, 2011; Desai and Banerji, 2008). Moreover, the change in responsibility, independence and respect for women may persist once the men return (Yakibu et al., 2010). The IPPMD data show that emigrant households are more likely to have women as the household head, and this is particularly striking in Armenia, Cambodia, Morocco and the Philippines (Figure 8.9). Interviewed stakeholders in these countries confirmed the redistribution of roles between males and females in migrant households.

Figure 8.9. **Emigrant households are more likely to be headed by women**

Share of households headed by women (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. The comparison group of households without emigrants does not include households with only return migrants or immigrants.

Source: Authors' own work based on IPPMD data.

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The decision to emigrate depends on a combination of sectoral policies

The way policies affect emigration is not always straightforward. As highlighted in the previous chapters, similar programmes can generate a variety of effects according to the countries in which they are implemented. Despite the differences in the way specific sectoral policies or programmes affect migration, it is the combination of different policies that is more likely to influence the decision to emigrate, depending on the objective of the policy. These interactions between such public policies need to be taken into account when drawing up development strategies for the country. This section presents results on how public policies in the sectors analysed in Chapters 3 to 6 can affect the decision to emigrate. The public policies that have so far been discussed can be classified into four categories:

1. policies that strengthen market mechanisms
2. policies that relieve financial constraints
3. policies that help develop skills
4. policies that lower risk.

Policies that strengthen market mechanisms tend to reduce emigration

Many developing countries face a number of inefficiencies in their markets, which can lead to more emigration. A key inefficiency is linked to the functioning of labour markets. Jobs may be available, but employers and potential employees do not always find each other. This is particularly striking in the poorest and most remote areas. Since individuals often leave because they cannot find a (good) job which offers physical, social and financial security (Mansoor and Quilling, 2007), by providing information on the labour market needs, government employment agencies may contribute to reducing emigration. The IPPMD data, for instance, suggest that individuals who found their job through a government employment agency, which aims to match employers with job seekers, are more likely to come from a household without a migrant.

The roots of the problem should be tackled coherently. While emigration may aggravate the shortage of skilled workers in some sectors, it may not be the fundamental reason for shortages in the first place. Structural issues affecting wages and working conditions in the sector may be making the sector unattractive to prospective workers (Sriskandarajah, 2005). In Burkina Faso, for instance, several stakeholders pointed out that agricultural policies are too focused on large agro- and mining businesses, while most of the population runs small backyard and subsistence-level agricultural operations. The government is banking on economic spillovers from big business, but this may take too long, and in the meantime poverty levels and frustration among small farmers is pushing many to leave. The biggest group affected is young people, whose loss can have a devastating effect on the future of the country.

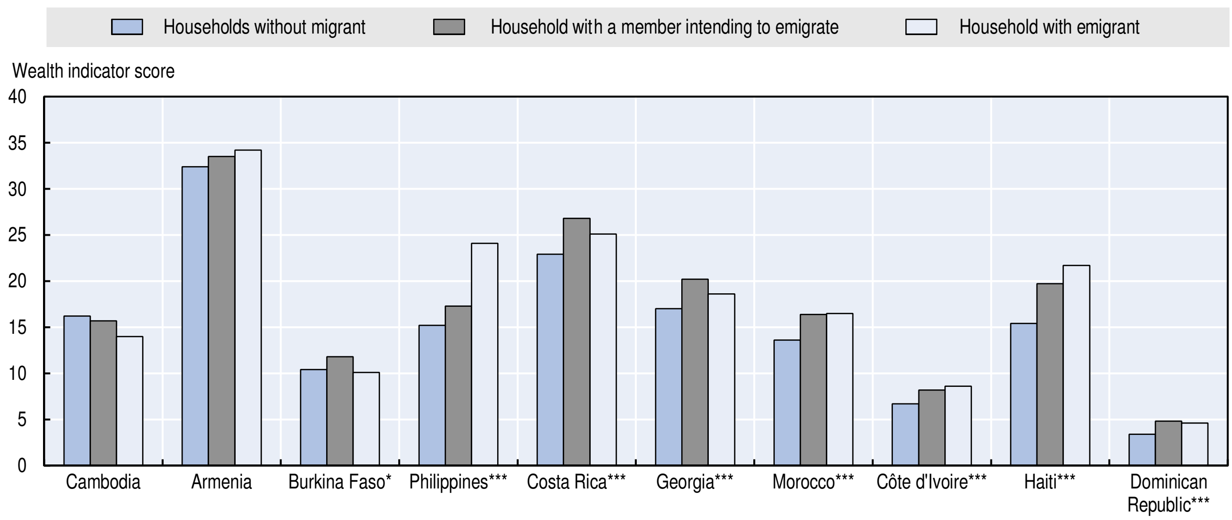
Policies that relieve financial constraints decrease emigration when transfers are conditional

Another market failure is related to the way the financial system, and in particular access to credit, works in many developing countries. Formal financial institutions rarely want to take the risk of lending money to low-income households. Yet stakeholders in Armenia and Cambodia pointed out that a better investment climate in the country would facilitate investment and job creation, which could prevent people from emigrating in the first place.[9] Such market failure explains the success of microfinance, even though microfinance is by nature very limited and the interest rates it offers are usually higher than market rates. The difficulties in benefiting from credit and the high costs it entails implies that many households that are willing to invest in developing new activities might not be able to do so. Households may decide to send one or more members abroad to work and generate capital for investments they plan to undertake. Fostering competition between financial actors to reduce costs and promoting a broader access to the formal banking system can indirectly affect the decision to migrate.

At the same time, emigrant households are generally not the poorest in a country. In fact, on average they are wealthier than non-migrant households (Figure 8.10). It is difficult to pinpoint whether richer households emigrate, or whether they are richer because they receive remittances. However, households with a member planning to emigrate are also wealthier than non-migrant households, on average, which lends more support to the fact that emigrant households are wealthier. This reflects the fact that emigration is costly and only accessible to those households that can afford it. If credit access is relaxed or income increased generally in the country, emigration could increase for the households that could not previously afford it. Indeed, this is what is found in research on Mexico, where poor households' entitlement to a temporary but guaranteed income stream increases emigration to the United States (Angelucci, 2015).

Figure 8.10. **Emigrant households are wealthier than non-migrant ones, on average**

Average household wealth, by emigrant background



Note: Household wealth is calculated using principal component analysis (PCA) based on household assets. The indicator was computed in a way which makes it comparable between groups within a country but not across countries. Countries are ranked by the ratio of non-migrant households without any member intending to emigrate (blue bars) to households with members planning to emigrate (grey bars). Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. They reflect the difference in shares between non-migrant households and those with members planning to emigrate.

Source: Authors' own work based on IPPMD data.

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Empirical evidence from the project does not necessarily confirm that financial transfers increase emigration, when transfers are conditional. Such transfers indeed seem to reduce emigration. That is because they are usually conditional on the fact that a child goes to school – for that to occur, parents must stay. On the other hand, when transfers are not conditional, their main effect is to relieve the financial constraint, thus leading to an increase in emigration. In this respect, agricultural subsidies often consist of lump-sum transfers or cheaper inputs, which reduce financial constraints but do not oblige farmers, or members of their households, to stay in the country. The evidence is that they do indeed increase emigration by the members of benefiting households in poor countries, primarily focused on agriculture. In addition, households may even forego investing public cash transfers into productive use, because the investment climate is simply not rewarding enough and investments amount to nothing. Therefore, financial dynamism and ease are clear determinants of staying in the country.

Policies that help develop skills increase emigration

Another reason why people might leave is a mismatch between skills demand and supply. One potential explanation is that the education system does not develop the skills required by the labour market. This happens not only because poor countries do not have adequate resources to invest in human capital, but also because of the lack of co-ordination between education institutions and employers, in particular from the private sector.

Investing in more and better skills and fostering co-ordination mechanisms between the different actors involved in education should therefore help reduce both skills mismatches and emigration pressures. Yet, at the individual level, improving one's skills and education level tends to increase the probability of leaving the country, presumably because being skilled increases employability. As shown in Chapter 5, emigration is correlated with higher levels of education. In fact, the previous chapters showed that in some countries, people benefitting from technical and vocational education and training and agricultural training programmes were more likely to plan to emigrate. For instance, public employment programmes with a positive spillover effect of transferring skills may increase emigration. This is particularly the case if job prospects are low once the programme ends (see labour market inefficiencies above) and if no social protection is afforded in the contract, increasing risk.

Policies that lower risk do not necessarily reduce emigration

Beyond labour market and financial constraints, risk may also push individuals to leave, even when they have jobs and money. This is because individuals can see beyond the short term, and envision an end to financial transfers and a return to a situation in which they are stuck, without the possibility of improving their situation. By providing short-term contracts, public employment programmes may reduce the risk that an individual stays unemployed for too long, which can either push him or her into poverty or to emigrate. But public employment programmes should be combined with other policies, as they are only short-term solutions to the lack of good jobs, those which provide financial and physical security. In fact, having a formal labour contract or an open-ended one reduces the need to emigrate, because it reduces the risk that a health shock or unemployment would push them into poverty. Individuals therefore do not have to look for a job elsewhere, perhaps by emigrating, to reduce that risk.

Globally, the intention to emigrate is indeed proportionally lower in countries that invest more in social protection. However, the data also suggest that social protection coverage is not necessarily linked with lower emigration rates. The previous chapters showed that insurance seems to be positively correlated with emigration flows in many cases, including agricultural insurance programmes and access to health insurance and labour unions. Reducing risk, therefore, does not always result in lower emigration. First, coverage by an insurance scheme is often afforded to higher-skilled and mobile individuals, who can exploit work opportunities in other countries. Second, those who do not have access to health facilities are often in marginalised regions, where emigration is already difficult. Third, agricultural insurance may simply be helping the transition towards a more diversified economy, which may explain why agricultural insurance schemes are correlated with emigration in Georgia.

Policy recommendations

Emigration is not a necessary condition for development. Costa Rica's economic evolution did not involve a period of high emigration, which suggests that migration does not always have to be part of the development equation. Yet, it can be part of the solution. In many countries emigration is a fact, and therefore should be leveraged for development. Although it may imply some costs, emigration can indirectly lead to better outcomes in the home country – for workers, by reducing pressure in an overcrowded labour market; for women, by increasing their social and economic independence; and for education levels, by providing an incentive and inspiration for others who may wish to emigrate.

Public policies have an influence on whether people emigrate or not. For instance, the intention to emigrate is proportionately lower in countries that spend more on social protection. Agricultural subsidies can lower emigration, but only in countries that are diversified and not substantially based on agriculture – likely because they are not conditional on any tangible outcome in the home country. In contrast, in countries where agriculture plays a significant role, agricultural subsidies can increase emigration. However, conditional cash transfers can lower emigration, particularly if they are conditional on school outcomes and parental presence. Training programmes seem to also increase emigration, likely because they are not answering the needs of the labour market. On the other hand, policies that contribute to matching needs with supply, such as governmental agencies, reduce emigration – as a lack of jobs are a major determinant of emigration.

Leveraging migration for development requires a combination of policies. For instance, government employment agencies may not solve all issues leading to emigration; providing the right skills that are in demand in the labour market are also important. Moreover, emigration can be good for labour market relief, but emigration should not become a strategy to solve issues of under- or unemployment. The point should not be to reduce emigration *per se*, but rather to shift away from a migration dynamic where individuals emigrate because issues in their home countries deny them opportunities they could find elsewhere.

The adoption of the 2030 Agenda for Sustainable Development, and the growing awareness of the importance of policies aiming at reducing poverty and improving social conditions (OECD, 2011), could trigger a shift in public policies oriented more towards social objectives and to help reduce economically forced migration outflows. As a complement to these policy shifts, however, the following policies will help ensure that when people do choose to emigrate, the process is as beneficial as possible (Table 8.3).

Table 8.3. **Policies to make the most of emigration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	• Adjust vocational training programmes to reflect demand in the local labour market and better match demand with supply. • Expand the territorial coverage and awareness of governmental employment agencies, especially in rural areas, while working more closely with the private sector, to match needs with labour supply and ensure that households that lost labour to emigration can easily replace it if needed.
Agriculture	• Include, enforce and increase the conditionality of agricultural aid programmes, such as subsidies and agricultural training programmes, towards practices that are more sustainable and commercial, to reduce their use to enable emigration. • Tie insurance mechanisms to in-kind benefits for the next harvest season rather than cash-based and contingent on agricultural output in quality and quantity, to ensure that they are not used to finance the emigration of a household member.
Education	• Map the education and training levels of emigrants to better forecast future human capital supply and potential skills shortages. • Enforce conditionality measures in cash-transfer programmes to reduce their use to finance emigration and ensure that the programme objectives are fulfilled.
Investment and financial services	• Improve the investment climate to facilitate business creation, create jobs and reduce pressure to emigrate. • Support women's access to financial and agricultural land markets, particularly in rural areas, to allow women to become more economically independent.
Social protection and health	• Strengthen compliance with labour regulations, such as requirements to provide employees with social protection benefits and to grant freedom of association, and facilitate the procedures for employers and employees to register formal labour contracts, in order to ensure decent working conditions thereby reducing the need to look for jobs elsewhere (through emigration). • Ensure that new provisions in health facilities and social protection in marginalised or isolated regions are accompanied by adequate infrastructure and labour market mechanisms, in order to capitalise on improved human development and reduce the need to emigrate.
	TARGETED RECOMMENDATIONS
Migration and development	• Run campaigns on the risks of irregular migration, smuggling and human trafficking, so that migrants make well-informed decisions. • Provide pre-departure courses on legal migration channels available to migrants, their rights as well as information work and living conditions in countries of destination. • Regulate and formalise the international recruitment agency sector, to ensure emigration occurs through safe and formal channels.

Notes

1. There are three notable exceptions where this is not necessarily the case: Burkina Faso, Costa Rica and Haiti. For various reasons related to logistical and unexpected factors, it was not possible to hold the 50/50 split in Burkina Faso and Haiti (see Chapter 2 for details).
2. Note that this does not include the immigrant sample.
3. In Costa Rica, emigrants were difficult to track down and many refused interviews, so they are likely to be under-represented.
4. In the Dominican Republic, the sampling frame was constrained so that an equal amount of immigrant households on one side and emigrant or return migrant households on the other were slated to be sampled, even though slightly more immigrant households were interviewed in the event. No constraint was placed between emigrant and return migrant households, however.
5. Note that for Cambodia and Georgia, the coverage of the sampled population was nearly national, and therefore the numbers are closely reflective of the actual return rate relative to the emigration rate.
6. Many empirical studies provide evidence of this mechanism: Aydemir and Borjas, 2007; Borjas, 2008; Gagnon, 2011; Hanson, 2007; Mishra, 2005; Zaiceva, 2014.
7. Georgia is the only partner country where emigrants were more likely to be unemployed prior to leaving. In this case emigration would have helped to relieve an overcrowded labour market.
8. Evidence from a cross-section of countries shows that the brain gain theory holds for countries with low levels of emigration and education (Beine et al., 2008). It therefore may be the case in Burkina Faso, Cambodia and Côte d'Ivoire – all of which have relatively low rates of emigration and education.
9. Note that Chapter 6 points to the fact that both of these countries score well on the World Bank's Doing Business index.

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Chapter 9

Creating an enabling environment to enhance the development impact of remittances

Remittances can contribute to financing development and improving the lives of millions of households in developing economies. This chapter examines the link between remittances and long-term investments in human capital and other types of productive investments, and analyses the main factors that influence remittance-led development. It further examines and discusses the role of sectoral policies in enhancing the development impact of remittances. The chapter discusses various sectoral policies beyond migration and development policies that can indirectly affect remittance patterns and use. Building on these findings, the chapter explores how policies, directly and indirectly, can spur development by enhancing the sending and use of remittances.

Remittances are an important source of funding for countries with large emigration rates, and a key source of income for many households from developing countries. The volume of remittances to low and middle-income countries is estimated to have reached USD 432 billion in 2015, more than three times their amounts of official development assistance (Ratha et al., 2016). Maximising the positive effects of these remittances is therefore crucial for alleviating poverty and promoting sustainable development in migrant-sending communities and countries. But what factors drive the sending and spending of remittances, and how can policies enhance remittance-led development?

Studies show that households, especially those with limited resources tend to use these funds primarily for basic consumption (Adams and Cuechuecha, 2010). It is also important to keep in mind that remittances constitute private household income and it is up to the household to decide how these funds are best used. However, a favourable policy environment can increase returns to investments and expand investment options for remittance-receiving households. Discussions on linking remittances to development and development finance have so far mainly focused on policies that directly affect migration and remittance behaviour. However, the link between remittances and development is influenced by a multiplicity of factors; various other public policies can have an indirect impact on remittance behaviour but so far have only received limited attention.

This chapter analyses the factors that influence remittance-led development, and explores how policies, directly and indirectly, can spur development by enhancing investments stemming from remittances. The chapter starts with an overview of the importance of remittances for development at both local and national levels. It then draws on the IPPMD data to examine the link between remittances and various types of investments and to reveal the obstacles to more productive investment. Finally it discusses conditions for remittance-led development and how policy in several sectors can enhance the development impacts of remittances.

Table 9.1. **Remittances, sectoral policies and development: Key findings**

How do remittances affect countries of origin?	How do sectoral policies affect remittances?
● Remittance-receiving households are more likely to own businesses, real estates or agricultural assets than other households.	● The investment and financial environment plays a significant role in the way remittances are used.
● The link between remittances and productive investments is however often limited to urban areas.	● Polices to relieve households' financial constraints are linked to the probability of receiving remittances, but do not seem to influence the amount of remittances received.
● By investing in education and health, remittance-receiving households help increase human capital in emigration countries.	● Policies that make the financial sector more accessible to all parts of the population can encourage more remittances to be sent through formal channels, which can generate further spill-over effects.

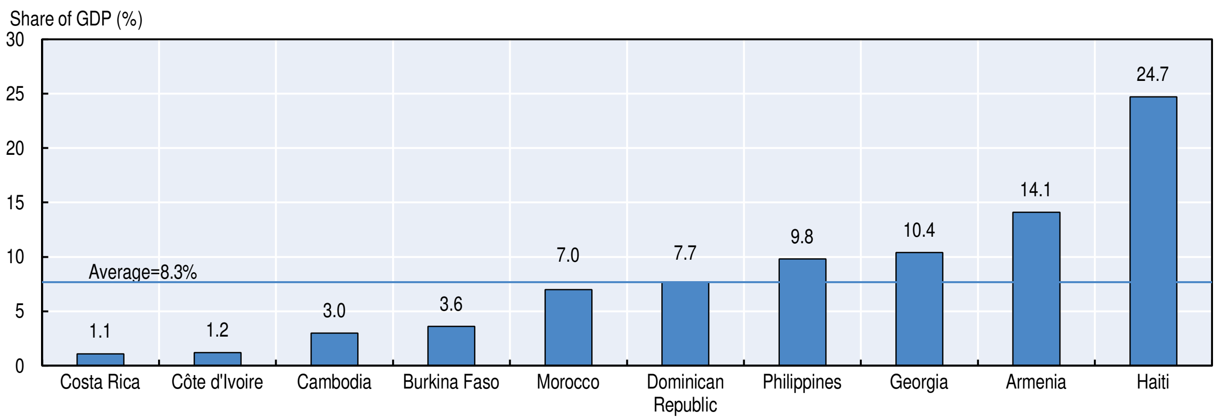
Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Remittances represent an important national and household income source

Remittances are an important source of foreign exchange for many developing countries, both in terms of absolute numbers and as a share of Gross domestic product (GDP). Among the IPPMD countries, remittances constitute a significant share of national income in Haiti (25%), Armenia (14%), Georgia (10%), and the Philippines (10%) (Figure 9.1). Haiti and Armenia are among the top remittance receivers in the world as a share of GDP (8th and 11th respectively). In absolute terms, the Philippines receives the third highest remittances globally, at USD 28 billion in 2015, after India (at USD 69 billion) and China (at USD 64 billion) (Ratha et al., 2016).

Figure 9.1. **The contribution of remittances to GDP varies across the IPPMD countries**

Remittances as a share of GDP (%), 2015



Source: Word Bank, Annual Remittances Data (inflows), *World Bank Migration and Remittance data*, *http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data.*

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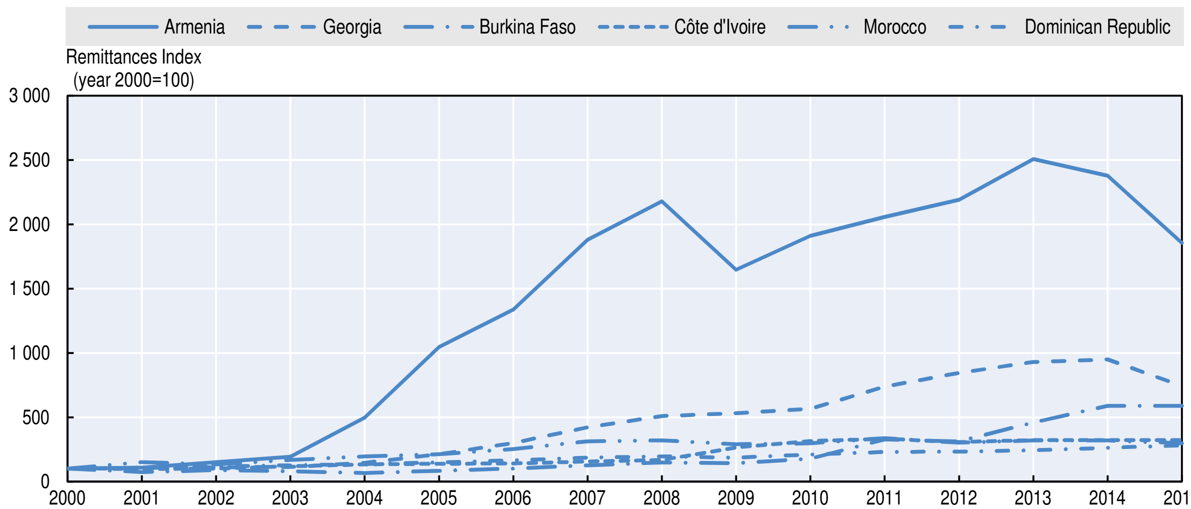
The global annual growth rate of remittances has slowed considerably in recent years, from 7.4% during 2010-13, down to 0.4% in 2015. The slowdown is mainly explained by harsh economic conditions in major remittance-source countries and the depreciation of several important currencies (e.g. the rouble and the euro) against the US dollar (Ratha et al., 2016). The fact that many banks are closing down their money transfer operator accounts in response to anti-money laundering measures, a practice referred to as de-risking, is another factor that contributed to the slowdown in remittance flows (Ratha et al., 2016). Remittance growth in the IPPMD partner countries has been mainly positive between 2000 and 2015 (Figure 9.2). For some countries remittances are only beginning to have an impact on GDP. This is the case for Burkina Faso: remittances are still rather low relative to GDP, but growth in remittance inflows was the third highest among all the partner countries between 2000 and 2015. Other countries – such as Morocco – are seeing the contribution of remittances level out. Armenia and Georgia had the highest growth rates in remittances of all the partner countries, but experienced a decline in growth during 2013-15, mainly due to a decline in economic activity in Russia and the depreciation of the rouble (Ratha et al., 2016).

As would be expected, the share of remittances in a country's GDP is strongly correlated with the emigrant stock as a percentage of the population (Figure 9.3). For some countries, however, remittances make up a disproportionally high share of their GDP. Haiti, for instance, has approximately the same proportion of emigrants abroad as the Dominican Republic (about 13% of the population), but its share of remittances in GDP is three times greater (22.7% vs. 7.5%).[1] Such economies have a much greater dependence on remittances.

Figure 9.2. **Armenia has seen the highest growth in remittance inflows, 2000-2015**

Evolution in the size of remittance inflows since 2000 (= 100)



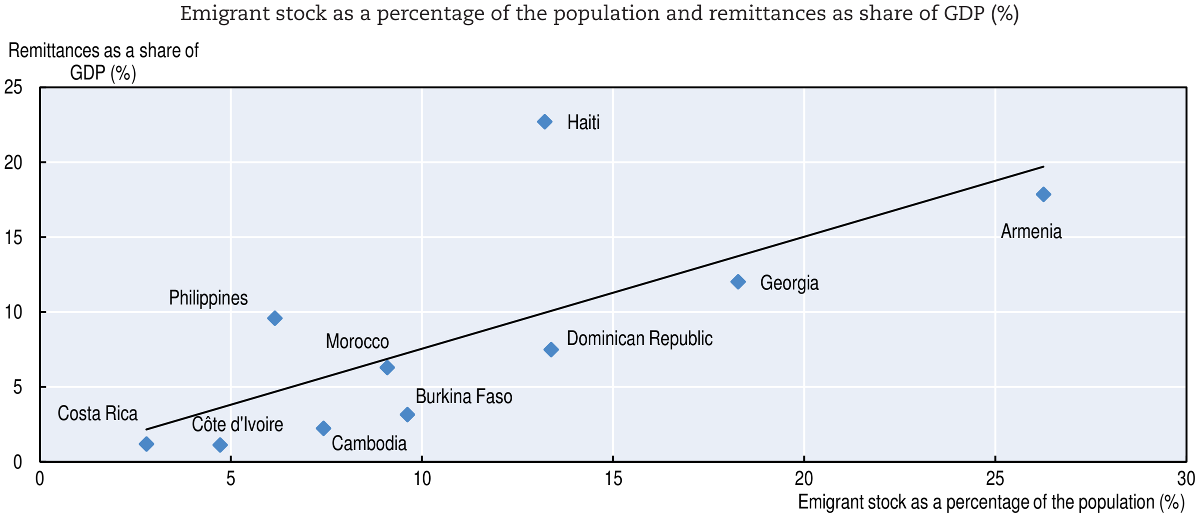
Note: Only the six countries with the highest and lowest growth rates are shown.

Source: World Bank, Annual Remittances Data (inflows), World Bank Migration and Remittance data, *http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data*.

StatLink http://dx.doi.org/10.1787/888933418374

Figure 9.3. **The weight of remittances in GDP is generally related to a country's emigration rate**

Emigrant stock as a percentage of the population and remittances as share of GDP (%)



Source: World Bank, *http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data*, and UNDESA *International migrant stock 2015*, *http://www.un.org/en/development/desa/population/migration/data/estimates2/estimates15.shtml*.

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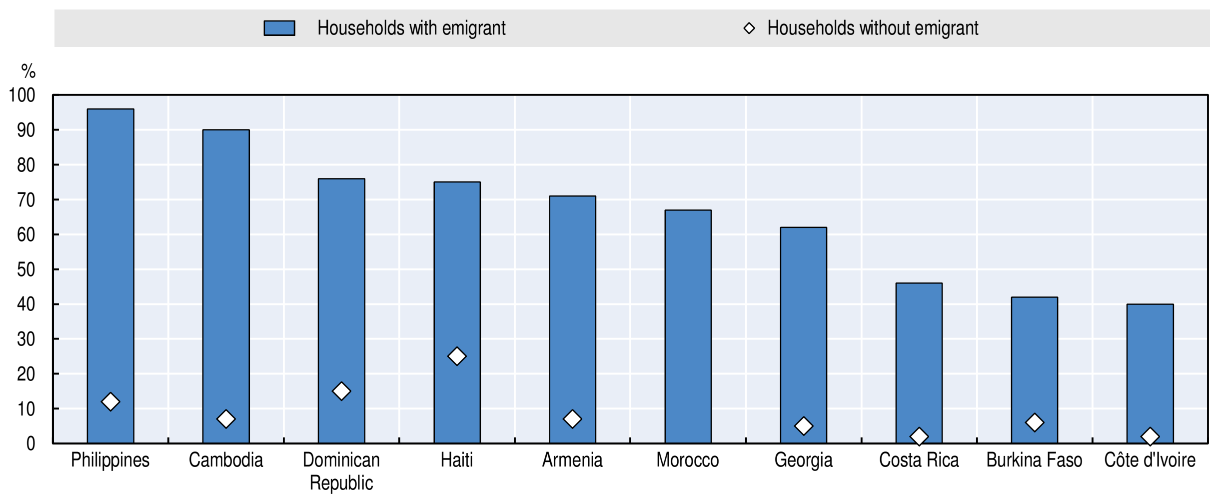
Not all emigrants send remittances back to their household and not all remittance-receiving households have an emigrant member (Figure 9.4). At least three out of four emigrant households in Cambodia, the Dominican Republic, Haiti and the Philippines receive remittances. In the Philippines, nearly all emigrant households receive remittances (97%). In Burkina Faso, Costa Rica and Côte d'Ivoire, however, less than half the emigrant households receive remittances. Having an emigrant member is therefore not a precondition for receiving remittances. Households may also receive remittances from more distant relatives or from friends. In Haiti, 25% of households without emigrants still receive remittances. Receiving remittances from individuals that never formed part of the household members is also relatively common in the Dominican Republic (at 15% of the non-emigrant households) and the Philippines (12% of the non-emigrant households).

Figure 9.4. **Migration and remittances are closely linked, but non-migrant households also receive remittances**

Share of households receiving remittances (%), by whether they have an emigrant



Note: Data on households without emigrants but receiving remittances is not available for Morocco.

Source: Authors' own work based on IPPMD data.

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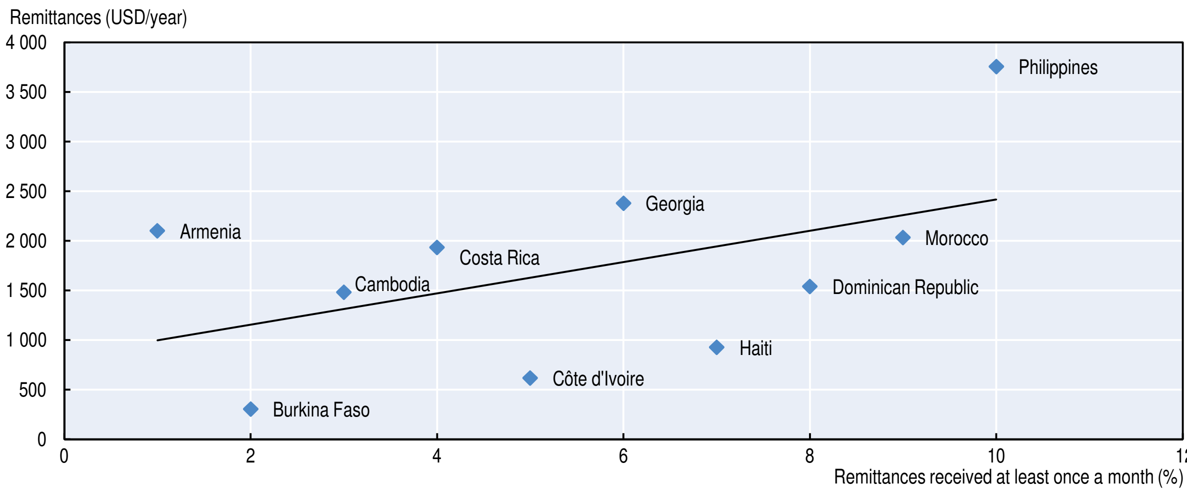
Remittance-receiving households in the IPPMD survey were asked how often they receive remittances, and how much remittances they had received in the past 12 months. On average, around 40% of remittance-receiving households receive remittances at least every month, and the amounts received on average add up to about USD 1 500 to 2 000 a year[2] for these households (Figure 9.5). The Philippines stands out for both amounts and frequency of remittances received: two out of three recipient households receive remittances at least once a month, and households receive on average about USD 3 700 a year. Households in the Dominican Republic also receive remittances relatively frequently: about 54% receive remittances at least once a month. The frequency of remittance receipts appears to be linked to the availability of financial service providers. Chapter 6 shows that across the partner countries, the Philippines and the Dominican Republic have the least differences in financial service provision between urban and rural areas (Figure 6.2). In Burkina Faso, where financial service coverage is scarce in general and especially in rural areas, households receive far fewer remittances and receive them less often than households in the other partner countries.

Figure 9.5. **More frequent remittances are linked to higher amounts of remittances**

Average amount of remittances received in the past 12 months and share of households that receive remittances at least once a month (%)



Note: Remittance data were collected in local or destination country currency, and converted into USD using official exchange rates as of July 1st 2014.

Source: Authors' own work based on IPPMD data.

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The development potential of remittances is not fully realised

Part I of this report (Chapters 3 to 7) analysed the links between remittances and development outcomes in five key sectors (labour market, agriculture, education, investment and financial services, and social protection and health). The analysis focused on two main ways[3] in which remittances can contribute to development:

- **productive investments**, such as in business, real estate and agricultural assets and activities
- **human capital investments**, in education and health.

The findings show that although remittances are often invested in ways that contribute to development, the full potential of remittances is not being entirely realised. This section explores this theme for these two types of investments.

Remittances may also affect household members' labour decisions. When a working member of the household emigrates, those left behind may have to adjust their work patterns. However, if the household receives remittances, these can make up for any lost income and may be high enough to reduce people's incentives to work. The analysis in Chapter 3 shows that in most countries the receipt of remittances is negatively associated with household labour supply. The negative association is less pronounced in households involved in agricultural activities, which are normally more labour intensive.

There are several barriers to the productive investment of remittances

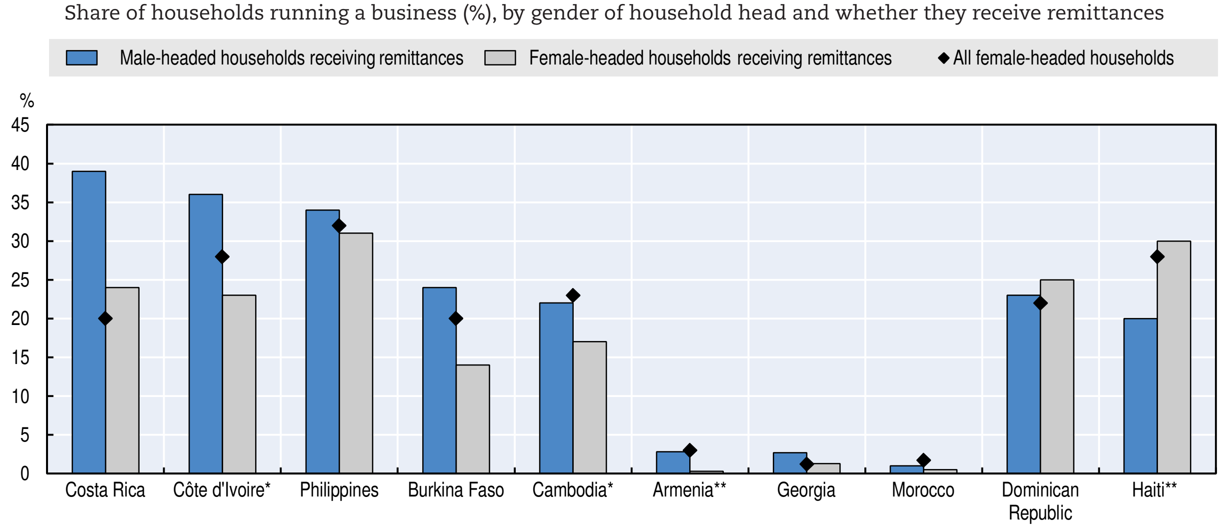
According to the literature, remittances may remove credit constraints and allow households to invest in businesses and other productive activities (Mezger and Beauchemin, 2010; Woodruff and Zenteno, 2007; Yang, 2008). However, remittances do not always translate into higher investments and savings. Poorer households have been shown to use the additional income from remittances to improve their consumption of basic goods rather than to invest in human and physical capital (Adams and Cuechuecha, 2010). Remittances spent on consumption may however, apart from increasing the welfare of the household, also lead to development by, for example, boosting local demand.

What do the IPPMD data say about the link between remittances and productive investments? Part I of the report (Chapters 3 to 7) shows that remittance-receiving households tend to have a higher share of self-employed members (in Armenia, Costa Rica, Georgia and Haiti) and a higher probability of running a business (in Burkina Faso, Costa Rica, the Dominican Republic and Haiti).[4] Receiving remittances is linked to real estate ownership in Armenia, Georgia and the Philippines. Agricultural households receiving remittances are more likely to own high-value livestock in Georgia and the Dominican Republic and to own more agricultural land and assets in countries with initially low household agricultural asset ownership, especially Burkina Faso.

Gender may also play a role in remittance investments. Business ownership is more common in male-headed households in most countries, and especially among remittance-receiving households (except in the Dominican Republic and Haiti; Figure 9.6). This difference is most pronounced in countries where male migration is more common (Burkina Faso, Costa Rica, Côte d'Ivoire and Cambodia). Migration may alter the gender composition and gender dynamics within households, which in turn can have implications for the use of remittances. In a context where a majority of emigrants are men, women left in the household play a key role as recipients and managers of remittances. However, productive activities by women may be impeded by their limited access to land – and credit markets and low financial literacy (IOM, 2010). The higher business ownership in male-headed households indicates that households headed by women may face such barriers in starting up and operating businesses.

Figure 9.6. **Male-headed households are more likely to run businesses**

Share of households running a business (%), by gender of household head and whether they receive remittances



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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On the other hand, countries with relatively high female emigration often experience higher business ownership among female-headed households than male-headed households. The Dominican Republic and Haiti (where 58% and 49% of emigrants are women) are – together with Costa Rica – the only countries where business ownership is more common among female-headed remittance-receiving households than among all female-headed households (Figure 9.6). The higher business ownership among female-headed households in countries where female emigration is more common could suggest that women are empowered by emigration and this makes it easier for them to invest (Deere et al., 2015; UN-INSTRAW, 2008).

The IPPMD research also finds that the link between remittances and productive investments is to some extent influenced by household location. Remittances are only linked to business ownership in urban areas. A possible explanation could be a lower demand for business services in rural areas where population density is lower and households in general are poorer. Business investments may also be impeded by the limited availability of credit markets and financial services in rural areas. Chapter 6 showed that financial institutions in rural areas are often scarce.

Another important factor for remittance investments is a favourable investment climate. The investment climate, as measured by the ease of doing business global index (World Bank, 2016) does not fully explain the differences in remittance investments across countries however.[5] While Armenia, Costa Rica, the Dominican Republic and Georgia have the most favourable investment climates and lowest barriers to doing business (Chapter 6), Haiti and Burkina Faso have the least favourable conditions for running a business. Yet, remittances seem to be linked to business creation in these two low-income countries. This is probably because remittances help potential entrepreneurs overcome the shallowness of financial markets and the lack of access to affordable credit.

Remittances enable households to invest in human capital

The literature suggests that households may invest remittances in human capital, particularly education and health (Hildebrandt and McKenzie, 2005; Zhunio et al., 2012).

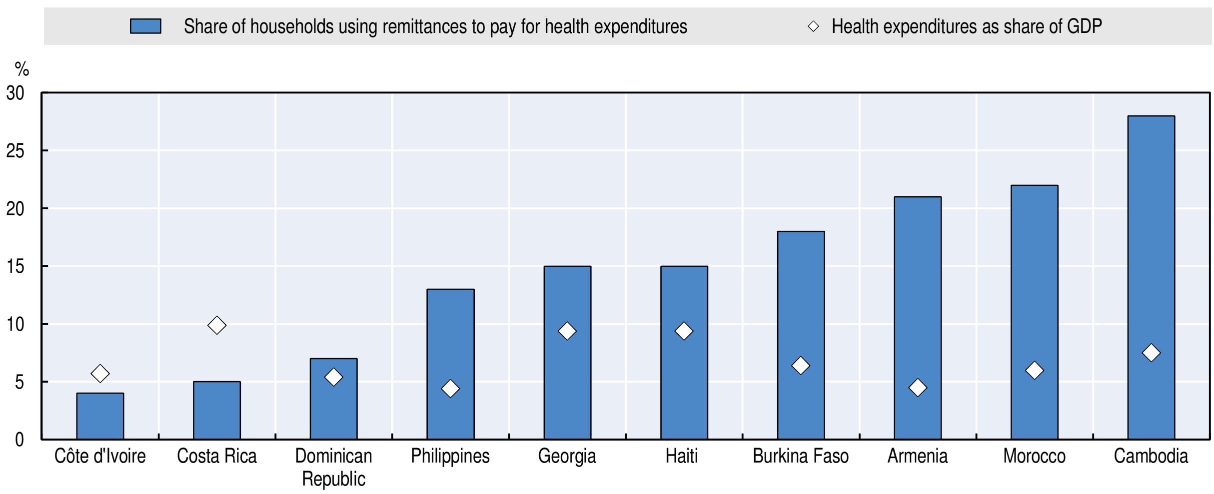
Remittances are linked to higher household expenditures on education in most IPPMD partner countries (Chapter 5). In addition, remittance-receiving households are more likely to have children in private schools than households without remittances. However, remittances are not linked to higher school attendance in most countries. The only exceptions are Burkina Faso and Côte d'Ivoire, which have the lowest primary school enrolment rates in the sample.

The analysis in Chapter 7 shows that remittances are used to finance health expenditures in some of the partner countries. Paying for health treatment was also a fairly common answer among the households when directly asked how they had spent their remittances since a member left the household (Figure 9.7). In Armenia, Georgia and Morocco, households that receive remittances are more likely to visit health clinics (Chapter 7), which could indicate that receiving remittances helps relieve household financial constraints.[6]

Government spending on health as a share of GDP is relatively low in several of the countries with the highest share of households spending remittances on healthcare (Armenia, Cambodia and Morocco, Figure 9.7). The correlation between government health expenditures and remittance-receiving households' health spending is not straightforward, however. National health expenditures cannot entirely explain the difference across countries in the use of remittances for health care, and says little about quality and access of health care facilities in the surveyed communities.

Figure 9.7. **There is no evident link between government health expenditures and remittances used for health**

Share of households using remittances to pay for health expenditures since emigrant left (%), public health expenditures as share of GDP (%)



Source: Authors' own work based on IPPMD data and World Bank *World Development Indicators*, *http://data.worldbank.org/products/wdi*.

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The strongest link between remittances and human capital investment thus seems to be investment in education – mainly sending children to private schools or paying for other expenses related to their education. The weaker links between remittances and school enrolment rates may be due to the fact that school enrolment rates are relatively high in almost all the IPPMD partner countries (Figure 5.1, Chapter 5).

Public policies can enhance remittance-driven investments

The previous section has shown that remittances can be linked to investment in areas with development potential such as agriculture, businesses and schooling, but that many factors shape the relationship between remittances and investment. Although remittances are private sources of funding, and policy makers cannot decide how individuals and households spend their money, public policy can play an important role in creating an enabling environment for optimising the volume and the use of remittances. Policies can make it easier to send and receive remittances, and can guide productive remittance investment.

While policy makers and researchers have focused significant attention on migration and development policies when targeting how remittances are sent and used, more general sectoral policies can influence remittance behaviour indirectly by affecting individual and household characteristics as well as institutions and infrastructure. However, these linkages have received much less attention.

The rest of this chapter discusses important conditions for remittance-led development, and how policies can create an enabling environment to enhance the development impact of remittances.

Several factors influence the development impacts of remittances

First of all, the development impact of remittances is influenced by the **characteristics or pattern of the remittances** themselves. For example, the amount and frequency of remittances play a role in investments. Productive investments – e.g. business start-ups or switching from subsistence to commercial farming – often require relatively large funds. Research has shown that the amount of remittances received is important for investment decisions (Massey and Parrado, 1998). Remittances that are sent home regularly are more likely to spur investment, as the households may be more likely to overcome risks involved in long-term investments if the remittance income is stable. When remittances are sent through formal channels, they can also more easily be used as collateral.

Individual and household characteristics such as location and gender composition indirectly influence remittance-led development through an impact on remittance pattern and use. Many emigrant households live in rural areas with less developed financial infrastructure. In remote rural areas, difficulties accessing markets may also deter households from investing in for example more lucrative commercial crops (Galetto, 2011). Other characteristics affecting remittance use include household wealth, the gender of the household head and the vulnerability of the household to shocks. Poor households that are vulnerable to negative shocks may use remittances as insurance (Yang and Choi, 2007) and not be able to invest in more productive assets. Poorer households often also find it harder to access credit.

Finally, **unfavourable infrastructure and institutions** may hinder productive remittance investments (Galetto, 2011). Poor education and financial infrastructure, such as a lack of schools and financial service providers, can hold back remittance investments. On the other hand, well-functioning credit and land markets, and an encouraging investment climate, can help remittances to be channelled productively.

The multiple factors linking remittances to investments and development are summarised in Table 9.2, and further discussed in the final part of the chapter.

Table 9.2. **Multiple factors can enhance the development potential of remittances both directly and indirectly**

	Remittance pattern	Infrastructure and institutions	Individual and household characteristics
Elements	Amounts sent	Financial inclusion	Gender of household head
	Frequency	Investment climate	Urban/rural location
	Remittance channel	Access and functioning of markets	Wealth and vulnerability
	Use of remittances	Availability and quality of schools and other educational services	
		Health services	
Nature of impact	Direct	Indirect	Indirect

Migration and development policies already target remittances

There has been growing policy interest in encouraging flows of remittances and creating an enabling environment for investing remittances productively. The Addis Ababa Action Agenda and the Sustainable Development Goals are some of the most recent examples, committing to ensure affordable financial services for migrants and their families and to work towards a reduction in the obstacles to send and receive remittances (UN, 2015).

Migration and development policies in countries of migrant origin to date have largely focused on lowering the costs of remittances by increasing competition among service providers and through technology improvements such as online and mobile money transfer systems.[7] The average global cost of transferring remittances decreased by about 2.2 percentage points between 2009 and 2015 (Ratha et al., 2016), from an average global costs of about 9.6% for transferring USD 200 in 2009 to a cost of 7.4% in the third quarter of 2015. Costs vary across regions; however, certain regions and remittance corridors are subject to very high costs, in particular sub-Saharan Africa (Ratha et al., 2016). Several of the IPPMD partner countries face remittance transfer costs above the 3% Addis Ababa Action Agenda target (Box 9.1).

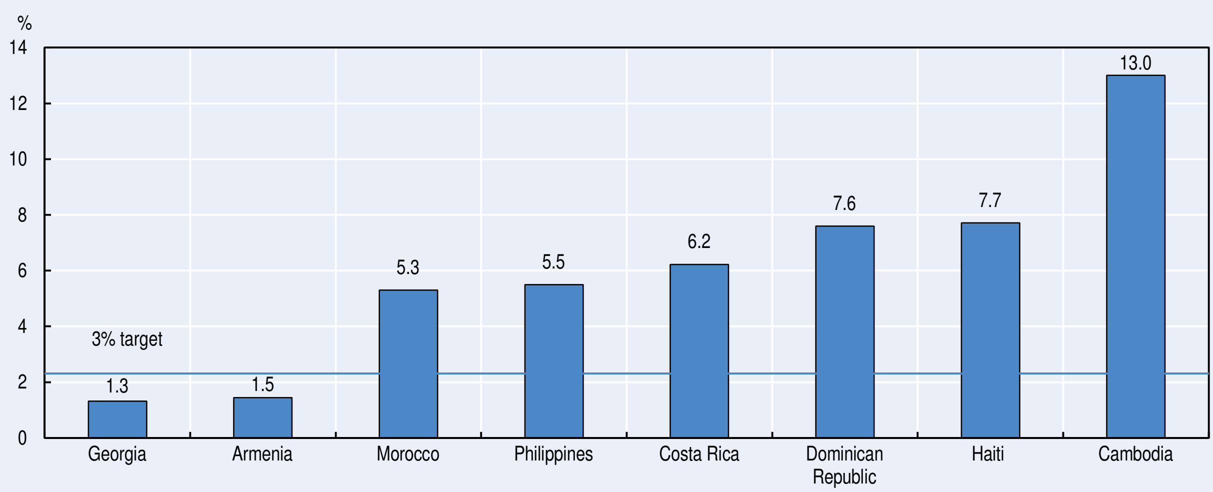
Box 9.1. **Remittance transfer costs in the IPPMD partner countries**

The cost of sending a small sum of money via the main remittance corridors varies significantly across the IPPMD countries. Georgia[8] and Armenia are the only countries where remittance costs fall below the 3% target incorporated in the Addis Ababa Action Agenda and Sustainable Development Goals (specifically SDG10c) (Figure 9.8). Signatory countries are committed to ensuring affordable financial services for migrants and their families and work towards reducing remittance transfer costs to less than 3% of the remittance amount by 2030 (UN, 2015).

Cambodia has the highest remittance transfer cost among the IPPMD partner countries, at 13%. It is also the only country in the sample where no positive link between remittances and productive investments has been established. The high costs facing Cambodian remittance-receivers may seem paradoxical as the remittances are sent from neighbouring Thailand. However, South-South remittance transfer costs are in general higher than North-South remittances costs due to currency conversion charges at both ends (Ratha, 2007). Due to data availability, remittance transfer costs are limited to one or two corridors for some countries. The main remittance corridors with available data are displayed in Annex 9.A1.

Figure 9.8. **Remittance costs vary greatly across remittance corridors**

Remittance transfer costs (share of amount sent) of transferring USD 200 in the main remittance corridors (%)



Note: Data are for the second quarter of 2016, weighted by the share of emigrants in the IPPMD data in each main remittance corridor. For Georgia, data are only available for the Russia-Georgia remittance corridor – the main migration corridor from Georgia in the IPPMD data, accounting for 30% of Georgian emigrants. Data for Burkina Faso and Côte d'Ivoire are not available. The line represents a cost of 3%, the broad target of the Addis Ababa Action Agenda.

Source: Authors' own calculations based on World Bank *Remittance Prices Worldwide* data, *http://remittanceprices.worldbank.org.*

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Other policy goals include changing regulatory frameworks, fostering financial inclusion among migrants and remittance-recipients, promoting financial literacy and expanding service provision. A number of policies have also been implemented to increase the volume of remittances and help people channel remittances towards more productive uses:

- **Tax exemptions** for remittance income: most developing countries offer some form of tax incentives to attract remittances, although sometimes these bring unwanted side-effects such as tax evasion (Ratha, 2007).
- **Incentives to attract diaspora investments**: a number of countries, including Ethiopia, Ghana, Kenya, Nepal, the Philippines and Sri Lanka, have issued diaspora bonds to attract savings from migrants abroad (Ratha et al., 2015).
- **Matching grants schemes**: these are government schemes to channel collective remittances received through "home town associations" set up by diaspora groups to support local development in the countries of origin. One of the most famous of these schemes is Mexico's *Tres por Uno* (Three for One). The federal, state and municipal governments all contribute by tripling the amount of money sent by the migrants to support local development projects.

The potential of sectoral policies has yet to be realised

While the policies outlined above have a direct effect on remittance amounts and use, sectoral policies can also help leverage remittances for development by relieving financial constraints and improving market access and functioning.

Policies that relieve financial constraints do not seem to influence the amount of remittances received

Policies that address household financial constraints include subsidies, cash transfers and other types of financial aid. Such policies could have two opposing effects on remittance flows. On the one hand, they could reduce the pressure on migrants to send remittances home ("crowding out" or substitution effect), while on the other, by meeting households' basic needs, they could increase the incentives for migrants to remit because the funds are more likely to be spent productively (complementarity effect).[9] Linkages between remittances and government transfers and redistribution programmes may have implications for the efficiency of the programmes. For example, if public transfers lead to lower private transfers, the intended welfare effect of the programme may, partly or fully, be offset by a reduction in remittances. Not taking such linkages into account may also pose challenges when evaluating the welfare impacts of the programme (Jensen, 2004).

Conditional cash transfer (CCT) programmes are a good example of a policy programme that could affect remittance patterns. CCT programmes have become an important part of social policy in many developing countries to reduce poverty and encourage investments in key areas such as education and health by providing cash transfers conditional on the household's participation in health and education services (e.g. school attendance and health check-ups). Previous research has mainly investigated the link between CCTs and private transfers in general (sometimes including remittances). Evidence from Mexico show that households benefiting from a CCT programme received fewer private transfers than non-benefitting households (Attanasio and Rios-Rull, 2000). However, other studies from Mexico, Honduras and Nicaragua found a limited or no relationship between participation in a CCT programme and the receipt of private transfers (Teruel and Davis, 2000; Olinto and Nielsen, 2007).

Four countries in the IPPMD sample – Costa Rica, the Dominican Republic, Haiti and the Philippines – have large-scale CCT programmes; but the association between receiving CCTs and remittances is mixed (Chapter 5). In Haiti, the presence of CCTs seems to stimulate remittances, while in the Philippines and the Dominican Republic being a beneficiary of CCTs seems to be negatively linked to receiving remittances. This is likely linked to emigration patterns, as CCT programmes are correlated with higher emigration rates in Haiti, but to lower emigration in the other countries. Receiving CCTs may also affect the use of remittances by, for example, redirecting more remittances into investments in business and real-estate when basic education spending is covered. This is however difficult to investigate empirically due to limitations in sample size.

Chapter 4 analysed the impact of agricultural subsidies on the probability of receiving remittances and the amounts of remittances received. The results are again mixed, showing both higher and lower levels of remittances received by households benefitting from agriculture subsidies in a limited number of countries. In a majority of the countries, no link between agriculture subsidies and remittance patterns was found.

Policies that facilitate market access can generate more formal remittances and spur investments

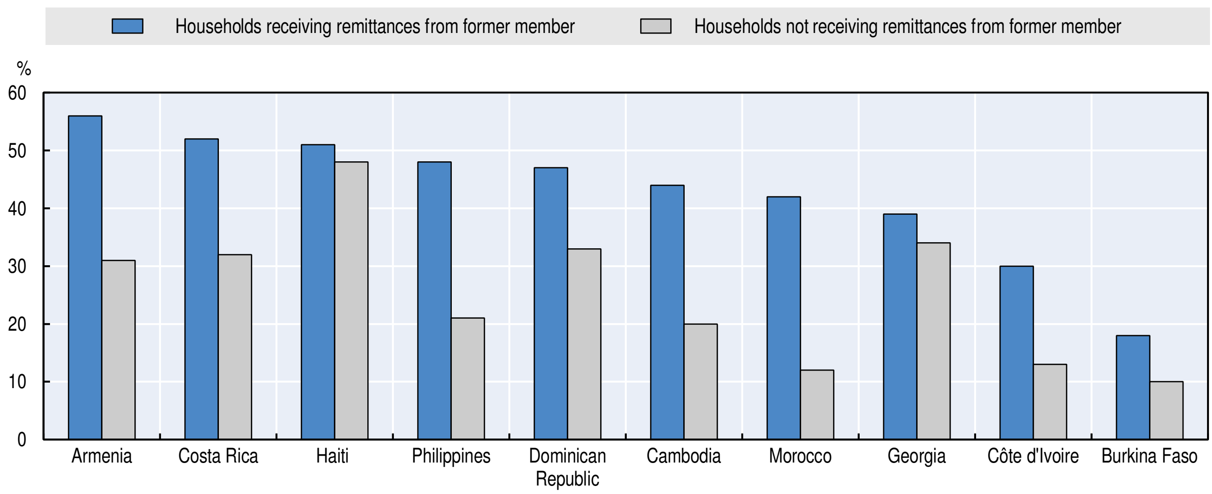
The financial sector plays a crucial role in facilitating remittances in productive investments and enhancing the development impacts of remittances. As in many developing countries, financial systems in several of the IPPMD partner countries often serve only a limited proportion of the population (Chapter 6). Policies that make the financial sector more accessible to all parts of the population can encourage more remittances to be sent through the formal financial system, which is more secure for the sender and receiver. The inflow of remittances into the formal financial sector can also generate multiplier effects in the economy by boosting local demand and increasing the capital available for credit. Evidence from the IPPMD project shows that households without a bank account are more likely to receive remittances through informal channels, while access to formal channels for sending remittances is also linked to higher levels of remittances. Expanding the number of financial service providers and financial inclusion could hence strengthen the link between remittances and productive investments, especially in rural areas where remittance-driven business investments are low, as discussed in Chapter 6.

To maximise the full investment potential of remittances, financial inclusion and access to credit should be extended to all households in remittance-receiving regions, given that households without migrants also receive remittances (Figure 9.4). Doing so could maximise the effect of remittance inflows both directly and via multiplier effects.

Land markets are also important for remittance investment. Market access may pose particular challenges for certain household types. In countries with high male emigration, women often run the household's economic affairs. Among the IPPMD partner countries, households receiving remittances from former members are more likely to be headed by women (Figure 9.9). It is therefore important to address any potential gender discrimination in access to land tenure and credit (UNECA, 2007). The IPPMD research found that in several partner countries, female-headed households are less likely to own businesses (Figure 9.6), which may be linked to a lack of access to credit. Such barriers to access are likely to have considerable negative effects on overall remittance investments. In addition, for people to invest in land – whether agricultural or non-agricultural – the land must be easily bought and sold, and households must be able to obtain secure land titles.

Figure 9.9. **Households receiving remittances from former members are more likely to be headed by women**

Share of female-headed households (%), by whether they receive remittances from former member



Source: Authors' own work based on IPPMD data.

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Policy recommendations

Remittances can contribute to financing development and improving the lives of millions of households in developing economies. While remittances are private funds, sent and received by individuals and households who use them according to their own needs, governments can play an important role in enhancing the positive welfare impacts of money transfers by making these transactions less costly and by creating an enabling environment for remittances to be used in the most productive way for the households.

The findings in this report show that remittances are linked to development through long-term investments in human capital and other forms of productive investments. In most partner countries, households that receive remittances are more likely to engage in productive activities such as owning businesses, real estate or agricultural assets, and to spend more on education. The link between remittances and such investments is however not straightforward, and sometimes limited to urban areas, or only prevalent in a few of the partner countries. Policies to support the start-up and operation of small-scale businesses can enable more remittance-receiving households to invest in business activities that generate income for the household and potentially also create job opportunities.

The findings also show that remittances are used for investments in human capital such as education and, to some extent, health. It is therefore important that governments provide services to meet the demand of the households, for example medical insurance schemes, student loans, tutoring and other extracurricular activities. In order to make such services more accessible, services can be coupled with microfinance institutions or other financial institutions that serve remittance-recipients.

An important step towards maximising the benefits of remittances was taken with the adoption of the 2015 Addis Ababa Action Agenda. The agenda includes commitments to ensure that adequate and affordable financial services are available to migrants and their families in countries of origin and destination, and incorporates a target to lower transfer costs. The high costs of transferring remittances should be one of the main areas of policy intervention. Remittance costs are above the 3% target specified by the Addis Ababa Action Agenda and Sustainable Development Goals in eight out of the ten IPPMD partner countries, the two exceptions being Armenia and Georgia. These high transfer costs imply that recipients receive significantly less money than what was sent initially. It also means that migrants tend to use informal channels, which limits the ability of households to save and borrow money in the formal financial system. Reducing transfer costs and expanding financial inclusion and service provision through increased competition can spur the volume of remittances and channel more funds into the formal financial sector.

Finally, a favourable investment climate and increased knowledge about financial activities can spur remittance-driven investments. Emigration affects gender dynamics and composition in the household. In many countries women are left to handle income activities when men emigrate. At the same time, women are often discriminated against, and may not have the same access to key institutions such as land markets and credit institutions. Addressing women's equal access to land and credit markets is important to ensure that remittances can be used in the most efficient way for all recipient households. A particular focus on providing training to female entrepreneurs may also boost remittance investments.

Table 9.3. **Increasing the volume of remittances and boosting remittance-driven investment**

	CROSS-CUTTING RECOMMENDATIONS
Agriculture	• Support the investment of remittances in agricultural expansion and small-scale agri-businesses by developing household financial and entrepreneurial skills to enable more informed investment decisions. • Ensure that there are adequate credit markets and money transfer operators in rural areas by supporting agricultural cooperatives and rural credit unions, to enable remittances to be channelled easily to agricultural activities. • Build appropriate agricultural infrastructure, such as irrigation and facilitate access to land and markets to make the sector more attractive for investors.
Education	• Invest in educational infrastructure and trained teachers to meet the demand for education services from remittance inflows, while ensuring that remittance-driven demand does not affect universal access to education. • Enforce and ensure quality in educational institutions when faced with higher demand for private schools due to remittances. • Collect migration and remittance information in conditional cash transfer programme data to monitor remittance income changes over time and better understand the full impact of the programme.
Investment and financial services	• Support the start-up and operation of small-scale businesses through providing small business loans and business management training to encourage remittance investments. • Expand financial service provision, especially in rural areas, by increasing competition among service providers and adapting the regulatory framework. • Increase financial literacy and entrepreneurial skills among households in communities with high emigration rates, and especially among women in countries with a high share of male migration. • Address gender discrimination in land and credit markets by changes in the regulatory frameworks to ensure that women have equal access.
Social protection and health	• Develop and provide health-related services to meet demand by remittance recipients. To make them more accessible, such services could be coupled with microfinance institutions or other financial institutions.
	TARGETED RECOMMENDATIONS
Migration and development	• Reduce remittance transfer costs by avoiding restrictions or taxes on remittance inflows as well as any kind of exclusive partnership with money transfer operators. • Create incentives to attract diaspora investments, for instance through savings accounts in foreign currency and diaspora bonds.

Notes

1. The weight of remittances in GDP in Haiti is partly explained by a low GDP; the second lowest in the IPPMD sample after Burkina Faso.
2. This is in line with findings of other studies based on household surveys – see for example Chappell (2010) for Georgia, and Ratha et al. (2011) for Burkina Faso.

3. Social remittances, i.e. ideas, values and social capital transferred by migrants, constitute another link between migration and development. However, this link is not discussed in this chapter as it goes beyond the scope of this project. Social capital brought back by return migrants is discussed in Chapter 10.
4. Business ownership and self-employment is expected to be closely linked given the broad definition of business applied in the survey (including all types of business activities, incorporating informal self-employment activity). The very low rates of business ownership in Armenia and Georgia may be because households in the Caucasus countries do not define self-employment activities as business activities.
5. This may be partly due to the nature of the index and the types of business included in the survey. The IPPMD survey collects information on all types of business (both formal and informal) while the ease of doing business index is more relevant for formal firms that are registered with the authorities.
6. It is however difficult to establish the direction of causality between remittances and health visits. It may also be that remittance-receiving households experience more health problems than households without remittances.
7. Policies in countries of migrant destination are also important in lowering remittance transfer costs. Such policies are however not discussed here as the focus is on countries of migrant origin.
8. Remittance costs to Georgia may be underestimated as the data only includes one of the migration/ remittance corridors: Russia-Georgia. Russia is the main destination of Georgian emigrants (hosting about 30% of the Georgian emigrants in the IPPMD sample), but other significant migration corridors, such as Greece, Turkey and the USA, are not included in the calculations of remittance costs.
9. As discussed in Part I and in Chapter 8, government financial support may also lower the pressure to emigrate in the first place, which in turn would lead to fewer remittances.

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ANNEX 9.A1

Bilateral migration and remittance transfer corridors

Receiving country (in bold) and sending country	Transfer costs (% of sending an amount of about USD 200) (average in bold)	Main country corridor	Share of emigrants in IPPMD data (%)	Notes
Armenia	**1.45**	**Russia**	**83**	
Russia	1.45			
USA	3.6			
Costa Rica	**6.22**	**USA**	**73**	Only one corridor available
USA	6.22			
Cambodia	**13**	**Thailand**	**88**	Only one corridor available
Thailand	13			
Dominican Republic	**7.6**	**USA**	**76**	
USA	8			
Spain	5.43			
Georgia	**1.32**	**Russia**	**30**	Only one corridor available
Russia	1.32			
Haiti	**7.71**	**USA**	**82**	Only one corridor available
USA	7.71			
Morocco	**5.3**	**Spain**	**92**	
France	5.29		27.06	
Belgium	5.2		12.56	
Italy	6.38		15.74	
Spain	5.56		29.27	
Germany	8.6		3.27	
The Netherlands	7.23		4.24	
Philippines	**5.5**	**Saudi Arabia**	**73**	
USA	5.76		13	
Saudi Arabia	4.29		18	
Canada	6.22		6	
Malaysia	4.23		2	
Japan	11.1		7	
United Arab Emirates	3.9		11	
Australia	5.12		2	
Italy	6		5	
Kuwait	3		3	
Qatar	5		4	
UK	7		2	

Note: The remittance receiving country is specified in bold, with the (main) remittance sending countries listed below. The average transfer cost for each receiving country is the weighted mean of the costs of the specified transfer corridors.

Source: World Bank, *Doing Business* (database), *www.doingbusiness.org/rankings*.

Chapter 10

Capitalising on return migration by making it more attractive and sustainable

The human capital, financial means and social norms acquired by return migrants constitute an important source of development for many countries. This chapter synthesises some of the key return migration trends identified in the IPPMD partner countries. It examines development potential of return migrants which strongly depends on the economic, social and institutional environment back home. An increasing number of countries are introducing policies targeted at return migration to attract emigrants home and foster their reintegration. Beyond the targeted policies, this chapter further explores how sectoral policies play a role not only in attracting citizens back home, but also in aiding their long-lasting reintegration into society and realising the potential they have to contribute to their country's development.

Return migration has become an important topic in the agenda of a growing number of emigrant origin countries. The 2008 global economic crisis triggered an unexpected increase in the number of migrants returning home. As immigrants constitute one of the most vulnerable groups, they were among the first to lose their jobs. Some went back to their home countries by their own means, others in the framework of voluntary and assisted return programmes, while still others were deported. Recent conflicts in destination countries have also accelerated return flows. The crisis in Libya, for instance, generated important return flows towards sub-Saharan African countries. Likewise, the 2011 civil war in Côte d'Ivoire translated into massive returns, especially to Burkina Faso.

Many developing countries are also interested in attracting back their compatriots, in particular the highly educated, to benefit from the skills and experience acquired abroad. The human capital, financial means and social norms acquired by return migrants constitute an important source of development for origin countries. During the IPPMD kick-off workshops and bilateral consultations (Chapter 2), various stakeholders highlighted the importance of return migration for their countries. This encompasses providing more incentives to return and supporting reintegration beyond strengthening links with diaspora. They emphasised that return was at the top of the migration and development agenda and showed willing in attracting their nationals back home.

The development potential of return migrants strongly depends on the economic, social and institutional environment which they find on their return, however. The longer they have spent abroad, the more challenging it is for returnees to adapt to their home countries. Their expectations for more and better public services, in particular, might have increased. Sectoral policies thus play a key role not only in attracting citizens back home, but also in easing their reintegration into society and thus ensuring the sustainability of their return.

This chapter synthesises some of the key return migration trends identified in the IPPMD partner countries. In line with the findings highlighted in Part II of the report, the second section shows how the financial, human and social capital that return migrants bring back with them contribute to the development of their home countries. The third section then explains how different public policies can influence the decision to and the sustainability of return. The chapter concludes with policy recommendations.

Table 10.1. **Return migration, sectoral policies and development: Key findings**

How does return migration affect countries of origin?	How do sectoral policies affect return migration?
• Return migrant households are more likely to run businesses than non-migrant households.	• Return migrants' lack of access to government employment agencies may mean that self-employment is the only option.
• Return migration increase investment in agricultural activities, but also in other types of activities in agricultural households, creating opportunities for diversification.	• Public policies aiming to relieve households' financial constraints, such as agricultural subsidies, can represent incentives for return migrants.
• Return migration helps enrich the skills sets in the home country. Even though only a limited share of the highly skilled return, they help raise the stock of human capital in origin countries.	• Social protection increases the likelihood of migrants returning home permanently.

Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

IPPMD data shed new light on an understudied subject

Very little information exists on return migration, as to date no systematic and representative large-scale data collection has been organised on the subject. The IPPMD data, however, suggest that return patterns differ significantly across the partner countries. In the IPPMD study, return migrants are considered to be individuals who have lived in another country for at least three consecutive months and are now back living in their country of birth. Some have returned by choice while others have been forced to do so. Table 10.2 represents the number of return migrants and the return rate in the IPPMD survey[1] both at the individual and household levels. Armenia has the largest absolute number of return migrants in the sample (707), while Costa Rica has the highest share of return migrants in the sum of returnees and emigrants (55%), largely because it has fewer emigrants than the other countries. The Dominican Republic has the lowest share of return migrants, at 9%. At the household level, the Dominican Republic has the lowest share of migrant households with return migrants (13%), while Burkina Faso has the highest (65%). The high share in Burkina Faso can be explained by the 2010-11 political crisis in Côte d'Ivoire, which spurred returns to neighbour countries.

Table 10.2. **Partner countries vary in their share of return migrants**

Number of return migrants and households with return migrants and their shares

Country	Return migrants		Households with return migrants	
	Total	Share[1] (%)	Total	Share[2] (%)
Armenia	707	46	499	53
Burkina Faso	521	48	411	65
Cambodia	409	22	282	28
Costa Rica	140	55	119	62
Côte d'Ivoire	188	23	169	34
Dominican Republic	65	9	59	13
Georgia	308	24	258	27
Haiti	88	20	86	26
Morocco	333	23	318	29
Philippines	361	26	335	33
Total sample	3 120	29	2 536	33

Notes: 1. The share of return migrants is the percentage of return migrants in the sum of all return migrants and emigrants included in the sample. 2. The share of households with return migrants is the percentage of return migrant households in the sum of all households with at least one emigrant, return migrant or both.

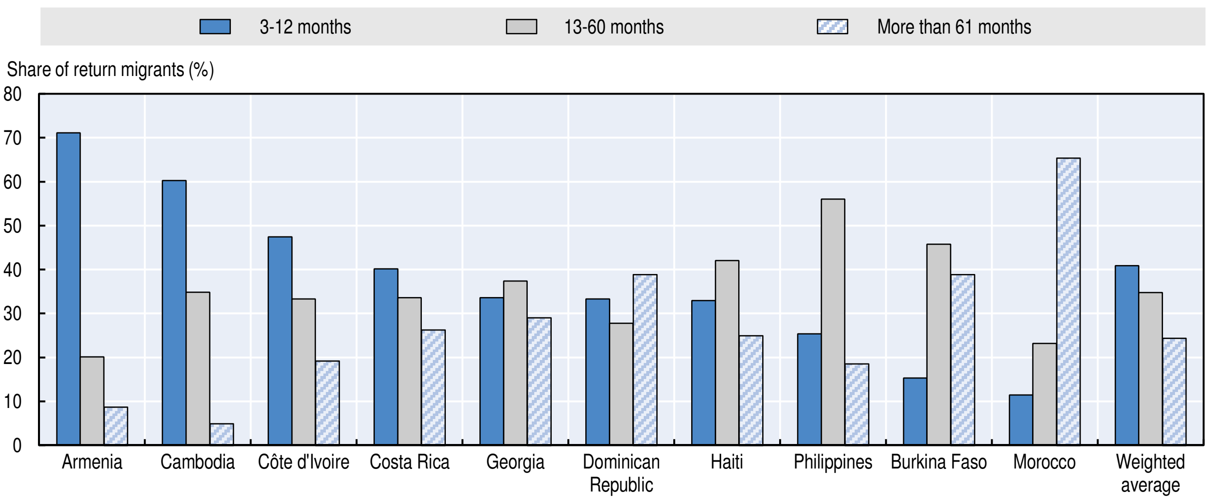
Source: Authors' own work based on IPPMD data.

More than 40% of all return migrants in the IPPMD survey had spent less than a year in their destination countries before returning home (Figure 10.1). Armenia (71%) and Cambodia (60%) have the highest share of people returning after between only 3 and 12 months. This is mostly attributable to the large share of seasonal migrants from these countries. For instance, many Armenians (to Russia) and Cambodians (to Thailand) migrate repeatedly between home and host country to work in agriculture. Morocco, in contrast, has the highest share of people returning after more than five years away. The length of stay in host countries can play a role in the decision to return and reintegration upon return. Longer stays outside of home countries can make it harder for returnees to reintegrate back into economic, social and political life in their origin countries.

Figure 10.2 shows the share of return migrants whose previous host countries are low and middle-income countries in comparison to the share of emigrants' destination countries in this income group. The share of low and middle-income countries is higher for return migrants than emigrants' destination countries in most countries. While 36% of all emigrants in the IPPMD surveys are currently residing in low and middle-income countries, a larger share of return migrants (weighted average of 43%) come back from these countries. The difference is particularly noticeable for Côte d'Ivoire and Haiti, where the share of return migrants is 35% and 31% higher than the share of emigrants in low and middle-income countries, respectively. The explanation for Côte d'Ivoire is that many Ivorians of Burkinabé descent came back in the post-conflict period. For Haiti, the sudden return flows from the Dominican Republic in 2014 may have shaped the results.

Figure 10.1. **On average, most return migrants came back after less than a year abroad**

Length of stay in the destination country prior to return



Source: Authors' own work based on IPPMD data.

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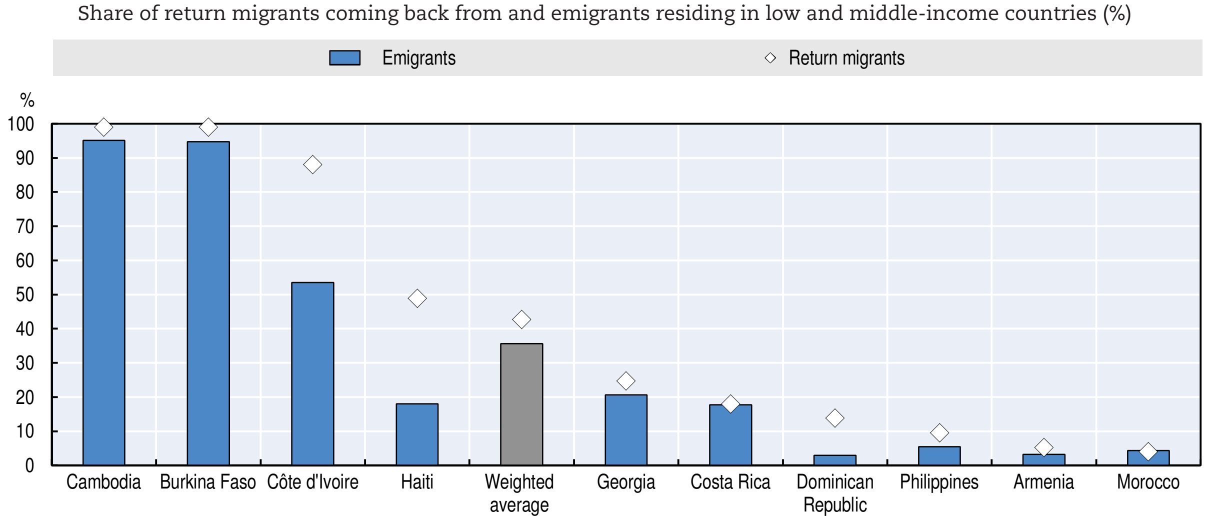
Figure 10.2. **A larger share of return migrants have come home from low and middle-income countries**

Share of return migrants coming back from and emigrants residing in low and middle-income countries (%)



Note: The figure is based on the return migrants' previous country of residence. Income levels are based on the World Bank's 5 level classifications.

Source: Authors' own work based on IPPMD data.

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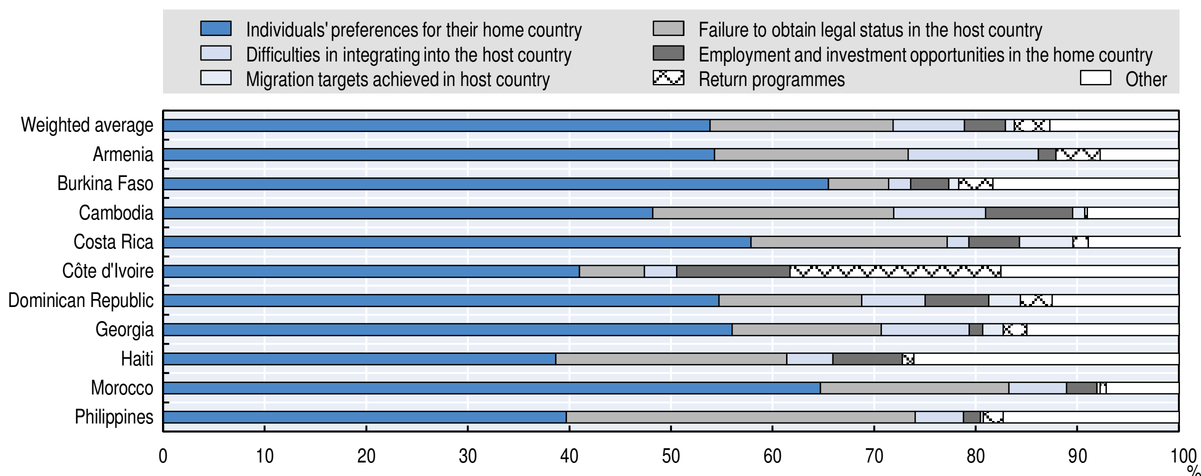
Understanding why migrants decide to return home is essential for grasping the impact of return migration. While there is some variation across partner countries, some general patterns on return migration appear in the IPPMD sample (Figure 10.3). The decision to return is strongly associated with personal preferences, for instance to reunite with family in their country of origin. The second largest share of returnees came back because they failed to obtain legal status for work or residency in destination countries. Difficulties integrating economically and socially in destination countries were the third most important factor on average. A small share of migrants decided to return when they realised that employment and investment opportunities were better at home. Participation in return programmes based in host countries are among the least reasons cited to come back.

Figure 10.3. **Most return migrants surveyed came home because they prefer their country of origin**

Reasons returnees came back to their home countries



Source: Authors' own work based on IPPMD data.

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The contribution of return migrants to development remains limited

Return migrants may bring home three types of capital accumulated in the destination countries:

- **Financial capital**, which can be invested in business start-ups and to boost self-employment.
- **Human capital**, which can mitigate the possible negative effects of emigration of the highly skilled.
- **Social capital**, which can have a wide-ranging spill-over effect through the transfer of norms.

The degree to which these contribute to development is discussed for each below.

Return migrants invest financial capital in business start-ups and self-employment

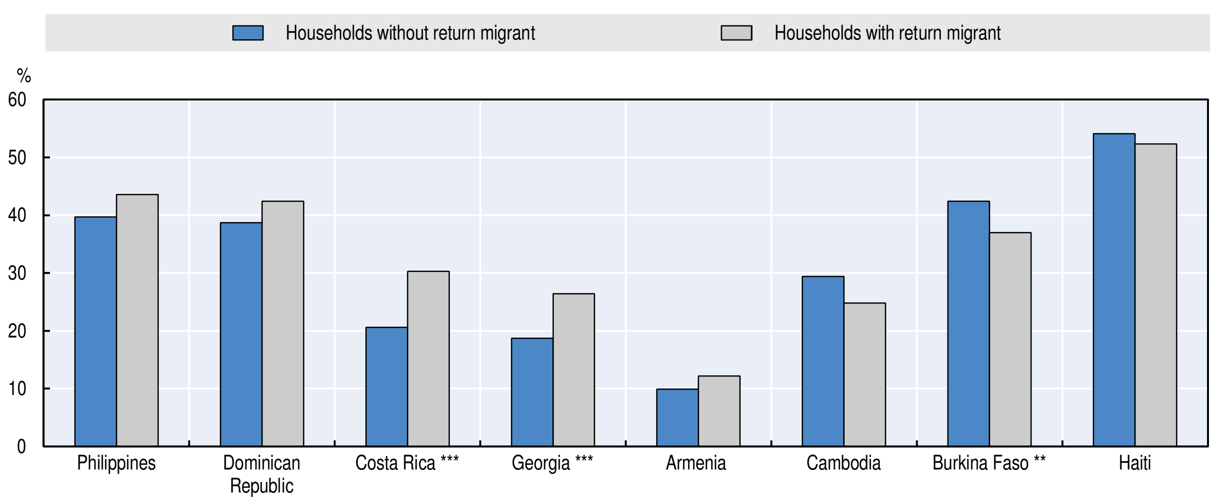
Growing evidence in the literature suggests that return migrants are more prone than non-migrants to engage in entrepreneurial activities or to be self-employed (De Vreyer et al., 2010; Piracha and Vadean, 2009). Savings accumulated abroad can be used as a resource for business establishment. Return migrants intending to become self-employed or set up businesses on their return are also more likely to acquire higher savings abroad; such plans are integral parts of people's migration strategies. On the other hand, such activities may also be the last resort, especially for those who were forced to return or whose skills do not match the labour market needs of the country (Mezger and Flahaux, 2013).

Chapter 3 showed that return migrants in the IPPMD partner countries are more likely than non-migrants to become self-employed. The impact on the economy through job creation, however, depends largely on whether they also employ other people. It is unfortunate that the data do not reveal whether the self-employed members are business owners or not. Yet, given that self-employment and business creation are highly correlated, IPPMD analysis can show whether self-employed household members belong to households running businesses.

In most partner countries, all households that are running businesses are most likely to have self-employed members (ranging from 84% of the households running businesses in the Philippines to 99% in Burkina Faso). Self-employed people can be divided into two groups: those working in agriculture and the others. In fact, business-running households barely have members that are self-employed in agriculture except in Cambodia and Burkina Faso. Around 80-90% of the business running households have non-agricultural self-employed members. Return migrant households are shown to be more likely to have members that are self-employed in non-agriculture except in the three low-income countries: Burkina Faso, Cambodia and Haiti (Figure 10.4).

Figure 10.4. **Households with return migrants in middle-income countries are more likely to have self-employed members in non-agriculture compared to households without returnees**

Share of households with self-employed members in non-agriculture (%)



Note: The sample excludes households with immigrants only. Côte d'Ivoire and Morocco are excluded due to data availability. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%; **: 95%; *: 90%.

Source: Authors' own work based on IPPMD data.

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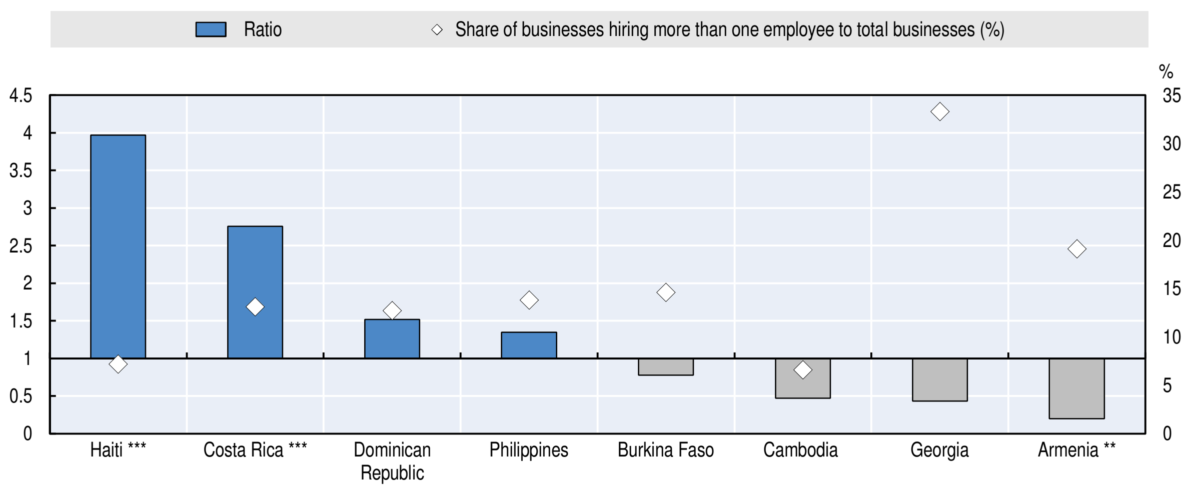
Return migrant households are also more likely than non-migrant households to run businesses (Chapter 6). Most businesses that are found in the survey, however, tend to only employ family members or close relatives. Figure 10.5 looks at whether return migrant household-run businesses are more likely than non-migrant household-run businesses to hire in people from outside the family. It compares the shares of households with businesses that hire in external employees for households with return migrants and households with no returnees. The results show no general pattern across partner countries. In Haiti, for instance, return migrant households are more likely to run businesses that employ other people while in Armenia, the opposite is true. Many factors come to play in determining the scale of business. In many countries, stakeholders emphasised that financial constraints are one of the most binding factors during the consultation meetings. For instance, lack of access to credit can be an obstacle for return migrants' business to scale after its set-up.

Figure 10.5. **Businesses run by households with return migrants are not always more likely to hire external employees than the businesses run by households without migrants**

Ratio of return migrant households to non-return migrant households that hire external labour for their businesses



Note: The sample excludes households which only contain immigrants. Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. They reflect the difference in share of households hiring external labour between households with and without returnees. Côte d'Ivoire and Morocco are excluded due to lack of data.

Source: Authors' own work based on IPPMD data.

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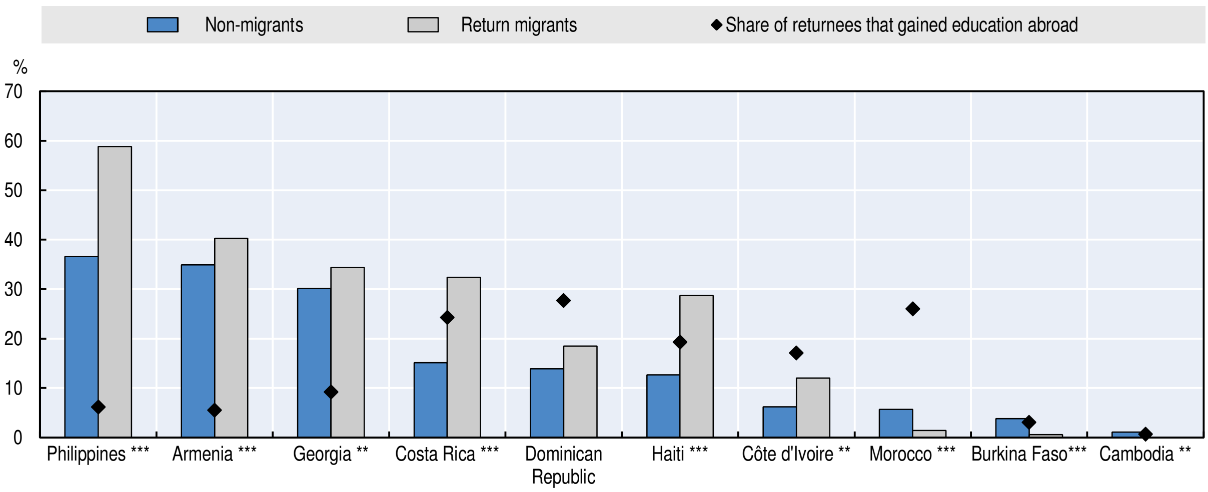
Financial savings brought by return migrants can also boost agricultural asset expenditures of agricultural households. Return migration also increase investment in other types of activities in these households, creating opportunities for diversification (Chapter 4). Real-estate ownership in return migrant households are also found to be more prevalent than those without return migration in most countries (Chapter 6).

Return migrants could potentially transfer more skills and knowledge

Returning professionals with technological, managerial, marketing or scientific competencies often create new companies, transfer knowledge and increase the human capital stock in their country of origin. They can also compensate for the human capital lost through emigration (OECD, 2008). Figure 10.6 confirms that return migrants in the IPPMD study tend to be better educated than non-migrants, with the exception of Burkina Faso, Cambodia and Morocco where overall education levels in general are significantly lower than in the other countries (Chapter 5). Return migrants' higher educational levels might be explained by the positive initial emigration selection – more educated individuals are more likely to emigrate – or by educational or training enrolments abroad, or a combination of both.

Figure 10.6. **Return migrants tend to be better educated in most countries**

Share of people with post-secondary education (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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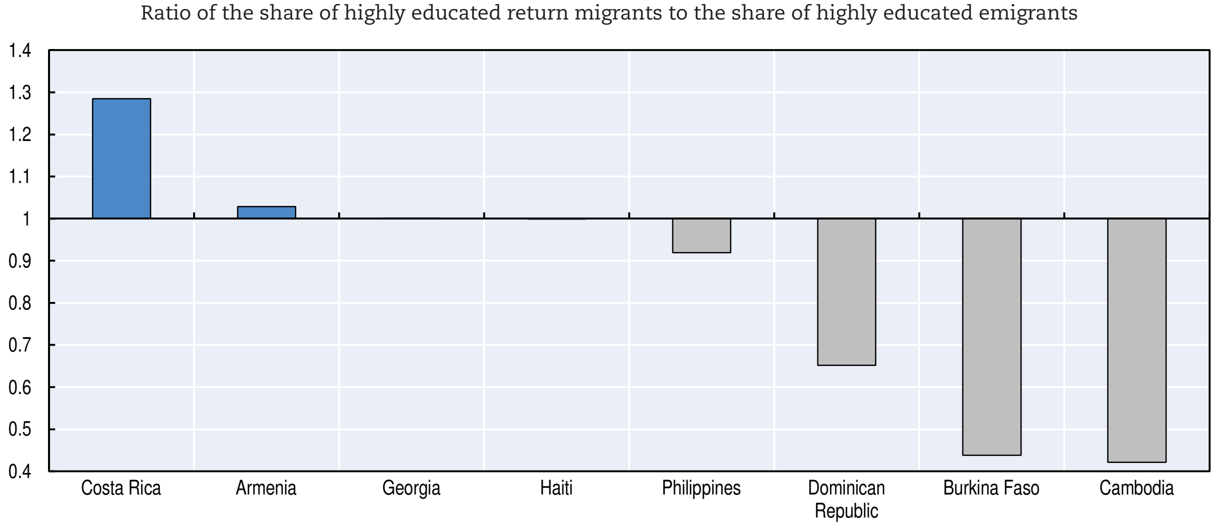
Human capital gains from return migration also depend on who comes back. Comparing the levels of education of current emigrants and return migrants can give an idea which group of migrants return (Figure 10.7). In Armenia and Costa Rica, highly educated people are more likely to come back compared to those with a lower level of education, while it is the opposite in Burkina Faso, Cambodia, the Dominican Republic and the Philippines. Countries of origin could do more to foster the return of highly skilled migrants either temporarily or permanently.

Figure 10.7. **It is not highly educated migrants who return more often in most countries**

Ratio of the share of highly educated return migrants to the share of highly educated emigrants



Note: A value of 1 indicates that return migrants and emigrants are equally likely to have finished at least upper secondary education, which is the case for Georgia and Haiti. A value above 1 indicates that return migrants are more likely to have at least finished upper secondary education; a value below 1 indicates the reverse. Côte d'Ivoire and Morocco are excluded due to data availability.

Source: Authors' own work based on IPPMD data.

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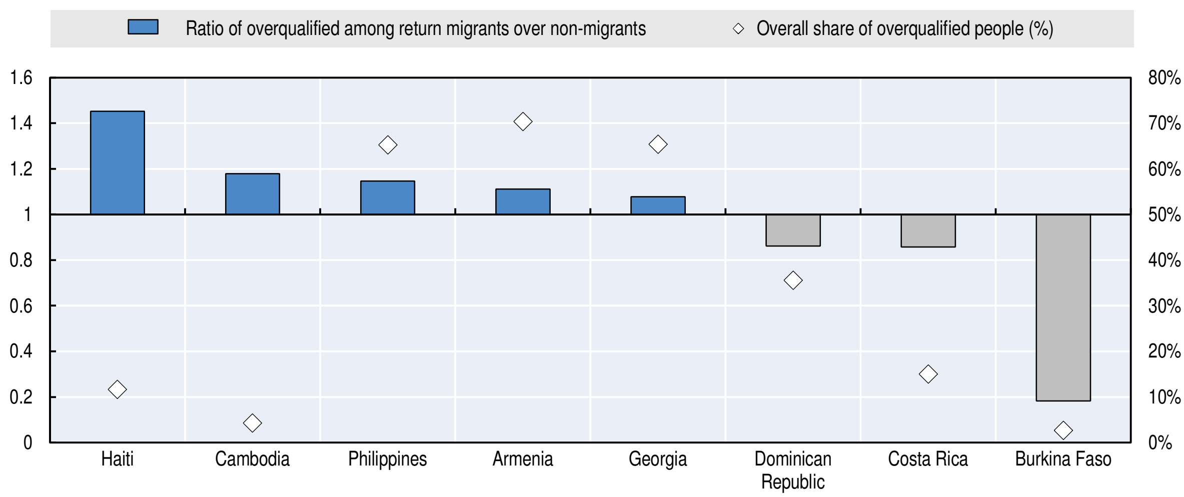
Portable skills, i.e. those that can productively be transferred across occupations and industries in different countries, play an important role in fully harnessing returnees' skills and knowledge acquired abroad. They influence the employment status and wage premium of return migrants. As shown in Chapter 3, the occupational skills sets of return migrants differ from those of non-returnees. Return migrants are more likely than non-migrants to hold more highly skilled occupations in Costa Rica, Haiti and the Philippines (Figure 3.12). Skills mismatch or over-qualification might hinder return migrants' labour market participation (Calenda, 2014; CODEV-EPFL et al., 2013). Compared to non-migrants, in most countries a higher share of return migrants is overqualified for their jobs (Figure 10.8). This is not the case for Burkina Faso, however, where 93% of returnees (compared to 64% of non-migrants) have no former education.

Figure 10.8. **Return migrants are more often overqualified for their jobs than non-migrants**

Ratio of overqualified return migrants to non-migrants



Note: Over-qualification is measured by mapping the skills level of occupations (Chapter 3) to the level of education. If the ratio on the left-hand axis is above 1, the share of people who are overqualified for their jobs is higher among the return migrants than non-migrants; the opposite is true for a ratio below 1. The right-hand axis shows the overall share of the native population who are overqualified in each country. Côte d'Ivoire and Morocco are excluded due to data availability.

Source: Authors' own work based on IPPMD data.

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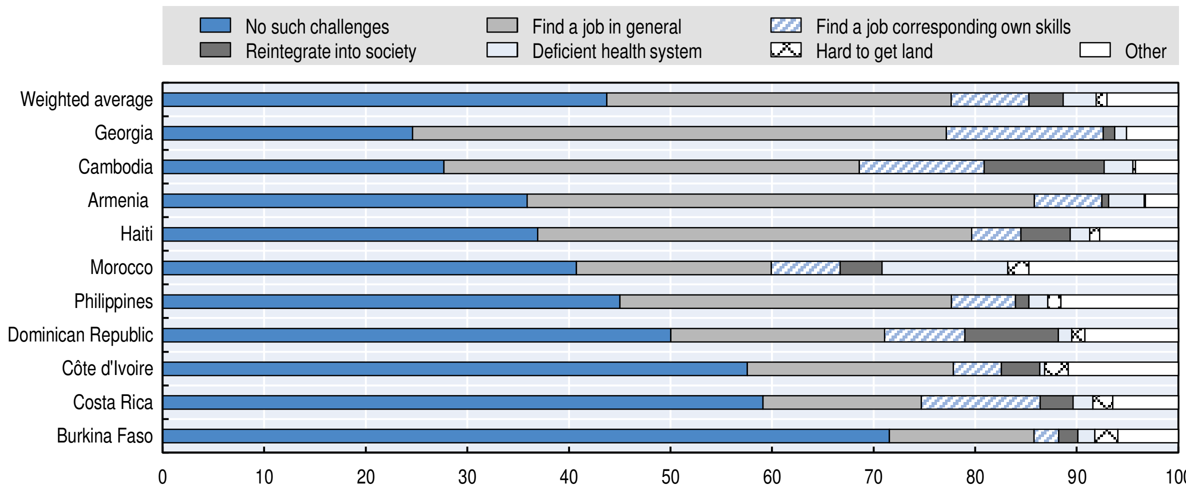
IPPMD data indicate that more than half of the returnees faced some sort of difficulties after their return (Figure 10.9). One of the commonly specified challenges for reintegration is to find a job that is equivalent to their skills. More than 10% of return migrants in Cambodia, Costa Rica and Georgia stated so. In general, integration into the local labour market is the biggest concern, with many returnees finding it difficult to find a job of any kind.

Spillover effects of the transfer of norms from return migrants to non-migrants can be wide-ranging

Return migrants help shape the public discourse, by transforming the local environment and questioning traditional approaches. However, their actual influence is based on their individual characteristics and their migration experience, as well as the size of the return migrant community in a given locality.

Figure 10.9. **Finding a job is the biggest challenge facing return migrants**

Challenges faced by return migrants



Source: Authors' own work based on IPPMD data.

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Although the IPPMD data do not say much about how social capital brought home by return migrants influences their countries of origin, a handful of other studies do explore this link. The transfer of norms is influenced both by the country of origin and destination, and might also have negative consequences, e.g. transferring discriminatory patterns of behaviour to hitherto more liberal returnee households or countries (Tuccio and Wahba, 2015). One example is the influence of return migration on fertility patterns (Beine et al., 2013; Bertoli and Marchetta, 2015). Return migrants' prior countries of residence with high fertility rates influence positively the fertility patterns in the country of origin; and reciprocally, a low fertility rate in the destination country decreases the rate in the country of origin (Beine et al., 2013).

Return migrants also tend to have an influence on electoral behaviour, engagement at the local political level as well as on the political engagement of non-migrants. Migration experience might influence political attitudes and behaviour of return migrants both positively and negatively. Students studying abroad can form an influential group, transferring democratic values back home on their return from a democratic country (Spilimbergo, 2009). Furthermore, the presence of return migrants tends to increase the electoral participation of non-migrants (Waddell and Fontenla, 2015) as well as to alter electoral behaviour within communities (Chauvet and Mercier, 2014). Moreover, exposure abroad to different religious, social or political norms can enhance tolerance of diversity in returnees compared to non-migrants (Pérez-Armendáriz and Crow, 2009).

Sectoral policies play a limited role in the decision and sustainability of return migration

An increasing number of countries are introducing policies and programmes directly targeted at potential return migrants. For example, Armenia is aiming to promote return migration by strengthening information channels. Through its strong ties with diaspora networks the government organises job fairs in the main emigrant destination countries to advertise vacancies in the Armenian labour market. Offering financial and non-financial benefits to returnees also increases the incentives to return. These range from tax and duty exemptions for transporting personal belongings to salary subsidies or capital provided to start up micro businesses.

As seen earlier, returnees may encounter some challenges in re-participating in economic, social and political life in their countries of origin after their return. In fact, the IPPMD data indicate that more than half of returnees have faced some sort of difficulty after their return, among which reintegration into the local labour market looms large. Finding a job that matches returnees' skills is an additional challenge. This is exemplified by Haiti. While skills mismatch poses a general problem for many people, a considerably higher share of return migrants experience that their skills set is not well matched with the local labour market (Figure 10.8). Targeted reintegration programmes, such as providing return migrants with requalification training or creating environments that better harness their competencies, can help address these issues.

Sectoral development policies can also play a role in attracting back emigrants and reintegrating them. Agricultural subsidies or policies to improve the education system can encourage people to return. Investment policies can also have indirect repercussions on the use of financial resources return migrants bring back with them. Labour market policies that enhance market efficiency and increase human capital, as well as social protection programmes, can further help return migrants re-integrate successfully.

Individual sectoral policies are not enough, however. A combination of policies is required to have a lasting influence on return. For instance, even when there are good job opportunities and efficient labour markets in the home countries, if the education system is malfunctioning parents with school-age children may be reluctant to come back. A combination of public policies can help attract back nationals abroad and make return sustainable.

Policies that relieve financial constraints at home may attract return migrants

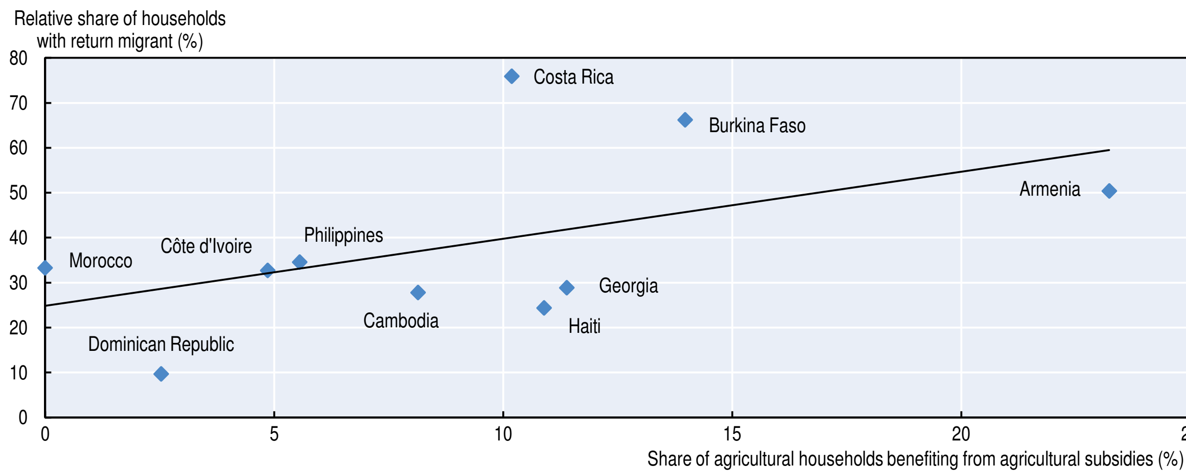
Relieving households' financial constraints at home can encourage emigrants to return. Part I of the report has established already that policies providing financial or in-kind transfers affect households' migration decisions. Figure 10.10 plots the share of households with return migrants (Table 10.1) against the share of agricultural households benefitting from any type of agricultural subsidies. The graph shows that the share of return migration is higher in countries where a large share of agricultural households benefit from direct financial transfers, implying that such policies might help attract return migrants. One potential explanation is that financial transfers made to households may have supported the costs for return migration.

Policies that reduce risk can attract migrants home and encourage returnees to stay

Household vulnerability is a key push factor for migration. If these vulnerabilities have not been dealt with – such as through social protection schemes, public job creation programmes or insurance-based agricultural programmes – migrants are unlikely to want to return. For example, IPPMD data show that return migrants are less likely than non-migrants to benefit from a public pension system, which may discourage emigrants wishing to return from doing so. Not only can policies that reduce risk provide more incentives to emigrants to come back, but they can help make return sustainable. In fact, return migrants in Armenia are less likely to plan to migrate again if they have access to a public pension programme. Figure 10.11 illustrates the correlation between public social protection expenditure and the share of return migrants who plan to stay in their home countries. This correlation reveals the potential link between risk-reducing mechanisms and the sustainability of return migration, by showing a higher share of return migrants with no plans of re-migration in the countries with higher public social spending. The data also confirm that higher spending on social protection is positively correlated with a higher share of return migrants. This can be partially related to the economic and political stability of the countries, which makes return migration more attractive. Countries with greater stability can have more resources to increase public social expenditures.

Figure 10.10. **The higher the share of agricultural households benefiting from agricultural subsidies, the higher the share of households with return migrants**

Relative share of households with return migrant (%) and share of households benefiting from agricultural subsidies (%)



Note: The sample is limited to agricultural households.

Source: Authors' own work based on IPPMD data.

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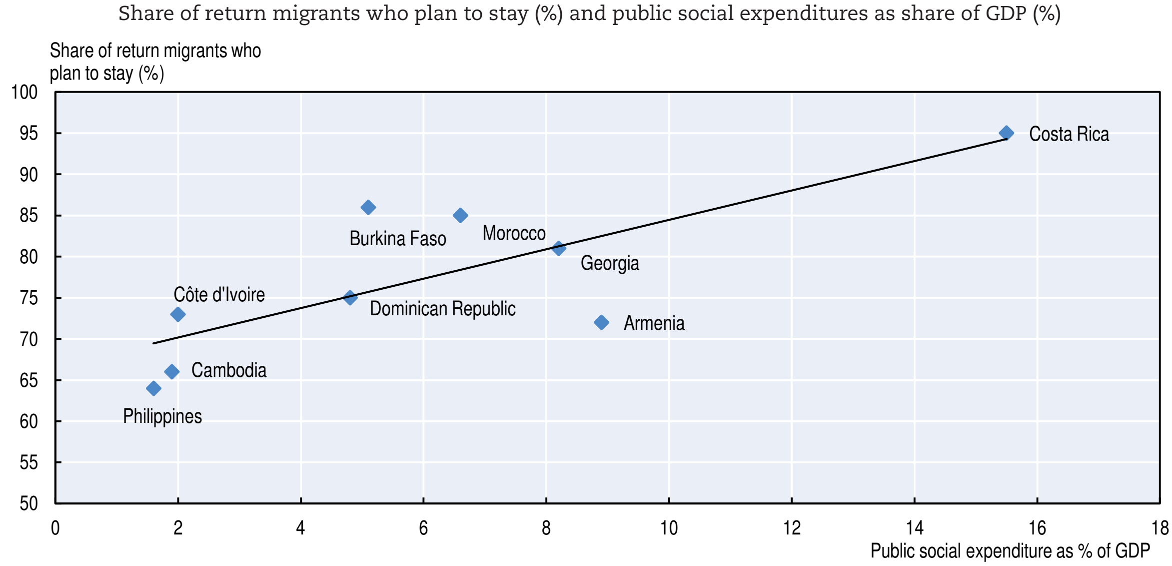
Figure 10.11. **A higher share of return migrants plan to stay in the countries with higher expenditures on social protection**

Share of return migrants who plan to stay (%) and public social expenditures as share of GDP (%)



Note: Public social protection expenditure is calculated as the % of GDP in the most recent year among 2010, 2011 or 2012. Haiti is not included due to lack of data.

Sources: Authors' own work based on IPPMD data and ILO STAT for public social protection expenditure, www.ilo.org/ilostat.

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Policy recommendations

Return migration holds great development potential, stemming from the financial, human and social assets embodied in returnees. This chapter has shown the potential positive influences of return migration on investment in business start-ups and self-employment, transfer of skills and knowledge as well as on social norms. Growing awareness of the developmental potential of return migration has seen it emerge as an important policy issue in the countries of origin, and many developing countries have initiated policies and programmes specifically targeting potential return migrants.

However, failure to address other policies may undermine this potential. A deficient health system, weak political institutions and an unfriendly investment environment may all discourage people from returning or for staying long. It is thus important to provide a favourable environment in the country of origin across social, economic as well as political realms.

Table 10.3. **Policies to make the most of return migration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	● Expand government employment agencies' activities to reach out to emigrants overseas. They should also target return migrants so that they have a greater chance of finding a formal job. ● Ensure vocational training programmes match domestic labour needs to foster the inclusion of return migrants in the labour market.
Education	● Facilitate and improve the recognition of qualifications acquired abroad to help return migrants validate their skills. ● Offer training and refresher courses to potential return migrants, especially those with an education diploma, to facilitate their reintegration into the labour market in the country of origin.
Investment and financial services	● Strengthen return migrants' access to information on financial tools and opportunities to allow potential entrepreneurs to create and scale up their businesses and create more jobs, including in rural areas and the agricultural sector. ● Avoid taxes on repatriated capital used to start new businesses. ● Provide information about local investment opportunities to return migrants through tailored investment networks and websites.
Social protection and health	● Ensure that return migrants find it easy to register for social protection and health facilities when they return, to reduce the need to emigrate again. ● Invest in bilateral agreements with main destination countries to ensure portability of pension funds and other social benefits.
	TARGETED RECOMMENDATIONS
Migration and development	● Create an official information portal, such as a website, to provide comprehensive information to potential return migrants. ● Organise diaspora fairs in the main countries of destination to offer employment and investment opportunities to would-be return migrants. ● Provide financial incentives, such as duty exemptions for the transport of personal belongings, and subsidies for the salaries of highly skilled return migrants.

Note

1. The project did not explicitly take return migration into account in its sampling strategy. Hence, return migrant households were oversampled in the overall household population, but randomly selected from the pool of migrant households (See Chapter 2 for further details on the sampling procedures).

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Chapter 11

Boosting immigrants' contribution to development and promoting their integration

Immigrants contribute in many ways to the economic and social development of their host country. Several of the IPPMD project partner countries – Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic – are increasingly important destinations for immigration thanks to their better growth and job prospects relative to other countries in their regions. This chapter explores the immigration trends for these countries, drawing on the IPPMD data. It presents evidence from the survey on the potential contribution made by immigrants to their host economy, as well as several obstacles in the way of fulfilling their development potential. Public policies can contribute to improving the integration of immigrants in their countries of destination.

For the last 50 years, immigration has been on the rise, particularly in OECD member countries (OECD, 2014a). Social and economic stability and high growth rates have attracted millions of workers from other countries, many from developing ones. Nevertheless, OECD countries are not the only countries to receive immigrants. Some developing countries with better growth and job prospects than others in their region have become regional hubs for immigrants who may not be able to afford, desire or have the opportunity to go to the richer OECD countries.

Even though immigrants contribute to the economy in many ways (OECD, 2014b), policy makers often neglect to support their economic and social integration. This is particularly the case in a number of developing countries (OECD, 2011). However, migrant rights and integration matter – making immigrants feel part of the country's social fabric can reinforce social cohesion and promote higher productivity. This is why the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) makes it clear that immigration and integration are key components of development. SDG 8.8, in particular, underlines the importance of protecting the labour rights of migrant workers (UN, 2015).

Several of the IPPMD countries, including Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic, are important destinations for immigration. This chapter explores the immigration trends for these countries, drawing on the IPPMD data. It presents evidence from the survey on the potential contribution that immigrants can make to their host economy, as well as the obstacles that prevent them from fulfilling this potential. It concludes with policy recommendations to maximise the integration of immigrants for their benefit and for development more widely.

Table 11.1. **Immigration, sectoral policies and development: Key findings**

How does immigration affect countries of origin?	How do sectoral policies affect immigrant integration?
• Immigration provides an ample supply of labour for the economy and can fill labour shortages in certain sectors.	• A lack of a formal labour contract or access to agricultural aid reduces immigrants' economic integration.
• Households with immigrants invest more in non-agricultural businesses than households without immigrants.	• The lack of access to education programmes, health facilities and social protection undermines social integration.
• Immigrants are less educated and immigrant children are less likely to go to school than native-born individuals.	• Immigrants who have formal labour contracts (or regular migration status) are more likely to invest in the host country than native-born individuals.
• Immigrants are less likely to pay taxes than native-born individuals, but they also receive fewer government transfers.	

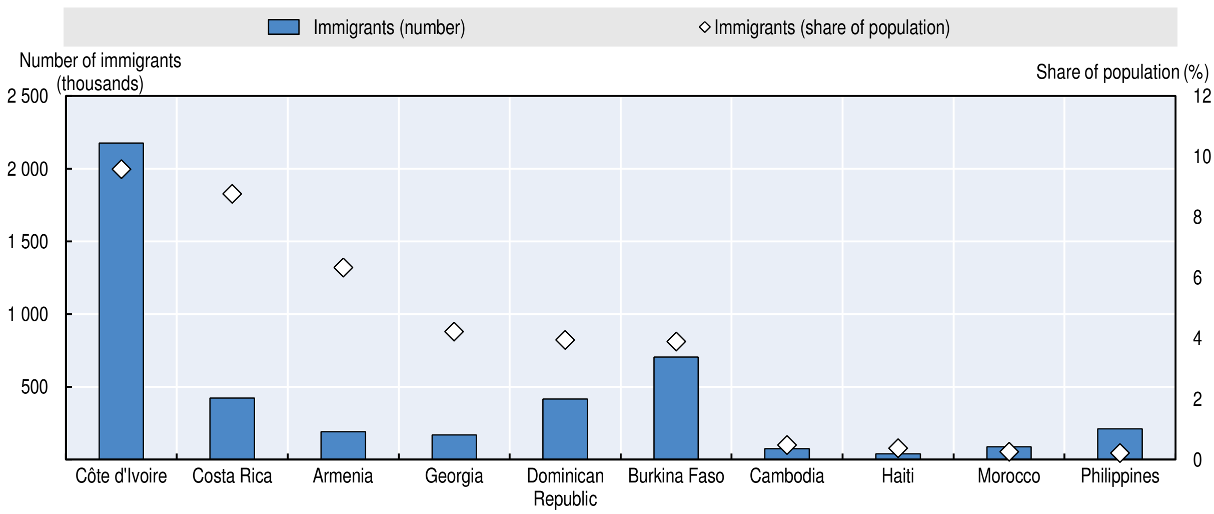
Note: These findings do not apply to all countries. More country-specific findings can be found in the IPPMD country reports.

Immigration is quantitatively important in six of the IPPMD countries

The IPPMD partner countries reflect a variety of migration experiences – not all of them are important immigration countries quantitatively (Figure 11.1). Côte d'Ivoire, with 2.2 million immigrants, has by far the largest immigrant stock of the ten IPPMD partner countries and the largest share of immigrants in its population (9.6%). Immigration is also quantitatively important in Armenia, Burkina Faso, Costa Rica, the Dominican Republic and Georgia, as a share of the population.

Figure 11.1. **Immigration rates vary widely across countries**

Total number of immigrants vs. share of immigrants to population (2015)



Note: According to UNDESA, the definition of an international immigrant is any person who changes his or her country of usual residence and has lived in the host country for at least one year. Countries are ordered according to the share of immigrants in the population, starting with the highest.

Source: UNDESA, International migrant stock: The 2015 revision, *www.un.org/en/development/desa/population/migration/data/estimates2/index.shtml*.

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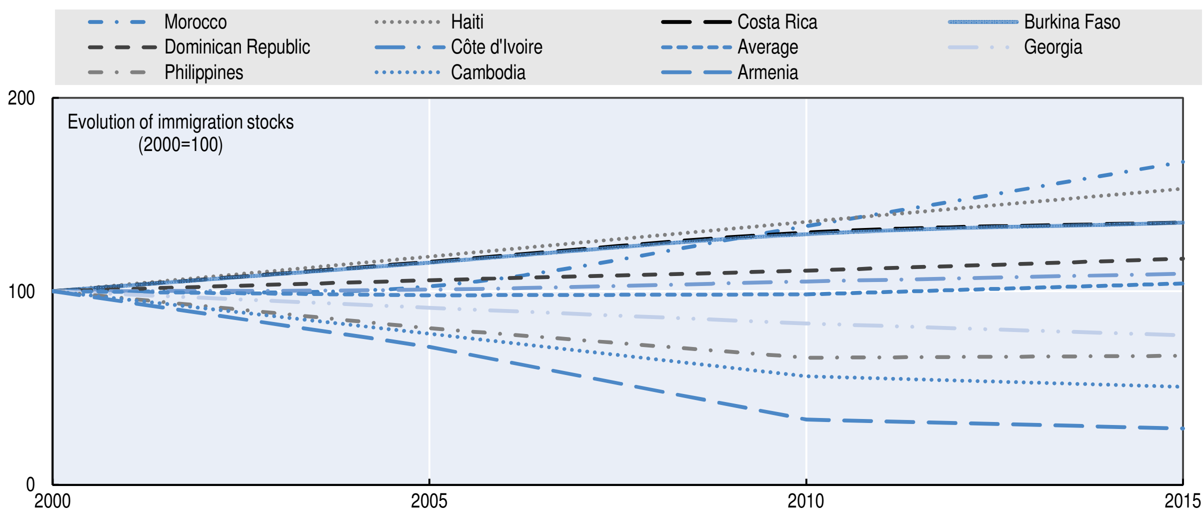
A snapshot in time of immigrants in a country reveals little about the evolution of migration flows. Normalising immigration levels at 100 in the year 2000 and following their evolution to 2015 shows that, even though the number of immigrants in the country is low, Morocco has experienced the highest relative growth (67%) of the ten countries (Figure 11.2). In addition, countries that already had large stocks of immigrants in 2000 also grew over the 2000-15 period, including Costa Rica (36%), the Dominican Republic (17%) and Côte d'Ivoire (9%). In contrast, Armenia had negative growth in its immigration stocks over the period (-71%), as did Cambodia (-49%), the Philippines (-33%) and Georgia (-23%) – a sign that many immigrants have left the country. On average, the stock of immigrants in the IPPMD countries grew by about 4%.

The IPPMD project collected data on immigrants in six countries: Armenia, Burkina Faso, Costa Rica, Côte d'Ivoire, the Dominican Republic and Morocco. As explained in Chapter 2, the objective of the methodological framework was to sample migrant and non-migrant households in equal parts (50/50).[1] The migrant sample was not constrained in any way for Burkina Faso and Côte d'Ivoire, therefore the share of immigrants in the migrant sample reflects their relative importance with regard to other migration dimensions, such as emigration and return migration. In Costa Rica, emigrant households were difficult to track down and many refused interviews, so the immigrant household sample is likely overstated in comparison. In addition, in the Dominican Republic, the sampling frame was constrained to an equal amount of immigrant and emigrant/return migrant households, though slightly more immigrant households were interviewed in the end. Because of the low totals of immigrant households sampled in Armenia and Morocco, a full analysis was not possible in these countries.[2] As such, this chapter focuses solely on the data collected in Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic.

Figure 11.2. **Morocco has seen the greatest growth in immigration, 2000-2015**

Evolution of immigrant stocks (2000 = 100)



Note: According to UNDESA, the definition of an international immigrant is any person who changes his or her country of usual residence and has lived in the host country for at least one year.

Source: UNDESA, International migrant stock: The 2015 revision, *www.un.org/en/development/desa/population/migration/data/estimates2/index.shtml.*

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Table 11.2 summarises the data collected for the IPPMD project. As expected, the share of immigrants is relatively high in Costa Rica (81% of migrant sample) and Côte d'Ivoire (61%), consistent with official data, while the lower rates in Burkina Faso (32%) are also a reflection of official data. In absolute numbers, the number of sampled immigrants is high in Costa Rica (1 578), Côte d'Ivoire (1 347) and the Dominican Republic (1 016).[3]

Table 11.2. **The share of immigrant households sampled reflects the official statistics**

Number of immigrants and immigrant households across countries

Country	Number of individual immigrants sampled	Immigrant households sampled			Non-migrant households sampled	
		Total	Share of total sample (%)	Share of migrant sample (%)	Total	Share of total sample (%)
Armenia	133	81	4	8	996	50
Burkina Faso	449	264	12	32	1 375	63
Costa Rica	1 578	757	34	81	1 299	58
Côte d'Ivoire	1 348	708	30	61	1 180	50
Dominican Republic	1 016	529	26	55	1 073	53
Morocco	52	39	2	4	1 126	50

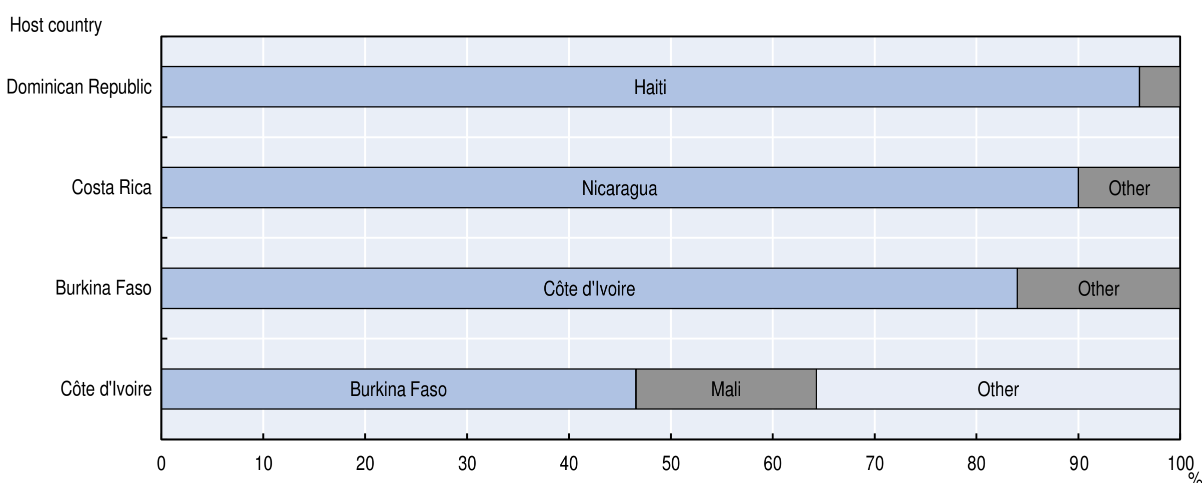
Note: Immigrants are individuals born in another country and who have lived at least 3 months in the current one. Immigrant households are those with at least one member that is an immigrant. Non-migrant households are those with no emigrants, returned migrants or immigrants.
Source: Authors' own work based on IPPMD data.

Where immigrants come from plays an important role in how they immigrate and the success of their integration in the host country. In all countries, more than 97% of immigrants come from low and middle-income countries. This has implications for the types of immigrants who arrive, as well as their propensity to return to their home country. Immigrants who leave a low-income country to live in another low-income country have typically lower levels of education than those who go to high-income countries (Campillo-Carrete, 2013; Dumont et al., 2010) where admission restrictions are more severe (Long et al., 2006). In other words, the positive self-selection of migrants based on human capital is less evident in migration corridors between developing countries. In addition, while many integration approaches are based on countries that tend to be relatively homogenous in terms of language, culture and ethnicity, this is often not the case in the fractionalised and multi-ethnic countries where borders are porous and immigration controls lax (OECD, 2011).

Burkina Faso, Costa Rica, Côte d'Ivoire and the Dominican Republic also differed in the variety of source countries for their immigrant stocks. In Burkina Faso, Costa Rica and the Dominican Republic, more than 80% of immigrants in the IPPMD data originate from a single, neighbouring country (Côte d'Ivoire, Nicaragua and Haiti respectively) (Figure 11.3). The countries of origin of immigrants in Côte d'Ivoire are more varied, although two-thirds of them come from just two countries: Burkina Faso and Mali. The immigrants in the IPPMD partner countries thus mostly originate from low and middle-income countries, largely because they lack the skills and means to find jobs in wealthier countries. According to data collected by Gallup, Burkinabè, Haitians and Nicaraguans may prefer to emigrate to France, Spain or the United States, but it is only the relatively more educated who succeed (Gallup, 2016). This situation could benefit Costa Rica, Côte d'Ivoire and the Dominican Republic; many jobs remain vacant in those countries, because native-born workers do not want them. For instance, in Costa Rica jobs in the agricultural, domestic work and transport sectors are not being filled (Sojo-Lara, 2015). Such sectors could all receive a boost from the many lower-educated immigrants who are motivated to find work.

Figure 11.3. **Many immigrants come from a single neighbouring country**

Share of immigrants' country of origin (%), by host country



Source: Authors' own work based on IPPMD data.

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The IPPMD data also show that, for immigrants in Costa Rica and the Dominican Republic, better economic conditions, such as wages and job prospects, were the main reasons for choosing these countries, whereas in Burkina Faso it was a mix of study and family reasons. In Côte d'Ivoire, where Burkinabè and Malians have a long-standing tradition of working in the cacao fields and in trade, most immigrants stated that they chose to come because they knew someone who lived in the country (not shown). Those immigrating for economic reasons are usually motivated to work and fill gaps in the labour market (OECD, 2014b). They may, in addition, choose the destination country based on their skills. Those who immigrate through social networks typically find jobs through the same networks, whose characteristics may largely determine what sectors and occupations immigrants enter.

In general, immigration experience varies highly from country to country. The weight of immigration and the type and diversity of migration corridors, as well as the characteristics of migrants, influence how immigration in turn affects the country. The following section discusses these impacts.

Despite their positive contribution, immigrants' full economic potential is still untapped

In Chapters 3 to 7, the impact of immigration was discussed in the context of the labour market, agriculture, education and social protection and health. The overall finding was that, although immigrants make a positive contribution to the economy, their full potential is still untapped for a variety of reasons. This section summarises the positive ways in which immigrants contribute, but then outlines areas where their contribution could be improved. These can be summarised as follows:

1. Immigrants contribute labour to the host country.
2. Immigrants invest in the host country.
3. Immigrant education levels are low, and sometimes underused.

Immigrants contribute labour to the host country

Both the literature and the IPPMD research provide ample evidence of the many ways in which immigrants contribute to the host economy. They fill labour shortages, pay taxes, and boost the working-age population and technological progress (OECD, 2014b). Moreover, contrary to common belief, their impact on the wage levels and employment of native-born workers is often zero or negligible (Friedberg and Hunt, 1995; OECD, 2007), including in developing countries (Gindling, 2009, on Costa Rica).

As is evident in Chapter 3, immigrants bring valuable labour to the country, and are more likely than native-born individuals to be working and to be in their most productive years. It specifically shows that immigrants have a higher rate of employment than native-born workers in Costa Rica, Côte d'Ivoire and the Dominican Republic, and that they particularly contribute to three sectors: agriculture, construction and activities related to motor vehicles.

The characteristics of migrants differ across countries. In the Dominican Republic, more than 60% of immigrants are men, highest among the four countries under analysis (Table 11.3). This is largely driven by the fact that many immigrants in the Dominican Republic work in agricultural occupations (34% of all immigrants), which is dominated by men (41% of all immigrant men work in agriculture). Immigrants are more likely to be working in agriculture than native-born individuals in Côte d'Ivoire (45% vs. 40%), Costa Rica (24% vs. 15%) and the Dominican Republic (34% vs. 13%). In Burkina Faso, immigrants are *less* likely than native-born individuals to be working in the agricultural sector (60% vs. 37%), but they may be immigrating for different reasons and have different characteristics than the immigrants in the aforementioned countries (Box 11.2).[4]

Table 11.3. **The majority of immigrants are young men**

Share of immigrants by gender and average age

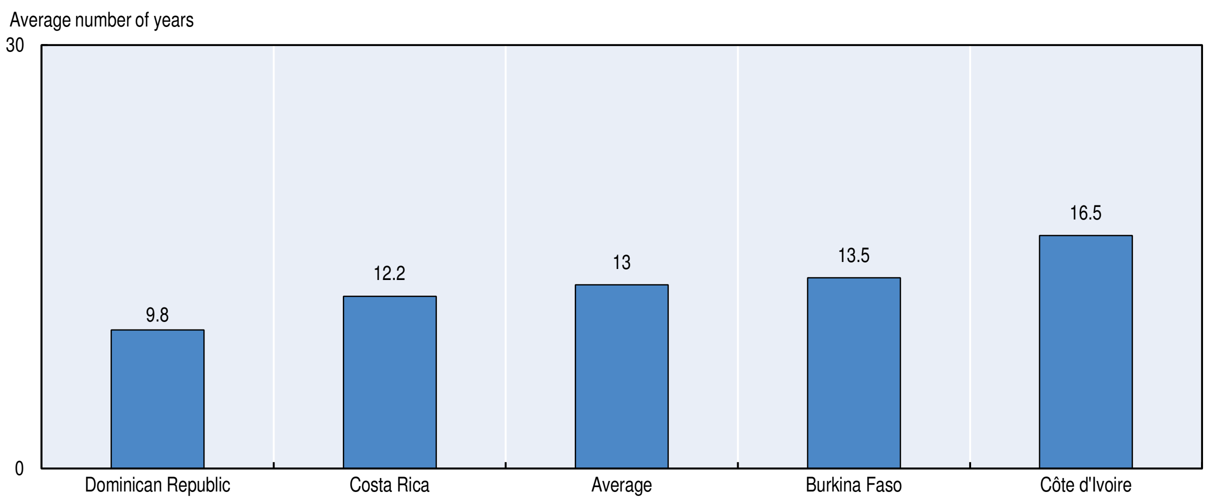
Country	Share of immigrants that are men (%)	Average age (current, in years)
Burkina Faso	50	24
Costa Rica	48	37
Côte d'Ivoire	58	38
Dominican Republic	61	31
Average (unweighted by sample size)	54	33

Source: Authors' own work based on IPPMD data.

Studies on the integration of immigrants in host countries suggest that migrating at a younger age as well as spending more years in the host country are important determinants for better outcomes (see Huber, 2015 for a review). Immigrants in the IPPMD survey countries also tend to be young (Table 11.3) and to spend many years in the country. Immigrants have lived in their host country for more than ten years on average (Figure 11.4), which according to the EU and OECD (2015) is the nominative threshold for immigrants to be settled. Subtracting the average age of immigrants by the average amount of time they have been in the country shows that immigrants normally arrive at the latest in their 20s – at the start of their most productive years. Provided that they have worked since that time in the host country, it also shows that they have contributed for many years.

Figure 11.4. **Immigrants have lived in their host country for more than ten years on average**

Average number of years since the immigrant last entered the host country



Source: Authors' own work based on IPPMD data.

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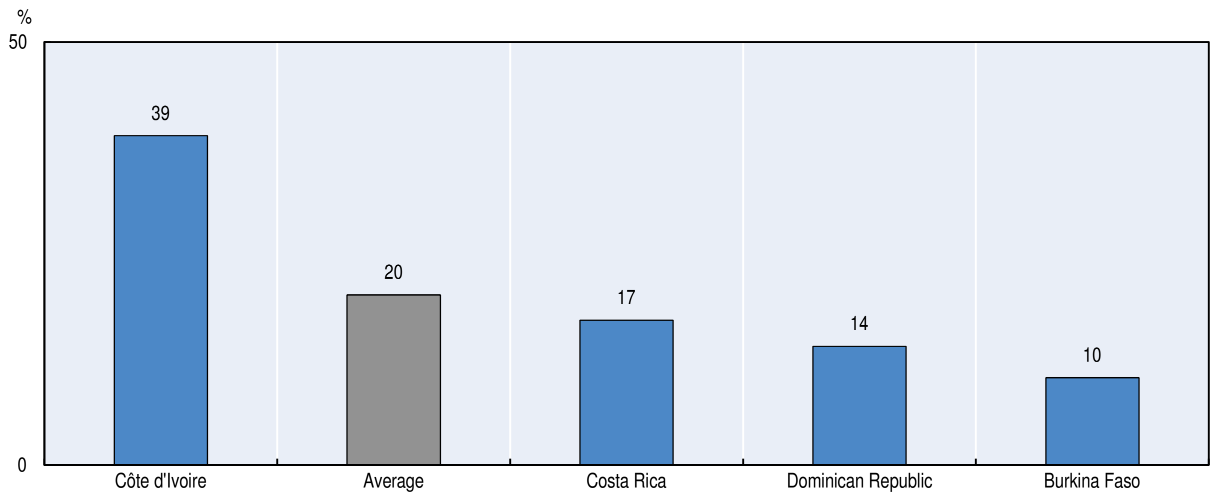
Immigrants contribute by investing and contributing financially in the host country

Immigrants contribute more than just their labour; they may also pay taxes in their host country. While the IPPMD data show that immigrants may not be as likely to pay taxes as native-born individuals, but when they do pay taxes, they contribute as much as their native-born counterparts (Chapter 7). Given this fact, and the fact that they also receive fewer social benefits than the native-born population, there is potential for immigrants to have a net positive effect on the fiscal balance of their host country, particularly if they have formal labour contracts. This would be consistent with research in OECD countries, which suggests that the overall net contribution of immigrants to the fiscal balance tends to be close to zero. Immigrants do tend to have a less favourable net fiscal position than native-born individuals however, mainly explained by lower contributions rather than dependence on benefits (OECD, 2013).

On average, 20% of individual immigrants across all IPPMD countries claimed to have directly invested in their host country, but it is Côte d'Ivoire that stands out as the country with the highest rate (Figure 11.5). Here about half of the immigrants answered that they invested in the agricultural sector (both in farming and livestock activities), while in the other countries they had mainly invested in real estate.

Figure 11.5. **Immigrants invest to varying degrees in their host country**
Share of immigrants that have invested in the host country (%)



Note: The figure is based on the responses from a direct question on whether the individual immigrant had invested in the country.
Source: Authors' own work based on IPPMD data.

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Investments can also take shape in the form of household-level businesses. Compared to households without immigrants, those with immigrants are indeed more likely to own a non-agricultural business. This was particularly the case in Burkina Faso and Côte d'Ivoire, but also to a lesser extent in Costa Rica (Figure 11.6). Not only are they more likely to own a non-agricultural business, but those that do are also more likely to hire at least one employee from outside the household, in each of those countries.

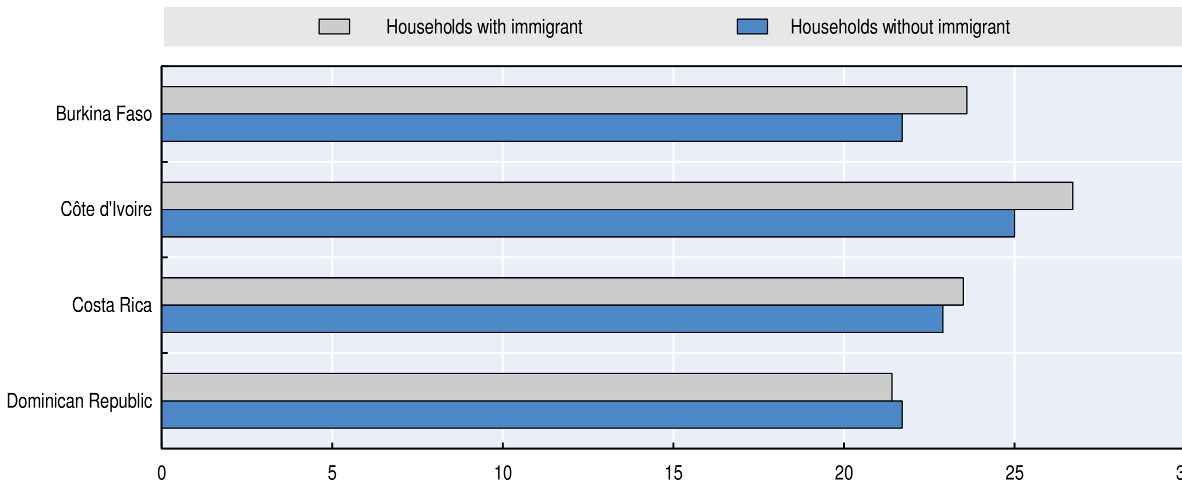
Investments can also generate spillover benefits. While immigrant households are less likely to run their own agricultural activities, those who do – such as farming and animal rearing – are more likely than non-immigrant households to hire workers from outside the household in Burkina Faso and to bring their produce to the market in the Dominican Republic, thereby benefitting the wider economy (Chapter 4).

Immigrants' lower education levels and overqualification rates are a missed opportunity for host countries

In addition to age at migration and years of residence in the host country, level of education is also a major determinant for successful integration (Huber, 2015). Immigrants are on average less educated than the native-born population. Native-born individuals are much more likely to have post-secondary level education than immigrants (Figure 11.7). This partly reflects the fact that the better-educated immigrants tend to go to richer countries, mostly in the OECD. Not all immigrants can choose where they live and work; this is largely determined by their skills. Low and middle-income countries are often a second option for immigrants, who cannot afford or are barred entry to their first choice.

Figure 11.6. **Households with immigrants are more likely to own a non-agricultural business than households without them**

Share of households that own a non-agricultural business (%)



Source: Authors' own work based on IPPMD data.

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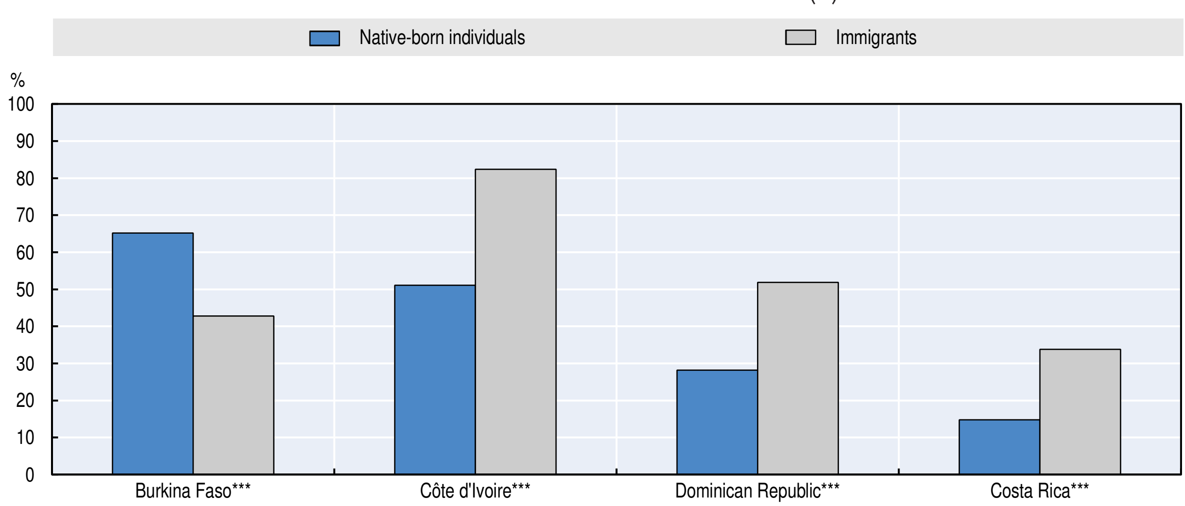
Figure 11.7. **Immigrants are more likely to lack formal education**

Share of individuals with no formal education (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%. Formal education is defined as education occurring in a *structured environment* whose explicit purpose is teaching students.

Source: Authors' own work based on IPPMD data.

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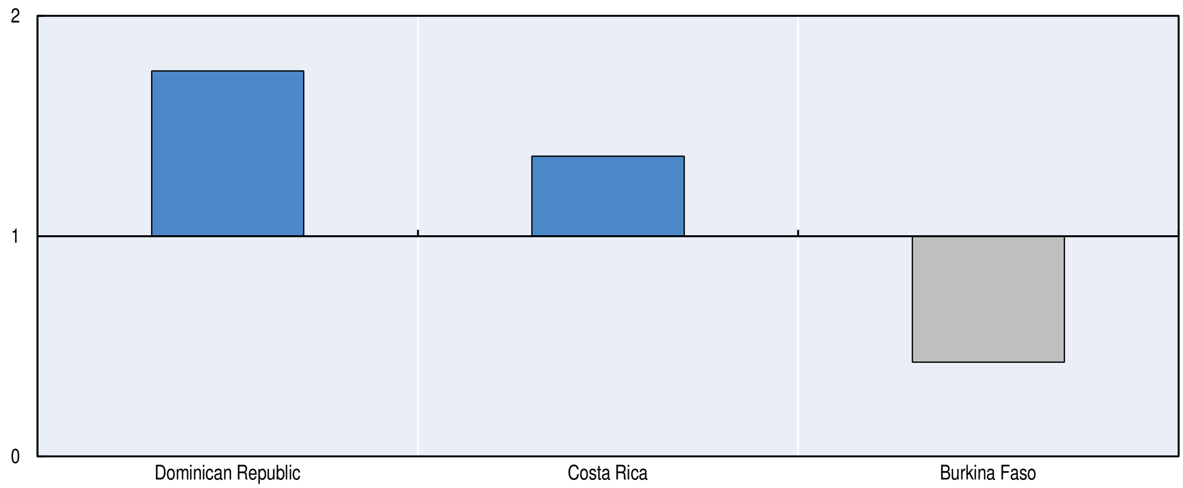
In terms of job matching, immigrants in Costa Rica and the Dominican Republic are less likely to be overqualified than native-born individuals, meaning the use of immigrant human capital is more adequately matched for the type of job performed (Figure 11.8). However, both countries have generally high rates of overqualification for immigrants and native-born workers. The difference between native-born individuals and immigrants in Costa Rica is

15% vs. 11%, while in the Dominican Republic it is 35% vs. 20%. While immigrants are less overqualified compared to their native-born counterparts, their overqualification rates are still high, and remain a missed opportunity.

In contrast, it is immigrants who are more often overqualified than the native-born population in Burkina Faso, although the average rates are relatively lower (7% vs. 3%). Burkina Faso is therefore missing an opportunity to better use the existing skills of immigrants in the country. This may not be surprising given that Burkina Faso is primarily an agrarian and informally driven economy, and where education levels are lower than in Côte d'Ivoire, from where many immigrants originate. Reducing overqualification would allow for a better allocation of skills in the country – while sending a positive signal to future waves of potential immigrants.

Figure 11.8. **The rate of immigrant overqualification varies by country**

Ratio of the share of overqualified native-born individuals over that of immigrants



Note: Overqualification is measured by mapping the skills level of occupations (Chapter 3) to the level of education. If the ratio is above 1, the share of people who are overqualified for their jobs is higher for the native-born population than immigrants; the opposite is true for a ratio below 1. Côte d'Ivoire is excluded due to data availability.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418636

Public policies can help tap the potential offered by immigrants

Despite their positive contributions to the economy, immigrants fall short on a number of key outcomes in their host country, and this is not only a missed opportunity for them, but also for the host country. Public policies play a large role in these shortcomings and may undermine immigrants' full contribution. The integration of immigrants is crucial to maintaining social cohesion and obtaining the best outcomes for immigrants, native-born populations and host countries in general.

While immigrant integration is high on many EU and OECD countries' policy agendas (EU and OECD, 2015), it is often neglected in developing countries (OECD, 2011). The EU and OECD's Indicators of Immigrant Integration (EU and OECD, 2015) provides a framework on which to measure basic integration outcomes for immigrants. These include labour market outcomes (employment status, self-employment, overqualification) and educational attainment as well as poverty and health-related outcomes. Indicators can also take the shape of perception of discrimination or home ownership.

Public policies can help immigrants integrate into their host country. For instance, a recent study on 14 European Union countries found that more liberal product market regulation, less centralised wage bargaining and more inclusive trade unions lead to better integration outcomes for immigrants (Huber, 2015). In addition to public policies, certain explicit migration policies can also reflect the level of integration, such as the acquisition of nationality.

The public policies that have so far been discussed can be classified into two categories:

1. policies that foster economic integration in the host country
2. policies that are conducive to successful social integration in the host country.

This section outlines the main obstacles to fulfilling immigrants' potential in the host country and how public policies can help tap this potential.

A lack of formal labour contract or access to agricultural aid reduces immigrants' economic integration

As the majority of people immigrate for labour or financially motivated reasons, economic integration is likely the central component of an immigrant's integration process. The EU and OECD (2015) immigrant integration indicators feature four indicators on labour outcomes, including employment, unemployment, self-employment and overqualification. Having a job therefore is a fundamental part of the integration process. The previous section concluded that immigrants are more likely to be employed than the native-born, which bodes well for their economic integration. In addition, studies show that the net positive financial contribution of immigrants to their host countries, discussed earlier, is dependent on their level of labour market integration (Huber, 2015).

However, this says little on the quality of that employment – an area in which policy can have a role. In Burkina Faso, immigrants are more often overqualified than native-born individuals, which may translate as a loss for the host country but also a source of frustration and economic loss for the immigrant. Moreover, non-agricultural working immigrants are less likely to have a formal labour contract than native-born workers. Not only is this detrimental to their integration and the protection of their basic human rights, it potentially also lowers their productivity and implies that they are less likely to contribute to payroll taxes.

Investment can be a key vector for successful integration. Providing conditions that enable immigrants to invest in the country can be beneficial for a sector in need of a boost. Although many immigrants work in the agricultural sector, households with immigrants are less likely to run their own farming businesses than households without them and, this is perhaps why they also make fewer investments or own productive assets in the sector (Chapter 4). Being able to run their own activities would enable immigrants to invest, generate capital and help expand the sector. In addition, as they are more likely to be employed in that sector, immigrants also have a better insight into how the sector works, providing them with an inside track. Access to public policies could improve the situation, as immigrant households in Burkina Faso and Côte d'Ivoire are less likely to benefit from agricultural subsidies, while those in Costa Rica are less likely to be covered by an agricultural insurance mechanism. Moreover, clear guidelines on how to access, purchase and cultivate land can be beneficial in boosting investment but also limiting conflicts (Box 11.1).

Box 11.1. **Avoiding a free-for-all in Côte d'Ivoire**

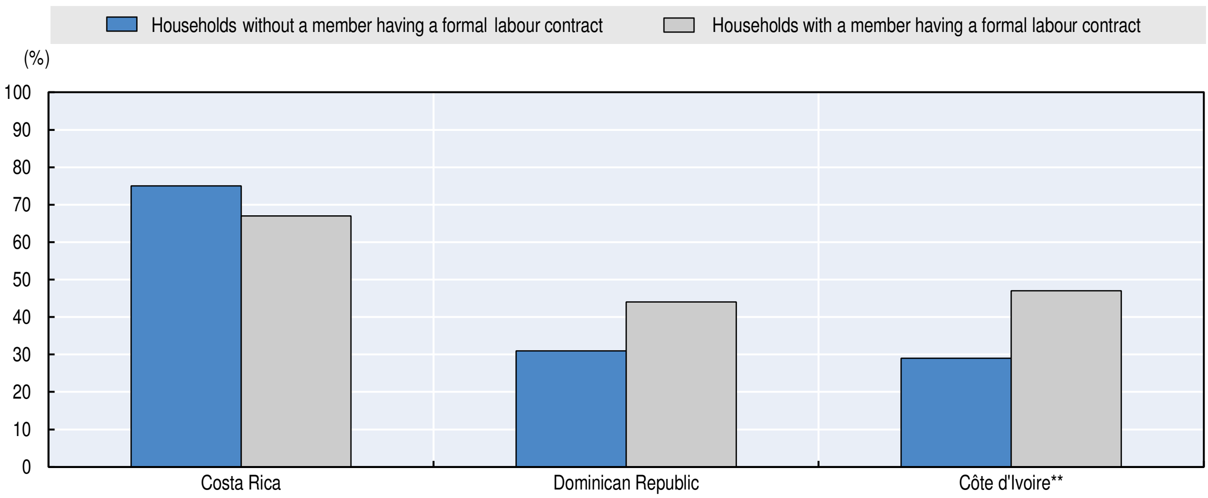
Stakeholders underlined the fact that many immigrants come to Côte d'Ivoire with the idea that the agricultural sector is unregulated. This sentiment is not unfounded, given that Côte d'Ivoire has managed its agricultural land with the long-standing unwritten rule that the land belongs to the person who works it. While the influx of workers is beneficial to the country, many stakeholders argue that immigrants have been expanding cultivation into protected land, to the detriment of the environment – and to the dismay of native-born Ivoirians. Moreover, land rights are not well registered, adding to the problem of agricultural land control. While the unwritten rule was meant to boost the agricultural sector in Côte d'Ivoire, what it meant for land rights was and remains unclear. The government has recognised the issue in the past, but the 1998 law on the management of rural land is not easily understood by most people, including immigrants. For example, while the *de facto* approach has been to work the land that is available, immigrants cannot own any. According to the current law, land owned through customary law can be sold, but an immigrant (non-national) cannot own land rights. A minor reform in 2013 obliges agricultural land to be registered before 2019, but the process of land registration in Côte d'Ivoire is costly and few landowners have done so at the present date. Better control of land rights and agricultural delimitations would likely have an effect on the type of workers immigrating to Côte d'Ivoire, and perhaps encourage immigrants to invest in land already slated for agriculture or to look for work in other sectors. Such steps must also go hand in hand with other policies, such as rehabilitating the country's forests.

A positive by-product of integration is the purchase of fixed assets in the host country, such as a home or land (EU and OECD, 2015). Such purchases can be valuable investments for the host country if they are put to productive use. They reflect the fact that immigrants view their economic and social contribution to the country as a potentially permanent and safe one.[5] The decision to purchase a fixed asset in the host country can be linked to the level of integration or financial security. Policy can play a role here by increasing incentives or ease through which employers and employees work through formal labour contracts. For instance, immigrant households that have at least one member with a formal labour contract are more likely to have purchased a home in their host country in both Côte d'Ivoire and the Dominican Republic, compared to immigrant households without any member with a formal labour contract (Figure 11.9).[6] In the Dominican Republic, immigrant households with members that have a formal labour contract are more likely to have purchased land in the country (56% vs. 23%).

Investments may materialise in other forms as well. Immigrant households with at least one member having a formal labour contract were more likely to own a business in Côte d'Ivoire, and those households were more likely to have hired at least one employee (55% vs. 30%). Such a dynamic extends to other types of public policies as well. In Burkina Faso, agricultural households that benefited from agricultural subsidies were also more likely to own a non-agricultural business (28% vs. 23%) as well as those that own their main agricultural plot through land reform (28% vs. 20%). While the immigrant sample is small, the finding suggests that agricultural subsidies may increase business ownership in general, including for immigrant households.

Figure 11.9. **In some countries, formal labour contracts are linked with home ownership**

Share of households owning their home in the host country, amongst households with immigrant (%)



Note: Statistical significance calculated using a chi-squared test is indicated as follows: ***: 99%, **: 95%, *: 90%.

Source: Authors' own work based on IPPMD data.

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The lack of access to education programmes, health facilities and social protection undermines social integration

In addition to economic integration, integration is also a function of social outcomes, such as those in education, health and social protection. The previous section has already underlined that immigrants fall short on education outcomes. They have low levels of education compared to native-born individuals, and child immigrants are less likely to attend school than native-born children. Education is a fundamental tool for the social integration of immigrants and their households, as it helps them learn the local language, understand the context and history of the country and to build social networks. In fact, according to the findings in Chapter 5, immigrants who are educated in Costa Rica are also more likely to stay than those who are not.

Ensuring immigrants are covered by educational programmes is at the core of both social and economic integration. In addition to increasing productivity, education has the potential to accelerate the integration process by transferring language skills and mixing immigrants with native individuals, reinforcing social networks in the country. It is therefore in the interest of the host country to provide immigrants and their children with an education, as it will increase their productivity, and future earnings capacity. IPPMD data from Costa Rica, Côte d'Ivoire and the Dominican Republic show that although households with immigrants do benefit from education programmes, it is rarely to the same extent as households without immigrants. This is true for conditional cash transfer (CCT) programmes and scholarships (Costa Rica and the Dominican Republic) as well as distribution programmes (Côte d'Ivoire and the Dominican Republic). Such low access is not conducive to social integration in the country.

Another important component of social integration is access to health facilities. Excluding vulnerable groups from health access will not only make them less productive, but can lead to vectors of disease, particularly in poor and marginalised parts of cities (UN-Habitat and WHO, 2016). Here, as well, immigrants fare poorly. Immigrants tend to live further from the nearest medical clinic than native-born individuals in Costa Rica and Côte d'Ivoire, and those with jobs are less likely to have medical benefits through their employment. Lack of such medical coverage extends beyond the individual, since the worker may have family, including children, who are also not covered by such benefits.

In addition to these work benefits, other mechanisms that may increase social protection for workers do not reach immigrants. For instance, in Costa Rica and Côte d'Ivoire, immigrants are less likely to work in an environment where there is a labour union – limiting the possibility of negotiating benefits, safety standards and generally better working conditions. In Costa Rica, Côte d'Ivoire and the Dominican Republic, immigrants are also less likely to have a pension plan, meaning their employers are not contributing towards their economic well-being after retirement, or following their departure.

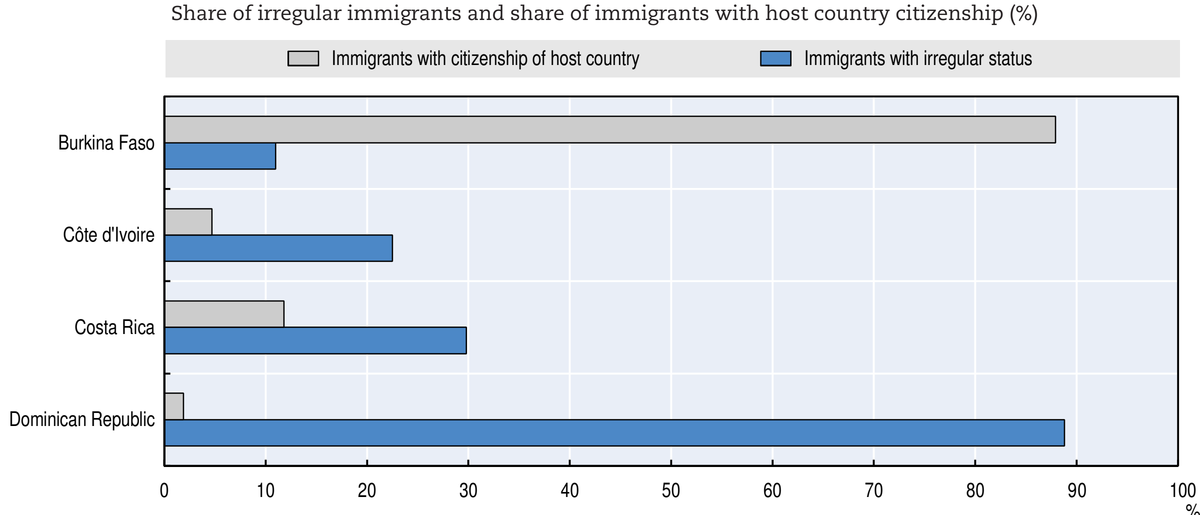
Immigrants who are not well socially integrated may decide to return to their home countries. Social protection coverage, for instance, affects the likelihood of immigrants planning to return. Although there was no universal trend across countries, Chapter 7 demonstrated that this was the case for specific programmes and specific countries. Return was more common for immigrants who were further away from health facilities in Costa Rica and those without employment benefits, or membership in a labour union in the Dominican Republic.

Migration policy plays a major role in immigrant integration

Public policies play an important role in the integration of immigrants. Nevertheless, migration policies, perhaps more than for any other migration outcome, have a fundamental role and may hold the key to unlocking immigrants' potential. Immigrants often do not have regular migration status, identified in the IPPMD project as having a residency or work permit or having host country citizenship. because either they have entered the country through irregular channels, or they have overstayed their visa. This is particularly the case in the Dominican Republic, for instance, where nearly 90% of immigrants do not have proper documentation (Figure 11.10). Despite a long and widespread regularisation programme in Costa Rica (Sojo-Lara, 2015), stakeholders mention that the cost of regularisation can be high for many immigrants who therefore do not participate.

Figure 11.10. **The rate of irregular migration varies by country**

Share of irregular immigrants and share of immigrants with host country citizenship (%)



Note: Irregular immigrants lack the official documents required to live or work in the host country. Official documents include residency or work permits. Immigrants with host country citizenship are considered to have regular status. All immigrants are included in the sample.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418651

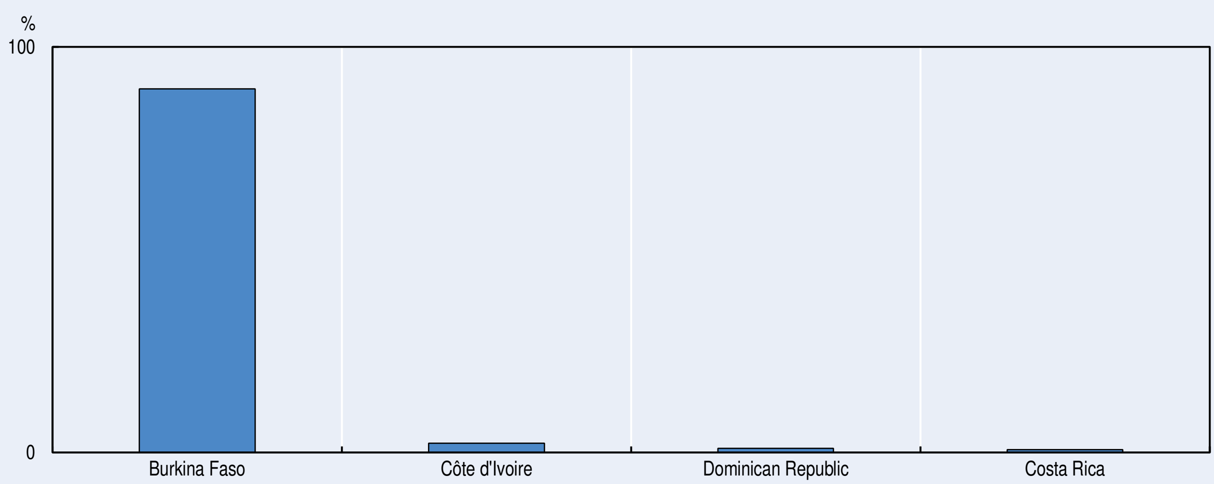
As an example, immigrants in Burkina Faso, many of whom have citizenship of their host country, have better outcomes and access to public programmes than immigrants in Costa Rica, Côte d'Ivoire and the Dominican Republic (see Box 11.2). Having regular migration status, for instance, can provide immigrants with easy access to public programmes. In Costa Rica (47% vs. 21%) and the Dominican Republic (73% vs. 33%), immigrants were more likely to have a formal labour contract if they had regular migration status in the country.

Box 11.2. **Productive integration by Burkina Faso's immigrants**

In general, immigrants in Burkina Faso have better access to public programmes and have better outcomes than immigrants in other IPPMD countries. For instance, households with immigrants tend to be richer and more likely to invest in their own agricultural activities than households with immigrants in the other countries in the survey. They are also more likely to have regular migration status than immigrants in other IPPMD partner countries and more likely to have some level of formal education than native-born individuals (Figures 11.7 and 11.10). This is because they are the children of parents born in Burkina Faso (Figure 11.11), even though they are technically immigrants, as they themselves were not born in Burkina Faso. In fact, 90% of immigrants in Burkina Faso display this trait, which is result of the conflicts in Côte d'Ivoire that began in 2002, after which their parents returned to their home country. In many ways, they are more similar to return migrants than other immigrants in the country. Having a parent born in the host country typically means that one can turn to a social network for help. Such links help immigrants establish themselves more quickly, including finding a job and housing, dealing with administrative matters and sending children to school. It also helps them integrate more smoothly.

Figure 11.11. **Most immigrants in Burkina Faso are children of native-born parents**

Share of immigrants with parents born in the host country (%)



Note: Immigrant status is based on country of birth for the purposes of this project, regardless of the birthplace of one's parents or of nationality (Chapter 2). This definition is consistent with the general approach used in the comparative statistics of the OECD, the United Nations and the World Bank.

Source: Authors' own work based on IPPMD data.

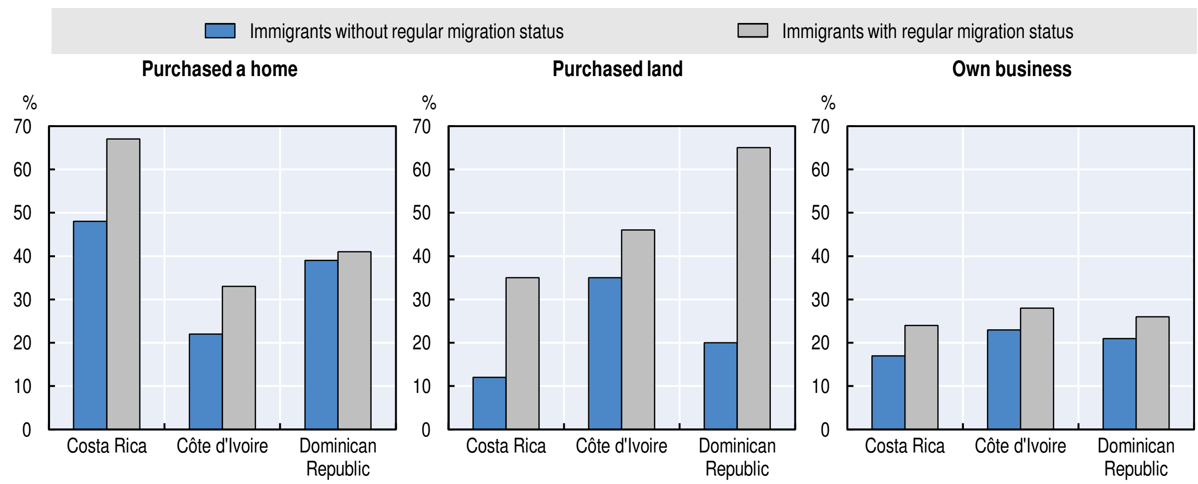
StatLink http://dx.doi.org/10.1787/888933418664

Project stakeholders, particularly in Côte d'Ivoire and Costa Rica, explained that feelings towards immigrants are often negative in their countries, bordering on discrimination. There are economic benefits to regularising immigrants, but they are mostly successful when the level of discrimination against the group being regularised is low (Machado, 2012).[7] In Burkina Faso, immigrants speak the local languages and have family in the country. They may therefore be treated the same as a return migrant, as they share several characteristics. These differences are apparent in the share of immigrants who plan to return to their home country. In the Dominican Republic, nearly 20% of immigrants plan to return, followed by Costa Rica (13%), Côte d'Ivoire (11%) and Burkina Faso – the lowest, at 4%.

The outcomes of better integration through regular migration status can be very beneficial to the host country, as immigrants may in turn feel more secure in their economic and social investment in the country. For instance, immigrant household heads that have regular migration status are more likely to own a home, land and a non-agricultural business in Costa Rica, Côte d'Ivoire and the Dominican Republic (Figure 11.12).

Figure 11.12. **Immigrants with regular migration status are more likely to invest in the host country**

Share of immigrant household heads that have invested in the host country



Note: Irregular immigrants lack the official documents required to live or work in the host country. Official documents include residency or work permits. Immigrants with host country nationality are considered to have regular status. All immigrants are included in the sample.

Source: Authors' own work based on IPPMD data.

StatLink http://dx.doi.org/10.1787/888933418676

Policy recommendations

Contrary to the many negative perceptions held about immigrants, this study confirms that they can play a potentially important role in development. This chapter showed that immigrants are young, motivated to work and often do so in sectors that are in demand, while not being burdens on their host country's purse. However, they have low levels of education and their children are more often out of school compared to native-born individuals, which is a missed opportunity for host countries. In the case of Burkina Faso, the fact that immigrants are underemployed is a lost opportunity for the country.

Immigrants can offer more to their host country if they are given the right conditions. Despite their contribution, their economic and social integration lags behind. While they do have jobs, which is a primary vector for economic integration, those jobs are often not covered by formal labour contracts. Immigrant households, moreover, are typically not beneficiaries of agricultural aid. Social protection coverage can help channel better integration outcomes, including investment in the host country. For instance, having a member of the household with a formal labour contract is linked with home ownership in the host country.

In addition, immigrants also lag behind on social integration. Not only are their children less likely to be in school, but immigrant households are less likely to benefit from educational programmes like conditional cash transfers, scholarships and distributional programmes. Moreover, the jobs they have are not covered by formal labour contracts, and neither do they include benefits such as health benefits, pension programmes and access to a labour union. Households with immigrants also tend to live further away from the nearest health facility than households without them.

Migration policy plays an important role. In fact, having regular migration status in the host country is linked with higher investment rates by immigrant households, which can be an important determinant to feeling part of the fabric of society. Cost is not the only obstacle to regularisation; an adequate understanding of the procedures involved, including a minimum ability to read and write, is also important.

To maximise the chance of successful integration of immigrants, public policies should focus on the following recommendations:

Table 11.4. **Policies to make the most of immigration**

	CROSS-CUTTING RECOMMENDATIONS
Labour market	● Develop better information systems, through an extended network of employment agencies, to help immigrant as well as native-born workers find the jobs that best correspond to their skills. ● Increase training opportunities to upgrade general skill levels and ensure that immigrant job seekers do not have any legal barriers to the labour market.
Agriculture, investment and financial services	● Reduce de facto barriers to investment by immigrants in the agricultural sector, such as lack of access to land and markets; as well as in the non-agricultural sector, such as lack of building and land rights. ● Use websites and investment one-stop shops to encourage potential immigrants to invest in the host country. ● Make agricultural aid, such as subsidies and training, accessible to settled immigrants through residential registration permits for instance, to encourage their productivity and investment.
Education	● Provide equal access to education in general, and to immigrant students in particular, for example by implementing targeted policy programmes, such as cash transfers and scholarships for vulnerable groups, including immigrants. ● Invest in educational infrastructure in areas with increased education demand from immigration to ensure universal access, good quality schooling and social integration and cohesion.
Social protection and health	● Increase *de jure* and *de facto* access to social protection, such as pension plans, medical benefits, access to labour unions and the provisions covered by formal labour contracts. ● Adjust investments in health facilities in neighbourhoods where there are high levels of immigration.
	TARGETED RECOMMENDATIONS
Migration and development	● Facilitate and mainstream the channels for immigrating and registering formally in the host country. ● Adopt measures to fight discrimination against immigrants and ensure they are enforced.

Notes

1. There are three notable exceptions where this is not necessarily the case: Burkina Faso, Costa Rica and Haiti.
2. This likely reflects the fact that the immigration rate in Armenia has been decreasing since 2000, and that the number of immigrants in Morocco is still low, despite the rapid growth rate. This is despite an effort to oversample immigrant households in Morocco.
3. In addition to individual and household level data, the IPPMD team collected immigration data at the community level. In each community, an official representative was asked the estimated share of households that have at least one member born in another country. The mean community-level results for the five countries where data is available are higher than official individual immigration rates as expected, as they are household rates, but they do reflect the higher importance of immigration in Côte d'Ivoire (28%), Costa Rica (27%) compared to Armenia (10%). It is notable that the mean rate across Dominican communities is considerably lower than what would be expected (9%),

meaning the communities in which data was collected are not necessarily the most representative of the immigrant population in the country. In addition, the rate in Burkina Faso is also higher than would be expected (27%), and could be due to differences in the definition of an immigrant (country of birth vs. nationality) or to inaccuracies due to recent changes in population following the conflicts in Côte d'Ivoire.

4. These figures include international standard classification of occupations (ISCO) codes listed as agricultural elementary occupations.
5. In terms of home purchases, Costa Rica (64%) stands out as having a very high rate compared to the other countries, whereas the rates are lower in Burkina Faso (30%), Côte d'Ivoire (31%) and the Dominican Republic (41%). In terms of land, there was less variation across the countries; the highest rate was in Côte d'Ivoire (45%) and the lower rates in Burkina Faso (29%), Costa Rica (31%) and the Dominican Republic (29%).
6. Due to missing data, the number of individuals providing a response on the type of contract and whether a house was purchased in the host country is not the same in Costa Rica, which explains why the average share of households purchasing a house differs between the numbers in the text and Figure 11.9.
7. There is also evidence to show that providing citizenship to immigrants can lead to better integration outcomes (Bauböck, 2013).

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Interrelations between Public Policies, Migration and Development

Interrelations between Public Policies, Migration and Development is the result of a project carried out by the European Commission and the OECD Development Centre in ten partner countries: Armenia, Burkina Faso, Cambodia, Costa Rica, Côte d'Ivoire, the Dominican Republic, Georgia, Haiti, Morocco and the Philippines. The project aimed to provide policy makers with evidence on the way migration influences specific sectors – labour market, agriculture, education, investment and financial services, and social protection and health – and, in turn, how sectoral policies affect migration. The report addresses four dimensions of the migration cycle: emigration, remittances, return and immigration.

The results of the empirical work confirm that migration contributes to the development of countries of origin and destination. However, the full potential of migration is not yet fully exploited by the ten partner countries. One explanation is that policy makers do not sufficiently take migration into account in their respective policy areas. To enhance the contribution of migration to development, home and host countries therefore need to adopt a more coherent policy agenda to better integrate migration into development strategies, improve co-ordination mechanisms and strengthen international co-operation.

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