

THE INTERNATIONAL MIGRATION AGENDA AND THE WORLD BANK: MANAGING RISKS AND ENHANCING BENEFITS

The World Bank

International migration is intrinsically linked to development, presenting significant benefits and risks for migrants, their families and the countries involved. The World Bank contributes to the current and future policy dialogue in this field by continuously improving the knowledge base and offering country-specific, policy-relevant analysis on migration and development.

This paper has the following goals. First, it summarizes recent research and analytical and operational activities within the Bank, while referencing some of the extensive external material on migration and development which has informed this work. Second, it explores the policy implications of these findings. Third, it outlines areas of future research, to be conducted both within the Bank and in cooperation with a number of international organizations and bilateral donors. Lastly, it describes recent work by the World Bank developing methodological and analytical tools to include migration questions into survey and census activities.

A. MIGRATION AND DEVELOPMENT: WHAT WE KNOW

World Bank research and analysis to date has been devoted to three main areas: analyzing the trends and composition of migration and remittance flows; assessing the impact of migration on household welfare, and calculating the macroeconomic and aggregate effects of migration on development.

Although it is difficult to calculate precisely the number of migrants worldwide, recent estimates suggest that nearly 200 million people live outside their country of birth (United Nations Department of Economic and Social Affairs, Population Division, 2006). There is little indication that this trend will abate in the future: indeed, projections of demographic and economic imbalances between the North and South suggest a persistent pressure for migration.

Remittances are also large and growing. Total remittance flows (both recorded and unrecorded) to developing countries are estimated to be larger than Foreign Direct Investments (FDI) and more than double Official Development Assistance (ODA). Recorded remittance flows doubled over the past five years, and unrecorded flows may be half or more of recorded flows. However, high and regressive fees inhibit the impact of remittances on development by reducing the amount of money which migrants and their families send and receive.

Many of the benefits of migration to households run through the remittance channel. Remittances may have reduced the share of poor people in the population by 11 per cent in Uganda, 6 per cent in Bangladesh and 5 per cent in Ghana (Adams, 2006; World Bank, 2006). Remittance income is also associated with higher school attendance in the Philippines (Yang, 2005), improved health outcomes in Guatemala (World Bank, 2007) and increased investment in micro enterprises in Mexico (Woodruff and Zenteno, 2001). Migration can also bring benefits to households in developing countries beyond the effects of remittances: the prospect of better employment opportunities can improve incentives for education, and knowledge transferred by transnational communities may result in improved health practices and improved labour productivity. The impact of migration is not equal across countries, however, and depends in part on how the institutional environment shapes incentives. For instance, high costs of doing business will act as a disincentive for the investment of remittance income.

There is also evidence to suggest that migration can entail costs for migrants and their families in certain cases. The migration process itself can increase vulnerability to exploitation. Migration provides case-specific incentives which will result in case-specific outcomes: for instance, while migration appears to encourage education in a number of communities, the opposite effect is found among teenagers in rural Mexico, as the prospect of unskilled employment abroad creates lower expected returns to education (McKenzie and Rapoport, 2005).

Regional, country and area studies demonstrate that the impact of migration on growth and economic development cannot be determined *a priori*. Recent research for Latin America and the Caribbean suggests that remittances have a positive and significant impact on growth, probably through increased domestic investment. However, the same report has found that the substantial inflow of remittances in a number of Latin American countries puts pressure on exchange rates, damaging external competitiveness. The report also suggests that the potential effects of remittances on financial development have been largely unrealized due to a poor financial infrastructure and weak property rights (World Bank, 2007).

While only 5 per cent of the developing country population lives in countries that have a higher than 30 per cent skilled emigration rate, “brain drain” represents a major problem for some small countries. For instance, over 40 per cent of people from the Caribbean with university education live outside of their country of origin. In countries which already suffer from human capital shortages, skilled migration can reduce the capacity to deliver key services. In Malawi only 10 per cent of physician positions are filled. But skilled migration can also improve learning opportunities: half of the highly skilled Caribbean migrants actually acquired their tertiary education in destination countries. Expatriate networks can also disseminate learning and increase trade and FDI.

B. POLICY IMPLICATIONS

Much of the research to date suggests the importance of strong institutions and good policies for enhancing the benefits of migration for development and household welfare. A stable business climate encourages the investment of income from remittances. Sound macroeconomic policies and openness to trade will also help to manage the risks associated with high inflows of remittances in small economies. Improvements to the financial infrastructure and property rights may be a prerequisite for realizing the financial potential of remittances. The creation of more and better jobs can increase incentives for skilled migrants to stay or return home.

In order to enhance the development impact of migration, measures should also be taken to increase competition of and access to remittance service providers (RSPs) by easing market entry by other financial operators, avoiding overregulation, and expanding the coverage of financial services among the poor. Non-exclusive partnerships between RSPs, post office networks and microfinance institutions often offer the most effective means of reaching poor clients and remote areas. While constant vigilance is necessary to strike the correct balance between enabling market entry of RSPs and ensuring international security, these two goals are not mutually exclusive: an increase in access to competitive formal services will reduce dependence on less transparent informal options.

Recent research suggests that bilateral agreements can play a key role in enhancing the benefits of migration, particularly for the temporary movement of unskilled labour. These agreements may reduce the incentives for irregular migration and can help ensure that migration is of equal benefit to both sending and receiving countries. Bilateral agreements are also thought to be the most effective means of securing the portability of social security benefits. However, the effectiveness of these schemes still needs to be fully evaluated.

C. LOOKING FORWARD: FUTURE WORK AND EXTERNAL PARTNERSHIPS

The Bank will continue its work on the trends and composition of migration and remittances. Extensions of the current analytical agenda include better data gathering and analysis, more research on South-South migration, further analysis of temporary migration (GATS mode 4), and a deeper understanding of the links between migration and trade and migration and gender.

The work on migration and development by the World Bank benefits from collaboration with other international organizations and bilateral donors. The Bank was recently invited to join the Global Migration Group, whose members include the International Labour Organization (ILO) and the International Organization for Migration (IOM), as well as a number of United Nations agencies. Among the current and future collaborative efforts, IOM is partnering with the Bank on a research programme on migration policies in developing countries, and the OECD is participating in a joint study on the portability of social security benefits. Bilateral donors are collaborating on research programs and seminars concerning household surveys on migration and the impact of remittances. These partnerships underscore a growing consensus that international migration represents a major issue for development, meriting further research and continued policy dialogue.

D. INCORPORATING MIGRATION INTO SURVEY AND CENSUS ACTIVITIES

Since the role of migration in poverty reduction and other social outcomes has become more apparent, the World Bank has also developed methodological and analytical tools to assess the role of migration in development. One of these tools is the refinement of statistical instruments to accurately describe the levels, trends, and composition of migratory flows.

1. Direct support to country teams

In coordination with donors and interested countries, the Bank is supporting existing survey initiatives to incorporate detailed migration modules that respond to country specificities while allowing for cross-country comparisons. The technical support to survey design teams relies on the Migration Operational Note on migration measurement by Carletto and de Brauw (2007). This note follows the guidelines originally discussed in Bilsborrow, Oberai and Standing (1984), a series of United Nations directives, and adds country experience from Bank staff in the field.

Teams working on improving information on migration in national surveys and censuses are located in Brazil, Morocco, Peru, Tajikistan, Thailand and Ukraine. Teams were also in a number of African countries where regional projects on migration and remittances are being conducted.

2. Design and testing innovative designs

In addition to standard migration modules in surveys and censuses, Bank teams are also exploring the accuracy of different design strategies. The most illustrative case study is a recent comparison of census-based, snowball and intercept point strategies applied to migrant families of Japanese ancestry in Brazil. This exercise captures migrant households using alternative methods following: (a) high migration incidence census tracts; (b) social references based on migrant organizations, or (c) random intercept interviews in areas of high migrant transit. The analytical results can be found in McKenzie and Mistiaen (2007).

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