Béatrice Knerr (Ed.)

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Transfers from International Migration:

A Strategy of Economic and Social Stabilization at National and Household Level

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Preface and Acknowledgements

This volume explains essential relationships between international migration and the impacts they bear on the economic and social stabilization in the migrants' countries of origin, based on empirical studies. It is a joint effort by participants of the European Association of Development Research and Training Institutes (EADI) Conference held in 2008 in Geneva, and developed from related presentations which have been intensively revised and expanded by the authors over 2010/11. In addition, many others, to whom we are thankful, have contributed to this volume: the EADI conference organizers provided us a forum and financial support for meeting and discussing our research results with a wider competent public, whereby namely Susanne von Itter took initiatives to organize a round table and several workshops; the conference audience contributed by critical and constructive comments; Angela Döring formatted the manuscript, composed statistics and patiently corrected several "last versions"; and in addition many colleagues and friends staying unnamed here provided valuable assistance and advices.

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International Migration and Associated Transfers: An Introduction into Economic and Social Stabilization Strategies

Beatrice Knerr

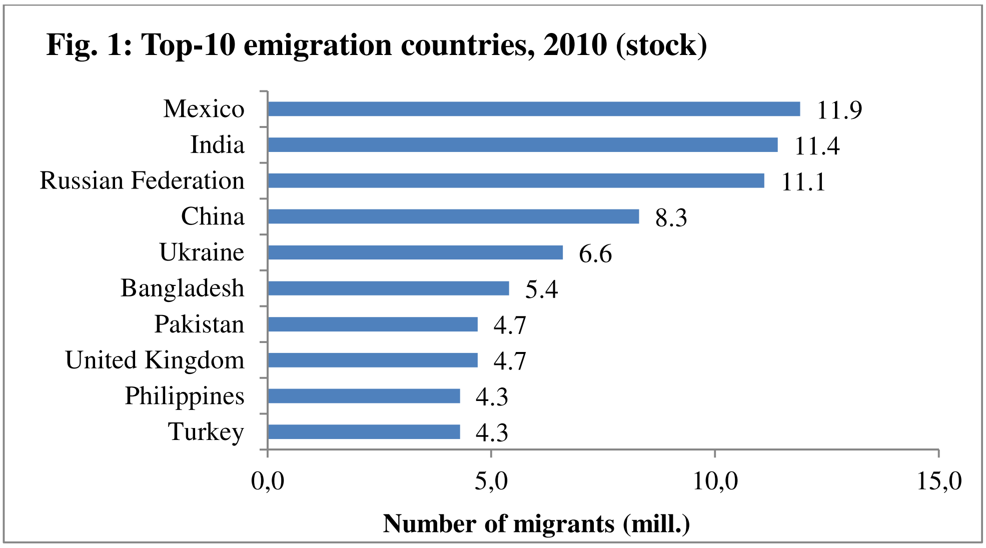
Over the early 21st century the number of those living in countries in which they were not born has strongly expanded. They have become international migrants because they hoped for jobs, livelihood security, or more freedom, not only for themselves but also for family members left behind. The global increase in cross-border monetary remittances bears witness of that.

Between 2000 and 2010, the number of international migrants has increased from an estimated 150 million to 214 million, i.e. more than 3% of the world population. Placed together in one country, they would form the fifth most populous state in the world (UN 2011), bigger than Brazil or Pakistan.

International migrants usually keep close relations and regular contacts to their origin, irrespective of whether they have settled down comfortably in their host country, or have to struggle there each day; many return back after a longer or shorter period of time. In fact, a major motivation for migration is to support the families back home by financial remittances. In addition, knowledge transfer by migrants and demonstration of different social or political attitudes often lead to considerable changes in families and regions of origin. All this ties the migrants' host and origin together, with far-reaching consequences for families, regions and countries the migrants come from.

In addition to those leaving with the explicit intention to support their families back home, a large number of refugees contribute to the development of their countries of origin: being abroad many still want to make a change there, which often concerns mainly the political situation. In 2010, 7.6% of the stock of international migrants were refugees (UN DESA 2011).

The global context shows a highly uneven distribution of sending as well as receiving countries, in absolutes as well as relative terms (Figs. 1 and 2). The major countries of out-migration are Mexico and India, while by far the most important country of in-migration is the United States[1].



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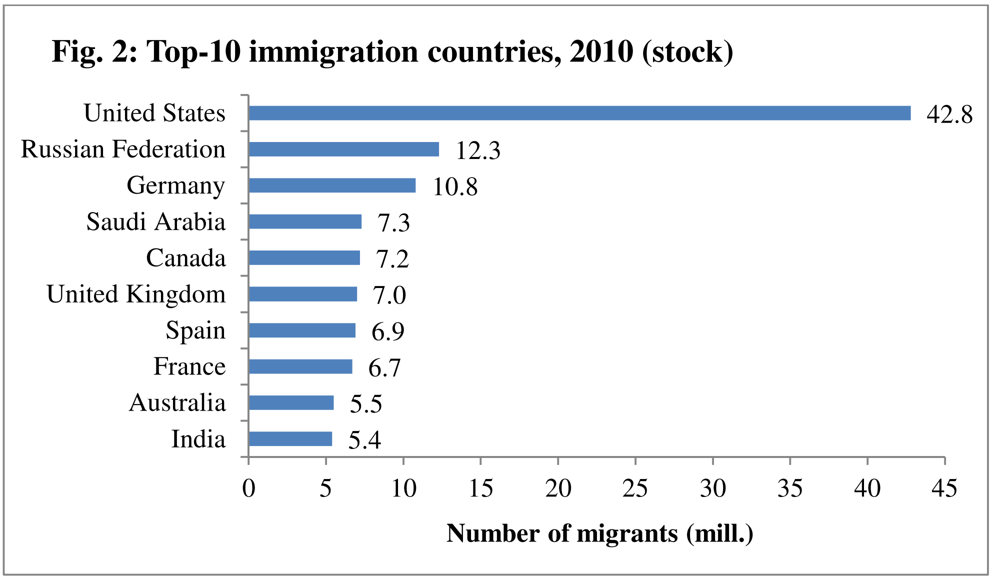

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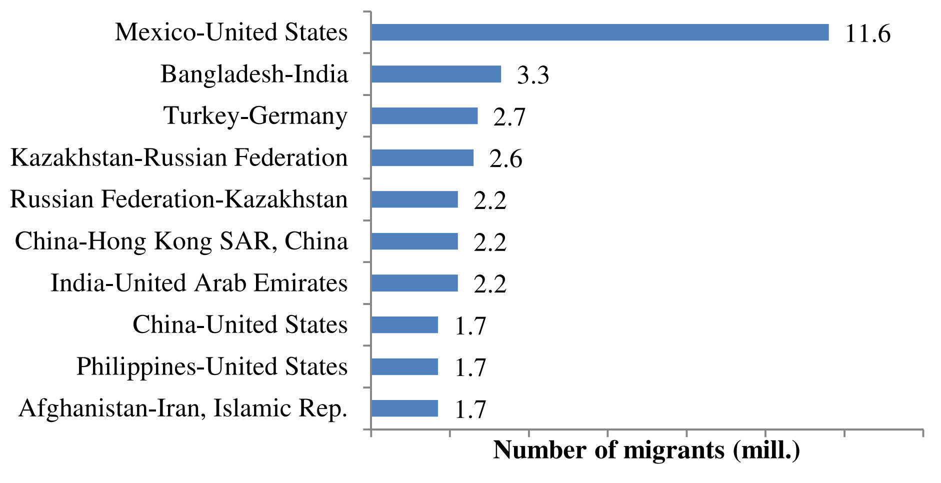
Looking at the share of out-migrants in the total population another picture emerges. Countries with a high percentage of in-migrants include Qatar (87% of the population), United Arab Emirates (70%), Jordan (46%), Singapore

[1] The Russian Federation is a specific case: It is among the major countries of out-migration as well as in-migration because after the breaking apart of the Soviet Union many people are still relocating.

(41%), and Saudi Arabia (28%). In terms of share of out-migrants in the total population, typically small countries had the largest share of their population living outside its national borders: West Bank and Gaza (with 68.3%), Samoa (67.3%), Grenada (65.5%) and St. Kitts and Nevis (61%) (World Bank 2011).

At the same time, migration corridors dominate global linkages. The biggest country of out-migration and the biggest country of in-migration together also form the biggest migration corridor in the world: that between the neighbouring states of Mexico and the U.S. (see Fig. 3). Not considering the movements between former Soviet Union states (in that case the corridor between Russia and Ukraine, in both directions, would be on the second place), the corridor between two other neighbours, India and Bangladesh, is on place two, and that between Turkey (as the sender) and Germany (as the receiver) on place 3.

Fig. 3: Top migration corridors, 2010



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Few countries are in both categories, i.e. having high out-migration as well as high in-migration. The most prominent examples are states of the former Soviet Union, but also Jordan. In such cases, migratory movements often correspond to the Ravenstein[2] model, i.e. in-migrants substitute out-migrants who have found better chances in other countries, chances which the substitution migrants might not have, due to their lower level of skills and education, immigration rules not available to them, or language barriers. Also – like in the case of Jordan –there could be dual labour markets, i.e. in-migration is into the low-skilled sector, while out-migration is from the pool of highly qualified.

Migration spreads increasingly widely across more and more countries: in the 2000s the top ten countries of destination have received a smaller share of all migrants than in the 1990s (UN DESA 2011). Almost half of them are women (ibid).

At the beginning of the 21st century, West Europe is among the most attractive destinations for international migrants from all over the world. It promises jobs, livelihood security, political freedom, and a safe haven to refugees. Yet, while the number of those trying to settle there, or stay at least on a temporary basis is expanding, the hurdles against their entry are increasing, and host countries become more selective: while low-skilled migrants meet with rejection, highly qualified are increasingly welcome. This development holds significant implications for the countries and families the migrants come from.

The flows of migrants are accompanied by reverse streams of transfers whereby financial remittances are the most visible ones and also those which generally receive most of the political and economic attention.

Most of the international migrants are – explicitly or not – involved in various stabilization strategies, be it by household/family agreements, government efforts to attract foreign exchange and human capital, or sheer expectations by

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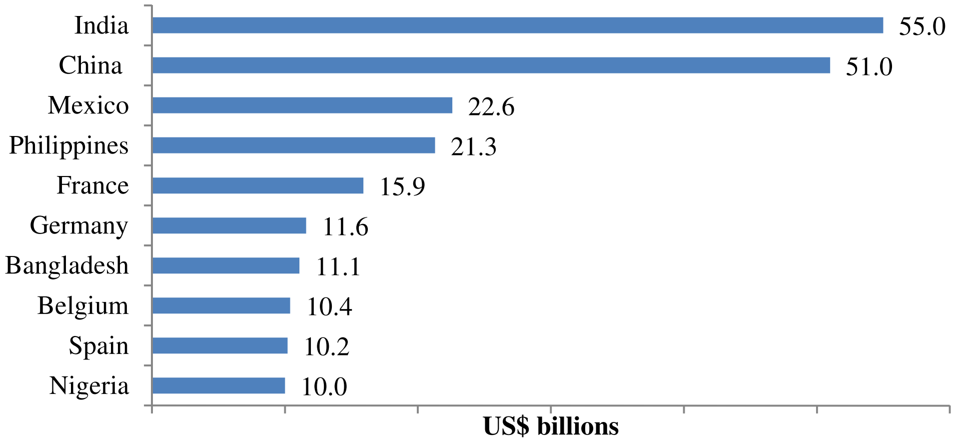
[2] See Ernst Ravenstein 1885.

different actors. Financial remittances play the key role in this context. They have increased exponentially over the early 21st century: up from US$ 132 billion in 2000 to an estimated US$ 440 billion in 2010 (World Bank 2011). The actual amount, which includes unrecorded flows in particular through informal channels, is believed to be considerably higher (World Bank 2011)[3].

Most of the official remittances go to India and China; both countries received more than 50 billion US$ in 2010 (Fig. 4).

Fig. 4: Top remittance-receiving countries



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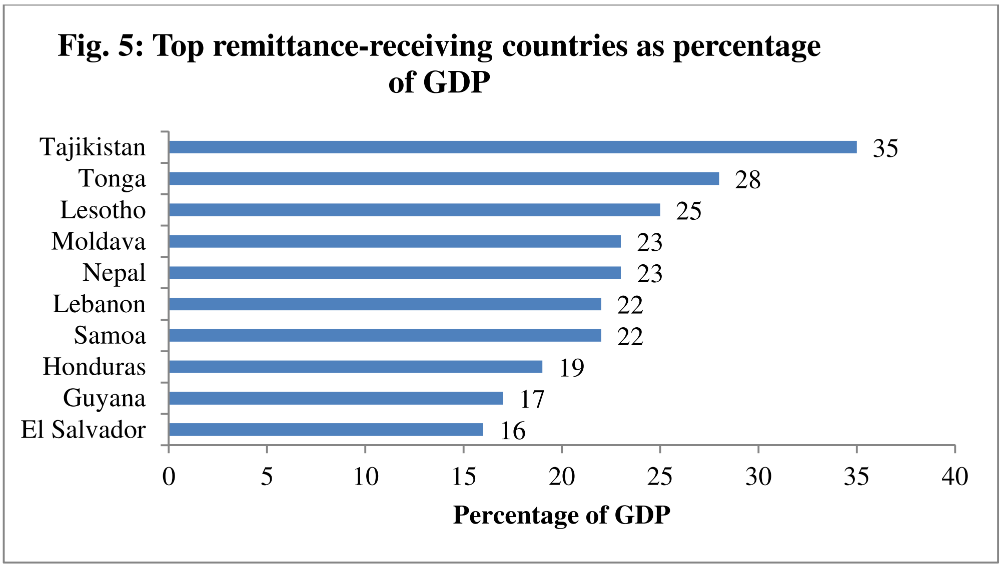
Measured in terms of their share in GDP, which is an indicator of their importance for the receiving country's economic development, other states are on top, yet (see Fig. 5); these are typically small countries, like Tajikistan, where remittances reach 35% of GDP, Tonga, Lesotho and Moldava.

[3] For example, in the mid-2000s 65% of the remittances to Ghana entered the country by informal ways (Higazi 2005), in Serbia it was 50%, mostly from neighboring countries and the EU (De Luna Martinez et al. 2006)



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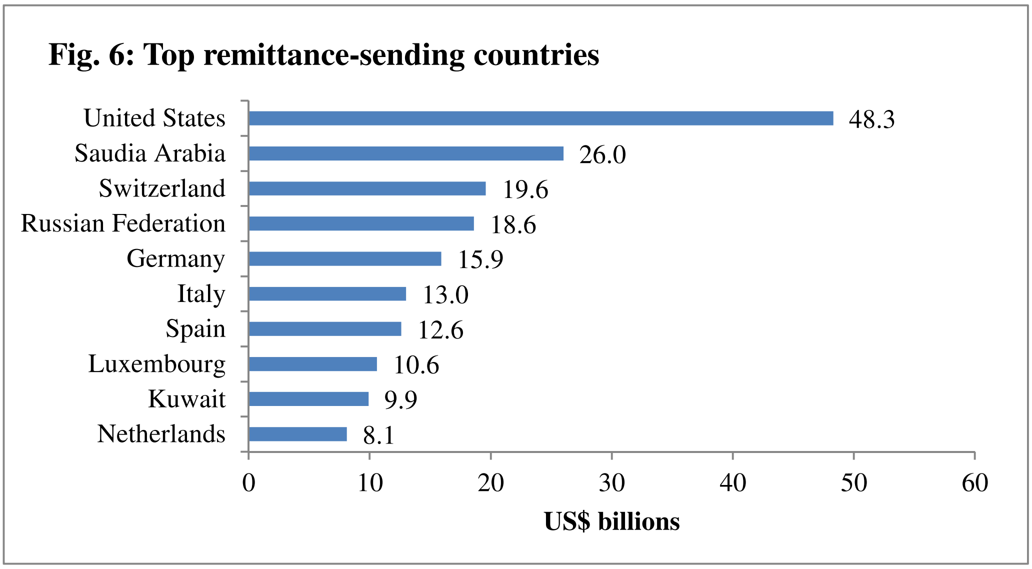
High-income countries are the main source of remittances. The United States is by far the largest sender, with almost US$ 50 billion in 2010 (see Fig. 6). Saudi Arabia ranks on second place with US$ 26 billion.



Based on data from World Bank 2011

In addition to the direct impact on the recipients of the remittances there are also manifold implications for others, via remittances spending, associated multiplier effects, and exchange rate effects.

Remittances may also be in form human capital, skill and knowledge transfer. Although these categories are less visible and have received less attention they might have strong impacts, stabilizing as well as destabilizing, on the household, the community, regional and state level, especially in the long run.

Under these conditions evolving bi-lateral migration ties and their consequences are specific, depending on the motivations and characteristics of the actors, the context of host countries and countries of origin, and the mutual relationships framing the mobility of people, financial resources, knowledge and experiences at all levels. The articles assembled in this volume cover the described spectrum by presenting impressive case studies which explain essential facets of international migrants' contribution to the stabilization of their families and societies of origin. Each case study represents a specific type of linkage, spanning from financial remittances, used for livelihood security or investment purposes, over social remittances, up to the political influence of the Diaspora, and including the family, community and country level. They also consider gaps between expectations and reality and look into the future by assessing migration potentials.

The cases presented are context specific, yet of global relevance as they explain situations and developments which impact also on third parties and which occur in similar shape in other parts of the world and/or at other periods in time, depending on the changing economic, political and social framework.

The overriding motivation for remitting is support of the family back home. This motivation can be more or less strong depending on personal characteristics of the migrant, his personal situation, as well as that of his family, and changing external conditions. The volume starts with a focus on determinants of financial transfers to households in the country of origin. In that context *Vasco* considers Ecuadorian migrants in Spain and the determinants of remittances they send home. Key variables such as length, and intended length of stay abroad, as well as personal characteristics, like age and family situation, are analyzed, based on data from a survey carried out among almost 200 Ecuadorian migrants in the localities of Murcia, Lorca and Totana. The results suggest that migrants with spouse and children in Ecuador remit more frequently and higher amounts than those who have their nuclear family in Spain, and that the sums remitted decrease with the previous and the intended time of stay. The author also provides insights into the relationship between macro-economic conditions in the home country, the global political situation and the choice of the destination.

Links between human and financial flows are common in the context of international migration. Taking a broader multi-country view, *Ayuso* and *Pinyol* explore these links focusing on the dynamics of Andean migration towards Spain, which has gathered momentum in particular since the early 2000s; within less than a decade, the number of residents from the five Andean countries (Bolivia, Ecuador, Peru, Colombia and Venezuela) in Spain has grown from less than 100,000 to almost 1 million persons. Starting with a global panorama of Andean movements towards Europe and Spain the paper explores – from both economic and sociological perspectives – the main characteristics of these movements, including the dynamics of return migration and patterns of family reunification, as well as the associated financial flows and their contribution to the countries of origin's GDP. The authors also investigate the patterns of integration into the host country's labour market, as well as the migrants' skill formation and training (and by this joins the discussion about turning brain drain into brain circulation which will be picked up later in this volume by *Istaiteyeh's* paper on the return of highly qualified labour force to Jordan). This highlights the links between migrants' characteristics and resource flows they initiate, and shows to which extend remittances may generate benefits for the origin which exceed the costs arising from possible losses of labour force and human capital.

Migration-cum-remittances strategies are often used to buffer risks and to serve as social security mechanisms. The contribution of migrants' remittances to the livelihood security of households that have been vulnerable to many kinds of stress over decades of civil conflict and who, in addition, became victims of natural disaster is analysed by *Treena Wu* in her paper on circular migration and social protection in Aceh, Indonesia. She collected the information for her study in a period of emergency, relief and rehabilitation aid. By an area-specific fieldwork approach she assembled a series of case studies on migrant households, including a specification about who within the household is more susceptible to shocks. She shows that out-migration, trade, and social networks extending across the Malacca Strait are a comparative advantage for Aceh, and that the movement of labour implies availability of financial capital, skills and transfer opportunities. In the context of Aceh's population who has a long-established tradition of circular migration, the author suggests a policy strategy for poverty alleviation which accounts for migrants' incomes and remittances as well as for the positive externalities they produce. The author argues that under these conditions free market mechanisms might produce more welfare than would attempts to enhance labour productivity in local agriculture, and it should be considered to promote policies that let local markets work on their own and be laissez-faire in the short run.

The migrant's absence from the family has multifold social implications which go hand in hand with the material improvements derived from the remittances. Social remittances might change the family situation much beyond short-term economic improvements. In this context *Khan* and *Knerr* analyze the socio-economic impact of overseas migration and remittances on families left behind in Pakistan, based on a survey conducted among 300 heads of rural households in Punjab province. Their results demonstrate that the material well-being of these families has significantly improved after the migration of a household member. Yet, only a minor share of the remittances was used for productive investment that would contribute to sustainable economic improvements. In addition, remittances turned out to have a significantly positive effect on the migrants' families socio-economic conditions, as measured by children's education, ownership of consumers' goods, family relations and social relations, Apart from that, the study reveals that most of the young migrants had left their home country due to unemployment and the uncertainty of farm income.

Implications of international migration might significantly differ from those of internal migration. This is demonstrated in *Syafitri* and *Knerr*'s article which compares causes and consequences of internal labour migration in both directions, focusing on family welfare and rural development in East Java, Indonesia. The analysis is based on primary data collected by the authors through a survey among migrant and non-migrant families, and on secondary data available from Indonesia's Central Bureau of Statistics. The results show that working abroad generally yields a significantly higher income than both migrating to a domestic urban center and staying at home. The majority of those working abroad are female, better educated and in their 20ies and 30ies; this is ascribed to the fact that demand for domestic workers is quite high in foreign countries and that Indonesian women can easily meet it. Men, in contrast are more inclined to migrate internally to larger cities, or also to neighbouring Malaysia where they often work informally on plantations or in the construction sector. The migrants' families spent the largest share of the remittances received for buying, land, motorcycles or houses, and a minor on education. Those belonging to the poorer strata of the population spent a comparatively large part on basic needs.

Macro-level impacts of remittances may benefit a large share of the origin country's population via external effects. This applies essentially to the financial infrastructure which often develops with the increasing inflow of remittances from abroad. *Fritz, Ambrosius*, and *Stiegler* emphasize the potential impact of remittances on financial sector development and macroeconomic stability in the countries of origin. Starting from the assumption that the impact of remittances on the financial system depends essentially on the total amount of remittances sent; the stability and cyclicality of remittance flows; the share of remittances sent through formal channels; the adaptation of financial services to small scale remittances receiving families; and the kind of currency in which remittances are held, the authors map different policy options and present examples from Latin America which potentially contribute to financial development and macroeconomic stabilisation. At the same time they demonstrate that the impact of remittances can cause unintended and undesired side effects.

Positive impacts of remittances could be enhanced by better migration regimes. To find out in which directions modifications should go, *Zarate-Hoyos* investigates the relationship between remittances and livelihoods in Central America (i.e. Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala and the Dominican Republic) under the vision of a new international regime for orderly movements of people (NIROMP). The region considered is economically integrated with the United States by the Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) which is seen as part of a move towards a broader Latin American agreement that had been derailed in the past by the major countries in the region. He arrives at the conclusion that the best response for Central American countries would be to work on a bilateral basis until there is leadership from the US to set an agenda that would allow for the orderly movement of people. In this context he assigns a major role to international organizations which should coerce states to cooperate and at the same time reward them for doing so, for example by debt relief, increased official development assistance and/or technical assistance.

Migration can produce harsh conflicts between private and public interests. Although the returns to migration which are typically appropriated by private individuals and households can be fairly large, the public effects of these migration flows may be detrimental for sending countries where domestic skills are scarce, as in most of Sub-Saharan Africa (SSA). This is demonstrated in *Cali*'s study on private returns from migration and public brain drain in SSA. The author turns to the question whether in SSA the private gains from migration are systematically associated with public losses for the migrants' country of origin, i.e. if there a trade-off between private livelihood security and public 'brain drain' in the region. He argues that this trade-off is often less harmful than expected, even for skill-scarce SSA countries, and that a few well designed policy interventions may help maximising the benefits from migration while minimising its costs. While short-term effects of migration may pose problems especially in countries with a small skill base and moderate training capacities. The suggested policies (namely expansion of the skill basis in sending countries; involvement of foreign educational institutions, including institutions from the private sector; stronger incentives to stay in certain sectors of the home countries; reinforcing incentives for return migration; and reducing costs of remitting) could help to maximise the extent to which the alleged trade-off between private returns and public welfare from migration could be turned into a win-win situation for both the migrants' households and the migrants' country of origin.

Remittances of human capital, i.e. education and skills acquired by migrants while abroad, and brought back to their origin upon return, are increasingly in the focus of governments and international development organizations as a potentially powerful resource for economic progress. This asset is the subject of *Istaiteyeh*'s contribution. Looking at the relationship between circular migration and higher education exports from Jordan she shows the strong potential of human capital brought back by highly qualified migrants for their home country's economic development. Jordan's population has become highly mobile as the country is steadily confronted with many challenges evolving from political instabilities in the Middle East. The governments' strong emphasis on education derives from the awareness that human capital is essential for achieving economic progress in this country which is poor in natural resources. Focusing on institutions of higher education, the article illustrates the role of Jordanian academics' skill upgrading abroad as a potential resource which later on would contribute to improving the quality of the country's higher education institutions as this will make them more attractive to foreign students and as a result they become an important earner of foreign exchange through exports of education services. The article also addresses key issues concerning the projection of demand for higher education over the next twelve years, and in this context presents global competitive market forces in delivering higher education services.

A highly sensitive issue are "political remittances", i.e. an influence of the Diaspora on the origin's political development and power structures. They often go hand in hand with financial and/or social remittances. *Pirkkalainen* touches this issue in her analysis of the transnational engagement of the Somali Diaspora in Finland focusing in particular on individual remittances and collective remittances by Diaspora organizations. The paper firstly discusses the possible impacts of these activities on the country of origin; and secondly, describes the activities from the Diasporas' point of view in the light of the concept of "bounded transnationalism". It analyses how the conditions in the country of settlement and in the country of origin affect

Somalis' transnational engagements. The author gained empirical information from interviews she conducted among Somalis living in Finland.

Future perspectives of out-migration, remittances, and return are most important for policy strategies in the countries of origin. They are associated with hopes as well as fears, both of which might be exaggerated. These issues are considered in the last two papers.

More and more governments, in particular those of emerging countries, consider their Diasporas abroad as useful resources for economic development. *Khadria* considers the links between demography, Diaspora and development in the framework of India's transformation to a "Superpower" in the 21st Century. Although he emphasizes that this provides the right context for an exercise of situating international migration into the shape of things to come in future in India and for India, his critical paper highlights some of the paradoxes that the Indian scenario tends to throw up. He explains how the euphoria about the positive implications of India's out- and return migration is fuelled by a perceived linking of India's economic development with the temporary out-migration of younger generations of human capital who should eventually come back home and contribute to India's progress; but at the same time he emphasizes that India has become a virtual "supermarket" for other countries who import "semi-finished human capital", leading to a re-emergence of a "brain drain" of the best and brightest Indian students. The potential re-migration of the return migrants raises serious doubts about the Diasporic Dividend becoming a milestone in India's journey towards acquiring the superpower-hood. The positive vision the author adds to the discussion is that the Indian Diaspora networks abroad could play a catalyst's role in raising the average productivity of the mass of Indian workers by concentrating on health and education in India as areas of Diaspora engagement.

It is difficult to forecast upcoming migration movements, in their extent as well as in their composition. They depend on many hard to predict future developments, reaching from economic development in the home country and potential destinations, over political events, up to changes in the potential migrants' personal characteristics. *Mintchev*'s article turns to the profile and attitudes of potential Bulgarian out-migrants and investigates Bulgaria's migration potential based on data from a large-scale survey among a sample of 3,604 persons implemented by the Bulgarian Ministry of Labour and Social Policy (MLSP). A specific goal is to find out under which conditions cross-border mobility turns from a survival factor into a factor of social realization. When comparing the attitudes of permanent and temporary migrants, the long-term social factors attaining professional realization and education, stand out as major determinants. They are more important for the settlers than for those preferring short-term labour mobility, while in both groups the visions of acquiring experiences are quite similar.

The essential factors attracting Bulgarians abroad are economic (short-term economic motivations are prevailing) and social (professional realization and education). Together with the rest, they show in which areas the Bulgarian economy and social institutions (in this case the education sector) have to compete for their population. A most significant determinant is the openness, i.e. the desire to see and get to know the world, accompanied by the reluctance to live in Bulgaria anymore. This means that people with higher qualifications and better development opportunities on the labour market should be subject to some active national policies, like mobility programs, career development schemes, etc. The factors analysed in the paper have a significant influence on the forms of potential migration. So, despite the fact that the dilemma "permanent versus temporary cross-border migration" is not pertinent anymore, these factors suggest different management approaches and policies. From his research the author concludes that neither short-term labour mobility is an alternative to permanent migration, nor that it would prevent long-term movements. Hence, each category has to be approached by different measures, also in accordance with the state's long-term interests.

Basic data about the countries considered in the volume can be found in the overview composed by *Pohle* at the end of the book.

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Ecuadorian Migrants in Murcia and the Determinants of Remittances sent Home

Cristian Vasco[1]

1. Introduction

From 1997 onwards the volume of remittances entering the Ecuadorian economy has soundly grown, impelled by massive flows of out-migration that surged after the country's late 1990s' economic crisis. In addition to boosting the traditional migratory networks linking the Southern Ecuadorian Highlands with the metropolitan area of New York, the crisis triggered a large-scale movement of Ecuadorians to Spain. As a result the amount of remittances sent to Ecuador expanded from US$ 273 million in 1995 to US$ 3,088 million in 2007[2] when they accounted for 7% of the country's GDP. Remittances thus have become one of the country's most important sources of foreign exchange, only surpassed by revenues from oil exports. They enter directly into the economic system as they immediately reach private households which spent them on consumption and investment (Acosta et al. 2006). They have become an important complement to private income that allows many migrants' families to just surpass the poverty line; hence, the largest share has been used to cover regular daily-life needs including food, rents, basic services, and medicines.

Over the late 1990s and early 2000s while Ecuador went through its economic crisis Spain was experiencing an economic boom and demanded large numbers of unskilled labour. During this time, many Ecuadorians took

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[2] The survey for this study was carried out in 2007 before the global financial crisis which severely affected the economies of the United States and Spain, the main destination countries for Ecuadorian migrants. With the crisis, the flow of remittances arriving in Ecuador dropped to US $ 2,822 million in 2007 and to US $ 2,495 million in 2009.

advantage of the Spanish government's willingness to accept and regularize expatriate migrants, and within a short period of time Ecuadorians had become one of the largest foreign communities in the country. According to the National Institute of Statistics INE (2007) as many as 427,418 Ecuadorians were registered in Spain in 2007[3]. Parallel to the increase in the number of migrants, remittances from Spain to Ecuador sharply increased, reaching US$ 1,287[4] million in 2007, which was 42% of the total amount of remittances arriving in Ecuador.

According to previous research with reference to other countries, migrants' remittance-sending behaviour is affected in particular by household composition and the strength of the links to the relatives back home (Sana and Massey 2005), migrants' personal characteristics (Amuedo-Dorantes and Pozo 2002), and the time they have stayed or plan to stay abroad (Hagen-Zanker 2007). Given the importance of remittances for the Ecuadorian economy, investigating the respective influences of these factors on the amount and frequency of the transfers to the country provides an essential input for assessing future developments as well as for policy making. Therefore, this paper analyses the influence of key variables such as previous and intended length of stay in Spain, family structure and migrants' personal characteristics on the amount and frequency of transfers, focusing on the case of Ecuadorian migrants living in the Region of Murcia. The analysis is based on data from a survey carried out among 196 Ecuadorian migrants randomly selected among men and women elder than 18 years in the localities of Murcia, Lorca and Totana.

The next section (2) will provide context information about the development of migration and remittances in Ecuador. Sections (3) and (4) present the

[3] This number decreased to 413,153 in 2008 and 395,000 in 2009. This happened because on the one hand many Ecuadorians returned home as a consequence of Spain's economic crisis, and on the other hand because a considerable number of Ecuadorians (69,337) had adopted Spanish nationality.
[4] This amount dropped to US $ 1,158 million in 2008 and to US $ 1,033 million in 2009.

results of the survey by descriptive statistics, including cross tabulation analysis, while section 5 concludes.

2. Development of migration from and remittances to Ecuador

In the late 1990s Ecuador experienced one of the worst economic crises throughout its history. From 1998 to 1999 its GDP dropped from US$ 23,255 million to US$ 16,674 million, and its per capita GDP from US$ 1,619 to US$ 1,119. Between 1995 and 2000, the share of poor grew from 34% to 71% of the population, and the share of those living under extreme poverty went up from 12% to 31%. Consequently, more than 700,000 Ecuadorians left the country between 1998 and 2003. Traditionally, international migration flows from Ecuador had been directed to the United States. However, increasingly restrictive entrance controls in the U.S., Mexico and other Central-American transit-countries raised the costs of moving to there. This caused many Ecuadorians to look for another destination and within a short period of time Spain attracted a large number of Ecuadorian citizens. According to Gratton (2006) Ecuador's economic collapse in the late 1990s hit especially better educated middle-class persons who saw their income and living standard strongly impaired. Many of those who had dropped into such a situation moved to Spain in an effort to ensure their families' livelihoods.

According to IADB (2003) the main motivation for Ecuadorians to leave their country was to be able to send money to their relatives back home and in 2003 as many as 1,000,000 Ecuadorians were remittance beneficiaries. Such transfers complemented household budgets and helped the families to overcome the hard post crisis years. At the same time remittances turned into one of the macroeconomic mainstays of the Ecuadorian economy and the second largest source of foreign income after the revenues from oil exports. In

2007, remittances from Spain accounted for 41% of all remittances received in Ecuador and made up 3% of the country's GDP.

These figures demonstrate the importance of remittances for the households as well as for the national economy. At the same time they can serve as a warning about the dependency on remittances from abroad. Already in 2004 Falquéz predicted a decline of remittances from Spain because most of the Ecuadorian migrants intended to stay there, planned to apply for family reunification, and were interested in buying property in Spain[5]. Bendixen (2006), in contrast, instead stated that remittances from the U.S. and Europe to Ecuador would increase because he considered patriotism and attachment to the relatives back home as crucial factors for migrants to keep on sending money. This paper contributes to the knowledge about remittance-sending behaviour of Ecuadorian migrants by presenting the results of a survey carried out among Ecuadorian migrants in the Region of Murcia, where Ecuadorians constitute the largest foreign community.

3. Migrants' characteristics, length of stay, family structures and remittances

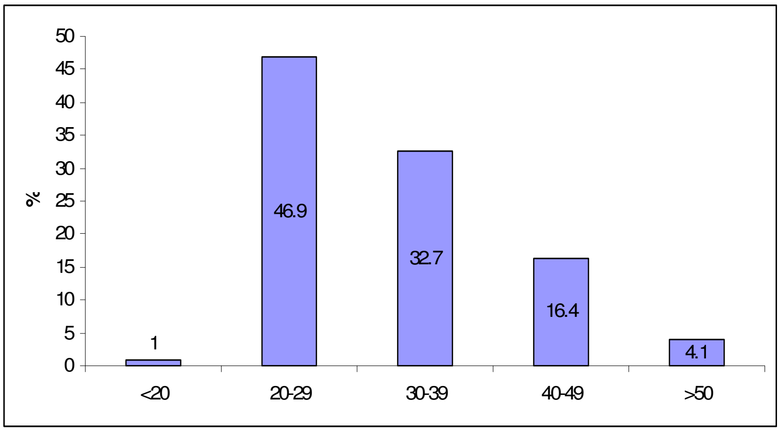
Personal characteristics

The majority of the respondents (56.1%) were men due to the importance of agriculture and construction in the region of Murcia, activities which mainly employ male labour force. Fig. 1 shows that most (46.9%) were between 20 and 29 years old, almost one third were between 30 and 39, while 20.5% were elder. A survey carried out by García-Nieto (2002) among migrants in several

[5] The volume of remittances arriving in Ecuador indeed dropped in 2008 and 2009, which was associated with the effects of the global financial crisis on Spain and the United States. According to Pajares (2010) 33.8% of the Ecuadorians in Spain were unemployed in 2010. The high unemployment rate among Ecuadorian migrants caused a reduction in the amounts of remittances sent to Ecuador (BCE 2009). This paper analyzes the remittance-sending patterns of Ecuadorian migrants independently from the effects of the world's economic crisis.

counties in the region of Murcia, including 784 Ecuadorians, arrived at similar results: 41% of the Ecuadorians were between 20 and 29 years old, and 38% between 30 and 39. Only few were older than 50, and 2% were younger than 20.

Fig. 1: Age composition of Ecuadorian migrants in the Region of Murcia.



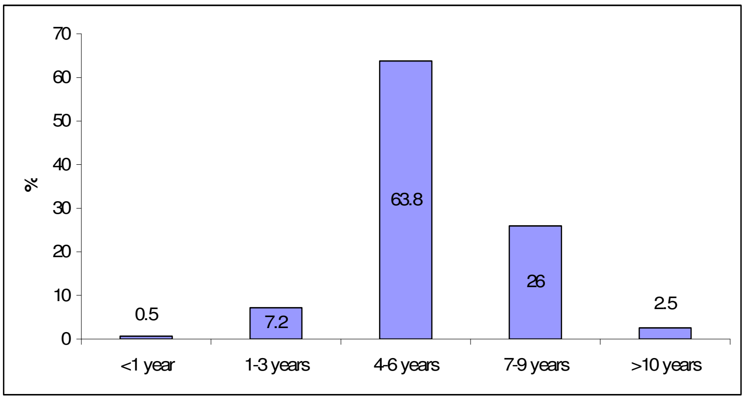
Source: Author's survey

More than two thirds of the respondents (69%) were married or had a partner, 24.5% were single, the rest was divorced or separated. Singles accounted for 29% of the men, but only 18.6% of the women. Instead, the share of married women (75.6%) was higher than that of married men (63.6%).

Length of stay in Spain

63.8% of the respondents (69% of the men and 57% of the women) had stayed in Spain for four to six years (see Fig. 2), 26% for seven to nine years (with the share among women with 27.9% being slightly higher than that among men). Those below three, and above ten years of stay were marginal. Only one person had arrived within the previous year.

Fig. 2: Ecuadorian migrants' length of stay of in the Region of Murcia.

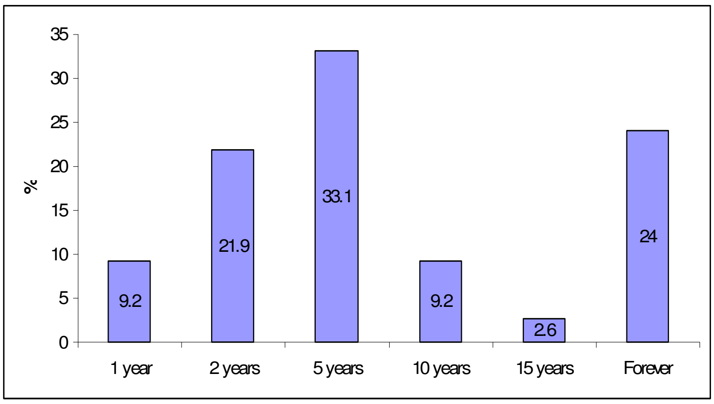


Source: Author's survey

Intended future time of staying in Spain

One third of the respondents planned to stay in Spain for five more years (see Fig. 3), and almost one quarter expressed their intention to definitively settle there, which is almost the double of the share registered in García-Nieto's survey in the early 2000s. This comparatively high share can be explained by the migrants' scepticism about the future of Ecuador; and it is substantiated by their tendency to buy fixed assets on credit. Around 10% planned to stay for only one more year; and the same share for 10 more years.

Fig. 3: Ecuadorian migrant's intended length of stay in Spain

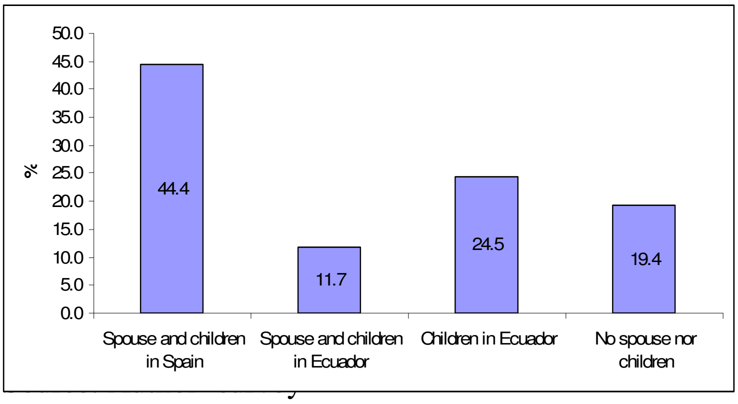


Source: Author's survey

Family structure

The family situation has important implications for the flow of remittances. It turned out that those who have their families with them are more likely to reduce the amount they transfer to Ecuador. As shown in Fig. 4 the majority of the respondents (44.4%) had taken their spouse and all their children with them to Spain. Only 11.7% left both in Ecuador and 24.5% have only children in Ecuador. Almost 20% were without spouse and children.

Fig. 4: Family structure of Ecuadorian migrants in the Region Murcia.

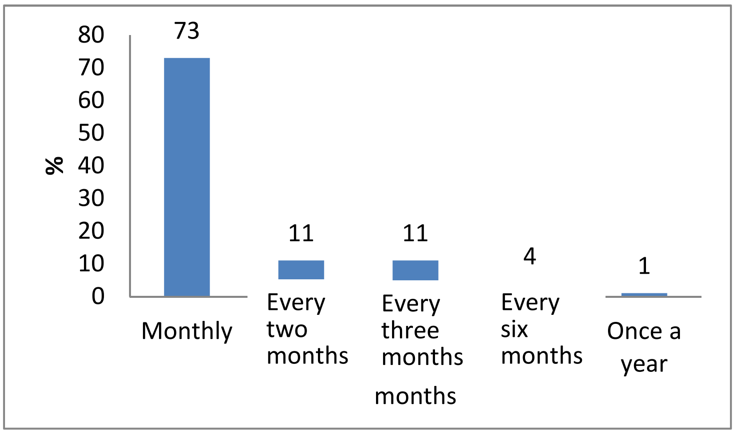


43% of the interviewed reported that they intend to bring some relatives to Spain; 37.7% of them want to bring children, 25.8% a brother or sister, 18.8% a parent, and 12.9% their spouse.

Remittances

Although a high share of the respondents had their spouses and children in Spain, and almost half intended to bring (more) relatives to the country, 85% of them still regularly remit money to Ecuador. The majority of the remitters (73%) transfer monthly, 11% every two, and another 11% every three months (Fig. 5).

Fig. 5: Frequency of transfers



Source: Author's survey

Remittances between US$ 100 and 200, between US$ 200 and 300, and of more than US$ 300, per transfer, occupied about the same share of around one third of the transfers, while 3% sent less than US$ 100.

4. Relationship between remittances and personal characteristics

The majority of the migrants sends regular monthly remittances to Ecuador. Table 1 shows the influence of the respondents' family structure on the frequency of the transfers. Almost all the migrants who had their spouse and at least some of their children in Ecuador remit monthly. This share is just half among those having both, spouse and children, in Spain and among those without spouse and children. Most of those remitting only every two months are without spouse and children, while the majority of those who remit every three months had all nuclear family members in Spain. Only a minor share remits less frequently than every six months.

Table 1: Relation between the family structure and the frequency of transfers (%)

	Spouse and children in Spain	**Spouse and children in Ecuador**	**Children in Ecuador**	**No spouse nor children**
Monthly	54.7	95.7	95.8	56.3
Every two months	14.1	-	2	28.1
Every three months	25	-	2.2	3.6
Every six months	6.2	4.3	-	4
Once a year	-	-	-	8

Source: Author's survey

Table 2 associates the amount remitted with groups of migrants according to their length of stay (actual and planned) and family structure. Among those who had stayed in Spain from four to six years, about the same share of around 28.5% sent between US$ 100 and 200, US$ 200 to 300, and more than US$ 300; only 12.6% did no transfer any money to Ecuador. Those having stayed longer, from seven to nine years, show a different remittance behaviour. 21.5% of them do not remit at all. The largest share (37.5%) use to remit between US$ 100 and 200 per transfer, while remittances between US$ 200 and 300 are sent by 11.8%. These results indicate that the amount of transfers tends to decrease over the length of stay in Spain although more than one quarter of those having stayed in Spain from seven to nine years still send more than US$ 300.

Table 2: Relation between remittances, length of stay and family structure

	Remittances (US$)				
Time of stay (years)	**0**	**< 100**	**100 - 200**	**201 - 300**	**> 300**
4 - 6	12.6	1.6	27.8	28.6	29.4
7 - 9	21.5	3.9	37.3	11.8	25.5

Intended time of stay (years)					
up to 2 years	9.4	0	27.9	32.5	30.2
up to 5 years	11.0	3.2	28.7	27.0	30.1
Indefinetely	19.1	4.0	34.0	23.4	19.3
Family structure (%)					
Spouse and children in Spain	26.4	4.6	34.5	23.0	11.5
Spouse and children in Ecuador	0	4.7	9.0	22.7	63.6
Children in Ecuador	0	0	25.0	41.7	33.3
No spouse nor children	15.8	0	36.8	15.8	31.6

Source: Vasco (2007)

As expected, the percentage of those who do not send any money to Ecuador is higher (19.1%) among the respondents intending to definitively settle in Spain than among those planning for two or five more years (9.4 and 11% respectively). Higher amounts (more than US$ 200) were sent by those planning to stay for only two more years, while remittances between US$ 100 and US$ 200 prevail among those who intended to settle in Spain (34%).

As also expected, the majority of those who had left their spouse and/or children in Ecuador (63.6%) sent more than US$ 300 per transfer. Among those having only their children in Ecuador, 33.3% also transferred more than US$ 300 while 41.7% sent between US$ 200 and 300. It is also not surprising that more than a quarter of those having their nuclear family in Spain do not remit at all; transfers between US$ 100 and 200 predominate within this group, with 34.5%. 15.8% of the migrants without spouse and children in Spain do not remit at all which is supposed to be due to the fact that this group essentially consists of young singles who had followed their families to Spain and hence had left no close relatives behind to whom they would feel obliged to remit. In fact, when asked if they transferred, a frequent answer given by the non-remitters was “For what? Everybody is here”.

5. Summary and conclusions

The survey among Ecuadorian migrants in the Region of Murcia revealed that the vast majority (85%) of the respondents regularly sent money to Ecuador, mostly on a monthly basis (73%) and more than US$ 100 per transfer (93%). The length of stay in Spain, the intended future time of stay, and the family situation are dominating the migrants' remitting behaviour.

Several authors (e.g. Fuka 1995; Grieco 2004) state that the amounts remitted diminish over the time of stay in the host country because migrants tend to definitively settle there and take their families with them, or bring them later on. For Ecuadorians migrants in Spain this development was accelerated by regularization processes in the country which provided permanent residence permits and thus facilitated family reunifications. In this context, the survey conducted in Murcia shows that almost half of the migrants had already brought their families to Spain, and one quarter of them did not send any (more) money to Ecuador.

Our results also show that the amount transferred decreases with the length of time the migrant has stayed in Spain. The percentage of those who do not remit is higher among migrants those planning to definitely settle in Spain than for those who intend to stay for only two to five more years; they also send smaller amounts.

Almost two thirds of those remitting more than US$ 300 have their spouse and children in Ecuador, followed by those with only children in Ecuador. In contrast, the largest share of those who do not remit at all have their spouses and children in Spain. Almost all migrants with members of their nuclear families in Ecuador remit monthly while one quarter of those having their families in Spain remit only every three months.

Altogether, this study seems to support Falquez's (2004) prediction that remittances from Spain to Ecuador will tend to decline because of family reunifications and preferences to settle in Spain. However, how far the migrants' plans can materialize depends essentially on the policy framework in Spain which, as such, is also determined by the influence exercised from the EU level. The more resistance against the long-term presence of larger numbers of Ecuadorians in Spain will arise, the weaker are the perspectives of long-term family settlement, which, in turn, might push remittances up. In addition, the country's lingering financial and economic crisis which had not yet been visible at the time of the survey, may have a negative influence on the migrants' perspectives to stay in Spain indefinitely and to remain fully employed. On the one hand, this might enhance their willingness to remit, on the other hand it might diminish their economic potential to do so. These are most relevant aspects for follow-up research.

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Human and Capital Movements between Europe and Latin America. A Complementary Relationship? The Case of the Andean Migration to Spain

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1. Introduction

Spain is one of the EU's new countries of immigration, i.e. one of the EU members which since their accession to the EU have turned from countries of net out-migration into countries of net in-migration. As commonly observed in these countries, policies and public discussions in this context basically focus on the migrants' integration into the host society and economy. Migrants' access to the labour market and to social services; rights and duties of locals and migrants; and debates about the host society's identity are among the main topics. They are also common in Spain's public discourses, and meanwhile some of them, like migrants' participation in the public social services and in the labour market, are high on the political agenda, prominent in the media communication, and important topics in the public opinion polls. Others, such as the identity discussion, are mainly analysed in the academic field. But increasingly, as Spain has consolidated as a country of immigration, new questions and new debates have been arising.

Faced with growing migration flows as a global phenomenon, Spanish governments since the 1990s have quickly understood that managing these flows requires collaboration with the migrants' countries of origin. This however, has also opened new questions about the effects of migration in the

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host countries, as well as in the countries of origin. In fact, data about the migrants' integration into the Spanish labour market, for example, are, at the same time, data about possible losses of labour force in the countries of origin. Similarly, investigating how family reunification processes work in the host countries could also be useful for analysing social (e.g. family composition, gender and age bias) as well as economic (in particular related remittances) implications in the countries of origin. Therefore, focusing on the effects of migration in the destination countries should be accompanied by consideration of developments in the countries of origin and paying attention to key elements there.

Andean migration to Spain has gathered momentum since the 1980s. In the late 2000s, Ecuadorians and Colombians were on top of foreign nationalities in the country. Their participation in the Spanish labour market and family reunification processes have equally expanded. Meanwhile, many studies on the Andean nationals' integration into the Spanish society and economy have been published, spanning topics from labour market integration to health services. But only since the early 2000s, essentially due to the growth of remittances, have studies been initiated which, at the same time, relate migration flows to both, countries of origin and destination. Still, there is a significant research deficit concerning host and source country linkages. In that sense, this paper analyses the personal characteristics and labour market participation of Andean nationals in Spain and relates them to the economic links which these migrants have established with their countries of origin. Investigating the mutual relationship connecting human and economic flows is among the major objectives of this contribution.

2. Andean migrations towards Spain

Since the 1980s, migration flows from Latin America and the Caribbean region towards Europe, and particularly to Spain, have grown considerably. From 2000 onwards the Southern EU-countries, mainly Spain and Italy, have become the top destinations (Table 1).

Table 1: Latin American migrants in the Southern Europe countries, 2005

	Destination			
Origin	**Spain**	**Italy**	**Portugal**	**Total**
Argentina	86.921	14.360	618	101.281
Bolivia	52.587	3.432	77	56.019
Brasil	30.242	26.975	49.678	57.217
Chile	20.397	3.346	259	23.743
Colombia	225.504	15.430	574	240.934
Ecuador	376.233	48.302	330	424.535
Perú	90.906	48.827	227	139.733
Uruguay	26.581	1.383	116	27.964
Venezuela	28.188	4.445	3.368	32.633
Others	8.557	697	69	9.254
Total South America	**946.116**	**167.197**	**55.316**	**1.113.313**
México	10.700	4.852	278	15.552
Others	9.761	6.747	108	16.508
Total Central America and México	**20.461**	**11.599**	**386**	**32.060**
Cuba	39.755	11.323	575	51.078
Domenican Republic	58.126	13.475	71	71.601
Others	458	1.232	44	1.690
Total Caribbean	**98.339**	**26.030**	**690**	**124.369**

Source: Based on data from UN (2008)

To understand the expansion of these flows, the scope of differences between source and host countries has to be considered. Most important among the "push factors" in the Andean countries are high rates of unemployment, political instability, and the failures in developing welfare states. Equally important are the "pull factors" in the countries of destination, in particular economic growth in the Southern European countries implying increasing demand for low-skilled manpower; their irregular labour markets; the facilitating role of social and family networks; and favourable entry rules for nationals from the former colonies, like visa exceptions and fast naturalisation processes. In addition, the 9th September 2001 terrorist attacks on the New York Twin Towers became a turning point for global migration streams, because the tightening of entry regulations in the U.S. made Europe a comparatively more attractive destination, especially for Latin Americans who could benefit from easy naturalization processes or dual citizenship, in some European countries.

While migration flows from the South American Cone towards Europe date back to the 1950s and 1960s, Andean migration to Europe notably took off and expanded over the late 1980s and the 1990s. Alongside a small elite Diaspora who had been present in Europe since ages, a growing number of economically motivated migrants from Latin America since then have significantly changed the migration scenarios in some European countries, in particular in Spain.

Until it became a member of the European Community (EC) in 1986, Spain had neither an immigration law nor an immigration policy. In 1985, as a pre-condition to its EC-membership, the first Spanish immigration law was drawn up. At that time this was more an intention to fulfil the EC standards than a necessity to the country itself, as during the 1980s, Spain was essentially a country of emigration. Hence, this law was primarily passed to calm down some European partners who had expressed their concerns about the consequences which Spain's accession could bring for intra-EC migration flows. The country's geographical proximity to North Africa and its Ibero-American historical and cultural ties were perceived by most European partners as an (undesirable) opportunity for an increased influx of people from both regions.

Ten years later, in fact, Spain was developing into a country of immigration, subject to a scenario of heterogeneous and growing migration flows, characterized by a broad spectrum of origins, with corresponding religious, cultural, and ethnic variety. In the mid-1990s, around half a million foreigners were living in Spain; in 2001 their number had increased to over one million, and in 2006 to more than three million (Table 2).

Parallel to Spain's transformation into a country of immigration, migration flows to the country became more Andean. Mainly Ecuadorians and Colombians, developed into the main groups of foreign nationals, and also into those with particularly high growth rates.

Table 2: International migrants in Spain by continent of origin, 2002-2006

	2002	2003	2004	2005	2006
Europe	470,432	560,200	667,775	906,461	1.028,678
America	380,343	530,648	666,086	1.003,230	1.083,025
Africa	366,519	432,662	498,507	649,251	709,174
Asia	104,665	121,455	142,762	177,423	197,965
Oceania	1,024	1,018	1,112	1,466	1,819
Stateless and unidentified	1,019	1,028	1,049	1,101	1,147
Total	1.324,002	1.647,011	1.977,291	2.738,932	3.021,808

Source: Secretaria de Estado de Immigracion y Emigracion (SEIE)

2000 is said to have been the year of 'discovering immigration' in Spain: first, because in that year the Spanish government created the main administrative structures to manage immigration and, under considerable political controversy, passed two new immigration laws; secondly, because immigration also soared up high in the public debate and in the media due to the El Éjido Incidence[4] and the Lorca Crash Accident[5]. Since then, rising

[4] In the small Andalusian town of El Éjido, the murder of a Spanish woman by a mentally disturbed Moroccan had exploded into a brutal riot in which a group of Spaniards attacked undocumented Moroccan workers.

progressively from bottom to top in the list of concerns, immigration has become a key topic in political debates, as well as in the media and the public discourse.

In 1996, nearly 100,000 of around 500,000 foreign migrants residing in Spain came from Latin America countries; five years later, in 2001, their number had increased to around 300,000, and in 2007 it reached 1,200,000, which was 30% of the country's immigrants. Over that time, Spain's immigration pattern had changed significantly: until 2001, Africans, mainly Moroccans, were the major group of non-European migrants. Afterwards, Latin American nationals outpaced them, and in 2005, this group even exceeded that of nationals from other European countries, and, Latin America had become the main origin of immigration in Spain. Concomitantly, the national composition of the Latin American immigrants changed: while the share of traditional sending countries, such as Argentina, Venezuela, and Chile, dropped considerably, others, in particular Peru, the Dominican Republic, and Cuba, expanded. Since the late 1990s the Latin American immigrants come mostly from Andean countries (Table 3).

Table 3: Andean migrants in Spain

	1987-89	**1996**	**2000**	**2003**	**2007**	**2010***	**2011***
Bolivia	779	955	1,390	7,053	69,109	124,695	146,723
Colombia	4,111	7,865	17,321	107,459	254,301	269,687	276,342
Ecuador	997	2,913	29,342	174,289	395,808	406,330	398,724
Perú	2,563	18,023	23,009	57,593	116,202	140,157	138,211
Total Ibero-America	57,109	104,049	122,044	514,485	1,215.351	940,869	960,000

*Officially registered migrants: "Extranjeros con certificado de registro o tarjeta de residencia en vigor", 31-12-2010 and 30-09-2011
Source: Gobierno de España, Ministro de Trabajo y Inmigración 2011.

[5] Close in time, the Lorca Accident in which 12 Ecuadorian workers died when the van taking them to work was hit by a train highlighted the precarious conditions of irregular workers in Spain.

As immigration from Latin America expanded, Spain was faced with increasing concerns by its EU partners. In reaction, the Spanish government progressively imposed visa requirements for Andean nationals. In 2002, entry visa became obligatory for Colombian, in 2003 for Ecuadorian and finally, in 2007, for Bolivian nationals.

Andean migrants in Spain share similar socio-demographic characteristics which distinguish them clearly from other national groups; age and gender composition, geographical distribution, and irregularity are some of them. They usually are in the active labour force, with an average age of 32 years (in 2009). In 2007, nationals from Colombia, Ecuador and Peru made up 62% of the Ibero-American and almost 20% of total number of international migrants in the age group between 15 and 64 years. At the same time 21% of the migrants below 15 came from Colombia, Ecuador and Peru (Ministry of Labour and Immigration, var. years).

Andean migration to Spain is mainly female: 53.6% of the migrants are women, which is slightly above the total migrants' average (of around 45%). During the take-off years the migratory flows from Andean countries consisted to a large part of women who arrived alone and were rapidly absorbed by the domestic services sector. Via family reunifications, since the early 2000s, they have been followed by husbands and children, which reduced the share of females in the Andean national groups, so that Andean migration to Spain has become more gender equilibrated.

At the beginning, Andean migrants concentrated in Madrid. Later on, they progressively spread to other Spanish regions, in particular Catalonia and Valencia. In 2001, for example, around 40% of all Ecuadorian migrants lived in Madrid, in 2007 this share had dropped to only 26%, while 20% lived in Catalonia. Because of their labour participation in specific economic sectors, Andean migrants mainly reside in urban areas.

According to the Active Population Survey (EPA) data Latin American immigrants have, on average, a higher level of education than Spanish nationals (IECA 2010). In general, both groups have similar shares of persons with only primary education, but a higher proportion of the Latin American immigrants has secondary education (57.5% against 44.9% in 2007). Still, the Spanish population has a higher share of post-secondary educated.

Andean migration has been characterised by a comparatively high level of irregularity primarily due to visa overstaying. Although the number of irregular migrants is always difficult to assess, participation in regularization processes can be used as an indicator. In 2001, Ecuadorians were in the top five nationalities of Spain's regularization process, around 24.000 were regularised in a special process established by the Spanish government. However, the number of Andean citizens' readmissions has increased since the early 2000s, as readmission agreements were signed with Andean countries and visa requirements were extended to their nationals.

3. Andean migrants in the Spanish labour market

Regular labour market participation of foreigners can be measured by their membership in the social security system. This is shown in Table 4 for the years 2005 to 2007. In 2002, 119,000 foreign workers in Spain were from Ecuador, Colombia and Peru (i.e. 67.3% of all Latin American workers and 19% of all foreign workers). One year later, the number of Colombian workers had increased by 124.8% and that of Ecuadorians by 87.8%. Afterwards, the growth rates were between 20 and 30% p.a., bringing the Andean migrants' participation in the Spanish labour market second to that of Europeans. In the late 2000s it slowed down; in 2007, it had dropped to around 5% (Secretaria des Estado de Immigración y Emmigración).

The growth rate of Peruvian labour participation peaked in 2004, and then consolidated at around 25-30% p.a., while that of Bolivian nationals' peaked in 2006 with 415.3%, bringing the number of workers up from 8,529 in 2005 to 43,946, which was the highest annual growth rate of participation in the Spanish labour market.

The female proportion in the Andean labour force in Spain is around 50% which is higher than that of most other foreign nationalities in the country. Domestic services employ 15-30% of the Andean workers and the service sector (which includes domestic services) has a particularly high proportion of female workers with almost 90% (in 2006). Since 2002, Andean women's participation in the farm sector has been increasing; their share among Ecuadorian farm workers grew from 8% in the early to 12% in the late 2000s.

Table 4: Foreign workers in Spain's Social Security System by origin

	2005*	**2006***	**2007***
European Union	**268,997**	**307,028**	**379,021**
Rest of Europe	**120,060**	**267,154**	**289,578**
Bulgaria	22,533	44,239	47,095
Rumania	63,926	159,649	175,817
Ucrania	19,701	38,146	39,604
Africa	**259,484**	**356,480**	**384,891**
Algeria	14,744	18,845	20,539
Morocco	186,785	253,331	273,497
Latin America	**405,410**	**705,969**	**741,214**
Argentina	32,423	55,371	57,804
Bolivia	8,529	43,946	46,089
Colombia	82,192	135,170	143,311
Cuba	16,617	21,798	23,439
Ecuador	154,547	277,666	277,674
Peru	48,885	62,291	71,386
Dominican Republic	19,848	26,539	30,505
North America	**5,810**	**6,539**	**6,801**
Asia	**79,059**	**112,046**	**123,097**
China	37,049	53,636	59,143
Total	**1,138,820**	**1,755,216**	**1,924,602**

*) January

Source: Secretaria de Estado de Immigracion y Emigracion (SEIE)

The vast majority of Andean workers (around 90% in 2007) are employed, whereby women have a significantly lower rate of employment than men (Table 5). It is a particularly high percentage as compared to other national groups. Most of the Andean workers are employed in construction and services (including tourism), where male workers concentrate.

Table 5: Employed and self-employed by origin, 2007

	Women				Men			
	Employed		**Self-employed**		**Employed**		**Self-employed**	
	total	%	total	%	total	%	total	%
Bolivia	20,338	85.4	4,334	17.6	20,872	97.5	545	2.5
Colombia	67,437	86.0	11,022	14.0	61,282	94.5	3,570	5.5
Ecuador	122,155	88.8	15,408	11.2	135,725	96.9	4,386	3.1
Perú	31,691	93.6	2,152	6.4	36,147	96.3	1,396	3.7
Total	**639,588**	**85.4**	**109,600**	**14.6**	**1,059,591**	**89.7**	**121,481**	**10.3**

Source: Secretaria de Estado de Immigracion y Emigracion, (SEIE) 2008

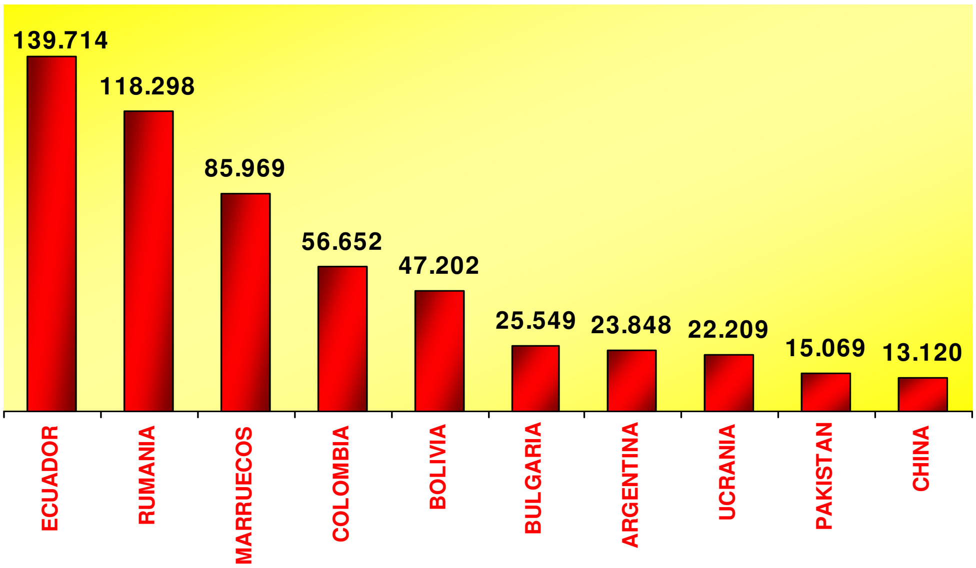
The unemployment rate of Latin American workers[6] (with 11.4% in 2007) is higher than that of Spanish nationals (8.3%), but below that of the total foreign population (12%). Among Latin American males (8.9%) it is almost the same as the total foreign male workforce (8.8%) (SEIE 2008). Andean labour in Spain is also characterized by irregularity. As noted above, Andean nationals were on top in several regularization processes. In the 2005 regularization process of irregular workers, the majority of the applicants were Ecuadorians; Colombians and Bolivians also were among the top five (see Fig. 1). Together they summed up to 243,568 persons, representing 35% of all applications.

Irregular foreign workers usually have less social protection than regular and local ones. According to a study on the labour conditions of Colombian migrants in Barcelona (Roa 2007) Andean workers in general, and Colombians in particular, have more temporary contracts, lower-paid jobs,

[6]Disaggregation by country of origin is not available.

and longer working hours than their Spanish counterparts. On the Labour Precariousness Index scale ranging from 0 to 10 (i.e. from less to more precariousness) local workers receive 1.46 points and immigrants 3.52 points.

Fig. 1: Applicants in the 2005 regularization process, according to nationalities



Source: Based on data from Secretaria de Estado de Immigracion y Emigracion (2006)

In sum, at the late 2000s, Andean workers have contributed to the Spanish labour market with high participation rates and relatively low unemployment rates[7]. Labour participation of females is considerable. Although since 2005, irregular employment has decreased among the Andean national groups; their working conditions are still more precarious than those of local workers.

4. Impact of Remittances from Spain on the Andean countries

Since the early 2000s the amount of migrants' remittances received increased in all Andean countries, on the average by 14% over the period 2000-2006

[7]The economic slowdown, which started in the late 2000s, mainly affects the construction sector, could easy change this rate.

(Table 6). In Ecuador and Bolivia they outstrip foreign direct investment and Official Development Aid (ODA).

As shown by data elaborated for the Andean Community General Secretary (CAN 2007), the relation of remittances to main financial inflows, gross domestic product (GDP), and household consumption has increased in most of the Andean countries between 2000 and 2005 (Table 7), in particular in Bolivia. In addition, remittance flows proved to be more stable than other financial flows and hence had a countercyclical effect over the economic crisis.

Table 6: Remittances to Andean Countries to and from Spain (US$ mio.)

	Bolivia	Colombia	Ecuador	Peru	Andean countries Total	Spain Outflows	Spain Inflows
1970	-	26	-	-	26	-	-
1971	-	22	-	-	22	-	-
1972	-	23	-	-	23	-	-
1973	-	30	-	-	30	-	-
1974	-	36	-	-	36	-	-
1975	-	23	-	-	23	2	1.404
1976	1	51	3	-	55	3	1.380
1977	2	82	3	-	87	3	1.463
1978	2	76	3	-	81	1	1.734
1979	1	101	3	-	105	7	1.896
1980	1	106	3	-	110	11	2.818
1981	5	160	3	-	168	12	1.816
1982	3	87	3	-	93	17	1.582
1983	5	72	3	-	80	16	1.348
1984	6	78	3	-	87	23	1.227
1985	6	110	3	-	119	131	1.234
1986	8	416	3	-	427	129	1.433
1987	9	625	3	-	637	130	1.584
1988	5	458	2	-	465	162	1.790
1989	9	467	1	-	477	247	1.861
1990	5	495	51	87	638	254	2.186
1991	3	881	56	148	1.088	386	2.136
1992	4	640	75	240	959	562	2.637
1993	4	468	203	289	964	669	2.321
1994	5	968	276	473	1.722	716	2.631
1995	7	815	386	599	1.807	868	3.235

	Bolivia	Colombia	Ecuador	Peru	Andean countries Total	Spain Outflows	Spain Inflows
1996	14	753	489	597	1.853	1.021	3.494
1997	85	774	648	636	2.143	1.084	3.529
1998	88	806	799	647	2.340	1.244	3.935
1999	96	1.312	1.090	670	3.168	1.612	4.313
2000	127	1.610	1.322	718	3.777	2.059	4.517
2001	135	2.056	1.421	753	4.365	2.470	4.720
2002	113	2.480	1.438	705	4.736	2.914	5.178
2003	159	3.076	1.633	869	5.737	5.140	6.568
2004	211	3.190	1.838	1.133	6.372	6.977	7.528
2005	346	3.346	2.460	1.440	7.592	8.136	7.961
2006	612	3.928	2.934	1.837	9.311	11.326	8.890
2007	1.065	4.523	3.094	2.131	10.813	15.183	10.739
2008	1.144	4.884	3.200	2.437	11.665	14.656	11.776
2009	1.109	4.273	3.078	2.328	10.788	n.a.	11.664

Source: International Monetary Fund (2011)

Table 7: Remittances to Andean Countries as share of macro-aggregates (%)

Country	Remittances as share of										
	Foreign direct investment		Export earnings		Current transfers		Gross domestic product			Final household consumption	
	2000	**2005**	**2000**	**2005**	**2000**	**2005**	**2000**	**2005**	**2008**	**2000**	**2005**
Ecuador	182.9	139.7	27.3	23.6	91.6	95.6	8.3	7.1	6.1	12.9	10.8
Colombia	65.9	61.8	12.1	15.9	94.3	82.1	1.9	2.9	2.0	3.0	4.7
Bolivia	11.0	130.9	6.3	13.6	23.7	69.3	1.1	5.6	6.9	1.4	8.1
Peru	88.6	53.9	10.6	7.9	71.8	83.6	1.3	2.0	1.9	1.9	3.2

Source: Andean Community General Secretary (2007) and based on data from IMF

The growing flows of remittances have attracted the attention of scholars and international institutions. Analysing their implications for the economic development of the receiving countries and their effects on poverty reduction are among their priorities. There is a general consensus that remittances are beneficial for the direct recipients in the short term, but their mid-term and their macro-level consequences are less clear. They depend on the volume of the transfers, their relative weight in the national economy, and the purposes for which they are used. For example, Colombia receives the highest amount of remittances, but their relative importance for the balance of payments, their relation to the population size, and their contribution to family incomes is lower than for Ecuador: in Columbia, they amount to only 90 US$ per capita, in Ecuador to 136 US$ (Table 8).

Table 8: Remittances and key economic indicators in 2005

Country	Remittances (US $)		
	Annual volume (millions)	Per capita	Average sum of transfer
Bolivia	989	94	235
Ecuador	2.900	136	293
Colombia	4.200	90	220
Perú	2.869	89	169

Source: Inter-American Dialogue Task Force on remittances (2007)

The amount of remittances from Spain has increased faster than the number of in-migrants, probably as a result of the regularization processes in 2002 and 2005 and the improvement of the migrants' employment and living conditions. The increasing remittances figures are also due to a revision of the counting methodology used by the Central Bank of Spain, the main source of information, which in the early 2000s started to include some additional consignments not considered before[8].

Table 9: Remittances from Spain

Year	Amount/Million		Growth rate
	€	US$	%
1999	910	1,218	0
2000	1,446	1,936	+ 58
2001	2,221	2,974	+ 53
2002	2,844	3,808	+ 28
2003	3,475	4,653	+ 22

[8]As explained by the EU's Second Survey on Worker's Remittances, there are relevant disparities in the statistical methodologies used to register remittances data as applied by different countries, leading to associated problems of underreporting and misreporting. Spain seems to have made stronger efforts to improve the quality of these data than most others countries (European Commission 2006).

Year	Amount/Million		Growth rate
	€	US$	%
2004	4,189	5,609	+ 20
2005	4,936	6,609	+ 17
2006	6,807	9,115	+ 37

Source: Banco de España (2007)

In the mid-2000s Spain became the second-largest source of migrants' remittances to the Andean countries. Until 2006 Colombia was the principal recipient in absolute terms. The impact of remittances as measured by their share in key economic aggregates was, however, stronger in Ecuador, which was at the second place, and the strongest in Bolivia (see Table 10). Remittances to Bolivia also displayed the highest growth rates because in the mid- to late-2000s Bolivians profited from better conditions to travel to Spain than people from other Andean countries. The least dynamic effects of remittances from Spain were observed in Peru which is consistent with the more favourable development of the country's national economy; over the period considered it was growing faster than in any other Andean country.

Table 10: Spanish Remittances to Andean countries (million)

	2003		2004		2005		2006		2010		% of GDP 2006
	€	US$	€	US$	€	US$	€	US$	€	US$	
Ecuador	720	966	942	1,263	932	1,249	1,157	1,551	328	427	3,50
Colombia	732	981	892	1,197	969	1,299	1,341	1,798	536	698	1,25
Bolivia	80	107	229	310	429	575	735	985	885	1,152	8,50
Perú	62	83	100	134	166	223	231	310	324	422	0,31

Source: Banco de España (2003-2006) and IMF (2010)

According to a survey by Bendixen and Associates[9] Ecuadorians on average send more money home than all other Andean migrants; 86% of them affirmed to remit regularly, while this share was 82% for Bolivians, 80% for Peruvians and only 72% for Colombians (Bendixen and Associates 2007).

[9] The investigation by Bendixen and Associates was done for the Spanish Ministry of Economy.

The probability to remit increases over the first three years after the migrants' arrival, when they get access to better jobs and their incomes increase. The frequency of remitting is mostly 10 to 12 times per year, with an average amount per transfer of 100 to 300 €. Latin-American immigrants in Spain send an average of approximately 15% of their annual income to their country of origin. However, this also implies an important transaction costs for the transfer, which reduce the remittances value.

Among the beneficial effects of remittances is their contribution to the development of the financial sector in the migrants' home countries and the improved access to credits for the migrants' families based on remittance guaranties. In the late 2000s, 77% of the remitters in Spain held a bank account in the country; this share was 91% among those with annual transfers of 10,000 € and more. However, 77% sent remittances without having an account in Latin-America. It is commonly agreed that wide-spread access to the formal financial sector contributes to increase the national savings rate and to modernize the economy. Yet, it is also pointed out that this could become an additional source of inequality between those who have access to remittances and credit and those who are excluded.

Similarly, remittance receiving families have better access to education and health services, as demonstrated by empirical studies based on household surveys[10]. Increased school attendance is an opportunity to promote social mobility and to get better paid jobs, as well as a way to enhance national productivity. Yet, as Andean migrants mostly are not from the poorest class, the positive effects on the remittance receivers' welfare widens the gap between the better-off and the needy. Another possible effect of remittances on real incomes are price increases due to rising demand resulting from the

[10] Examples in the region are some case studies made in the late 2000s in FLACSO Ecuador like "El impacto de los ingresos por remesas en el gasto de salud de los hogares" by Paul Guerrero Lara or "Impacto de las remesas en la calidad de la Educación" by Angel Pacheco Torres presented in the "Congreso 50 aniversario de FLACSO", 29-30 October 2007, Quito.

higher purchasing power. This has particularly negative effects on those with lower contract incomes. Emigration has also important repercussions on the origin's labour market. The fact that the proportion of those with secondary education is the sending countries' national average hints to a possible loss of human capital ("brain drain") and thus of development potential in the countries of origin. Moreover, some studies reveal a negative impact of remittances on employment in transfer receiving families, because they constitute a disincentive to seek paid work. At the same time, a reduction of child labour in the recipient families is observed.

5. Policy assessment

Opposite effects of migrants' remittances on development and different micro and macro variables lead to a debate about what policy measures should be implemented to influence the use of remittances. There is still little experience in this area but first outcomes point into certain directions:

In an effort to reduce the transactions cost of remitting the Spanish parliament in 2006 approved a resolution urging the government to facilitate agreements with the financial sector in order to reduce the transfer cost and make remittance transactions more transparent. Monitoring by the Spanish organization "Remesas.org" show that since then these costs have declined. In 2008 they were between 5.5% and 6% of the amount remitted, depending on the receiving country. But transaction fees are not the only costs involved. Others relate to the commissions for account keeping in the recipient countries. They would have to be addressed by national regulations in these countries to promote a fair treatment.

Measures of taxing remittances adopted by some recipient countries as, for example, 0.4% in Colombia, or 1% in Bolivia for remittances over 1,000$, may have different motivations and implications. A basic idea behind them is to rise revenues, e.g. for implementing social policies. Although it might be too early to assess the final effects of these measures, at least two undesired draw-backs are evident. The first is the shift into informal transfer channels in order to avoid the taxes; that seems already to happen with remittances to Colombia. The second is a disincentive for saving in bank accounts and an erosion of financial services. It also raises the question of fiscal justice, because these revenues have already been taxed in their country of origin where they have been earned. It could be considered a case of double taxation that should be regulated by bilateral or multilateral agreements.

Other policies propose to improve the impact of remittances by re-directing spending from consumption to economically productive or social investments. This could be achieved by credit or tax incentives which induce business activities, for example via micro-credit services or seed capital. Another promising measure could be motivating migrants to support social projects in their communities of origin, maybe linked with conditional funding by the state or by national or international NGOs. Although in Spain the experience with this kind of policies, linking the Andean Diaspora communities with their origins, is still moderate, the debate about this way of co-development has been intense since the early 2000s and the interest of Spanish local authorities to participate in such programmes is growing.

In general, the positive returns the migrants convey to their countries of origin are enhanced by maintaining and strengthening their social, economic and political relations with them and by facilitating their return. Positive contributions would be the maintenance of the right to participate in national elections in the home country or the support of circular temporary migration by sustaining acquired rights in the host as well as the origin country. One step in this direction is the Iberoamerican Multilateral Convention on Social

Security, signed at the XVII Iberoamerican Summit in Santiago the Chile in 2007. It guarantees the pension payments acquired through contributions paid in different countries after the migrant's return. There is much scope to further develop such measures, to the benefit of the host countries, the migrants, as well as the countries of origin. However, the incentives to do so are drastically reduced in a period of economic crisis and growing unemployment in the host country as prevailing in Spain since the late 2000s.

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Circular Migration & Social Protection in Aceh, Indonesia

Treena Wu[1]

"I left Aceh to work in a factory in Malaysia for two years. Unlike the Javanese, Acehnese women do not work in foreign countries as maids. I do not want to be bonded in servitude ("terikat"). I wanted to help my family but I didn't want to leave them forever. I sent money home to the one bank account that the whole family uses. But the Tsunami destroyed the closest branch in this village. Now my father has to pay Rupiah 8,000 (US$ 1) to travel to the bank in Banda Aceh."

Acehnese woman, aged 24, desa Mon Ikeun, 2006

1. Introduction

When the Asian Tsunami hit Aceh, formally known as Nanggroe Aceh Darrusalam (NAD), on 26th December 2004, some 130,000 people were killed and 37,000 remained missing. Humanitarian aid was provided immediately, based on need. In the following months, relief and rehabilitation works in Aceh, as well as the earthquake hit Nias, were complemented by reconstruction aid. The Reconstruction and Rehabilitation Agency for Aceh and Nias (BRR) and the then soonly formed Government of Aceh, which was elected after the signing of the Republic of Indonesia (RI) – Free Aceh Movement (GAM) peace agreement, coordinated the use of foreign aid to ensure that people's shelter and other basic needs were met. Provision of services by aid agencies gradually shifted from coverage for all those directly affected by the natural disaster to support of targeted groups based on given selection criteria.

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But somehow the specific problems of migrants' households were overlooked.

Indonesia has a long tradition of labour migrants, formally classified as *Tenaga Kerja Indonesia* (TKI) for males and *Tenaga Kerja Wanita* (TKW) for females working abroad. Exact statistics are difficult to come by because many have unpredictable patterns of movement within Indonesia as well as abroad. The little that is known concerns legal workers who find contract employment such as the young woman from Mon Ikeun village whose statement is cited in the preamble. At the micro-level, these workers who leave temporarily, contribute significantly to household income. Yet, their contribution to the social protection of family members goes relatively unnoticed. When agencies collect household data to determine aid eligibility, there is a high probability that migrants' households are excluded on the basis of the income available to them at this specific point in time.

This paper describes the specific situation of migrants' households that have been vulnerable to physical and economic threats in Aceh which has experienced over 30 years of civil conflict and the 2004 Tsunami. The study has been carried out in the context of the period of emergency, relief, and rehabilitation aid. It is published to support research (Glewwe and Hall 1998), responding to observers who claim that certain socio-economic groups are particularly vulnerable to shocks, but do not provide sufficient information on *who* exactly these are. Rigorous vulnerability analysis using cross-sectional household surveys and panel data are especially difficult to carry out in the context of natural disaster and civil conflict. As an alternative this research has used an area specific fieldwork approach to collect case studies on migrant households and to detail who within the household is more susceptible to shocks, following the methodology of intra-household allocation analysis.

The rest of the paper is organized in the following way. The methodology used to collect case studies is presented in Section 2. Section 3 describes the poverty situation in Aceh using World Bank statistics, and explains how this poverty creates conditions that trigger labour movement to either other parts of Indonesia or to abroad. Section 4 explains the different mobility mechanisms, the remittance corridors, and the risks that the migrant workers face because of an uncoordinated labour market. Section 5 details how migrants' social protection strategy for their households was badly affected in the aftermath of the Tsunami. This is followed by conclusions and a focus on local level policy ramifications in Section 6.

2. Methodology

The unit of analysis is the migrant's household. Using the intra-household allocation approach (Lazear and Michael 1988) no a priori assumption is made that household members receive the same uniform allocation of resources. As such, the situation of different individuals who make up the household is analysed.

Fieldwork to collect data on these households covered the North East coast of Aceh on one side of the Strait of Malacca, and the West coast of Malaysia on the other side (see Fig. 1 in Annex 1). The selection of this area was based on an analysis of existing data about the movement of Acehnese refugees and labour migrants to Malaysia prior to and after the Tsunami (Wong and Teuku 2002; Wu 2006; UNHCR 2005). Using these data, the author mapped out the most commonly used migration routes and the most established remittance corridors. For an approximately one and half year period prior to executing the fieldwork, she established relationships and built trust with key informants located along routes. Coincidentally, at the same time the RI-GAM peace agreement was being negotiated and there was a growing willingness of the Acehnese to speak to outsiders. Key informants and communities provided support for the researcher to travel through the route. So she decided to execute the fieldwork on her own on the basis of her fluency in the Indonesian language and the need to maintain the trust established with communities. Using an ethnographic approach, case studies were then collected over a six weeks period. Household members were asked about the history of migrant work in their home and how their levels of vulnerability evolved over time. This time series history is in terms of individual members and in the context of the overall household. In each case, the household determined the timing of the interview when the author would be invited to the home to meet the different family members. In some cases, the author was instructed to follow an individual to the workplace, e.g. the market when fresh produce was unloaded at 06.00 a.m. The length of the interview was determined by the respondent(s).

Case studies were collected from 29 migrant workers and / or members of their family household in Aceh. The sampling method used was non-random snowballing because of the sensitive nature of questions asked about families' finances. Attempts were made to ensure that the sample group was split into urban (13 respondents) – peri-urban (6 respondents) - rural (10 respondents); and male (21 respondents) – female (8 respondents). To increase the reliability of the data, expert interviews were conducted with six migrant worker union organizers and community leaders, and seven remittance sending companies in Aceh, Malaysia, and Singapore which is also included because it is located on the side of the Strait of Malacca.

3. Descriptive Statistics

According to the 2003 estimates of the national *Badan Pusat Statistik* (BPS), almost 30% of Aceh's population was living below the poverty line[2], as against the national average of 17.4%. At that time Aceh was the third poorest region in Indonesia despite being endowed with rich natural resources which, however, are mainly extracted for use at the national level. After 2003, the incidence of poverty in Aceh declined, yet, while over the total of Indonesia it increased (Table 1). The unemployment rate in Aceh was 11.2% in 2003 which was above the national average of 9.5%[3]. Many of the unemployed Acehnese are unskilled or low skilled persons from subsistence and low income production households. Because in the past the province did not provide economic stability and employment opportunities and due to the consequences of the RI-GAM conflict, workers increasingly looked elsewhere to improve their material welfare and secure their livelihood.

Table 1: Poverty Levels (%)

	2004	2005	2006
Aceh	28.4	32.6	26.5
Aceh Urban	17.6	20.4	14.7
Aceh Rural	32.6	36.2	30.1
Indonesia	16.7	16.0	17.8

Source: World Bank, 2008

In 2005, after the Tsunami, poverty levels increased, but by 2006 they had declined to less than pre-Tsunami levels (see Table 1). Poverty levels in urban areas of Aceh are comparable to the rest of Indonesia but in rural areas they are significantly higher. Urban areas tend to be located along the coastline of the Aceh province while rural areas are spread in the jungles and mountains in

[2] Badan Pusat Statistik definition of the poverty line: daily minimum requirement of 2,100 kcal per capita and the non-food minimum requirement such as for living, clothing, schooling, transportation, household necessities and other basic individual needs.
[3] Badan Pusat Statistik 2003 and World Bank Indonesia estimates.

the centre of it. Table 2 shows that the likelihood of being poor in Tsunami hit urban areas increased statistically significant from 0.83 to 1.44 between 2004 and 2005. The calculated decline to 1.08 in 2006 is not statistically significant. The fieldwork covered the different areas. It is argued that the efforts which the households undertook influenced the likelihood of being less poor.

Table 2: Likelihood of Being Poor

Region characteristics	2004	2005	2006
High Tsunami	0.83**	1.44***	1.08
Low Tsunami	1.00	1.00	1.00
High conflict	1.29***	1.43***	0.96
Low conflict	1.00	1.00	1.00

** Significant at the 5% level *** Significant at the 10% level
Source: World Bank 2008

4. Mobility Mechanisms and the Remittance Corridor

The essential rationale for labour migration is to improve economic welfare and to provide some form of social protection for family members (Asian Development Bank 2006). Many households in Indonesia highly depend on remittances sent by migrants. Most of the low skilled workers involved in labour migration follow a circular mobility pattern. Circular migration, defined as non-permanent mobility, is a long-time phenomenon of social, economic and demographic significance in Indonesia (Hugo 1982). These migrants tend to engage in employment on a short-term basis, single or repeated, such as sequential two years contracts in factories or seasonal jobs in agriculture. Many prefer to view their job as short term because they would like to quickly return to their families once they have made money.

The major spending categories of monetary remittances[4] are repairing or building a home, sending one's children to school and purchasing farm land (Rudnyckjy 2004). However, such spending depends on the unpredictable nature of remittances, and migrants will send money home only when they have paid off their debts to agents and have made some savings.

The purposes for which remittances are spent can be viewed as part of a social protection phenomenon that is concerned with societies' management of multiple risks to which individuals, households and communities are exposed. The magnitude of risks to be faced is particularly high in societies which don't possess well-functioning credit markets and lack safety nets.

The top destinations for migrant workers from Aceh are Malaysia and Singapore, due to the geographical proximity to these two countries, similarities in culture, and the existence of social networks there. The labour supply chain which starts with the recruitment of workers who are then transported to Malaysia and Singapore is well established. It is managed by a series of middlemen and brokers, locally known as *calo* (Spaan 1994). The type of labour required tends to be low skilled and is mainly employed in mining, on plantations, in construction or as domestic workers. These migrant workers come mostly from the farm sector. They are recruited with the help of relatives in the destination countries, directly by employers or through employment agencies.

The recruitment process is initiated by the employer or employment agency when Malaysian or Singaporean employers need to fill positions in factories or plantations. The agent receives a premium as an incentive. Many move on an illegal basis, and agents officially licensed by the Indonesian Ministry of Manpower have been as likely to send migrants illegally as their unlicensed counterparts, however (Jones 1996).

[4] In a broad sense, migrants' remittances can be in the form of money, property, ideas, knowledge or skills, carried by the returnees to their places of origin. The last aspects are not considered in this paper, i.e. it focuses on monetary remittances.

A major problem encountered in estimating the amount of remittances sent by the migrants is the uncoordinated and informal nature of transferring (Asian Development Bank 2006). On average a migrant remits 20% to 50% of his income; the value of remittances usually ranges from US$ 25 to 75 per months (Kompas Newspaper 30/10/2004). Although these amounts appear small, they have a significant social protection effect. They are important for supporting the livelihoods of families, and can protect them from falling into chronic poverty or reduce the incidence of transitory poverty.

Circular migration is a habit for many Acehnese workers. It is attractive due to the long term fluid relationships established between the countries around the Strait of Malacca. On that basis there exists a single economic space that transcends national borders. The developed relationship stems from the RI-GAM conflict. The Acehnese society was, at varying degrees, in continuous conflict for more than 30 years, and migration trends and remittance corridors reflect how people have coped with this. The same type of social protection strategy was used in response to the Tsunami.

Permanent Acehnese settlements exist in Malaysia and Singapore. Migrants were not solely motivated to move there by the perspective to earn higher wages, but also for other reasons: trade, education, religion and politics. One implication is that the social networks available to Acehnese migrants are much stronger than those for of Indonesians. The settlers abroad are an important source of information and support for new arrivals. Elder pioneering migrants who are settled and already well-established at their destination play an essential role in this context, especially with regard to providing job information. Usually they help new arrivals in Malaysia or Singapore to get settled and also provide support in seeking jobs, based on the existence of tight social networks in terms of strong blood ties between the new and the old migrants (Mantra 1998).

During her fieldwork, the author detected a social network in an Acehnese community located in Selayang, near Kuala Lumpur the capital of Malaysia. The community consists of about 500 Acehnese. It is located in a low-income, peri-urban area that functions as the wholesale market for fresh produce sold to the city. The inhabitants originate exclusively from Pidie, Bireun and Lhokseumawe, conflict ridden areas which were also badly affected by the Tsunami. This community would only protect the interests of those from the same area of origin. Interviews with leaders of the community revealed that it has been existing since the beginning of the conflict. According to them, similar communities can be found in the Klang Valley, in Penang, Malacca and Johor. They also explained that they have assisted in the relocation of undocumented migrants, mostly men, from the same areas of origin to help them to escape political persecution. They also provided assistance to individuals affected by the Tsunami.

Acehnese migrant workers in Malaysia and Singapore concentrate in urban and peri-urban areas. The author's interviews show that work is specialized according to gender. Table 3 provides a summary of the type of occupations and the average monthly wages. The TKI (males) tend to work in construction, factories and trading, the TKW (females) in factories. While the men were inclined to accept work in the informal economy and hence risked arrest and deportation, women preferred to work in the formal economy and as such experienced less vulnerability. This difference is related to levels of education and qualifications required in the formal sector. The TKI are mostly less well educated than the TKW who all had at least attended high school. This is associated with the conflict in which males were targeted, and as a result of which many could not complete their education. Moreover the men tended to take over unpredictable short-term work while the women used to sign renewable two-years job contracts. Many TKW were between 18 to 30 years old, intended to work up to five years in factories, accumulate a maximum amount of savings for remittances and / or investments, and then return home to Aceh to get married.

Table 3 displays the profile of wages by sector of occupation. Because of the strong social networks and the number of repeated short-term contracts, the amount of remittances sent to Aceh is probably higher than in other regions of Indonesia. However, this is difficult to verify because during the conflict, there was a lack of data collection. Also, according to a respondent who was a GAM soldier, the system of migration and remittances has been fine-tuned for being used in the informal economy.

Table 3: Wages by sector of occupation

Sector of Work	**Monthly Wage (US$ equivalent)**
Construction	400 – 530 (depending on skills level)
Factory	114 – 530 (if including overtime)
Trading	320 (average income)
Services – bakery, restaurant, cleaning	186 - 213
House maid	133 – 213
Plantation	106 (average income)

Source: Author's survey

5. Effects of the Tsunami on Migration and Social Protection

Before the Tsunami, the formal and informal remittance channels were well developed and well-functioning. Migrants could choose between both channels or a combination of them. Senders without an own bank account could transfer funds to their families' account via money changers. Respondents explained that families try to ensure that there is one bank account to be used by the whole family. Usually, the head of the family holds the account on his name and the other members piggyback on it.

Interviews with Acehnese families demonstrated that remittances are mostly used to support aged parents, due to the importance of filial piety in Acehnese social values. The next priority is support of the family's basic needs, including fees at the primary and secondary school level. Covering basic needs in Aceh requires about Rp 800,000 (which is approximately US$ 80) per month. Housing which would have been expected to be a priority, turned out to be not so important as most of the respondents already possessed some form of housing.

Remittances are normally only sent after the first year of work in Malaysia or Singapore. This applies especially for workers who have to repay recruitment fees to the *calo*. Occasionally, a worker may be fortunate to enter one of the countries illegally using his social network. In that case no fees are to be paid. The amounts sent back tend to be stable because most migrant workers have a largely fixed expenditure structure covering in the following order of priorities: debt repayment, living expenses and remittances, whereby the percentage to be saved for remittances is fixed. Table 4 shows the intra-household allocation of remittances.

Table 4: Intra-Household Allocation of Remittances

Sender	**Recipient**	**Amount Per Year (US$ equivalent)**	**Frequency**
Father and breadwinner	Wife and children	400 – 530	Once a month, every other month, 4x a year
Son	Parents	0 - 200 (subsidy)	Upon parents' request, once a month, 4x a year
Daughter	Parents	50 - 300 (subsidy)	Upon parents' request, once a month, every other month
Daughter	Widowed Mother	120 (subsidy)	4x a year
Brother	Parents and siblings	20 – 500	Once a year
Brother	Brother	0 - minimal amount	Upon brother's request

Source: Author's survey

Given the patterns of intra-household allocation, the amounts sent are highly predictable and stable. Predictability increases when the sender is the father and head of the family. Fathers interviewed stated that by sending money every month, they feel assured that all family expenditures could be met and they did not have to worry about their wives having to manage finances. Also, predictability increases when the recipient is an aged or widowed parent. But, as shown in Table 4, it decreases when the sender is not the head of the family and if he/she has many siblings who hold jobs. Young respondents, especially unmarried men, were more inclined to use their income as savings for own future investments in Aceh. Daughters were found to be extremely responsible for the widowed mothers' welfare. Hence, referring to the outcome of the interviews, remittances are of the greatest benefit to aged parents and widowed mothers, followed by the remitters' wives and children. They play an essential role for the social protection of these groups. However, parents tend to receive remittances as subsidies in addition to other sources of income while the wives and nuclear families tend to be fully covered. Those who benefit least are the senders' siblings.

Most respondents found the money changers' services reliable. This was confirmed by the money changers themselves who demonstrated that they had become familiar with their customers and knew in which villages the recipients were living. Through this, predictability, and stability of the remittance patterns are enhanced.

After the Tsunami, this fragile balance that helped families in month-to-month survival was destroyed. Interviews demonstrated that in the first month after the Tsunami, many migrant workers could not find their families as members had died or were displaced. It took them 14 to 30 days to locate them, using mobile phones (calls and SMS text messages) for contacting friends and relatives. Even after having found them, most migrants could not return to care for their families in the emergency period, for a number of reasons: the worker had just started his/her first year of work in Malaysia and Singapore and had to use all of his/her income to repay the *calo*; he/she had entered the destination country illegally and could not risk arrest by leaving the country; he/she did not receive permission for a leave of absence from the employer; or most family members had died, including the parents, and it was pointless to return to care for a surviving sibling.

A respondent who managed to return located her entire family in an IDP camp. She reported that she had returned with a plane load of other workers in the beginning of February 2005. She had been fortunate to receive a leave of absence from her employer for one month, and in addition, her employer made a charitable contribution of RM 1000 (approximately US$ 266). She brought money, food, clothes, and gifts to help her family, especially her widowed mother, through the emergency period. For the whole month, she stayed with her family in the camp. She was very thankful for the foreign aid assistance they had received in the camp because it alleviated her burden. By the time she left, her family had returned to rehabilitate their partly damaged home.

Another respondent had a sister who flew from Malaysia to Aceh two weeks after the Tsunami. In former times she had used to frequently send remittances to her family. But since starting her own family in Malaysia, she sent less money and tended to focus on her mother's needs. In the aftermath of the Tsunami, she ensured that her mother was relocated to a relative's house and had sufficient funds, food, medicine, and clothes. She did not provide any assistance to her brother as she expected him (who lived in Banda Aceh) to be self-sufficient.

Migrant workers, who were willing but not able to return and had some savings, sent emergency remittances via friends and relatives. Six respondents who were in such a position reported that they sent the same amounts as before the Tsunami. In addition, according to the organizer of a migrant workers union, the union had implemented a fund raising campaign to supplement workers' remittances. Goods and cash (through cash transfers, grants and cash-for-work programmes) distributed to IDPs (internally displaced persons) by aid agencies were reported to be extremely important during the emergency, especially in geographically remote areas where such distributions were an alternative to regular channels.

Both formal and informal remittance channels were badly affected by the Tsunami. Corresponding banks for remittances as well as infrastructure were destroyed or severely damaged. Only two banks on the east coast of Aceh were operational by the first week of January 2005 (Kompas Newspaper 31/12/2004; BII by 14 January 2006). Although Western Union was functional within 24 hours after the Tsunami it had a limited coverage because its agents, such as the above mentioned banks, had suspended their operations. Money changers were only operational one to two weeks after the Tsunami. However, Pos Indonesia still managed to function. Correspondingly, according to the country's Central Bank, *Bank Republik Indonesia*, total official remittances received by the country over January and February 2005 were Rp. 177,680 million, a decrease by 7.3% against these months of the previous year. As this figure does not include remittances coming in through informal channels it can be inferred with a high probability that the decline was even stronger during the emergency period.

Although operators tried to revive the remittance channels as fast as possible, the main problem many migrant workers faced remained: they could not provide an address to where their families were re-located, and hence where remittances should be sent to. A mailing address is needed by Western Union, Pos Indonesia, and money changers for making contact with the rightful recipient. Using it to identify the recipient is an institutionalized practice in both formal and informal channels because many remittees from poor rural households do not have any identification papers. The problem of missing mailing addresses became a serious issue as formal remittance sending companies made efforts to promote more transfers during the emergency period. Singapore Post (Sing Post) announced a temporary commission waiver of the remittance service to the Tsunami hit areas, but when asked whether this had increased the amount of remittances or the volume of transactions, Sing Post responded that against expectations the trend remained unchanged during this period.

By February – March 2005, the remittance patterns started to recover. This may have been enhanced most by the network of money changers. According to a key actor in the currency exchange business, they took the initiative to put an emergency communication system in place, using the *flexsi* local mobile phone network which covers a radius of seven km around each main town in every district. By this, they could help migrant workers to contact their families. Locations of IDP camps could then be provided to the money changers who then made arrangements to either deliver the funds to functioning bank accounts that the IDPs could piggyback on, or sometimes even directly to the camps. By mid-2005, respondents observed that more migrant workers were returning to Aceh bringing money and gifts. By end-2005, both formal and informal remittance systems were operating at a higher capacity for the *Idul Fitri* celebrations in November. This suggests that the remittance corridor was fully restored.

6. Conclusions and Policy Implications

While aid agencies focused their attention on meeting the basic needs of the Acehnese after the Tsunami, very little is understood about the role of household behaviour, particularly that of migrants' households. Because migrant workers are not available for interviews or surveys in the region, their contributions remain largely hidden. Aid agencies were quick to make a strong assumption that the Acehnese were not able to cope with the natural disaster. But as the presented fieldwork highlights, a migration route and remittance corridor had been long established as a social protection strategy to cope with the situation.

While attempts to stimulate the economy and to particularly address regional disparities are going on, this should be complemented by the provision of key public services. In cooperation with the families, the private sector - including recruitment agencies, makeshift transport providers *(becak* and *labi-labi*), and money changers – is filling the gap of tasks that should be taken over as a main responsibility by the public sector. By managing these services, the Government of Aceh would be able to better support the coordination of labour mobility. This in turn would produce positive welfare effects for the economy in a state that can barely afford to provide benefits to its citizens.

The poverty alleviation strategy being considered for Aceh at the early 21st century focuses on increasing the productivity of the agricultural and fisheries sectors, as well as on a strategy to enhance the capabilities of the poor and linking them to growth poles in urban areas. In addition, the government of Aceh is urged by the World Bank to diversify the economy away from natural resources and to increase the transparency of the distribution and use of revenues. However, such a diversification strategy is politically sensitive, given the issue of national – provincial use of these resources. To strengthen the poverty alleviation strategy, migrants' incomes and remittances as well as the positive externalities they convey have to be accounted for. Priority should be given to both aggregate level growth and disaggregated level redistribution. This can be done by establishing or improving public provision of additional bank and post office branches in remote areas; a larger coverage of local newspapers with recruitment ads; subsidies for private sector transport providers that will give them an incentive to expand their routes; and improved mapping of residential areas. This range of services can be provided at the local level and be concentrated where communities with the highest migration density are located.

A policy option of improving services provision associated with out-migration might appear counter-intuitive. Instead, there is a tendency for policymakers to support targeted transfers to the poor or make some loose claim about pro-poor growth without clearly articulating what this means. But in the context of Aceh's population who has a long-established tradition of circular migration, the suggested policy option should be promoted. Out-migration, as well as trading and social networks extending across the Malacca Strait constitute a comparative advantage for Aceh. The movement of labour implies availability of financial capital, skill formation and up-grading, and transfer opportunities. In the short to medium term, by letting market mechanisms work, this option might produce more welfare than attempts to enhance labour productivity in local agriculture. It challenges policymakers to rethink the concept of labour markets in the context of a post-conflict, poverty stricken and public services deprived society. Put another way, perhaps in this context policymakers should promote policies that let local markets work on their own in the short run and be *laissez-faire.*

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Annex

Map 1: Migration Route and Remittance Corridor

Notes: Fieldwork was carried out in the two areas marked as boxes. Former migrant workers and household members were interviewed in Aceh and current migrant workers were interviewed in Malaysia. The out-migration route can be traced from Aceh to Medan and then to various urban areas in Peninsula Malaysia and Singapore.

Overseas Migration and its Socio-Economic Impact on the Families Left Behind In Pakistan

Izhar A. Khan[1] and Beatrice Knerr[2]

1. Introduction

International labour migration offers an outlet for frustrated unemployed workers who might otherwise create serious problems for their families, communities, and countries. At the same time it produces valuable inflows of remittances for the migrants' home countries thus contributing to livelihood security and higher living standards there. As a result, policy makers in many low-income countries encourage overseas migration of their citizens to reduce unemployment at home and to attract foreign exchange to counterbalance trade deficits and to stimulate economic growth. According to the International Organization of Migrants (IOM 2011), there were 214 million international migrants in the world in 2010; that is, one out of every 33 persons in the world is an international migrant. The majority comes from low-income countries. In this global context, Pakistan is among the most important source countries of international labour migrants.

Legal labour migration from Pakistan is well monitored. According to official data issued by the Pakistani Government Bureau of Emigration and Overseas Employment (BEOE), the total number of international labour migrants from Pakistan reached four to five million over the 2000s. The principal destinations were the Middle East countries with 45% of the migrants, followed by Western Europe (29%) and the U.S. (23%) (BEOE 2011). At the

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same time, remittances are a major source of foreign exchange for the country, they have permanently grown over the 2000s (IMF 2011).

Migration, a permanent or temporary change in residence, involves significant changes in the life of the migrant as well as in the lives of those who are left behind. The economic impact of overseas work on the families staying back in the countries of origin has increasingly attracted the attention of policy makers and scientists whereby the remittances receiving families' spending patterns and their implications for the home countries has been a major focus of interest (Ratha 2006). The results about the long-term impacts on household level are mixed. Durand et al., in their comparative analysis of migrants' and non-migrants' families in the late 1990s, found that over the period considered the economic gains of the first were not much higher than those of the last (Durand et al. 1996). The members of families without migrants enhanced their educational level and skills and engaged in earning activities, while the overseas migrants, in contrast, had neither improved their formal nor their informal skills as they had been mostly occupied in non-technical unskilled jobs.

Monetary remittances have become the most visible yardstick for assessing the ties connecting the migrants with their societies of origin. Because of their importance to the labour exporting economies they tend to be almost the only measured aspect of the success of migration from the point of view of migrants' countries of origin.

Remittances immediately raise the recipient households' and countries' standard of living. They can augment income and savings, facilitate purchases of consumer durables and productive assets, and alter the local income distribution. They are a means of risk diversification and can provide investment capital to those who do not have access to credits via capital markets.

Still, beyond the purely material impacts which remittances have on the well-being of the families left behind, there are far-reaching social repercussions which have been largely overlooked in the scientific literature as well as in migration-related policy-making, repercussions which often show their full-fledged consequences only in the long term, in many cases only in the next generation. It is the aim of the research presented in this paper to bring also these aspects into light. For this purpose, an in-depth empirical investigation was conducted in the Pakistani province of Punjab. It hypothesizes that international migration improves the material well-being of families left behind in rural regions and beyond that has a significant impact on their social situation. The authors compare the socio-economic conditions of the migrants' families before and after migration, provide insights into the socio-economic effects of remittances on the families left behind, and suggest policy measures which address the identified problems.

The paper is organized as follows. After this introduction, the migration and remittances patterns are described in section 2, and the methodology used in section 3. Section 4 presents the results of the empirical field research. Section 5 concludes with policy recommendations.

2. Migration from and remittances to Pakistan

According to the BEOE (2011), 5.5 million Pakistanis were living outside the country in 2010, almost half of them in the Middle East, 29% in Europe and 23% in North America (see Table 1). The country's colonial ties with the UK may have encouraged the comparatively high share of permanent migration to this country. Only 1.6% had moved to neighbouring Asian countries.

Table 1: Overseas Pakistanis (OPs) by host countries

Country	No. of OPs 2010	No. of OPs 2004	Share in 2010 %
Saudi Arabia	1,200,000	950,000	21.8
United Kingdom	1,200,000	850,000	21.8
United States of America	900,000	650,000	16.4
Canada	300,000	200,000	5.5
United Arab Emirates	737,791	470,000	13.4
Oman	152,388	n.a.	2.8
Kuwait	150,000	101,499	2.7
Qatar	83,000	55,000	1.5
Greece	80,000	32,500	1.5
Italy	98,588	n.a.	1.8
Others*	598.233	276.553	10.9
	5,500,000	**3,585,552**	**100,00**

* Among them South Africa, Bahrein, Malaysia and France with 1,1% each, Spain (0,9%), Netherlands (0,7%), Denmark (0,6%) and Norway (0,5%)
Source: Ministry of Foreign Affairs, Pakistan, 2004 and 2011 (based on Data from BEOE)

Overseas employment has become one of the most important elements of Pakistan's economy. Thousands of workers are proceeded to abroad each year through the BEOE, and their remittances occupy a central position in Pakistan's foreign exchange earnings. In 2010 they reached US $ 9,407 billion with more than two billion coming from Saudi Arabia and almost one billion from the United Arab Emirates and the United Kingdom each (see Table 2). They are a major determinant of the country's GDP, provide opportunities to embark upon development projects, and initiate a broad spectrum of economic activities. Without them, the country's economic development would have been far less dynamic.

Table 2: Workers' Remittances to Pakistan 1972/73 to 2010

fy*	US$ Million	fy	US $ Million
1972-73	136	1991-92	1,467
1973-74	139	1992-93	1,562
1974-75	211	1993-94	1,446
1975-76	339	1994-95	1,866
1976-77	578	1995-96	1,461
1977-78	1,156	1996-97	1,409
1978-79	1,398	1997-98	1,490
1979-80	1,744	1998-99	1,060
1980-81	2,166	1999-00	984
1981-82	2,225	2000-01	1,087
1982-83	2,886	2001-02	2,389
1983-84	2,737	2002-03	4,237
1984-85	2,446	2003-04	3,872
1985-86	2,595	2004-05	4,169
1986-87	2,279	2005-06	4,601
1987-88	2,013	2006-07	5,998
1988-89	1,897	2007-08	7,039
1989-90	1,942	2008-09	8,619
1990-91	1,848	2009-10	9,407

*) fiscal years (Covering 6 months of the first, and 6 months of the second year)
Source: State Bank of Pakistan 2011

At the same time it has been observed that remittances bring only minor benefits for the country's long-term economic growth and for a sustainable increase in the migrants' families' income level which is partly ascribed to a lack of policy for guiding their use. Migrants have neither training nor institutional orientation to invest their hard earned money in profitable activities which could earn stable revenues and at the same time support the country's economic development as well as the provision of employment opportunities. Instead, a large, probably the largest, share of remittances is spent on real estate in various farms.

The provinces NWFP and Azad Kashmir attract the highest amount of remittances due to the large number of migrants from those areas working abroad, particularly in the Gulf States. Gazdar (2003) reports that 10% of all households in NWFP received remittances in the early 2000s. According to Shah (2006), in Azad Kashmir remittances on average reached 25% of households' income in 2001. Such statistics are to be considered with care, however, when it comes to drawing conclusions about national income growth and poverty alleviation. Migration, and the resulting remittances are distributed unevenly, and livelihoods in Pakistan vary significantly according to the geographical situation, especially altitude and rainfall (Steimann 2005). Most of the labour migrants to the Gulf come from areas of low agricultural productivity (Gazdar 2003).

The 11th September 2001 destruction of the New York Twin Towers by crushing-in airplanes, directed by terrorists with an Islamistic background brought major changes for Pakistanis' conditions of international migration (Gazdar 2003). First**,** in two of the major destinations of Pakistani migrants, North America and Europe, much stronger immigration restrictions had to be faced than before. As these pathways had provided important mobility channels, these changes diminish the economic opportunities for a many, at least in the short to mid-term. If they persist, they will result in longer–term impacts on entire communities which might have expected that international migration could serve as a route to upward economic mobility.

Second**,** the financial insecurity of Pakistani migrants abroad has increased. Law enforcement agencies investigated the financial assets of persons from countries suspected of supporting terrorism. This caused certain unrest among migrants as well as other Pakistanis holding savings abroad, which manifested itself in a significant increase in remittance transfers to Pakistan after 2001. The most salient change in this context was an almost 10-fold increase in remittances from the U.S. between 2000 and 2010. At the same time, suspicions that the Hundi or Hawala system had been used to launder money for terrorism has caused many remitters to turn to formal banking channels for sending their money to Pakistan. The short-term financial impact for Pakistan's economy, therefore, was positive, and as far as the incoming funds have found productive investment opportunities in Pakistan, they may also entail long-term benefits.

The impact of remittances can be studied at the micro (household) level, the community level, and the macro (national) level. As the transfers flow directly from the workers abroad to their families back home, the primary impact is on household income. Part of the remittances usually is spent at the place where the recipients are living; sometimes they are also channelled into community or social purposes; or to local organizations, implying an immediate impact on community development. They may also be sent jointly by groups of migrants (e.g. "hometown associations") for public purposes of their home communities. When remittances reach a significant share of the national balance of payments their impact also is felt in many macro-economic indicators. Further, remittances can be sent in form of consumer or capital goods ("remittances in kind"), skills ("remittances of human capital") or social attitudes and behaviour ("social remittances"). The impact of these forms of remittances might be less visible in the short term and more difficult to trace.

Table 3: Workers' remittances to Pakistan by country of origin (in US $ million)

Country	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2010
Bahrain	23.87	39.58	71.46	80.55	91.22	94.79	115
Canada	4.90	20.52	15.19	22.90	48.49	51.32	312
Germany	9.20	13.44	26.87	46.52	53.84	56.33	93
Japan	3.93	5.97	8.14	5.28	6.51	7.45	19
Kuwait	123.39	89.66	221.23	177.01	214.78	246.47	247
Norway	5.74	6.55	8.89	10.19	18.30	21.22	43
Qatar	13.38	31.87	87.68	88.69	86.86	89.22	504
Saudi Arabia	304.43	376.34	580.76	565.29	627.19	750.44	2022
Oman	38.11	63.18	93.65	105.29	119.28	120.23	191
UAE	190.04	469.49	837.87	597.48	712.61	716.30	911
U.K	81.39	151.93	273.83	333.94	371.86	438.65	908
U.S.A.	134.81	778.98	1,237.52	1,225.09	1,294.08	1,242.49	579
Other countries	88.40	293.28	727.64	567.93	507.27	753.20	3,463.00
Cash Flow Total*	**1,021.59**	**2,340.79**	**4,190.73**	**3,826.16**	**4,152.29**	**4,588.11**	**9,407.00**

*Excluding encashment and profits of Foreign Exchange Bearers
Source: State Bank of Pakistan, Govt. of Pakistan, 2005-06, IMF for 2010 (Estimates based on migrants' stocks)

A study carried out by ESCAP (1986) demonstrated that already in the early 1980s, remittances had a positive effect on Pakistan's economic growth as they alleviated pressure on the balance of payments and bolstered domestic savings (ESCAP 1986). Based on regression analyses, Knerr confirmed a significantly positive effect of remittances on GDP growth in Pakistan (Knerr 1996). Investigating the impact of workers' remittances from the Middle East, using time-series data for 1969/70 to 1985/ 86, Burney (1987) showed that foreign exchange remittances had helped to reduce Pakistan's current account deficit, and external debt burden, improved its debt servicing ability, and mitigated the need for additional foreign loans; although the study emphasized that the exact magnitude of remittances' contribution to the country's GNP growth is unknown. Applying a simple Keynesian structural model to estimate the remittances multiplier for Pakistan's GDP with data from the period 1959/60 to 1987/88 Nishat and Bilgrami (1993) found a multiplier of 2.4, operating primarily through consumption expenditures. Evidence from a study in rural Pakistan suggests that remittances by international migrants have a significantly positive effect on the level of land and livestock holdings, whereas remittances from internal migrants seem to have no effect on the accumulation of income-generating assets (Adams 1998). Similarly Alderman (1996), based on five-year panel data from rural Pakistan, found that remittances were primarily spent on consumption and only to a smaller share invested in land and buildings but still contributed significantly to rural accumulation. Amjad (1986), based on survey data from the 1986 ILO/ARTEP Phase II migration study of Pakistan, discovered that remittances financed significant portions of aggregate consumption, residential property, and other investments, and also that growth rates in small-scale manufacturing, construction, transport, communication, wholesale and retail trade were positively affected by the inflow of remittances. Yet, remittances might also have a negative effect on productive household resources in Pakistan. Using data from the IFPRI/PIDE 1986 urban survey Kozel and Alderman (1990) found a significantly negative impact of remittances on male labour force participation.

3. Methodology

To test the research hypothesis, a cross sectional study was carried out in two districts of Punjab Province in Pakistan, Jhelum and Gujrat, from where a large share of the labour force has moved to Europe and to the Middle East. Interviews with a structured questionnaire were conducted with 300 household heads of left behind families. Due to the close family ties and joint decision making of family members it could safely be assumed that the household head possesses all the knowledge relevant to this study. The sample size was determined in view the level of variation in the socio-economic characteristics and the plan of analysis.

After a pre-testing with twenty respondents some modifications were made in the questionnaire before the start of the field work. The interview team was recruited from post graduate students of the Faculty of Agriculture Economics and Rural Sociology at the University of Agriculture Faisalabad (UAF) who were trained intensively. For acquiring reliable, consistent and unbiased responses the field work was supervised by the research scholars, and a co-supervisor was chosen from the UAF's Department of Rural Sociology.

Descriptive statistical techniques such as frequency distribution, means and standard deviation are employed to show the survey results regarding the migrants' households' material situation, and different statistical tests such as Chi-Square, Gamma, and Pearson's Correlation were carried out to explore the relationship between different predictive variables.

The relationship between the socio-economic situation of the households left behind by the migrants (dependent variable) and various personal and household characteristics (predictive variables), are examined by regression analyses. The dependent variable has been formed by an aggregate of the following components: children's education; economic conditions (expressed by ownership of durable consumer goods); family relations, and social relations (expressed by problems in dealing with relatives, personal insecurity, and problems in arranging sons' or daughters' marriage). As independent variables, in addition to remittances, the following variables have been considered: migrants' age, education, nature of job, pre-migration economic condition, household expenditures, migrants' households' social conditions before migration, use of remittances, and family relationships. In the questionnaire qualitative categories were reflected on Likert scales. Before deciding on the application of this model, the assumptions of normality and homogeneity of variances were verified. The linear regression allows to identify the relative significance of each independent variable through partial regression coefficients (ß's) and t-tests. The overall fitness of the model was established through the coefficient of determination R^2.

4. Descriptive analysis of the survey results

4.1 Socio-Economic characteristics

The migrants' socio-economic characteristics at the time of the interview are shown in Table 4. At the time of the interview more than half were elder than 40 years, with about one third of them aged 41 to 50, indicating that the majority had spent their productive working ages in overseas countries.

Educational attainment plays a vital role in shaping migration behaviour. 60% of the migrants had visited school up to eight years whereas 18.7% had a level of between nine and twelve years; 7.7% were illiterate. The migrants thus showed a quite representative level of education as compared to the Pakistani average. Although their level of schooling is rather low their economic conditions had sufficiently motivated them to undertake the step of overseas migration.

41.3% of the migrants had established their own business abroad, while only 17% were in a permanent job overseas. One-third worked on a daily-wages basis; the fact that they had no stable job indicates that they might have migrated recently and maybe also illegally. 8.3% were temporary or seasonal workers. This profile is similar to that found already in the 1970's to 1990's (see e.g. Prakash (1978). In the early 1990s the majority of Pakistan's migrant workers were doing laborious and lowest paid jobs. Yet, as emphasized by Arif and Irfan (1997) overseas work experience may be an agent for individual social change, and migrants upon their return could move towards an occupation which provides them higher income and social status; in fact, 60% of their sample had changed their profession and/or moved to business after their return.

Table 4: Socio-economic characteristics of the migrants at the time of interview

Personal characteristics	**Number**	**%**
Age (years)		
up to 30	62	20.7
31-40	87	29.0
41-50	103	34.3
51-60	43	14.3
≥ 61	5	1.7
Mean = 42.04; S.D = 19.630		
Education (Years of schooling)		
Illiterate	23	7.7
1-8	180	60.0
9-12	56	18.7
≥ 13	41	13.7
Mean = 10.25; S.D = 2.707		
Type of job		
Daily wage labour	100	33.3
Temporary/seasonal	25	8.3
Permanent job	51	17.0
Own Business	124	41.3

Source: Authors' survey

Table 5 shows the migrants' socio-economic characteristics before migration. More than three quarters of the migrants (77%) were mainly engaged in non-farming occupations before they had migrated. In addition to this primary source of income, they usually had other income sources, like livestock or small shops.

Landholding is an important indicator of socio-economic status in Pakistan. About half of the migrants did not possess no agricultural land before migration, and 38% had only one to three acres. The majority of the farming migrants were landowners but their average land size was just 1.6 acres. Landholdings in Pakistan are fragmented on a regular basis due to the inheritance customs, while at the same time farm labour is steadily increasing due to high birth rates. This results in surplus labour and increasing land fragmentation and is the main reason for smallholders to withdraw from cultivation as they cannot feed their families from such small plots. Instead they look for alternative opportunities, both inland and overseas.

The non-farmers' average annual income before departure was Rs. 9,637[3]. Almost all of the farmers (95.4%) had earned less than Rs. 1,000, which indicates that low income compelled them towards international migration to improve their living standards. The mean annual expenditures before migration were Rs. 6,020. The majority (63.6%) of the non-farmers had spent up to Rs. 5,000 p.a., and 15.7% more than Rs. 10,000.

The ownership and quality of the residential house is a strong indicator of the esteem a person enjoys in the Pakistani society. All respondents reported that the family possessed their own house already before migration. About three quarters had a brick house (Pucca) and one quarter had been living in a mud house (Kutcha), which means that before migration they had dwelled under poor economic conditions.

The ownership of commercial property reflects the family's financial stability. One quarter of the respondents reported that they had such property before migration.

The largest share (71.3%) of the sample population was unmarried before their departure. Those who were married had comparatively small families.

[3] In mid-2010, 100 Pak. Rupees were around 1,05 US$ or, 0,83 €uro.

Table 5: Socio-economic characteristics of the migrants before migration

Characteristic	Number	%
Marital status		
Married	86	28.7
Single	214	71.3
No. of male children		
None	283	94.3
1-2	9	3.0
≥ 3	8	2.7
Mean = 1.0833; S.D = 0.360		
No. of female children		
None	274	91.3
1-2	6	2.0
≥ 3	20	6.7
Mean = 1.1533; S.D = 0.513		
Occupation		
Farming		
- as land owner	64	21.3
- as tenant	5	3.7
Non-farming	231	77.0
Land size		
No land and ≤ 0.5 acre	153	51.0
< 0.5-3 acre	114	38.0
> 3	33	11.0
Mean = 1.61; S.D = 0.679		
Monthly income of farmers (Pak. Rs.)		
≤ 1,000	286	95.4
1,001-10,000	7	2.3
> 10,000	7	2.3
Mean = 1,008; S.D. = 5,370		
Monthly income of non-farmers (Pak. Rs.)		
≤ 5,000	184	61.3
5,001-10,000	69	23.0
> 10,000	47	15.7
Mean = 9,637; S.D. = 26,896		
Status of the residence		
Own Katcha	70	23.3
Own Pacca	230	76.7
Ownership of commercial property		
Yes	76	25.3
No	224	74.7

Characteristic	Number	%
Value of commercial property (Pak. Rs.)		
≤ 250,000	246	82.0
250,001-500,000	36	12.0
> 500,000	18	6.0
Mean = 438400; S.D. = 972,654		

Source: Authors' survey

4.2 Investment out of remittances

Table 6 shows the amount of remittances transferred to the respondents by overseas migrants. The majority (58%) received between Rs. 25,000 and Rs. 50,000 p.a., with a mean of Rs. 27,283. The left behind families, in addition, received remittances on different special occasions, e.g. when need arose, when assets would be purchased, or when the migrant visited home.

Table 6: Frequency of remittances received by amount

Remittances received, Pak. Rs.	F	%
Annually		
≤ 25,000	117	39.0
25,001-50,000	174	58.0
> 50,000	9	3.0
Mean = 27,283; S.D. = 19,953		
Bi-annually		
≤ 25,000	156	52.0
25,001-50,000	131	43.7
> 50,000	13	04.3
Mean = 26,003; S.D. = 29592		
At any necessity		
≤ 200,000	193	64.3
200,001-400,000	24	10.7
> 400,000	13	04.3
Mean = 119,033; S.D. = 139266		
At purchase of assets		
Nothing	192	64.0
≤ 500,000	44	14.7
500,001-1,000,000	39	13.0

Remittances received, Pak. Rs.	F	%
> 1,000,000	25	8.3
At migrant's home visit		
≤ 400,000	207	69.0
400,001-800,000	24	8.0
> 800,000	8	2.0
Mean = 213500; S.D. = 416360		

Source: Authors' survey

Durable consumer goods owned before and after migration

Table 7 shows that the majority of the surveyed households did not own expensive household items, such as motor cycle or video, before migration, while afterwards almost all the left behind families possessed such assets. This demonstrates the strong economic impact of overseas migration on the families' wealth situation.

Table 7: Durable consumer goods purchased before and after migration

Item possessed	Before migration		After migration	
	Yes	%	Yes	%
Motorcycle	156	52.0	255	85.0
Motor car	47	15.7	192	64.0
Jeep	5	1.7	77	25.7
Television	202	67.3	300	100.0
Tape recorder	162	54.0	298	99.3
VCP/VCP	148	49.3	298	99.3
Video camera	3	1.0	85	28.3
Camera	50	16.7	236	78.7
Mobile phone	25	8.3	299	99.7
Refrigerator	192	64.0	300	100.0
Juicer/Blender	69	23.0	282	94.0
Food factory	63	21.0	267	89.0
Deep freezer	62	20.7	279	93.0
Micro-wave oven	49	16.3	278	92.7
Suitcases	282	94.0	298	99.3
Blanket	297	99.0	300	100.0
Electric iron	234	78.0	300	100.0
Jewellery	253	84.3	297	99.0
Computer	8	2.7	168	56.0

Source: Authors' survey

Purchase of commercial assets after migration

Table 8 shows to which extent remittances were spent on commercial property. This reveals the migrants' families' economic situation as well as their social status. The majority (67%) had purchased a residential plot. Almost 30% of the households had invested in shops, in some cases with substantial amounts of more than four million Pak. Rs. Even more was spent on houses for renting purposes; four households invested more than 10 million Pak. Rs. in such buildings.

Table 8: Commercial assets purchased after migration

Items purchased (multiple answers)	**F**	**% of respondents**
Residential plots	202	67.4
Commercial plots	66	22.0
Shops	89	29.6
Houses for renting purpose	70	23.3
Business	66	22.0
Value in Pak. Rs.		
Residential plots		
≤ 1,000,000	65	21.7
1,000,001-2,000,000	62	20.7
> 2,000,000	75	25.0
Commercial plots		
≤ 200,000	29	9.7
200,001-400,000	21	7.0
> 400,000	16	5.3
Shops		
≤ 2,000,000	67	22.3
2,000,001-4,000,000	15	5.0
> 4,000,000	7	2.3
Houses for renting purpose		
≤ 5,000,000	55	18.3
5,000,001-10,000,000	11	3.7
> 10,000,000	4	1.3
Business		
≤ 1,000,000	48	16.0
1,000,001-2,000,000	11	3.7

Items purchased (multiple answers)	F	% of respondents
> 2,000,000	7	2.3

Source: Authors' survey

Investment in agricultural land and farm assets

Ownership of agricultural land is an important determinant of a family's socio-economic status in Pakistani village life. Those who are engaged in farm activities prefer to purchase land and machinery which is also related to Pakistani values, as expansion of agricultural activities provides honours and respect to farm families. This issue has been explored in our study by asking for investment in agricultural land and farm equipment such as tractors, cultivators, rotovators, threshers, drills and tube wells. Table 9 shows that a considerable share of the respondents had invested substantial amounts in such items, which reveals that the migration of their family member made an important change in their economic and social status.

Table 9: Investment in agricultural land and farm assets (Value in Pak. Rs).

Agricultural land and farm machinery	F	% of respondents
Size of agric. land, acre		
Not purchased	169	56.3
1.5	58	19.3
6-10	44	14.7
> 10	29	9.7
Value of agric. land		
≤ 1,000,000	71	23.7
1,000,001-2,000,000	43	14.3
> 2,000,000	17	5.7
Farm machinery		
Tractor	37	12.3
Cultivator	37	12.3
Thresher	35	11.7
Value of tractor		
≤ 300,000	15	5.0
300,001-425,000	13	4.3
> 425,000	9	3.0

Agricultural land and farm machinery	F	% of respondents
Value of cultivator		
≤ 15,000	20	6.7
15,001-30,000	12	4.0
> 30,000	5	1.7
Value of thresher		
≤ 40,000	12	4.0
40,001-50,000	14	4.7
> 50,000	9	3.0

Source: Authors' survey

Investment in livestock

Livestock is an integrated part of agriculture and rural life in Pakistan. It is a major basis of livelihood for the majority of the rural population, and plays a vital role in poverty alleviation. People invest in livestock to enhance and stabilize their income. Table 10 shows the amount of livestock and the number of poultry farms purchased by the migrants' families after migration. Almost 20% reported that they purchased oxen, while 13.7% resp. 10.0% had bought buffalos and cows.

Table 10: Investment in livestock (Value in Pak. Rs.)

Kind of livestock	F	%
Buffalo	41	13.7
Oxen	58	19.3
Cow	30	10.0
Goat	16	5.3
Poultry farm	11	3.7
Buffalo		
≤ 100,000	31	10.3
100,001-200,000	7	2.3
> 200,000	3	1.0
Oxen		
≤ 150,000	15	5.0
150,001-275,000	19	6.3
> 275,000	24	8.0

Cow		
≤ 20,000	16	5.3
20,001-30,000	9	3.0
> 30,001	5	1.7
Goats		
≤ 5,500	6	2.0
5,501-8,800	6	2.0
> 8,801	4	1.3
Poultry farm		
≤ 35,000	6	2.0
35,001-43,000	4	1.3
> 43,001	1	0.3

Source: Author's survey

5. Migration and remittances impact on households' socio-economic conditions

As explained above multivariate regression analysis is used to establish the relative importance of each of the intervening variables in terms of explained variation in the dependent variables. They indicate the rate of change in the response variables when the independent variables change by one unit. The relative significance of each of the predictor variables is estimated by the standardized partial regression co-efficients (Beta's), and the multiple co-efficient of determination (R^2) is used to measure how well the independent variables explain the dependent variable (goodness of fit of the model).

Table 11 displays the values of Pearson's correlation coefficients calculated to reflect the relationships between migrants' characteristics, household pre-migration conditions, and extent and use of remittances (independent variables) on the one hand, and changes in the socio-economic conditions (dependent variable) on the other hand. All coefficients are highly significant (at level 0.01) or significant (at level 0.05). The significance of the relationship emerged is confirmed through chi-square and Gamma test.

Table 11: Relationships between socio- economic conditions of the migrants' households and migration impact

Dependent variable: migration impact

Predictive variables	Pearson's co-relation[1]	Chi-Square Value	Standardized Coefficients Beta[2]
Migrant's age	0.345**	58.041*	0.072*
Migrant's education	0.532**	102.143*	0.295**
Nature of migrant's job	0.215**	125.142**	0.035 NS
Pre-migration economic condition (income) of the migrant	-0.142**	151.156**	-0.242**
Monthly household expenditures before and after migration	-0.006 NS	143.375**	0.001 NS
Household's social conditions before migration	-0.137**	168.213**	-0.121**
Remittances received from the migrants	0.432**	120.981**	0.482**
Uses of remittances received	0.604**	108.499**	0.385**
Family relations	0.261**	133.089**	0.110*

Adjusted R^2 value = 0.547
**: Correlation is highly significant at the 0.01
*: Correlation is significant at the 0.05 level
NS: Non-significant
[1] Pearsons correlation measures the relationship between two variables. It can be (-1) to (+1); the higher its absolute value, the stronger is the relation.
[2] Standardized coefficients or Beta coefficients are the results of estimates in multiple regression analyses carried out with variables that have been standardized because they have been measured in different units. They are calculated so that their variances are 1; they show how many standard deviations the dependent variable will change per standard deviation increase in the independent variable.

The most important variables (P>0.01) determining the households' socio-economic situation are remittances received, uses of remittances, migrant's education, and migrant's pre-migration economic conditions, with regression coefficient of 0.482, 0.385, 0.295, and 0.242 respectively. The less significant variables (P>0.05) are age of the migrants and family ties. The value of R^2 is 0.547 which indicates that the variables given in the model explain 54.7% of the variation in the dependent variable. As it is higher than 0.4 the model is regarded as best fit.

6. Conclusions

Our results demonstrate that overseas migration has improved the economic conditions of individuals and left behind families. It contributed to alleviating poverty and reducing economic vulnerability. At the same time it had a strong and significantly positive impact on their social conditions.

At the macro level, remittances belong to the major sources of foreign exchange earnings of Pakistan's economy. They have helped to reduce the country's balance of payment deficits and to finance the import of capital goods and essential inputs. Also, they provide working capital in form of bank credits for entrepreneurs from remittances deposited on their bank accounts.

It might appear that a comparatively large share of the remittances the households received have been spent on consumption instead of productive investment which could help to secure the families' livelihood or lift them on a sustainable higher income. However, the question whether some spending categories are to be considered as consumption or rather as investment is debated. One school of thought argues that remittances which are primarily used for the purchase of land, housing, jewellery or household consumption, instead of being devoted to productive investment, do little to promote economic development. An alternative view is that the same expenditures serve the purpose of long-term income stabilization under prevailing conditions and they also have positive multiplier effects in the wider economy as they accrue to somebody else, who in turn would spend them. This applies in particular if the money is spent on domestically produced goods and not on imported ones. In addition, expenditures on housing, education or health care are to be considered as investment in human capital that will eventually enhance productivity in families which previously were living under poor conditions with little access to such services. Also marginal expenditures on durables and investment are higher among households with migrants than among those without migrants.

Given these results, policy makers should consider to support the channelling of remittances into the banking system by savings programs which offer attractive interest rates and security. This should provide working capital to professional entrepreneurs who would expand production and create employment, providing a win-win-situation for the migrants' families, the companies and the state.

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Migration in East Java, Indonesia: Implications for Family Welfare and Rural Development

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1. Introduction

Since the 1970s Indonesia has experienced significant structural changes in all sectors of its economy in terms of employment, capital intensity, productivity and output levels, lead by the growth of its manufacture sector. This development has been accompanied by tremendous changes in migration from rural areas to domestic urban centres as well as to foreign countries.

Indonesia's rural regions are characterized by wide-spread poverty, underemployment, and surplus of low-skilled labour. As a result, countryside households have used migration strategies to allocate their labour resources across different sectors to increase their income and reduce overall risks. Internal rural-to-urban migration, however, to a large part has ended up in unemployment, causing problems in urban as well as rural areas. Hence, since the early 1990s, Indonesia's rural population has increasingly resorted to international migration, which was also supported by the government. These movements are expected to further accelerate, due to growing labour supply, limited domestic job opportunities, better education of the labour force, proliferation of mass media, more efficient transport systems, and increasing involvement of professional migration services, supporting both legal and illegal migration. This development has a variety of macro economic, regional and household level consequences which need to be monitored and managed. Coping with them requires a broad spectrum of information which, however,

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is scarce, despite their importance for the country's development as little is known about the causes and consequences of these movements in the communities and households the migrants come from; the changes they imply for rural regions; and the requirements of appropriate policy measures. In particular, the extended informal migration system escapes from official statistics and observations.

The research presented in this paper contributes to filling this gap. It analyses determinants and consequences of labour movements focusing on Malang Regency in East Java Province, a region with extraordinarily high rates of out-migration. Based on that it identifies factors which are essential for designing policies and programs to promote rural development under conditions of high labour out-migration and associated remittances. Specifically the following research questions will be addressed: (1) Which factors influence a) the decision to migrate; and b) the decision where to move? (2) What are the consequences for the migrants' families' material well-being, considering the loss of family labour and the inflow of remittances?

The paper is organised as follows. Section 2 presents the theoretical framework of the investigation. Section 3 describes migration and rural development in Indonesia, and section 4 labour migration in the study area East Java. The methodology and the data base used are explained in section 5. Section 6 shows the results of the descriptive analysis and section 7 those of the econometric analysis. Section 8 summarises the conclusions.

2. The migration-development nexus: theoretical background

Migration is a reaction to felt economic disequilibria, and decision making in this context involves weighting and negotiating preferences, interests, and alternative strategies. It is determined by the migrant's individual characteristics, household and family situation, and surrounding economic, social and political conditions.

The most common reasons for out-migration from rural regions are intra-regional income gaps, and, in particular in economically less developed countries like Indonesia, unemployment. As elaborated in the Harris-Todaro model, over the migration decision process the returns to labour in the rural sector are compared with the expected wage rates in the urban sector, weighted by the probability of finding a job there (Harris and Todaro 1970; Todaro 1997). The individual probability and the total extent of migration increase with the expected difference between the urban and rural labour income, and the likelihood of finding employment. The movement would come to an end when it is zero, net of migration costs (Todaro 1997).

In the social context of Indonesia, individual migration in general is a household decision, fitting the classical model of the New Economics of Labour Migration (NELM) pioneered by Odet Stark (1991) and further developed and empirically tested by other authors (see, e.g., de Haas 2007, Schrieder and Knerr 2000). In that decision process, migrants'-remittances play a decisive role as insurance against income risks and compensation for weak capital markets which is particularly relevant in the structural context of Indonesia's rural regions where incomes are low and access to credit is difficult. In particular, it is observed that households use migration-cum-remittance strategies to overcome capital restrictions for purchasing land, productive assets, and durable consumer goods. Migration of one of its members is an investment which helps to secure the family's livelihood.

Remittances thus may allow the household to remain based in its rural community and may also entail benefits for the economic development in the regions the migrants come from. Hence, causes and consequences of migration are closely interwoven.

In addition, human capital theory predicts that the incidence of migration is higher among the young and the better educated because they have a longer time ahead over which, respectively a higher amount of human capital from which, returns of this investment can be reaped (Ehrenberg and Smith 2003).

Social networks play a central role in migration movements within and from Indonesia which makes the associated theory relevant for the present research. Networks among current and previous migrants on the one hand and would-be migrants on the other hand are a significant factor in facilitating labour migration as they reduce the costs and risks of relocation and job finding (Lin, Cook and Burt 2001; Taylor 2006). This applies in particular with regard to ties between migrants and household / family / kinship members (Massey et al. 1998; Davis et al. 2002).

Migration research has shown that population movements are strongly related to regional economic development. Studies in several countries demonstrate that this relationship is bidirectional, i.e. the level of economic development decisively determines migration while, in turn, out-migration usually triggers important economic changes (Fan 2005). They also indicate that the relationship between migration and regional development has become stronger over time, especially for rural areas.

3. Migration and Rural Development in Indonesia

Internal as well as international migration movements within and out of Indonesia are closely related to the development of the country's rural regions. They are essentially the result of poor economic conditions, and have been actively supported by government policies.

3.1 Rural poverty

In 2009, the number of poor people in Indonesia was estimated at 33 million, i.e. 14% of the population; 70% of them live in rural areas, usually as farmers (World Bank 2010). In addition, a large number of 'almost-poor' are living just above the poverty line, always at risk of sliding below (IFAD 2011). Half of all households remain clustered around the national poverty line of IDR 200,262[3] per month (World Bank 2010).

Poverty is increasingly concentrated among rural households: while 11% of the urban population is poor, this share is 17.4% in rural areas. The poorest tend to be farm workers and smallholders with plots of less than 0.5 ha. Women are particularly marginalized: they earn less than men, and in addition often are physically overworked because they have to attend to household work in addition to agricultural tasks (IFAD 2011). The high level of rural poverty is also related to the unregulated relations between communities and land which cause inequality and continuing conflicts.

With the Kecamatan Development Program (KDP), which was started in the midst of Indonesia's political transition period and decentralization process, and then expanded from a small scale of 25 villages in 1997 to 28,000 in 2003, the Indonesian government has made an important effort to alleviate poverty in rural communities and to improve local governance (World Bank 2005). As a main pillar of the national poverty strategy, the program

[3] In 2010, 100,000 Indones. Rupiah corresponded to around 10,47 US$ or 8,33 €.

emphasizes the principles of community participation, especially for women and poor villagers, transparency, competition for funds, and sustainability (Guggenheim et al. 2004). The village development strategy aims to improve community welfare and to reduce the number of poor rural households. Numerous projects have been launched for that purpose (see World Bank 2010). A major hurdle to success, however, is the competition for resources among various sectors; in many cases, the development of land exploitation for farming is in conflict with other claims and interests, resulting in uncompleted village development projects (ICARRD 2006).

In spite of Indonesia's considerable economic progress and significant poverty reduction, vulnerability in the country has remained high and many poor in particular in the rural regions did hardly benefit from the general growth. Three decades of authoritarian rule have undermined rural capacities and put heavy restrictions on community development as local governments were generally unaccountable and unresponsive to the needs of the citizens. Corruption was rampant and mismanagement of government projects and funds are still a burden, as explained by Wong (2003).

3.2 Rural-to-urban migration

Rural poverty and income drifts have pushed many people from rural areas to the cities in search for better-paid work. Rural-to-urban migration has become a general phenomenon in Indonesia with its own specific complexities. The growing stream of migrants who hardly have a chance to find a stable employment in the cities is no panacea for reducing rural poverty, however, and it entails problems in the rural as well as in the urban regions. Still, via migratory movements many peripheral villages have become more closely connected to urban markets and living conditions. Migrants have contributed to strengthen the linkages of the cities to their rural hinterlands and to change the social, economic, and demographic conditions in the villages by channelling important resources to rural areas in form of money, ideas, and goods (Hugo 2003). However, this also implies that rural regions have become vulnerable to the risks of urban sectors. For example, during Indonesia's economic crisis in the late 1990s the number of urban unemployed escalated as many were laid off, and a large number of casual workers, such as pedicab drivers and people engaged in the informal sector, lost their jobs[4]; at the same time many former manufacturing workers shifted to informal marginal jobs, like itirenan food traders, which put further pressure on the wage level and employment in these sectors (Firman 1999). A large part were migrants from rural regions who with their urban income had maintained their families in the villages. Consequently, due to reduced inflow of remittances and other resources, the standard of living in rural areas dropped, while, at the same time, many displaced returnees now had to be supported. Some ethnic groups in Indonesia, such as the Minangkabau and Batak in Sumatra, the Bugis and Makassar in Sulawesi, the Banjarese in Kalimantan, and the Madurese in Java, display an extraordinarily high mobility (Muhidin et. al. 2004), and hence these regions are particularly affected by positive as well as negative implications.

For many decades the Indonesian government has been actively supporting internal migration, mainly rural-to-rural movements. By the so-called "Transmigrasi Programme" it promoted the transfer of thousands of families from the more densely populated regions of the country (in particular Java and Bali) to lower populated islands. This policy which in some cases and time periods was criticized as forced displacement, spanned over nearly a century since the colonial era (Hardjono 1998).

[4] For details see Feridhanusetyawan (2002).

3.3 International migration

From the 1960s onwards international migration from Indonesia has gathered momentum, taking up speed in particular in the 1990s (IOM 2010). By 2008, the number of Indonesian labour migrants reached 769,000, an increase by 25% against 2004 (National Authority for the Placement and Protection of Indonesian Overseas Workers 2009), although since around 2005 in some destination countries working licenses for migrants were more difficult to obtain. This process has been facilitated by the Indonesian government. Government-administered labour placement to abroad started in 1969, managed by the Department of Labor (DoL). In 1970, the Interprovincial Labour Placement (AKAD) and the International Labour Placement (AKAN) Programs were introduced, paving the way for private sector involvement in the recruitment and placement industry.

Under these conditions two distinct migration systems have evolved: a) the official system which is strongly focused on the Middle East, mainly Saudi Arabia to where migration is highly selective of women employed as domestic servants; and b) the undocumented system essentially related to Malaysia to where mainly men are moving to work as construction and plantation labourers, as well as to Singapore where the gender distribution is more balanced, with employment opportunities mainly in services and construction (IOM 2010). Most legal migrations are mediated by private agents who recruit and place workers, and also arrange their travels (Hugo 2007). In 2006, the MoL reported that 2.7 million Indonesians were working abroad with official permissions which is almost 3% of the national labour force. However, according to Hugo (2007), an even larger number had headed off without passing any official process, or left legally, but without registering as overseas workers with the MoL. A high share of the migrants enters the host countries, respectively works there, without following the required official procedures, and thus become irregular. Malaysia hosts the largest number of them. Different conditions among them, the Indonesian and Malaysian migration policies and recruitment systems, make the organization of official labour migration slow, complicated, and costly for the migrants[5] (IOM 2010). At the same time, irregular migration is facilitated by personal and professional networks, spanning over Indonesia and the destination countries as well as by Indonesian recruiters who are ready to place labour migrants without proper documents. Many of those who have entered the host countries legally also become irregular after some time, by leaving their initial employer, and looking for another job in the country. As their documents are usually retained by the first employer or the agency they may consequently have to work without the required documents.

Most Indonesian labour migrants move to Middle East countries, namely Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Jordan and Qatar, the rest mainly to Southeast and East Asian countries, first of all Malaysia, Singapore, Hong Kong, South Korea, and Taiwan (see Table 1 for 2009). In 2008, the 1,120,828 Indonesians were by far the largest group of foreigners in Malaysia (followed by Nepalese with slightly more than 200,000) (IOM 2010:42). In the mid-2000s one quarter worked there in plantations, another quarter as domestic workers, and 18% in construction (Website of the Indonesian Embassy in Malaysia 2005, cit. from IOM 2010).

[5] In Taiwan for example, Indonesian migrants experience high wage deductions to pay for recruitment fees which may, over time, reach the equivalent of 14 months' pay (IOM 2010).

Table 1: Official Placement of Indonesian Labour Migrants by Major Destination Countries in 2009

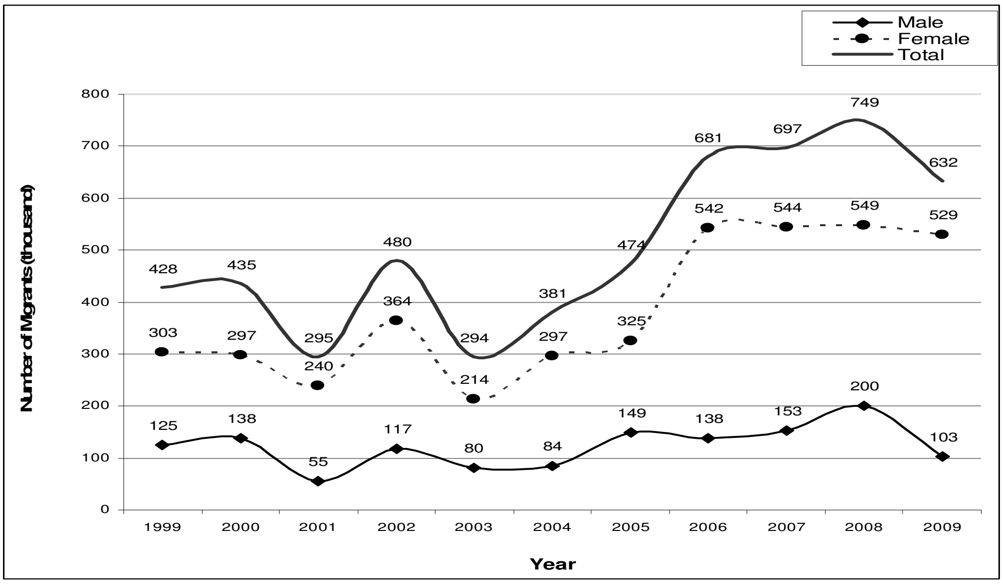
Saudi Arabia	257,217	Jordan	12,062
Malaysia	222,198	Qatar	10,449
Taiwan	50,810	Oman	7,150
Singapur	37,496	Brunei Darussalam	5,852
Hong Kong SAR	29,973	Republic of Korea	3,830
UAE	28,184	Bahrain	2,267
Kuwait	25,756	Japan	96

Source: BNP2TKI (The National Authority for the Placement and Protection of Indonesian Overseas Workers) (2009b).

The share of women in the total number of migrants from Indonesia, especially within the group of those processed by the MoL, has rapidly increased over the 2000s, a phenomenon often referred to as the “feminization of labour migration” (see Fig. 1). The majority is employed as domestic servants, nannies, and care workers for elderly. While in 1999, 29% of the migrants were male, their share steadily dropped to 16% in 2010 (BNP2TKI, Disnakertrans 2006).

The migrants’ absence as well as the inflow of remittances have multiple social and economic repercussions. In some regions the departure of a high share of the male labour force involves female hardships, as left behind family members, essentially women and children, have to take over most of the tasks traditionally done by men. For example, as a result of predominantly male migration to Malaysia and Singapore, the island of Baweanhas became known as the ‘island of women’ who not only have to take over extra work but also experience considerable difficulties in controlling their children. Similarly, e.g., in the district of Flores Timur (East Nusa Tenggara) due to migration to Malaysia, the sex ratio in the late 1990s reached about 70 males to 100 females, and as a result women participate in most of the heavy construction works (Brownlee and Mitchell 1997).

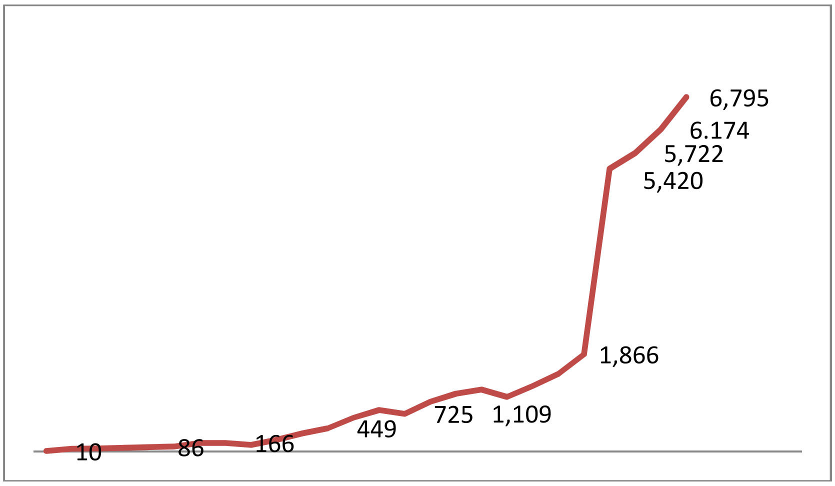
Fig.1: Indonesian workers abroad, by sex (2004-2009)



Source: Data from BNP2TKI, 2005-2010

From the early 1980's onwards migrants' monetary remittances to Indonesia continuously increased; they spectacularly jumped from US$ 1,866 million in 2004 to US$ 5,420 million in 2005; and reached US$ 6,795 million in 2008 (see Fig. 2) which was 1.4% of Indonesia's GDP (IMF 2011).

Fig. 2: Remittances to Indonesia, 1983-2008, mill. US$



Source: Based on data from IMF (2011)

4. Labour Migration from East Java

4.1 Economic framework

The described dynamics are also obvious in East Java. Since the 1940's the region is Indonesia's second major centre of industrial development, after Jakarta/West Java, and its major supplier of processed agricultural products. Its economic growth is essentially driven by its manufacture sector (Santosa and McMichael 2004). Still, poverty is widespread. Over the 2000s the poverty rate permanently fluctuated around 20% of the population; two thirds of the poor were living in rural areas (BPS East Java 2008).

The growing population implies increasing labour supply. Over the 2000s, East Java's population has expanded by 1% p.a., from 35,633 million in 2002 to 37,797 million in 2008, while the labour force increased from 17,857 million to 20,117 million persons, i.e. by 2.5% p.a. As this is not accompanied by growing labour absorption, the unemployment rate as well as the number of unemployed persons have continuously increased (BPS East Java 2008).

East Java's gross domestic regional product (GDRP) is composed of 29% services[6], 28% manufacture, and 17% agriculture (figures for 2008; BPS-Statistics East Java Province 2001-2008). While the share of agriculture has permanently dropped over the 2000s, (from 19% in 2001 to 16% in 2008), the service sector has expanded (from 44% in 2001 to 52% in 2008), and manufacture has remained largely stable. Yet, agriculture's GDRP has grown in absolute terms, and the sector still plays a key role for the region's socio-economic development because most poor people in rural areas are living from it. Moreover, the domestic agricultural sector is considered as the main pillar of Indonesia's food security and hence its development is pursued as a major strategy to prevent food crises (Bapperop East Java 2006).

[6] Trade, hotels and restaurants.

Most of East Java's labour force (43% in 2009) is working in the farm sector, followed by trade with 20%, and manufacture with 12%. While the share of those working in agriculture has continuously decreased since 2001 (from then 55%) the share of those in trade has almost tripled (BPS Statistics East Java 2001-2009). Comparison of the share of agriculture in GRDP with the share of labour force in this sector (i.e. 17% versus 43%) demonstrates the sector's low labour productivity. The farm sector is also under considerable resource pressure as more and more farm land is converted into housing and industry.

4.2 Internal migration

Between 1980 and 2000, East Java's urban population more than doubled, from 20 million to 41 million. For East-Java villagers residing closer to Surabaya and other big cities like Sidoarjo, Gresik, Pasuruan, and Malang, urban centres have become major migration destinations since the early 1990's (Manning 1998). A major occupational choice of the in-migrants is the agro-industry, mainly the tobacco sector. Malang Regency is a major centre of agricultural processing especially cigarette factories, of which it hosts around 60. The number of people working in East Java's tobacco industry increased from 161,564 in 2000 to 195,390 in 2009 (BPS Statistics 2004 and 2010) which is about one fifth of the total employment in the industrial and manufacture sector. In East Java, especially in Malang Regency, women from rural areas mostly prefer to work in the manufacture sector at the nearest possible location.

4.3 International migration

In 2008, 59,525 persons from East Java worked abroad which is more than 5% of the Province's labour force. The overwhelming share was staying in Malaysia and Hong Kong (Table 2 and Fig. 3). 13% of all Indonesian recruitment agencies are located in East Java (i.e. second after Jakarta with 60%) (IOM 2010:24).

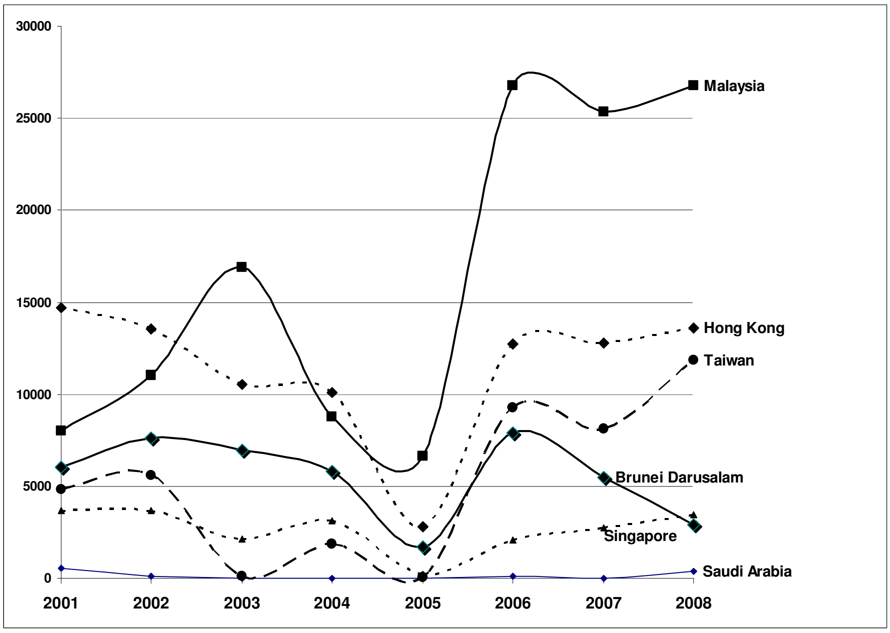
A significant drop in the number of international migrants occurred in 2003-2005 due to a temporary ban on placements in the Middle East and in Taiwan; stricter requirements for dispatching migrant workers; the spread of the SARS epidemic in a number of destination countries, war in the Middle East, and, the fact that working licenses for migrant workers in some destination countries became more difficult to obtain. In 2006, in spite of more stringent requirements by the provincial and local governments in East Java Province, and increasing competition for jobs abroad by workers from other regions of Indonesia, the number of international migrants increased to almost 60,000 and afterwards remained at a stable level (Table 2).

Table 2: Stock of International Labour Migrants from East Java according to host countries (2001-2008)

	Destination Country	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
1	Saudi Arabia	526	121	0	0	0	130	27	403
2	Malaysia	8005	11038	16918	8783	6621	26785	25348	26746
3	Singapore	3672	3650	2136	3125	226	2091	2727	3454
4	Hong Kong	14686	13555	10543	10095	2771	12719	12788	13616
5	UAE	114	150	0	1027	0	1	76	35
6	Taiwan	4831	5604	89	1885	72	9277	8097	11842
8	Brunei Darussalam	6031	7618	6986	5832	1682	7892	5468	2898
	Others*)	23	32	2	0	0	70	418	406
		37888	**41768**	**36674**	**30747**	**11372**	**58965**	**60056**	**59525**

*) Including Qatar, Abu Dhabi, Macau, Bahrein, Yemen.
Sources: Labour Office of East Java, BP2TKI , var. issues

Fig. 3: Labour migrants from East Java by destination country



Source: Based on data from Department of Labour East Java Province, 2001-2008

In 2009, international migrants transferred US$ 0.270 billion to banks in East Java. In 2003, labour migrants from East Java had contributed almost 15% of all the remittances of Indonesia which was the highest share of all the provinces; afterwards, its contribution has steadily declined with the increasing number of workers other provinces sent abroad (Table 3).

Table 3: Remittances to Indonesia and East Java 2003-2007 (US$ Billion)

Year	East Java (1)	Indonesia (2)	(1) in % of (2)
2003	0.221	1.87	14.82
2004	0.143	5.42	7.67
2005	0.354	5.70	6.52
2006	0.307	6.04	5.38
2007	0.257	6.60	4.26
2008	0.321	4.91	4.86
2009	0.270	6.73	5.50
2010	n.a	1.49	n.a

Source: BNP2TKI 2008, Bank of Indonesia 2010

4.4 Malang District

Malang district has the largest population of East Java's 29 districts with almost 2.5 million people in 2008, its population growth reached 2.7% in 2008. Almost 40% of the 1.2 million labour force was working in agriculture; 18% in the manufacture sector, and 11% in services (BPS Statistic Malang 2009).

In 2008, Malang's GRDP reached 5,400,282 mill. IDR, a real[7] growth of 5.2% against 2007, slightly below Java Province's average of 5.9%. Its economy is mainly supported by the tertiary sector with a GDRP share of 45%, followed by the primary sector with 33%, and the secondary sector with 22%. The relative contribution of the primary/agricultural sector shows a downward trend (by 1% between 2006 and 2008), while the secondary sector is expanding (Stat. Office of Malang District 2009).

Its climate is especially suited for producing fruits, vegetables, and sugarcane. In addition, it has tea, cacao and coffee plantations, as well as numerous teak forests in the South. On that basis, agricultural industries are expanding. Still, agricultural land has been increasingly converted into residential or industrial areas. A broad variety of interesting plants and beautiful scenery attracts tourists.

In 2008, 23.2% of Malang's population, i.e. 568,591 persons, were classified as poor, although the government regularly runs programs to overcome poverty in the villages, initiated by the state or province governments, or by Malang regency itself. At the same time the labour force continues to increase at a later rate than job opportunities. This makes job seekers look for employment at other places where wage levels are higher.

[7] In constant year 2000 prices.

Internal and international migration

Most of East Java's labour migrants are from Malang District (Table 4). They come mainly from the South, such as Malang, Blitar, Ponorogo, and Tulungagung which have less fertile soil than the rest of the province. In 2008, Malang (7183), Blitar (6082) and Tulungagung (4396) were the three major senders (BPS Statistic Malang District 2008). Within East Java, Surabaya has become the major destination of Malang District's rural-to-urban migrants because it offers employment possibilities in industry and service sectors; wage rates are higher than in other cities; established personal networks ease information flows; and with 70 km the distance between Malang and Surabaya is comparatively short.

Table 4: Number of Labour Migrants from East Java and Malang District

Year	Malang (1)	East Java (2)	(1) as % of (2)
2003	2,686	35,855	7.5
2004	4,249	25,801	16.5
2006	9,693	58,964	16.4
2007	6,860	59,048	11.6
2008	7,183	59,525	12.1

Note: no data available for 2005
Source: Department of Labour and Transmigration Migration, East Java

Under the given conditions Malang has become a major supplier of manpower to foreign countries, especially of female workers. The most popular destinations were Saudi Arabia and Hong Kong (see Table 5).

Table 5: Labour Migrants from Malang District to Overseas, 2007-2010

Destination	2007	2008	2009	2010
Saudi Arabia	1,295	1,816	833	435
Hong Kong	1,294	1,719	1600	376
Taiwan	732	906	207	154
Singapore	453	572	107	108
Malaysia	363	521	67	28
Others	392	50	2,143	3,432
Total	**4,529**	**5,584**	**4,957**	**4,533**

Source: Manpower and Transmigration Services of Malang District 2007-2011

Remittances

International migrants send considerable amounts of remittances to the region each year. In 2010, Malang Regency received IDR 76 billion, the largest amount of all East Javanese districts. From 2005 to 2007, migrants' remittances were higher than the District government's total revenues (Table 6).

Table 6: International Remittances to Malang District, compared to Government's Revenues

	2005	2006	2007	2008	2009	2010
Remittances(IDR billion)	110	76	107,8	95	84.1	75,6
Local government own revenues (IDR/billion)	52.4	69.6	84.3	100.3	154	133.6

BPS-Statistics 2005-2010

The majority of families reported an improvement in their economic situation as a result of received remittances, but a survey conducted in West Java in the mid-1990s also revealed that a large number of migrants' families did not benefit from remittances due to excessive charges levied on the migrants by middlemen and recruiters and resulting debt burdens (Adi 1995).

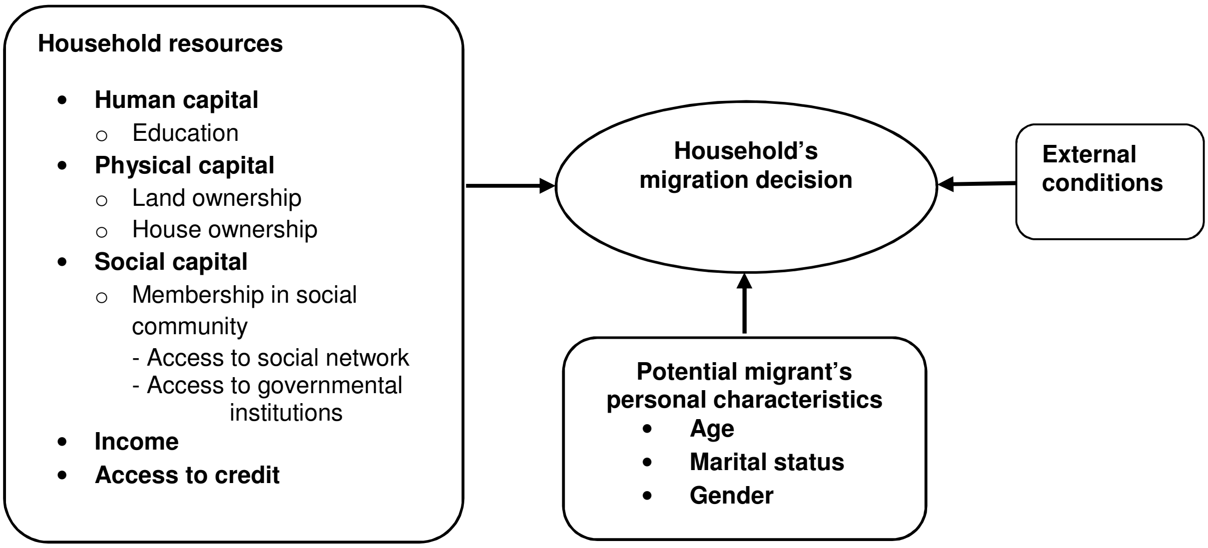
5. Methodology and data base

5.1 Conceptual framework

Migration decision

Households allocate their resources, i.e. human, physical, and social capital, to those activities which contribute to an outcome that will meet their objectives. Within that framework, migration is an optional investment strategy, where personal characteristics and internal household factors shape the decision-making process, subject to the given external conditions. Based on that, the conceptual framework of our research is shown in Fig. 3.

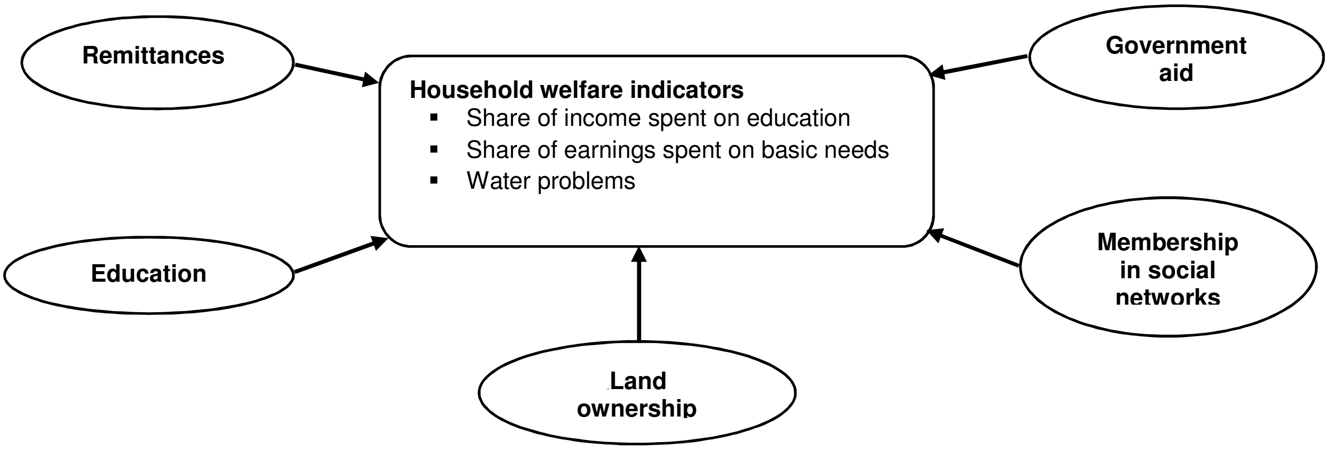
Fig. 3: Conceptual framework: Analysis of migration decisions (model A)



Impact of remittances on household welfare

As indicators of household welfare we use fulfilment of basic needs, education, and water availability. Accordingly, the relative impacts of remittances, government aid, level of education of household head, land ownership, and membership in social organisations on these welfare indicators are analysed and measured (see Fig. 4).

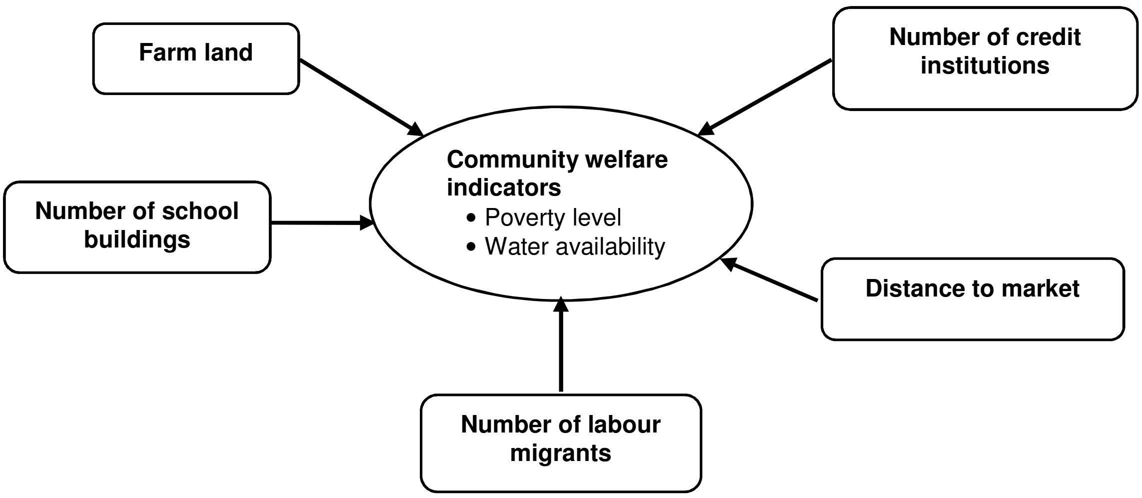
Fig. 4: Conceptual framework of determinants of household's welfare (model B)



Impact of migration and remittances on community welfare

Socio-economic and infrastructure conditions, like access to markets, credit access, road infrastructure, and access to information enhance the development opportunities in rural areas, measured by the incidence of poverty and water availability (see Fig. 5). In this context out-migration and remittances are decisive determinants. Out-migration is used here also as a proxy for the extent of remittances received in the community.

Fig. 5: Conceptual framework for the determinants of community welfare (model C)



5.2 Analytical model

Based on Hoerder (2004), we conducted the analysis on two levels, the micro level (household) and the community level (village), employing the following estimation models:

A) Migration decision

$$M1_{it} = f\ (EDU_{it},\ VHOUSE_{it},\ SOC_{it},\ YLD_{it},\ CREAC1_{it},\ MAR_{it},\ GEN_{it},\ AGE_{it}) \quad (1)$$

$$M2_{it} = f\ (EDU_{it},\ VHOUSE_{it},\ SOC_{itY,}\ YLD_{it},\ CREAC1_{it,}\ MAR_{it},\ GEN_{it},\ AGE_{it}) \quad (2)$$

$$M3_{it} = f\ (EDU_{it},\ VHOUSE_{it},\ SOC_{itY,}\ YLD_{it},\ CREAC1_{it,}\ MAR_{it},\ GEN_{it},\ AGE_{it}) \quad (3)$$

where

i stands for individual i

t stands for the community of individual i

M1	= probability to go abroad
M2	= probability to go to a national city
M3	= probability not to migrate
EDU	= level of education (1= secondary school and above, 0=others)
VHOUSE	= value of family house (IDR)
SOC	= membership in social community (1=member, 0=not member)
YLD	= income before migration (IDR)
MAR	= marital status (1=married, 0=not married)
GEN	= gender (1=female, 0=male)
AGE	= age of migrant (years)

B) Impact on household welfare

$SEDU_{it}$ = f (REMIT, $YEDU_{it}$, $OWNLAND_{it}$, GOV_{it}, SOC_{it}) (4)

$SBASE_{it}$ = f (REMIT, $YEDU_{it}$, $OWNLAND_{it}$, AGE_{it}, GOV_{it}, SOC_{it}) (5)

WAT_{it} = f (REMIT, $YEDU_{it}$, $OWNLAND_{it}$, GOV_{it}, SOC_{it}) (6)

REMIT	= remittance received per months
CREAC1	= access to credit (1= yes, 0=no)
SEDU	= share of income spent on education (%)
SBASE	= share of income spent for basic needs (%)
WAT	= water problem (1= no problem; 0=other)

YEDU = years of schooling

OWNLAND = land ownership (1= landownership >0.5ha; 0=other)

GOV = governmental aid (1= received 0 =not received)

SOC = number of memberships in social activities

C) Impact on community welfare

POV = f ($MIGR_{it}$, $SCBUILD_{it}$, $LAND_{it}$, $CREAC2_{it}$, $CREGOV_{it}$, $MARKAC_{it}$) (7)

$WATVILL_i$ = f ($MIGR_{it}$, $SCBUILD_{it}$, $LAND_{it}$, $CREAC2_{it}$, $CREGOV_{it}$, $MARKAC_{it}$) (8)

POV = number of families with "letter of poverty" from the government

MIGR = number of labour migrants abroad

SCBUILD = number of school buildings

LAND = share of farm land in total land

CREAC = number of credit institution

CREGOV = number of credits received from government

MARKAC = distance from market (km)

WATVILL = availability of drinking water

5.3 Material

For model A we used primary data collected by our own survey in rural regions of Malang Regency while models B and C in addition apply secondary data from the Countryside Potency Survey of East Java carried out and issued by the BPS Statistics, Planning and Labour Office in 2005, including 7,677 villages in East Java. Secondary data were also taken from different government documents, like the Statistical Report on Migration.

Primary information about the factors determining migration, and about the impact of migration on family welfare were collected through face-to-face household interviews with a structured questionnaire. The survey covered migrants' and non-migrants' households. For that purpose, a proportionate stratified random sampling of 360 respondents across all 12 villages in *kecamatan* (sub-regency) Wagir, Malang Regency, was carried out. Additional in-depth interviews were conducted with several respondents.

5.4 Data analysis

We used a descriptive as well as an econometric analysis to detect the factors influencing migration and the impact of remittances on family and community welfare. The characteristics of the households, the contribution of remittances to household income, and the use of remittances are shown by simple descriptive statistical tools like frequencies, averages, and standard deviations. The causal analysis provides further insights into the factors which drive migration. It is based on an econometric Probit and Tobit model to investigate the factors associated with the probability of a person to engage in migration. The data were processed by using the software package STATA.

6. Descriptive analysis

6.1. Destinations

More than 40% of the internal migrants represented in our sample had chosen Surabaya as their workplace, almost 20% Singaraja (on Bali island), and 12% Samarinda. The rest was scattered across a number of other cities, among them the country's capital Jakarta with less than 3% of all internal migrants (three persons).

Table 7: Destinations of rural to urban migrants

Destination	Frequency	%	Destination	Frequency	%
Surabaya	46	41.4	Gresik	3	2.7
Singaraja, Bali	21	18.9	Solo	3	2.7
Samarinda, Kaltim	12	10.8	Kediri	2	1.8
Merauke, Irian Jaya	6	5.4	Pontianak, Kalbar	2	1.8
Sidoarjo	5	4.5	Others*	8	7.2
Jakarta	3	2.7	**Total**	**111**	**100**

*Sumatera, Banjarmasin, Malang, Mojokerto, Centre of Java, Jember, Madura, and Flores with one each.
Source: Authors' field survey

Roughly half of the 120 international migrants had chosen Hong Kong as their destination (Table 8). Most of them were women, which is explained by the fact that Hong Kong primarily offers jobs to female workers for housekeeping positions. The majority came from from Kecamatan Wagir (Wagir Sub-District). Kinship and friends' networks facilitated movements and job finding. Hong Kong is attractive because of its reputation among people in Kecamatan Wagir as a relatively safe place offering also good salaries as compared to other potential destinations like those in the Middle East or Malaysia.

Neighbouring Malaysia was the second favourite destination since the expenses for travelling and working there are low and the local language is similar to that used in Indonesia.

Table 8: Destinations of International migrants

Destination country	Frequency	%	Destination country	Frequency	%
Hong Kong	62	47.7	Taiwan	11	8.5
Malaysia	21	16.2	South Korea	2	1.5
Singapore	14	10.8	Brunei Darussalam	2	1.5
Saudi Arabia	13	10.0	Others*	5	3.8
			Total	**130**	**100.0**

*) Oman, Japan, Dubai, Syria, and France with one respondent each.
Source: Authors' Field Survey

6.2 Individual and household characteristics

The personal characteristics of the migrants and non-migrants are displayed in Tables 9 and 10. More than 70% of those who worked abroad were employed as housemaids, another 10% as babysitters. Those working in a domestic urban centre were mainly bricklayers (about two thirds), 10% worked as babysitters.

On the average, the surveyed had started working at the age of 19. One started to work in her village when she was 11, another one at 13 which at that early age was certainly in the informal sector. One respondent had taken up paid employment only when she was 36 years old. This is not an uncommon phenomenon among women as many pick up work outside their household only in response to a new life situation as a single parent after the age of 30 years. Most of surveyed workers had a low level of education, i.e. elementary school and junior high school graduation. 16% were graduated from senior high schools, with a share of 10% among those who had migrated to cities, and 12.3% among those working in their home village.

The major motivation for moving to other places was low wages. Before going abroad, the average monthly income international migrants received as farm workers or motorcycle drivers was IDR 356,135; this increased by more than the tenfold to an average of IDR 3,719,057 per month when working abroad. Some never had a paid job before migration while one person had earned one million IDR per month. The average monthly salary of internal migrants before their departure was IDR 397,241, while working in the city brought them IDR 1,498,616 per month. Non-migrants' monthly income amounted to IDR 1,401,508 per month. However, they usually attained this income only by working on two jobs, both as a farmer and as a labourer, e.g. in a cigarette or snack factory, or in the roof tile industry.

That people are pushed to work abroad by poor economic conditions at home is demonstrated by the government aid they received: 70% of those who worked abroad had received such support, while this share was only 34.5% among those who worked in an outside city, and 57.7% among the non-migrants.

Table 9: Migrants' and non-migrants' occupations

Kind of Work	Internat. migrants		Migrants		Non-migrant	
	number	%	number	%	number	%
Housemaid	94	72.3	11	9.9	1	0.8
Factory labour	1	0.8	7	6.3	9	7.6
Baby sitter	13	10.0	0	0.0	1	0.8
Bricklayer	8	6.2	75	67.6	8	6.7
Technician	2	1.5	0	0.0	0	0.0
Driver	4	3.1	1	0.9	4	3.4
Mechanic	1	0.8	4	3.6	2	1.7
Shop keeper	3	2.3	1	0.9	8	6.7
Farmer	0	0.0	5	4.5	36	30.3
Coal mining worker	0	0.0	3	2.7	0	0.0
Merchant	0	0.0	0	0.0	16	13.5
Small shop owner	0	0.0	0	0.0	7	5.9
Seller/broker	1	0.8	1	0.9	5	4.2
Services	2	1.5	1	0.9	7	5.9
Officer	1	0.8	1	0.9	2	1.7
Former army staff	0	0.0	1	0.9	0	0.0
Other non-migrants*)	0	0.0	0	0.0	15	10.8
Total	**130**	**100**	**111**	**100.00**	**119**	**100.00**

*) security staff (1), public servant (1), gamelan maker (1), teacher (2), factory owner (3), village staff (5).
Source: Authors' Field Survey

Table 10: Migrants' and non-migrants' profiles

	Abroad		Urban		Non-migrant	
Age when starting work (years)						
Average	20.0		18.2		19.1	
Standard deviation	4.1		3.2		5.3	
Min	13		12		11	
Max	36		36		50	
Age at survey (years)						
Average	32.0		35.3		42.2	
Standard deviation	7.3		10.3		12.5	
Min	17		17		17	
Max	52		60		80	
Marital Status (yes/no)	*Frequency*	*%*	*Frequency*	*%*	*Frequency*	*%*
Married	82	63.1	85	65.4	105	80.8
Not married	30	23.1	22	16.9	9	6.9
Widow/widower	18	13.8	5	3.8	4	3.1
Total Earnings (Rupiah)						
Average	3,719,057		1,438,616		1,401,508	
Standard deviation	2,298,016		1,193,941		1,374,755	
Min	100,000		300,000		300,000	
Max	26,200,000		12,100,000		8,500,000	
Expenditures for Basic Needs (Rupiah)						
Average	563,454		478,598		609,903	
Standard deviation	342,826		153,102		440,798	
Min	0		0		0	
Max	3,500,000		900,000		3,000,000	
Value of Own House (Rupiah)						
Average	7,716,442,308		6,598,839,290		7,884,661,017	
Standard deviation	647,825,356		4,228,254,970		7,997,921,598	
Min	2,250,000		600,000		660,000	
Max	48,000,000		33,600,000		76,700,000	
Governmental aid (Rupiah)[1)]	*ever*	*never*	*ever*	*never*	*ever*	*never*
Frequency	91	37	45	67	75	42
% of total	70.0	28.5	34.6	51.5	57.7	32.3
Member in health insurance (yes/no)	*yes*	*no*	*yes*	*no*	*yes*	*no*
Frequency	112	18	98	10	103	15
% ot total	86.2	13.8	75.4	7.7	79.2	11.5
Earnings before migration						
Average	356,135		397,241			
Standard deviation	290,023		272,844			
Min	0		0			
Max	1,000,000		1,080,000			
Earnings during migration (Rupiah)						
Average	3,322,261		1,147,991			

	Abroad	Urban	Non-migrant
Standard deviation	2,005,902	513,189,751	
Min	0	0	
Max	24,000,000	4,000,000	
[1] This question was not answered by all of the respondents Source: Authors' Field Survey			

7. Econometric Analysis

7.1 Decision to migrate

The econometric results show that the level of education, being a women, and age have a significantly positive influence on the probability to migrate abroad, while membership in a social organisations and around the village and income before migration have a significantly negative influence (see Table 11). The positive relationship between age and probability of migration can be explained by the fact that elder people are considered as more experienced, and by their stronger integration into social networks which facilitates labour migration. Higher income was the most important incentive for working abroad.

Those working abroad were mostly female, higher educated, and of higher age. As explained above, most vacancies in foreign countries were opened for females for employment as domestic workers which increases their probability to work abroad. It turned out as their favourite choice, due to higher incomes and better employment opportunities. There was also some demand for workers in the manufacturing sector, but this was merely for unskilled labour.

Internal migration is significantly negatively influenced by income before migration, being female, and age. Gender and age hence are both closely related to the probabilities if someone chooses to work in an urban centre or abroad. The probability to work in another city is higher for those of younger age, and it is higher for males than for females, which is ascribed to the fact that bigger cities are demanding more labour to do physically arduous work such as coolie and artisan.

Table 11: Determinants of the decision to migrate

	Dependent Variable							
	International migration				**Internal migration**			
Independent Variable	**Coeffi- cient**	**Std. Error**	**t- Value**	**Prob.**	**Coeffi- cient**	**Std. Error**	**t- Value**	**Prob.**
Constant	-1.61	0.425	-3.78	0.000	2.4967	0.539	4.63	0.000
EDU	0.469	0.170	2.75	*0.006	-0.20980	0.179	-1.17	0.243
VHOUSE	1.89E-08	1.42E-08	1.33	0.184	-9.59E-09	1.68E-08	-0.57	0.569
SOC	-0.6802	0.172	-3.94	*0.000	8.46E-02	1.71E-01	0.49	0.622
YLD	-7.93E-07	2.09E-07	-3.79	*0.000	-1.72E-06	3.16E-07	-5.44	*0.000
CREAC1	-0.268	0.264	-1.02	0.310	-4.09E-01	2.71E-01	-1.51	0.132
MAR	0.022	0.192	0.12	0.908	-0.30368	0.215	-1.41	0.159
GEN	1.517	0.175	8.65	*0.000	-1.8315	0.210	-8.72	*0.000
AGE	0.0420	0.019	2.2	*0.028	-0.05665	0.023	-2.46	*0.014
N	360				360			
LR chi^2	172.44				139.7			
Prob chi^2	0.0000				0.0000			
Pseudo R^2	0.3662				0.3130			

Note: * indicates significance at the 5% level

7.2 Remittances and household welfare

Details of the relationship between remittances and household welfare are shown in Table 12.

Education. Remittances are significantly negatively correlated with the share of income spent on education. The same applies to membership in social groups which is explicable by the fact that social activities in the region are commonly related to Islamic activities, i.e. *tahlilan* and *istighosah (*praying together), and the majority of those who use to join send their children to

Islamic boarding schools where educational expense could not be detected accurately, and hence no relationship could be established due to lack of data. Government aid, in contrast, showed a significantly positive relationship which may be due to the fact that such supports were partly given in form of funds for elementary school students.

Basic needs. Remittances showed a significantly negative relation to the share of income spent on basic needs, because most of the remittances were used to purchase land, to build a house, or to buy a vehicle. Land ownership and government aid are positively correlated with the share of expenditures spent on basic needs.

Water. Remittances are not significantly related to water problems while land ownership and social activities show a significantly positive correlation. Over the field research it was found that most of those receiving remittances possessed larger areas of land in quite high places where clean water and wells are difficult to find, i.e. remittances could not help to resolve water problems. Probably those who bought more land could only obtain it in these higher regions where water problems persist.

Table 12: Relationship between remittances and household welfare

Indepen-dent Variable	Dependent Variable											
	Spending on Education				Basic Needs				Water Problems			
	Coeffi-cient	Std. Error	t-Value	Prob.	Coeffi-cient	Std. Error	t-Value	Prob.	Coeffi-cient	Std. Error	t-Value	Prob.
Constant	0.121	0.035	3.49	0.001	0.296	0.050	5.89	0.000	-0.114	0.357	-0.32	0.748
REMIT	-2.27E-08	7.34E-09	-3.1	***0.003**	-5.16E-08	7.03E-09	-7.35	*0.000	-1.95E-08	4.57E-08	-0.43	0.669
YEDU	0.001	3.91E-03	0.43	0.671	6.62E-03	0.006	1.13	0.259	0.053	0.043	1.23	0.217
OWNLAND	0.035	0.042	0.85	0.396	0.139	0.049	2.85	***0.005**	-1.00	0.357	-2.81	***0.005**
GOV	0.045	0.019	2.38	***0.019**	0.055	0.027	2.03	***0.044**	0.284	0.201	1.42	0.156
SOC	-0.048	0.018	-2.71	***0.008**	0.018	0.026	0.71	0.475	0.66	0.197	0.156	***0.001**
N	103				235				235			
LRchi2	2.16E+01				62.98				31.04			
Prob chi2	0.006				0.000				0.000			
Pseudo R2	-0.1109				-2.0574				1.11E-01			

7.3 Remittances and community welfare

Poverty. The incidence of poverty in the villages, measured by the share of persons who had received so-called “poverty certificates”, shows a positive correlation with the number of school buildings, credit access, and market access (Table 13). The poor had no access to credit, i.e. credit was only addressed to those who were financially better off. Furthermore, access to markets was more difficult in areas where poor people live, and consequently, their chances to sell their products were low. No significant relationship between poverty and migration could be established.

Access to water. The number of school buildings, access to credits, and credit from the government are positively correlated with facing less water problems, while international migration, extent of agricultural land, and market access show a negative relationship.

The government plays a major role in village development; it built most of the schools, and also provides credits. Hence, the villages depend on the government for important elements of their community’s welfare.

Table 13: Relationship between remittances and community welfare

Independent Variable	Dependent Variable							
	POV				WATER			
	Coefficient	Std. Error	t-Value	Prob.	Coefficient	Std. Error	z-Value	Prob.
Constant	18.950	2.455	7.72	0.000	0.960	0.040	23.92	0.000
MIGR	0.0177	0.012	1.51	0.130	-0.001	1.75E-04	**-*5.72**	***0.000**
SCBUILD	3.0355	0.352	8.62	***0.000**	0.016	0.006	***2.69**	***0.007**
LAND	0.0001	0.001	1.40E-01	0.889	-0.00	0.001	***-3.12**	***0.002**
CREAC	0.7398	0.370	2.00E+00	***0.046**	0.043	0.010	***4.46**	***0.000**
CREGOV	3.0064	2.484	1.21	0.226	0.155	0.042	***3.7**	***0.000**
MARKAC	1.1324	0.294	3.85	***0.000**	-0.060	0.004	***-14.1**	***0.000**
N	6132[1)]				6132[1)]			
LR chi2	105.91				314.35			
Prob chi2	0.0000				0.0000			
Pseudo R2	0.0015				0.0504			

Note: * indicates significance at the 5% level

8. Conclusions and policy recommendation

For labour force in Malang District, working abroad generally yields a higher income than both internal migration and staying in the home community. The income drift is the main reason for migration. Our results show that the majority of those working abroad are female, educated, and in their 20ies or 30ies, which is ascribed to the fact that domestic workers are highly requested in foreign countries. Men, on the other hand, are more inclined to migrate internally. Young male workers mostly move to larger cities in search for jobs, mainly in the informal sector. Strong social relationships in their home village often prevent them from going abroad.

Yet, although international migration is an important choice for Indonesians to cope with income problems, Indonesian labour migrants are vulnerable to meet legalization problems and exploitation at their destination since the majority has a low education, is inexperienced, and relatively young. The Indonesian government as well as the migrants themselves should anticipate the various problems to which they are prone and take measures to avoid them. Sufficient instruction about legal regulations, language and skill training are required for that purpose. The government should prioritize this preparation of would-be labour migrants, not only in the interest of the migrants and their families but also in the interest of the state because migration is functioning as a safety valve of domestic unemployment, and workers' remittances are an important instrument for the livelihood security of many rural families and thus contribute to avoid social unrest.

Remittances help to ease capital constraints of poor household. Generally the poor have no access to credit, in contrast to richer strata, and hence this might be their only resource to invest and to provide social security. However, most of these transfers are spent on immediate consumption or on consumer durables. In order to channel more remittances into productive investment the government should provide extension services and at the same time complementary infrastructure, as living in remote locations implies low market access, and hence less incentives for farm and business investment. Hence, government investment might contribute to start off positive village development in regions with high incidence of labour migration and remittances. This might in the longer run reduce out-migration from rural areas. Our research results demonstrate that the growth of industries in Wagir Sub-district has prevented people from working in outside urban centres. But it has not prevented them from working abroad. This is also related to gender specific differences which provide scope for further research.

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Financial Development and Macroeconomic Stabilisation through Remittances? Potential Contribution and Modes of Governance*

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The Latin Americans do integrate into the globalised world economy in three ways: As cultural producers, as migrants and as debtors.

(Nestor García Canclini 2002: 12)

1. Introduction

Remittances – the money that migrants send home, usually to their families who have stayed behind – have steadily increased since the mid-1980s. Officially registered remittances reached an estimated volume of US$ 206 billion in 2006, compared to US$ 19.6 billion in 1985 (World Development Indicators 2006, Ratha 2007). They have been the second most important source of external finance for developing countries, being twice the amount of official development aid and almost as much as foreign direct investment. In absolute terms, large developing countries such as India, China, Mexico, and the Philippines receive the largest shares of remittances in the world. However, in relative terms, small and poor countries tend to be much more dependent on remittances. A ratio of remittances to GDP of above 15 or 20% is not unusual for many countries with large diasporas.

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As a response to the large increase in officially registered remittances, these flows have received much attention since the early 1990s, as evidenced by an increasing number of publications on the issue. However, remittances are not a new phenomenon – despite their strongly increasing registration in official data. Formal remittances, defined as those that appear in the statistics of the central banks – mostly money sent through banks or money transfer operators (MTO) – are only a fraction of total remittances. Many financial transfers are not included in official figures, among them in-kind transfers; cash carried by either by the migrant himself or friends or family members; and transfers sent through informal systems of the so-called Hawala type, which is said to have its origin in the early Islamic Empire (Müller 2006). Today, financial liberalisation and reduced costs for sending remittances through official channels have made formal transfers more attractive in comparison to informal channels. As a consequence, remittances are increasingly accounted for in the statistics of the central banks. This means that official figures about the true increase in remittances are misleading: What is observed is partly a switch in transfers from the informal to the formal sector. Also, improved data collection through central banks has contributed to the inclusion of remittances in official statistics, in spite of accounting differences that still exist between countries (De Luna Martínez 2005). Other authors see the reason for the increased attention given to remittances in changing political and ideological paradigms. According to this view, remittances fit into the development agenda of leading international organisations because they are a way of engaging migrants as agents for development. As such, they are part of efforts to include the private sector in development strategies (De Haas 2007).

Research on remittances so far has mainly focused on their impact on reducing poverty (Adams/Page 2005); the creation of growth through multiplier effects (Glytsos 2002, Durand et al. 1996); their effects on inequality in remittance-receiving countries (Acosta et al. 2008, Koechlin/León 2006, Jones 1998); a possible loss in international competitiveness through the appreciation of exchange rates (Acosta et al. 2007, Amuedo-Dorantes/Pozo 2004, Loser et al. 2006); moral hazard behaviour among remittance receivers (Chami et al. 2003); the impact of remittances on human capital as well as on entrepreneurship among migrant-families (Adams 1991, Cox/Ureta 2003, Goerlich et al. 2007, Woodruff/ Zenteno 2001).

Our approach differs from these study areas by focusing on the indirect development effects of remittances via the financial sector. Our hypothesis is that remittances are conducive to financial sector development and macroeconomic stabilisation, provided that certain conditions are given. Furthermore, we assume that these conditions can be governed through multiple forms of formal or informal regulations, including governmental and non-governmental as well as national and transnational actors.

The paper is organised as follows: As a first step, we summarise the state of research on macroeconomic stabilisation and financial sector development through remittances. We then formulate five hypotheses in which we define the conditions under which remittances are conducive to macroeconomic stabilisation and financial sector development. The second part of the paper presents different remittance policies which are likely to contribute to a positive impact of remittances on macroeconomic stabilisation and financial development. Our five hypotheses regarding the links between remittances and the financial sector are illustrated using empirical examples from three heavily remittance-dependent Latin American countries: Mexico, El Salvador, and the Dominican Republic.

This paper summarises the theoretical framework and the main hypotheses of a research project on migrant remittances, financial development, and macroeconomic stabilisation of the special research area 'Governance in Areas of Limited Statehood' at the Free University of Berlin[2]. The paper reflects work in progress during a first field research in February and March 2008.

2. Macroeconomic Stabilisation and Financial Development through Remittances: A Neglected Research Field

Developing countries typically suffer from weakly developed financial markets and a low degree of monetisation of the economy, measured as a low ratio of credit to GDP and a low ratio of the monetary aggregates M2[3] or M3[4] to GDP. A large proportion of the population and typically the small and micro enterprises of the informal sector have no access to bank credits and thus operate outside the financial sector, with low capital intensity and low productivity. Empirical studies confirm that a relative increase in savings and credits is associated with an increase in growth and per capita income (Beck et al. 2000a, 2000b), while weakly developed financial markets limit the process of capital accumulation and thus hinder economic development.

Because of their weak domestic financial markets, economic actors from developing countries are usually not able to get long-term credit from domestic markets in local currency. Instead, for long-term investment they have to become indebted in foreign currency, a phenomenon named 'original sin' (Eichengreen et al. 2005). At the aggregate macroeconomic level, 'original sin' creates liabilities in foreign currency and a current account deficit, which has to be reversed in later stages of development. Indebted

[2] See www.sfb-governance.de.
[3] M2 includes money (notes and coins in circulation) and close money substitutes (traveler's checks of non-bank issuers, demand deposits, other checkable deposits, saving deposits, time deposits, and money-market deposits accounts for individuals).
[4] M3 includes M2 plus large and long-term deposits.

developing countries, therefore, permanently face the danger that they cannot meet their obligations and have to accept depreciation in order to achieve a current account surplus. At the level of individual economic actors, potentially risky balance sheet effects occur when liabilities and assets are denominated in different currencies. Sudden capital outflows and a depreciation of the domestic currency can then lead to a sudden change in their income and wealth and increase their real debts, with cumulative negative effects on other sectors of the economy (Aghion et al. 2000, 2004, Allen et al. 2002, Berganza/ Herrero 2004, Calvo et al. 2004, Céspedes et al. 2000, Chue/Cook 2004, Demirgüç-Kunt/Detragiache 1998, Glick/Hutchison 2001, IMF 2003, Tornell/ Westermann 2005). Developing countries with weak domestic financial markets are therefore more vulnerable to volatility in international financial markets than developed countries. In addition, exchange rate depreciation as a policy tool is more restricted in economies with a high degree of liabilities in foreign currency.

Remittances can play a positive role in macroeconomic stabilisation and financial development in several ways. First of all, they can provide developing countries with foreign currency and ease their foreign exchange constraint that is often associated with economic development. Unlike private lending, remittances are like a ‘present’ from abroad and provide foreign currency without creating liabilities in the future. The danger of indebtedness and painful current account adjustments that is always associated with private lending is, therefore, not given in that case. In this way, these money transfers can reduce dependence on foreign capital and permanently finance a current account deficit.

A number of studies have addressed the impact of remittances on the capital accounts of remittance-receiving countries (Apaa-Okello/Aguyo 2006, Buch et al. 2002, Bugamelli/Paternò 2005; Munzele Maimbo/Ratha 2005, Rapoport/Docquier 2005; Sayan 2004, 2006; Straubhaar 1986; World Bank 2006). Because capital usually flows into a country in good times and out of a country in bad times, private capital has been pro-cyclical and has intensified boom-bust cycles in emerging markets. The series of financial crises since the 1990s has shown that the perceptions of investors can change suddenly and lead to massive outflows of capital. Remittances behave differently: They have both a lower volatility and a lower cyclicality than other flows of foreign capital. Remittances are less sensitive to changes in interest rates and other financial market variables, because their main purpose is to support relatives and not to supply the highest possible return on an investment. They act as a buffer in difficult economic surroundings and provide the population with an income that is not dependent on the national economic situation. This feature of remittances, which finds its microeconomic explanation in the New Economics of Labour Migration (Stark/Bloom 1985), is important in the absence of functioning credit or insurance markets in developing countries. While remittances function as an insurance against adverse economic conditions at the microeconomic level, they also help to stabilise the balance of payments at the macroeconomic level. As such, remittances can play a strategic role in the prevention of financial crises.

Few studies have so far explicitly addressed the relationship between remittances and the development of the domestic financial sector, with the notable exceptions of Aggarwal et al. (2006), Fajnzylber/López (2007), Giuliano et al. (2006) and Mundaca (2005). Mundaca and Giuliano et al. differ in their approach to measuring the link between remittances, financial development, and growth. In Central America, Mexico, and the Dominican Republic Mundaca found a stronger impact of remittances on growth when the indirect effect on growth via an extension of domestic credit is also taken into account. In other words, remittances have a stronger effect on growth in those countries where a functioning banking system exists. Giuliano et al.

arrive at opposite results in a cross-country comparison, saying that the impact of remittances on growth is, on average, higher in those countries where the financial sector is weak. Their argument for this surprising result is that in countries with weakly developed financial markets, remittances can compensate for a lack of access to credit. This leads to higher spending on investment and, consequently, higher growth. However, the findings of Giuliano et al. may be misleading, as they do not take into account the existence of informal remittances. The proportion of remittances sent through informal channels tends to be much higher in countries with weakly developed financial markets than in those with more developed ones (Freund/Spatafora 2005, De Luna Martínez 2005). A number of African countries are among those with the highest proportion of informal remittances, while East Asia and the more developed Latin American countries such as Mexico have a relatively high share of formally transferred remittances in total remittances (Freund/Spatafora 2005). Consequently, Giuliano et al. may overestimate the growth effect of remittances in countries with weak financial markets. This is a good example of the difficulties associated with econometric studies based on high and shifting proportions of informal remittances that are not accounted for in the statistics of central banks. Improving remittance data is therefore a major challenge for future research.

Aggarwal et al. (2006) show in a cross-country regression that an increase in remittances is positively correlated with an increase in banking deposits and, albeit to a lesser degree, with the volume of credit. The latter is also confirmed by Fajnzylber and López (2007), who stress the importance of differences between countries in the degree of correlation between remittances and credit. Aggarwal et al. conclude that their findings provide strong support for the notion that remittances promote financial development in developing countries, though they recognise that they are not able to give a definite answer to the question of causality: It is also possible that financial development leads to more – and more formalised – remittances and not vice versa. Also, they do not claim general validity for their findings, because individual countries may have experiences that differ from the aggregate results they present (Aggarwal et al. 2006: 20). Nevertheless, their study provides a good starting point for a closer examination of the link between remittances and financial sector development at country level.

3. The Main Hypotheses regarding Financial Sector Development and Macroeconomic Stabilisation through Remittances

In this section our objective is to specify the main channels and conditions under which remittances can promote financial sector development and macroeconomic stabilisation. Based on key financial variables, we formulate five hypotheses regarding the link between remittances on the one hand and financial sector development and macroeconomic stabilisation on the other hand. In this sense, we treat remittances as determinants, that is, independent variables, of financial development and macroeconomic stabilisation.

At the same time, we assume that the transfer of formal and informal remittances can be influenced by policies that are realised by differing constellations of transnational actors, as regulation of these flows goes beyond the capacity of the nation state for several reasons. These reasons lie in the transnational character of migration itself, it is at least partially informal character, and the structural weakness of the state in a developing economy. In our framework, the financial sector variables themselves also constitute policy goals. In the next section we turn to a policy perspective and ask which remittance policies may have a positive influence on these financial sector variables, thereby conditioning the impact of remittances on financial sector development and macroeconomic stabilisation. Thus, the same variables that initially will be analysed as independent variables in the next section, where we develop hypotheses regarding the links between remittances and financial sector development, will turn into dependent variables in the last section, where remittance policies are analysed as independent variables with regard to their effects on financial development.

H1: A high proportion of remittances relative to the size of the receiving economy increases the potential for financial sector development and macroeconomic stability

We assume that remittances imply a demand for financial services which has a potentially positive impact on the expansion of financial services and financial sector development. The higher the proportion of remittances relative to the size of the remittance- receiving economy, the stronger is the potential effect of remittances on financial sector development. Financial institutions – be they MTO, microfinance institutions (MFI), or banking institutions – benefit from economies of scale. They require a 'critical mass' defined by a minimum demand for financial services in order to realise profits. When demand is high enough, different service providers will compete for market shares. We expect competition to be higher in markets with a bigger remittance volume. Higher competition leads to lower fees and better service, which in turn favour the formal transfer of remittances. However, the translation of formalised remittance transfers into the supply of adequate financial services for remittance receiving families depends on a series of specific regulations that are not necessarily brought forward as pure market-based solutions (see H4).

H2: Low volatility and cyclicality of remittances relative to other forms of capital flows stabilises the balance of payments

As mentioned above, empirical analysis shows that remittances are less volatile and less cyclical than other private capital flows. Therefore when they are high relative to other capital inflows, they stabilise the balance of payments of the remittance-receiving country. However, the way in which incoming remittances respond to business cycles or recessions may differ from country to country (Apaa-Okello/Aguyo 2006). Apart from the economic needs of the family, a number of other variables play a role in the sending of remittances. For example, cyclicality may be higher when migrants have stronger investment motives. Further important factors in the cyclicality of remittances are the degree to which business cycles in the home country converge with business cycles in the sending country and whether senders and receivers of remittances are exposed to the same risks. We could assume that when a recession or any kind of shock hits only the receiving country and there is little change in the economic situation of the remittance-sending country, remittances can increase. For example, El Salvador and the USA might even be exposed to similar business cycles, due to the high trade-led integration of El Salvador into the US economy, but an economic crisis due to political upheaval or natural disaster in El Salvador has little effect on the economic situation of migrants in the USA.

H3: The formalisation of remittances improves the access of developing countries to international capital markets

Formalising[5] remittances has become one of the primary objectives of international organisations and governments. One of the reasons for this is the fear that informal money transfer systems escape governmental control and can easily be abused for laundering money. This is why they have been

[5] Formal systems are defined by their participation in the regulated financial sector. This means that the institutions involved in the remittance business are supervised by public authorities and regulated by financial sector-specific laws (Hernández-Coss 2005: 3).

associated with the financing of terrorism and other illegal activities (Müller 2006, Munzele Maimbo 2003, Qorchi et al. 2003).

Apart from security concerns, the formalisation of remittances has important economic implications. Macroeconomic policies are easier to implement when central banks have a better knowledge of the financial flows entering or leaving the country. The formalisation of remittances also facilitates the access of developing countries to international capital markets through future flow securitisation. The creditworthiness of countries and through this the interest rate they have to pay for loans is partly defined according to export-to-debt ratios. When remittances are included in official statistics, the securitisation of remittance flows can lead to a better rating of these countries as compared to that in a situation where remittances are not properly registered (Ratha 2007, Ketkar/Ratha 2004). Also, commercial borrowers (for example banks) can use future flow securitisation of remittances to obtain better access to international capital. In fact, banks in several developing countries have been able to raise cheaper and longer-term financing from international capital markets via the securitisation of future remittance flows (Ratha 2007: 10). However, increased access to international capital markets via remittances has to be balanced against the above-mentioned destabilising effects of foreign currency lending for the debtor economy.

An indirect and positive effect of incremented formal registration is its signalling function: Within the context of boom-bust cycles of international capital flows, the increased booking of remittances in the balance of payments increases visible net foreign exchange income in times of crisis and may thus help prevent sudden stops in capital flows.

H4: Linking remittances with banking services has positive effects on saving and investment

For many migrant families, sending remittances through formal channels is an important first contact with the formal financial sector. However, financial development requires a step further than just the formalisation of remittances. Remittances entering the country through MTO or post offices are paid in cash and neither the sender nor the receiver of remittances must necessarily hold a bank account. In contrast, access to banking services opens up the option of monetary savings instead of real savings or immediate consumption, from the remittance receiver's perspective. Furthermore, running a bank account with regular receipts may increase access to credit and other financial services. At the macroeconomic level, this may have positive effects on monetary savings and investment. Savings that are kept in bank accounts are available for investment elsewhere and can be channelled to where they earn the highest return, for example, where they have the highest productivity. Where migrants have no access to banking services, saving often takes the form of acquisition of real assets, such as land or housing, which may not be used productively. This can lead to a speculation-driven increase in prices, resulting in limited investment opportunities at the microeconomic and macroeconomic level.

Stiglitz and Weiss (1981) have shown how transaction costs and information asymmetries lead to credit rationing, and thus prevent parts of the population from accessing banking services. When individual credit sums are low, transaction costs are comparatively high, and hence banks do not offer services to persons from low-income groups, especially when they work in the informal sector and do not own assets that banks would accept as collateral for a credit. According to data of the Inter-American Development Bank (IADB), only one out of ten people in Latin America owns a bank account, while in the USA nine out of ten people do so (Bate et al. 2004). The access of remittance receivers to bank accounts is only slightly higher than the average, with important differences between countries (Fajnzylber/López 2007; Orozco 2006). Additionally, the fact that remittances are only moderately correlated with an increase in credit (Aggarwal et al. 2006, Fajnzylber/López 2007) could indicate that remittance receivers are subject to the typical problems of information asymmetries and transaction costs, or the possibility that remittances substitute for credits. The unsatisfied demand for financial services has been confirmed by surveys among migrants and their families in El Salvador and Bolivia (Jaramillo 2005).

In order to improve the access of migrants and their families to financial services, the existence of MFIs with their specific know-how seems to be a prerequisite (Orozco/ Hamilton 2005). In this context, remittances could possibly serve as collateral. An assumed problem in linking remittances with financial services is that MFIs are not always authorised to realise foreign exchange transactions – even if this problem may be overcome by cooperation with financial institutions authorised and actively engaged in international financial transfers. Moreover, the scope and quality of MFIs differ significantly among countries (Conger 2001).

H5: When remittances are held in foreign currency, the substitution of local currency can lead to financial destabilisation

The relationship between currency substitution or ‘dollarisation’ and remittances has received little attention so far. Dollarisation often occurs in developing and transition countries, when confidence in the local currency erodes due to monetary instability in the face of high inflation and/or exchange rate volatility. Rational economic actors then tend to substitute domestic currency for a more stable and reliable foreign currency. Once a parallel currency is being used for monetary transactions, the further destabilisation of the local financial system easily leads to a self-reenforcing dollarization trend, which is difficult to reverse (the so-called "hysteresis argument", see Feige et al. 2002) In spite of its microeconomic rationality, (unofficial) dollarisation induces macroeconomic instability. When the dollar replaces the local currency as a means of exchange, it becomes difficult for central banks to control the amount of money circulating in the economy. As a consequence, central banks lose control over monetary policy, which may result in high inflation rates and/or in its inability to exert macroeconomic influence.

We assume that when confidence into the local currency is low, there is a danger that remittances are kept in dollars and not in the local currency, thereby further contributing to inofficial dollarisation. Foreign exchange regulations differ between countries: While in some countries (for example, the Dominican Republic) it is possible to receive dollars formally through MTOs, other countries strictly regulate this possibility. In countries where it is disallowed, migrants might prefer carrying dollars in cash or transferring them through other informal channels in order to circumvent regulations.

When dollars are also kept as "remittance dollar deposits" at local banks, then a high proportion of remittances transmitted through the formal financial sector may further increase the level of financial dollarisation. When domestic banks transform dollar deposits into dollar credits, these dollar credits can create currency mismatch and balance sheet effects for the debtors. Provided that the debtors are not export-oriented, they earn revenues in local currency but must pay back dollar credits. In the case of a depreciation of the local currency, the increase in real debts poses a threat to financial stability. As a result, exchange rate depreciation as a policy tool is much more restricted in economies with a high degree of financial dollarisation (Priewe/Herr 2005: 171ff). Therefore, the potential of remittances for macroeconomic stabilisation and financial sector development is higher when remittances are held in local currency.

Currency mismatch only arises when different currencies are used simultaneously. Fully or officially dollarised countries like El Salvador, Panama, or Ecuador, where the dollar has entirely substituted the local currency, are not exposed to the danger of informal or unofficial dollarisation through remittances. Such countries are confronted with the problem that the domestic central bank loses its function as a lender of last resort in the face of a liquidity crisis in the banking system, as it is not able to create liquidity by issuing money. When a rush on bank accounts held in dollars occurs, the central bank has no mechanism to provide banks with liquidity exceeding its foreign reserves (Berg/Borensztein 2000). In a completely dollarised monetary regime faced with this constraint, remittances could probably provide additional liquidity to the banking system and partly compensate for a key weakness this system.

Capitalising on the Development Potential of Remittances – New Modes of Transnational Governance

In the previous section we formulated five hypotheses regarding the link between remittances and both macroeconomic stability and financial sector development. In this section, based on the assumptions formulated in the context of these hypotheses, we present policy measures which could potentially contribute to macroeconomic stabilisation and financial development through remittances. Following our five hypotheses, we identify five variables that we assume to be positively influenced through different types of regulations and policies: a) the total sum of remittances, b) their degree of cyclicality, c) the share of remittances sent through formal channels,

d) the degree to which remittances are linked to financial services, and e) the proportion of remittances held or received in domestic currency.

Before going into more detail about specific aspects of remittance policies and regulations, we first introduce some relevant migration and remittance related facts of the three empirical cases on which we have based our investigation – Mexico, El Salvador, and the Dominican Republic – and make a few general remarks on the problem of remittance-related policies and the respective research on the topic.

We have chosen the three Latin American countries for the following reasons. First of all, a particular set of characteristics is common to all of them: they all have experienced significant labour migration to the United States for long periods of time, through which strong transnational ties have been established between the labour-sending and labour-receiving countries (Terry 2005: 7f). The United States is the main migration destiny for all of them and also the main remittance-sending country. To a considerable extent, the migrants move without the required documentation, which means that the flows take place through informal channels where the capacities of states to tackle the phenomenon are rather restricted. Moreover, the three countries suffer from high rates of indebtedness in relation to GDP, combined with weakly developed financial sectors and a subsequent vulnerability to financial crisis. And finally, all are highly remittance dependent[6]. At the same time, there are also considerable variations between the three countries: The total amounts and the relative weights of the remittance flows differ considerably between them: Whereas in El Salvador remittances account for almost a fifth of GDP, in the Dominican Republic this share is around ten per cent, and in Mexico only around three. We chose Mexico because it is the country with the highest absolute flow of remittances in the region (and with one of the largest

[6] The International Monetary Fund defines an economy as remittance dependent when the critical percentage of remittances related to the GDP is greater than one percent (IMF 2005: 76).

worldwide) and El Salvador and the Dominican Republic because of their high proportions of remittances in relation to GDP. Mexico is also an interesting case because of its regional importance and its often pioneering role in terms of remittance-related policies. Further differences between the selected countries consist in their degree of dollarisation and the diffusion rate of MFIs. Table 1 provides an overview of these migration and remittance related characteristics as well as key aspects of financial development in the three countries.

Table 1: Migration, Remittances, and Financial Development: Key Aspects in Mexico, El Salvador, and the Dominican Republic[7]

Country	**Stock of emigrants in the United States (Million)**[8]	**Remittances in million US$ (2006)**	**Remittances as a share of GDP (%, 2005)**	**Rate of dollari-sation**	**Diffusion rate of Micro-finance-Institutions**
Mexico	11,0	24.7	2.9	Partial dollarisation (ca. 25% of M2)	Low
El Salvador	0,9	3.3	18.2	Full dollarisation	relatively high
Dominican Republic	0,7	3.0	10.0	Partial dollarization (ca. 30% of M2)	very low

Sources: Data on migration from PEW 2006; data on remittance flows from World Bank 2008; data on dollarisation: Fitzgerald 2001; Sánchez-Fung 2004; data on diffusion rate of MFI: CGAP 2003.

[7] The data presented here are from official statistics. Nevertheless, it is important to keep in mind that neither the numbers of migrants nor the amounts of remittances are absolutely reliable due to the fact that those flows are – to a lesser or higher degree – informal (Page/Plaza 2005: 6).

[8] The numbers refer only to the first generation. The total population descended from one of the three countries, that is, with the second and third generations included, is, respectively (rounded numbers in millions): Mexico: 26.8; El Salvador: 1.2; Dominican Republic: 1.1 (Pew Hispanic Center 2006). However data presented by the national governments sometimes are much higher. In the Salvadorian case, the ministry of foreign affairs estimates its diaspora at 2.5 Million persons.

Since policymakers and researchers have realised the relevance of remittances for the receiving countries, they have been developing policy options to leverage the development potential of those financial flows. However, due to the fact that remittances are private capital flows, at first glance it seems rather difficult to define government policies that could enhance their positive impacts. Despite of this, while scholars largely agree that governments should desist from implementing *direct* policy intervention – for example, the imposition of a tax in order to divert funds to public budgets – they also emphasise that a lot can be done to increase the development impact of remittance transfers through *indirect* policy interventions (Fajnzylber/López 2007: 47; GCIM 2005: 26f; Terry 2005: 12). However, those options are restricted by the fact that data on remittances are often not comprehensive enough to draw well-based conclusions for policy recommendations (Orozco/ Wilson 2005: 385).

Although there is an increasing amount of literature dealing with policies to increase the developmental impact of remittances at a general level (Carling 2004; CPSS/WB 2007; De Luna Martínez 2005; GCIM 2005; IAD 2007; Orozco 2004; Orozco/Fedewa 2006; Orozco/Wilson 2005; Page/Plaza 2005; Terry 2005), there are few detailed country and/or case studies on existing remittance policies. Also, policy options for remittances have, to date, rarely been studied in a systematic way. Remittance-related policies hitherto treated in publications can be roughly divided into three groups of foci: a) transfer cost reduction and improvements of transfer systems, b) formalisation of flows and improvement of access to financial services for the 'unbanked' (often referred to as 'financial democracy' or 'financial inclusion'), and c) the channelling of remittances towards 'productive' or 'non-consumptive' use[9].

[9] It has to be noted, however, that the distinction between 'productive use' or 'investment' of remittances and 'consumptive use' is far from clear. In the following, we don't treat policies aiming at 'productive use' because they are not related directly related to financial development and macroeconomic stabilization.

Over the 2000s there have also been several initiatives to tackle the growing importance of remittances at the international level: The G8 states at their summit at Sea Island in 2004 concluded that international cooperation was necessary to reduce the cost of sending remitting[10]. Moreover, a series of initiatives from international financial institutions, such as the World Bank and the Inter-American Development Bank, as well as international cooperation agencies have been dealing with the challenge of designing policies to improve the positive economic impacts of remittances (Orozco 2005: 28ff.). The growing international political interest in controlling remittance flows also increased in the wake of the September 11 terrorist attacks on the New York Twin Towers: a range of new regulations emerged because of the fear of terrorist financing and money-laundering activities (Orozco 2007: 138; Hernández-Coss 2005: 1ff.). Policies, incentive schemes, and regulations related to remittances have emerged at different policy levels, not always been designed with a special focus on remittances. Some of them are the result of transnational cooperation between governmental, market, and civil society actors.

In the following paragraphs we present some empirical examples of remittance policies and relate them to the five variables identified above – the total amount of remittances, their degree of cyclicality, their degree of formalisation, the proportion of remittances linked to financial services, and the amount held or received in domestic currency. Often, one single policy has an impact on more than one variable. It may, for instance, influence the formalisation of remittance flows as well as the amount of remittances linked to financial services. In order to capture a wide range of initiatives, we also include in our considerations policies that have not explicitly been designed

[10] One of the following actions was the creation of a task force consisting of members from international financial institutions such as the World Bank as well as central bankers from both sending and receiving countries. The recommendations of the task force were published in 2007 in the document 'General principles for international remittance services' (CPSS/WB 2007; Terry 2005: 10f.).

with the aim of influencing our identified variables, assuming that unintended causalities exist.

a) Stabilising and b) Increasing Remittance Flows

According to our first two hypotheses, a high proportion of remittances relative to the size of the receiving economy, increases the potential for financial sector development and macroeconomic stability, while low volatility and cyclicality of remittances relative to other forms of capital flows contributes to the stability of the balance of payments.

Policies which tend to increase the total amount of remittances are difficult to disentangle from policies which tend to stabilise flows. Therefore we present both policies together. One strand which tends to indirectly increase and stabilise remittances can be summarised as 'diaspora engagement policies' (Gamlen 2006: 3). Although such goals are not stated explicitly, it can be assumed that these policies are supposed to contribute to higher remittances in flows and to enhance transfers in bad times in order to compensate for income losses at the family level. One of the measures to maintain close links between migrants and their home country, implying the indirect effect of keeping up remittance flows is the right of dual nationality (Gamlen 2006: 10), which is guaranteed by Mexico and the Dominican Republic, and partly by El Salvador (Vono de Vilhena 2006).

Many strongly remittance-dependent countries have created special governmental institutions for their diaspora engagement policies. The Salvadorian government, for example, has institutionalized its diaspora policy, by creating the General Directorate for the Communities Abroad (*Dirección General de Atención a la Comunidad en el Exterior*, DGACE) as part of the Ministry of Foreign Affairs in 2000. With the aim of upgrading the institutional status of the diaspora policy, in 2004 additionally a special Vice-Ministry for Salvadorians Abroad (*Viceministerio de Relaciones Exteriores* *para los Salvadoreños en el Exterior*) was created. The DGACE organizes its activities along three main lines: cultural, economic and social programs. Whereas it doesn't realize special policies regarding remittances, so does the Mexican Institute for the Mexicans Abroad (*Instituto de los Mexicanos en el Exterior,* IME), which is also part of the Ministry of Foreign Affairs. The IME offers a wider range of services than the DGACE, among others in the education and health sectors, and it has also started to implement a range of activities related to remittances. In this field it mainly coordinates and informs about programs and policies of other governmental institutions and seeks to promote the development of further services for the migrant population[11]. In the Dominican Republic there is also a special division for the Dominicans abroad at the Ministry of Foreign Affairs (*División de Protección de Intereses de Dominicanos en el Exterior*) and the so-called "Consultative Councils of the Presidency of the Dominicans Abroad" (*Consejos Consultivos de la Presidencia de los Dominicanos en el Exterior*), the creation of which has been justified the importance of the economic contributions of the out-migrated population[12].

Furthermore, it is plausible to assume that reducing transfer costs has a positive effect on the amount of money reaching the beneficiaries. If a migrant's budget allows him to send a fixed amount per month, say US$200, then a reduction of the transfer fees results in a higher amount his family. Countries have undertaken various efforts to reduce the costs of sending money home. Cost reduction can be realised through various approaches, for example enhancing competition in the remittance market, improving payment systems, increasing transparency (Fajnzylber and López 2007: 52ff.), desisting from taxation and reducing remittances (López-Córdova and Olmeda 2007: 12).

[11] Detailed information can be accessed on the website: http://www.ime.gob.mx/.
[12] Detailed information can be accessed on the website: http://www.ccpde.gov.do/default.asp.

An example of the improvement of payment systems in the US-Mexican case is the bilateral agreement between the Federal Reserve Bank of Atlanta and the Mexican Central Bank of Mexico which implied the coordination of their respective payment systems. Through this program, called '*Directo a México*', the automated clearing house (ACH) infrastructure of both countries is connected, thus lowering the transfer costs payments from US to Mexican banks accounts (Hernández-Coss 2005: 23f). Originally created for the transfer of pension payments to Mexico, this mechanism later has been promoted especially for remittances transfers at one of the lowest fees in this bilateral corridor. One reason for the low cost is the usage of the inter bank exchange rate FIX minus a small spread (0.21%) as reference exchange rate for the transaction. MTOs, in contrast, usually apply less favourable exchange rates, thereby often elevating transfer costs considerably. In the Salvadorian and Dominican cases, similar cooperation agreements with the United States do not exist. El Salvador has not yet established a unique payment system for the whole banking sector itself, which is a pre-condition for connecting payment systems internationally.

Another measure concerning transfer costs in the Mexican case was the creation of an internet platform called *Calculadora de Remesas* (remittances calculator). This information service was launched by the National Commission for the Protection of Consumer Rights in the Area of Financial Services (CONDUSEF). It allows the remittance senders to compare the transfer fees of a wide range of companies operating in the market, which themselves are responsible for the actualisation of the data base. It provides information on fees according to the amount, the origin, and the destination of the money transfer. Furthermore, it informs on the proximity of the respective bank or MTO branches to the locations of both the sender and the receiver.[13]

[13] For more detailed information see: http://portalif.condusef.gob.mx:8000/Remesamex/home.jsp.

c) Formalising Remittances

We assume that the formalisation of remittances has a positive impact on economic development because it signals net foreign exchange income in the balance of payments, thereby helping to prevent sudden stops of capital inflows, and improving developing countries' access to international capital markets.

From the supply side, the key to formalising remittances is making formal sending channels more attractive than informal ones. One way of achieving this is cost reduction (see above). From the demand side, giving undocumented migrants access to the formal financial sector is a precondition for formalising their remittances. A large number of Latin American immigrants in the United States live there without documentation. Governmental initiatives for the quasi-formalisation of such migrants contribute to improve migrants' access to the formal financial sector. The Mexican consulates, for example, issue an identification document, the so-called '*Matrícula Consular de Alta Seguridad*' (MCAS). While the consulates have been issuing an identification document for Mexicans abroad already for more than 130 years, the MCAS has been launched only in 2003 with a range of security features to prevent forgery. Despite of immigration critics that consider this document a subversion of the US immigration system and call it an "ID for illegals" (Dinerstein 2003), this alternative form of documentation has become now accepted by a wide range of banks and other institutions in the United States, thus granting access to financial services, including the sending of remittances, to undocumented migrants (Hernández-Coss 2005: 11)[14].

The various efforts undertaken with the aim of formalising the remittance flows have contributed to the fact that the US-Mexican remittance-flow

[14] In the mid-2000s, the MCAS was recognised in 32 states, more than 1,000 police agencies and 280 banking institutions, among others (Hernández-Coss 2005: 11).

corridor is at a quite advanced stage in the process of shifting from informal to formal transfer systems (Hernandez-Coss 2005).

d) Influencing the Degree to which Remittances are Linked to Financial Services

A considerable challenge for better capitalising on remittances is the fact that many migrant families, that is, remittance senders and receivers, lack access to financial services. According to our fourth hypothesis, we assume that remittances improve financial sector development when they are linked to financial services because of their positive effects on savings and investment. Remittances can be a point of entry to the formal financial system for the 'unbanked', giving them access to bank accounts and other financial products such as consumer loans, mortgages, insurance products and pension plans (Terry 2005: 11f; De Luna Martínez 2005: 20)[15].

Policy options to enhance the amount of remittances linked to such financial services comprise providing incentives for the development of special financial products for migrants, promoting of transfers through microfinance institutions, financial literacy programs, and the expansion of domestic banks' presence in remittance markets, among others (Page and Plaza 2005: 61; De Luna Martínez 2005: 27f.). Especially the possibility of transfers through MFIs seems promising for the development of the financial sector in terms of both depth and breadth. As MFIs are often located in areas where traditional banks are not present and they have considerable experience in servicing low-income clients who often are the receivers of remittances (Jaramillo 2005: 133f.).

[15] In fact, remittance receivers usually demonstrate higher levels of account holding than the average population. In Mexico, which shows one of the lowest levels of banking penetration in the Latin American Region, 29% of remittance receivers hold bank accounts, compared to 28% of non receivers. While in this case the difference is not so significant, in El Salvador the respective shares are 31% and 19% and in the Dominican Republic 66% and 58% (Orozco 2006: 5).

In the Mexican case, a prominent example of granting migrants' families a better access to financial services is the so-called '*Red de la Gente*' (Network of the People). It was founded by the Mexican National Development Bank (*Banco de Ahorro Nacional y Servicios Financieros,* BANSEFI) and includes more than 100 credit unions and other MFIs with almost 1400 branches[16]. Cooperating with various US-based MTOs, *Red de la Gente* offers remittance-based services in Mexican rural and urban areas characterized by low incomes and high migration density which are often not covered by the official banking system (Orozco/Fedewa 2006: 17; Orozco 2005: 21). An initiative of the *Red* to foster the bancarisation of its clients is the so-called "Beneficiary Account Registration" (BAR) mechanism through which a remittance sender in the US can open a bank account in the name of a recipient family member in a credit union branch in Mexico. The receiver then has to formalize the account personally when receiving the remittances[17].

In El Salvador there is no governmental initiative of that type. However, in the absence of a state led program, there are market or civil society driven initiatives with similar motivations and presumably similar results. The Federation of Associations of Savings and Credit Cooperatives (Federación de Asociaciones Cooperativas de Ahorro y Crédito de El Salvador, FEDECACES), for example, offers remittance services since 1998. It cooperates with a group of US based MTOs and channels money transfers directly to its branches. Receivers have the options to join one of the cooperatives opening an account and/or get access to other financial products like loans or insurances[18.]

[16] For details see: http://www.lared-delagente.com.mx/pdf/quienes_la_forman/directorio/2007/DIR_CORP_0407.pdf.
[17] For details see: http://www.directoamexico.com/en/lared.html.
[18] Interview with Héctor Córdova, Executive Director of FEDECACES, 29th.of February 2008, San Salvador.

In the Dominican Republic, MFI have not been very active in the remittance market due to capacity and regulatory constraints (Suki 2004: 47).

e) Reducing the Proportion of Remittances Held in Foreign Currency

Following our last hypothesis, the substitution of local currency by foreign currency can lead to financial destabilisation in economies which are only partially dollarised. Many countries allow migrants to hold accounts in US dollars or other major international currencies, or to receive dollars through MTOs in foreign currency, among them México and the Dominican Republic (De Luna Martínez 2005: 19; Page/Plaza 2005: 62, Suki 2004). In this case, the aim of attracting more remittances to formal channels may conflict with the aim of macroeconomic stability, as clarified in our hypothesis presented above. When remittance receivers cannot keep their savings in a stable currency, the result may be that they choose non-monetary means of saving. This implies a trade-off between different policy goals: Offering dollar accounts may increase the amount of remittances held at banks, but it may also lead to macroeconomic instability. This example provides evidence that policies aimed at leveraging the impact of remittances can also cause unintended and undesired side effects. This does not pose a problem in El Salvador due to its dollarised economy. In Mexico, in contrast, the dollar is not a common means of payment in daily transactions and it is therefore not demanded by remittance-receivers. In the Dominican Republic, however, the share of remittances received in dollars has increased significantly during and after the banking crisis in 2003 (Suki 2004: 13). In this case, a lack of trust in the domestic currency implies a lower demand for it which may lead to a further destabilisation of the financial system. These effects have to be studied in much more detail and kept in mind by policy makers.

Conclusions

Within the growing research on workers remittances, the impact of remittances on financial development and macroeconomic stability, as well as the effectiveness of remittance-oriented policies in meeting these goals, has only lately gained attention. Apart from a small number of cross-country studies, there is a lack of analytical and empirical work based on country studies and a systematic comparison of policies. In this article, we have presented an overview of actual and useful research, a series of hypotheses on the potential links between remittances and financial development, and some examples of policies oriented (both intentionally and unintentionally) towards financial development and macroeconomic stabilisation via remittances. In spite of the 'remittance euphoria' which came up in the early 2000s, the positive development impact of remittances should not be taken for granted. Here, we have only focused on the impact of remittances on the financial sector, highlighting potential positive and negative effects. Although remittances certainly do hold important potential for economic development, it is important to keep in view that their impact depends on the specific context. Whether remittances finally translate into productive investment depends on a number of factors that determine opportunities to invest which have not been part of this paper, as for example, the quality of governance and the macroeconomic policies pursued by remittance-receiving states. Further research in this area is necessary.

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Remittances and Livelihoods in Central America: Towards a New International Regime for Orderly Movements of People (NIROMP)

German A. Zarate-Hoyos[1]

1. South to South Migration: The Context

Since the mid-1990s, remittances flows from developed countries to mostly developing countries and the migrants who sent them have attracted the attention of multilateral organizations even though their relative numbers are quite small compared to the world population or international capital flows. Global estimates by the International Organization for Migration (IOM) reported that at the end of the 2000s migrants worldwide number 214 million, or about 3% of the world population, while remittance flows are estimated to have exceeded US$ 316 billion in 2009 (IOM 2010). Despite this increased attention, only recently there has been an explicit realization that about 50% of these flows are actually between developing countries. In 2002, the World Bank reported that "nearly half of the migrants from developing countries reside in other developing countries. In other words, South-South migration is nearly as large as South-North migration" (Ratha and Shaw 2007).

Judging from the voluminous literature of the 1990s to 2000s about the impacts of migration flows on the receiving countries in the more developed world, much more attention needs to be paid to the effects of these flows on developing countries in particular those sharing continuous borders where 80% of South-South migration occurs. According to the same World Bank report as mentioned above, South-South remittance flows range from 10 to 29% of developing countries receipts reaching many households who overwhelmingly spend these flows on current consumption and housing and

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thus increase their welfare. Yet, macro-economic effects of remittance flows on sending economies are also important; namely, the impact on labour force participation rates, on wages and employment, on currency appreciation, on entrepreneurship and on the fiscal budgets of recipient communities. Moreover, there are also a myriad of non-economic effects such as urban congestion, perceptions of criminality, notions of citizenship and security, all of which also merit attention in the context of South-South migration.

In this paper, we seek to focus on a small region of the world, namely Central America which has recently been economically integrated through the signing of the Dominican Republic-Central American Free Trade Agreement (henceforth DR-CAFTA) with the United States.[2] This group of Central American countries who signed DR-CAFTA is formed by Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala and the Dominican Republic. This trade region has a population of approximately 45.2 million people and a combined GDP of US$81 billion according to a study by the World Bank (2005). These aggregate population and GDP figures pale in comparison with the economy of the United States but DR-CAFTA is seen as part of a move towards a broader Latin American agreement which was derailed in the past by the major countries in the region.

2. A critical view on the 2000s literature

The surge of remittance flows in the past 1990s and 2000s has placed these transfers on an equal basis with other sources of foreign exchange, such as official development assistance, foreign direct investment and export earnings. Studies of the mid to late 2000s show that remittance are more

[2] For the purposes of this article we make an arbitrary grouping of Central American countries who signed the CAFTA agreement plus Dominican Republic which is in the Caribbean but also became part of the CAFTA Trade Agreement while we left out Panama and Belize which did not sign the Agreement.

stable than other capital flows, such as portfolio investments, which have created havoc in emerging economies such as Argentina. Furthermore, it is argued that they reduce inequalities because they are destined to medium and medium-low income households, and they are also correlated with better schooling and health indicators as well as poverty reduction (see Fajnzylber and Lopez 2007, Lopez Cordova 2006). This positive view has been largely endorsed by multilateral organizations such as the World Bank, the Inter-American Development Bank (IADB) and the International Monetary Fund (IMF) through research finding and their dissemination in policy circles.

A more sceptical view casts doubts whether these flows going to the middle and lower income deciles can generate much sustained economic development and argues that the prevailing view does not place the debate within the larger context of international development. As Elton puts it "some of the very entities now celebrating remittances as a remedy for underdevelopment prescribed and promoted policies that created the conditions for increased migration from many countries across Latin America and the Caribbean since the late 1980s" (Elton 2006). This view strongly asserts that one of the basic tenets of a sustainable livelihood strategy for any developing country must be how to enhance and keep its human capital at home rather than exporting it abroad.

International migration in Central America prior to the 1970s was mainly inter-regional (Castillo 2000). At the end of the 1970s and during the 1980s, social conflicts and economic crisis as well as a fundamental shift in development strategy are also associated with new migration patterns. Countries which experienced serious social conflicts, like El Salvador, Guatemala and Nicaragua became sending regions, while Costa Rica, Honduras and Belize became recipient countries. During the 1990s, reverse migration flows were observed, as the political crisis ended and displaced people returned to their countries of origin, although most settled in Los Angeles, Chicago, New York, New Jersey, New Orleans, Houston and Miami.

It is widely accepted that these migration flows responded to the deteriorating economic conditions in the countries of origin (Castillo 2000). In addition to political conflict and poor performing economies, this region also suffers additional risks for sustainable livelihoods from natural disasters which have not only devastated their infrastructure but also strained their fiscal budgets. Among the alternatives to confront these risks is international migration which has served as a way to overcome deteriorating livelihoods for the individual migrants as well as for the families left behind through remittance transfers. Recipient countries like Costa Rica had to confront the challenges of being host to one quarter of a million Nicaraguans and to a rapidly increasing refugee population from Colombia. Between 2000 and 2002 approximately 6,000 Colombian refugees sought to stay in Costa, totalling about 10,500 Colombian refugees by 2004 (ACNUR 2005).

Figures about migrants stocks in Central America are very difficult to come by so we rely on a recently created worldwide database to look at interregional flows among DR_CAFTA members.[3] Table 1 shows the distribution of the migrant stocks across these countries and with their North-American neighbours which are also important destination countries. The larger stocks in 2000 were of Nicaraguans in Costa Rica, Salvadorians in Guatemala and Hondurans in Nicaragua.

[3] The global data base of the Development Research Centre on Migration, Globalization and Poverty (Migration DRC) consists of a 226x226 matrix of origin-destination stocks by country and economy. It is based on the 2000 Census data and it is carried out by the University of Sussex.

Table 1: Interregional Migrant Stocks, 2000

Origin Countries	State Code	CAN	USA	MEX	CRI	SLV	GTM	HND	NIC	DOM
Costa Rica	CRI	2,605	77,036	2,120	-	796	650	975	4,974	726
El Salvador	SLV	39,282	827,739	5,287	8,714	-	10,654	9,920	2,248	171
Guatemala	GTM	14,256	489,426	23,529	1,996	4,209	-	5,172	947	222
Honduras	HND	4,576	289,758	3,570	2,946	8,063	4,688	-	9,969	202
Nicaragua	NIC	9,551	224,933	2,475	226,374	1,990	4,805	8,994	-	194
Dominican Republic	DOM	5,302	702,684	803	828	20	61	162	55	-

Source: Development Research Centre on Migration, University of Sussex

Migration flows in one direction generate remittance flows in the opposite direction. In 2004, four out of the seven DR-CAFTA members (El Salvador, Honduras, Dominican Republic and Guatemala) were placed in the top twenty countries worldwide, regarding remittance flows as a percentage of GDP (Mansoor and Quillin 2007).

These flows account for remittances from all countries including the United States, and they have accelerated over the few years considered while Mexican flows (the largest in Latin America) show signs of a slowdown. Table 2 displays these flows received by DR-CAFTA members.

Table 2: Remittance flows among Central American countries, 2001-07 (in US$ millions)

Country	2001	2002	2003	2004	2005	2006	2007
Costa Rica	100	184	225	270	780	850	920
Dominican Republic	1,807	2,112	2,217	2,438	2,682	2,900	3,120
El Salvador	1,911	2,206	2,316	2,548	2,830	3,316	3,695
Guatemala	584	1,690	2,106	2,681	2,993	3,610	4,128
Honduras	460	770	862	1,134	1,763	2,359	2,561
Nicaragua	660	759	788	810	850	950	990

Source: Inter-American Development Bank (2010)

A not so celebrated indicator is that remittances have become the major source of foreign exchange making labour their de facto largest source of foreign exchange. A quick comparison of these countries' major exports and received remittances illustrate this point in Table 3. It shows remittances have become a central part of these economies and exceed official development assistance and foreign direct investment in almost all cases. Furthermore, they provide more foreign exchange than most of these countries' main exports including agricultural products. Even when all trade is included, the dollar value of remittances is somewhere between 50 and 75% of their total exports; thus, it could safely be said that labour migration is their major source of foreign exchange accounting for half or more of total export earnings.

Table 3: Remittances as a percentage of selected macroeconomic indicators, 2005

Country (2005)	GDP	ODA	FDI	Tourism	Main exports	All Agricul-tural exports	Total exports
Costa Rica	1.8	2376	59	22	25 (manufacturing)	16	5
					75 (banana)		
Dominican Republic	9.1	2806	298	76	625 (ferro-nickel)	377	45
					2607 (sugar&derivatives)		
El Salvador	17.1	1205	619	756	164 (maquiladoras)	596	80
					1730 (coffee)		
Guatemala	9.3	1128	1781	344	202 (apparel)	189	77
					645 (coffee)		
Honduras	21.2	177	928	373	526 (coffee)	138	69
					698 (bananas)		
Nicaragua	16.9	66	370	432	685 (coffee)	158	55
					714 (beef)		

Source: Inter-American Development Bank (2010)

This is the context in which in over the 2000s, remittances have been hailed as a development tool by multilateral organizations such as the IMF, the World Bank and the IADB. Governments in migrant-sending regions have also joined the fray by finding scarce matching funds to leverage the contributions made by their hometown associations abroad. Yet, a sustainable livelihood policy must have at its core a strategy to keep human capital at home rather than exporting it. It has always been debatable whether these flows can promote and sustain livelihoods in remittance-receiving countries. For example, studies of the Mexican case by Canales (2007) show that remittances actually replace lost income to allow poor households to simply keep up with their non-migrant counterparts. Thus, it is important to place the remittance debate within the larger discussion of sustainable livelihoods and international development to truly assess its potential as a catalyst for development.

3. Neoliberal policies and international migration

The neoliberal policies sponsored by the IMF and the World Bank through trade liberalization or conditional lending, e.g. for agricultural intensification, industrialization, among others, tend to induce and often require population movements (Mc Dowell and de Haan 1997). When population movements do occur, the debate is whether or not alleviating unemployment and using the proper mix of "inputs" such as remittances, and returned skills, can induce development in the migrants' region of origin, making further to some extent migration unnecessary. We believe this is not the case and there is indeed migration which is involuntary and neoliberal policy-induced. The United Nations High Commission for Refugees (UNHCR) recognizes this fact and in the mid-1990s reported that there were 100 million people uprooted by planned development in addition to the 25 million in danger of relocation due to environmental damage (UNHCR 1995). Environmental damage, indirectly intensified by neo-liberal policies, has also played a key role in Central America in inducing larger numbers of people to move involuntarily across countries and in threatening their sustainable livelihoods.

There are some undisputed facts about globalization. There are increasing disparities in income between developing and developed regions; multinational corporations have entered in areas previously closed to foreign investment; and structural adjustment policies have forced developing regions to undergo massive social upheavals. We also know some of the causes of international migration which have been identified in the economic literature: namely, wage and income differentials, increasing relative income inequalities, increasing foreign direct investment, natural disasters, and political crisis. In addition, we must also take a closer look at the indirect effects of the so-called Washington Consensus policies with regard to their role in spurring the emigration of people and the sending of remittances since they are being taunted as the new development mantra (Kapur 2004). What is the relation between neo-liberal policies, emigration and the flow of remittances?

After the debt crisis of the early 1980s, multilateral organizations such as the World Bank, the U.S. Treasury Department and the IMF formulated a series of recommendations which were believed to be necessary for the recovery of Latin America from the financial crisis of the time. They were summarized by Williamson and came to be known as the Washington Consensus.[4] The Washington Consensus policies were centred on key policy objectives, namely, economic growth, low inflation, and a more equitable income distribution. Thus it seems that a reasonable approach to analyze the results of these policies is to use precisely those criteria and examine their possible links to migration and remittance flows.

4. Economic growth, low inflation and equitable income distribution in Central America

It would be fair to recognize at the onset that during the twentieth century progress in raising the average standard of living in the region has been made. It experienced a five-fold increase in income per capita, the industrial sector grew from representing 5% of total production to 25% while life expectancy went up from 40 years to 70 years and the literacy index grew from 35% to 85% (Thorp 1998).

[4] To quote from the original source: "The 10 topics around which the paper is organized deal with policy instruments rather than objectives or outcomes. They are economic policy instruments that I perceive 'Washington' to think important, as well as on which some consensus exists. It is generally assumed, at least in technocratic Washington, that the standard economic objectives of growth, low inflation, a viable balance of payments, and an equitable income distribution should determine the disposition of such policy instruments."

Yet, the share of Latin America in world trade has decreased by almost half and inequality continues to permeate much of Latin American societies giving the region the unflattering name of the "most unequal region in the world". According to Londoño and Slezky (1997), the Gini coefficient for Latin America is between 0.5 and 0.6 while for the rest of the world it is around 0.3. This means that the top 10% of the population have about 84 times more resources than the bottom 10%. The bottom 20% of the population receive 3.3% of the national income while the top 20% receives 57.9%.

The record on economic growth is mediocre at best compared to pre-crisis levels. On average the region grew by 3.2% which is inadequate to reduce the social and technological gap according to CEPAL (2005) and lower than the 5.5 % economic growth rate experienced before the 1980s neoliberal reforms.

Thus, a combination of increasing economic volatility accompanied by sporadic job growth has resulted in increasing employment in the informal sector and a feminization of the labour force that undermines the sustainable livelihoods of rural as well as urban populations. There is anaemic economic growth but not enough gainful employment to create sustainable livelihoods. The result is simply more involuntary migration as a strategy to deal with these threats to sustainable livelihood security among the rural population, and also the urban population. In particular, it is also observed that women, who are increasingly becoming part of the migratory flows, do so not necessarily move as part of a family unit but as single individuals in search of better opportunities.

Inflation reduction has been recognized to have been the indisputable benefit of the neoliberal reforms since the 1980s. The IMF has long made the restoration of fiscal discipline a central element of the high-conditionality programs it negotiates with its members wishing to borrow. The extreme version of this belief urges states to reduce their budget deficits to zero thus undermining the mechanisms to support anti-cyclical policy measures as well as social programs to mitigate the impact of neo-liberal policies. But cuts in social programs have another effect not previously discussed: namely, the lack of preparation for natural disaster crises with serious repercussions on rural livelihoods has inevitably led to more involuntary migration.

The policies to reduce inflation and budget deficits are not only selectively applied but they are arguably necessary. Chang (2008) has debunked some of the myths around the proper recipes for economic growth followed by rich countries. In particular, he states that "macroeconomic policy on the global scale is Keynesianism for the rich countries and monetarism for the poor". He argues that when rich countries go into recession, they usually increase budget deficits but when developing countries experience a downturn, the IMF recommends them to raise interest rates and to balance their budgets. It is not surprising that these policies have hampered the ability of developing countries to invest, grow and create jobs to regain pre-crisis levels, while undermining decades of social institutions created to mitigate the uncertainties of the market.

We use the example of El Salvador to illustrate the relationship between increased vulnerability, sustainable livelihood security and neoliberal policies in the light of dwindling states which has led to increased internal and international migration. Most of the history of El Salvador has been dominated by coffee production and extremely unequal distribution of land that have led to social unrest culminating in a 12 year civil war in 1980. The control of land by coffee elites and the wars that ensued have created at least two vulnerable groups; namely, the urban poor who live in the ravines and the rural poor who live in the slopes (Wisner 2001). In El Salvador, 76% of the rural dwellers were classified as poor and 55% as extreme poor in the early 2000s (Wisner 2001).

After the civil war had ended in 1992, the government engaged in a reconstruction project under the constraints of economic neo-liberalism and the enthusiastic support of IMF. The plan for reconstruction included technology transfer, crop diversification and marketing but without addressing the root cause of the problem which is inequality of land distribution and increasing numbers of landless peasants. These strategies for reconstruction are unlikely to reduce vulnerabilities and secure sustainable livelihoods without addressing existing income and land inequalities.

In 2002, after the earthquake in El Salvador, the meagre resources allocated to deal with the aftermath could not be properly used by municipalities because they could not find suitable land for the settlement of displaced people. Furthermore, Wisner (2001) argues “that despite the rhetoric in favour of ‘learning the lessons of Mitch’, very little mitigation and prevention had actually been put in place between the 1998 hurricane and the 2001 earthquakes.” In neighbouring Honduras where the government has estimated the cost of Hurricane Mitch at US$ 5 billion in an economy with a GDP of US$ 7 billion, the policy of zero budget deficits did not make economic sense.

More recently, Klein (2007) has shown that these examples are not exceptions but rather an integral part of the neo-liberal agenda even in developed countries as shown during Hurricane Katrina in the United States. While gutting a request to the Federal Emergency Management Agency (FEMA) by the State of Louisiana for funds to develop an in-depth contingency plan for a powerful hurricane; it awarded a $500,000 contract to a private firm (Klein 2007). Not unlike El Salvador, Klein (2007) goes on to state that the story is not uncommon: “a weak, underfunded, ineffective public sector on the one hand, and a parallel richly funded corporate infrastructure on the other. When it comes to paying contractors, the sky is the limit; when it comes to financing the basic functions of the state, the coffers are empty.”

Similar accounts emanate from other Central American countries. Both Honduras and Nicaragua had lost 50% of their forest cover since 1950 due to the expansion of cotton, coffee, banana, and beef production (Stonich and DeWalt 1996). Neoliberal policies advocate an export-oriented trade regime while leaving export activities in the hands of large scale, foreign-owned companies, who push out small farmers who in turn move further into the mountains where they clear forest areas to make room for subsistence crops such as corn and beans. The bare slopes increase the risk of exposure to washouts during the heavy rainy seasons, thus undermining the resilience of livelihoods to cope and recover from stresses and shocks. Thus the combination of export crop expansion and forced colonization of the mountains by displaced farmers has led to massive deforestation. The storm waters of hurricane Mitch fell, therefore, on land that was unable to absorb and hold them back. Flooding and mass movement of slopes were inevitable, and resulting in large numbers of "environmental refugees" which are defined as persons "who have been forced to leave their traditional habitat because of a marked environmental disruption that jeopardized their existence and/or seriously affected the quality of their life" (Canisbee and Sims 2003).

Neo-liberal policies have done nothing to alleviate these conditions and a lot to contribute to further deterioration. For restructuring governments drastically cut back public expenditures. Rural health care, rural roads, sanitation infrastructure, rural electrification and telecommunications all suffered as a result of these expenditure cuts, and hurricane Mitch hit rural communities in Nicaragua, the "restructured" central government had very limited means to respond. Municipalities were largely left on their own for many days, and they, too, had suffered severe cut backs in their budgets. Thus, more awareness needs to be raise about "environmental refugees". The numbers are continuously growing and it is estimated that 25 million people worldwide have been uprooted for environmental reasons.

Precise numbers are hard to come by in Central America but at least in Mexico, the number is estimated to have been at least around 2 million in 1995 (Myers 2005). In 2000, Time Magazine reported that the numbers could have doubled as compared to what they were in 1997 even before the earthquakes in El Salvador, and these numbers could rise as the intensity and frequency of natural disasters increases (Time Magazine 2000). Estimates from Hurricane Mitch put the number of internally displaced persons in Honduras at 1,482,659; in Nicaragua at 368,261, in Guatemala at 105,055, in el Salvador at 28,452, and in Costa Rica at 3,007 and in addition, unknown numbers are estimated to have migrated to neighbouring countries and to the United States (Wijnberg 2007).

5. An equitable income distribution and international migration

In a comprehensive study of globalization and poverty, the World Bank acknowledged that inequality has increased within countries. This is true for developed countries as well as for developing countries (Weller and Hersh 2001). It is widely recognized that there has been an unambiguous rise in inequality in Latin America in the 1980s and 1990s (Weller and Hersh 2001).

Income inequality is known to play a key role in the movement of people. For example, Connell and Conway (2000) reported that it was those with the most unequal distribution and not the poorest villages that showed the highest rates of out-migration. Furthermore, the causality goes in both directions. Studies by Stark (1991) in Mexico and Adams (1996) in Guatemala also demonstrate that international migration leads to increasing inequality, while internal migration tends to decrease income inequality.

Even though some notable progress was made to increase human capabilities, societies in Central America as well as in the rest of Latin America continue to hold the dubious title of the “most unequal region in the world”. Thus, we argue that the failure of these policies to make a significant dent on income and assets inequality should be considered to be another cause of further international migration. It rather seems that the basic premise of trickle-down economics to lift all boats fails to lift most boats but rather perpetuates a two-tier system in which downturns in economic growth are absorbed by wage decreases in real terms and lack of meaningful job opportunities which in turn results in people “voting with their feet”, thus increasing international migration.

6. Remittances: Limitations as a development tool

Despite the recent attention to remittances as a development tool by multilateral organizations, there are a lot of limitations that mitigate their potential development impact. Several researchers have voiced their concern about this trend. Some of these concerns are summarized below.

One of the first limitations of the potential of remittances is their true size. Although most estimates acknowledge that the total flows are even higher than the official flows due to the presence of informal flows, controversy still exists even in the case of Mexico. Estimates of remittances to Mexico from several socio-economic surveys done by researches from different fields give a consistent figure equivalent to only 55-60% of the Central Bank figures (Zarate-Hoyos 2007). Assuming the capabilities and the budget of the Mexican Central Bank are much larger than those of Central American Central Banks, the reported remittances figures for the latter should also come under closer scrutiny.

Another important limitation is the tendency to ignore the more deleterious effects of remittances. Most of the literature only emphasizes their financial aspects, and when the non-monetary effects are mentioned the argument is brushed aside for lack of empirical evidence. Nonetheless, the inability to quantify some of these negative aspects deriving from the emigration of people (death during border-crossing, increasing indebtedness of migrants to unscrupulous traffickers, divorces, broken families and children who see their fathers leave to never return) should not be a reason to exclude such aspects from the balance sheet.

Government matching programs may lead to encouraging migrant sending communities to send more of their residents abroad. This may also accentuate existing income inequalities as usually it is not the poorest who leave. Furthermore, these matching programs may come at the expense of reallocating resources from communities who do not have enough migrants abroad to send collective remittances to be matched. Under these circumstances, it is expected that some communities will see a decrease in central government allocation, and in general it is also possible that matching programs are lowered in absolute terms against what they would have been in the absence of remittances.

Governments also relied on the multiplier effects of remittances to leverage their development impact but as imports are more readily available due to liberalized trade, consumption of imported items increases, negating the multiplier effects of consumption out of remittances. The surge in imports as a result of trade liberalization is not much celebrated or discussed; nonetheless, it is a reality in most Central American countries as attested by anyone who has visited these countries. To the extent that it leads to trade deficits (not uncommon in Central America), it negates some of those possible consumption multiplier effects.

Villacres (2006) also points out that in an effort "to maximize the development potential of remittances, policy makers and academics have typically emphasized the positive development impact of remittances so the negative development outcomes of remittances get overlooked (Villacres 2006)." Using in-depth interviews in El Salvador to hear from migrants themselves about their perceptions of what constitutes "development" and what they think the positive and negative effects of remittances, Villacres (2006) further argues that these migrants themselves understand that "remittances have led to an entrenched economic dependence which has resulted in an increased marginal propensity to import at the local level" while they are also linked to fostering a culture of migration, social delinquency, family disintegration, discrimination and inequality. A conclusion of her study is that remittances have distracted policy makers from addressing the real problems at hand and that remittances and migration are not the answer to poverty but rather a symptom of underdevelopment and failed policies.

Within this context, we should also question whether remittance flows, which are part of the strategies of the poor to confront increasing vulnerabilities, are actually justifying that the State and international donors retreat from their social responsibilities. There is a need to investigate whether there is a pernicious effect of remittances in "crowding out" government expenditures and foreign assistance when collective remittances from migrant hometown associations abroad are increasingly financing infrastructure projects in migrant sending regions. The case is certainly easier to make in the case of official development assistance as it is widely recognized that remittances exceed these flows in most Latin American countries. Table 5 shows the flows of net official development assistance to Central American countries for selected years.

Table 5: Net Official Development Assistance (ODA) as a percentage of GDP*

	1990	1992	1998	2003	2005	2008	2009	2010
Costa Rica	3.1	2.1	0.3	0.2	0.1	0.2	0.4	0.3
Dominican Republic	1.4	0.7	0.8	0.4	0.3	0.4	0.3	0.4
El Salvador	7.2	6.8	1.5	1.3	1.2	1.1	1.4	1.4
Nicaragua	32.6	48.6	30.2	20.4	15.1	12.0	13.0	10.1
Honduras	14.7	11.6	7.1	5.6	8.2	4.2	3.3	3.9
Guatemala	2.6	1.9	1.2	1	0.8	1.4	1.0	1.0

<*For 2008 to 2010: as a percentage of GNI›
Source: UNDP annual reports (1990-2005) and OECD (2008 to 2010)

Others like Rocha (2008) have also pointed out to the possibility that remittances might be subsidizing unviable and unsustainable economic models in receiving communities (Rocha 2008). Rather than changing their country, people are changing countries, so remittances diffuse social conflict without changing the basic power structures and they redistribute income without any cost to the State and the elites. He argues that this amounts to abandonment of redistribution by political means or a de-politization of the reduction of poverty. Furthermore, Rocha (2008) notes that "developing countries are now receiving an atomized development aid and relying on the shoulders of the poor and marginalized sectors of the developed world".

It is clear that further investigation of these different aspects of remittances currently forgotten or set aside can very well amount to a different view on remittances if all benefits and costs are properly included and weighted. These limitations should at least caution us not to overstate the case for remittances as a development tool and consider the possibility that remittances might be a fallout of neoliberal reforms. Rather as Rocha (2008) suggests we should rename these flows "pobredolares"[5] to remind us of their non-financial character: that they represent the many stories of migrants who cross the

[5] The Spanish "pobre" means "poor" so that this expression might be translated in the sense of "poor dollars".

borders risking their lives, who toil under harsh conditions and yet continue to express their solidarity with their families and their communities by sending money back home.

7. Towards a New International Regime for the Orderly Movements of People (NIROMP)

A good starting point for a discussion of a proper framework for the orderly movement of people should come from the words of Evo Morales, President of Bolivia, in an article published in the "Guardian":

"Until the end of the Second World War Europe was a continent of emigrant, millions left for the Americas: some to colonize, others to escape hunger, financial crises, persecution, ethnic cleansing, war or totalitarian governments. European citizens arrived in Latin and North America en masse, without visas or conditions imposed on them by the authorities. They were simply welcomed, and continue to be in Latin America. They came to exploit the natural wealth and to transfer it to Europe, with a high cost for the native population. Yet the people, property and rights of the migrants were always respected".

The lack of any framework to facilitate the mobility of labour, resembling current institutional arrangements for trade and investment, is noteworthy. Globalization has increased the possibilities for states to cooperate while international migration of both types, skilled and unskilled labour, has increased the need to create an international labour regime (Hollifield 2000). Hollifield (2000) suggests that there are two ways for states to cooperate: first, through centralization of power and the pooling of sovereignty and second, through suasion. Unfortunately, the centralization of power in current structures such as NAFTA or CAFTA does not have the same potential for the pooling of sovereignty because of the asymmetries of power and differences in the levels of political and economic development between Central American countries and more developed nations like the United

States. The contradiction is that while trade agreements steer away from any discussion of international migration, they are increasingly marketed to the general public as a way to increase economic growth and hence reduce migration pressures in sending countries.

Basic economic theory also provides a strong economic argument for cooperation since economic models indicate that international migration increases world output and benefits both receiving as well a sending countries; thus, at least in theory, international migration is supposed to improve welfare. In practice, under a more open regime, sending countries would prefer to protect their human capital and to export their low-skilled workers while host countries would prefer to limit such migration. Over the 2000s, it has become increasingly difficult to separate immigration from issues of national identity and border security, relegating sound economic arguments to the background.

The second way to increase cooperation is through suasion or the use of carrot and stick. The stick is the use of multilateral organizations to coerce states to cooperate, just like they do to follow neo-liberal policies, while the carrot could tie cooperation to "tactical issues". The rewards for controlling out-migration could be debt relief, increased official development assistance and/or technical assistance. This exchange could be handled within a multilateral process. An example in this regard is the Regional Conference on Migration (RCM)[6] whose objectives state that "The governments recognized national differences with respect to perceptions of the causes, dimensions and consequences of migration. They agreed that a comprehensive, objective and long-term approach to the origins, manifestations and effects of regional migration should contribute to a better understanding of the phenomenon, counteract anti-immigrant attitudes and enhance relations among participating

[6] Retrieved June 20, 2008 from http://www.rcmvs.org/Principal.htm.

States." Since the early 2000s the RCM has met and issued pronouncements about collaboration in areas such as information gathering, improving knowledge and facilitating a dialogue about migration in the region but the United States has insisted on framing immigration issues around security and border control.

The best response for Central American countries would be to work on a bilateral basis until there is leadership in Washington to set an agenda that will allow for the orderly movement of people. An example of bilateral cooperation is the agreement between Costa Rica and Nicaragua to work on a guest worker program which allows about 10,000 Nicaraguans to fill in jobs currently left vacant in the construction sectors by Costa Rican workers. Although this is insufficient given that labour need estimates for 2008, 2009, and 2010 are 61,000, 77,000 and 77,000 respectively, it is at least creating a governance structure to manage labour flows. A similar pilot project referred to as the “Temporary Agricultural Workers to Canada” was agreed between Canada and Guatemala to recruit agricultural labour on behalf of 160 Canadian farms. Thus, the new partnerships among bordering and neighbouring countries where 80% of the South-South migration occurs are perhaps the best initial step to institutionalize an orderly movement of people. In addition, the agreements should be broadened to include environmental refugees.

Finally, it should be noted that the prospects for an international regime for the orderly movement of people are grim. The major industrialized countries, such as the US and the European Union, do not seem amenable to such proposals at this time. The United States has significantly increased its budget for border enforcement and for more border patrol agents while increasing the number of detentions and deportations of undocumented workers. Due to elections and a tumultuous change of leadership in the U.S. Congress, inaction in Washington with respect to immigration reform and perhaps increasing anti-immigrant feelings among the population continue. The European Union is also hardening its stance reflected in their approval of tough new rules to deal with undocumented migrants, including detention for up to 18 months and deportation with a five-year ban to re-enter the EU. Although these measures are part of a wider agreement to create a common approach to immigration, there is also a strand of anti-immigrant sentiments in major industrialized countries.

Under this climate, Central American countries should re-evaluate their immigration policies in favour of more sustainable ones which neither depend on neo-liberal policies industrialized countries did not follow in their own development paths, nor on continued flows of remittances which may significantly decrease during recessions in migrants' host countries or at the whim of public opinion in host countries.

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Private Returns from Migration and Public Brain Drain in Sub-Saharan Africa

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1. Migration as an individual livelihood strategy

Economic migration is a typical response to labour market imbalances between countries. International differences in the supply and demand of labour facilitate individual migration decisions. These are in essence the result of cost-benefit analyses by individuals that indicate a positive net return to movement. Migration has historically been a livelihood strategy for large numbers of households in developing countries and for most migrants the main benefit from migration is the enhanced income opportunities that this guarantees to the migrant's household of origin. These returns to migration can be fairly large and are typically appropriated by private individuals and their households of origin (through remittances and enhanced access to capital).

Examples of this abound in Sub-Saharan Africa (SSA), arguably one of the regions most (positively and negatively) affected by migration. Clemens et al. (2008) calculate that an individual that moves from Nigeria to the US, for example, increases his earnings by between seven and fifteen times.[2] In an analysis of remittances to Burkina Faso in 1994-1995, Lachaud (1999) found that they were channelled mostly to rural households headed by farmers or by economically inactive people. Because of the characteristics of the receiving households, the poverty-reducing effects of such remittances were particularly

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[2] This is computed as the pure effect of working in the US instead of in Nigeria for otherwise identical workers, controlling for the self-selection of migrants as well.

high: they reduced rural poverty by 7.2% and urban poverty by 3.2%. Estimates from the World Bank (2006) show that in the early 2000s total remittances have led to reduced poverty levels in a number of low-income African countries, e.g. by about 11% in Lesotho, and by 5% in Ghana. Beyond helping to reduce poverty, remittances may also represent an important source of insurance against negative shocks at the household of origin. Lucas and Stark (1985) for example found that remittances to households in rural Botswana were larger for those located in villages undergoing severe drought than to those who were less affected and to families' whose livelihoods were less vulnerable to the lack of rains. Quartey and Blankson (2004) showed that remittances plaid a large and statistically significant role in consumption smoothing among a sub-sample of food crop farmers in Ghana.

2. Migration and 'brain drain'

Although the returns to migration, typically appropriated by private individuals and households can be fairly large. The public effects of these migration flows may be detrimental in sending countries where domestic skills are scarce, as in most of SSA. Indeed, the direct effect of migration is to reduce the available supply of labour in the sending country, in many cases skilled labour. For example, 31.4% of African immigrants staying in OECD countries in 2000 were tertiary educated (vis-à-vis only 23 % in 1990), whilst the share of tertiary educated workers in Africa was just 3.6% (2.2% in 1990). Small countries are most affected by high tertiary migration rates; for example two out of three tertiary educated Cape Verdeans were living out of their country in 2000 (based on Docquier and Marfouk 2006). And some skilled groups, such as health professionals, are particularly affected by high migration rates: 28% of all physicians from SSA (and 75% of those from

Mozambique) worked abroad in 2000 according to data collected by Clemens and Petterson (2006). Mozambique's health systems would probably benefit if the 1,334 Mozambican physicians working abroad in 2000 were employed in the country's under-staffed hospitals.

Thus it is worth asking whether in SSA the private gains from migration are systematically associated with public losses for the migrants' country of origin. In other words, is there a trade-off between private livelihood security and public 'brain drain' in SSA? The remainder of the paper will argue that this trade-off is often less harmful than expected even for skill-scarce SSA countries, and a few well designed policy interventions may help maximising the benefits from migration while minimising its costs.

3. The migration-development linkage

There are various channels through which migration may affect economic development in the sending country. The impact depends crucially on various characteristics of migration, including the size of the migration stream, the source country's characteristics, and the type of migration (e.g. skilled vs. unskilled). Generalisations about the complex effects of migration on sending countries' welfare are impossible. In particular, it is important to distinguish between static and dynamic effects of migration, which – as we will see – can go into different directions. Table 1 summarises the main channels, classifying each on the basis of its static vs. dynamic effects.

Table 1: Effects of migration on sending country's welfare

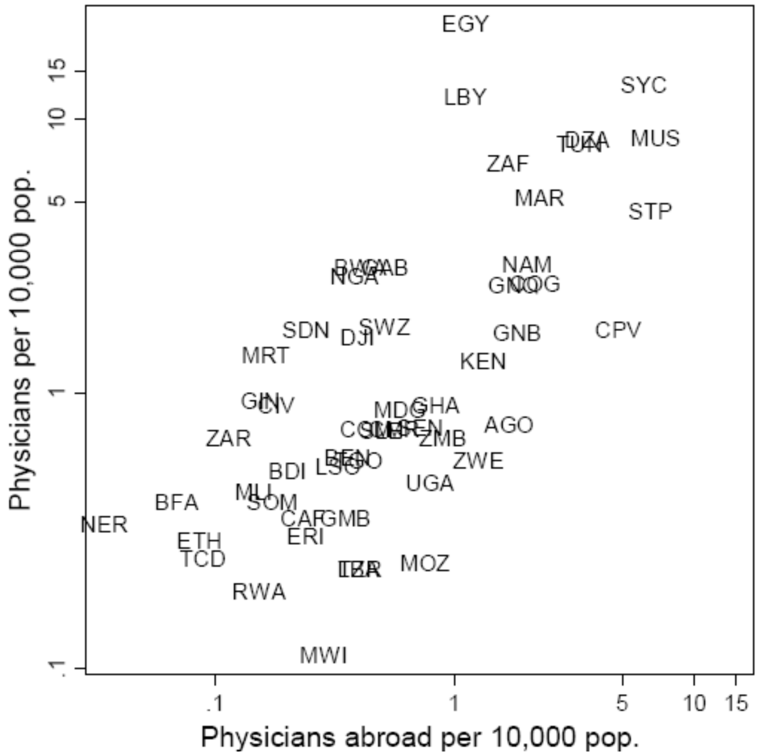
	Static effects	Dynamic effects
Brain drain	-	+
Remittances	+	+/-
Network effects	+	+
Return migration	+	+

Source: Author's elaboration (based on the text)

4. Migration and skill impoverishment in the home country

In the light of the distinction between static and dynamic effects occurring through different channels let us go back to the core negative effects on sending countries and ask what would happen to domestic capacity in the absence of migration. Fig. 1 plots the density of physicians in the population vs. the density of physicians abroad in the population across SSA countries. The positive relationship suggests that those countries with higher shares of out-migrated physicians are also those with higher densities of physicians at home. Although there is no sign of causality in the relationship, this positive association is consistent with the view that the major cause of SSA's under-staffed health systems is not migration of health professionals, but it is more likely to be related with much more deep-rooted characteristics of poor states with malfunctioning public systems.

Fig. 1: Share of physicians at home vs. physicians abroad in total population*)



*) Simple correlation between physicians per capita at home vs. abroad
Source: Clemens (2007)

While the static effect of migration – by reducing the available skills' supply in the source country – is negative ('brain drain'), its dynamic effect – by creating incentives to generate human capital – is likely to be positive ('brain gain'). As noted by Calì (2008) there are two arguments that may question the assumption that the net effects of migration on skills are negative for the sending country. First, there are doubts that these skilled migrants would have been able to use their skills productively in the source country. After all, the lack of adequate opportunities is often the key factor in a migrant's decision to leave. Second, and more importantly, the questions arises what really happens to the availability of skills in the source country in the absence of migration? Growing evidence suggests that migration can act as a stimulus to a country's skill base. By raising the expected returns on education, the opportunity to migrate can drive the acquisition of skills, particularly those which are relevant for certain professions demanded in the world market.

Evidence on skilled migration from Cape Verde demonstrates that migration has encouraged the accumulation of human capital. Almost 40% of Cape Verdean, for example, university graduates would not have enrolled in university had they not seen the opportunity to migrate abroad (Batista et al. 2010). Macro evidence based on cross-country analysis suggests that the 'optimal' migration rate is around 20-30% of those educated in a specific profession in order to maximise human capital formation (Beine et al. 2007). Most SSA countries are below this threshold, suggesting that the positive effects of migration on skills' availability may still be larger than the negative ones for many of them.

This seems to apply even for health professionals' migration. Based on physicians' migration data collected by Docquier and Bhargava (2007) for a large number of countries in the period 1991-2004, we analyse the relationship between the changes in physician migrants' stock abroad and physicians' stock at home in SSA.[3] Table 2 presents the main results of the analysis for 45 countries in SSA. It shows that controlling for the level of economic development (as measured by GDP per capita and its squared term) and for time effects, higher migration rates one year before are associated with higher density of physicians in the country. This result is not only valid when using simple ordinary least squares regression (column 1), but also when using fixed effect regression controlling for country-specific time invariant effects (columns 2-7). This should help control for some of the potential endogeneity in the relationship evident in Figure 1, i.e. a high density of physicians and a high migration rate are both determined by country-specific missing variables in the relationship, such as the tertiary education structure and individual preferences. As the eventual 'brain gain' effects are likely to manifest themselves after some time lag, we also test for the impact of much earlier migration rates. This obviously reduces the number

[3] The other variables used in the analysis are taken from World Development Indicators 2007.

of observations, but the positive association holds (column 3). In line with the expectations, the magnitude of the coefficients suggests that the effect of the migration rate lagged five years is much larger than that of the variable lagged one year. These results are also robust to the inclusion of countries' total population as an additional control (column 4) and to the exclusion of year effects (column 5).

The analysis using a double-log specification (columns 6 and 7) suggests that physicians' migration is likely to exert (positive) effects on domestic physicians' availability only in the medium run (i.e. around six years).[4] Our preferred specification in column 7 indicates that these effects are fairly low but statistically significant: a 10% increase in physicians' migration rate in an average SSA country is associated with a 0.4% rise in the stock of physicians. Even taken at its face value, the analysis is far from suggesting that an effective way to increase physicians' stock in a country is to increase their emigration rate. First, although the analysis makes some effort to control for possible sources of spurious correlation and endogeneity, one cannot rule out that in fact the causality may run the other way, i.e. from higher physicians' stock to a higher emigration rate, as there is a high level of persistence in these variables. Second, even if 'brain gain' were in fact offsetting 'brain drain' concerns, this is not to say that increasing emigration rates are sufficient to raise domestic supply per se. The analysis is rather suggesting that those countries that are able to 'export' more physicians are also those which are able to put in place complementary policies needed to scale-up their training systems and staffing domestic health facilities.

[4] The same result applies to marginally shorter – i.e. 5 years – and longer – i.e. 7 and 8 years – time spans as well.

Table 2: Physicians' emigration and stock at home in SSA, 1991-2004

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Phys. per 1000	**Phys. per 1000**	**Phys. per 1000**	**Phys. per 1000**	**Phys. per 1000**	**Ln phys. per 1000**	**Ln phys. per 1000**
Migration per 1000 (t-1)	1.119	1.433	0.502	0.518	0.484		
	(3.82)**	(3.35)**	(2.31)*	(2.41)*	(2.21)*		
Migration per 1000 (t-6)			2.391	2.448	2.311		
			(2.38)*	(2.40)*	(2.28)*		
Ln migr. per 1000 (t-1)						0.113	0.001
						(3.78)**	(0.03)
Ln migr. per 1000 (t-6)							0.036
							(2.02)*
Ln GDP per capita	-0.756	0.010	0.036	0.036	0.034	0.508	0.705
	(7.78)**	(0.62)	(2.02)*	(2.01)*	(1.95)	(2.74)**	(2.30)*
Ln GDP per capita sq.	0.069	-0.001	-0.002	-0.002	-0.002	-0.036	-0.040
	(8.50)**	(0.46)	(2.01)*	(2.00)*	(1.94)	(2.59)**	(2.09)*
Ln pop.				0.031	0.000	1.004	0.155
				(0.68)	(0.00)	(1.84)	(0.32)
Country eff.	NO	YES	YES	YES	YES	YES	YES
Year effects	YES	YES	YES	YES	NO	YES	YES
Observations	585	585	360	360	360	559	344
R-sq. (within)	0.72	0.07	0.17	0.17	0.16	0.07	0.05
Countries	45	45	45	45	45	43	43

Robust t-statistics in parentheses; * significant at 5%; ** significant at 1%

5. Remittances

Official remittances to developing countries stood at more than US$ 316 billion in 2009, which was a level much higher than that of international aid. Adding remittances through informal channels, which are estimated to be over 50% of the official figures makes them the largest source of external capital in many low-income countries. Moreover remittances are fairly resilient to external shocks, as the late 2000s Global Economic Crisis has demonstrated. Remittance flows are estimated to have dropped by around 6% in 2009 (World Bank 2010), showing more resilience than other external flows, including capital flows and trade. This source has been on the increase across all developing regions. Its impact on source countries goes beyond the receiving households and extends to the macro-economy. Straubhaar and Vadean (2006) argue that remittances may be more beneficial than official development assistance and foreign direct investment, as their use is not tied to specific investment projects with high implementation content, they do not entail interest payments, and they usually do not have to be repaid.

The extent to which remittances may have beneficial effects on the economy crucially depends on the way these funds are used. The most common distinction in this respect is that between productive (investment) and unproductive (consumption) use. The main economic argument put forward in favour of investments is that they increase productivity and economic activity. A case of concern is that remittances are sometimes used to stimulate consumption rather than investment. The debate on "productive" versus "unproductive" use is based on the assumption that the former benefits directly the host economy by increasing its productive capacity. However, to the extent that remittances can have indirect multiplier effects via demand for domestically produced goods and services, remittance-financed consumption also may have growth-enhancing effects on the economy. Such positive multiplier effects are subject to the condition that the supply response is sufficiently elastic, or equivalently that there are no absolute constraints to the expansion of domestic production.

As with all sources of large inflows of foreign exchange, remittances may have negative macro-economic effects via the appreciation of the real exchange rate. This is the classis 'Dutch Disease' problem, which may undermine the competitiveness of the country's export sector as well as of sectors competing with imports. However, in practice there are a few effective policy measures that may counter the risk of Dutch Disease caused by remittances. Their growth is fairly stable and their inflow seems to be sustainable; thus they are quite different from the sudden increase of the foreign exchange inflows typical for commodity booms that generate Dutch Disease. Moreover, remittances have usually resulted in foreign exchange outflows by providing an important source of employment, which should reduce the possible Dutch Disease effects.

6. Exports

Migration may have other more indirect positive effects on the source country via increasing its exports of goods and services as the Diaspora may help to create business and trade networks. Jansen and Piermartini (2009) identify various channels through which permanent and temporary migration may raise merchandise trade flows:

- Migrants prefer to consume goods they are used to from home; they may be imported from the country of origin.
- Migrants possess knowledge about their country of origin that makes matching/network search costs for the imports lower.
- Migrants facilitate a stronger enforcement of international contracts.

The author provides evidence on the trade-inducing effect of migrants by a study across 46 countries over the period 1970-1986. It shows that a 10% increase of immigrants in the US increased US exports to the country of origin by 4.7% and US imports from the country of origin by 8.3%; thus the trade balance for the ‘sending’ country should improve.

7. Investment

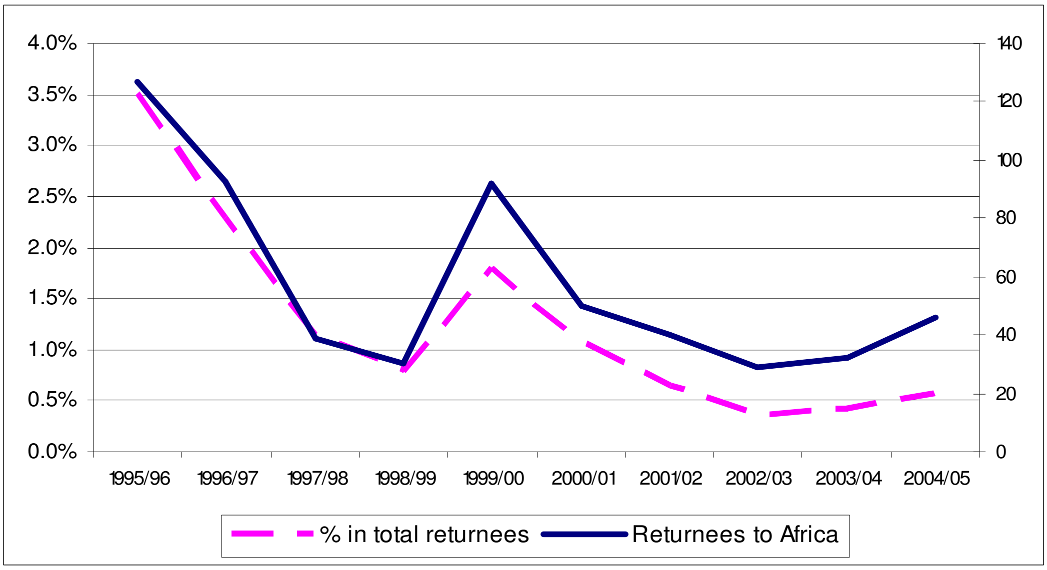
Migration may also spur investment flows to source countries, as migrants have information on business opportunities as well as contacts and knowledge that facilitates the investment process. Javorcik et al. (2010) estimates that a

10% increase in the migrant stock is associated with a 3.5 to 4.2% increase in the stock of foreign investment. The effect appears to be stronger for skilled migrants, i.e. for those with at least a college education.

8. Human capital transfer

Migrants can learn valuable skills which can offer benefits to the sending country if and when they return. Calì and te Velde (2009) argue that the health sector is one where learning skills abroad may be particularly relevant, as migrants may have access to new technologies, career development schemes, and more advanced management systems. This experience may be an invaluable source of ideas and expertise for the upgrade of the sending country's health sector. Although return migration has reached quite high rates in some regions, such as in the Caribbean, it has been low and decreasing in SSA. This is illustrated in Fig. 2 which shows the declining number of registered nurses returning to Africa from the UK since the mid 1990s. In spite of the increasing number of nurses from SSA employed in the UK the average number of African nurses going back every year has decreased from over 100 in the mid-1990s to around 40 in the period 2003-2005.

Fig. 2: Nurses returning to Africa from the UK



Source: UK Nursing and Midwifery Council (2005)

The realisation of the benefits from return migration through skill acquisition depends on several conditions: first, on the extent to which the newly acquired skills are appropriate to the home environment; second, on how productively the new skills are deployed upon return. In a survey conducted among Botswana nurses, Thupayagale (2006) for example found that returned nurses sometimes have to wait for more than six months before they can be re-employed, and the work experience abroad is mostly not reflected in their new employment scale. These are part of the reasons that induce returned migrants to decide to emigrate again.

9. Policy implications

The channels presented above may suggest that the net effects of migration need not be negative for sending countries in SSA, even in terms of domestic skills' supply. And in general the effect is certainly positive for individuals as well as households. In that way the trade-off between private livelihood security and public welfare in source countries proposed at the beginning of the paper may not necessarily hold true.

Still, migration is not a blessing *per se*, and it certainly does not always result in a positive balance for source countries. Short-term effects of migration may pose problems especially in countries with a small skill base and moderate training capacities. It is difficult to argue that a Malawian doctor migrating out of the country may not leave a problem for a health system which is already more than over-stretched. However, to the extent that migration is not the root cause of under-staffed health facilities in SSA, restrictions to migration would not offer a solution. On the contrary, such measures could have undesirable side-effects for sending countries, in so far as that they may prevent the realisation of positive effects of migration. In addition, they may raise 'brain waste' for example by pushing migrants towards informal migration channels, thus reducing the benefits for source countries. By the same token, doubts exist about the effectiveness of other solutions aimed to reduce South-North mobility of skilled workers, such as ethical recruitment codes for health professionals.[5]

Given that constraining migration is not desirable for individuals and for sending countries' welfare, is there a way to maximise the pro-development impact of migration and minimising its costs? The analysis above suggests that a few well crafted policies may be instrumental to reach this objective.

First, an orderly expansion of the skills basis in the sending country is a key to trigger virtuous circles from migration. In this respect, public policies may be crucial to co-ordinate and fund such an expansion as well as to oversee it. This fairly general rule has different implications for different sectors. For

[5] Mensah et al. (2005) for instance argue that the UK Department of Health's 'Ethical Recruitment' Code is generally ineffective in preventing migration; but it may impose increased migration costs on staff from those countries where it is applied and it is implicitly discriminatory against African and Caribbean health professionals.

instance, health care and IT differ in several respects. In particular, governments strongly influence the demand and supply of health care services, while IT services are largely produced and consumed by the private sector. However, a case could be made for the crucial role of domestic policies in facilitating, and in some cases subsidising, education in sectors where the demand for specific professional services overstrains the domestic capacity. This is certainly true for education and health services in most of SSA, but the same could be argued for non-social sectors as well. A set of policies and institutions need to be put in place in order to successfully scale up training activities without undermining the quality of training. This requires substantial accreditation and oversight capacity, especially if the expansion of training proceeds rapidly. Given the increasing international demand for certain professional services, such as in healthcare, expanding the training and education of these specialists can be an appropriate export strategy for countries with a comparative advantage in labour intensive production. The Philippines is a good example in this respect. For many years it has been providing training to health workers, especially nurses, as part of a larger policy to encourage labour migration. Some countries, including China, India, Indonesia and Viet Nam, are either actively involved in, or contemplating labour export strategies (Commander, 2004). Whether countries in SSA with generally weak institutional capacities could pursue such 'export' strategies is an open question but one worth asking. The hiring of certain service professionals from low-income countries by high-income countries, especially for health care and education, may constitute a 'perverse subsidy' by a poor country to the public sector of a high income country, which does not have to incur the costs of training. If severe, this subsidy may foster deep international inequalities, such as those regarding access to health and education. If interested in reducing such inequalities, receiving countries could consider paying sending countries a compensation for this subsidy.[6]

Second and related to this, in low-income countries with tight fiscal constraints the expansion of the skill base in service for Mode 4 exports[7] is not likely to occur without the involvement of the private sector. As this is fairly under-resourced in most of these countries, foreign educational institutions may be important in expanding the training capacities within a relatively short time. This involvement would require an effective regulatory body for the education system and a fairly liberal competition regime in the educational sector.

Third, while coercive measures to prevent departure appear to have been largely ineffective and violating human rights, strengthening incentives to stay for workers in certain sectors and countries faced with critical shortages may be a key for the functioning and the sustainability of these sectors. To this end, governments could directly improve employment conditions in the public sector in order to counterbalance the 'push' factors of migration. Despite the absence of any systematic assessment of the effects of such interventions on migration rates, experience shows that salary, financial incentives and safety, good management, and career development are essential.[8]

Fourth, reinforcing incentives for return migration may be important to reap one of the major potential returns of migration, i.e. the possibility for the country of origin to benefit from the enhanced skills and the training acquired by the migrant abroad. One option would be to develop managed migration

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[6] See Calì and te Velde (2009) for a more thorough discussion on the form such payments may take with specific reference to the health sector.

[7] International trade in services by the presence of a person from the exporting country in the importing country, according to WTO definition.

[8] Some incentive schemes (e.g. the Additional Duty Hours Allowance in Ghana) have been successful in reducing strikes and other agitation for increased compensation in the health sector, despite the continuation of large wage differentials with high income countries (Mensah et al. 2005).

programmes, including temporary work visa for professionals from developing countries that could stimulate increased temporary movements. Such schemes would have necessarily to be agreed upon by sending and receiving countries and, therefore, national policies have less control over them. Liberalisation of trade in services via the temporary movement of natural persons ("Mode 4 trade") may facilitate such movements. Another strategy is to facilitate migrants' reintegration through active institutional management of migration, which facilitates the migrants' welfare and professional prospectives upon their return home. Allowing a returning skilled migrant to rejoin her/his industry at a level appropriate for her/his experience is essential for transforming the 'brain drain' into a 'brain gain'. In the health sector in Ghana and Botswana, for example, the years worked overseas are not considered in the promotion relevant calculation of years served. Therefore, a nurse with many years of experience abroad will be re-employed at the same grade and similar employment circumstances as when s/he migrated (Mensah et al. 2005; Thupayagale 2006; World Bank 2006).

Fifth, policies aimed at maximising the inflow and the efficiency of remittances may be useful given importance of remittances as a source of capital. One way of achieving it is to reduce the transfer costs. According to the World Bank (2006) remittance service providers charge fees that are often as high as 15% of the transferred amount. Reducing remittance costs can result in higher flows to developing countries, specifically to poor people. This may also stimulate the use of official channels to send money home and would be more effective than trying to regulate the so-called "informal services".

Sixth, a way to enhance public benefit is to provide incentives for a more profitable use of remittances, for example by encouraging migrants to invest in productive assets in their home economies.

These are some of the policies which could help to maximise the extent to which the alleged trade-off between private returns and public welfare from migration could be turned into a win-win situation for both the migrants' households and the source country.

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Jordan's Higher Education Exports and Circular Migration

Rasha Istaiteyeh[1]

1. Introduction

Jordan is classified as a lower middle income country according to the World Bank, and it is poor in terms of natural resources. Since the 1990`s it has been affected by different regional political instabilities; as half of its exports, and a quarter of its imports, are with its Arabic neighbouring countries frequent turmoils there led to significant disturbances of its own economy. As a consequence, Jordan has witnessed an increase in its trade deficits, in particular after losing its major provider of oil, Iraq, and facing increasing oil prices. These constraints, combined with growing government spending and lack of domestic revenues, have resulted in permanent state budget deficits. The government tried to bridge by unpredictable amounts of foreign aid and fluctuating workers' remittances. At the same time, the country's development choices are constrained by its weak assets of natural resources and high unemployment rates. Under these conditions Jordan has realized that human capital is the major potential asset for the country's development. Hence, it has received a high priority among the goals of successive Jordanian governments.

Jordan has started to invest in its human capital in the 1950`s through the temporary out-migration of Jordanian students who achieved their higher education degrees from different distinguished universities worldwide. Many of them returned back to serve in different Jordanian universities. Consequently, Jordan's higher education institutions (HEIs) have developed a

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favourable reputation, and have attracted a large number of international students from Arabic and other neighbouring countries. In addition, political instabilities in the region, especially after the 1990 Gulf War, the US-Iraq War in 2003, and the unrest in the West Bank have resulted in a steadily increasing demand for Jordanian higher education services.

The Jordanian government has encouraged the transition of its higher education sector from an institution of development assistance to a service export sector (de Wit and Knight 1999). In 2000, Jordanian Private Public Partnerships have launched the “Jordan Initiative 2020”[2], which established a target of 100,000 international students for Jordan’s HEIs by the year 2020. In the early 2010s Jordan’s higher education sector compares favourably with those of other countries with the same, and even higher per capita income levels. International students contribute more than 2% to Jordan’s GDP and every foreign student annually spends an amount equivalent to the income of one Jordanian family in the country. Still, despite this success, Jordan’s HEIs institutions have to confront challenges in a fierce global competition on higher education markets.

The purpose of this article is to explain the role which highly qualified returnees play in Jordan’s universities with a particular view on attractiveness for foreign students. It is structured as follows. Section 2 gives an overview of Jordan’s economy. Section 3 presents major trends in Jordan’s human capital investment while section 4 analyzes the rapid development of Jordan’s HEIs. Section 5 focuses on the economic contribution of higher education exports to the Jordanian economy. Section 6 describes the Jordanian policy to achieve the desired growth of higher education exports. Finally, in section 7 market

[2] JV2020 led by Jordanian Business Associations, with support from Ministry of Planning, Ministry of Higher Education & Scientific Research Ministry of Industry, Ministry of Tourism and other government authorities.

oriented challenges facing the Jordanian higher education sector are identified.

2. Jordan's economy: a background description

Jordan is assessed by the World Bank as a lower middle-income country. In 2010, the GDP per capita registered 5,400 US$ (CIA 2011). The inflation rate has steadily increased especially after the Iraq War in 2003 due to the expanded liquidity brought into the country by Iraqi migrants (Central Bank of Jordan 2010). The unemployment rate has been largely stable at between 13 to 15% (The World Bank 2011; Guégnard et al. 2005), and the incidence of poverty reached 14.2% in 2002 (CIA 2011). Jordan's economic system is regarded as liberal and market oriented; one of the milestones of the country's openness is its accession to the World Trade Organization (WTO) in 2000. Still the government continues to play a strong role in development planning, as a financier and as the largest employer, employing an estimated of 50% of the Jordanian labour force in the mid-2000s (MOP et al., 2004). Jordan's natural resources are moderate, e.g. only 6% of its total land area is arable (Hassan and Al-Saci 2004; Bahl and Syed 2003; Viorst 1995). The availability of water per capita is among the lowest in the world (Al-Halasah and Ammary 2006) with 200 m^3 of renewable water p.a. (Ham et al. 2003:20), which is far below the water poverty line of 1000 m^3 per capita p.a. (ESCWA 1999).

Jordan has been affected by vulnerabilities and sources of political unrest from neighbouring countries. After the end of the Iraq-Iran war in 1988 and the fall in worldwide oil prices, regional trade and transit activities from which it had profited were depressed. As a consequence, the government increasingly turned to external borrowing to sustain national growth and to counter its budget deficit. In 1988, soaring debts, reaching more than 190% of GDP (CBJ 2005), and diminishing currency reserves led to an economic crisis and to a considerable devaluation of the Jordanian Dinar. In addition, in 1990/1991, as a result of the Gulf War (Van Hear 1995) Jordan witnessed a mass return of over 350,000 Jordanian migrants from Kuwait and other Gulf states, which was accompanied by a steep decline of remittances. Jordan has a permanent trade deficit which was aggravated in the mid-2000s. Until then it had imported its oil mainly from Iraq, often at concessionary prices, but since the US-Invasion on Iraq in 2003, it purchases oil primarily from Saudi Arabia and other Gulf countries.

This was accompanied by increasing oil prices worldwide. Hence, the loss of subsidized oil from Iraq had strong implications for the Jordanian economy. Moreover half of its exports and a quarter of its imports are with its disturbed neighbouring countries, the result was a seven billion US dollar trade deficit[3] in 2005 (CBJ 2006).

The partial loss of the Iraqi market, the relapse of the peace process with Israel and the persisting heavy debt burden of over 100% of GDP has dominated the first years of the 21st century, resulting in a climate of uncertainty. Accordingly, local and foreign investments have been low and the real economic growth has, at best, matched the population growth. Foreign aid to Jordan has surged in the 1980's and has remained an important source of state funding. Still, its importance has declined over time from US$ 1.298 billion in 1980 to US$ 319 million in 2002 (DOS 2002; CBJ 2003).

Remittance transfers from Jordanians working in the Arabic Gulf region are a major external source of funding for the country. They reached US$ 1.4 billion in 1980, constituting 20.1% of GDP, dropped following the Gulf War and the return of Jordanians from Kuwait and other Gulf countries to US$ 583

[3] equal to 5 billion JD

million (12.4% of GDP) in 1990, but afterwards recovered and steadily increased to US$ 3,118 million in 2009 (see Table 1). Remittances can help to alleviate credit constraints and may serve as a means for development finance (Giuliano and Ruiz-Arranz 2005); however the geopolitical conditions in the Middle East region make this source of foreign currency vulnerable.

Table 1: Remittances to Jordan (in constant 1995 US$) and their share in GDP

Years	Remittances (million US$)	GDP (million US$)	Remittances as % of GDP
1970	62	2,559	2.4
1980	1,468	7,318	20.1
1990	583	4,692	12.4
2000	1,633	7,475	21.8
2003	2,006	10,182	20
2005	2,511	12,611	17
2008	3,157	21,205	15
2009	3,118	22,910	14

Source: Central Bank of Jordan (Different Years): Annual report.

Services and industry[4] play the most important role in Jordan's economic development (Table 2). However, while the shares of industry and manufacture have significantly expanded since the mid-1980s, the service sector shows a declining trend.

Table 2: Jordanian economic sectors (1986-2008) as percentages of GDP

Economic Sectors	1986	1996	2006	2008
Agriculture	6.3	3.8	2.7	2.9
Industry	24.4	26.1	31.7	34.1
Manufacturing	10.6	13.8	20.7	20.5
Services	69.3	70	65.6	63.0

World Bank (2007, 2009): Jordan at a glance.

Jordan's high population growth which stood at 2.2% in 2009 (DOS 2010) leads to employment challenges, but even higher population growth rates in

[4] Textiles and mineral resources like potash and phosphate

the neighbouring countries mean that alternative employment opportunities in the surrounding region are also not readily available. The country is relying on the growth of its human capital for achieving independent and sustainable economic development and it is dependent on education and student mobility as a source of highly skilled labour force. On that basis, service sector exports can help to reduce Jordan's balance of payment deficit.

3. Investment in human capital and circular migration

Education is an important building block of skills and human capital and combined with training represents the major contributor to human capital formation (Becker 1993). Jordan scored many achievements in the field of education since the 1970s; universalization of education (Sekhar 2007; Mehta 2003) that resulted in the rise of the literacy rate to 93% of the total population in 2008 (UN 2009) has been a major one. Moreover, education is high on the priority list of the government's social agenda, resulting in relatively high participation rates in the various educational cycles. The percentage share of the population with formal education constituted 52.1% in 1979, and went up to 85.3% in 2004 (Al-Khaldi 2006), while the tertiary education gross enrolment rates (GERs) increased from 2.1% in 1970 to 58% in 2007[5] (World Bank 2008, UNESCO 2007).

Higher education in Jordan is largely provided by the state. Therefore, current endowments of educated Jordanians are strongly influenced by the past educational policy. Jordan started investment in its human capital on the level of international higher education in the 1950s when an increasing number of Jordanian students migrated abroad to achieve their university degrees. Many of them returned back to serve in different Jordanian universities. Studying

[5] In 2005, GRE in tertiary education reached 39%, one of the highest in the Arabic region (UNESCO 2008).

abroad is a part of a deliberate profitable migration strategy followed by both the Jordanian government and Jordanian households, who allocate their human resources across different activities to maximize the family's total benefit. Table 3 shows the mobility of Jordanian students to different universities inside and outside Jordan during the period 1954/69 until 2008/2009 at all levels of higher education. Between 1954 and 1969 an estimated 36,500 Jordanian students received their higher education degrees from foreign institutions. In 1975, only 5,000 students were studying in Jordanian universities, while almost 35,000 Jordanians were studying abroad. In 2009, this relation had changed impressively: About 10 times more Jordanian students were inscribed in domestic universities than in foreign institutions.

Table 3: Jordanian students in Jordanian and foreign universities, 1954-2008

Aca-demic Years	Jordan	Foreign Universities						Total non-Arabic Foreign Coun-tries
		Arabic Countries	West Europe	East Europe	North America	Asia	Un -specified	
1954 to 1969*	------	29,500	3,500	2,500	1,000	----	------	7,000
1972/73	2,700	24,300	3,300	-------	800	600	-------	4,700
1975/76	5,200	27,400	6,200	2,700	1,000	2,100	-------	12,000
1980/81	15,800	41,100	6,300	10,500	6,100	2,100	-----	25,000
1985/86	26,700	8,300	4,200	5,800	6,600	1,000	9,900	27,500
1990/91	39,700	7,200	4,500	4,400	4,300	7,300	----	20,500
1995/96	83,500	10,300	2,500	3,200	2,500	3,100	8,000	19,300
2000/01	126,212	12,000	1,700	6,100	1,900	1,300	8,000	19,000
2005/06	208,174	9,529	1,549	3,575	2.374	193	8,000	15,691
2007/08	226,401	11,315	1,545	4,195	2,374	267	8,000	16,381
2008/09	236,820	10.828	1,419	4,193	1,922	249	2,243	10,026

* total number of students over the whole period 1954-69
Source: for the years from (1954/1981): Zaqqa (2006); for the years (1985-2009): Ministry of Higher Education and Scientific Research (different years): Annual report.

The human capital gains associated with migration accrue from the returnees who bring home new skills acquired abroad (Stark et al. 1998), and from the acquisition of tertiary education in foreign countries yielding returns in the home country's labour market (Dustmann and Kirchkamp 2002). It corresponds to the concept of brain circulation (Tremblay 2005; Gaillard and Gaillard 1998), which refers to the cycle of moving abroad to study, and/or to take up a highly qualified job there, and later on returning home to take advantage of a good employment opportunity, and by this increase the knowledge in the country of orgin. The associated temporary brain drain (Gribble 2008; Balaz et al. 2004) characterizes Jordanian student mobility at higher education levels, and does not constitute a form of highly skilled out-migration in its own right (Li et al. 1996; Findlay 1990). The impact of circular migration on economic development tends to be positive if the returnees have gained skills and knowledge while abroad (Agunias and Newland 2007). Jordan's higher education polices have decisively contributed to turning circular migration arrangements into a valuable asset for the country. An example for this are the returnees in the academic staff (PhD holders) at different faculties of Jordanian universities (Table 4). The results suggest that the U.S. and UK continue to be the major destinations for Jordanian graduates, accounting for 38%, respectively 27%, of total Jordanian returnees who achieved their PhD abroad in the academic year 2009/10. They cluster in science faculties, such as engineering, IT and natural sciences, and among the humanities faculties, mainly in business administration, law and educational disciplines. Germany, France and some Arabic countries such as Iraq and Egypt hold shares of 3% to 4%. Also, the ex-socialist bloc countries had hosted significant percentages of the Jordanian returnees.

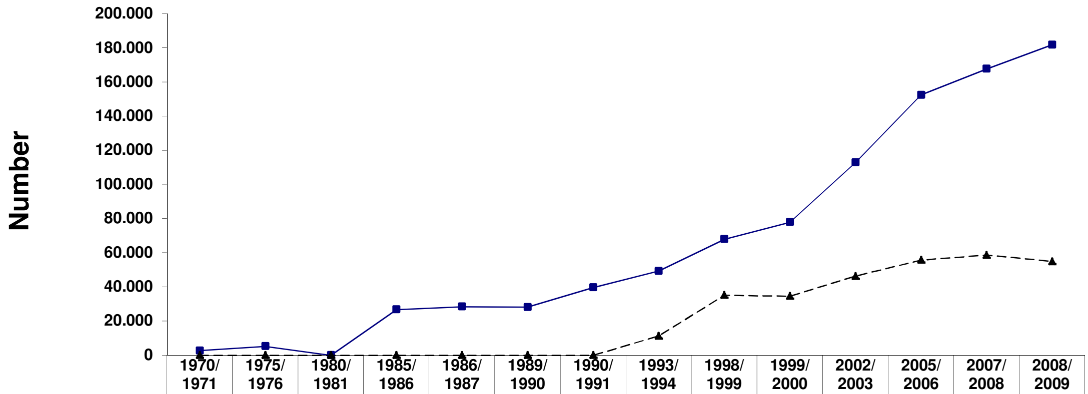
Table 4: Academic staff at Jordanian universities by place of PhD graduation and faculties in the academic year 2009/2010 (in %)

PhD countries	Faculties, total number of students								
	Scientific				Humanities				% of total
	MeD.	Nurs	Eng.	Sci.& IT	BA	LW	FL	Ed.Sc.	
USA	26	48	42	41	26	1	46	57	38
UK	42	34	25	22	30	31	29	18	27
France	3	0	2	1	4	26	1	1	3
Ireland	5	1	0	1	0	0	0	0	< 1
Germany	7	2	5	10	1	1	1	1	4
Belgium	0	0	0	1	1	0	1	0	< 1
Sweden	0	0	1	1	0	0	0	1	< 1
Spain	1	0	1	1	1	2	0	1	1
Greece	1	0	1	1	1	0	0	1	< 1
Italy	1	0	2	1	1	0	0	0	1
Poland	0	0	1	1	2	0	0	0	1
Russia	0	0	5	2	4	1	0	0	2
Ukraine	0	0	4	3	5	1	0	0	3
Romania	0	0	1	1	2	0	1	0	< 1
Moldova	0	0	0	1	1	0	0	0	< 1
Czech R.	0	0	0	0	1	0	0	1	< 1
Bulgaria	0	0	1	1	1	0	0	0	< 1
Uzbekistan	0	0	1	1	0	0	0	0	< 1
Malaysia	0	0	1	2	2	0	1	1	1
Canada	3	0	4	5	0	0	2	1	2
India	1	0	1	2	7	0	7	0	2
Pakistan	0	0	1	1	1	0	0	1	< 1
Australia	6	3	1	2	2	2	2	1	2
China	0	0	0	1	1	0	0	0	< 1
Philippine	0	0	0	0	1	0	1	0	< 1
Turkey	1	0	1	2	1	0	2	0	1
Lebanon	1	0	0	0	0	2	1	1	< 1
Iraq	1	2	2	3	6	3	5	8	4
Egypt	2	10	1	1	3	21	2	10	4
Morocco	0	0	0	0	0	7	0	0	< 1
Algeria	0	0	0	1	1	1	0	0	< 1
Tunis	0	0	0	0	0	2	0	1	< 1
Sudan	0	0	0	0	0	0	1	1	< 1
Syria	0	0	0	0	1	1	0	1	< 1
Others	2*	0	7**	4***	1****				

Note: MeD: faculty of medicine, IT & Sci.: faculty of Information technology and faculty of science. Ed.Sc.: faculty of educational sciences.
* New Zealand (1), Cuba (1)
** Finland (1), Netherlands (1), Hungary (1), Slowakia (1), Taiwan (1), Cypries (1), Saudi Arabia (1)
*** Switzerland (1), Austria (1), Latvia (1), Azerbaijan (1)
**** South Korea (1)
Source: Author's calculations based on Jordanian universities databases in 2010

Jordan has managed to sustain the international competitiveness of its HEI's among Arabic countries in the Middle East region at least until the first decade of the 2000s. In addition, it is considered as a safe and politically stable country, enjoying a pleasant environment and having an Arabic and Islamic culture. Hence, a significant regional demand on Jordanian higher education services emerged in the 1990s and has continued to expand onwards, attracting a large number of international students to enrol in different universities of the country (Fig.1).

Fig. 1: International students at Jordanian universities during academic years 1988/1989-2008/2009



	1970/ 1971	1975/ 1976	1980/ 1981	1985/ 1986	1986/ 1987	1989/ 1990	1990/ 1991	1993/ 1994	1998/ 1999	1999/ 2000	2002/ 2003	2005/ 2006	2007/ 2008	2008/ 2009
Public Universities	2.700	5.200	15,8	26.711	28.439	28.135	39.668	49.323	67.894	77.841	112.901	152.430	167.754	181.872
Private Universities	0	0	0	0	0	0	0	11.319	35.198	34.642	46.321	55.744	58.647	54.948

Note: Includes international students at graduate and undergraduate levels.
Sources: 1988 to 1999: MoHESR (Different years): Annual Statistical Reports; 2000 to 2009: MoHESR databases.

A significant number of international students[6] enrolled in Jordanian universities has originated from neighbouring Arabic countries mainly Kuwait, Saudi Arabia, West Bank, Iraq, Syria, and Yemen (Table 5).

[6] Students who have crossed a national or territorial border for the purpose of education and currently enrolled outside their country of origin are called "intentional students" (UNESCO-Institute for Statistics-UIS).

Table 5: International students enrolled at Jordanian universities* at undergraduate level by countries of origin in the academic year 2008/2009

Countries of origin	**Numbers**	**Countries of origin**	**Numbers**
Palestine	7,083	Malaysia	763
Saudi Arabia	3,263	Egypt	338
Iraq	2,950	USA	244
Israel	2,707	Lebanon	192
Syria	1,874	Qatar	188
Kuwait	1,476	Sudan	90
Oman	907	UAE	49
Yemen	863	**Total**	**22,987**

* Public and private universities.
Source: Ministry of Higher Education (2010).

Several economic and political events contributed to increase the number of international students in Jordan: first, the political and economic turbulences resulting from the Gulf War in 1990/1991; second, the Iraq War in 2003 and the influx of Iraqi migrants into Jordan; third, the situation of unrest in the West Bank; and fourth, the problems facing some Arabic and Muslim students in western environments due to the September 11th 2001 attacks in the U.S., which subsequently made it more difficult particularly for those from the Arab Gulf, to acquire visa to the US and even to EU countries (IEE 2003).

The value of international higher educational services measured in terms of export revenues for the host country called "educational export" can be measured by the fees and charges they pay (Larsen and Vincent-Lancrin 2002; Mazzarol and Hosie 1996). For Jordan, these educational exports have constituted a profitable new source of income and foreign currency.

Before assessing the economic benefits of educational exports for Jordan's economy, the development in Jordan's HEI's, in terms of number of universities, student enrolments, and tuition fees will be outlined.

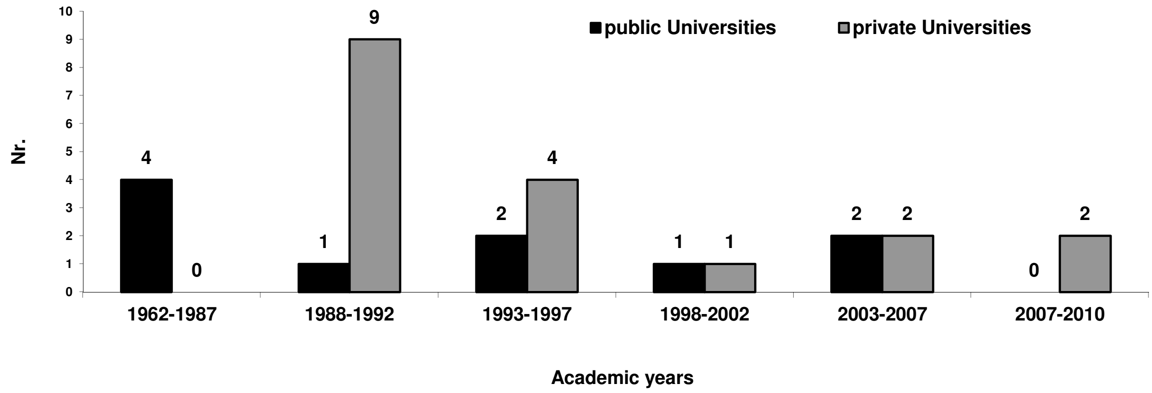
4. Higher education in Jordan

Higher education in Jordan started in 1951 with a one-year post-secondary teacher training class. Since then it has experienced significant changes. The first university program began in 1962 with the foundation of the University of Jordan (UoJ) as the first public university. Until 1987, three additional public universities and from 1988 to 1992 one more public and nine private universities were established (Fig. 2). The reasons for this surge were increasing demand for Jordanian higher education services by Jordanian returnees from Kuwait and other Gulf countries resulting from the Gulf War in 1990/1991; continuing population growth in Jordan, which increased from 3.7% in the mid-1980s to 5.6% in 1990 (UN 2009); and increasing in tertiary education gross enrolment rates, from 13.1% in 1985 to 63% in 1991 (UNESCO 2006).

Until the late 1980s the government was the only supplier of higher education. Faced with expanding demand it realized that it could not satisfy the uprising requirements out of its own resources, and consequently issued policies allowing the private sector to provide higher education services. Between 1993 and 2002 three public and five private universities opened; and from 2003 until 2009 two public and four private ones[7] (Fig. 2), bringing the total number to ten public and 19 private universities in 2010.

[7] One of them is the German Jordanian University established in 2005.

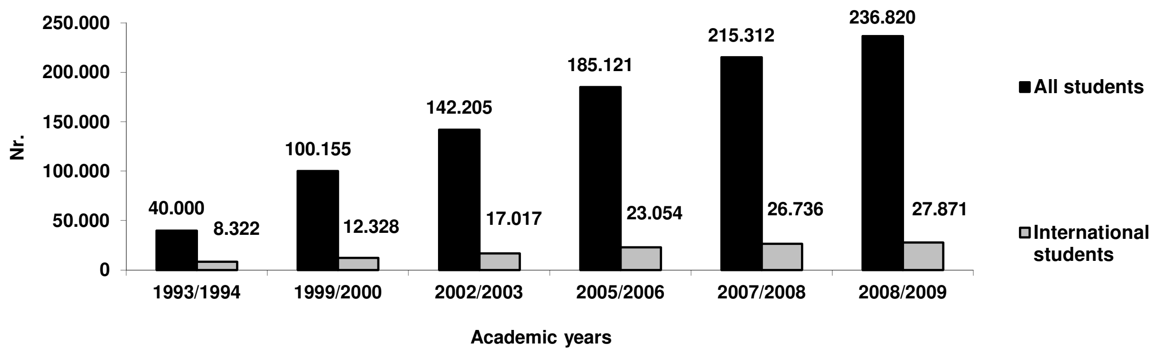
Fig. 2: Newly established Jordanian universities, 1962-2007



Source: Ministry of Higher Education and Scientific Research (Different years): Annual report on higher education in Jordan.

The number of students enrolled in Jordan universities, expanded by almost the six-fold between 1993/94 and 2008/09 (Fig. 3). At the same time, the number of international students tripled (Fig. 3); almost 90% of them are enrolled in undergraduate studies (MoHESR 2009).

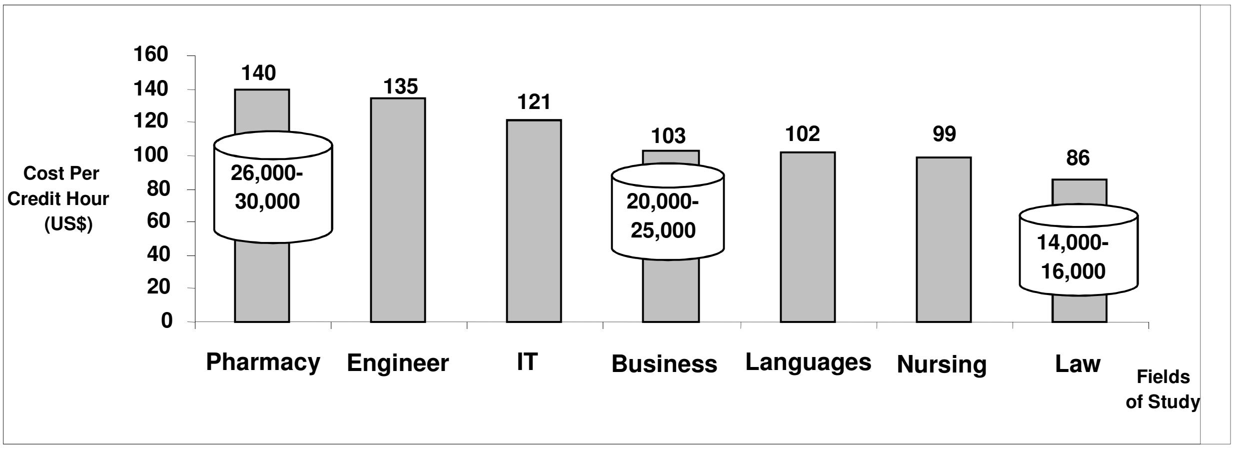
Fig. 3: Student enrolments at Jordanian universities in the academic years



Source: Ministry of Higher Education and Scientific Research (Different years): Annual report on Higher education in Jordan.

Fig. 4 shows the cost per credit hour and total tuition fees in the faculties in which most international students are enrolled. Tuition fees between US$ 26,000 and 30,000 had to be paid to achieve a BSc in the faculty of pharmacy during the academic year 2006/2007; US$ 20,000-25,000 for a BSc from the faculty of business administration; and between US$ 14,000 and 16,000 for one in the faculty of law.

Fig. 4: Cost per credit hour and total tuition fees for international bachelor students in Jordanian universities for academic year 2006/2007



Source: University of Jordan Database and Applied Science University (ASU) Databases, 2008

5. The economic contribution of higher education exports

The potential development implications of educational services exports are raising numerous questions, hopes as well as concerns, at the national and regional level. This section analyses different aspects concerning the Jordanian economy.

Source of foreign exchange

Higher education export is a revenue generating activity, an important source of foreign earnings (Carrington et al. 2007) and a positive contribution to the balance of payments (Asteris 2006). Its value includes tuition fees as well as international students' expenditures for living and travel costs in the host country. According to YEA et al. (2005) international students in Jordan spend an average of 9,000 JD per year (around US$ 13,000 in current prices) on tuition fees, living expenses, accommodation, and other items. Assuming this figure, the almost 28,000 international students in Jordan in 2010 contributed to an equivalent of more than 2% of Jordan's GDP[8].

Decreasing financial support from the Ministry of Higher Education

Rationalization of higher education systems (Skolnik 1987; Gore 1972) and deep budget cuts have made higher education institutions look for additional sources of funding, and fees paid by international students turned out as an attractive alternative to ease tight budgets and to enhance university services (Mazzarol and Hosie 1996). In 2006, 0.13% of the government budget was spent on education (MoHESR 2007).

Strengthening of Jordan's role as educational hub for the Middle East

The export of tertiary education is a major international business and an important source of income for many countries, both directly through fees received in destination countries, and indirectly through the establishment of networks (Salt 1997). Education, both school and higher education is a strong field of competence in Jordan. In 2009, 12% of the students in the country's universities were foreigners and their number has been growing by an average of 8.7% p.a. since the academic year 1993/1994.

Support of traditional tourism

International students in Jordan on average receive 2.5 visits by family members and friends every year, and each visit lasts for 6.5 days, i.e. the average length of all visits per student is 16 days (YEA et al. 2005). These visitors often go to local tourism destinations such as the Dead Sea, Gulf of Aqaba or Petra, and leave significant amounts of money in the country.

[8] Calculation by the author depending on: a)YEA,2005,2005a; b)Central Bank of Jordan (different years): Inflation in Jordan c) Jordanian Sales Tax Act Nr.(6) for 1994 and its Amendments Published on Page 1037 of Official Gazette Nr. 3970 on 31.05.1994 .

International networking opportunities

International students are more than simply a source of financial funds and a market to be won; rather they add immeasurably to the academic and cultural life of a university (Kinnell 1989), and they take back the knowledge and experience gained in the host country's institutions. In addition, contacts with host country students can have long-term positive effects on their home countries by providing foundations for strong foreign relationships, trade relations, and cultural exchange.

Low vulnerability to regional instabilities

Most international students in Jordan originate from Arabic countries of the Middle East and North Africa (MENA) region (Reisman 2010; Oxford Business Group 2007). Hence, they are more familiar with the region than other international students. As a result, Jordan's educational exports are less vulnerable to regional instability than to returns from traditional tourism, a major provider of foreign exchange, and one of the country's economic key sectors which, however, is highly sensitive to political instability (Lea 2003).

International and regional comparison of higher education exports

Jordanian universities have been internationally benchmarked by YEA et al. (2005) against Australian and US universities and regionally against the UAE, Egypt and Lebanon. Jordan hosted one international student per 303 Jordanian residents. This so-called "international student penetration ratio" was higher in Jordan than in the US, where it was one to 495 residents and lower than in Australia where it was 105. Regionally, Jordan held the third position after the UAE (with a ratio of 159) and Lebanon (271), while Egypt holds the last place with one to 6,380 (Table 7).

At the same time, the economic significance of international students in supporting local residents, measured by the ratio of international student spending to per capita income was highest for Lebanon (with 6.9) and Jordan

(5.4) and lowest for the US (0.6) (Table 7). Each international student in Jordan supports more than five Jordanians while given the high per capita income in the US, each international student supports less than one US American.

Table 7: International students penetration rate (ISPR) and economic significance ratio (ESR) in selected countries

Indicator	Australia	UAE	Jordan	Lebanon	USA	Egypt
ISPR	1/105	1/159	1/303	1/271	1/495	1/105
ESR	0.78	1.1	0.54	6.9	0.56	0.78

Source: YEA et al. (2005)

6. International students' growth scenarios to 2020

In 2000, the public-private development initiative "Jordan Vision 2020" was launched in Jordan (JV 2020). In 2004, JV 2020 phase II started with the objective to enhance higher educational services exports. This was planned to be achieved by the collaboration of public and private sectors, including different Jordanian universities, in order to increase the number of international students to 100,000 by the year 2020. Different scenarios were constructed to project the growth of the number of international students from the 2007/2008 level of 26,736 as summarized in Table 8. The scenario with a growth rate of 8.8% includes a target of 80,000 international students by 2020. This would contribute 560 million US$ from students' living expenses, and 480 US$ million from tuition fees to Jordan's GDP, i.e. a total of more than one billion US$ (in current prices). Assuming an unchanged sales tax in Jordan of 16%[9] this would contribute US$ 63 million of tax revenues in 2020. In the second scenario, 100,000 international students will be reached by a growth rate of 10.6% p.a. generating total receipts of US$ 1.3 billion from

[9] Jordanian Sales Tax Act Nr. (6) for 1994 and its Amendments Published on Page 1037 of Official Gazette Nr. 3970 on 31.05.1994.

tuition fees and living expenses, and US$ 78 million as tax revenues. The third scenario would result in 160,000 international students by 2020 assuming a growth of the number of international students by 14.7% p.a. The receipts would then be two billion US$, and the tax revenues US$ 125 million.

Table 8: International students' different growth scenarios in 2020

Growth scenarios %	Target number of students in 2020	International students penetration ratio by 2020	Living expenditures* (million US$)	Tuition fees ** (million US$)	Total Receipts (billion US$)	Government tax revenues*** (million US$)
8.8	80,000	1:100	560	480	1	63
10.6	100,000	1:80	700	600	1.3	78
14.7	160,000	1:50	1.1 million	960	2	125

Note: 2020 refers to the academic year 2019/2020.
* Accommodation, food, transportation, and other expenses.
** Based on information from several Jordanian universities.
*** Mostly from sales tax from living expenditures, although, other tax revenues on services consumed by the student in Jordan may be collected.
Source: Based on data from YEA *et al*. (2005).

After discussing the above scenarios Jordan Vision and universities representatives arrived at the result that the second scenario is the most appropriate for Jordan. The first one was considered as too conservative, building just upon the average historic growth rate of the number of international students, and the third one as too ambitious, as the necessary changes would be difficult to achieve (YEA et al. 2005).

7. Perspectives

The global institutional landscape of higher education is changing: the traditional campuses lose importance while profit oriented institutions are expanding. Higher education in Jordan has witnessed major transformations and has faced enormous challenges in terms of increasing competition between Jordanian Universities, and new universities in the Middle East region. In addition, the entry of new low cost providers into the education industry intensifies the rivalry, and national investments in higher education institutions might be increasingly at risk. Moreover, offshore education is a growing market, where the main providers are foreign educational institutions which open subsidiaries abroad or offer their educational programmes and qualifications via partnerships with host-country institutions. In Egypt, for example, the already extensive landscape of international programs has been significantly expanded since the 1990s. The United Arab Emirates have pursued similar efforts through their Dubai Knowledge Village, which has attracted numerous British and European universities and is also of interest to US institutions. Kuwait has approximately ten private American-style institutions of higher education at the end of the 2000s (Ghabra and Arnold 2007). These universities are expected to increasingly attract not only their host countries' own students, but probably Jordanian students as well. Higher education services are a growing industry which is not only branching out into new institutions but also into new methods of delivery, such as distance learning via internet, radio and television, and into new activities such as educational exchange services and testing services. These techniques lead to growing competitive overlap between institutions, particularly as geographical distance becomes less of a constraint. An example is the IT Dubai Internet City, an internet university offering international quality courses in e-finance, e-marketing, e-design and e-management. The availability of such substitutes signals that the demand for Jordanian higher educational services might be eroding within the target markets if they do not adapt to the new strategies and technologies.

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Engagement Mechanisms of Diaspora and Bounded Transnationalism: The Case of Somalis in Finland

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1. Introduction

The migration-development nexus has been researched rather extensively since the late 1990s. In that context the potential of international migrants, so called diasporas[2], acting as agents of development for their countries of origin, has been increasingly recognized by academia and development organizations. Several case studies in different geographical locations have arrived at the result that migrants maintaining transnational relations and activities[3] contribute to the development of their countries of origin. This happens to a large part via remittances which the migrants send to their families back home. On a global level the amount of remittances exceeds the official development aid, and in many countries also the value of received foreign direct investments (World Bank 2005; Gammeltoft 2002; IMF 2010).

Since the mid-1990s also the migrant organizations and their development activities have been touched upon in the literature. Much of this literature

[1] A first draft of this paper was presented at the 12th EADI General Conference "Global Governance for Sustainable Development" in the Working Group of International Migration on 25.6.2008. The author would like to thank the chair of the working group, Professor Beatrice Knerr, and the audience for helpful comments. Email: paivi.pirkkalainen@gmail.com

[2] Much has been written on diasporas, for example by scholars of the cultural studies. "Diaspora" as a concept also has entered the language of migration studies. One of the "classical" definitions of diaspora claims them to have the following characteristics: "- they have dispersed from the original 'homeland' to two or more locations; - they maintain a collective memory on their 'homeland'; - they feel partly 'alienated' from the country of settlement; - they maintain the myth of return; - they continue to relate to their original 'homeland' (Safran 1990; 83-4.). Later works on diasporas emphasize their political and moral nature, and claim that instead of setting strict definitions on diasporas one should focus on identifications and mobilizations put forward in the name the diaspora (See Kleist 2007; Werbner 2002; Axel 2004).

[3] Basch et al. (1994; 7) define "transnationalism" as consisting of "the processes by which immigrants forge and sustain multi- stranded social relations that link together their societies of origin and settlement. We call these processes transnationalism to emphasise that many immigrants today build social fields that cross geographic, cultural and political borders."

focuses on Home Town Associations (HTAs), and much of it is about Latin American migrants in the USA. HTAs are defined as organizations of migrants coming originally from the same town or parish and congregating for mutual-aid and social purposes (Caglar 2006; Orozco 2003). Diaspora organizations, the unit considered in this paper, are similar in their nature to home town associations but the lines of organizing are more diverse than being based on a certain locality.

Many of the first migration-development studies, in particular on remittances, have concentrated on labour migrants and their transfers. Linkages between conflict ridden areas and 'conflict generated diasporas' (Lyons 2004:1) has become an emerging field of research only since the early 2000s[4]. Although, even if in reality the distinction between labour migration and forced migration is blurred (see Martin 2001: 4-5), it is particularly important in the context of conflict-ridden areas to maintain a rough distinction between both categories. The reason for migration may shape the identity in the country of settlement, and the conflict in the country of origin sets the limits for the engagements of diasporas. Somalis abroad can be defined as a 'conflict generated diaspora', since the mass dispersal of them took place due to the civil war in the late 1980s and early 1990s.

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[4] Research projects examining the link between migration and conflict carried out in recent years, are for example:

- Two projects coordinated by the University of Jyväskylä: The Academy of Finland funded project "Security, Governance and Identities in Flux: The Role of Diaspora in Development in the Horn of Africa"; and European Commission's 7th Framework Programme funded "DIASPEACE" (Patterns, Trends and Potential of Long-Distance Diaspora Involvement in Conflict Settings), refer to: http://www.diaspeace.org/;
- The UK Economic and Social Research Council funded project "Transformation of War Economies", refer to: http://www.research.plymouth.ac.uk/twe/mainframe.html;
- Research Consortium on Remittances in Conflict and Crises (RCRCC), refer to: http://www12.georgetown.edu/sfs/isim/pages/RCRCC.html.
- Project on Global Migration and Transnational Politics at George Mason University, refer to the working papers: http://cgs.gmu.edu/publications/wpgs.html; PRIO in Oslo in the project"Transnational and International Facets of Civil War" has touched upon the issue of diasporas and conflicts, refer to: www.prio.no.

Much of the previous literature on conflict-generated diasporas concentrates on emphasizing the negative aspects and influences of these diasporas[5]. One line of this literature makes general reproaches on them to contribute, for example financially, to the conflicts as they simply have the resources to do so (see, for example, Collier 2000; Collier and Hoeffler 2004; Kaldor 2001; Duffield 2002). Moreover, this literature claims that diasporas engage more easily in "hard line politics" because they maintain a rather romanticized view of and attachment to their countries of origin, imposing their own fantasies and frustrations without knowing the real situation, and without suffering from direct consequences of the conflict (Anderson 1992: 13; Sorenson 1996: 443). The literature has also discussed this kind of migration in the light of security, focusing on migrants being security risks for Western countries. This debate on the "securitization" of migration has essentially emerged after the New York Twin Tower terrorist attacks of 9/11 (see e.g. Faist 2005).

However, over the 2000s studies examining the possibilities and opportunities diasporas possess for conflict resolution, peace building, and development have come up to counter the above mentioned negative views. In general, when assessing the impact of diasporas it is to be born in mind that whether it is considered as "positive" or "negative" depends largely on how, and on what terms and conditions 'peace' is defined, and who is judging it (Smith 2007). As Østergaard-Nielsen (2006:2) puts it: "Irresponsible long distance nationalists for some are freedom fighters for others."

This paper analyses the case of the Somali diaspora in Finland and their transnational engagement focusing in particular on individual remittances and collective activities via diaspora organizations. The aim is first of all to discuss their possible impacts on the country of origin, and second, to describe these activities in the light of the concept of "bounded

[5] Read more on the discussion about diaspora-conflict-peace nexus in Pirkkalainen and Abdile (2009).

transnationalism". The transnational activities, for example remittances, depend to a large extent on the motivations and resources of the sending side. The paper explains how the contexts in the countries of settlement and of origin affect transnational engagements in the Somali case. It is based on empirical data gained from 40 interviews among Somalis living in Finland[6].

2. The Somali Diaspora in Finland

Somali out-migration has a long history and diverse forms. During the colonial times the main destinations were the UK and Italy. In the 1970s and 1980s a large number of Somali men migrated to the Gulf States for work. Many have left the country as a consequence of the civil war which started in the late 1980s[7]. People fled Somalia in highest numbers in 1991, when more than one million are estimated to have sought refuge in neighbouring states or further away in Western countries. Most of the refugees settled in the neighbouring countries, or remained in the country as internally displaced people (IDP). Some claim that Somalis are one of the most dispersed national groups in the world: they have been recorded to live in 60 countries (Koser and Van Hear 2003:7). There are no exact figures about the size of the Somali

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[6] Qualitative thematic interviews were carried out between 2005-2009 in the metropolitan area of Finland (cities of Helsinki, Espoo and Vantaa). The first six interviews were collected in 2005 for the author's master's thesis entitled "Somali Diaspora in Finland: Assistance of the Country of Origin" (2005). The other 34 interviews, as part of her PhD research on Somali diaspora organisations. The respondents were Somalis who had lived in Finland at least 9 years and held at least bachelor degree. Most of them spoke fluently Finnish and were active in organisations in Finland. The respondents originally came from different parts of Somalia including different regions in the Central and Southern Somalia, Puntland and Somaliland. They all were actively engaged in transnational assistance activities towards their country of origin through diaspora organisations. As the respondents are active in organisations they do not represent the whole Somali community and thus generalisations on the Somali community in Finland cannot be drawn on the basis of this empirical data. Interviewees were selected using snowball sampling.

[7] Civil war in Somalia broke out in 1988, and the ousting of the dictator Siad Barre took place in 1991, when also the Republic of Somalia collapsed. Since then, Somalia has no legitimate functioning central government. The northern part of Somalia, Somaliland, proclaimed its independence in 1991, but is not recognised as an own state by the international community. Puntland in north-eastern Somalia declared its autonomy in 1998. Puntland does not seek for international recognition as a separate nation but instead to become a federal region of a Federal Republic of Somalia. The author wishes to remain neutral concerning the political status of regions. The term "Somalia/ Somaliland" is used throughout the paper because the contexts of these different regions differ significantly.

diaspora around the world, but estimates say it is between one and three million, out of around an estimated seven to ten million inhabitants of Somalia (Koser and Van Hear 2003; Perouse de Montclos 2003). In the late 2000s the largest Somali refugee communities in the Western countries were in the UK, Canada and the USA. Finland, in 2008, had a community of 10.647 people whose mother tongue is Somali; 6.352 of them were born in Somalia (Statistics Finland 2008). A considerable part of them are youth and children (Tiilikainen 2003; Hautaniemi 2004). The majority lives in the capital area of Finland (cities of Helsinki, Espoo, Vantaa), where also most of the country's Somali organisations are based. Somalis are the fourth largest group of immigrants in Finland, and the largest group of African origin (Alitolppa-Niitamo 2004: 22-23; Statistics Finland 2007).

3. Engagement with the Country of Origin

In general, the transnational activities related to the country of origin can be distinguished according to *individual* or *collective* levels; *direct* or *indirect* methods; *material* or *social* contributions; *voluntary* or *paid assistance*; and finally taking place in the *country of settlement* or *in the country of origin* (see Horst et al. 2010: 9). In this paper, the focus is on two forms of voluntary assistance which often take place simultaneously: individual remittances to the family members on the one hand, and collective remittances, in this case involvement in diaspora organisations establishing community development projects in the country of origin, on the other hand.

In the case of conflict ridden areas, the engagement of the diaspora may either facilitate the conflict, or help to build peace and contribute to development. All in all, the definite impacts are very difficult to trace due to the complexity of the situation. Some authors stated that diaspora groups have been mobilized to support different factions in Somalia. Particularly in the early years of civil war, it was reported that at times of clan fighting people from the diaspora were pressured by local clan representatives to support their clan. This practice is claimed to have ceased since the early 1990s, but according to some experts it still has remained a concern afterwards (Menkhaus 2006; UNDP 2001:132.).

Although examples about the diaspora's support to the warring parties have been mentioned frequently in the literature, the scope, extent and significance of such support remain unknown. It is difficult to get information about how far remittances protract civil wars because no reliable data on the amount and the recipients of remittances are available. It has been claimed that they are often underreported, and that a large share, in particular those to conflict ridden areas, are transmitted through informal channels[8] (Collinson 2003:3).

It also has to be noted, however, that as much as diaspora members hold a potential for enhancing conflicts, they also support and finance reconciliation initiatives. Moreover, the Somali diaspora is heterogeneous and fragmented, comprising different groups and individuals supporting various actors in Somalia/Somaliland. Therefore, generalizations are not appropriate. Extreme groups possibly present in the diaspora are not representative of the whole community, but rather minorities, though often the most visible ones, engaging in these excessive forms of support (see also e.g. Mohamoud 2006: 5; Mohamoud 2005). A large number of diaspora members do not engage in any kind of direct political activities related to the country of origin, but are

[8] Since a formal economy and a banking system are largely absent in the country, some other means for transferring money have been developed in Somalia. The Hawilad (xawilad) is such an informal transfer system which was developed in the 1980s (although the idea behind it is older) and in the late 2000s is operating in almost every part of the world. The business is run by several companies, such as Al Barakaat ('Blessings'), Dahabshil ('Melted Jewellery') and Amal ('Trust') (Horst and Van Hear 2002: 2). The Hawilad-system is used for business transactions and for sending remittances to siblings. Also some NGOs use it to finance development projects in Somalia (Horst and Van Hear 2002).

involved in civic oriented humanitarian and development projects at the grassroots level. They are a central theme in the rest of the article.

4. Engagement Mechanisms: Individual Remittances

Remittances sent by Somali migrants have for long been crucial to the Somali economy and people. Assessing their amount is difficult, yet, because they are mostly not registered, and therefore no official statistics exist. Estimates ranged from US$ 140 million to US$ 800 million p.a. at the early 2000s (UNDP 2001; Perouse de Montclos 2003), whereby the highest estimates include the investments implemented by the diaspora. Available data show that remittances exceed the amounts of international development aid as well as the value of exports (Gundel 2002: 270). In addition, according to UNDP, remittances reach more people than international development aid does (UNDP 2001).

Whereas in the 1980s remittances were used mainly for trade, over the 2000s the highest proportion supported families in their daily life. Somali households abroad could rarely send more than US$ 100 per month to Somalia. UNDP Somalia estimated that in most cases households received about US$ 50-200 monthly, and that remittances increased in times of droughts and economic stress (UNDP 2001; Gundel 2002: 270-271). According to the respondents of the author's survey the amounts sent to Somalia are not considered as high, but still as significant for the people receiving them.

Most remittances to Somalia/Somaliland are sent by individuals to their families, and an estimated one-third of all families there receive such transfers. In addition to household remittances, the Somali diaspora is contributing to business investments and to collective remittances. The private sector in Somalia/Somaliland, mainly in urban areas, is functioning. Internet connections, mobile phones and land lines are working well and are cheap to use. The diaspora has been a significant investor in this context, in particular in Somaliland it has contributed considerably to the reconstruction of the region (see Hansen 2004). In addition to being essential for securing families' livelihoods and fulfilling important humanitarian functions, remittances have become an important source of hard currency for Somalis. Yet, although they are important for the survival of people, their structural effects on development are moderate. As long as they are used only for consumption and less for productive investments, long-term positive effects on the Somali economy are not likely to appear (Gundel 2002: 271). In addition, in particular in the case of Somalia, structural benefits through remittances, be they individual or collective, are difficult to attain because of the absence of a legitimate central government.

5. Engagement Mechanisms: Collective Remittances through Diaspora Organisations

In addition to individual remittances sent to family members in Somalia/Somaliland the Somali diaspora in Finland is actively interacting with the regions of origin through diaspora organisations. This form of engagement is also called "collective remittances", as often diaspora communities pool resources together for implementing activities in their country of origin. In the case of the Somali diaspora in Finland one can even observe the development of organisational capacities and through this access to external funding for their development projects.

In general, Somalis have been quite active in establishing civil society organisations in Finland. In the late 2000s an estimated number of 40-80[9] functioning Somali organisations were registered in the country (Pirkkalainen 2009). Most of them work simultaneously in Finland carrying out activities to further the integration of Somalis into the Finnish society and/or multicultural activities, as well as in the country of origin.

The Somali organisations in Finland vary considerably in size: in many cases they are rather small but there are also examples of associations having a membership base of several hundreds. Organisations are often led by people who are well integrated into the Finnish society in terms of knowing the language and being competent in administrative/bureaucratic procedures. Often, leaders are Finnish citizens, well-networked and well-educated, possessing at least a bachelor level degree (not all have found a job corresponding to their level of qualification, yet). In some cases leaders are involved in several organisations or have initiated a larger number of projects.

In general, Somali organisations in Finland are part of several networks on different levels. An important forum for their co-operation is the Finnish Somali-Network, which brings together native Finnish and Somali organisations involved in, or planning for development co-operation activities in Somalia/Somaliland. This network is the only of its kind in Finland. It was established in 2004 and has received funding from the Ministry for Foreign Affairs of Finland (MFA) for the period 2005-2010. Its main aims are the promotion of competences and capacity-building among the member organisations by providing courses on topics such as accounting, reporting, and development project planning; sharing information about development

[9] Through a mapping exercise over 100 Somali organisations were found in Finland. This mapping, however, could not verify the existence and functionality of all organisations and it has to be assumed that a significant number of these associations have ceased their activities. According to the interviewees' estimations, there were about 40 to 50 Somali organisations in Finland at the time of the survey.

activities in Somalia/Somaliland to facilitate co-operation between NGOs working there; and sharing information on the situation in the region.[10]

Many of the surveyed organisations share important transnational networks with other Somali organisations in different countries worldwide, and have members in other countries. In fact, some transnational organization networks may be more important and extended than those in Finland, and at times fundraising for development activities is arranged transnationally, with members and/or supporters worldwide contributing.

Finland-based Somali organisations work in a variety of fields in the member's country of origin. Activities carried out include, for example, support for orphans, farmers, universities, and educational and health institutions (e.g. hospitals, maternity and tuberculosis clinics). There are also cases of organised support for peace talks and reconciliation between different clans.

Sometimes, activities of Somali organisations in Somalia/Somaliland are directed towards the area in which the founder and/or active members possess professional know-how. Doctors and nurses have set up health-related projects, and teachers education-related projects aiming to transfer skills and know-how and building capacities in Somalia/Somaliland through the training of locals.

Funding mechanisms for such activities vary from 100% own funding by membership fees to external project finance from the MFA under the development co-operation budget's scheme of NGO Development Co-operation[11]. It is essential to note in that context, that the MFA does not have any specific funding scheme or quotas for diaspora organisations, but quite

[10] See the website of the Finnish Somalia Network: www.somaliaverkosto.net.
[11] When financing NGO development projects, the MFA requires some 'own' funding from the respective organisation: At least 15% of the whole project budget had to be provided by the organisation itself in the late 2000s, for example.

uniquely some Somali organisations have succeeded in accessing this general funding scheme. External project funding from the MFA could be accessed because some organisations have built up their capacity to a level that enables them to follow bureaucratic regulations in Finland. In general, from the MFA's point of view, a major problem of immigrant organisations is their low organisational competences. Therefore, it has supported training initiatives (through the Finnish Somalia-Network) which have strengthened their organisational capacities.

According to the MFA, the first development project carried out by a Somali organisation in Somalia obtained funding in 2000[12]. The financed NGO projects have been implemented in different parts of Somalia/Somaliland and in various sectors.

Each organisation engaging in development or humanitarian work in Somalia/Somaliland has a local partner, ranging from permanent relationships to changing and *ad hoc* contacts, depending on the activity. Several different forms of partnerships among the surveyed organisations can be found: a local organisation established by local people as partner; a local organisation established by a diaspora returnee as partner; an individual serving as a 'focal point;' or a branch of the diaspora organisation (set up by the diaspora organisation itself). Those Somali organisations which receive support from the MFA have a local organisation as a partner as this is the formal requirement set by the MFA.

The development and peace building roles of these activities implemented and supported by diaspora organisations were perceived by the diaspora itself as being multiple. Somali diaspora organisations and their representatives try to

[12] Data can be collected from the annual reports (1995-2007) on funded NGO projects published by the MFA (Kansalaisjärjestöhankeluettelo). Even though the MFA does not differentiate between organisations/ associations on the basis of the establishers/members' country of origin, the author, due to her knowledge on Somali organisations, has been able to identify the names of most Somali organisations in Finland.

contribute to a development towards peace through several means. First, through s*ervice provision* in the conflict ridden areas of Somalia. As a central government is practically non-existing basic services such as health and education facilities usually provided by state authorities are also not available. The diaspora has taken over a role in providing these vital basic services, and helps in building and supporting schools and hospitals. The link between service provision and peace building is seen in the light of the people's overall poverty, which is considered as a root cause for the persisting conflict. Hence, providing such services is intended as a basic contribution to sustainable peace.

Second, the diaspora has perceived its peace building role through the transfer of ideas of democracy and reconciliation. Many interviewees mentioned that the members of the diaspora are important actors in conflict resolution and peace building as they have experienced life in functioning democratic states. Moreover, their peace building role is also considered as important from the host country's perspective: the Somali communities abroad cooperate and create trust among themselves, and in doing so overcome differences. It is stated that these (new) 'models' of democracy, co-operation and trust building can be transferred to Somalia and through this could possibly promote the reconciliation between groups.

Thirdly, and the most outspoken, the peace building role of the diaspora is perceived in its capacity of providing school services for youth. The fact that young people have no future perspectives and thus can easily be recruited by warring parties is seen as one of the main reasons for the continuation of conflict.

Moreover, the peace building role was recognized in the activities within the diaspora itself. Many stated that the diaspora plays a major role in preventing radicalization of youth in the diaspora by, for example, informing young people about the consequences of radical activities, and by providing opportunities to avoid their marginalization.

6. Bounded Transnationalism: Resources and Motivation

Transnational activities, such as individual and collective remittances, depend to a large extent on the motivation and resources of the sending side. As emphasized by Guarnizo and Smith (1998:12-13) transnational practises always occur in particular locations, and these locations set their contexts and bounds. Hence, transnationalism necessarily is bounded by the circumstances in the countries of settlement and of origin.

Resources

Al-Ali et al. (2001:627) distinguish various factors that affect the capacity to engage in transnational activities, e.g. employment status and legal status in the host country. In the case of Somalis, remittance sending - particularly the amount and the ability to contribute to collective remittances - depends decisively on the person’s financial resources. Therefore, the employment status is essential. In Finland it has been difficult for Somalis to find jobs, and a high level of unemployment among them has persisted[13].

Legal status is considered as an even more important determinant of engaging in transnational activities than financial stability, since insecurity prevents people from looking for and finding employment and hinders integration in general. Most of the author’s respondents held Finnish citizenship and in this sense were in a secure position. A secure legal status in the host country gives the immigrant more possibilities to participate in transnational activities as, for example, it facilitates travelling, finding employment, establishing a registered association, and securing resources for such purposes.

[13] In 2005 the unemployment rate among Somalis was 59% (Ministry of Labour 2007).

Previous studies on immigrants' integration and transnationalism have shown that newly arrived immigrants often do not have the financial means, abilities or simply the time to engage in transnational activities, even if they would like to. Instead, transnational activities rise when more resources are available. This confirms the positive linkage between transnationalism and integration, which was also observed in the case of Somalis in Finland (see for example Goldring 1998; Landolt et al. 1999; Mahler 1995; Portes, Guarnizo and Landolt 1999).

Motivation

The Somalis who were interviewed for the present study were regularly following up what was going on in their country of origin. They were concerned about the situation there and felt responsible to assist people in Somalia/Somaliland. Many described the responsibility to assist family members as being inherent in the Somali culture, an obligation to get "human", as something everyone would do, a "must-thing to do". Remittance sending may in fact become a financial burden for people having tight resources and trying to manage life in an expensive Western country (see also Horst 2003: 9). Still, the respondents felt obliged to assist their relatives back home because they are in a better financial position. Remittances can also be seen as a form of social security, since formal social welfare systems are absent in Somalia.

Sending collective remittances, mainly through establishing community development projects, in contrast, was described as being voluntary, derived from a feeling of solidarity towards the country of origin. Development projects carried out by diaspora associations in particular function well in areas where the leaders and most of the members of the organisation come from, demonstrating the importance of regional and clan affiliations which also define the organisation and the mobilisation of the Somalis in the diaspora. Transnational activities directed towards areas of origin, or areas where one has relatives, are to a large extent motivated by security reasons and less due to senses of solidarity. Many of the respondents stated to have in particular access, i.e. “a channel”, to certain areas in Somalia where their relatives live. Organising activities around clan lineages or along regional affiliations, has much to do with trust, which becomes even more important where legitimate state structures are absent (Kleist 2007: 170). According to the author’s data, and similarly to what Kleist (2007) and Hopkins (2006) found out, even if people do not deliberately organise themselves around clans, the “politics of the country of origin permeate and influence organisations in countries of settlement” (Hopkins 2006: 376). Hence, the security situation in Somalia concretely influences the selection of areas where the development work is implemented, reflecting in many cases clan and regional affiliations.

This demonstrates the dependence of transnational activities towards the country of origin from the context in this country. The poor security situation in some parts of Somalia has set serious limits to the diasporas’s activities. Some organisations, for example, have not been able to carry out any concrete, let alone long-term projects there because of the poor security situation. Due to the prolonged and complex conflict, it is difficult for the Somali diaspora to tackle the root causes of the conflict and to participate in direct conflict resolution. Moreover, many are concerned about the increasing religious elements of the conflict, in particular the rise of radical Islamistic groups.

The motivation to engage with the country of origin is closely related to the generation one belongs to. The respondents interviewed in this study were all born in Somalia/Somaliland and still consider it home in the sense that it is the place where their roots are. For them, as first generation migrants, the desire to contribute something to their country of origin seems to be an inherent and natural part of their lives. When looking into the future, it is still unclear whether the second generation of Somalis in the diaspora is willing to send remittances to Somalia, or establish development projects there (see also, for example, Gundel 2002: 275). As expressed by the author's respondents, children's relations to their country of origin differ from those of their parents. The second generation children who were born in Finland might not even have even visited Somalia/Somaliland or met their relatives living there. Therefore, they have a distance to it and the host country matters more, is their life. Hence, it is to be assumed that youth having neither close relatives nor obligations in Somalia/Somaliland will not send individual remittances in the same manner as their parents do. This, however, does not mean that they will not continue transnational assistance activities through other channels. The respondents emphasized that Somali youngsters are interested in taking part in organisations and development projects related to Somalia/Somaliland. In fact, there are many examples of Somali youth being active in Somali organisations in Finland.

7. Conclusions

This paper examined the case of the Somali diaspora in Finland engaging in transnational activities with the country of origin. It described in particular two forms of engagement: individual remittances and collective remittances through diaspora organizations. Often both take place simultaneously. Interviewed Somalis were committed to send individual remittances to their relatives in Somalia/Somaliland, as well as active in engaging in development activities through the Somali diaspora organizations set up in Finland.

These transnational activities do matter in Somalia/Somaliland. In the conflict ridden and post-conflict areas people have poor employment and income generation opportunities, and, therefore, individual remittances are essential for the survival and the livelihood strategies of many families. Development projects established through diaspora organisations provide basic services, such as schools and health care facilities, to the regions of origin. Moreover, through these projects skills and know-how are transferred to the locals, and in some cases they also create employment opportunities for them. These activities were perceived by diaspora members as having peace building potential in terms of service provision, transfer of ideas and models on peace and democracy, as well as providing perspectives for the youth.

It is difficult to definitely assess the impact of the diaspora in the conflict settings due to the complexity of the conflicts and the diversity of diaspora groups and individuals. The engagement of the diaspora may either enhance the conflict or build peace and contribute to development in the conflict ridden areas. It has been claimed in the literature that diaspora groups have been mobilized to support several factions of Somalis. However, the scope, amount and significance of such support remain unknown. Thus, this negative impact should not be overstated – neither, of course, ignored. But in any case individual remittances and collective remittances do definitely constitute a potential for peace building and development.

In addition to discussing the impact of the diaspora activities another aim of this paper was to describe the transnational engagements from the diaspora point of view. Transnational activities such as remittances are not “automatic” flows but depend to a large extent on the motivations and resources of the sending side. These, in turn, are affected by the contexts in the countries of settlement and of origin.

The concept of “bounded transnationalism” was applied in this paper in order to describe the contextual “bounds”. In the country of origin, the conflict sets severe challenges for the Somali diaspora’s activities: the poor security situation, for example, has restricted certain organizations in carrying out any concrete projects there. In the country of settlement employment, legal status as well as the general level of integration matter. The common characteristics of organisation leaders in Finland, especially the level of integration, citizenship, involvement in several initiatives, and networking capacities confirm the positive relationship between processes of integration and transnationalism. It is, however, important to bear in mind that in some cases migrants have to struggle with scarce resources in between managing life in the host country and supporting relatives back in the country of origin. Pressured by strong responsibilities, sometimes even obligations, towards the relatives, transnational engagement may become a heavy burden. Thus, even if the role of the diaspora of Somalia/Somaliland is significant, the responsibility for conflict resolution, reconstruction, peace building and development cannot naturally be put solely or even primarily on them.

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Demography, Diaspora and Development: Migration in India's Transformation to a "Superpower" in the 21st Century

Binod Khadria[1]

There has been a lot of talk about India achieving the status of a "superpower" in the 21st Century, and together with China, contribute turn this century into an "Asian Century". In a way, this provides the right context for an exercise of situating international migration into the shape of things to come in future in India and for India. This paper highlights some of the paradoxes that the Indian scenario tends to throw up.[2] With this brief preface, let me refer to the public elections of 2004 in India, when a ruling party was thrown out of government, partly because of a slogan which was akin to calling India a superpower. The slogan was: "India shining!" Thereafter, the follow-up government, too, has been wary that it might face the same fate in elections if it talked more than it delivered.

A survey carried in 2007 (by HT-CFore) had asked respondents: "Do you think India would be a developed country by 2020?" (The Hindustan Times, Jan 2007). No less than 61% said that India will be as good as any other developed country by 2020. Fifteen years before hardly anyone would have said so. All through, India was an international byword for poverty and economic sluggishness. The economic transformation is a resounding endorsement of the success of India's economic liberalization which began in the early 1990s.

Yet, quite a few respondents were realistic enough to express doubts about whether poverty in the country will be significantly reduced by 2020. A good 45% would have subscribed to the trickle down theory, believing that wealth

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[2] See Dyson et al (2004).

creation will inevitably lead to more wealth distribution as well. But the fact that 36% ‘nays’ and 19% “can't says” together outnumbered the “ayes” (by 55 to 45%) made the issue more debatable. Even captains of industry like the President of the Confederation of Indian Industry would think cautiously: “To sustain the cherished 9 to 10% growth”, he said, “we need to solve the question of growth being inclusive. We do have the capacity to create wealth, but seem to have neglected social issues - of skill development, education, and health” (The Hindu, Jan 8, 2007).

However, if one were to pick up just one single international event for defining India’s eligibility for a 21st-century superpower, then one could refer to the World Economic Forum which is held every year in Davos. Every year, at the controversial and elitist World Economic Forum in Davos, there is a “star country”. In December 2006, no country captured the imagination of the conference more and dominated the scene as much as India did. “India everywhere”, said a logo at Davos. Such marketing slogans, however, would not work if there were no substance behind them, and there were two reasons for Delhi to rejoice:

First, a transition from the earlier so-called “Hindu” rate of economic growth of around 3.5% during the first three decades of planning since the 1950s to an average rate of 6% since the early 1980s had taken place. Since the early 1990s India has been the second fastest-growing country in the world (after China), averaging more than 6% growth per year. In 2006/07 India’s GDP growth accelerated to 8% and was projected to exceed in 2008, until the meltdown in the United States and the negative repercussion on the global economic development overshadowed these projections. Many observers believed that India could as well expand to a higher double-digit rate for the 2010s, averaging at 9% p.a. in the first quarter of the 21st century. It is being said that while China's rise has already been close to 10% since 1980, India's is still more a tale of the future, a future that is coming into sharp focus in the 21st century. A much-cited 2003 study by Goldman Sachs projected that over the next 50 years, India will be one of the four BRICs – the fastest-growing major economies of the world (Brazil, Russia, India, China).[3] The report calculated that in 2013 India's economy would be larger than Italy's, and in 2018, it would have overtaken Britain's, by 2040, it would boost as the world's third largest economy; by 2050, it would be five times the size of Japan's, and its per capita income would be 35 times its 2003 level, rising to US$ 20,000. Predictions like these are always dicey and treacherous; though it is worth noting that India's 2008 growth rate was already higher than the Goldman Sachs Study had predicted.

The second reason for rejoice has been the magic mantra of the so-called "Demographic Dividend". What is this Demographic Dividend that India is likely to be endowed with? There are various ways in which this question of a Demographic Dividend has been addressed. According to the projections of the Registrar General and Census Commissioner of India (RGI) for the period 2001-2026, India's population is expected to rise from 1,029 billion in 2001 to about 1,400 billion in 2026, registering an increase of 36% in 25 years.[4] Within this period, India's young population in the age group of 20 to 29 years is expected to increase by 40% within 15 years - from 174 million in 2001 to 238 million in 2016. The RGI points out that in the total population increase of 371 million during first quarter of the 21st century, the share of workers in the age group of 15 to 59 years would be 83%. This is what is being flaunted as the "Demographic Dividend" of 21st-century India - an endearing term for the fast ageing Europe.

[3] Jim O'Neill's Dreaming with BRICs.
[4] Ashish Bose *in Economic and Political Weekly*, April 14, 2007.

There are, however, a few holes in this logic of a Demographic Dividend to be realized in India in the 21st century. In this context, let us look at the contradiction between the two components of India's projected population: (a) the numbers, and (b) the quality of human resources.

The overall stock of graduates in India was estimated to be only around 22 million in 2003-04. Total enrolment in higher education was 10 million, whereas the annual out-turn was 2.5 million. The RGI comment rather philosophically that the higher share of the working-age group in the population by 2026 would have positive implications for the "productivity of labour". However, to put it in a nutshell, in terms of age composition there will be huge discrepancies between the North and the South of India – with younger population concentrated in the North, and the more aged in the South. Turning to the quality of the population as a human resource though, according to Ashish Bose (2007), one of India's leading demographers, one can question whether this kind of "age structure transition", causing an upsurge in youth and working age population, would not rather turn out as a 'demographic burden' for India instead of a Demographic Dividend? According to Bose, absorbing the vast increase in young people will be a real challenge to all governments at the Centre and in the States and decisive for their political survival. Vast masses of unemployed and poor-quality unemployable youth will not only adversely affect the productivity of labour but also threaten law and order, one of the three elements the domestic private sector investment as well as the Foreign Direct Investment - whether by foreigners, persons of Indian origin (PIOs) or non-resident Indian citizens (NRIs) - would always like to be assured of (the other two being infrastructure, and availability of skills). Of the 45 million, unemployed persons in 2001, more than 10% were graduates (GOI 2001)[5]. This number is estimated to have risen from then 4.8 million to 5.3 million in 2008. India's

[5] See, also NASSCOM (2002).

work force without either a diploma or a graduate degree is estimated at around 327 million in 2008, i.e., almost 90% of the country's work force has an educational qualification of only high school or below.

The latest 2005 NASSCOM Strategic Review (NASSCOM 2005a) and the NASSCOM-McKinsey Report (NASSCOM 2005b), released by India's National Association of Software and Services Companies, both important documents, apprehend huge shortages in both the IT-related and BPO-related skills in India,[6] and state that in the mid-2000s only about 25% of the technical graduates were suitable for employment in the offshore IT sector, and as little as 10 to 15% of the general college students for the BPO industries. The reports estimated that by 2010 both industries would have to employ an additional one million workers near the five so-called "Tier-I cities" in India, viz. New Delhi, Bangalore, Hyderabad, Chennai and Mumbai. In addition, about 600,000 workers would be required across other Indian towns (The Economic Times, 17 Dec, 2005). According to the cited reports India would need a 2.3 million strong IT and BPO workforce by 2010 to maintain its market share, not to speak of further increasing demand, while the potential shortfall of qualified employees will be of nearly half a million i.e., more than one-fifth of the 2.3 million vacancies would remain unfilled, with nearly 70% of the shortages concentrated in the BPO industry. In addition, there is a serious and growing concern about the quality of the highest academic degree, the Ph.D. The fact that the highest number of Ph.D.s are not awarded by the most reputed universities indicates widely varying standards of quality control for the doctoral degree. These concerns raise serious doubts about India becoming a superpower in the 21st century.

Given the shortcomings within the Indian education system, India has become a virtual "supermarket" for internationally renowned educational institutions

[6] See also NASSCOM (2002).

in other countries who shop in India to import “semi-finished human capital” - the best and the brightest of Indian students (The Hindu, Nov 26, 2000). Moreover, the GATS-related “Foreign Direct Investment in Educational Services Bill”, which allows wholly foreign-owned institutions to invest and open educational institutions on India’s soil hangs fire in the face of Indian higher educational institutions: for the so-called “Great Train(ing) Robbery” to take place, and “brain drain” backfiring on the creation of a “knowledge society” in India.

In this context the words of caution from various sides achieve enormous significance. The National Knowledge Commission of India (NKC) submitted a report to Prime Minister Manmohan Singh in November 2006, which was published in January 2007 (GOI 2006). It touches upon almost all the elements that could be related to the question if India would qualify to become a full superpower in the 21st century. The Commission had been set up by PM Manmohan Singh on the birth day of Mahatma Gandhi for a designated time-frame of three years: from 2nd October 2005 to 2nd October 2008. The objective was to prepare a blueprint to tap into the enormous reservoir of India’s knowledge base so that the Indian people can confidently face the challenges of the 21st century. The forwarding letter of NKC, addressed to the Prime Minister, concludes as follows: “Given the demographic reality of a young India, expansion, inclusion and excellence in higher education can drive economic development and social progress. Indeed, what we do in the sphere of higher education now can transform economy and society in India by 2025.” In the preceding paragraph, the letter says, “…We do recognize that a comprehensive reform of the school system is necessary to ensure that every child has an equal opportunity to enter the world of higher education.”

The NKC has been fraught with controversy, however, and a number of eminent people have resigned from its membership because of strong differences with the government about its autonomy, and conflicting views on the issue of reservation of seats for the backward castes in higher education institutions. The Report, too, has received serious critiques from academics in the country. Nevertheless, the excerpts provide important information and are a window to the perspective the Indian government ought to adopt in the years to come: “The proportion of our population, in the relevant age group that enters the world of higher education is about 7%. The opportunities for higher education in terms of the number of places in universities are simply not adequate in relation to our needs. Large segments of our population just do not have access to higher education. What is more, the quality of higher education in most of our universities leaves much to be desired.” Most important is what the Report further says: “…and it is only an inclusive society that can provide the foundations for a knowledge society.” Thus, the NKC Report has reiterated the two issues of low numbers and poor quality in Indian education, constraining the role of the Demographic Dividend in the formation of a Knowledge Society.

Given India’s modest achievements and big failures, it is little wonder that also the 2008 Growth Commission Report*,* with its South Asia launch in New Delhi in May 2008, did not list India among the 13 countries that had experienced sustained and inclusive growth of on average at least 0.7% over the previous quarter of a century. Further, in May 2008, India’s performance was reviewed by the UN International Covenant on Economic, Social, and Cultural Rights after a period of 17 years. It described India’s performance as “poor”, and asked the country to “try harder” in its “progress towards realizing rights including health, housing, food, water, education, work, social security and gender equality.” “…Progress on all social fronts was deemed unsatisfactory." India's 13-member official delegation reportedly faced harsh questioning (The Hindustan Times, 19 May 2008).

Rather than rekindling the memories of India's poverty in the 1960s and 1970s due to failed policies of family planning to contain the quantitative overpopulation, and/or of underdevelopment in the 1970s and 1980s due to the brain drain of an ungrateful Diaspora, the words of caution have been overshadowed by a hype that has gone beyond India's Demographic Dividend at home, leading on to a "Diasporic Dividend", that would be derived from international migration, and that would help India become a superpower in the 21st Century.[7] For example, India's successful entering into a nuclear deal with the United States in the early 2000s is partly attributed to the political lobbying by members of the Indian Diaspora in the United States. In fact, the flagship flaunting the Diasporic Dividend of India has been the IT software skills embodied in the relatively young contingents of Indian "knowledge workers" migrating abroad and dominating the global arena through their presence in the services sector of Silicon Valley ever since the fear of the Y2K crisis had started at the close of the 20th century, and now increasingly the home turf in India, too, through business process outsourcing.[8]

This euphoria is fuelled by a perceived linking of India's economic development with the temporary out-migration of younger generations of human capital who should eventually come back home and contribute to India's progress. This has precipitated the idea of temporary and circulatory migration being superior to permanent migration. India's estimated 25 million strong Diaspora is considered a boon for India in this context, triggering a strengthening of India's policy stance towards its people abroad. Their

[7] For an overall discourse on international migration in this context, see Khadria (various references), GCIM (2005), IIE (2005), IOM (2004), ICWA (2001), Majumdar (1994), OECD (2004), Teitelbaum and Weiner (1995), Van der Veer (2005).
[8] See, Asian Population Studies (2007).

profiles of age, education, occupation, and incomes abroad are taken as indicators of India's own progress, and of the Diaspora's potential involvement in India's inclusive growth. In addition, the destination countries are projecting huge flows of remittances to India (and other source countries) as pay-offs from temporary migrants who remit more than the permanent migrants.

The euphoria is thus used as a handle to propagate destination country policies against permanent migration and in favour of temporary migration, which is being flagged as leading to a reversal of "brain drain" into "brain gain". What has been overlooked is the simultaneous growth in the phenomenon of "re-migration" which neutralises this brain gain, i.e. returnees emigrating a second or a third time from India to another or the same country they had stayed– a phenomenon brought to light, perhaps for the first time explicitly and with sufficient emphasis by fellow researchers like Richard Bedford, Wei Li and others.[9] Except for a stand-alone comparative survey conducted by Anna Lee Saxenian (2005) in Taiwan and Bangalore, concluding that whereas returnees to Taiwan stayed on, those returned to Bangalore re-migrated, I do not know of any data or literature existing on these flows.

It might be easier to understand the dynamics of "re-migration" affecting India's Diasporic Dividend in terms of what I would stylize as the Trinity of "Age-Wage-Vintage". The first one, Age, deals with the neutralization of the benefits of the "age structural transition" through re-migration. Because it is the younger cohorts of the returnees that out-migrate a second or third time, the impact of older cohorts staying in India and adding to the stocks of workers gets magnified. The second determinant, Wage, refers to the comparative advantage lost by India when younger returnees who out-migrate

[9] For example at the "Pathways" Conference in Wellington, New Zealand in June 2008.

again take away with them more cost-effective production possibilities due to their lower wages, perks and pensions while older and senior returnees add to financial production cost. In addition, there has been a lot of hype about the financial resources of the Diaspora, like remittances and investments, breaking all records in India. However, there have been no queries on the silent reverse flows to the developed countries in terms of lowering of wages and perks abroad that eat into the aggregate quantum of remittances. The third determinant, Vintage, implies the state of the art know-how and skills embodied in the younger generations of graduates who had access to the most actual curriculi. As already mentioned above, India has become a virtual "supermarket" for other countries who import "semi-finished human capital", leading to a re-emergence of the "brain drain" of the best and the brightest of Indian students (Majumdar 1995, NCAER 2005). This, in effect, pre-empts the return migration of the professionals even before they come back to India – a phenomenon which perhaps can be termed as "Pre-migration". The potential re-migration of the return migrants thus raises serious doubts about the Diasporic Dividend becoming a milestone in India's journey towards acquiring the superpower-hood.

What is required, therefore, is a long-term policy aimed at establishing India's links with its Diaspora for sustainable socio-economic development in the country. To arrive at a proverbial 'win-win-win' situation in international relations for all the three stakeholders – India as a country of origin, the Indian migrants as part of its Diaspora, and the host destination country - two specific conditions must be met however: a) a 'necessary condition' of dominant or at least significant global geo-economic presence of the Indian workers; and b) a 'sufficient condition' of India deriving sustainable benefits from that global geo-economic presence. In terms of the large foreign demand for Indian skilled as well as unskilled workers, and the migrants' establishing excellent records of accomplishment in the labour markets of the destination countries, the first condition has more or less been met.[10] To satisfy the sufficient condition of India deriving significant gains from the global geo-economic presence of the Indian migrants, the flows of remittances, transfer of technology, and return migration must all be directed ‘bottom up’ instead of ‘top down’, i.e. not towards trade and business but towards the removal of two kinds of poverty in India: the 'poverty of education' and the 'poverty of health'. These are areas where migration so far has failed to change the society in this country of origin through contributing to its economic and social development. Large masses of the illiterate and uneducated people, incapacitated further by their poor health status, are the root causes of India having one of the lowest levels of average labour productivity rates in the world, and, therefore, one of the lowest average wages rates – a paradox when Indian Diaspora members, on the average, figure amongst the largest contributing ethnic communities in their countries of destination. For example, the average per-hour contribution of each employed worker in India to the country’s GDP has been amongst the lowest in the world – a mere 37 cents which is 1% of that of the United States’. This is in fact ironical, because the average Indian employed abroad contributes a comparatively high average share to the GDP of the country where he is settled and works (Khadria, 2001). The Indian Diaspora networks and associations abroad could, therefore, play a catalyst’s role – be it economically, politically or culturally – in raising the average productivity of mass Indian workers at home by concentrating on health and education in India as areas of Diaspora engagement, rather than focusing on immediate ‘profit-making’ ventures in industry and business.

This poses a “double challenge” for the public policy of a sending country like India: First, to convince its own Diaspora community to rethink the

[10] See U.S. Census Bureau (2004), U.S. DHS, U.S. INS.

development process, of it, in its home country as a "bottom up" creation by sustainable enhancement of labour productivities through the improvement of education and health, rather than a "top down" development through participation in business and industry – one comprehensive, the other dispersed; one long-term, the other immediate. This is not just a matter of willingness; in many instances it would entail long periods of struggle in creating those decision-making and priority-setting discerning capabilities amongst the leaders of the migrants' community. Secondly, India must be able to convince the host countries to distinguish between most 'painful' and most 'gainful' socio-economic impacts of the migration of its workers, both skilled and unskilled.

A useful policy tool for that purpose could be "equitable adversary analysis", whereby the contribution to social and economic development in countries of origin would be assessed from the point of view of the stakeholders in destination countries and vice versa.[11] The "equitable adversary analysis" in multilateral fora would help a country like India to press for international norms in the GATS negotiations around the issue of the movement of natural persons as service providers in the framework of trade, which is just another description for promoting the temporary entry of migrants. At multilateral dialogues, the vulnerability of the migrants as well as the instability of trends underlying the "open-and-shut policy" of the destination countries in the North could be the two key aspects that the Southern countries of origin ought to negotiate in the area of international migration as the most hurting ones. One way of accomplishing this could be by encouraging policies of dual/multiple citizenship which would allow free mobility of people across borders, and thereby facilitate what could be called "temporary return" of

[11] See, Majumdar (1980) on a theoretical basis that can be used to strengthen the concept of the 'equitable adversary analysis'.

migrants to their source countries for participation in inclusive development.[12] It is in this perspective that the destination countries ought to realise their "temporary migration policies", even if it appears paradoxical, discourage the migrants' return to their countries of origin for the fear that re-entry would be denied to them once they had left a host country. The changing paradigms (from 'brain drain' to 'brain bank' to 'brain gain') for policies in India as a source country, and in Europe as its new destination (from 'fortress Europe' and 'anti-BPO' to 'Blue Card') could find a meeting ground for a triple-win situation to emerge, where both demography and Diaspora would enhance the pace of development rather than hinder it.

However, the question remains whether India would become a superpower in the 21st century. I believe there is another question which pre-empts this one – whether India would like to become a superpower at all? And who would decide? For answering this question, one could simulate either way. Supposing India chooses to acquire the status of a superpower of the 21st century, the next question would be: How far and where is India now – one-tenth of the way to that goal? Or one-fourth, or one third? Or more than half? Who would do the measurement? Outsiders? Indians themselves? Who within India? These are not naïve questions. What the Indian government has to acknowledge seriously to its people are its strengths as well as its weaknesses, and the removal of the veil of uncertainty about what it wants to be and what it is capable of achieving. Otherwise, the puzzle of demography and Diaspora

[12] Following the High-level Committee Report (ICWA 2001) that had recommended the dual-citizenship to the government of India in 2001, India launched, at the Fourth Pravasi Bharatiya Divas in January 2006, the Overseas Citizenship of India (OCI), a truncated dual citizenship for approximately 10 million persons of Indian origin (PIOs - in a 20-million strong Indian diaspora) who had acquired the citizenships of their countries of residence, excluding Bangladesh and Pakistan. To grant OCI to those who were citizens of India or eligible for it as on 26 January, 1950, India amended the Citizenship Act, 1955 in 2005. With India emerging as the most sought-after country of origin for supply of knowledge workers to the world in the twenty-first century, there has been a resurfacing of the brain drain problem in India, and dual citizenship could actually be the way out to handle this problem.

without development would continue to remain and intrigue us as pieces of a jigsaw that we have failed to put together!

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Profile and Attitudes of Potential Emigrants from Bulgaria after 2007: An Empirical Assessment

Vesselin Mintchev[1]

1. Introduction

Since the late 1990s, Bulgaria has turned into a major country of out-migration. Its population has decreased by about 13% within 15 years of transition to a market economy (1989-2004), or by around 1,200,000 people in absolute figures: 500,000 resulting from negative natural growth and about 700,000 as a result of out-migration. According to unofficial estimates, the Bulgarian Diaspora abroad amounts to 2.5 to 3 million persons, while those living in the country are around 7.5 million. According to the National Statistical Institute (NSI), on average 22,000 persons per year emigrated between the last two population censuses, i.e. from 1992 to 2001 (Kalchev 2002). Against this background a major question for policy makers in Bulgaria and possible host countries is how many can be expected to migrate in future for which purpose they would do so, and what is their personal and professional background. This paper investigates Bulgaria's migration potential based on data from a large-scale survey among a sample of 3,604 persons implemented by the Bulgarian Ministry of Labour and Social Policy (MLSP). A specific goal is to find out under which conditions cross-border mobility turns from a survival factor into a factor of social realization.

After the introduction of the applied methodology in section 2, the paper in section 3 presents the profile of different types of potential emigrants. Destinations, preferred employment and expected earnings are discussed in

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section 4; and finally, in the concluding section 5, we present constraining and motivating factors of the decision to move abroad.

2. Methodology and data base[2]

The data used in this analysis were taken from two national demographic studies conducted within the frame of project No BUL1P201 of the MLSP and the UN Population Fund (UNDP). The first one was devoted to the family models and the factors determining young people's decision to give birth and raise children. The second one concerns internal and external migration as a factor of social realization for young people and families.

Both surveys have been accomplished based on a common sample of 3,604 respondents, including four partially intersecting segments, as shown in Table 1. 579 persons, aged 15-35 years were interviewed using only the "Family Models", 1,476 using only the "Migration Model", and 1,249 using both models. In addition, both studies have been relined with a sample of 300 Roma respondents.

[2] The methodology, sampling procedure etc. was designed by the team of the Agency of Socio-economic Analysis (ASA) and the Center for Comparative Studies (CCS), coordinated by Dr Docho Mihailov. The field work was executed by ASA in April-May 2007.

Table 1: Social Group Aggregates

	Age	Sample fulfilled
Family models	15-35	579
Family models + Migration	15-60	1249
Migration	15-60	1476
Target Roma		300
Total		3604

The samples were made by NSI, assigned by ASA.

This approach of working with two intersecting samples enabled the effective administration of the questionnaire. While under the representative samples, a total of 3,604 individuals were surveyed, by the crossing of samples a total of 4,853 (3,604+1249) cases could be processed. This allowed to analyse the connected questions from both sub-questionnaires. The large size of the samples provided an opportunity to form reliable sections of sufficiently large sub-aggregates according to basic demographic features and other characteristics. The maximum admissible deviation was below 2%.

In addition to basic statistical instruments (one-dimensional and two-dimensional dispersions; correlations; and analyses of mean values), regression analyses were performed. They allowed to downsize the variety of data into meaningful unified dimensions.

The study about migration works with empirical data of a) migration potential (i.e. potential number and characteristics of out-migrants); and b) return migrants. The questionnaires were filled through face-to-face interviews at the homes of the respondents during April to May 2007. The Migration questionnaire included 77 questions with 219 variables.

3. Migration Potential and Socio-Demographic Profile

3.1 Migration Potential of Bulgaria

The migration potential of Bulgaria is assessed on the basis of the following two main questions posed in the interviews:

What is your probability to travel abroad as a tourist, to work or to study for a (relevant) certain period of time?[3]

When do you plan to realize your intentions?[4]

They supply information about the desire/reluctance to travel abroad, about the purpose and duration of the planned stay, as well as about when it can happen.

The first question defines the potential emigrants by type: 1) settlers; 2) long-term (i.e. for more than one year) migrants; and 3) short-term (i.e. for less than a year) labour migrants[5].

The second question specifies the time horizon of the realization of the expressed intentions. It controls the purely hypothetical intention. As having migration intensions is already a matter of prestige in large communities, there might be a gap between expressed intentions and concrete planning.

The results are shown in Table 2. The data supplied by the representative survey can be interpreted towards confirming the "Bulgarian Migration Model", which means that the share of long-term emigrants[6] and settlers decreases while that of short-term labour migrants increases. The data showing the migration potential are similar to those resulting from previous

[3] Question 82 in the questionnaire.
[4] Question 84 in the questionnaire.
[5] Student migration is not discussed in this context.
[6] In this context, the term "emigration" respectively "emigrant" is used for any kind of out-migration, from settlement to short-term migration.

studies, for example that of NSI[7] in 2001, as well as that of the Centre for Comparative Studies in 2003. The survey in the framework of the 2001 population census showed a potential of "emigrants" (i.e. settlers plus temporary labour migrants) of 14.8% of the population aged between 15 and 60. In 2007 this share was 12.1%.

Table 2: Share of Potential Out-migrants in the Active Population, by Time Horizon for Realization of the Intentions[1)]

When do you think your intentions to move abroad can be realized?	Short-term Labour migrants		Long-term Labour migrants		Settlers		Total	
Survey 2001	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
In the current year	57 014	1.2	90 272	1.9	104 525	2.2	251 810	5.3
In the next 2-3 years	104 525	2.2	161 539	3.4	204 299	4.3	470 363	9.9
In the far future	57 014	1.2	61 765	1.3	80 769	1.7	199 548	4.2
Totally unclear	218 552	4.6	313 575	6.6	389 593	8.2	921 721	19.4
Survey 2003								
In the current year	80 161	1.7	94 307	2.0	122 599	2.6	297 067	6.3
In the next 2-3 years	108 453	2.3	183 899	3.9	174 468	3.7	466 820	9.9
In the far future	37 723	0.8	89 592	1.9	56 584	1.2	183 899	3.9
Totally unclear	226 337	4.8	367 797	7.8	353 651	7.5	947 785	20.1
Survey 2007								
In the next 2-3 months	38 581	0.8	43 403	0.9	19 290	0.4	101 274	2.1
In the current year	81 984	1.7	101 274	2.1	38 581	0.8	221 839	4.6
In the next 2-3 years	110 920	2.3	110 920	2.3	86 807	1.8	308 646	6.4
In the far future	154 323	3.2	81 984	1.7	101 274	2.1	342 404	7.1
Totally unclear	390 630	8.1	337 582	7.0	245 952	5.1	974 164	20.2

[1)] Total numbers calculated on the basis of sample shares and total population.
Source: Kalchev, I. (2002); Mintchev, V., V. Boshnakov, I. Kalchev, V. Gove. (2004); Mihailov et al. (2004) and author's calculations.

The answer to the fundamental question "*Does the potential emigration from Bulgaria decrease?*" could be rather in support of the Bulgarian Migration Model, as the share of settlers and long term emigrants is decreasing. The figures show that more than 250,000 persons in active labour age envisaged cross-border migration after 2001-2002.

[7]See ZAEDNO.

The evaluation of the migration potential is more realistic when considering the period for realizing the intentions. The data reveal that 25-30% of those expressing intentions to emigrate seek to realize their plans within the same year. However, based on experience it is assumed that not more than 10% of those with migration intentions in the current year will actually realize them. This regularity is traced from the first empirical studies of NSI on this issue in the early 1990s, when observations of the border checkpoints were carried out in intervals of a few years.

Obvious changes have occurred though over the years. In 2001, 41.5% of the migrants were "settlers" planning to move in the current year, while in 2007, i.e. six years later, this share was significantly lower with 17.9%. The data for long-term and short-term labour migrants changed as well. The share of long-term labour migrants who would realize their intentions in the current year increased from 35.8% in 2001 to 44.8% in 2007, while that of short-term migrants, who would realize their intentions in the near future increased from 22.6% to 37.0%.[8]

All this reveals some reconstruction of the Bulgarian Migration Model: the migration potential remains, but the intended time horizon shortens, i.e. the number of people likely to emigrate within a year tends to increase. At the same time the desire for permanent emigration / resettlement has strongly declined, while, in contrast, that for long-term, and even more for short-term migration has drastically increased.

[8] For the first time in the current study the short-term labour emigrants included the so-called "tourists", namely people who state that they travel as tourists or visiting, but intend to work during their stay.

3.2 Potential migration by work-position

The next question we approach is: “What is the migration potential by work positions, in particular what was it in May 2007, a few months after Bulgaria had entered European Union?”

The migration intentions for a period of a few months are highest among people with no particular occupation (see Table 3). But in the longer term i.e. for a period of more than one year, the country may lose even more operators of machines, equipment and transport means, as well as qualified industrial workers, as 17.1% of the first group and 12.4% of the second group expressed that it is “rather likely” and “very likely” that they will work abroad for more than one year.

The migration intentions among applied experts are also comparatively pronounced, especially concerning short-term engagements abroad. The results suggest that the intentions for short-term mobility among people with more prestigious positions – for example management personnel – do not differ substantially from those mentioned above. The intentions for settling abroad are significantly lower among all groups, but still high enough to imply a considerable potential loss of highly-qualified for the country.

Those without any intention to move abroad are mainly people employed as management personnel, analytical experts and producers in agriculture and forest economy. In this context, the question “to what is short-term emigration an alternative?” arises. With the increasing desire to move, short-term migration or just cross-border labour mobility, become more important in the modern globalizing world, and the so-called “repeating (circular) migration model” emerges as a more and more common behaviour.

Table 3: Migration Potential by Professional Positions (in %)

Professional position	Not likely	Rather unlikely	Rather likely	Very likely
Probability to work abroad for a few months				
Management personnel	79.6	10.8	7.5	2.2
Analytical experts	82.1	8.3	7.1	2.4
Applied experts	72.8	14.1	9.1	4.0
Subsidiary personnel	77.2	11.4	8.9	2.5
Personnel for public services, security and trade	75.1	11.1	9.3	4.4
Producers in agriculture, forest industry and fishing, hunting	88.5	7.7		3.8
Qualified industrial workers	72.7	12.8	9.9	4.6
Operators of machines, equipment and transport means	68.9	16.4	8.2	6.6
Low-qualified workers	77.8	12.4	6.0	3.8
No particular occupation	67.0	12.4	7.2	13.4
Probability to work abroad for more than a year				
Management personnel	87.1	5.4	6.5	1.1
Analytical experts	90.5	4.8	3.6	1.2
Applied experts	80.6	8.7	7.7	3.0
Subsidiary personnel	84.2	7.0	6.3	2.5
Personnel for public services, security and trade	81.8	7.1	7.1	4.0
Producers in agriculture, forest industry and fishing, hunting	88.5	3.8	3.8	3.8
Qualified industrial workers	80.1	7.4	7.8	4.6
Operators of machines, equipment and transport means	75.6	7.3	7.3	9.8
Low-qualified workers	84.8	7.0	4.8	3.5
No particular occupation	71.1	11.3	7.2	10.3
Probability to settle in another country				
Management personnel	92.5	4.3	2.2	1.1
Analytical experts	91.7	4.8	2.4	1.2
Applied experts	86.6	7.4	4.7	1.3
Subsidiary personnel	89.2	5.7	2.5	2.5
Personnel for public services, security and trade	87.6	7.1	4.0	1.3
Producers in agriculture, forest industry, fishing, and hunting	92.3	7.7	-	-
Qualified industrial workers	91.2	4.2	3.2	1.4
Operators of machines, equipment and transport means	85.4	7.3	3.3	4.1
Low-qualified workers	94.6	3.2	1.6	0.6
No particular occupation	86.6	5.2	5.2	3.1

Source: Author's calculations.

3.3 Socio-demographic profiles of potential emigrants

The types of out-migrants – settlers, long-term and short-term labour migrants, and non-migrants – can be compared with the analogue profiles, identified by the NSI study in 2001 (Kalchev 2002). For this purpose, we use the NSI's socio-demographic indicators (ibid).

The relationships between the number of migrants and the size of the population are measured by

- *Intensity*, i.e. the share of the specific cases in the total of a specific location; for example the share of citizens of Sofia willing to move.
- *Range*, i.e. the share of the specific cases in the total of the whole country; for example the share of citizens of Sofia willing to move among the potential movers from the whole of Bulgaria.

The results are displayed in Table 4.

Place of residence

The intensity of potential settlement abroad as well as long-term labour migration is lowest among the citizens of Sofia, and highest among those of the district towns, while the intensity of long-term labour migration is similar among the citizens of the district towns, towns and villages. This shows the special position of the capital, with a high concentration of administration, business, and employment opportunities.

Most of the potential settlement migrants come from the district towns and other towns, and less from the villages, which corresponds to the intensity indicator. The share among the citizens of the capital is below 8%. Obviously, intensity and range of the citizens of the district towns as compared to previous studies has increased. Although the situations in the regional centres differ from each other, overall the migration potential in most of them has been growing. Still, the fact that people from other settlements find a temporary living in Sofia, and then use this opportunity for arranging their cross-border movements, should not be underestimated. It is no coincidence that the range among those willing to study in foreign countries is particularly high in Sofia, the country's leading university centre.

Gender

The intensity of potential migrants is higher among men than among women. This is most pronounced for long-term labour migrants, while the gender distribution is more balanced among the settlers and short-term migrants. Correspondingly, the range is more unbalanced among the long-term labour migrants, of whom more than 60% are men, while among those willing to continue their education abroad the share of women dominates with almost 70%

Age

The intensity is highest among the population aged up to 40 years. Almost every 10th young person below 21 considers him/herself as a potential settler or long-term emigrant. 12.7% of those between 21 and 30, and almost 10% of those aged 31 to 40 are prepared to seek short-term migration and employment abroad.

For almost all migration types recruitment is mainly in the age group up to 40. The low share among those under 20 in the segment of short-term labour migration is an exception.

Education

The categories of education used are: 1) primary or lower; 2) secondary – general; 3) secondary - vocational; 4) higher education (including PhD holders). The intensity of potential long-term labour migration is highest among persons with primary or lower education which supports the hypothesis that the emigration of higher qualified persons has more serious consequences for their employment opportunities than that of persons with lower qualifications. The intensity of long-term migration as well as potential short-term migration is also comparatively high among those with secondary-vocational education. Every 10th person of this group would seek for an opportunity of short-term realization abroad. In this sense the observed deficit of professional experts in the country just before the economic crisis, is no coincidence.

The range of the potential migrants by level of education shows an even distribution. A considerable share of those with secondary vocational education are interested in long-term migration, as well as in short-term migration. A serious problem for the country's economic development is the fact that so far no substantial measures were taken to match the needs of the business sector and the qualifications of the labour force. Informed policy decisions in this area can only be made if the changes in the qualification of the population which take place due to migration are taken into account. Bulgarian literature does not offer sufficient analyses of the issues of "adding" and "losing" skills, yet.

Children in the family

In this context, also the factor "marital status" is presented, based on the presence of children in the family. We assume that the children in a family (with formal marriage or based on cohabitation) have a deceisive influence on the decision to emigrate. Within the group of potential settlers the intensity is highest among those with one child; for the potential long-term, as well as short-term migrants, in contrast, the presence of children does not seem to be an out-standing reason for remaining in the country.

This regularity is also observed in the range of potential emigration: the potential settlement migrants are recruited primarily among persons with one child in the family, in almost 42% of the cases. The outcomes for long-term labour migration appear paradox: in this category, potential out-migrants are recruited to an equal extent among those without children and with more than one child, around 37% of the respondents in both cases. For short-term migration, however, the share of those without children dominates with 40.5%, and there is also a high share of persons with one child (31.1%).

Ethnic affiliation

The intensity of the settling intentions is highest among the ethnic Bulgarians and the Roma. For temporary labour migration it is strongest among the Bulgarian Turks, with an almost double intensity as compared to the ethnic group of Bulgarians. The intensity of long-term labour mobility is considerably higher among the Roma community than among the Bulgarian ethnicity. According to the present study, in contrast to previous investigations (see NSI, 2001, and CCS survey, 2003[9]), the Roma's intensity of short-term labour mobility is only 2.2%, yet.

In conformity with this, the range is mainly concentrated on the Bulgarian ethnic group with 86.5% of the people willing to settle in another country. The situation is similar regarding the inconclusive/temporary migrants, but here the share of the Turkish ethnic group exceeds 15% (among the "non-migrants" it is only 8.3%). Within the group of "non-migrants" the structure is closest to the ethnic structure of the population: the Bulgarian ethnic group holds 82.5%. Finally the results show that the intentions for education abroad are highest (intensity as well as range) among the ethnic Bulgarian group.

Employment status

The employment status (employed or unemployed) increasingly influences the Bulgarian Migration Model, a fact which is not clearly identified neither in the study of NSI (2001) nor in the 2003 study of the CCS. It seems that gradually people start to value their engagement and the opportunities for realization in

[9] Mintchev, V., V. Boshnakov, I. Kalchev & V. Goev. (2004).

their home country focus-group in Sofia. We noticed that in 2007 the intensity for migration, and especially for long-term emigration, is higher among the unemployed than among the employed. This indicates that the conditions in the country are changing. The intensity of inconclusive and short-term labour mobility is slightly higher among the employed (by less than one percentage point). As a result, the range of the unemployed among the settlers and long-term emigrants is higher than their share among the non-migrants.

Table 4: Expected Realization of the Potential Bulgarian Out-migrants by Socio-Economic Characteristics

Characteristic	Settlers		Long-term migrants		Short term migrants		Non-migrants	
	Intensity	**Range**	**Intensity**	**Range**	**Intensity**	**Range**	**Intensity**	**Range**
Place of residence								
Sofia	2.6	7.8	4.0	8.7	6.5	12.6	77.7	17.8
District town	6.8	42.6	8.2	36.7	9.2	36.3	64.2	30.2
Other town	6.3	29.8	8.0	27.0	7.5	22.4	65.2	23.1
Village	3.7	19.9	7.2	27.6	8.5	28.7	72.5	28.9
Gender								
Men	5.4	49.6	9.9	64.8	8.9	51.6	66.5	45.5
Women	4.9	50.4	4.8	35.2	7.5	48.4	71.0	54.5
Age								
Up to 20	9.8	24.8	11.2	20.5	8.7	13.9	58.5	11.2
21-30	7.2	28.4	9.1	26.2	12.5	31.4	59.2	17.7
31-40	6.4	27.7	9.3	28.7	9.8	26.5	63.0	20.3
41-50	3.4	12.8	5.1	13.8	4.9	11.7	76.1	21.5
51-60	1.3	6.4	3.1	10.8	5.5	16.6	81.9	29.4
Education								
Primary or lower	5.2	24.1	8.2	27.7	6.9	20.2	73.9	25.8
Secondary-general	4.9	24.8	6.6	24.1	7.9	25.6	70.4	27.0
Secondary-vocational	5.2	27.7	7.3	27.7	10.2	34.1	67.2	26.7
Higher	5.5	23.4	6.6	20.5	7.5	20.2	63.4	20.5
Children in the family								
No children	3.7	33.8	5.8	37.0	7.3	40.5	73.6	49.2
1 child	7.5	41.9	6.5	25.5	9.1	31.1	63.1	26.0
2 or more	4.8	24.3	10.5	37.5	9.2	28.4	66.7	24.2

Characteristic	Settlers		Long-term migrants		Short term migrants		Non-migrants	
	Intensity	**Range**	**Intensity**	**Range**	**Intensity**	**Range**	**Intensity**	**Range**
Ethnic group								
Bulgarian	5.4	86.5	6.3	72.4	8.2	82.1	68.7	82.5
Turkish	3.1	5.7	13.2	17.3	13.6	15.7	60.3	8.3
Roma	5.4	7.1	9.7	9.2	2.2	1.8	79.0	7.9
Other	3.1	0.7	6.3	1.0	3.1	0.4	81.3	1.4
Employment status								
Employed	4.9	58.6	6.7	57.5	8.5	63.7	67.8	61.2
Unemployed	5.8	17.9	10.1	22.8	8.1	15.7	70.3	16.5
Others	5.6	23.6	6.5	19.7	7.8	20.6	69.7	22.2

Source: Mihailov et al. (2007) and author's calculations.

4. Destinations, preferred employment sector, and expected positions

This section discusses the main destinations, preferred employment sectors and positions of the potential migrants from Bulgaria. We also add some observations on ways and costs of travelling and expected payment abroad.

Preferred destinations

Seven countries of the European Union, together with USA, Turkey and Canada, are the ten countries most preferred by the potential Bulgarian out-migrants (Table 5). 14% of the respondents would like to go to Spain, 12.8% to Germany, and 9.9% to UK. The strong interest in some of these countries, namely Spain, Italy and Turkey is due to touristic preferences, yet. Spain also attracts most of the long-term labour migrants, followed by Germany and USA. The leading destination for those intending to continue their education abroad is France with 19% of the declared preferences, followed by UK, USA, Italy, Germany and Czech Republic.

Table 5: Destinations of Potential Bulgarian Migrants (in %)

To which country would you go, if you had the chance?	Migration purpose					Total
	Tourism, visit abroad	Education abroad	Short-term labour migration	Long-term labour migration	Settle-ment	
Spain	14.3		10.2	19.9	15.9	14.0
Germany	7.1	4.8	12.2	9.9	15.9	12.8
UK		14.3	11.2	10.5	9.5	9.9
USA	14.3	14.3	6.1	8.8	15.9	9.2
Greece	7.1	9.5	9.2	9.9	7.9	8.7
Italy	14.3	14.3	6.1	7.7	7.9	7.5
France	3.6	19.0	6.6	8.3	2.4	6.3
Turkey	10.7		8.7	1.1	1.6	3.9
Netherlands	3.6		3.1	2.2	2.4	2.9
Canada	3.6		2.0	1.1	4.8	2.6
Switzerland	7.1		1.0	1.7	1.6	2.1
Belgium	3.6		2.6	2.2	0.8	1.7
Cyprus			1.5	2.2		1.5
Austria			2.6	0.6	0.8	1.2
EU country	3.6		1.0	1.1	2.4	1.2
Australia			0.5		2.4	0.9
Russia			1.5	0.6		0.8
New Zealand	3.6		1.0	0.6	0.8	0.8
Czech Republic		4.8	1.0			0.5
Denmark				1.7		0.5
Egypt				0.6	0.8	0.5
Slovenia			0.5		0.8	0.3
Israel			1.0			0.3
Brazil			0.5	0.6		0.3
Ireland			0.5	0.6		0.3
Poland				0.6		0.3
Bahamas				0.6		0.2
I do not know	3.5	19.0	7.1	4.4	4.0	7.1
Others*)			2,3	2,5	1,4	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

*) Portugal, Iceland, Finland, Libya, Montenegro, Kosovo, Norway, Iran, Romania, Monaco,
Sweden, Asia, Japan and Africa with 0.2% each, and others with less than 0.2%
Source: Mihailov et al. (2007), and author's calculations.

Employment sector

The share of people who would emigrate without knowing exactly what they would work abroad continues to be alarmingly high with almost half of the respondents. Table 6 shows that the share of those willing to emigrate without a clear employment or position perspective is particularly high among women and among persons aged less than 35. Altogether the results demonstrate that people are inclined to emigrate in spite of risks and uncertainty.

At the same time there is a pronounced gender difference between the sectors: in construction and transport, for example, men prevail, while hotels and restaurants, healthcare, and household activities are dominated by women. The same applies to age: while those who are elder than 34 are working more in agriculture and construction, the younger ones are more oriented towards tourism (hotels and restaurants) or other service activities.

As expected, the share of those who do not intend to take up a job when abroad is higher among women than among men; and it is also higher among elder people than among those under 35. This is probably due to a certain type of “family migration” which allocates different functions to family members: elder parents are often engaged in family duties, like caring for born abroad grandchildren.

Table 6: Expected employment of potential Bulgarian migrants by age and gender (%)

What do you intent to work abroad (economic activities)?	≤ 35	> 35	Men	Women
Agriculture, hunting and forest industry	4.5	7.3	6.5	4.6
Fishing		0.4	0.3	
Extracting industry	0.5	0.8	1.2	
Processing industry	1.3	2.0	1.8	1.4
Production and distribution of electric and heat energy	1.3	2.0	2.6	0.4
Construction	8.3	11.8	17.1	0.7
Trade, repair and technical service	1.4	4.1	3.1	1.4
Hotels and restaurants	5.1	3.3	2.4	6.8
Transport, storage and communications	1.9	4.5	5.6	
Financial mediation	0.5			0.7
Real estate operations, leasing activity and business services	0.5	0.4	0.6	0.4
State governance and defense; obligatory public insurance	0.3	0.4		0.7
Education	0.5			0.7
Healthcare and social services	1.1	2.0	0.6	2.5
Other activities in service of the public and individual	7.5	6.1	6.2	7.8
Household activities	2.1	4.1	0.3	6.0
I will not work	3.3	8.9	4.3	6.8
I will study	5.9		1.8	5.7
I do not know now, I will decide later	54.0	41.9	45.6	53.4
Total	100.0	100.0	100.0	100.0

Note: Answered by 621 (22.8%) of 2,725 respondent.
Source: Mihailov et al. and author's calculations.

The most preferred sectors are construction (10.5% of the cases), services, agriculture, hotels and restaurants, and transport irrespective of the intended length of stay (see Table 7).

Table 7: Preferred employment of Potential Bulgarian Emigrants by planned length of stay abroad (%)

What do you intent to work abroad (economic activities)?	Short-term Labour migrants	Long-term Labour migrants	Settlers	Total
Construction	8.2	13.5	9.8	10.5
Other activities in service of the public and individual	7.7	10.0	5.7	8.0
Agriculture, hunting and forest industry	6.0	7.1	3.3	5.7
Hotels and restaurants	4.4	5.9	3.3	4.6
Transport, storage and communications	2.2	4.1	4.9	3.6
Household activities	2.7	4.7	1.6	3.2
Trade, repair and technical service (automobiles, personal belongings, household goods, etc.)	0.6	3.4	4.2	2.6
Study and education	1.6	2.4	4.9	2.7
Not for work	4.9	0.0	0.8	2.1
Processing industry	1.6	2.4	1.6	1.9
Production and distribution of electric and heat energy	1.7	0.6	4.2	1.9
Healthcare and social services	1.1	1.8	2.5	1.7
Extracting industry	0.0	1.8	0.8	0.8
Real estate operations, leasing activity and business services	0.0	1.2	0.8	0.6
Financial mediation	0.5	0.0	0.8	0.4
State governance and defense; obligatory public insurance	0.0	0.5	0.8	0.4
Fishing	0.5	0.0	0.0	0.2
I do not know now, I will decide later	56.3	40.6	50.0	49.1
Total	100.0	100.0	100.0	100.0

Source: Mihailov and all, Family patterns and migration, National representative survey, NICE AN EOOD, Sofia 2007/ Author's calculations.

Expected positions

The survey results show that the potential emigrants are not well informed about their possible realisations; positions requiring low qualifications (or the attitude "as it comes/ it happens") prevail. 7,8% expect positions as high-qualified workers and 5,7% as applied experts; i.e. 14% of the potential emigrants have considerable qualifications and experiences, allowing them to expect good professional realization abroad. The willingness to emigrate is particularly high within this group.

Table 8: Expected Positions of the Potential Bulgarian Emigrants (%)

Position	Short-term Labour migrants	Long-term Labour migrants	Settlers	Total
Low-qualified workers	13.2	26.5	14.0	18.2
Qualified industrial workers	7.7	7.1	9.1	7.8
Applied experts	5.5	5.3	6.6	5.7
Personnel for public services, security and trade	4.4	4.7	2.5	4.0
Operators of machines, equipment and transport means	1.1	4.1	5.8	3.4
Intention to study	1.6	2.4	4.1	2.5
Supplementary personnel	1.6	4.1	0.8	2.3
Analytical experts	2.2	1.2	3.3	2.1
I will not work	4.9	0.0	0.8	2.1
Producers in agriculture, forest industry and fishing, hunting	1.1	0.6	0.8	0.8
Management personnel	0.0	1.2	0.8	0.6
I do not know now, I will decide later	56.7	42.8	51.4	50.5
Total	100.0	100.0	100.0	100.0

Source: Mihailov et al. and author's calculations (2007)

Ways and direct costs of organising the travel

Almost 25% of the respondents would choose free individual travelling to move abroad, while 23.7 would rely on an invitation and support from relatives or friends; 22.3% would proceed through a professional mediator company (Table 9), i.e. these three opportunities are almost equally important.

Every 10th person plans to use an individual labour contract, while 4% would rely on existing bilateral agreements between Bulgaria and the host countries. It turned out that not more than one quarter of the potential emigrations could be regulated through registration by a placement agency[10], agreements for mutual hiring of citizens, and similar provisions. In other words, explicitly or not, Bulgaria over the years has shifted towards a more liberal migration policy.

[10] The registration regime of the mediator firms is executed by the Employment Agency.

Table 9: Ways of Travel Organization (%)

How do you plan to realize your travel abroad?	Short-term Labour migrants	Long-term Labour migrants	Settlers	Total
Private (independent) travel	26.8	25.6	21.1	24.9
Invitations from relatives, friends	23.7	21.1	27.6	23.7
Placement agency	23.2	27.8	13.0	22.3
Individual labour contract	10.3	10.6	12.2	10.9
Applying/continuing education	4.6	4.4	11.4	6.2
Bilateral agreement for labour exchange	4.1	3.3	3.3	3.6
Application for green card	1.0	2.2	3.3	2.0
Marriage/cohabitation	1.0	0.0	2.4	1.0
Other	5.3	5.0	5.7	5.4
Total	100.0	100.0	100.0	100.0

Source: Mihailov et al. and author's calculations (2007)

The amount of money needed for moving, varies according to the type of migration. More than 70% of the potential migrants estimate the sum necessary for travelling and organizing a permanent settlement abroad to be more than 800 € (and in almost half the cases at over 1,000 €). This amount decreases with the reduction of the planned time of staying abroad, but in all cases, 35% of the respondents expect costs of 800 €. Apparently, the direct travel costs have increased since the mid-2000s (for comparison see the CCS study of 2005[11]).

[11] Mintchev, V. and V. Boshnakov (2006)

Table 10: Amounts of Money Needed to Realize the Migration Intentions (%)

How much money do you think is needed to realize your travel abroad?	Migration type					Total
	Tourism or visit abroad	Education abroad	Short-term Labour migrants	Long-term Labour migrants	Settlers	
Up to 200 €	20.8	–	8.7	6.6	3.2	6.9
Between 200 and 400 €	8.3	4.8	12.8	11.5	6.3	10.4
Between 400 and 600 €	16.7	–	15.4	11.0	4.8	10.9
Between 600 and 800 €	–	9.5	9.2	8.8	8.7	8.6
Between 800and 1000 €	4.2	9.5	10.3	14.8	6.3	10.6
More than 1000 €	16.7	14.3	15.9	20.9	48.4	25.0
I don't know	33.3	61.9	27.7	26.4	22.3	27.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Mihailov et al. (2007) and author's calculations

Expected payments abroad

The respondents' expectations regarding the monthly income abroad seem more concrete as compared to those about the employment sector or the positions (see Table 11). Every 5th person expects an income of about 1,200 €. A similar share expects more than 1,600 €. Only a detailed analysis of information received from people who have already been abroad could help us to assess how realistic these expectations are. In all cases, though, these are incomes way above the average payment in Bulgaria.

Table 11: Expected Payment When Abroad (%)

Which monthly income do you expect to receive during your stay abroad?	**Short-term Labour migrants**	**Long-term Labour migrants**	**Settlers**	**Total**
Up to 400 €	0.5	0.6	0.8	0.6
Between 400 and 800 €	14.9	13.3	4.0	11.6
Between 800 and 1,200 €	12.9	24.9	18.3	18.6
Between 1,200 and 1,600 €	12.4	13.8	14.3	13.4
More than 1,600 €	11.4	18.2	34.1	19.6
I don't know	47.9	29.2	28.5	36.2
Total	100.0	100.0	100.0	100.0

Source: Mihailov et al. (2007) and author's calculations

5. Socio-economic factors of decision making[12]

Our investigation aims to identify the determinants, which keep the Bulgarians in their home country, as well as to discover the ones, which urge them to migrate. Interesting in this context is the comparison between persons who would stay in the country with those who would leave.

Constraining factors

What keeps people in Bulgaria? The major factors are the following:

- *Attachment to the family*. Non-migrants seem to be more attached to the family and friends than migrants. This factor is considered as important or very important by 74.5% of the potential settlers and by 85.1% of the long-term emigrants, but by over 90% of the non-migrants.

- *Positive expectations for improvement of the way of life*. Non-migrants are more optimistic about the potential of their home country: 77% of them show optimistic attitudes regarding Bulgaria's perspectives. The potential settlers have an optimistic share of only 65%, and the long-term migrants one of 60%.

- *Availability of business and employment opportunities*. The potential settlers and long-term migrants have higher aspirations for having an own business or a good employment than other persons.

The different attitudes of the non-migrants on the one hand and potential out-migrants on the other hand are particularly pronounced concerning fears that it might be difficult to find "documented" (legal) employment abroad, as well as fears of the uncertainty of their realization abroad. They constitute a serious problem for almost 20 percentage points more of the non-migrants than for the potential settlers and long-term emigrants.

[12] Data in this section are from Milhailov et al. (2007)

Also the share of those fearing intolerant attitudes towards foreigners in the host country is unexpectedly high, and these fears are significantly more serious among the non-migrants than among those who would be ready to move.

In conclusion the attention should be drawn to two issues: The attitudes of the non-migrants and potential migrants are similar, especially concerning their attachment to family and friends or the expectations for the country. There are differences, however, regarding the assessment of the potential risks of out-migration. The fears among non-migrants are significantly more serious than those of potential migrants.

Public regulations like higher taxes and insurance fees abroad, or loss of social support and health care services, remain in the background. This might on the one hand be due to the hypothetical character of the declared intentions; on the other hand, the respondents might really not be aware of or impressed by higher taxes and insurance burdens in the attracting destinations such as Spain, Germany or UK, or by the loss of social services in Bulgaria. Probably, coordinating agreements between Albania and the host countries would make the taxes and social payments more "visible" for the mobile parts of the population.

Motivating factors

The study identified the most important motivating factors of out-migration only for the potential migrants as the non-migrants did not answer the respective questions.

"Higher payment in the destination countries", i.e. the short-term economic advantage is the most significant motivating factor to almost 90% of the respondents, is an "important" or "very important" reason for leaving the home country. The aspiration to attain a high living standard follows, with over 80% of the cases, while the wish to support one's family in Bulgaria comes third (74.8%). Hence, economic factors dominate, whereby the short-term motives ("higher payment") seem to outweigh the long-term desire to live "at a higher living standard". The desire to support the family is lower-ranking, which corresponds to the migration attitudes identified above, despite the presence of one or more children in the household.

When we look in more detail at the factors motivating the potential permanent migrants on the one hand and the temporary migrants on the other hand, a heterogeneous picture emerges. For the settlers, "higher payment" and "to attain a higher living standard" are almost equally important. The gradation shown above is hence essentially due to the temporary migrants. In this matter, the difference between the attitudes of the settlers and those of the short-term migrants is almost 10 percentage points.

"Supporting the family" is a strong migration motive mostly for the potential long-term migrants. Paradoxically, this motive is valid to a higher extent for the settlers than for the short-term labour migrants. Only after that follows "seeking better professional realization" (66.7%) and "ensuring better education" (62.8%). Motives, like "I wish to acquire experience" (58.4%) and "I do not wish to live anymore in this country" (41%), are also significant.

Factors like "acquiring experience", which are a reaction of the closeness of the past political regime, and at the same time reveal the increasing mobility after Bulgaria's opening to the global economy should also not be underestimated.

The evaluation of the statement "I do not wish to live in this country anymore" reveals a particular shade of dissatisfaction and bitterness. Still, there are differences by types of potential migrants. This statement is given more explicitly by the settlers than by the short-term migrants, with a difference of almost 40 percentage points between both groups.

When comparing the attitudes of permanent and temporary migrants, the long-term social factors attaining professional realization and education, stand out. Professional realization and education are more important for the settlers than for those preferring short-term labour mobility, while the visions of both groups with regard to acquiring of experiences are quite similar.

6. Conclusions

The essential factors attracting Bulgarians abroad are economic (short-term economic motivations are prevailing) and social (professional realization, education). Together with the rest, they show in which areas the Bulgarian economy and social institutions (in this case the education sector) have to compete for the population. Significant determinants are the openness, i.e. the desire to see and get to know the world, accompanied by the reluctance to live in Bulgaria anymore. This means that people with higher qualifications and better opportunities for development on the labour market should be subject to some active national policies, like mobility programs, career development schemes, etc.

The factors analysed in this paper have a significant influence on the forms of potential migration. So, despite the fact that the dilemma “permanent versus temporary cross-border migration” is not pertinent anymore, these factors suggest different management approaches and policies. From our research we conclude that neither short-term labour mobility is an alternative to permanent migration, nor that short-term migration would prevent long-term movements. Hence, each category has to be approached by different measures, also in accordance with the state’s long-term interests.

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Key statistical data of the case studies countries

Agnes Pohle[1]

This overview presents some economic key data of the countries explored in this volume. Finland and Spain are countries of net in-migration while Mexico, Venezuela, Bulgaria, Columbia, Peru, Ecuador, Jordan, Indonesia, Bolivia, India, Latin America, Somalia and other Sub Saharan African states are essentially countries of out-migration. Table 1 shows the absolute figures, sorted by HDI, while Table 2 translates them into indicators, with Finland as the base line.

Finland has the highest GDP per capita (with 32,482 EUR on average over the year 2005-2009), the highest HDI, and the highest literacy rate among the countries presented. It is a modern welfare state with high standard of education (Auswärtiges Amt 2011; CIA Factbook 2011). The service sector is the most important one, accounting for 65% of its GDP and employing 70% of its labour force. The aging of the population and uncertainties linked to the export-orientation and import-dependency of the economy challenge the Finish community, as the Finnish industry strongly depends on imports of natural resources, energy, and components as inputs to its industrial production.

The other host country considered is Spain. It has the second highest GDP per capita (with an average of 22,926 EUR), accounting for around two thirds of the Finish, while the HDI and the literacy rate are almost as high as those of Finland. In 2008 Spain slipped into a severe recession resulting in a sharp rise in the unemployment rate, from 8% in 2007 to more than 20% in 2011. (CIA Factbook 2011). Mexico has the highest GDP per capita of the sending

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countries (6,725 EUR); Venezuela follows with 6,374 EUR; next are Bulgaria and Colombia which feature only half of that of Mexico and Venezuela (3,820 EUR and 3,317 EUR, respectively). Peru, Ecuador and Jordan have per capita GDPs between 2,400 and 2,800 EUR; Indonesia (1,398 EUR), Bolivia (1,028 EUR), India (682 EUR), and Pakistan (660 EUR) are on the bottom of the ranking.

The gap of the host countries to the best-off sending country, Mexico, featuring a per capita income of 6,725 EUR, is substantial. At the same time, Finland had the lowest annual GDP growth between 2005 and 2009 with 1.1% and Spain the third lowest with 1.7 %.

The sending countries are generally characterized by a higher GDP growth than Spain and Finland, with the exception of Mexico, with 1.3% only. Most of the sending countries have a GDP growth between 3.8% and 5.8%, and three of them (Venezuela, Peru and India) one of 6% or more. India is on top with 8.2% but at the same time has the second lowest GDP per capita of all described countries. The data suggest a negative relationship between GDP per capita and growth rates. However, in absolute terms, per capita GDP in the countries with the lowest growth rates may still be higher than in the countries with the highest growth rates.

Mexico has the highest HDI of all “sending countries” (0.75) followed by Bulgaria (0.74), and Peru (0.72). In most of these countries it is between 0.60 and 0.69. The states with the lowest GDP per capita, Pakistan and India, have also the lowest HDI (Pakistan 0.49 and India 0.51) and the lowest literacy rates; with (54%) respectively (66%).

Most of the sending country’s populations have a literacy rate of 90%. The average of Sub-Saharan Africa’s literacy rate is the second lowest, behind Pakistan with 63%.

The share of the GDP generated by agriculture is 3% in Finland as well as Spain, and hence the lowest of all countries considered. It is especially high in Indonesia, Sub Saharan Africa, Bolivia (14%), India (18%), and Pakistan (20%). For those countries the outstanding importance of the agricultural sector for employment and income of the population has spurred various programs by the United Nations and others, for example regarding the strengthening of small-holder subsistence farmers (UN, 2011). Most sending countries' share of agriculture in GDP lies between 4% and 9%.

The industrial sectors hold a share of around 32% in Finland and 30% in Spain. In most countries it is between 31% and 38%. India (29%) and Pakistan (27%) feature a comparatively low figure while, Indonesia (48%) and Bolivia (42%) show an above-average percentage. The service sector has the highest share of GDP in Spain with 67% and Finland with 65% while Indonesia and Bolivia show the lowest ones. Jordan (64%), the average of Latin America (62%) and Bulgaria (61%) are characterized by the highest shares of the sending countries, the other states vary between 59% and 55.

The data demonstrate the attractivity of the host countries for migrants from the sending countries seeking to improve their living conditions, for themselves and their families who often stay behind in the countries of origin to which the migrants are likely to return after some time.

The categorization of sending and host countries is dynamic over time. Most countries host in-migrants and send out-migrants at the same time, and the net outcome may also fluctuate over time, depending on changing internal and external conditions.

Table 1: Case study countries and regional profiles

*) Figures in brackets indicate ranking

Countries	GDP growth[a] (annual avg. %, 2005–2009)		GDP per capita[b] (annual avg. 2005-2009 in EUR)	HDI[c] 2010		Literacy Rate[d],% 2007		Value added as % of GDP[c], 2008		
								Agriculture	Industry	Service
	Host Countries									
Finland	1.1	(15)*	32,482	0.87	(1)	99	(1)	3	32	65
Spain	1.7	(13)	22,926	0.86	(2)	98	(2)	3	30	67
										Sending Countries
Mexico	1.3	(14)	6,725	0.75	(3)	93	(5)	4	37	59
Bulgaria	4.0	(10)	3,820	0.74	(4)	98	(2)	7	31	61
Peru	6.8	(2)	2,799	0.72	(5)	90	(11)	7	38	55
Latin America	3.8	(11)	-	0.70	(6)	91	(8)	6	32	62
Venezuela	6	(3)	6,374	0.69	(7)	95	(4)	-	-	-
Ecuador	4.3	(9)	2,527	0.69	(7)	84	(12)	7	36	57
Columbia	4.6	(8)	3,317	0.68	(9)	93	(5)	9	34	57
Jordan	3.8	(11)	2,417	0.68	(9)	91	(8)	4	32	64
Bolivia	4.7	(7)	1,028	0.64	(11)	91	(8)	14	42	44
Indonesia	5.6	(4)	1,398	0.6	(12)	92	(7)	14	48	37
India	8.2	(1)	682	0.51	(13)	66	(13)	18	29	53
Pakistan	5.1	(5)	660	0.49	(14)	54	(15)	20	27	53
Sub-Saharan Africa	5	(6)	n.a.	n.a.		63	(14)	14	32	54

Sources: IMF, 2010[(a)]; World Bank, 2011[(b)], World Bank, 2010[(c)]; UN, 2010[(d)]

Table 2: Case study country and regional profiles, indexed view[2]

Countries	GDP growth[(a)] (annual avg. %, 2005–2009)		GDP per capita[(b)] (annual avg. 2005-2009 in EUR)	HDI[(c)] 2010		Literacy Rate[(d)],% 2007		Value added as % of GDP[(c)], 2008 Agriculture	Industry	Services
	Host Countries									
Finland	100	(16)*	100	100	(1)	100	(1)	100	100	100
Spain	150	(14)	71	99	(2)	99	(2)	100	94	103
	Sending Countries									
Mexico	118	(15)	21	86	(4)	94	(6)	130	120	90
Romania	345	(11)	16	88	(3)	99	(2)	260	106	89
Bulgaria	36	(10)	12	85	(5)	99	(2)	230	97	94
Peru	618	(2)	8	83	(6)	90	(12)	230	118	85
Latin America	345	(11)	-	81	(7)	92	(9)	600	100	95
Venezuela	545	(3)	20	80	(8)	96	(5)	-	-	-
Columbia	418	(8)	10	79	(9)	94	(6)	300	106	88
Ecuador	390	(9)	8	79	(9)	85	(13)	230	112	88
Jordan	345	(11)	7	78	(11)	92	(9)	130	15	98
Bolivia	427	(7)	3	74	(12)	92	(9)	460	131	68
Indonesia	509	(4)	4	69	(13)	93	(8)	460	15	57
India	745	(1)	2	60	(14)	67	(14)	600	91	81
Pakistan	463	(5)	2	56	(15)	54	(16)	660	84	81
Sub-Saharan Africa	5	(6)	n.a.	n.a.		63	(15)	460	100	87

*) Figures in brackets indicate ranking
Sources: IMF, 2010[(a)]; World Bank, 2011[(b)], World Bank, 2010[(c)]; UN, 2010[(d)]

[2] Thereby the base index is Finland [marked with 100. Data of the other countries is calculated according to the baseline data of Finland.]

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Over the early 21st century the number of those living in countries in which they were not born has strongly expanded. They became international migrants because they hope for jobs, livelihood security, political freedom, or a safe haven. Yet, while the number of those trying to settle in richer countries is increasing, entry hurdles mount up, and host countries become more selective. While low-skilled migrants meet rejection, highly qualified are welcome. All this hold significant implications for the countries and families the migrants come from, even more so as most of them keep close relations to their origin, and many return after a longer or shorter period of time.

Some settle down comfortably, others struggle each day. Some return to their home country, others stay for good. Some loose connection to relatives and friends, others support them by remittances for livelihood security and investment. In any case, most of these international migrants are – explicitly or not – involved in various stabilization strategies, be it by household / family agreements, government efforts to attract valuable human capital, or sheer expectations by different actors.

This volume intends to span this spectrum by presenting impressive case studies covering essential facets of international migrants' relationships within their families and societies of origin. Each case study represents an essential type of linkage, starting with financial remittances, for livelihood security or investment purposes, over social remittances, up to political influence of the Diaspora, covering the family / household, community and country level. It also considers the comparison between expectations and reality and looks into the future by assessing migration potentials.

Béatrice Knerr is professor at the University of Kassel, Germany, where she heads the Department of Development Economics, Migration and Agricultural Policy (DEMAP). She is a development economist (with studies in economics, agricultural economics and oriental sciences) and holds a PhD from University of Kiel and a professional PhD from University of Hohenheim. Her research work focuses on international migration and remittances, with an emphasis on empirical studies. In that area she has published more than 50 research papers and more than 10 books, as single author or editor. In the course of her research work she has joined field work in a large number of countries, mainly in Asia and Latin America, and maintains close institutional cooperation with several international migration research institutes. She also coordinates the European Association of Development and Training Institutes (EADI)'s Working Group on International Migration.

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