MANAGING THE LABOUR MIGRATION AND DEVELOPMENT EQUATION*

CHAPTER 12

1. Introduction

Migration has profound economic consequences for countries of origin - many of them salutary, others more worrisome.[1] Exploring these consequences has become a major focus in the current debate surrounding globalization: the UN Secretary-General's High-Level Dialogue on International Migration and Development addressed the labour migration and development equation in September 2006 and the Global Forum on Migration and Development (GFMD) followed in 2007.[2]

This chapter reviews the evidence surrounding the labour migration and development equation, outlining the potential benefits and risks of labour migration for development, the roles and responsibilities of the governments of source and destination countries, and the prospects for more effective partnerships among the various stakeholders. Section 2 introduces the notion of the migration cycle, viz. a sequence of stages through which many migration source countries pass. During the cycle, the relative importance of the various channels through which migration affects development change. Section 3 proposes policy recommendations for the governments of destination countries, encouraging them to look at their migration policies through a development lens. This includes rethinking policies related to the recruitment of workers at all skill levels, and to remittances. Section 4 recommends policy innovations for source country governments; living with emigration calls upon the latter to rethink policies related to macroeconomic management, human resources, higher education, infrastructure and regional cooperation. Section 5 suggests that mobility partnerships between source and destination countries offer a vehicle to make the necessary policy changes in order to better manage the labour migration and development equation.

The links between international migration and development, which are the subject of this chapter, cannot exhaustively cover all aspects of the labour migration and development equation. Accordingly, it focuses on economic impacts, leaving aside

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1 "Home countries", "source countries" and "countries of origin" are synonymous and used interchangeably in this chapter.

2 For a summary of the GFMD, see Textbox Int. 2

social and cultural dimensions of migration and development. Moreover, as the central focus of *World Migration 2008* is on labour mobility, this chapter has little to say on the development impact of other flows (e.g. refugees and asylum seekers, family reunification). Textbox 12.1 from the Office of the United Nations High Commissioner for Refugees (UNHCR) provides information on the contribution of refugees' employment to the development of host communities.

Textbox 12.1

Initiatives to Enhance the Contributions by Refugees to the Development of Host Communities

The Office of the United Nations High Commissioner for Refugees (UNHCR) estimates that there are some 15 million refugees worldwide, a fraction of the world's "migrants". However, refugees are not migrants in the traditional sense of that term, since they move out of compulsion, not choice. The refugee protection regime is premised on the international community's recognition of the specific rights and needs of refugees, as well as the obligation of states not to return them to countries where their life or liberty would be at risk.

In recent years, there has been intense interest in the "migration-development nexus", most of it focused on labour migration and on issues such as the developmental impact of remittances, brain drain, diaspora investments in countries of origin and circular labour migration between countries of origin and destination. Among these issues, remittances and brain drain are also gaining importance in the refugee context.

There is growing evidence to suggest that refugees and asylum seekers, especially those in industrialized countries, remit significant amounts of money to household and community members in countries of origin, and to refugees in other asylum countries. Such remittances have played an important role in cushioning the impact on some refugees of reductions and blockages in the provision of assistance, especially in Africa. Remittances may also enable family members to remain in their country of origin or in countries of first asylum, rather than feeling compelled to move abroad to make a living. UNHCR therefore supports the current efforts made by the Global Forum on Migration and Development, the World Bank and other actors to reduce the transaction costs of remittances and to reinforce their impact on poverty reduction and development.

With regard to the issue of brain drain, all refugee populations include people whose talents could and should be put to good use, both in countries of asylum and in countries of origin, if and when they choose to return. In this context, UNHCR has been encouraging states to ensure that refugees are not excluded from, or discriminated against, in national labour markets and for any qualifications and professional credentials they possess to be recognized in their country of asylum.

While there is growing recognition of the fact that migrants contribute to the prosperity of their host countries, this recognition does not always extend to refugees. Indeed, refugees are increasingly portrayed as a threat to national security, a drain on public resources and a constraint to local development. As a result, serious limitations are often imposed on their right to engage in wage-earning employment or other economic activities. Strict encampment policies in some countries effectively oblige refugees to become dependent on international humanitarian assistance.

UNHCR has endeavoured to counter such negative perceptions and policies, highlighting the fact that refugees have the potential to become "agents of development" in their countries of asylum by boosting production, filling gaps in the labour market and creating new trading and business opportunities. This will also enable them to contribute to rebuilding the economy upon their eventual return back home.

UNHCR and partners actively promote self-reliance and livelihood creation for refugees. This provides a chance for a meaningful and dignified life during exile, and prepares them for a better future once a durable solution is achieved. The promotion of self-reliance and livelihoods also helps to reduce any risks to the protection of refugees, in particular for certain groups such as women and youth as they will be less dependent on others for their living and therefore less vulnerable to exploitation and abuse.

The most effective initiatives aimed at promoting self-reliance and livelihoods have entailed full government ownership and strong partnerships with the development community, including agencies of the United Nations system, international financial institutions, NGOs and civil society groups, as well as donors. These partnerships are vital to ensure the integration of such initiatives into local development plans and, hence, their sustainability.

Under the broad heading of "Development Assistance to Refugees" (DAR), such initiatives have been coupled with community-based assistance, for example to improve local physical and social infrastructure, (e.g. building schools, clinics, roads and bridges, building wells and similar activities). This has contributed to the socio-economic development of often isolated and marginalized host communities, some examples of which are listed below.

Case 1: Benefits from apiculture in Uganda

The national agency promoting an increase in the local honey production in Uganda also developed markets in Europe; however, as the volume of honey produced was insufficient to meet demand, the agency sought to both increase national production and improve the quality to bring it into line with international standards. Together with UNHCR, the agency was able to involve a refugee-hosting area and include both refugees and the local population in this endeavour. These efforts led to improved bee-keeping skills and to the local production of beehives and of protective clothing for bee-keepers. In a few years time, the national agency had improved honey production and found a local partner through whom to expand its market reach. The higher production and improved quality of the honey resulted in more income being generated for both refugees and the local host community.

Case 2: Improved vegetable production in Tanzania

Prior to the influx of refugees from Rwanda, agriculture was not well developed in western Tanzania, but the incoming Rwandans were soon able to introduce some useful changes. As farmers who have had to make the most of small plots of land back home, they knew how to maximize production and productivity. Although they did not have plots of their own, many worked for local Tanzanian farmers. Within a few seasons, the volume, variety and quality of produce on the local markets had increased dramatically. Not only did the standard of living increase among both local Tanzanians and refugees, but the local economy also improved quite significantly. Grass-thatched roofs were increasingly replaced with iron roofing material. When it was time for the Rwandan refugees to return home, the District Commissioner admitted that it was a big blow to the local economy, but the improved agricultural skills they had been able to introduce remained and will help to bring about further improvements.

Case 3: Stimulating the local economy in Zambia

From 2003 to 2004, some 120,000 refugees and members of the local population benefited from loans for food production. This led to a significant increase in the area of cultivated land from an average of two hectares per household to 2.5 hectares. Thanks to the loans and their own hard work, the refugees and the host population were able to produce sufficient food for domestic consumption and a surplus to sell. Not only did the community become self-reliant, its income tripled. A total of 564 metric tons of maize was sold to the World Food Programme and the proceeds reinvested to boost maize production still further. For the first time, the local host community and refugees were **suppliers** of food rather than **recipients** of food aid.

Source: *UNHCR.*

2. The Migration Cycle[3]

Will migration foster economic growth in the migrants' home country? At the most basic macroeconomic level, the balance of the migration and development equation depends on the relative strength of three effects: (1) the impact of labour mobility on domestic labour supply and, in particular, the supply of specific types of labour; (2) the impact of migration on productivity in the domestic economy; and (3) the impact of remittance inflows. The net effect of labour migration on economic growth at a given moment in time is the sum of these effects, some of which are positive, some negative.

Finally, the balance of these effects for a given country – that is, their effect on the economic growth rate – at a given point in time will depend on where that country is situated within a "migration cycle", which is summarized in Table 12.1 below. The table sketches a kind of stylized generic history of a country's emigration experience, from the initial departure of workers to their eventual return.

Even if migration has a positive impact upon growth, this may not always be accompanied by poverty reduction. For example, if the benefits of migration flow to families placed in the middle of the income distribution spectrum rather than to the poorest members of society, which would be the case if the middle or upper classes have a higher propensity to emigrate, poverty reduction may be either modest or even zero.

[3] The migration cycle is explored in greater detail in OECD (2007); references to the relevant research literature are provided by Katseli, Lucas and Xenogiani (2006a).

The migration cycle can be briefly described as follows:

Table 12.1:

The Migration and Development Equation over the Migration Cycle

	Labour Supply	Productivity	Remittances	Growth	Poverty
Phase					
Exit	-	-	0/-	0/-	+
Adjustment	-/0	?	0/+	0/-	+/0
Consolidation	0	+	+	+	-
Networking	0	+	+/0	+	-
Return	+	?	-	?	?

***Source**: OECD (2007: 54).*

When workers initially leave an economy during the **exit** stage, there may be a decline in the supply of labour in the domestic economy and therefore a drop in output. However, in many countries of origin there are high rates of unemployment, under-utilization of labour or internal migrants available as replacements, so that the risk of a significant drop in economic output is not always a serious one. In the case of skilled emigration, productivity may be expected to decline, unless the skills of such workers were in fact either not or only insufficiently used in their jobs at home.

As migration continues, more information becomes available regarding employment opportunities in destination countries, thus reducing the information and transaction costs related to migration. This encourages more households, perhaps with lower incomes than the initial wave of migrants, to employ emigration as a livelihood strategy. Furthermore, the possibility of migration might also encourage those left behind to invest in skills required to leave the country in their turn to seek improved prospects abroad (for instance, to train as a nurse). At this stage, the home economy starts **adjusting** to migration.

This may take the form of increased labour force participation, as women for example, enter the labour market. Adjustment often leads to the restructuring of the economy, including the mechanization of agriculture, or increased investment in other sectors, including human capital accumulation. However, massive emigration of skilled labour may turn out to be disastrous if it leaves the home country without a critical mass of human capital and with no prospects to replenish the stock.

Although reunification of emigrants' families in the destination country may continue during the **consolidation** stage, international labour flows at some point stabilize. That is, emigration flows continue to be large, but cease to grow year after year. At the same time, emigrants' improving economic fortunes in destination countries increases their ability to transfer money home. Economic activity in countries of origin improves as migrants' remittances increase and the benefits of economic restructuring and human capital accumulation undertaken during the adjustment stage are realized. The magnitude of remittance flows and the way they are used depend on financial market conditions and the characteristics of the migrants themselves. Remittances first increase consumption, especially of food and other basic needs. They are also frequently used to finance improvements in housing and living conditions as well as to cover education expenses for children.

Growth tends to increase and poverty to fall during this consolidation stage. In principle, economic growth is promoted through each of the channels identified in Table 12.1. Stabilizing emigration flows reduces pressure on the labour supply, while economic adjustments and investment of remittances in human and physical capital favour productivity increases. A continuing decline in the cost (information and administrative) of migration, meanwhile, leads to changes in the composition and characteristics of households whose members migrate. Poorer households can now afford to send a family member abroad and the remittances sent home can help to reduce absolute poverty and inequality.[4]

The consolidation phase may also witness a decline in the competitiveness of local exports. This so-called "Dutch Disease" occurs for at least two reasons. Massive infusion of foreign currency in the form of migrants' remittances could cause the local currency to appreciate or, if exchange rates are fixed, reduce the cost of imported goods.[5] Second, migrants' families often use their increased income to purchase more non-traded goods, such as many consumer items and housing improvements. Increased demand for such goods will lead to higher prices and further depress the local currency price of the exchange rate just as remittances are increasing its local supply. The other consequence of a rise in the exchange rate of the local currency is that exports become more expensive, which would penalize the country's export industry as foreign consumers have to pay more for the home country's exports.

During the **networking** stage, migrants become better integrated in the destination country and form networks across transnational communities; the process of family reunification is largely complete and a second generation of migrants appear in the destination country. The creation of hometown associations in the destination country improves the communication between the two countries and enhances economic links; other means of improving communication between destination and source countries develop as well. In time, migrants are

4 The empirical evidence is stronger for the impact of migration on poverty reduction than it is on growth; for the poverty reduction evidence, see the cross-country evidence by Adams and Page (2005), or the careful summary of Latin American evidence in Fajnzylber and López (2007). Growth effects will be difficult to detect, in part because the impacts of migration will be localized only in particular communities (where household-level survey data provide evidence of poverty reduction) and will not be large enough to affect GDP.

5 This is called the "Dutch Disease" because a similar phenomenon befell the Netherlands economy during the 1970s when surging prices of natural gas – a major Dutch export – increased the exchange rate, depressing the competitiveness of other exports.

able to exploit their knowledge of markets in both countries and thus may become good trade and investment intermediaries.

As remittances continue to flow into the local economy, they will fuel consumption and investment at home. Human capital accumulation is spurred in part by remittance flows and by the stronger incentives for personal advancement provided by the possibility of emigration. All of these phenomena boost productivity in countries of origin. Although growth may be accompanied by a reduction in absolute poverty, changes in the distribution of income and wealth depend in large measure on who migrates and how remittances are used. Growth alone does not guarantee that inequality will decline.

In most cases, by the time of the **return** stage, emigration will have contributed to skill formation for the migrant and to home country development and economic growth. As a result, the home country may begin to experience certain labour shortages, especially in some low-skill labour market segments, which may then be filled by internal migration or labour migration from neighbouring countries. The return of former emigrants may also coincide with such low-skilled labour migration and thus contribute to the local labour supply. As the number of returnees increases, the level of remittance transfers may decline. Irrespective of their original place of residence, returnees often choose to settle in cities on return, which increases pressure on urban labour markets, while new arrivals from neighbouring countries are more flexible and usually settle where there are labour shortages, finding employment as agricultural workers in rural areas or as household employees.

Whether growth is boosted or dampened at this stage depends upon the degree to which migrants either complement or "crowd out" native workers, upon the kind of skills introduced by return migrants and on labour market flexibility. Where regional markets are more integrated, flows of seasonal or contract migrant workers facilitate the creation of economic and social networks leading to positive externalities in trade and investment with neighbouring countries.

The impacts of the migration cycle on economies and societies in both home and host countries will differ depending on the characteristics and particular local socio-economic condition, and vary among countries. Some stages might be skipped or never reached in a given migration experience, and the duration of certain phases may differ significantly within the migration cycles themselves, as well as among countries. The critical lesson is that the net balance from migration for a country's development depends upon the particular stage in its migration history. Overall, the effect on growth can become more positive over time.

3. Managing the Labour Migration and Development Equation: The Role of Destination Countries

The joint consideration of migration and development cooperation policies, in a properly structured institutional setting, can form the basis of genuine migration and development partnerships between countries of origin and destination, as well as of transit countries, where applicable. Such partnerships should exploit the full range of benefits of cooperation – and the costs of non-cooperation – to pursue more effective management of labour mobility. This does not imply that migration policies do not need to take into consideration other major domestic policy concerns, including employment, social protection, security or social cohesion; nor does it imply that domestic policy priorities need to yield to development objectives of partner countries. Rather, the joint consideration of migration and development issues, including development assistance, could facilitate policy formulation and make difficult trade-offs (e.g. between development assistance for capacity building and recruitment of skilled workers) easier to handle.

Development assistance can help to resolve some of the challenges posed by international labour migration, particularly by enhancing the capacity of countries of origin to successfully adjust to emigration, for instance through support for infrastructure development, improvement of education and health systems, co-development projects, or support for appropriately designed fellowships and training schemes. However, it should also be pointed out what aid should **not** be expected to do: some observers suggest, for example, that aid be used by the OECD Development Assistance Committee (DAC) donors to stop or control immigration. This recommendation is misplaced for a number of reasons. First, the links from aid to growth are weak and, even if aid spurs growth, that does not mean that migration will necessarily diminish as a result.[6] In fact, the opposite might be true: as income rises in a developing country, households initially unable to afford the cost of migration now choose to move, a phenomenon referred to as the "migration hump".[7]

Second, using development assistance as a bargaining device to secure cooperation in controlling irregular migration, as is sometimes suggested, would be fraught with difficulties — not least because low and middle-income countries with limited resources, would be at least as hard pressed to enforce emigration border controls as destination countries are to enforce immigration border controls. Finally, the principal objective of development assistance is and should remain poverty eradication. Official development assistance (ODA) should not be intended to serve the double aim of poverty reduction and migration control. Given that very little of the low-skilled migration to the European Union (EU), for example, originates from the least developed countries, redirecting development assistance towards the high-migration middle–income countries in order to influence migration patterns there, would run counter to the objective of eradicating the most severe poverty.[8]

3.1 Looking at Migration Policies Through a Development Lens

To improve migration management and to maximize the positive impact of migration, destination countries need to address the development impacts of their recruitment and admission policies, as well as development cooperation policies and the degree of mobilization and the channelling of remittances towards productive uses.

(a) Tackling the brain drain

Many developed countries have programmes to facilitate the entry of **highly skilled migrants**. Indeed, the global competition to attract the best and the brightest is intensifying (see Chapter 2). The disruption from the loss of key personnel, such as healthcare workers and educators, and the public costs incurred to train potential emigrants can be very real.[9] Of course, a highly educated diaspora could, in principle, provide benefits to the home economy – but the evidence for this remains weak and pertains more to upper middle-income countries, which are better placed to take advantage of technologies transferred from abroad and any fresh skills of returning diaspora members. Meanwhile, the poorer the country, the more it is likely to feel the loss of highly educated persons migrating to industrialized countries. How can these trends be

6 The modern, largely pessimistic, empirical analysis of the effects of aid begins with the World Bank's report *Assessing Aid* (1998), which found that aid promotes growth, but only in good policy environments. Even this modest conclusion was called into question by subsequent research that suggested that it was not econometrically robust. The principal authors of the World Bank's research reviewed the criticism and responded in Burnside and Dollar (2004).

7 On the "migration hump", see Faini and Venturini (1993), Hatton and Williamson (1998, 2002), Stark and Taylor, (1991) and Vogler and Rotte, (2000), among others. The cover of the 2006-2007 *Human Development Report* for Mexico (UNDP, 2007) suggests a variation on the migration hump, plotting an index of migration intensity against the human development index for many hundreds of Mexican municipalities.

8 Cogneau and Gubert (2005) demonstrate that emigration rates are much higher for middle-income developing countries than they are for low-income countries. See also Dayton-Johnson and Katseli (2006b).

9 For a discussion on the evidence of losses and potential gains from skilled migration, see Katseli, Lucas and Xenogiani (2006a and 2006b).

influenced to enhance the benefits — the brain gain — while mitigating the costs?

Developed countries' efforts to attract highly skilled migrants are unlikely to abate. Policy innovations can nevertheless help to mitigate some of the risks for developing countries.

First, innovative circularity schemes – including resort to flexible, multi-use, multi-annual work permits – may allow countries of origin to manage migration flows more effectively and avoid critical shortages in the provision of public services, such as healthcare or education, in particular. They could be expanded to include multi-annual fixed-term contracts for professionals to train or work for a certain period in developed destination countries. Such schemes could furthermore be aimed at students and/or postgraduates from developing countries. Under the terms of such agreements, the country of origin could commit itself to upgrade and modernize its social service delivery system, such as education or health, supported, if need be, by the destination country. Measures to ensure appropriate training of personnel, and the deployment and replenishment of staff to maintain social service delivery at the desired level, could also be included. Moreover, the circular migration of the highly skilled also means that their skills will be made more widely accessible at home during the process and enhance local capacity through the transfer of technology and knowledge acquired by such migrants during their professional activities abroad.

Other steps might also be considered to limit negative impacts on the countries of origin. Countries of destination should continue to develop guidelines for the recruitment of highly skilled workers from developing countries. In that context, it should be borne in mind that self-imposed recruiting restraints by public-sector employers have not been effective in limiting the migration of healthcare workers. Exhorting private-sector employers to recruit ethically is likely to prove equally ineffective. However, there may be a role to play for internationally agreed upon guidelines;[10] these can serve as a benchmark against which civil society organizations and the nationals and governments of destination and origin countries can evaluate the practice of destination countries. Such peer pressure can help to avoid imminent crises, for example in developing countries' healthcare systems.

(b) Organizing recruitment of low and semi-skilled migrants

Developed countries are less likely to target **low and semi-skilled migrants**, despite the mutual benefits that can be derived from their mobility (see Chapter 3), and the significant advantages for many destination countries as they fill labour shortages in specific sectors such as agriculture, construction and domestic services, where natives are more reluctant to work. For countries of origin, low and semi-skilled migration has typically a greater impact on poverty reduction than the emigration of professionals.[11] There are three reasons for this. First, such workers come from lower-income families and communities, who therefore stand to benefit more directly from migration. Second, their withdrawal from the home labour market opens opportunities for other low or semi-skilled replacement workers. Finally, low and semi-skilled migrants tend to remit a larger proportion of their income than highly skilled professionals, especially if they have left their families behind.

Most countries of destination address low and semi-skilled migration through temporary/circular labour migration programmes. However, when workers do integrate into the host societies of destination countries, there are often sound reasons to offer them the opportunity to stay in the country (see also Chapter 11). Temporary workers, who demonstrate

[10] See e.g. Commonwealth Code of Practice for the International Recruitment of Health Workers, http://www.thecommonwealth.org/shared_asp_files/uploadedfiles/%7B7BDD970B-53AE-441D-81DB-1B64C37E992A%7D_CommonwealthCodeofPractice.pdf.

[11] See Katseli, Lucas and Xenogiani (2006a) for a review of the evidence.

their ability and willingness to remain in the labour market, to play by the rules, to learn the local language and to meet other reasonable requirements, may welcome the opportunity to "graduate" to "permanent" status. In this "gradual incentive scheme", temporary worker visas would formally become what they often already are in practice today for those who choose to treat them as such - "transitional" or provisional permanent immigration visas. While such graduation is generally more feasible today for highly skilled workers than for migrants in general, such gradual incentive schemes could, in principle, be introduced for migrants of all skill levels.

Bilateral schemes between countries of origin and destination to promote circular migration of low and semi-skilled workers can enhance the impact of migration on development in the countries of origin (see Textbox 12.2).[12] Effective recruitment of temporary or circular migrants in the context of such partnerships might also prove effective in tackling irregular migration. Seasonal or temporary work arrangements under multi-annual contracts for specific work (e.g. in agriculture) or service provision, and the establishment of clear criteria for return and subsequent re-entry, could significantly enhance the incentives of migrants to prefer regular admission channels and honour fixed-term contracts.

[12] See also Chapters 11 and 13.

Textbox 12.2

Mauritius: Heading Towards a Migration Miracle?

The economic success experienced by Mauritius since the 1970s has meant that it has not been known as a source country of organized labour migration. Instead, especially since the 1990s, Mauritius has been a country of destination for thousands of foreign workers employed in various sectors of the economy, including in the Export Processing Zones (EPZs). However, with the end of the Multi-Fibre Agreement, an agreement relying on a framework of bilateral agreements or unilateral actions that established a quota system designed to protect clothing and textile manufacturing in developed countries, while facilitating access for developing countries, Mauritius has recently witnessed the retrenchment of thousands of textile workers. In addition, in September 2009, the EU sugar protocol will come to an end and Mauritius will no longer enjoy preferential prices for sugar above the global market price and, in consequence, will have to reform its sugar industry leading, in turn, to massive job cuts. These two measures are estimated to lead to the loss of some 12,000, mainly low-skilled, jobs over the next three years.

Hence, the local authorities have been looking at alternatives to revive the economy and to reintegrate laid-off workers into the labour market, whether locally or abroad. In doing so, the government has to address a number of challenges: an unemployment rate which currently stands at 9.1 per cent; high female unemployment (currently 16.5%, three times the rate for men) and the fact that women, who constitute the bulk of the unemployed, are mainly low-skilled; as well as a mismatch of available skills.

A two-pronged approach to migration management is being pursued. Firstly, the government wishes to develop circular migration opportunities for the locally unemployed. In order to best match the profile and supply of local workers with demand, the Mauritian authorities are targeting a number of key economic sectors, in particular: carers and nurses (in response to the growing demand in relation to an ageing population in many destination countries); seasonal agricultural work, in particular in France, Greece, Portugal and Spain; and agro-processing and manufacturing for those retrenched from the textile sector. Secondly, the authorities are looking to mobilize the Mauritian diaspora through creative solutions to harness their intellectual and financial resources with a view to enabling them to return home to assist in the development of the country. One approach is to encourage the diaspora to contribute to the new growth sectors identified, which include information communications technology (ICT), a seafood hub and tourist villages, among a range of suggested options.

Encouraging the return of workers is no easy undertaking, especially of individuals who are already close to retirement age. However, Mauritius has been known to overcome obstacles and adversity: in 1961, James Meade, recipient of the Nobel Prize in Economics, reported that Mauritius faced a bleak future. Relying on a mono-crop culture of sugarcane, subject to weather and price shocks, facing the prospect of overpopulation, multi-ethnic and with wide income inequalities, it had, in addition, experienced political conflict. And yet, within a decade, the country was able to turn such dire predictions around by diversifying its economy and promoting external investment. Within Africa, this small island in the southwest Indian Ocean became the "Mauritian miracle".

As during the 1970s, when Mauritius turned its fate around, it again appears that it will once more be able to turn some of its current disadvantages into distinct advantages in the international labour market. Mauritius has a vibrant and multicultural population; speaking both French and English, and local Creole; a mix of religions including Hinduism, Christianity, Islam and Buddhism - all factors which can potentially facilitate integration into host communities. Mauritians also pride themselves on their adaptability, which is evident from the 200,000 members of the Mauritian diaspora.

Apart from such natural advantages, the Government of Mauritius is also keen to implement its own policy direction and has set up an "Empowerment Programme", which aims to rapidly reduce unemployment by identifying and supporting new employment possibilities, retraining and investment. The Empowerment Programme has been allocated five billion Rupees (approximately USD 180 million) for the first five years to initiate the various components of the programme.

Through an IOM 1035 facility project,[1] the Government of Mauritius has been assisted in the development of an overseas employment strategy, the outcome of which was the establishment of a subcommittee on circular migration within the Empowerment Programme. Since May 2007, with a view to primarily addressing the unemployment problem, this subcommittee has met to formulate the conditions necessary for short-term placement of Mauritian workers to take up temporary employment abroad and to acquire skills and save money before coming back to start a small business or invest in other economic activities. The pilot placement of the first migrant workers abroad began in 2008. Perhaps this is the start of a new "migration miracle"?

Note:

1 IOM's 1035 facility provides special support to IOM developing Member States and Member States with economies in transition for the formulation and implementation of joint government-IOM projects addressing particular areas of migration management.

***Source**: Elizabeth Warn, Labour Migration Specialist, Labour and Facilitated Migration, IOM Geneva.*

Regional schemes among developing countries also deserve attention. Policies to facilitate cross-border regional market integration through improved infrastructure and appropriate visa policies, including perhaps also the introduction of regional passports, should be considered. This is supported by the evidence that a large part of the migration of less-skilled workers (and even more so of refugees) is intra-regional, and that migration by the less-skilled has the greatest potential to alleviate poverty.

(c) Mobilizing and channelling remittances for development

Remittances sent by migrants to families and friends in home countries constitute an important driver of development, particularly as a country's migration cycle moves into the consolidation phase,[13] although assessing the economic impacts of migration and remittances gives rise to a number of challenges (see Textbox 12.3). The actual amounts remitted by migrants will depend on economic and financial conditions in both countries of origin and destination, on the composition of migration flows as well as the conditions on which the migrants are admitted into the host country, and are therefore in part determined by admission policies in developed countries. The pro-poor effects associated with remittances are much stronger in the case of low-skilled as opposed to highly skilled migration, especially if highly skilled migrants settle permanently abroad with their families. Low-skilled migrants tend to remit a larger proportion of their income and direct their savings to their low-income families, who often remain in the home country.

13 See Katseli, Lucas and Xenogiani (2006a) for a review of the evidence on the development impact of remittances and multiplier effects.

Textbox 12.3

Challenges in Assessing the Economic Impacts of Migration and Remittances

The rapid growth in the transfer of remittances has increased the interest in the economic impacts of migration and remittances on recipient developing countries.

It is frequently assumed that receiving households tend to spend all or a large part of the remittances they receive on consumption and that, in the absence of increased spending to improve human capital, i.e. on education and training, or to launch entrepreneurial activities, this might generate or perpetuate a cycle of dependency rather than lead to self-reliance and economic growth.

However, to gain a more realistic and detailed picture of the impact of remittances on receiving communities, a number of factors need to be considered:

- ***The fungibility of money*****:** Remittances are an additional source of income for most households and, though they may be spent on consumption or traditional festivals and other celebrations, they nevertheless augment available household resources and enable the diversification of household expenditures, including on better nutrition which, in turn, improves health and well-being. Therefore, to concentrate only on "spending on consumption" falls short of the full picture and fails to measure the actual economic impact of remittances.

- ***Self-selection concerning the decision to migrate*****:** To simply contrast the respective outcomes for households with and without migrants, or with and without remittances, is misleading, since those who in fact migrate are not a random sample of the population, rather they "self-select" for both observable and unobservable reasons. Many reasons underlying a desire to work abroad are closely tied to the actual outcomes used to measure the impact of labour mobility. For example, poor parents who value education very highly might send a migrant abroad to earn money to pay for schooling and also encourage their children to stay in school. Then, if it is observed that children in households receiving remittances are more likely to stay in school, this could reflect differences among households in how much they value education, rather than just the effect of receiving remittances.

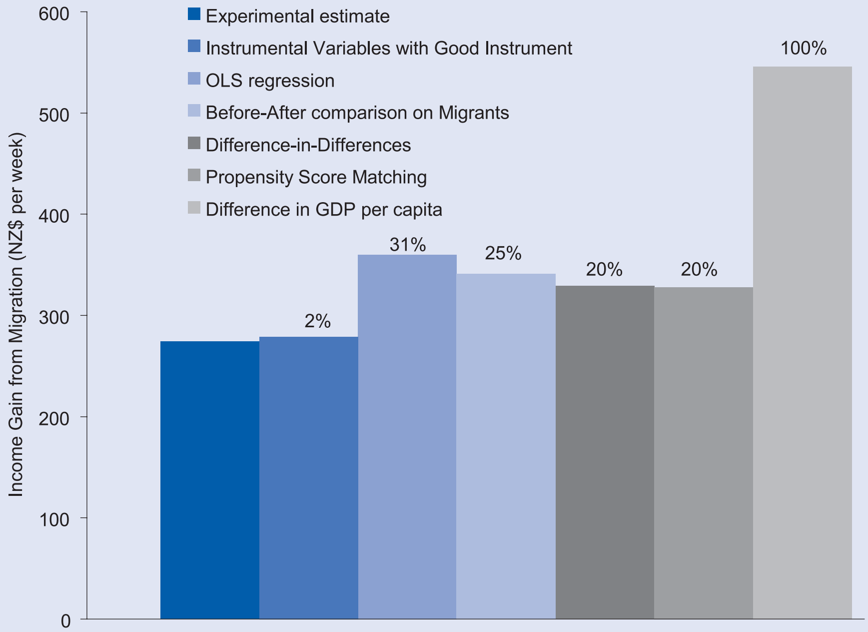
- ***Reverse causality*****:** Both migration and remittances may be driven by specific interests rather than be the cause of observed outcomes. For example, if remittances are sent in response to a household member's ill health, it may be observed in due course that households which receive remittances have poorer health than households which do not receive remittances. This does not in any way mean that receiving remittances is bad for one's health.

The consequence of these challenges is that estimation of the economic effect of migration requires comparing the situation of a household with a migrant to the unobserved situation in which the household would have been had a member not migrated. There are a variety of econometric methods available for approximating the latter. In a unique study, McKenzie, Gibson and Stillman (2006) are able to assess how well these different methods perform by taking advantage of a migration lottery used to select among Tongans applying to work in New Zealand. Comparing winners in this lottery (who migrate) to losers (who stay in Tonga) reveals an income gain from migration of NZ$274 per week, which is only half of what the difference in GDP per capita would suggest. Figure 12.1 below compares the performance of a number of non-experimental estimators against this mode of calculation. Using a good instrumental variable gives results close to the experimental estimates, whereas the other non-experimental methods overestimate the gains to migration by 20 per cent or more. This suggests that migrants in their study have higher unobserved ability than non-migrants.

With careful use of an instrumental variable, it is possible therefore to obtain reasonably accurate measures of the overall impact of migration on outcomes such as schooling, child health, poverty and inequality, and business ownership. However, most of these effects cannot be interpreted as being simply due to remittances. The main difference between remittances and other sources of household income is that the receipt of remittances is typically accompanied by the absence of a household member, which in turn will affect development outcomes. The absence of one or both parents may have a number of different direct impacts, on children, the single spouse left behind or grandparents (see also Textbox 6.1). Also, absent household members may transfer ideas and knowledge, as well as money; the migration of one family member may increase the propensity to migrate by other family members in the future, and may, by way of anticipation, already affect their decisions today.

Figure 12.1:

Comparison of Estimates of Income Gain from Labour Migration to New Zealand from Tonga by Different Estimation Methods



Estimations taken from McKenzie, Gibson and Stillman (2006). Percentages give the degree of overestimation of income gains compared to the experimental estimate.

Separating the impact of remittances from all other impacts of migration raises the double challenge of self-selection and endogeneity referred to above. There is a need to identify the exogenous reasons to explain not only why persons in one household migrate and others do not, but also why some migrants send more remittances than others. There are few, if any, studies in the literature able to do this. Moreover, from a policy perspective, it is not clear whether such an exercise is required. Remittances are a private resource that households should be free to spend as they wish. Policies aimed at reducing the cost of remittance transfers or encouraging investments in countries of origin should not be premised on how households choose to spend their income.

On the contrary, it is precisely in relation to some of the non-remittance effects of migration, such as the effects of absent parents or a spouse on children or the single spouse as sole head of household, where the design of appropriate policy interventions critically depends on the proper understanding of migration impacts and on overcoming the methodological obstacles to the measurement of such impacts.

Source: *World Bank.*

The reported size of remittances (estimated in 2007 at USD 318 billion worldwide with 240 billion going to developing countries – Ratha et al., 2007) is most likely underestimated. Remittances are often transferred through informal channels rather than banks or other formal institutions. The cost of transferring money remains extremely high for migrants in many developed countries, varying between five and 15 per cent of the amount transferred, with significant differences across countries. For example, the cost of remittances between Europe and West Africa is ten times higher than that between the United States and the Philippines (Table 12.2).

Table 12.2:

Approximate Cost of Remitting USD 200 (Percentage of principal)

	Major MTOs[1]	Banks	Other MTOs	Hawala
Belgium to Nigeria[2]	12	6	9.8	—
Belgium to Senegal[2]	10	—	6.4	—
Hong Kong SAR to the Philippines	4.5	—	—	—
New Zealand to Tonga (USD 300)	12	3	8.8	—
Russia to Ukraine	4	3	2.5	1-2
South Africa to Mozambique	—	1	—	—
Saudi Arabia to Pakistan	3.6	0.4	—	—
United Arab Emirates to India	5.5	5.2	2.3	1-2
United Kingdom to India	11	6	—	—
United Kingdom to the Philippines	—	0.4-0.5	—	—
United States to Colombia	—	17	10	—
United States to Mexico	5	3	4.7	—
United States to Philippines	1.2-2.0	0.4-1.8	—	—

Notes:
Figures do not include currency-conversion charge.
[1] Money transfer operators.
[2] World Bank survey of African diasporas in Belgium.
— Data not available.

Source*: Adapted from World Bank (2006: Table 6.1, p. 137).*

Governments and banks in countries of origin and of destination might take concerted steps to lower the transfer costs through formal channels, and to expand financial services to poor rural communities. Such action would facilitate the channelling of remittances to poor communities. Involving migrants and migrant associations in such schemes would increase pressure for appropriate services and thus increase the volume of remittances transferred. Migrant networks play an important role in facilitating remittances and promoting their use as a development tool; they serve as lobby groups to improve access to financial services for migrants in both their country of destination and their country of origin. Moreover, they contribute to the collection and dissemination of information on the available channels to transfer their savings to their families back home.

Whether the positive impacts of remittances spread from the household level to the whole of the economy depends in large part on how well domestic markets function. If markets are well integrated, increases in local incomes can lead to increased economic exchanges with other communities, enhancing growth and employment creation. The availability of necessary infrastructure (e.g. transport infrastructure) is therefore a precondition for the diffusion of benefits across regions. Development assistance towards capacity building and infrastructure development in the context of national development strategies can substantially enhance the positive impact of remittances on development.

3.2 Coherence of Policies for More Effective Management

Many of the factors that affect the labour migration and development equation span two or more policy domains, including policies related to migration and development, but also agriculture, trade, environment and security. The potential for international migration to contribute to economic development is greater if migration, trade, investment and development assistance considerations are jointly addressed at the national, regional and global level (Dayton-Johnson and Katseli, 2006a; Katseli, Lucas and Xenogiani, 2006b).

The trade policies pursued by developed countries should be crafted with due regard to their impact upon labour mobility. Being able to export products that make intensive use of low-skilled labour is a critical strategy for accelerated growth in countries of origin and a principal rationale for opening to trade. Expansion of such export industries might even have the effect of easing migration pressure as some workers may choose to work in export industries rather than emigrate. However, such a growth strategy is complicated by the trade policies of developed countries. For instance, the use of agricultural subsidies by many of the industrialized countries that depress world prices for agricultural products[14] hurt living conditions in countries that are exporters of cash crops, possibly exacerbating migration pressures. While the effects of such policies on potential migrants vary within and across developing countries, this example illustrates that the impacts of trade, migration and development policies of developed countries on specific low and middle-income developing countries need to be considered alongside migration policymaking.

Meanwhile, a new agenda on security and development would provide an opportunity to explore the many interlinkages between development, migration and security – links that have been sidelined in the wake of the September 11, 2001 terrorist attacks on the United States (Katseli, 2006). Such a new agenda calls for a broad conception of security. "Security" certainly includes the security from terrorist attack, but also the security from a broader class of negative shocks that make poor people vulnerable. Policies and programmes could explicitly aim to address the various sources of insecurity[15] that often cause people to emigrate and also hamper development. Strategies for risk prevention, risk mitigation and coping with risk should be incorporated ex ante into the design of policies in countries of origin; and, here too, development assistance can help. Improving access to land and water, supporting agricultural extension programmes and irrigation infrastructure, and promoting institutional capacity building, as well as appropriate land titling and regulatory modernization, are only a few examples of policy priorities that could significantly enhance security in countries of origin and stem the desire for relocation.

Linking migration and development cooperation policies at the national, regional or international level will require substantial rethinking of existing institutional parameters to address the current segmentation of policy competencies across ministries and various agencies and organizations.[16]

At the national level, inter-ministerial initiatives can promote coordination of development and migration policies. Sweden's 2003 Government Bill, committing

[14] See Verdier and Suwa-Eisenmann (2006) and Xenogiani (2006) for more discussion of these issues.

[15] Four proximate sources of insecurity include inability to access strategic assets, access to food or other inputs, large market volatility or failed institutional set-ups (Katseli, 2006).

[16] The momentum towards more coherent development policy is gaining in the European Union. In December 2004, the EU Council called for the further strengthening of policy coherence for development: "making wider and more systematic use of existing mechanisms for consultation and impact assessment and procedures to screen all relevant policies for their impact on developing countries" (European Commission, 2005: 18). Particularly noteworthy is the EU's December 2005 "European Consensus on Development", which explicitly calls upon the Commission and the Member States to observe coherence among their policies that affect development (European Commission, 2006).

various ministries to greater policy coherence in relation to measures that affect development through annual reporting to Parliament, is probably the institutionally most ambitious initiative (Sweden, 2003).

4. Managing the Labour Migration and Development Equation: The Role of Countries of Origin

The development impact of international labour mobility depends not only on the policies pursued by host countries or the choices migrants make, but also on the capacity of home countries to adjust successfully to emigration. This capacity will, in turn, depend on the active engagement of migrants themselves – consultation, cooperation, coordination with migrants and their various organizations – as well as on the institutions and policies in their home countries, and can furthermore be strengthened with the support of countries of destination.

In countries where emigration is a prominent feature, national development strategies (in particular "Poverty Reduction Strategy Papers" (PRSPs)[17]) need to pay adequate attention to the migration dimension in their policy development processes, and include it in their macroeconomic policies, human resource management, education policies, infrastructure investments and regional (including "South-South") initiatives.

4.1 Macroeconomic Policies

The budgetary implications of large-scale emigration and remittances can be profound and therefore warrant explicit recognition in national poverty-reduction strategies. First, when migrants – particularly the highly skilled among them – leave, potential tax revenues decline. Consequently, alternative mechanisms of raising tax revenues so as to avoid a budget deficit need to be adequately addressed. Similarly, when remittances start flowing in, real exchange rate appreciation needs to be avoided through careful management of the exchange rate. Emigration may also shift expenditure priorities. Resources might need to be shifted towards public and social service delivery systems weakened by the loss of qualified staff (e.g. healthcare, education) or towards services for dependent children, spouses or elderly parents not effectively supported by absent migrant family members. However, any such scheme may have the undesired side-effect of weakening the personal responsibility and readiness of remittance-sending migrants to continue to offer support for their family back home, or to reduce such support over time. Thus, the design of transfer programmes (i.e. social assistance expenditures to support poor households) should be sensitive to the possibility that remittance receipts might level off where there are publicly funded alternatives. Some governments offer matching grants to encourage remittances.[18] However, such matching grants tend to go to communities already relatively well endowed through remittance receipts and may divert spending from other needier communities that do not benefit from migrant remittances.

4.2 Human Resource Management

Human resource management (see also Chapter 10), including employment policies, should also take into consideration current and projected effects of migration on domestic labour markets. The design of sufficient incentives for public sector posts (or for private sector companies hired to work for the public sector) is critical. Such incentives include not

[17] The PRSP, according to the World Bank's web site, is "a country-led, country-written document that provides the basis for assistance from the World Bank and the International Monetary Fund, as well as debt relief under the Heavily Indebted Poor Country initiative. A Poverty Reduction Strategy Paper describes a country's macroeconomic, structural, and social policies and programs to promote growth. It summarizes the country's objectives, policies, and measures for poverty reduction. A Poverty Reduction Strategy Paper should be country-driven, comprehensive in scope, partnership-oriented, and participatory."

[18] The *Tres por uno* [Three for one] programme in Zacatecas state, Mexico, is among the most celebrated examples; see Iskander (2005).

only acceptable pay but also appropriate facilities and working conditions. Where the concern is the loss of key personnel and the resultant lack of capacity to deliver basic services (such as healthcare or education), the effective deployment of available personnel becomes especially critical. Conscription of personnel to designated posts is rarely an effective or feasible option. Instead, incentives should be provided to ensure labour force participation among those with needed skills, employment in occupations that make use of these specific skills, and location in areas where the skills are most in demand. Examples exist of programmes that have been successful in placing students in rural communities, or incorporating poverty relief efforts as part of their training. For example, South Africa introduced compulsory community service for health workers in an attempt to address the problems of regional access to healthcare services (Lucas, 2006). Programmes in Australia, Canada and the United States ease restrictions for foreign health workers who are willing to work in rural areas (Clemens, 2007). Mexico's *Progresa* programme has tapped into graduating doctors to staff their rural clinics (Levy, 2006).

4.3 Financing Higher Education

If a given country's principal concern is the loss of public resources invested in the education of highly skilled emigrants, policymakers should consider restructuring the methods of financing higher education rather than continue subsidizing developed countries of destination. Programmes offering student loans, rather than outright grants to students, offer greater potential to recoup training costs. Such loan programmes could be combined with debt forgiveness for those undertaking predefined tasks at home, such as healthcare work, teaching in rural areas or public service more generally. It is important that the design of any such programmes does not have the effect of discouraging children from lower-income families from continuing their education; a means-tested grant element might have to be considered. In addition, mechanisms would need to be explored for repayment of interest and principal while the migrant is abroad. Possibilities include bilateral arrangements with the host countries and intermediation by the banking sectors of both countries. Policymakers need to attentive to the incentives provided by the subjects of study to be supported in public higher education and training. People trained in certain specializations (e.g. medicine) have relatively easy access to the global labour market; those trained in fields more closely related to the needs of the poor in a developing country (e.g. agronomists) might have fewer opportunities to visit and work abroad. Specialization and vocational training in areas in high demand in developing countries need to be encouraged through appropriate incentives, including, where appropriate, scholarships and temporary work programmes in developed countries. Temporary stays abroad for additional training or work can produce important incentives for others to do likewise and thereby raise the availability of experts in these specialized fields. Through fellowships or training schemes, universities and training institutions in developed countries can similarly support the specialization of international students in these areas.

A number of developing countries have programmes to encourage the return of their highly skilled diaspora and students studying abroad. Offering salary premiums, tax breaks and attractive research facilities can prove very costly, generate resentment among those who stayed at home, and increase the incentive to move abroad to take advantage of such packages upon return. It is nonetheless important to at least remove any disincentives for return. Prime examples of such disincentives include the lack or difficulty of possible advancement in public sector posts based on experience acquired abroad, or the inability to transfer pension and social security benefits to the country of origin upon return. Some returning international migrants choose to enjoy their savings from abroad and take early retirement. Others choose to re-enter the labour market or to become self-employed. Excessive regulatory requirements or poorly defined land property rights can inhibit commercial activities. Providing lines of credit for start-up enterprises can lower barriers to self-employment opportunities for returning workers. Access to information about the realities of such business ventures and existing credit lines may also be important; business failures among returned migrants with inadequate management experience are common. Not only can the dissemination of such information make return a more attractive option, it can also stimulate the home economy and hence diminish the pressure to emigrate.

4.4 Infrastructure

Optimal infrastructure policy might well change when emigration occurs on a large scale. Plans for investment in public infrastructure need to be drawn up in recognition of the demographic implications of migration flows. From which communities and regions are migrants leaving? Do these migration streams include families, or are children and others left behind? Where do returning migrants settle? The answers to these questions have implications for infrastructure development. If, for example, migrants leave rural areas on a large scale, but settle in urban locations upon return (perhaps with internal migration of family members to join the returning migrant) the balance of desired investments in rural versus urban contexts may have to be adjusted.

Since international migrants tend to originate from quite specific regions of their home country, encouraging internal replacement migration may have the effect of turning the negative impact of the loss of workers due to emigration into an opportunity for others to gain a place in the job market and secure a living for themselves. Removing obstacles to internal migration (see Chapter 7) can therefore help to spread the indirect benefits of emigration from specific areas. Improved infrastructure and abolition of barriers to internal migration, if adequately incorporated into domestic development strategies, can enhance the capacity of the country of origin to adjust to migration and benefit from ripple effects. Examples might include removing licensing requirements for entry to formal sector activities, or giving access to public works schemes in other regions of the country.

4.5 Regional and "South-South" Initiatives

For many developing countries, the dominant destinations for their low or semi-skilled migrant workers are often other neighbouring developing countries or countries within the region.[19] Much of this migration is irregular, offering little or no protection of rights to foreign workers. In many countries, the institutional capacity required to manage migratory flows and for effective policy formulation and implementation is weak, and must be strengthened through training of officials. Another problem facing South-South migrant workers include high migration costs, in part driven by corruption.

At the national level, collaboration between and within government agencies dealing with migration matters, though essential, rarely exists. Bilateral and regional arrangements among developing countries exchanging workers are to be encouraged (see also Chapter 13). This might include an expansion of current efforts to introduce regional passports with automatic entry rights. Another example is the reciprocal extension of the right to work to nationals of all participating states, where this is not already the case, and more systematic enforcement of these rights where they exist but are not necessarily respected in practice. Technical cooperation in critical areas such as education and health can also play a role. Cuba, Brazil, India and other developing countries carry out such programmes.

19 Ratha and Shaw (2007) document the quantitative importance of South-South remittances.

5. Effective Partnerships for Better Migration Management

Countries of origin and destination can use bilateral agreements and arrangements as a vehicle for maximizing the gains from international labour mobility by effectively linking recruitment with capacity building and development in countries of origin. Under such arrangements, developed destination countries offer to rethink their labour migration policies, including, notably, measures to promote circular mobility, accompanied by development assistance to increase adaptive capacity in countries of origin. In turn, developing countries could undertake to mainstream migration and remittances into their national development strategies.

For example, such a partnership approach could link migration policies in developed destination countries and human resource development policies in countries of origin. In the presence of emigration, countries of origin need to be encouraged to develop human resource development policies that take account of current and projected effects of migration on domestic labour markets as well as the potential loss of public resources invested in highly skilled emigrants (see also Chapter 10). This implies the provision of sufficient incentives for public sector posts, effective deployment of available personnel and possible restructuring of methods of financing higher education. The retention of highly skilled professionals in developing countries, especially in the health and education sectors, can be substantially improved through investments in public service delivery systems, continuous training of personnel and better working conditions. Development assistance can play an important role in such partnership arrangements by providing resources to the economies of countries of origin to strengthen their capacity to adjust. This capacity could include better transport and communication infrastructure to link up labour markets in different regions of the country of origin, and promotion of financial sector development to encourage greater use of formal channels to transfer remittances.

6. Engaging Diaspora Networks

Migration management partnerships can be made more effective still if they engage diaspora networks: such groups include migrants (whether they have retained their original citizenship or adopted that of their new country) and they can include second, third and subsequent generations as well.[20] As a country's migration experience moves into the networking phase, the activities of diaspora groups, which can range from informal social relationships to formally constituted associations, become more visible and significant.

In general, the contribution diaspora networks can offer stems from the information advantages and social mechanisms at their disposal. The first information advantage has to do with the flow of information among various parties. Network members know about business opportunities in their host countries that might interest counterparts in their home countries, and vice versa.

Diaspora networks are familiar with labour market conditions in the host country or how to access social services. that can be of help to newcomers to the network (that is, newly arrived migrants). For example, 60 per cent of Moldovan migrants claim to have had a job lined up before they emigrated, based on existing networks (Borodak, 2006). These information flows are not limited to transmitting labour market information. In the field of public health, researchers in the U.K. show that immigrants have low take-up rates of preventative measures such as screening and immunization, and that uncertain immigration status is one of the main reasons why migrants do not access primary health care (Spencer

[20] This broad definition of "diasporas" is also that used by the European Commission in recent policy statements on immigration (European Commission, 2005). For a discussion of diaspora definitions, see Ionescu (2006).

and Cooper, 2006). Often migrants' command of English is insufficient to navigate among service providers, while the foreign-language competency of medical workers is too weak to meet them halfway. For their part, medical practitioners are equally unclear as to who is entitled to which service, while those outside metropolitan areas may lack the cultural competency to provide appropriate care (Spencer and Cooper, 2006). Could intermediaries in diaspora networks help to better match up care providers and migrants in need of care? More generally, diaspora intermediaries can help provide better targeting of social services, including, but not limited to, health care.

The second sense in which diaspora networks provide informational value has to do with what economists call an "asymmetric informational advantage" over other actors. Network members know more about their members than outsiders, and this information would be genuinely valuable in a credit or insurance market. Thus, diaspora networks can judge who among them is in need of material assistance, even if their members do not have easy access to formal insurance contracts (or publicly provided social assistance). Similarly, networks can assess whether a given immigrant is a good credit risk, though he or she may have no collateral of any value to a formal bank in the host economy. Indeed, a frequently cited benefit of ethnic (social) networks is the access to the financial capital they provide. Rotating credit associations, for example, often perceived as divided along ethnic or national lines, allow members access to capital for businesses through informal channels; members pool the sums so that each can raise money for small business operations (Rindoks et al., 2006).

A third asset of diaspora networks is that they have access to means of contract enforcement that are presumably unavailable to those outside the network. These may range from social norms of cooperative behaviour within the network (i.e. a network member feels shame if he or she breaches a contract with another network member, but not if he or she does so in relation to an outsider) to social sanctions, namely, costly actions taken by network members to punish rule-breakers in their midst (the most draconian of which is expulsion). While these social norms are powerful, in diaspora groups, as in many social organizations, they might not be very democratic or fair; the negative aspects of such informal community powers must be acknowledged. Too often, for example, women's participation and voice in such organizations can be weak or non-existent.

These characteristics of diaspora networks allow them, in principle, to provide services more easily to their members that other members of society access directly from the public sector (e.g. information about the healthcare system) or from markets (e.g. a business loan). The promise of diasporas as a policy lever is that they can bridge gaps not filled by the public sector or markets; it remains an open question whether a more efficient solution would be to address market failures directly.

The role of diaspora networks may not be as productive or as positive as it appears at first glance. Experts voice some scepticism that the observed behaviour attributed to networks – loans, information-sharing, investment, cross-border trading, etc. – might often be more accurately ascribed to family contacts. Research on ethnic business networks shows that much of the putatively network-based financing available to ethnic entrepreneurs is, in fact, intra-family lending; moreover, family-based businesses of this type are at a competitive disadvantage when family objectives compete with profit maximization or other economic motives. Other observers point out that there are risks that while such organizations can effectively build social cohesion among migrants, they can also create barriers to broader participation, "filtering them out of mainstream politics into marginal spheres of political activity" (Spencer and Cooper, 2006). Indeed, this concern mirrors the distinction made between "bridging social capital" – institutions that create links between communities –

and "bonding social capital" – institutions that affirm fellow-feeling within communities. Some migrants' associations might be far more effective at providing the latter than the former. Additionally, the very fact that many migrant communities are marginalized reduces their capacity to be effective political or social intermediaries (Rindoks et al., 2006).

Keeping in mind these potential limitations, migrant networks can nevertheless help migrants find jobs and to integrate economically. Migrant organizations can often play a leadership role within social networks by providing guidance and services to migrants. While some organizations provide assistance in filing documentation for family reunification or citizenship, others offer second-language programmes (such as English as a Second Language in the U.K.) and vocational training to upgrade job skills. By partnering with local schools, community colleges, hospitals and vocational training centres, migrant organizations are able to provide meaningful services to their clients.

As the networking stage progresses and information flows through diaspora networks, migration increasingly promotes trade. Migrants may serve as trade intermediaries and facilitators because of their knowledge of opportunities and potential markets, their access to distribution channels, contacts and language. Membership in such networks (which may not be primarily economic in nature, as in the case of religious brotherhoods in North and West Africa, or village-based groups) may play a significant part in contract enforcement given the importance of reputation. Furthermore, access to information and knowledge not available outside the diaspora about market and trade opportunities among their members offer immigrants an advantage for setting up their own businesses (see Textbox 12.4). Thus migrants often create trading networks that increase trade flows between their host countries and their countries of origin (Xenogiani, 2006). This information channel implies that, for all these reasons, migration may actually have an impact both on exports and imports.

Textbox 12.4

Diaspora Linkage in Development: A Bangladesh Case

International migration from Bangladesh goes back to the 18th century and early colonization (de Bruyn and Kuddus, 2004), when sailors from the south-eastern part of Bangladesh, namely Chittagong and Noakhali, travelled from the port of Kolkata to different parts of the world in the British Merchant Navy (Siddiqui, 2005). In the 1940s and 1950s, Bangladeshi crews, especially Sylhetis, of British merchant ships used to land in British ports and settle in the U.K. to cater to the shortage of labour in low-skilled industries (de Bruyn and Kuddus, 2005). Over time, these migrants brought their wives and children and permanently settled there, creating Sylheti communities in different parts of the U.K. In the 1960s, mass migration occurred to the United States; however, it was mostly students and professionals who migrated (de Bruyn and Kuddus, 2005). During this period Bangladeshis also migrated to Australia, Canada, Greece and Japan (Siddiqui, 2004). In the late 1970s, educated Bangladeshis obtained political asylum in Germany and Switzerland and then students began travelling to different European countries in large numbers (Knights, 1996). These movements throughout Europe created small Bangladeshi communities in many European countries and such networks have facilitated chain migration of family and friends, for example in Italy and Spain (Zeitlyn, 2006). Although the long-term emigrant community of Bangladesh is spread throughout various countries, an overwhelming majority still resides in the U.K and the U.S. (Siddiqui, 2004).

Over the years, the diaspora linkages have evolved through the maintenance of social capital, family ties and assistance during natural disasters. However, the significant role of diasporas in the overall development of a country in areas such as business, trade links, investments, remittances, skill circulation and exchange of experiences (Ionescu, 2006) has been studied only in recent times. One such topic of study is the Nandan Group of Companies in Bangladesh.

The Nandan Group of Companies is a progressive initiative of a group of non-resident Bangladeshis (NRBs) living in the U.K. and the U.S. In 1999, Mr. Masrur Choudhury, now Chairman and Chief Executive Officer of the Nandan Group, encouraged 23 NRBs from the U.K. to pool resources and invest in a project in Bangladesh named "Nandan". This initiative led to the establishment of the Nandan Group of Companies, which has now expanded to over 800 employees and a customer base of over half a million (British-Bangladeshi Youth.net, 2007).

The initiative can be considered a success for two main reasons. Firstly, it delivered commercially viable and profitable projects from the funding of NRBs and, secondly, the initiative was an "eye opener" for all NRBs about the possibilities and benefits of investing profitably in their country of origin. The various projects undertaken by Nandan include the development of a theme park constructed in a 60-*bigha* (approximately 20 acres) property on the outskirts of Dhaka in collaboration with Nicco Park and Resorts, India (Amin, 2004). In addition, a major purpose-built supermarket chain, selling different items ranging from groceries to electronics to clothes to fresh fruits, was constructed in different parts of Dhaka.

Over the years, the Nandan Group has expanded further to include the Nandan Water Park – the largest water park in the country – and Nandan Tea and Fatehbagh Tea, which grows organic tea in Sylhet for export to the U.K. and the U.S. (British-Bangladeshi Youth.net, 2007).

The Nandan Group is now in its eighth year, and though the number of investors over the years has remained stable, as Mr. Choudhury observes, the amount invested by the diaspora group has increased substantially.

Future plans of the Nandan Group include the development of a resort behind the existing Nandan Park. In addition, as part of an attempt to establish a bridge between NRBs in the U.K. and Bangladesh, the Nandan Group has plans to take Bangladeshi investment to the U.K. through the creation of an amusement park in the U.K. built around an Eastern theme. Furthermore, the Nandan Group is considering opening a supermarket in the U.K. to sell Bangladeshi products, including foodstuffs and spices, predominantly for Indian and Bangladeshi restaurants based in the U.K.

The Nandan experience has been a revelation for many NRBs about the possibilities of having profitable links with their home countries. Such opportunities are excellent examples of how beneficial partnerships can be developed between the country of origin and its diaspora.

***Source**: IOM Dhaka.*

Immigrants have a natural preference for home products, either because of habit or homesickness. If the products they used to consume at home are not available in the host country, then imports from the home country may increase to meet this demand. Several studies have demonstrated a strong link between trade and migration, in part based on such factors.[21] For migrants to act as trade intermediaries, the intention to return home is critical: their knowledge of trade and investment opportunities at home, ability to enforce contracts through personal contacts at home and specific knowledge about conditions at home deteriorate the longer they are away.

Finally, migrant and diaspora networks can be important partners in development cooperation. Traditionally, governments in developed countries and international organizations have engaged diaspora networks to facilitate the return of migrants by means of diaspora-focused return or circulation programmes,[22] and to assist them in their reintegration in home countries. Examples include the International Organization for Migration's Return of Qualified Nationals programme, which provided much of the inspiration for its Migration for Development in Africa (MIDA) capacity-building programme, or the Transfer of Knowledge Through Expatriate Nationals (TOKTEN) programme of the

[21] See the review of the literature in Xenogiani (2006).

[22] In general, however, voluntary return programmes have induced very few migrants to go home.

United Nations Development Programme (de Haas, 2006).

Recent initiatives have started engaging migrants' networks as development partners in more imaginative ways. That is, the diaspora is viewed as a reservoir not only of financial capital, but of human and social capital as well. In place of encouraging voluntary return (which has had mixed success), diaspora networks are being increasingly mobilized to foster a kind of "virtual return". The IOM's MIDA programme is a case in point. Initiatives of this kind focus on repatriation of skills and resources, but not necessarily of the migrants themselves (see Portrait 12.1). Remittances are among the most important of these resources. In addition to endorsing the idea of government matching funds (like the example of the *Tres por uno* programme in Zacatecas state, Mexico (Iskander, 2005), in which migrant remittances for community investment projects are matched by local, state and federal governments), the European Investment Bank (EIB), for example, recommends that banking systems offer banking services specifically targeted at migrants — including mortgage products, remittance-tailored bank accounts and investments funds — in order to channel remittances into productive investments (de Haas, 2006). Such innovative initiatives promise to promote both household and community investment of remittances in human development.

Portrait 12.1

Entrepreneurship for Development

Thomas was born in Ghana almost 41 years ago. Arriving in Naples in 1988, he soon moved to Modena in northern Italy where, friends had told him, it was easier to find a job. "At first, Italy was a big disappointment. In Ghana we thought that Italy was like paradise: a sunny, friendly place where you could become rich easily. This was not the case, of course. And for us, coming from Africa, the big shock was the fact that winter is cold, that people live indoors and are actually not as friendly as we had been told. But you know, life is not only relationships, nice people and fun, it is also work and commitment. We all need to survive and to carry on. In fact, even if it was not really what I expected, Italy was able to give me the chance to carry on with my own work."

For Thomas, commitment, seriousness and willpower are key to realizing almost everything. Within a few weeks of his arrival in Modena, he started to work for a company specialized in waterproofing. After that, he worked for six years in a metal workshop. In the meantime, he attended language courses and obtained his driving licence. He married in Ghana, and his wife joined him in Modena in 1991. In the years that followed, he changed jobs, and his attitudes to Italy gradually evolved.

"There comes a moment in life when you start to feel different: one day you wake up, you look out of your window and you feel at home. Now I can say that 80 per cent of me wants to stay in Italy and 20 per cent to return to Ghana for good. I have two daughters, they were born here but I have already taken them several times to Ghana. They feel like Italians, but they have not forgotten their African roots".

In 2005 came the big change: he decided to leave his job and become president of Ghanacoop – a challenging and also risky decision. Ghanacoop is a cooperative run by the Ghanaian migrant community in the Province of Modena, set up with the help of the IOM Rome Office's MIDA-Italia (Migration for Development in Africa) Pilot Project.

This initiative started by importing pineapples from small Ghanaian producers to Italy with the aim of enhancing sustainable trading flows of typical Ghanaian produce and consumer goods between Ghanaian migrant associations in Italy and the small producers in Ghana.

The Ghanaian community in Modena counts about 4,000 people, and the initiative of starting an entrepreneurial activity stemmed from the will to make a concrete contribution to the development of the home country and to build the basis for the creation of social enterprises in Ghana. So far, Ghanacoop has proven to be successful; the pineapples imported to Italy, called

Missghananas, are sold in many regions by three leading retailers and will very soon be distributed nationwide. "I work 12 hours a day, but I really believe that it is worthwhile: we are doing something huge for our community and for our homeland as well. The success of Ghanacoop will be of historic importance and significance for the coming generations."

In February 2004, Thomas obtained Italian citizenship. After 20 years, Thomas is now in the midst of a new challenge, but the first, that of integration, has already been won.

Source: *IOM Rome.*

Co-development projects, pioneered by France, while still relatively modest in numbers and scale, include projects in the home countries involving migrants living in developed countries (i.e. business people, academics, health personnel, engineers). Migrants are encouraged to promote commercial activities or implement social development projects (by building schools or health centres), or lend their expertise to their home country. Moreover, the concept of co-development also includes helping migrants to better direct their savings towards productive investments in their countries of origin. This concerns especially the transfer of monies as well as strengthening the capacities of microcredit institutions. As such, an increasing concern to co-development is how to catalyze and amplify the effects of social investments made with remittances (OECD, 2007).

7. Conclusion

Better management of labour migration promises greater gains for migrants, countries of origin and countries of destination. This chapter has explored the potential costs and benefits developing countries should take into account as they seek to gain more from the labour migration and development equation. The chapter has argued that the economic gains from migration depend upon three effects of emigration: changes in labour supply, induced changes in productivity and receipt of remittances. At different points in a country's migration cycle, the relative contribution – positive or negative – of each of these effects differs; so too, the appropriate policies differ at different points in the migration cycle.

The chapter advocates genuine partnerships between destination and origin countries for the latter to gain more from migration. Destination countries bring to such a partnership the commitment to look at their migration policies through a development lens: what is the impact of these policies on migrants' countries of origin? This does not mean subordinating migration policies to the objectives of development cooperation, but rather taking advantage of complementarities between both policy domains. Origin countries, conversely, commit themselves to take a fresh look at their development policies through a migration lens: how does the fact of large-scale emigration change optimal policy decisions in the macroeconomic, human resources, education, infrastructure and regional cooperation spheres? This does not invite origin countries to pursue emigration as a development strategy, but rather to adapt decision-making to the realities of labour mobility.

Destination and origin countries alike must commit themselves to more coherent policymaking, as the labour migration and development equation is affected by a broad range of policies, including trade, agriculture, investment, labour, social security and national security policies – as well as development and immigration/emigration policies. Policy coherence will require new institutional set-ups to facilitate greater information-sharing, negotiation and consensus building across ministries and agencies within governments and, indeed, between governments.

Finally, more effective partnerships for migration management are not just a job for governments. Diaspora networks, with anchors at each end of the migration corridor, can be uniquely effective partners for governments of countries of destination and of origin. They can serve as intermediaries in integration and labour market policies in destination countries, and as partners in development cooperation policies with both destination and origin countries. The private sector, too, has a role to play. Banks and other financial institutions can, if given appropriate incentives, reduce the costs of transferring money back home and increase access to financial services for migrants' families and communities in remote and rural parts of origin countries.

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