## Contents

**PREFACE**  
2

**OVERVIEW**  
1. Overviews of Migration and Remittances  
5

**CONCEPTS, METHODS, MEASURES, AND FLOWS**  
2. Remittances and Migration: Conceptual and Methodological Challenges  
11

3. Defining and Measuring the Level and Trends of International Remittances  
16

4. Formal vs. Informal Remittances  
21

5. Internal Remittances  
25

**FACTORS AFFECTING THE SENDING OF REMITTANCES**  
6. Socio-Cultural Determinants of Remittances  
30

7. Remittances and Gender  
33

8. Economic Determinants of Remittances  
37

9. Remittances and Migrant Associations  
41

**USE AND IMPACTS OF REMITTANCES**  
10. Remittances, Consumption and Investment  
47

11. Remittances and Economic Growth  
51

12. Remittances and Multiplier Effects  
55

13. Remittances, Poverty and Inequality  
59

14. Remittances and Access to Financial Services  
64

15. Remittances, Social Stratification, and Cultural Change  
68

73

17. Remittances, Health and Education  
77

**REMITTANCES IN BROADER PROCESSES AND CONTEXTS**  
18. Remittances and Urban Rural Transformations  
82

19. Remittances, Diasporas, and States  
86

20. Remittances, Environment and Natural Disasters  
91

**ADDITIONAL RESOURCES**  
21. Web Resources on Remittances  
96

**COMPLETE LIST OF ANTHOLOGY ARTICLES**  
101
Preface

In response to the growing interest in the possible contributions that migrants’ remittances can make to development, we have assembled an anthology of research articles that address this process as related to both internal and international migration. The overall goal has been to provide access to articles that bring key conceptual, methodological, and theoretical approaches to topics of central interest to both researchers and policy makers through contemporary research drawn from across the social sciences. Though much of the research is economic in approach, we also provide research based in anthropology, sociology, political science, and other disciplines.

This anthology is an experiment in publication. By agreement with the authors and original publishers, the articles provided for free downloading here will be available for one year, until March 2010. At that time we will reassess whether the anthology should and can be continued and, if so, in what form. Most publishers have allowed free access to their publications; some have charged a fee or imposed other restrictions; others have refused to permit open access to their publications on a “third party” website, even for a fee. Readers of this anthology are encouraged to download the articles provided for personal and educational use.

Grouped by topic, the articles comprising this anthology first provide general overviews of migrant remittances and development and then go on to address a number of methodological issues related to the concepts, data, and recording of types of remittances, both international and internal. Then the anthology has grouped together articles that focus on factors that affect the sending of remittances, how remittances are used, and what effects they have on various aspects of economic development and social welfare. Finally, we focus on the relation of remittances to other aspects of migration and development such as urbanization, diaspora activities, and environmental change.

In the last section we provide links to other web resources that provide valuable data, descriptive information, and analyses of the developmental impacts of remittances.

Cross-cutting all of these topics we have sought to present research that focuses on different levels of analysis (family, community, region, nation) and that covers a broad international geography of sending and receiving areas within and between countries.

We selected articles with the intention of helping not only to scholars seeking to design new research but also practitioners who are designing new policies
and programs to enhance the developmental contributions of migrants
remittances.

For their advice in creating this anthology, we are indebted the members of
the International Committee on Migration and Development Research:
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In selecting articles and web resources for this anthology, another team
might have made different choices toward different goals. We encourage
readers to send their advice for revising and updating the anthology to
migration@ssrc.org and we will try to incorporate changes that are feasible
and can make the anthology more useful.

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Overview
The earnings that migrants send home to their families, particularly international migrants, have grown in recent years to levels that exceed official development assistance and direct foreign investments. The World Bank (2005) estimated that international remittances rose from $85.6 billion in 2000 to $167 billion in 2004 as compared to $79 billion of development assistance and $166 billion of direct foreign investment. Currently the bank estimates that international remittances reached $318 billion in 2007, some $240 billion of which went to developing countries (http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/BriefingNote3.pdf). While potentially of similar significance, the amounts of internal remittances, sent largely by urban migrants back to rural communities of origin, as cash or kind, are not regularly recorded and are difficult to estimate. More migrants move internally than internationally, but their earnings tend to be lower. Despite problems of measurement, the obviously large amounts of remittances sent by international and internal migrants have attracted many researchers to examine their impact on various aspects of development.

As research about remittances has burgeoned, particularly on international remittances, a number of researchers have prepared synthetic summaries of the issues investigated and the findings. The three overview articles offered here provide distinctive theoretical, analytic, and policy perspectives in introducing the research and debates about the different topics covered in this anthology and in showing how these topics are interrelated with one another in relation to development.

Hein de Haas helpfully reviews how past theories of development (developmentalist, neoclassical, historical structural, dependency) have led researchers to relatively optimistic and pessimistic expectations regarding the contributions of migration to development. Adopting a pluralistic theoretical approach, which combines the new economics of labor and livelihood approaches, he then undertakes an assessment of the impact of remittances on development focusing his analysis on micro and macro levels of analysis and within different temporal scales. Conceiving of remittance sending as a livelihood strategy by which migrants spread risk and create insurance, he evaluates contemporary research for evidence that doing so improves well-being, reduces poverty, and stimulates economic growth. The article provides a valuable theoretical orientation and analytical approach toward a wide range of specific topics and questions taken up in this anthology.
Bimal Ghosh’s review of Migrants’ Remittances and Development: Myths, Rhetoric, and Realities (2006) provides an overview of the research and debates about a range of topics also covered in this anthology including: measurements and directions of remittance flows; the motivations, mechanisms, costs, and policies that affect the size and increase in remittance flows; the economic impacts of remittances at the level of households, communities, and nations; the limits to which policy makers can depend on remittances to promote development; and the positive roles that migrant organizations, diasporas, and financial institutions can take to increase positive development outcomes. Based on his review of the research evidence, Ghosh concludes that remittances are unlikely to realize their developmental potentials without a coherent and cooperative policy framework between migrant sending and receiving countries.

The World Bank’s Global Economic Prospects 2006 examines existing research knowledge about “The Economic Implications of Remittances and Migration” from a market and policy perspective. Placing the growth and impact of remittances within the wider context of current prospects for the global economy, the report emphasizes the policy challenges that migrant sending countries face in enhancing the impact of remittances on poverty and inequality and on consumption, savings, and investment. Particular attention is given to policies that can reduce migrants’ costs in sending remittances – particularly transmission fees – as a means of maximizing the amounts and beneficial impacts of remittances on their families and home country economies.
This paper reviews the empirical literature on the relationship between remittances and various dimensions of social development in the developing world within a broader conceptual framework of migration and development theory. Migration and remittances are generally part of risk-spreading and co-insurance livelihood strategies pursued by households and families. Migration and remittances also have the potential to improve well-being, stimulate economic growth and reduce poverty directly and indirectly, while their effects on inequality are much more ambiguous. The significant empirical and theoretical advances that have been made over the past several decades highlight the fundamentally heterogeneous nature of migration-remittance-development interactions, as well as their contingency on spatial and temporal scales of analysis, which should forestall any blanket assertions on this issue. Notwithstanding their often considerable blessings for individuals, households and communities, migration and remittances are no panacea for solving more structural development problems. If states fail to implement general social and economic reform, migration and remittances are unlikely to contribute to nationwide sustainable development. Migrants and remittances can neither be blamed for a lack of development nor be expected to trigger takeoff development in generally unattractive investment environments. Therefore, policies aimed at increasing people’s welfare, creating functioning markets, improving social security and public services such as health and education are also likely to enhance the contribution that migration and remittances can make to social development.

Prepared at the request of the Hague Process on Refugees and Migration and the International Organization for Migration, this study highlights the ways in which the development potential of remittances could be most effectively used, while avoiding the possible risks. In doing so, it seeks to help promote a more balanced approach to the issue of remittances and development, which, as indicated above, is now high on the global economic agenda. In focusing attention on the nexus between remittances and development, the study uses a narrowly circumscribed frame of reference. Obviously, remittances cannot be separated from migration; and migration no doubt entails both benefits
and costs, which, it is widely recognized, are shared differently both between and within the sending and receiving countries. Remittances are an integral part of the welter of these benefits and costs. However, these latter and much wider issues of migration are not taken up in this short study as they remain outside its scope. Also, even in examining the impact of remittances on development in this limited context, the study essentially deals with migrant-sending developing countries.

Chapter 1 discusses the level of remittances, both formal and informal, and their geographical distribution. It also discerns types and personal characteristics of migrants as remitters.

Chapter 2 examines the various ways in which formal remittances to developing countries can be increased, covering such questions as migrants’ remittance behavior, cost of transfer, effectiveness of incentives and regulatory measures, and the importance of political and macro-economic environments.

Chapter 3 describes the economic and social impacts of remittances, and this is followed by a more critical and relatively detailed appraisal of the development potential of remittances as well as of the possible pitfalls involved.

Chapter 4 provides a critical appraisal of relying on remittances for development including an appraisal of their stability, contribution to growth, inflationary pressures, poverty and inequality, and the weakening of family ties.

Chapter 5 examines the role of three major non-state actors, namely migrants’ associations, the diasporas and the corporate sector.

Chapter 6 sums up the report’s major findings.


The report has two goals. The first is to explore the gains and losses from international migration from the perspective of developing countries, with special attention to the money that migrants send home. The second goal is to consider policy initiatives that could improve the developmental impact of migration, again with particular attention to remittances. The report focuses on policies to improve the developmental impact of remittances. It documents the high level of transactions costs facing migrants sending small remittances to their families, and it outlines the regulatory issues and market imperfections that keep costs high. Fewer barriers to remittance
flows and greater competition among remittance service providers could substantially reduce costs and boost remittance flows to developing countries. The report shows how sound domestic policies and an investment-friendly climate can significantly increase the contribution of remittances and migration to improved living conditions back home. Our focus (for economic purposes) is on international migration from developing countries to high-income countries. Despite their importance, internal migration, migration among developing countries, and the political and social impacts of migration are beyond the scope of this work.

Chapter 1 reviews recent developments in and prospects for the global economy and their implications for developing countries.

Chapter 2 uses a model-based simulation to evaluate the potential global welfare gains and distributional impact from a hypothetical increase of 3 percent in high-income countries’ labor force caused by migration from developing countries.

Chapter 3 surveys the economic literature on the benefits and costs of migration for migrants and their countries of origin, focusing on economically motivated migration from developing to high-income countries. The chapter then turns to remittances, the main theme of the report.

Chapter 4 investigates the size of remittance flows to developing countries, the use of formal and informal channels, the role of government policies in improving the development impact of remittances, and, for certain countries, their macroeconomic impact.

Chapter 5 addresses the impact of remittances at the household level, in particular their role in reducing poverty, smoothing consumption, providing working capital for small-scale enterprises, and increasing household expenditures in areas considered to have a high social value.

Chapter 6 investigates policy measures that could lower the cost of remittance transactions for poor households and measures to strengthen the financial infrastructure supporting remittances.
Concepts, Methods, Measures, and Flows
Topic 2 – Remittances and Migration: Conceptual and Methodological Challenges

There are at least four methodological challenges that confront any economic (or social science) work on international migration and remittances. These problems include: simultaneity, reverse causality, selection bias and omitted variables. This introduction reviews each of these challenges, and suggests possible solutions (for more, see McKenzie and Sasin, 2007).

First, many of the decisions on international migration are made at the same time as other household decisions. For example, a household may decide to send its oldest male to work abroad at the same time that it decides to send its youngest daughter to school. As a result, variables that “cause” international migration may also “cause” household patterns of consumption and education.

The second problem is reverse causality. For instance, while international remittances may help reduce poverty in the developing world, the level of poverty may also influence the amount of remittances received by a particular country. Thus, any attempt to analyze the impact of remittances on poverty that fails to consider the reverse causality between these two variables might lead to erroneous conclusions.

The third problem is selection bias, which refers to the “selectivity” of people who tend to migrate and to receive remittances. If, for example, households with more education or income are more likely to produce migrants, then it is impossible to identify the effects of migration by simply comparing the characteristics of migrant and non-migrant households.

Fourth, when households produce migrants or receive remittances on the basis of unobservable characteristics – characteristics like the risk averseness of the household head – then the problem of omitted variable bias arises. For example, it is possible that households with more risk averse heads will be less likely to produce migrants, but it is very difficult to collect data on this issue.

To meet these various methodological challenges, at least five possible solutions have been proposed in the literature. Most of the studies included in this anthology employ one or more of these solutions.

The first, and perhaps best, solution is to use a randomized, “natural” experiment whereby individuals desiring to pursue international migration are denied the right to migrate (by a lottery system, for example), thereby creating a “control group” of would-be-migrants to compare with a group of
actual migrants (see e.g. McKenzie, Gibson and Stillman, 2006). Comparing the characteristics of would-be-migrants to those of actual migrants would then yield accurate information on the causal motives for migration. Unfortunately, however, it is very difficult to conduct such randomized, “natural” experiments in the developing world to such an extent that the only real example at this time of such a natural experiment is McKenzie, Gibson and Stillman (2006).

A second, and slightly less difficult, solution is to use panel data. Panel data, which includes repeated observations on the same household over two or more time periods, is a good solution because by taking “first differences” between various variables it becomes possible to eliminate many of the methodological problems discussed above. Unfortunately, however, panel data sets on international migration and remittances in the developing world are relatively rare.

A third solution is to construct a “counterfactual” situation, that is, to artificially construct what the status of a migrant household would have been had that household not produced a migrant. For example, if the topic is remittances and income, then it would be necessary to estimate the income of a migrant household by imputing the value of that migrant had he stayed and worked at home (see e.g. Barham and Boucher, 1998).

A fourth solution to use econometric procedures to regress the outcome of interest (for example, poverty) on a set of independent variables, and then supplement this approach with a sample selection procedure, like the two-stage Heckman model (see e.g. Acosta et al., 2007). Here the selection model is used to estimate the size and direction of the selection bias. However, the difficulty comes in specifying an exogenous variable that “causes” migration or the receipt of remittances in the first-stage equation, but has no direct impact on the dependent variable in the second-stage equation.

A fifth, and quite common, solution is to use instrumental variables. A good instrumental variable, one that is correlated with the explanatory variable but uncorrelated with the outcome variable, can eliminate many of the biases that arise from endogeneity, selection bias and omitted variables. In practice, however, selecting a good instrumental variable in migration and remittances work can be difficult. For example, assume that migration is the explanatory variable and poverty is the outcome variable of interest. The challenge is then to find an instrumental variable (like distance, for example) that is correlated with migration but exogenous to the outcome variable, poverty.

As noted above, many studies employ one or more of these solutions to the problems of simultaneity, reverse causation and selectivity. It is not uncommon, for example, to find instrumental variables used in conjunction
with panel data. Other studies estimate counterfactual situations with the use of instrumental variables (see Acosta et al, 2007).
**Topic 2 – Articles**


This paper uses nationally-representative household surveys from 11 Latin American countries to examine the impact of international remittances on poverty, education and health. Since remittances may be endogenous, the authors estimate counterfactual incomes for migrants had they stayed and worked at home, and they control for selection bias using a two-step Heckman procedure. The authors find evidence of selection bias in the migration process, suggesting that households with a higher propensity to not migrate also have higher per capita incomes. Results from the counterfactual income estimates suggest that the impact of remittances on poverty is positive but modest: in most countries poverty headcounts fall by no more than 5 percent when remittances are included in household income.


This study uses a small, non-representative household survey from Nicaragua (152 households) to examine the effects of international migration on income distribution. Since remittances may be endogenous, the authors estimate counterfactual incomes for migrants had they stayed and worked at home, and they control for selection bias using a two-stage Heckman procedure. Controlling for human capital and networks, the authors find no evidence of selection bias in the migration process, suggesting that migrants are selected randomly from the population. With respect to income inequality, the authors find that when the observed income distribution is compared with two no-migration counterfactual situations, income inequality is higher when international remittances are included in household income.


This paper reviews common methodological problems faced by social scientists interested in measuring the impact of migration and remittances on poverty, inequality and human capital formation. It briefly reviews methodological problems such as endogeneity, reverse causality, selection
bias and omitted variables. The paper also proposes a number of solutions to these problems, including: conducting “natural” experiments, constructing counterfactuals, using panel data and creating instrumental variables. Since many researchers use instrumental variables, the paper pays particular attention on how to create and test for the validity of instrumental variables.


This study uses a small, non-representative household survey from Tonga (438 households) to examine the income gains from international migration. All empirical studies that analyze the income gains from migration face the methodological problem of the non-random selection of migrants. To meet this problem, the authors use a migrant lottery system whereby New Zealand allows a certain quota of Tongans to migrate each year. This allows the authors to estimate the income gains from migration by comparing the incomes of 3 groups: migrants who were selected in the lottery, and migrated; those who were selected in the lottery, but did not migrate; and those who did not apply to the lottery. Results suggest that Tonga-to-New Zealand migrants are positively selected in terms of both observable and unobservable skills. Results also show that an instrumental variables approach works best in estimating the income gains from migration.
Topic 3 – Defining and Measuring the Level and Trends of International Remittances

The measurement of remittances has been no straightforward affair because states, international organizations, banks, and researchers use varying concepts, definitions, and methods to measure and report remittances (see Kapur 2003 and World Bank 2007). Although there has been a general agreement that migrant remittances have grown and reached substantial levels relative to other international transfers of funds, inconsistencies in definitions and data have contributed to some uncertainty about the magnitude and trends in remittances and their impact on development.

Concepts and methods used to compile data are not the same in all countries. Some countries report incomplete or no official data while others include data from non-governmental sources such as commercial transfer companies. Distinctions between investments and remittances can be rather ambiguous. These inconsistencies pose problems in compiling and comparing national remittance statistics (World Bank 2007).

Another common problem in estimating remittances is that official records capture formal transfers but not informal remittances sent through family, friends, or “black market” operators. Though the amount of informal transfers is unreported, it has been estimated by the World Bank as roughly equal to formal remittances.

The most frequently cited official data on remittances is that provided by the International Monetary Fund based on balance of payments data. In response to a request from the G7 meeting of 2004 for improved remittance data, the Statistics Department of the IMF, the Development Data Group of the World Bank, and the Statistics Division of the United Nations formed the International Working Group on Improving Data on Remittances, which proposed more unified concepts and definitions for measuring remittances that have since been adopted by the IMF for compiling balance of payments statistics. According to the new definitions, total remittances include all personal transfers (cash or in kind goods transferred between resident and non-resident households), compensation of employees (wages of workers abroad net of taxes and travel expenses), and social benefits (social security and pension fund payments). For a history, definitions, and discussions of these recommendations and adoption by the IMF, see World Bank 2007 and IMF 2008.

Household surveys are a useful source for enhancing official data on remittances. For social scientists, representative household surveys have been extremely valuable in improving the quality of data on remittances for
particular populations, particularly of informal transfers, and providing insights into the determinants of remittance flows. Smaller, often non-representative surveys and ethnographic studies have been useful in revealing the nature of various informal remittance transfer systems, such as the *hawala* and *hundi* systems, (Kapur 2003; Salomone 2006), and the importance of in-kind remittances. (For a January, 2008 discussion of the role of household surveys in measuring remittances, which was organized by the United Nations Economic Commission on Europe, World Bank, and US Census Bureau, see: http://www.unece.org/stats/documents/2008.01.migration.htm).

Surveys also shed light on the importance of internal remittances, which are probably more frequent within rural households but smaller in value than international remittances (see topic 5 on internal remittances).

Notwithstanding definitional, data, and measurement problems, it is certain that global remittance flows have increased substantially over the past two decades. According to IMF Balance of Payments Statistics data, recorded remittances to developing countries have increased from $31.1 billion in 1990 to $76.8 billion in 2000 to reach $240 billion in 2007 (Ratha *et al.* 2007). The real increase in remittances is probably lower than these figures suggest because part of the increase in officially recorded remittances reflects improvements in defining and recording remittances, a shift in the sending of remittances from informal to formal channels (Kapur 2003), and a depreciation of the US dollar during that time period.

Registered remittances now amount to well over two times the amount of official development assistance and are widely considered to be a more stable, counter cyclical, and sustainable source of foreign currency than foreign direct investments (Salomone 2006). Not all remittances originate from wealthy countries. According to recent estimates by Ratha and Shaw (2007), South-South remittances represent 10 to 29 percent of total remittances received in developing countries.
This appendix to the *Balance of Payments and International Investment Position Manual*, presents the economic concept of remittances, describes the components of balance of payments data that are to be used in calculating remittances (“personal transfers” replace the previously used “worker remittances”), and offers three different definitions of remittances that draw on this data:

1. **Personal remittances**: household-to-household transfers and the net earnings of nonresident workers;
2. **Total remittances**: personal remittances plus social security and pension transfers;
3. **Total remittances and transfers to nonprofit institutions serving households**: total remittances plus donations, in cash or kind, from government and enterprise sectors to charitable organizations in another economy that provide cultural and educational resources, such as scholarships, to households.

The appendix considers how to distinguish migrants’ remittances from investments and refines concepts used in defining and compiling remittance data.


This paper examines the causes and implications of remittance flows. It first highlights the severe limitations in remittance data, in sharp contrast to other sources of external finance. It then examines the key trends in remittance flows, and their importance relative to other sources of external finance. The paper subsequently analyses the many complex economic and political effects of remittances. It highlights the fact that remittances are the most stable source of external finance and play a critical social insurance role in many countries afflicted by economic and political crises. While remittances are generally pro-poor, their effects are greatest on transient poverty. However, the long-term effects on structural poverty are less clear, principally because the consequences of remittances on long-term economic development are not well understood. On a critical note, the author warns against naïve optimism about remittance as a lever for development by
arguing that attractiveness of remittances is in part a reaction to previous failed development mantras. The paper concludes by suggesting a role for an international organization to intermediate these flows to lower transaction costs and increase transparency, which would both enhance these flows and maximize their benefits.


This paper highlights the importance of South-South migration and remittances and sets out some working hypotheses on the determinants and socio-economic implications of South-South migration drawing on a survey of the literature. The authors estimate that 74 million, or nearly half, of the migrants from developing countries reside in other developing countries. Estimates of South-South remittances range from 10 to 29 percent of developing countries’ remittance receipts in 2005. The impact of South-South migration on the income of migrants and natives is smaller than for South-North migration. However, even small increases in income can have substantial welfare implications for the poor. The costs of South-South remittances are even higher than those of North-South remittances, because of lack of competition in the remittance market, a lack of financial development in general, and high foreign exchange commissions at both ends of the transactions.


This document analyses recent trends in global remittance flows. Recorded remittances to developing countries are estimated to reach $240 billion in 2007. The true size of remittances including unrecorded flows is even larger. A near stagnation in remittance flows to Mexico and a deceleration in other Latin American countries contributed to a slowdown in the global rate of growth of remittances. Nevertheless, the growth of remittances to developing countries remains robust because of strong growth in Europe and Asia. The remittance industry is experiencing some positive structural changes with the advent of cell phone and internet-based remittance instruments. The diffusion of these changes, however, is slowed by a lack of clarity on key regulations (including those relating to money laundering and other financial crimes). Remittance costs have fallen, but not far enough, especially in the South-South corridors.

This report summarizes the outlines the activities and achievements of the International Working Group (IWG) on Improving Data on Remittances, starting with the analysis of data weaknesses, the work program of the IWG, the improvement of concepts and definitions, and the creation of compilation guidance. It discusses data weaknesses and global discrepancies related to remittance data; summarizes the new and improved definitions and concepts; contains a draft outline of the forthcoming compilation guide, and discusses the role of household surveys in further improving remittance data.


This paper reviews the remittance literature. It discusses stability, cyclical and sustainability of remittances and reviews the literature on behavioural and economic determinants of remittances, concluding that the distinction between such motives is rather blurred.
Recently an increasing amount of attention has come to focus on the size and impact of informal remittances. While formal remittances refer to those remittances which enter a country through official banking channels, informal remittances include those money transfers which occur through private, unrecorded channels. Such private transfers include remittances brought home by friends, relatives and even the migrant himself/herself. While formal remittances to developing countries now total over $167 billion (2005) a year, the level of informal remittances is virtually unknown because they tend to flow through unrecorded channels. Estimates of the size of informal remittances vary widely, ranging from 35 to 250 percent of formal remittances.

In one of the few empirical attempts to estimate the size of informal remittances Freund and Spatafora (2005) use insights from the literature on shadow economies to estimate informal remittances for more than 100 developing countries. Results suggest that informal remittances amount to 35 to 75 percent of formal remittances to developing countries. Findings also suggest that the size of informal remittances varies by region: informal remittances to Eastern Europe and Sub-Saharan Africa are high, while those to East Asia and the Pacific are relatively low.

Other preliminary work suggests that the level of informal remittances also varies by type of migrant, that is, internal or international migrant. For example, a recent household survey in Ghana (Adams, 2007) found that while only 1 percent of internal migrants remit through formal channels (banks, Western Union, post offices), 43 percent of international migrants remit through formal channels. These figures are interesting because they reveal that fully one-half of all international migrants in Ghana prefer to remit through informal channels, namely, through friends and relatives.

One important factor causing migrants to remit through informal channels is the high cost of transferring funds through banks and transfer agencies. In 2000 the average cost of remitting money to 8 Latin American countries was above 10 percent of the amount being sent (Orozco, 2006). By 2006 the transaction cost of remitting money to these Latin American countries had declined to 5.6 percent, but still this figure is much higher than that charged by informal channels.

From a policy perspective, it is important to reduce money transfer costs in order to increase the amount of remittances returning through formal channels. Remittances sent through official banking channels can facilitate financial sector development in developing countries in a number of ways: (1)
as bank deposits from remittances increase, banks are able to make more loans; (2) remittance receivers who use banks can gain access to other financial products and services; and (3) banks that provide remittance transfer services are able to “reach out” to unbanked recipients and those with limited financial intermediation (Aggarwal et al, 2006). Also, in economies where the financial system is underdeveloped, remittances made through official channels can help alleviate credit constraints and promote growth (Giuliano and Ruiz-Arranz, 2006).

This short, descriptive paper provides an overview of the main findings of the migration and remittances data contained in the nationally-representative, 2005/06 Ghana GLSS 5 Survey (sub-sample). It finds that households receiving internal remittances (from Ghana) and international remittances (from African and other countries) tend to be different – in terms of human capital, etc. – than households with no remittances. It also finds that while only 53 percent of all migrants in Ghana remit, many migrants remit to households other than their nuclear households; that is, they remit to relatives and friends. It also finds that migrants prefer to remit through informal, private channels: 99 percent of internal migrants remit through informal channels (friends, relatives) and 57 percent of international migrants remit through informal channels.


This paper uses data on international remittance flows to 99 developing countries to analyze the impact of remittances on financial sector development. It finds that remittances have a positive effect on bank deposits as well as on bank credit to the private sector. Controlling for endogeneity, on average, a 1 percentage point increase in international remittances leads to a 0.2-0.5 percentage increase in the ratio of bank deposits to GDP and a 0.1-0.4 percentage rise in bank credit to GDP. Instrumental variables estimations also show that remittances have a positive and significant effect on bank credit and deposits.


Using insights from the literature on shadow economies, and historical data on migration, remittances, and transaction costs, this paper empirically estimates the size of informal remittances for more than 100 developing countries. Results suggest that informal remittances amount to about 35-75 percent of official remittances to developing countries. Findings also suggest that the size of informal remittances varies by region: informal remittances
to Eastern Europe and Sub-Saharan Africa are high, while those to East Asia and the Pacific are relatively low. With respect to the determinants of informal remittances, the paper finds that the stock of migrants abroad is the primary determinant, but that the level of money transfer fees also plays a role.


This paper uses data from 100 developing countries to analyze how local financial sector development affects a country’s ability to use remittances. Controlling for endogeneity, it finds that remittances promote growth in developing countries by providing an alternative way to finance investment. By becoming a substitute for inefficient credit markets, remittances improve the allocation of capital by alleviating credit constraints. With regards to the cyclical nature of remittances, the paper finds that remittances are generally “pro-cyclical,” that is, remittances increase when the economic situation (and investment opportunities) in a country are more favorable.


This paper analyzes recent trends in the cost of money transfers in Latin America, paying particular attention to the recent decline in these costs. For example, between 2000 and 2005 the average cost of sending US $200 to 8 Latin American countries declined from 10 to 5.6 percent. Some of the factors causing this decline in transfer costs include the rapid increase in the number of money transfer companies operating in Latin America, and the increase in both the average amount of remittances sent and total remittance volume. Regression analysis suggests that when the average size and total volume of remittances increase, transfer costs tend to fall.
Topic 5 – Internal Remittances

While much attention has been focused on recent years on measuring the level and effects of international remittances, relatively little attention has been paid to internal remittances (remittances taking place within a country). For example, there are no global estimates on the size of total internal remittances. At the individual country level, there is a dearth of comparative studies on internal and international remittances and so there is much debate about how the effects of internal remittances – on poverty, inequality, gender and social stratification – differ from international remittances.

When compared to international remittances, internal remittances appear to be smaller in size but more prevalent among households. One recent nationally-representative survey in Ghana (Adams, 2007) found that while the average value of internal remittances received by households is only about 30 percent of the value of international remittances, about 5 times as many households receive internal as opposed to international remittances. A smaller household survey in Morocco (de Haas, 2006) also found that the average cash value of internal remittances received was only about 30 percent that of international remittances. In many developing countries internal remittances seem to go mainly to rural households, because they represent the product of rural-to-urban migration, while international remittances go more to urban households.

There is a real need in the literature for more studies examining the differing effects of internal and international remittances on various social and economic factors. Recent studies in Mexico (Taylor et al, 2005) and Nepal (Lokshin et al 2007) suggest that international remittances reduce poverty more than internal remittances. In Mexico, for example, a 10 percent increase in international remittances reduces the rural poverty headcount by 0.8 percent versus 0.4 percent for internal remittances. With regards to the spending behavior of households, a recent study in Ghana (Adams et al, 2008) suggests that households receiving internal and international remittances spend roughly the same at the margin on consumption and investment goods as households with no remittances. In other words, in Ghana there are no changes in marginal spending patterns for households with the receipt of either internal or international remittances.

The literature also needs more studies comparing the determinants of internal versus international remittances. One study in Mali (Gubert, 2002) found that international migrants are more likely to remit, and to remit more money, than internal migrants. This finding parallels similar results in Ghana (Adams, 2007), which found that while 68 percent of international migrants remit, only 49 percent of internal migrants remit. Since
international migrants earn 3 to 5 times more than internal migrants, it is likely that the propensity to remit (and the level of remittances) is positively linked with the income levels of migrants.
**Topic 5 – Articles**


This short, descriptive paper provides an overview of the main findings of the migration and remittances data contained in the nationally-representative, 2005/06 Ghana GLSS 5 Survey (sub-sample). It finds that households receiving internal remittances (from Ghana) and international remittances (from African and other countries) tend to be different – in terms of human capital, etc. – than households with no remittances. It also finds that while only 53 percent of all migrants in Ghana remit, many migrants remit to households other than their nuclear households; that is, they remit to relatives and friends. It also finds that migrants prefer to remit through informal, private channels: 99 percent of internal migrants remit through informal channels (friends, relatives) and 57 percent of international migrants remit through informal channels.


This paper uses a nationally-representative household survey from Ghana (2005-06) to analyze how the receipt of internal remittances (from Ghana) and international remittances (from other countries) affects the marginal spending behavior of households on various consumption and investment goods. Controlling for endogeneity and selection, it finds that households receiving remittances do not spend more at the margin on food, education and housing than households that receive no remittances. Households in Ghana treat remittances just like any other source of income, and the paper finds no changes in marginal spending patterns for households with the receipt of remittances.


This study uses a small, non-representative survey of households in Morocco (2000) to examine the impact of internal and international migration and remittances on economic development. Results suggest that the incomes and living standards of internal migrant households are similar to non-migrant households. However, international migrant households receive a large boost to their incomes from remittances, and tend to invest in housing and agriculture. For example, over 80 percent of international migrant
households have invested in housing, and international migrant households have spent, on average, more than three times as much on construction than non-migrant and internal migrant households.


This paper uses data from two nationally-representative household surveys in Nepal (1995 and 2004 NLSS) to examine the impact of internal and international migration on poverty in Nepal. To deal with selectivity issues, the authors use an instrumental variables approach and employ a maximum likelihood estimation that simulates various counterfactuals for different migration scenarios. Results suggest that almost 20 percent of the decline in poverty in Nepal between 1995 and 2004 can be attributed to increased internal and international migration. Without migration, the authors estimate that the poverty rate in Nepal would increase from 30 to 33.6 percent.


This study uses a small rural household survey in Mexico (2003) to examine the impact of internal and international migration and remittances on inequality and poverty in rural Mexico. Decomposing income by source, the authors find that internal remittances (from Mexico) and international remittances (from US) have differing effects on poverty and income inequality. On poverty, the authors find that a 10 percent increase in international remittances will reduce the rural poverty headcount by 0.8 percent, and a similar increase in internal remittances will reduce the poverty headcount by 0.4 percent. With respect to inequality, while a 10 percent increase in international remittances will increase overall rural inequality by 2.8 percent, a similar increase in internal remittances will reduce rural inequality by 0.1 percent. The authors stress that these inequality effects differ over region and time. As the incidence of international migration spreads in rural Mexico, its effects on rural inequality become more equalizing over time.
Factors Affecting the Sending of Remittances
Remittance flows and remittance expenditure patterns are not only determined by economic variables in destination and origin countries, but are also affected by patterns of migrant selectivity and socio-cultural factors in origin societies. This is exemplified in a paper by Kurien (2008) based on extensive ethnographic fieldwork on remittances in three village communities in Kerala, India. Kurien observed striking differences in remittance flows and remittance expenditure in the three villages, which all experienced large-scale migration to the Gulf region. Whereas in the Muslim village, emphasis was given to distributing remittances to a large circle of community members, migrants in the Hindu village tended spent large sums of money on life-cycle rituals. In the Christian village, remittance expenditure was largely confined to the immediate family, with an emphasis on saving the money earned for dowries and education. These differences should also be partly attributed to differences in migration selectivity, with Muslim migrants mostly working in the informal sector of Gulf countries and Hindu and, particularly, Christian villagers taking up formal positions as technicians, clerical workers and semi-professionals.

There is a lively but still inconclusive debate on differences in remittance patterns among male and female migrants. Based on an analysis of National Migration Survey data from Thailand, Osaki (1999) concluded that female internal migrants show a deeper commitment than male internal migrants to providing economic support to households left behind. Similarly, Tacoli (1999) concluded that among Filipino labour migrants in Rome, women’s commitments and obligations toward their households in home areas were generally stronger than those of their male counterparts. However, spatial distance and increased financial independence may provide some Filipina migrants with the opportunity to pursue ‘self-interested’ goals while at the same time keeping within the ‘altruistic’ role dictated by normative gender roles.

However, some other empirical studies have reached rather more inconclusive or opposite conclusions. For instance, drawing on household survey data Semyonov and Gorodzeisky (2005) showed that Filipino male overseas workers remit more money than do women. This might indicate that whereas women are often under higher social pressure to remit money, men might be able to send more money because of their generally higher earnings. In line with this hypothesis, Semyonov and Gorodzeisky (2005) reveal that earnings of Filipina overseas workers are lower than those of Filipino workers, even after controlling for variations in occupational distributions, destination countries, and socio-demographic variables. However, even when controlling for income differentials between men and women, Filipino men still remitted more money than female migrants do.

Based on qualitative fieldwork among 276 households, the author examines the use of remittances in three villages in Kerala, India, which has experience large-scale migration to countries around the Persian Gulf. The author finds that remittance expenditure varied significantly according to community cohesiveness structure and the cultural-religious background of villages. In the Mappila (Keralite Muslim) village, remittances were distributed to the largest circle of people within the community and to supporting religious activitie. In the Ezhava (lower caste Keralite Hindu) village, migrant households spent large sums of money on elaborations of life-cycle rituals during which there was lavish gift giving and entertaining. Thus, there was a smaller circle of exchange than in the Mappila village. In the Syrian Christian (upper caste Keralite Christian) community, the gains of migration were largely confined to the immediate family, such financing education and dowries. The major forms of economic investment in the three communities varied also, from business activities in the Mappila Muslim community, to usurious lending in the Ezhava Hindu village, to fixed deposits and bonds in the Syrian Christian locality.


Based on an analysis of Thai National Migration Survey data, this paper examines, from a gender perspective, the transfers of money and goods between internal migrants and their households of origin. One of the salient features of internal migration in Thailand is the increasing participation of women in such mobility. The analysis suggests that migration functions as a survival strategy of many Thai households. The flows of money and goods into migrant sending households are large and essential supplements for the livelihood of the households. Presumably conditioned by traditional gender roles in Thai culture, female migrants seem to show deeper commitment than male migrants in providing economic supports for their households left behind.

Based on a representative sample of 1,128 Filipino households with overseas workers, the article examines gender differences in patterns of labor market activity, economic behavior and economic outcomes among labor migrants. While focusing on Filipina and Filipino overseas workers, the article addresses the following questions: whether and to what extent earnings and remittances of overseas workers differ by gender; and whether and to what extent the gender of overseas workers differentially affects household income in the Philippines. The findings reveal that men and women are likely to take different jobs and to migrate to different destinations. The analysis also reveals that many more women were unemployed prior to migration and that the earnings of women are, on average, lower than those of men, even after controlling for variations in occupational distributions, country of destination, and sociodemographic attributes. Contrary to popular belief, men send more money back home than do women, even when taking into consideration earnings differentials between the genders. Further analysis demonstrates that income of households with men working overseas is significantly higher than income of households with women working overseas and that this difference can be fully attributed to the earnings disparities and to differences in amount of remittances sent home by overseas workers. The results suggest that gender inequality in the global economy has significant consequences for economic inequality among households in the local economy. The findings and their meaning are evaluated and discussed in light of the household theory of labor migration.


Based on a small (N=154) survey and qualitative interviews among 38 male and female respondents, this article examines the factors explaining gender selectivity among Filipino labor migrants in Rome, where women are around 70 percent of this nationality group. Besides an analysis of the demand for female immigrant labor in the domestic service sector, the article explores 'supply' factors, ranging from economic and labor market conditions in the Philippines to noneconomic constraints, such as ideologies and gender expectations. The research findings indicate that migrant women's commitments and obligations toward their households in home areas are generally stronger than those of their male counterparts. However, spatial distance and increased financial independence may provide some women with the opportunity to pursue 'self-interested' goals while at the same time keeping within the 'altruistic' role dictated by normative gender roles.
Topic 7 – Remittances and Gender

Nearly 50 percent of the world’s migrants are female. Along with the rising profile on remittance flows, there is a growing recognition that gender plays an important role in the remittance process, as well as shaping their impacts in the origin country environment. Despite the substantial share of female migrants, there has until recently been limited research dedicated to understanding how gender affects the remittance process. Pfieffer et al (2007) present an overview of the theoretical and empirical issues that emerge within the literature on the effects of gender on international migration and remittances.

To explore how the remittance behavior of women and men differ and what the impact of these differences may be, one strand of literature mainly examines the behavior of migrants in sending areas. A key question whether gender influences the share of income that is remitted to the origin family (Osaki, 1999). In addition, researchers have also examined whether female migrants channel a larger fraction of their transfers into health, nutrition and educational investments for the origin family women and whether they are more likely to maintain social ties with their origin families, which tends to be associated with future remittance flows. Because female migrants tend to earn lower incomes and often have lower rates of labor market participation in the host country, future research may need to account for these issues in isolating the impact of gender on remittance patterns.

Another strand of literature focuses on the impact of gender on remittances using data based on the recipients based in the origin country. De la Briere et al (2002) use a survey of rural households in the Dominican Sierra conducted by the authors. The authors test two non-exclusive hypotheses about what motivates remittances sent by Dominican migrants to their rural parents in the Sierra: insurance and investment motives. The authors find that the relative importance of these two motives to remit is affected by destination (international versus internal migration), gender, and household composition. The insurance function is mainly fulfilled by female migrants to the US. Remittances sent by males, when they are the sole migrant in the household tend to act as insurance. Investment, by contrast, is pursued by both males and females, but only among those migrating to the US.

Amuedo Dorantes and Pozo (2006) investigate the impact of remittances on employment status and hours worked for men and women. Based on nationally representative surveys for Mexico, the authors find that remittance income may decrease or increase hours worked depending on the gender of the recipient and the type of work. The authors account for the endogeneity of remittance income using an instrumental variables approach.
One potential explanation for the findings is the selectivity of household composition and out-migration patterns.

Some questions remain in understanding the gender dimensions of the remittance process. Because migration is often household strategy, it is likely that gender not only shapes the remittance process, but also that the process of remitting may in turn influence gender roles. King et al (2006) contribute to this under-researched area by examining the gender dimensions of sending, receiving and the use of remittances in the context of Albanian migration using data on both senders and recipients.

This paper investigates the impact of remittances on employment status and hours worked for men and women. Based on nationally representative surveys for Mexico, the authors find that remittance income may decrease or increase hours worked depending on the gender of the recipient and the type of work. The authors account for the endogeneity of remittance income using an instrumental variables approach. One potential explanation for the findings is the selectivity of household composition and out-migration patterns.


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Based on interviews with 26 Albanian migrants in the London area and with 46 migrant households in northern Albania and in the Tirana area (where many northern households have recently internally migrated), this paper develops a gender analysis of Albanian migration to the United Kingdom and its impact on source areas. The paper traces gender dynamics in migration and in decisions about the sending, receipt and deployment of remittances, and their potential for poverty alleviation and development in Albania. Despite the potentially 'modernising' effects of migration and remittances, 'traditional' Albanian gender roles are generally maintained throughout the migration cycle, with only tokenistic changes. Intra-household modifications of the patriarchal power structures of Albanian families through migration and the deployment of remittances are more likely to be generational - father to sons - rather than gender-related.


Based on an analysis of Thai National Migration Survey data, this paper examines, from a gender perspective, the transfers of money and goods between internal migrants and their households of origin. One of the salient features of internal migration in Thailand is the increasing participation of women in such mobility. The analysis suggests that migration functions as a
survival strategy of many Thai households. The flows of money and goods into migrant sending households are large and essential supplements for the livelihood of the households. Presumably conditioned by traditional gender roles in Thai culture, female migrants seem to show deeper commitment than male migrants in providing economic supports for their households left behind.


The objective of this paper is to present an overview of the theoretical and empirical literature on the effects of gender on international migration and remittances.
A number of empirical studies examine the economic determinants of international remittances. These studies tend to focus on two key questions: first, since only about half of all migrants remit, what are the socio-economic factors that cause migrants to remit?; and second, once migrants decide to remit, what factors affect the amount of remittances that they send home? In general, these studies find that the propensity to remit is highest when migrants are married and in middle age, and that unskilled migrants tend to remit more than skilled migrants.

In perhaps the two broadest studies using data from a variety of developing countries, Adams (2008) and Faini (2007) examine how the skill level of international migrants (educated or uneducated) affects the level of remittances sent home by migrants. Using a variety of approaches, both authors find that skilled migrants (educated migrants) remit less than unskilled migrants. According to the authors, since skilled migrants are more likely to bring their families and to spend more time working abroad, they tend to remit less than unskilled migrants. Adams (2008) also finds that the level of poverty in a developing country has does not have any significant effect on the level of remittances sent home by migrants.

Using a large household survey from Mexico, Durand et al (1996) analyze the determinants of international remittances for Mexico-to-US migrants. The authors find that the propensity to remit is highest when migrants are married, middle age (40s) and have used a coyote (smuggler) to migrate. They also find that the propensity to remit declines with increasing age and education. With respect to the amount remitted, the amount sent home is positively related to homeownership, education and income. For instance, with each additional year of schooling, the amount remitted increases by 4 percent.

In a similar study using survey data from Nicaragua, Naufal (2007) examines the remittance behavior of international migrants in two destination countries: the US and Costa Rica. Results suggest that male migrants are less likely to remit and that migrants who are working and living in the US are more likely to remit. Migrants are also more likely to remit if they are the spouse or the parent of the household head back home. The author also examines how the propensity to remit varies for migrants from the same household. He finds that migrants from the same household compete, that is, if one migrant remits then the second migrant from that household will tend to remit more.
In a more theoretical study, de la Briere et al (2002) use household survey data from the Dominican Republic to test between two motivations to remit: insurance, whereby migrants remit on the basis of an insurance contract with their parents; and investment, whereby migrants remit on the basis of potential bequests from their families. The authors find that the importance of these two motivations to remit varies by destination (internal vs. international migration) and gender. The insurance motive is mainly fulfilled by female international migrants to the US. Female migrants to the US send more remittances when their parents are ill, while male migrants to the US do not do this unless they are the sole migrant from the household.
**Topic 8 – Articles**


Using data from 76 developing countries, this paper analyzes how such variables as the skill composition of migrants, poverty, and interest and exchange rates affect the level of international remittances received by different developing countries. Controlling for endogeneity using instrumental variables, it finds that countries which export a larger share of high-skilled (educated) migrants receive less per capita remittances. It also finds that the level of poverty in a labor-sending country does not have a positive impact on the level of remittances received by a country. However, countries which maintain higher (real) interest rates tend to receive more remittances.


This paper uses a small, non-representative household survey from the Dominican Republic to test between two motivations to remit: insurance, whereby migrants remit on the basis of an insurance contract with their parents; and investment, whereby migrants remit on the basis of potential bequests from their families. The importance of these two motivations to remit varies by destination (internal vs. international migration), gender and household composition. The insurance motive is mainly fulfilled by female international migrants to the US. Female migrants to the US send more remittances when their parents are ill, while male migrants to the US do not do this unless they are the sole migrant from the household. By contrast, both male and female migrants to the US are motivated by the investment function. Both male and female migrants to the US remit more when their parents have more land assets.


This paper uses a large, non-representative household survey from Mexico (1982-92) to analyze the individual, household and community-level determinants of international remittances. The authors use a probit-OLS
model to test for the selectivity of sending remittances and find that the propensity to remit is highest when migrants are married, middle age (40s) and have used a coyote (smuggler) to migrate. With respect to the amount remitted, the authors find that the amount sent home is positively related to homeownership, education and income. For example, with each additional year of schooling, the amount remitted increases by 4 percent and with each additional $1000 in monthly income, the amount remitted increases by 17 percent.


This paper examines how the skill level of migrants (skilled or unskilled) affects the level of remittances sent home by international migrants. Using a variety of approaches, including instrumental variables, it finds that skilled migrants remit less than unskilled migrants. Since skilled migrants are more likely to bring their families and to spend more time abroad, their propensity to remit is less than that of unskilled migrants. The author concludes that the brain drain of skilled migrants going to work abroad is thus unlikely to boost the flow of remittances to developing countries.


This paper uses a nationally-representative household survey from Nicaragua (2001) to examine the remittance behavior of migrants in two destination countries: the US and Costa Rica. Since only about half of all migrants remit, the paper uses a censored tobit model to analyze the determinants of remittances. Results suggest that male migrants are less likely to remit and that migrants who are working and are living in the US are more likely to remit. Migrants are also more likely to remit if they are the spouse or parent of the head of household back home. The paper also examines how the propensity to remit varies for migrants from the same household. It finds that migrants within the same household compete, that is, if one migrant remits then the second migrant from that household remits and remits more.
A relatively understudied issue within the remittance literature is the role of migrant associations. One class of migrant associations that have received some attention is hometown associations (HTAs), which are formed by migrants from a specific region or town in the country of origin. Hometown associations (HTAs) can facilitate the flow of collective remittances, the transfers that migrants and migrant organizations send to the origin country to benefit a specific group or community. Unlike family transfers, collective remittances tend to be targeted towards infrastructural and community-development projects as well as social purposes in the community of origin. Although collective remittances often represent a smaller share of overall remittances, they may have a significant impact in resource-poor communities of origin, with potentially large multiplier effects on the local economy.

Recent studies of migrants’ associations including hometown associations (HTAs), professional associations, and cultural groups have been largely descriptive. Levitt and Jaworsky (2005) outline several methodological challenges associated with studying migrant associations and collective remittances. Orozco and Rouse (2007) report that the percentage of remittance-sending migrants who belong to HTAs varies by country of origin group. For example, on average, only about 9 percent of remittance senders in the United States of Latin American origin belong to an HTA. However, this fraction may be higher for other migrant groups and for sending areas. The extent of migrant participation in a HTA may depend on several factors including the dispersion of a sending area migrant’s within the destination community.

A new strand of literature traces the evolution of HTAs as development agents in origin communities (Goldring, 2002: Orozco, 2005). Origin country governments have increasingly shown interest in establishing partnerships with migrant associations. Beginning in the 1990s, the Mexican government developed outreach policies targeted at Mexican migrants to the US, providing support for the formation of hometown associations (HTAs), as well as promoting the flow of remittances to communities of origin (Orozco, 2005). Specifically, local and municipal governments in Mexico have developed matching fund programs to encourage the flow of collective remittances. In many cases, the government has combined collective remittances with government funds and expertise, and in some cases, they have used private-sector contributions to finance infrastructure projects. Mexican state governments have also experimented with involving HTAs in private-sector investment opportunities.
Can migrant associations promote economic development in sending communities? The evidence tends to be mixed (Alarcón, 2002). In addition, Paul and Gamage (2004) discuss some limitations of HTAs in sending collective remittances using descriptive evidence from the US and El-Salvador. The lessons from their case study suggest that policy interventions that aim to increase the flow of collective remittances and to promote migrant associations and their commitment to development objectives may need to overcome organization capacity and governance challenges in host and origin communities. However, an important question is how to promote the impacts of HTAs and which specific policies (for example, through consulates in sending regions) can lower the transaction costs and facilitate information flows toward HTA development.

This paper examines the development of Mexican Hometown Associations (HTA) in the United States and the use of their social remittances in Mexico. Money remittances sent by individuals, households, and HTAs may serve as an indirect engine of regional economic development and also function as a substitute for the lack of government welfare in Mexico. The paper discusses the factors that led to the formation of HTAs as well as the uses of the collective remittances in Mexico by HTAs including the funding of public infrastructure, the financing of education and health infrastructure and social goods such as churches or buildings. However, expenditures on projects that have the potential to create sustainable employment appear to be less prevalent. Finally, the paper concludes with the suggestion that greater government involvement in welfare would free up some remittance funds for investment with productive implications and that governments and NGOs can play an important role in fostering the expenditure of collective remittances on employment creation ventures.


The development potential of remittances has gain significant attention due to dramatic increases in migration and amounts of money ‘sent home’, and also due to the growing interest and involvement by states and non-state actors in gaining leverage over remittances. The trend is indicative of an emerging remittance-based component of development and poverty reduction planning. This article uses the case of Mexico to make two broad arguments, one related to the importance of extra-economic dimensions of remittances, particularly the social and political meanings of remittances, and the other based on a disaggregation of remittances into family, collective or community-based, and investment remittances. Key dimensions of this typology include the constellation of remitters, receivers, and mediating institutions; the norms and logic(s) that regulate remittances; the uses of remittances (income versus savings); the social and political meanings of remittances; and the implications of such meanings for various interventions. The author concludes that policy and programme interventions need to recognize the specificity of each remittance type. Existing initiatives to bank the un-banked and reduce transfer costs, for example, are effective for family
remittances, but attempts to expand the share of remittances allocated to savings, or to turn community donations into profitable ventures, or small investments into large businesses, are much more complex and require a range of other interventions.


This paper provides an overview of current research and future trends on transnational migration. Most scholars now recognize that many contemporary migrants and their predecessors maintain various kinds of ties to their homelands at the same time that they are incorporated into the countries that receive them. Transnational migration studies has emerged as an inherently interdisciplinary field. In this review, the authors provide a short history of theoretical developments, outlining the different ways in which scholars have defined and approached transnational migration. They also summarize what is known about migrant transnationalism in different arenas—economics, politics, the social, the cultural, and the religious. Finally, we discuss methodological implications for the study of international migration, present promising new scholarship, and highlight future research directions.


This paper surveys that role that hometown associations are playing in transnational development using evidence from Mexico. The authors develop four criteria—ownership, correspondence, sustainability, and replicability to study the role of hometown associations in development and apply these criteria to their field research on Mexican HTA projects operating in rural communities within the municipality of Jerez, Zacatecas. The authors focus on Zacatecas because it is the Mexican state with the highest levels of migration and hometown association activity. The formation in the United States of several umbrella federations representing Zacatecan HTAs has facilitated a strong collaboration with the Mexican government through matching-grant programs to improve hometowns. However, the authors conclude that the influence of hometown associations in Zacatecas may be limited. To exert a greater positive effect, HTAs may require improved contact with community stakeholders in order to learn about development priorities.

This paper explores the formation of HTAs and examine the factors that led to their emergence as possible actors in development in origin communities drawing upon work with five Salvadoran HTAs in the Greater Washington, DC area. The paper studies how these organizations have engaged the interest of development agencies and practitioners and their strengths and weaknesses as new actors in the private-public sphere. The field research was undertaken between July 2003 and December 2004 and the authors conducted interviews with members of HTAs, participated in meetings, visited home town communities, and collected data on migration and remittance practices from 120 Salvadoran residents in Greater Washington, DC. The paper provides a brief case study of El Salvador’s experience with migration and HTAs, and concludes with some recommendations for further research and best practices for encouraging HTAs’ active and effective engagement in the development process.
Use and Impacts of Remittances
Since international remittances are so large, many researchers feel that how migrants spend their remittance earnings will have an important development effect on local economies. But the question of how migrants spend their remittance earnings is a topic of much lively debate. Some studies claim that migrants spend most of their remittances on consumption goods (such as food and consumer goods), and that such patterns of expenditure tend to have little positive development effect on local economies. However, other studies find that migrants spend their remittance earnings on investment goods (like education, housing and business), and that these patterns of expenditure help to build human and physical capital. For example, remittance-inspired expenditures on education can help create the type of human capital that is often seen as an important condition for accelerated economic growth. Similar patterns of remittance-inspired expenditure on housing can create both better living conditions for migrants and new income and new employment opportunities for local people working in construction.

In a recent (and rather) pessimistic review of how remittances are spent, Chami et al (2003) report three “stylized facts”: (a) a “significant proportion, and often the majority,” of remittances are spend on consumption that is “status-oriented”; (b) a smaller part of remittance funds goes into saving or investment; and (c) the way in which remittances are typically invested – in housing, land and jewelry – are “not necessarily productive” to the economy as a whole.

However, these pessimistic findings are challenged by Adams et al (2008) using household data from Ghana. Focusing on how households spend at the margin, these authors find that households receiving remittances do not spend more at the margin on food and consumer goods than households that receive no remittances. The authors find that migrant households treat remittance income just like income from any other source, and these households do not spend more – or less – at the margin on consumption or investment than households with no remittances.

Using data from El Salvador, Edwards and Ureta (2003) identify a more positive role for remittances. Specifically, these authors find that households receiving remittances do spend more at the margin on education. Comparing how income from remittances and income from other sources affect school attendance, the authors found that remittance income has a much larger positive impact on school retention rates than income from other sources. In urban areas of El Salvador the average level of remittances lowers the hazard that a child will drop out of elementary school by 54 percent.
Working in the Philippines, Yang (2005) also found that remittances tend to be spent on education. This author analyzes how exchange rate shocks during the 1997 Asian financial crisis affect the expenditure patterns of households receiving international remittances. Since the author has panel data from before and after the 1997 crisis, he is able to analyze how different types of exchange rate shocks – positive and negative – affect changes in the expenditure patterns of households receiving remittances. Focusing on changes in household spending on education, he finds that a one-standard deviation increase in the exchange rate leads to a 0.4 percent increase at the margin in household expenditure on education. The author notes that these remittance-inspired increases in spending on education can help build human capital in the Philippines at large.

A number of studies have found that migrants tend to spend more on housing. For example, in a study in Nigeria, Osili (2004) found that older migrants and those with higher incomes are more likely to invest in housing. At the mean, a 10 percent increase in migrants’ income increases the probability of investing in housing by 3 percentage points. From the standpoint of the migrant, these remittance expenditures on housing represent an important form of local investment.

On the issue of remittances and business investment, Woodruff and Zenteno (2007) found that international migration (Mexico-to-US) is associated with a large (35 to 40 percent) increase in the level of capital investment. Specifically, these authors found that, through remittances, migrant households in Mexico were able to obtain the capital needed to grow and expand their micro-enterprises (those with fewer than 15 employees).

Finally, in a more theoretical study, Osili (2007) examined the extent to which remittances to Nigeria and savings in Nigeria are influenced by altruism vs. insurance motives. The author found that remittances to Nigeria are motivated by altruism because remittances increase as the family’s asset holdings (landholdings) at home declines. However, savings in Nigeria are dominated more by investment motives because savings at home are positively associated with family assets.

On the whole, it is possible that migrant households – just like non-migrant households – spend a large portion of their incomes on consumption (food and consumer goods). However, identifying the conditions under which migrant households spend more at the margin on investment goods (like education, housing and business), and the impact of these investments on local economic development, remains an important topic of inquiry. What economic and socio-cultural factors shape decisions to allocate remittances to investment are examined further under Topics 8 and 9, while the developmental effects of remittance spending are examined under Topics 10 through 17.
**Topic 10 – Articles**


This paper uses a nationally-representative household survey from Ghana (2005-06) to analyze how the receipt of internal remittances (from Ghana) and international remittances (from other countries) affects the marginal spending behavior of households on various consumption and investment goods. Controlling for endogeneity and selection, it finds that households receiving remittances do not spend more at the margin on food, education and housing than households that receive no remittances. Households in Ghana treat remittances just like any other source of income, and the paper finds no changes in marginal spending patterns for households with the receipt of remittances.


This paper uses a nationally-representative household survey from El Salvador (1997 EHPM) to analyze the impact of international remittances on school retention rates in El Salvador. The authors use a Cox proportional hazard model to compare how two types of income, income from remittances and income from other sources, affect school attendance. Results suggest that income from remittances has a much larger impact on school retention rates than income from other sources. In urban areas, the average level of remittances lowers the hazard that a child will drop out of elementary school by 54 percent.


This paper uses a small, non-representative matched survey of Nigerian migrants in the US and their origin families in Nigeria (1997) to examine savings in the country of origin. Since the study has information on both migrant- and origin-household characteristics, it is able to reduce concerns about omitted variable bias. Results suggest that remittance transfers are motivated by altruism: remittances sent home increase as the family’s asset holdings (landholdings) at home declines. However, savings in the origin country are dominated by investment motives because savings at home are
positively associated with the family’s asset holdings at home. The author also finds that unskilled and less-educated migrants have higher savings rates at home.


This paper uses a small, non-representative household survey of Nigerian migrants in the US (1997) and migrant households in Nigeria to examine how migrants invest international remittances in housing in Nigeria. It finds that older migrants and those with more income are more likely to invest in housing in Nigeria. At the mean, a 10 percent increase in migrants’ income increases the probability of investing in housing by 3 percentage points. Economic shocks in Nigeria, such as funerals, job loss and crop failure, also lead to an increase in the amount of remittances spent on housing.


This paper uses a survey of micro-enterprises (fewer than 15 workers) in Mexico (1998 ENAMIN) to examine how migration networks affect the level of capital investment in micro-enterprises. Most of the enterprises included in the study are very small: 60 percent of them hire no employees at all. The authors find that international migration (to the US) is associated with a 35 to 40 percent increase in the level of capital invested in a micro-enterprise. Examining the level of investment by type of asset, the authors find that investment in tools and vehicles are both associated with stronger links to migration networks and international migration.


This paper uses four linked nationally-representative household surveys from the Philippines to analyze how exchange rate shocks during the 1997 Asian financial crisis affect international remittances and household spending on education. The author finds that positive exchange rate shocks lead to a significant increase in remittance expenditures on education. A one-standard deviation increase in the size of the exchange rate shock lead to a 0.4 percent increase in household expenditure on education and a 1.6 percent increase in the likelihood of a child being a student.
Topic 11 – Remittances and Economic Growth

Despite the positive contribution of remittances to household welfare, most studies have found that international remittances do not have a positive effect on economic growth at the macro-level. Part of the reason for this finding may lie in the difficulty of disentangling the complicated links between remittances and economic growth. For example, identifying the direction of the links between remittances and economic growth may not be fully solvable by using instrumental variables to control for endogeneity and reverse causation. Also, it might not be possible to identify the impact of international remittances on a key component of economic growth -- human capital formation – except over very long periods of time.

In a study covering up to 113 countries over the period 1970 to 1998, Chami et al (2005) find that international remittances actually have a negative and significant effect on economic growth (GDP growth). Using a variety of fixed effects models, the authors find a negative and significant relationship between international remittances and economic growth for different groups of countries over various sets of years. On the basis of this finding, the authors conclude that remittances do not serve as capital for economic development, but rather as a type of compensation for countries with poor economic outcomes.

However, in a similar study covering up to 101 countries for the period 1970 to 2003, Spatafora (2005) comes to slightly different conclusions. Specifically, the author finds no statistically significant link between international remittances and per capita output growth. The author also finds no significant link between remittances and investment (investment/GDP), or between remittances and education. The author, however, cautions that identifying the impact of remittances on these and other outcomes may be complicated by the problem of reverse causation, that is, remittances may both influence and be influenced themselves by economic growth, investment and education.

In the literature it is sometimes argued that international remittances may harm economic growth by leading to real currency appreciation and a loss of competitiveness in tradable goods (Dutch disease). In a cross-national study of 8 Latin American countries over the period 1990 to 2003, Lopez et al (2007) find that large-scale remittances do lead to significant real exchange rate appreciation. Controlling for endogeneity and potential reverse causality, the authors find that a 1 percent increase in the remittances to GDP ratio would lead to a real effective exchange rate appreciation of between 18 and 24 percent.
Focusing on the country-level, Amuedo-Dorantes and Pozo (2006) use household survey data from the Dominican Republic to examine the impact of international remittances on family business ownership. Using an instrumental variables approach to control for endogeneity, they find that households receiving international remittances are not more likely to own a family business than households not receiving remittances. According to the authors, one reason for this outcome may be that remittances increase the reservation wage of household heads, making them less likely to invest in business.

In another country-level study, Mishra (2007) examines the impact of international migration on wages in Mexico. Using an instrumental variables approach, the author finds that emigration has a positive and significant effect on Mexican wages: a 10 percent decrease in the number of Mexican workers due to emigration in a skill group increases the average wage in that skill group by 4 percent. However, the impact of emigration on Mexican wages varies dramatically across schooling groups, with the greatest wage increase being for high wage earners.
**Topic 11 – Articles**


This study uses several small, non-representative household surveys from the Dominican Republic (1999-2001) to examine the impact of international remittances on family business ownership. Since the receipt of remittances and business ownership may be jointly determined, the authors estimate a system of simultaneous probit models. Results suggest that households receiving international remittances are not more likely to own a family business than households not receiving remittances. According to the authors, one reason for this outcome may be that remittances increase the reservation wage of household heads, making them less likely to invest in business.


This paper uses panel data on international remittances covering up to 113 countries over the period 1970 to 1998 to analyze the impact of remittances on economic development. Using instrumental variables and a variety of fixed-effects models the authors find that international remittances have a negative and significant effect on economic growth (GDP growth). On the basis of this finding, the authors conclude that remittances do not serve as capital for economic development, but rather as a type of compensation for poor economic performance.


This study uses cross-national data from 8 Latin American countries over the period 1990-2003 to examine the impact of international remittances on real exchange rate appreciation. Using an instrumental variables approach to control for endogeneity and reverse causality, the authors find that a 1 percent increase in the remittances to GDP ratio would lead to a real effective exchange rate appreciation of between 18 and 24 percent. Since such a large rate of appreciation would lead to a loss in international competitiveness, the authors also investigate policy options for mitigating these effects, such as controlling fiscal policy, limiting the use of sterilization, and shifting to VAT or sales taxes.

This paper uses data from nationally-representative US and Mexico Population Censuses (1970-2000) to examine the impact of international migration (Mexico to US) on wages in Mexico. Using an instrumental variables approach, the author finds that emigration has a positive and significant effect on Mexican wages: a 10 percent decrease in the number of Mexican workers due to emigration in a skill group increases the average wage in that skill group in Mexico by 4 percent. However, the impact of emigration on Mexican wages varies dramatically across schooling groups, with the greatest increase in wages being for high wage earners (those with 12-15 years of schooling).


This paper uses data on international remittances covering up to 101 countries over the period 1970 to 2003 to analyze the impact of remittances on economic growth. Using an instrumental variables approach to account for endogeneity, it finds no statistically significant link between remittances and per capita output growth. The paper also finds no significant link between remittances and education (secondary enrollment) and remittances and investment (investment/GDP). The author, however, cautions that identifying the impact of remittances on economic growth may be difficult using macro-economic data alone because of the difficulty of disentangling the various links.
Topic 12 – Remittances and Multiplier Effects

While international remittances are primarily private transfers from a migrant working abroad to his/her household back home, the way in which these remittances are spent by the migrant household may have important second- and third-round effects on the broader economy. For example, migrant expenditures on housing may create new income and employment opportunities for low-income people working in construction as well as open new business opportunities for merchants selling building supplies. Identifying the scope and magnitude of these remittance-multiplier effects is thus an important topic in the literature.

In one of the more ambitious studies, Glytsos (1993) examines the direct and indirect effects of international remittances on production, imports and employment on the Greek economy in 1971. The author finds that remittances generate a multiplier effect of 1.7 on total gross output, with the highest multiplier effects being in the apparel, machinery and construction industries. In other words, a remittance of $1 million dollars would increase Greece’s gross output by $1.7 million dollars. Remittances also lead to a rise in imported goods, but these imports represent only 5 percent of total Greek imports. On this basis, Glytsos (1993) emphasizes that remittances leakages to imports do not have a major impact on the trade deficit.

In a micro-based study based on one rural area, Taylor (1995) examines the direct and indirect effects of international remittances on one Mexican village. He finds that international remittances generate a multiplier effect of 1.6; that is, a remittance of $1 million dollars would raise the village’s value-added output by $1.6 million dollars. When disaggregated by income group, the author finds that most of the first- and second-round effects of remittances go to large- and small-landholding households; landless households gain relatively little from the multiplier effects of remittances.

In another Mexican-based study, Taylor and Dyer (forthcoming 2008) use a general equilibrium model to examine the direct and indirect impacts of international migration on prices, wages and investment in rural Mexico. They find that the direct effects of migration are smaller than the indirect effects. In the short-term, a 10 percent increase in returns from international migration lead to a 5 percent increase in rural wages and a 52 percent marginal increase in investment in education. In the long-term, a similar 10 percent increase in the returns from international migration lead to only a slight, 1 percent increase in rural wages and large marginal increases in investment in education (52 percent) and housing (15 percent).

Using household survey data from China, Taylor et al (2003) examine the
impact of internal migration and remittances on crop and household income. The authors find that migration and remittances have multiple and contradictory effects on rural household income. On the one hand, when a migrant leaves a household, crop yields fall and crop income declines by about 33 percent. However, the remittances sent home by the migrant have a positive, countervailing effect on household income. For example, with the receipt of remittances, rural households tend to purchase more inputs and to substitute capital for labor. Taking into account all of these various effects, the authors find that participating in migration increases per capita household income in rural China, for those left behind, by between 16 and 43 percent.

This paper uses an input-output model to examine the direct and indirect effects of remittances on production, consumption, imports and employment in Greece in 1971. It finds that remittances generate a multiplier effect of 1.7 on total gross output, with the highest multiplier effects being in the apparel, machinery and construction industries. With respect to employment, remittances generate about 74,000 new jobs in the nonagricultural sector. Remittances also lead to a rise in imported goods, but these imports represent only 5 percent of total Greek imports. On this basis, the paper emphasizes that remittances leakages to imports do not have a major impact on the trade deficit.


This study is concerned with the impact of international migration on the places of migrant origin in developing countries. The author "uses data from rural household and farm surveys to estimate a micro economy-wide model of a typical migrant-sending village and then uses the model to examine the economic impacts of migration. The surveys were undertaken in Mexico....The micro-model used in the estimations is a form of aggregate computable general equilibrium (CGE) model, a modelling structure which is able to capture complex linkages and feedbacks of village production and expenditure. Simulations based on such models are likely to offer a more realistic view of the impacts of policy and market-induced change on village economies."


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This paper uses a small rural household survey in Mexico (2003) to examine the direct and indirect impacts of migration on the rural economy. For example, while the direct effects of migration include upward pressure on
rural prices and wages, the indirect effects include general equilibrium wage and price effects and dynamic investment effects. Results suggest that the direct effects of migration are smaller than the indirect effects. In the short-term, a 10 percent increase in returns from international migration lead to a 5 percent increase in rural wages and a 52 percent marginal increase in investment in education. In the long-term, a similar 10 percent increase in the returns from international migration lead to only a slight, 1 percent increase in rural wages and large marginal increases in investment in education (52 percent) and housing (15 percent).


This paper uses a small, non-representative sample of rural households from China (1991) to examine the impact of internal migration and remittances on crop and household income. Controlling for endogeneity and selection, the authors find that migration and remittances have multiple and contradictory effects on household income. On the one hand, when a migrant leaves a household, crop yields fall and crop income declines by about 33 percent. However, the remittances sent home by the migrant have a positive, countervailing effect on household income. The authors find that each yuan in remittances is associated with 1.36 yuan of additional crop income. In other words, with the receipt of remittances, farm households tend to purchase additional inputs and to substitute capital for labor. On the whole, the authors find that participating in migration increases per capita household income in rural China, for those left behind, by between 16 and 43 percent.
Topic 13 – Remittances, Poverty and Inequality

A number of studies have examined the impact of international remittances on poverty and inequality in developing countries. Since international remittances often represent 30 to 40 percent of migrant household incomes, and incomes earned working abroad are typically 3-5 times higher than those earned at home, most studies have found that remittances tend to reduce poverty in the developing world. However, the impact of international remittances on income inequality is more controversial. Since international migrants generally come from the higher ends of the income distribution, most studies find that remittances lead to a slight increase in income inequality. However, some studies suggest that the negative impact of remittances on income distribution is not inevitable, and may dissipate over time if migration opportunities reach all income classes.

In perhaps the broadest study, Adams and Page (2005) use the results of household surveys in 71 developing countries to analyze the impact of international migration and remittances on poverty. To control for reverse causality, the paper employs an instrumental variables approach. The authors find that, on average, a 10 percent increase in international remittances in a developing country will lead to a 3.5 percent decline in poverty. They also find that, on average, a 10 percent increase in the share of international migrants from a developing country will lead to a 2.1 percent decline in poverty.

In a similar study based on household surveys from 10 Latin American countries, Acosta et al (2006) estimate a “counterfactual” situation (whereby incomes are imputed for migrants had they worked at home) and use instrumental variables to identify the impact of remittances on poverty. They find that international remittances have reduced poverty in Latin America by 0.4 percent for each percentage point increase in the remittances to GDP ratio.

At the country level, various studies by Lokshin et al (2007) in Nepal and Adams (2006) in Ghana have also found that international migration and remittances reduce poverty. Using a maximum likelihood estimation that simulates counterfactuals for various migration scenarios, Lokshin et al (2007) finds that almost 20 percent of the decline in poverty in Nepal can be attributed to increased internal and international migration. Similarly, in Ghana Adams (2006) finds that both internal and international remittances have reduced the level, depth and severity of poverty.

On the issue of inequality, many studies find that international remittances tend to increase income inequality. The reason for this finding is cost: since
international migration tends to be expensive (e.g. expenses for passport, travel, job search), international migrants tend to come from middle- to upper-income groups. For instance, using a small household survey from Nicaragua, Barham and Boucher (1998) construct a “counterfactual” situation whereby incomes are imputed for migrants had they worked at home. They find that when remittances are included in household income the Gini coefficient rises by between 12 and 15 percent (the Gini coefficient is a standard measure of income inequality, scaled between 0 and 1, with 1 being complete inequality). Using the same counterfactual approach for imputing incomes in Ghana, Adams (2006) also finds that when international remittances are included in household income the Gini coefficient increases by about 3 percent: from 0.402 to 0.413.

However, these findings are challenged by studies in Mexico by McKenzie and Rapoport (2007) and Jones (1998). According to McKenzie and Rapoport (2007), the nature of migrant selectivity changes over time. In communities with low levels of international migration, the initial effect of international migration is to increase inequality, but as levels of migration increase, international migration tends to reduce income inequality. Similarly, Jones (1998) finds that as international migration increases, rural income distribution improves relative to urban income distribution, since most remittances are targeted to rural areas.

This paper uses nationally-representative household surveys from 10 Latin American countries to examine the effect of international remittances on poverty and inequality. The authors find that simple OLS regressions show that remittances have no statistical effect on poverty in Latin America. However, since these results may suffer from endogeneity bias, the authors re-estimate the regressions using an IV approach. Using this new approach, the authors find that remittances have reduced the poverty headcount in Latin America by about 0.4 percent for each percentage increase in the remittances to GDP ratio. On inequality, they find that remittances have only a small impact on income inequality in Latin America.


This paper uses a nationally-representative household survey from Ghana (1998/99 GLSS) to analyze the impact of internal and international remittances on poverty and inequality in Ghana. Since remittances may be endogenous to household income, the author estimates counterfactual incomes for migrants had they stayed and worked at home. Results suggest that both internal remittances (from Ghana) and international remittances (from African and other countries) reduce the level, depth and severity of poverty in Ghana. On inequality, results suggest that when international remittances are included in household income the Gini coefficient rises by about 3 percent: from 0.402 to 0.413.


This study uses results from nationally-representative household surveys in 71 developing countries to analyze the impact of international migration and remittances on poverty in the developing world. Since international migration and remittances may be endogenous to poverty outcomes, the paper uses an instrumental variables approach. Results suggest that a 10 percent increase in international migration from a country will lead to a 2.2 percent decline in the poverty headcount, and a 10 percent increase in international remittances will lead to a 3.5 percent decline in the poverty headcount.

This study uses a small, non-representative household survey (1991) of 152 households in Nicaragua to examine the effects of international migration on income distribution. The authors find that when the observed income distribution is compared with two no-migration counterfactual situations, income inequality is higher when international remittances are included in household income. Specifically, when remittances are included in household income, and compared to the two no-migration counterfactual situations, the Gini coefficient rises by between 12 and 15 percent: from 0.40 to 0.43 in the first counterfactual, and from 0.38 to 0.43 in the second counterfactual.


This study uses a small, non-representative household survey (1988) of 692 households in Mexico to examine the effects of international migration on income distribution. Results suggest that income inequality decreases with international migration up to a point, after which inequality increases. At advanced stages of international migration, households with more income benefit more. By contrast, results suggest that at advanced stages of migration, rural income inequality improves more than urban income inequality because agricultural investments made by rural migrants enable farming elites to rise above the traditional urban business class.


This paper uses data from two nationally-representative household surveys in Nepal (1995 and 2004 NLSS) to examine the impact of internal and international migration on poverty in Nepal. To deal with selectivity issues, the authors use an instrumental variables approach and employ a maximum likelihood estimation that simulates various counterfactuals for different migration scenarios. Results suggest that almost 20 percent of the decline in poverty in Nepal between 1995 and 2004 can be attributed to increased internal and international migration. Without migration, the authors estimate that the poverty rate in Nepal would increase from 30 to 33.6 percent.

This study uses two household surveys from Mexico to examine the relationship between wealth and migration, and the impact of international migration on inequality. To control for endogeneity, the authors use an instrumental variables approach focusing on historical migration rates. Results suggest that international migrants come from the middle of the wealth distribution. With respect to inequality, the authors find that in communities with low levels of migration the initial effect of international migration is to increase inequality. However, as levels of migration increase, international migration tends to reduce inequality. In high-migration communities the benefits of international migration reach lower-income groups, thereby reducing inequality.
A recent debate in the literature is the extent to which remittances can promote access to financial services and financial development. This is an important question considering the extensive literature that has documented the growth-enhancing and poverty-reducing effects of financial development. However, how remittances impact financial development is a complex issue. Early work on the link between remittances and financial development was mainly descriptive in nature and suggested that remittances may be a potential catalyst for financial development by providing migrants’ families with increased demand for credit and other financial services. In addition, remittances can also affect banks’ willingness to loan money to households in remittance receiving areas. Risk can play a central role in low-income environments. A high default rate may reduce the willingness of banks to lend to poor households, and may also reduce the demand for credit among poor households who do not want to lose their collateral.

In recent work, scholars have attempted to directly measure the link between remittance flows and financial development using existing data sources. Aggrewal, Demircug-Kunt and Peria (2006) find that remittances promote financial development in a large sample of developing countries. Their study also highlights several potential channels through which remittances can affect financial development. Remittances may increase financial development by paving the way for recipients to demand and gain access to financial services. For example, remittance receipts are often lumpy, and may lead to a higher demand for formal financial services such as savings products. An additional possibility is that remittances can provide financial institutions with information about remittance-receiving households, previously excluded from the formal banking sector, leading to the expansion of credit for small business start-up capital and other investments. Transaction fees associated with remittance flows may also spur the expansion of financial institutions into previously underserved areas.

A key question raised in the literature is whether there are limitations to the financial deepening impact of remittances in countries with less-developed financial systems. In particular, where trust in financial institutions is low, recipients may prefer to save outside the formal banking sector. In addition, where financial systems are less-developed, migrants and their families tend to rely mainly on informal channels to transfer and save resources. However, Gupta, Pattillo, and Wagh (2007) find that remittances have a positive impact on financial development in sub-Saharan Africa, a region where a large share of financial transactions takes place outside the formal sector.
Their study documents that remittances promote financial deepening in this region, and their results hold even after accounting for the possibility that reported remittances are likely to be higher in better-developed financial markets.

Finally, one possibility is that remittances may relax credit constraints among recipients lowering the demand for credit and insurance services. In an important contribution, Guiliano and Ruiz (2005) find that in countries with less-developed financial systems, remittances can act as a de facto substitute for financial services, providing households with credit and insurance and increasing investment opportunities, leading to higher growth. Due to data limitations, there are very few studies that allow researchers to study the impact of remittances on financial development by creating counterfactuals with and without remittances.

The authors use cross-country balance of payments data on workers' remittance flows to 99 developing countries from 1975-2003 to study the impact of remittances on financial sector development. This study examines whether remittances contribute to increasing the aggregate level of deposits and credit intermediated by the local banking sector. The authors conclude that remittances have a positive and significant impact on financial development. In particular, a one percentage point increase in the share of remittances to GDP is associated with a 0.5-0.6 percent increase in the ratio of bank deposits to GDP and about a 0.3 percent increase in bank credit to the private sector to GDP. The results are robust to the inclusion of country and time fixed-effects, and instrumental variables to deal with measurement error and potential endogeneity concerns.


Using a cross-country of data series covering about 73 developing countries between 1975 and 2002, the authors investigate the interaction between remittances and financial development and its impact on growth. The analysis emphasizes how a country's capacity to use remittances may be influenced by local financial sector conditions. The empirical findings suggest that remittances can promote growth in less financially developed countries. A one percentage point increase in remittances as a share of GDP is associated with a 0.2 percentage points, controlling for the level of financial development. The authors conclude that in countries with less-developed financial systems, remittances act as a de facto substitute for financial services, providing households with credit and insurance and increasing investment opportunities, leading to higher growth. The analysis accounts for the endogeneity of remittances and financial development using a Generalized Method of Moments (GMM) approach, and is robust to various measures of financial sector development used, and is robust to a number of sensitivity tests.

This paper investigates the impact of remittances on financial development in 44 African countries over six time periods, composed of five-year averages from 1975 to 2004. The authors find that remittances promote financial deepening in sub-Saharan Africa, after controlling for macroeconomic and institutional variables that are commonly used to explain financial development in low-income countries. These results are robust to accounting for the possibility that reported remittances are likely to be higher in better-developed financial markets.
Because migration is a selective process, remittances tend to flow to particular social and ethnic groups within migrant sending communities and societies. Therefore, and depending on patterns of migrant selectivity, remittances can have profound implications for traditional forms of social and ethnic stratification. This often tends to coincide with processes of cultural change, as specific patterns of remittance expenditure also tend to engender changing tastes, values and social norms.

Migrants are often from middle-class or elite groups and, therefore, might not necessarily represent the view of the poor and the oppressed, but instead effectively sustain oppressive political systems (Guarnizo et al. 2003). Whereas elite migration tends to sustain or deepen existing inequalities, traditional social hierarchies may be fundamentally upset if lower- or middle-status groups manage to migrate internationally and obtain access to international remittances. In fact, markers of class and social stratification may change as a result of the sending and receiving remittances.

In San Pedro Pinula (Guatemala), for instance, the migration and return of Mayan residents has slowly challenged ethnic roles that have developed over the last five centuries (Taylor et al. 2006). The same seems to apply to large-scale migration from the (largely Berber) Moroccan countryside to Europe. In southern Morocco, De Haas (2006) found that migration and remittances have been an important avenue for upward socioeconomic mobility of low-status ethnic groups. In this case, new forms of remittance-based inequality have been partly superimposed upon the traditional forms of hereditary inequality based on kinship, skin color and land ownership.

Gender inequality is likely to affect intra-family allocation of remittances. This explains why several studies have found that international migration and remittances do not necessarily lead to a permanent shift in the patriarchal family structure, and may actually serve to reproduce traditional gender roles. For instance, based on empirical research in Albania, King, Dalipaj and Mai (2006) concluded that traditional Albanian gender roles are generally maintained throughout the migration cycle. They also concluded that intra-household modifications of the patriarchal power structures of Albanian families through migration and remittances are more likely to be generational rather than gender-related. Based on their research in four Guatemalan sending communities, Taylor et al. (2006) concluded that migration and social remittances may permit a gradual erosion of traditional gender roles, but that such changes are gradual because migrants run into a social structure that resists rapid change.
It is important to disentangle the effects of remittances from more general processes of social and cultural change. While the latter are often more important, migration may play an accelerating or reinforcing role in such processes. Depending on migrant destinations, migration and remittances can also affect norms regarding marriage and fertility. This is exemplified by a recent study by Fargues (2006), which found that time-series data on birth rates and migrant remittances in Morocco, Turkey and Egypt are strongly correlated, but in varying ways. While the correlation is negative for Morocco and Turkey, it is positive for Egypt. To explain this pattern, Fargues hypothesized that migration from North Africa to European countries has contributed to the diffusion and adoption of European marriage patterns and small family norms, and so has played an accelerating role in the demographic transition. In the case of Egyptian migration to conservative Gulf countries, the effect would be the reverse.
Based on non-representative survey among 507 non-migrant, internal and international migrant households and qualitative research, this article examines the socio-economic and cultural impact of migration from a south Moroccan sending region to other regions and Europe. The study shows that international migration and remittances have significantly contributed to economic development, improved standards of living and enabled the partial emancipation of subaltern ethnic groups. International migrant households invest more than others in housing, agriculture and other enterprises. Risk spreading and income stabilisation rather than increasing incomes seem to be the prime rationale behind internal migration, although internal migration tends to facilitate the education and international migration of younger household members. Remittance expenditure and investments have stimulated the diversifying and urbanising regional economy and have triggered a counter-flow of "reverse" internal migration. However, several structural constraints prevent the high development potential of migration from being fully realised.


This paper argues that international migration may have resulted in a smaller world population than in the non migration scenario. The author claims that most of recent migration has been from high to low birth-rate countries, and since migrants typically adopt and send back ideas that prevail in host countries, they are potential agents of the diffusion of demographic modernity to their country of origin. To explore this issue, the author analyses time series data from three major emigration countries: Morocco and Turkey (where emigration is bound for the West), and Egypt (where emigration is bound for the Gulf). The host countries are either more (the West) or less (the Gulf) advanced in their demographic transition than the home country. The analysis article finds that time-series data on birth rates and migrant remittances (reflecting the intensity of the relationship between the emigrants and their home country) are strongly correlated. The Correlation is negative for Morocco and Turkey, and positive for Egypt. This suggests that Moroccan and Turkish emigration has been accompanied by a fundamental change of attitudes regarding marriage and birth, while the opposite holds for Egyptian migration. The broader conclusions from this
paper are that migration may have caused a relaxation of demographic pressures for the world as a whole. In addition, if it turns out that emigrants are conveyors of new ideas in this area, the author hypothesises that the same may apply to a wider range of civil behavior.


This article presents evidence of the scale, relative intensity, and social determinants of immigrants’ transnational political engagement. It demonstrates that a stable and significant transnational field of political action connecting immigrants with their polities of origin does indeed exist. The results temper celebratory images of the extent and effects of transnational engagement provided by some scholars. The article shows that migrants’ habitual transnational political engagement is far from being as extensive, socially unbounded, ‘dettioritualized,’ and liberatory as previously argued. Transnational political action, then, is regularly undertaken by a small minority, is socially bounded across national borders, occurs in quite specific territorial jurisdictions, and appears to reproduce preexisting power asymmetries. The potential of transnationalism for transforming such asymmetries within and across countries has yet to be determined.


Based on interviews with 26 Albanian migrants in the London area and with 46 migrant households in northern Albania and in the Tirana area (where many northern households have recently internally migrated), this paper develops a gender analysis of Albanian migration to the United Kingdom and its impact on source areas. The paper traces gender dynamics in migration and in decisions about the sending, receipt and deployment of remittances, and their potential for poverty alleviation and development in Albania. Despite the potentially 'modernising' effects of migration and remittances, 'traditional' Albanian gender roles are generally maintained throughout the migration cycle, with only tokenistic changes. Intra-household modifications of the patriarchal power structures of Albanian families through migration and the deployment of remittances are more likely to be generational - father to sons - rather than gender-related.

Based on extensive ethnographic fieldwork, this article analyses how migrants and their remittances effect gender relations, ethnicity, land use, and land distribution. Evidence is drawn from research in four communities: San Pedro Pinula and Gualan represent communities of eastern Guatemala. San Cristobal Totonicapan is an Indigenous town in Guatemala's western highlands, and San Lucas is a lowland frontier community in the Guatemalan department of Ixcan, which borders Chiapas, Mexico. The results suggest that migrants and their financial and social remittances result in significant changes in land use and land distribution in Ixcan. Migrant money permits the conversion of rainforest into cattle pasture and also results in the accumulation of land in the hands of migrants. In terms of land use, we see in San Pedro Pinula that migrant money also allows the Pokoman Maya to make small entries into the Ladino (non-indigenous) dominated cattle business. In San Pedro Pinula, the migration and return of Maya residents also permits them to slowly challenge ethnic roles. Also in Gualan and San Cristobal migration and social remittances permit a gradual challenge and erosion of traditional gender roles. However, migration-related changes in traditional gender and ethnic roles is only gradual because migrants, despite their increased earnings and awareness, are confronted with a social structure that resists rapid change. Despite the advantages that migration brings to many families, especially in the face of a faltering national economy and state inactivity regarding national development, the analysis suggests that migration and remittances have not resulted in community or nation-wide development.
International remittances can have various effects on labor markets in developing countries. On the one hand, remittances may allow recipients to overcome the type of liquidity constraints that prevent the creation of new entrepreneurial enterprises. On the other hand, remittances can also reduce labor force participation by increasing the level of minimum wages at which members of migrant households are willing to work (the reservation wage). In general, most studies have found that international migration and remittances tend to reduce household labor supply and participation, although these effects are sometimes influenced by gender.

In a study using panel data from two large surveys in Nicaragua, Funkhouser (2006) finds that international migration does indeed tend to reduce labor force participation. The author finds that when compared to non-migrant households, households with migrants have fewer working members and less labor income. However, households with migrants are less likely to be poor, because migrant households receive more in remittance income than they do from work in the local markets.

In a similar study using panel data from El Salvador, Acosta (2007) finds that the effects of international remittances on labor force participation differ by gender. Specifically, the author finds that with the receipt of international remittances, labor force participation falls much more for women than for men. For example, urban females in remittance-receiving households are 42.2 percent more likely to quit the labor market, while urban males in remittance-receiving households are only 9 percent more likely to quit. The author also finds both males and females reduce their total hours worked per week upon receiving remittances.

In a similar study from Mexico, Amuedo-Dorantes and Pozo (2006) examine the impact of international remittances on the male and female decision to work. For males, the authors find that an increase in international remittances is associated with a decline in formal sector work and with an increase in informal sector work. With the receipt of remittances Mexican males seem to prefer the flexibility of informal jobs. For females, the authors find that the overall female labor supply tends to decline with the receipt of remittances, but only in rural areas. Rural females in Mexico appear to use remittances as a means of escaping from low-paying types of employment in the informal sector.

In a more theoretical study using data from Tunisia, Mesnard (2004) analyzes the impact of international migration and remittances on the
occupational choice of return migrants. The author finds that for return migrants the likelihood of self-employment increases significantly with the amount of savings from abroad. For each additional 1000 Tunisian dinars in savings, the likelihood of a return migrant being self-employed increases by 18 percent. However, education is also important: having no schooling positively affects the probability of being self-employed upon return.
Topic 16 – Articles


This paper uses a 4-year rural panel survey from El Salvador to analyze the effects of international migration and remittances on labor force participation. To account for the possible endogeneity of remittances, the author uses a fixed effects probit on the 4-year panel. Results suggest that with the receipt of international remittances, labor force participation falls more for women than for men. For instance, urban females in remittance-receiving households are 42.2 percent more likely to quit the labor market, while urban males in remittance-receiving households are only 9 percent more likely to quit. The authors also find both males and females reduce their total hours worked per week when they receive remittances. Urban males and females in remittance-receiving households reduce their hours worked per week by 24.4 and 20.8 percent, respectively.


This paper uses a nationally-representative household survey from Mexico (2002) to examine the impact of international remittances on the male and female decision to work. Since remittances may be endogenous, the authors use an instrumental variable tobit model. For males, the authors find that an increase in international remittances is associated with a decline in formal sector work and with an increase in informal sector work. With the receipt of remittances Mexican males seem to prefer the flexibility of informal jobs. For females, the authors find that the overall female labor supply tends to decline with the receipt of remittances, but only in rural areas. Rural females in Mexico may be using remittances to get away from low-paying types of employment in the informal sector.


This paper uses panel data from two large, nationally-representative household surveys in Nicaragua (1998 and 2001) to examine the impact of international migration on labor market participation and poverty. With panel data, the author is able to control for selectivity by using fixed effects.
Results suggest that when compared to non-migrant households, households with migrants in Nicaragua reduce their number of working members and their labor income. However, households with migrants are less likely to be poor, because migrant households receive more in remittance income than they do from work in the local markets.
Topic 17 – Remittances, Health and Education

A recent literature examines whether remittances will impact investments in human capital in the source country, particularly in health and schooling. The broad consensus within the literature is that migrant remittances can lead to human capital formation in the country of origin. However, measuring the impact of remittances on health or education is challenging, because migration itself is a choice variable, as households with given underlying characteristics may be more likely to undertake migration (McKenzie and Sasin, 2007). In addition, it is important to note that migrant remittances may be directed towards multiple recipients and tracking end uses may be complex.

In a recent paper, Edwards and Ureta (2003) use a nationally-representative household survey from El Salvador (1997 EHPM) to analyze the impact of international remittances on school retention rates in El Salvador. The authors compare how two types of income, income from remittances and income from other sources, affect school attendance. Their findings suggest that income from remittances has a much larger impact on school retention rates than income from other sources. In urban areas, the average level of remittances lowers the hazard that a child will drop out of elementary school by 54 percent. Based on household level evidence from the Philippines, Yang and Martinez (2006) also find that a 10 percent increase in remittance flows will lead to a 1.7 percent increase in school attendance, and a 0.35 hour decline in child labor in a week per household.

Other studies have examined the impact of remittances on child health outcomes. Kanaiupuni and Donato (1999) investigate the impact of remittances on child health, focusing on infant survival. Their empirical analysis is based on a sample of 150-200 households and 25 communities from the Mexican Migration Project and they examine how village migration patterns affect infant survival outcomes in sending communities in Mexico. The authors’ main hypothesis is that migration is a cumulative process with varying health effects at different stages of its progression. Their results suggest higher rates of infant mortality in communities experiencing intense U.S. migration. However, their findings also suggest that the impact of migration on infant survival changes over time due to inflow of migrants’ remittances and the institutionalization of migration. Mortality risks are low when remittances are high and decrease as migration experience increases in a community. The authors conclude that migration is likely to yield eventual health benefits to all infants over time. The results do not deal with the selectivity of the migration process.

Mckenzie and Hildenbrandt (2005) investigate the impact of international
migration and remittances on child health outcomes in rural Mexico using a 1997 nationally representative demographic survey. To correct for the endogeneity of migration status, the authors use historic migration networks --- 1920s, state-level migration rates in Mexico as instruments for current migration stocks. The authors find that children in migrant households have lower rates of infant mortality and higher birth-weights. One contribution of this study is that the authors also explore the channels through which migration may affect health outcomes and find evidence that migration raises health knowledge in addition to its direct effect on wealth. These results provide a broader view of the health consequences of migration than is offered by the existing literature.

This paper uses a nationally-representative household survey from El Salvador (1997 EHPM) to analyze the impact of international remittances on school retention rates in El Salvador. The authors use a Cox proportional hazard model to compare how two types of income, income from remittances and income from other sources, affect school attendance. Results suggest that income from remittances has a much larger impact on school retention rates than income from other sources. In urban areas, the average level of remittances lowers the hazard that a child will drop out of elementary school by 54 percent.


This paper uses a sample of 150-200 households and 25 communities from the Mexican Migration Project to examine how village migration patterns affect infant survival outcomes in sending communities in Mexico. The authors’ main hypothesis is that migration is a cumulative process with varying health effects at different stages of its progression. Their results suggest higher rates of infant mortality in communities experiencing intense U.S. migration. However, their findings also suggest that the impact of migration on infant survival changes over time due to inflow of migrants’ remittances and the institutionalization of migration. Mortality risks are low when remittances are high and decrease as migration experience increases in a community. The authors conclude that migration is likely to yield eventual health benefits to all infants over time. The results do not deal with the selectivity of the migration process.


This paper reviews common challenges faced by researchers interested in measuring the impact of migration and remittances on income poverty, inequality and human capital (or, in general, “welfare”) as well as difficulties confronting development practitioners in converting this research into policy advice. On the analytical side, the paper discusses the proper formulation of
a research question, the choice of the analytical tools as well as the interpretation of the results, in the presence of pervasive endogeneity in all decisions surrounding migration. Particular attention is given to the use of instrumental variables in migration research. On the policy side, the paper argues that the private nature of migration and remittances implies a need to carefully spell out the rationale for interventions. It also notices the lack of good migration data and proper evaluations of migration-related government policies.


This paper investigates the impact of international migration on child health outcomes in rural Mexico using a 1997 nationally representative demographic survey. To correct for the endogeneity of migration status, the authors use historic migration networks -- 1920s, state-level migration rates in Mexico as instruments for current migration stocks. The authors find that children in migrant households have lower rates of infant mortality and higher birth-weights. One contribution of this study is that the authors also explore the channels through which migration may affect health outcomes and find evidence that migration raises health knowledge in addition to its direct effect on wealth. These results provide a broader view of the health consequences of migration than is offered by the existing literature.


This paper exploits a unique natural experiment that helps identify the causal impact of remittances on poverty in migrants' origin households and in remittance-receiving areas. The authors take advantage of exogenous shocks to the remittance receipts of Philippine households. Because Filipino migrants work in a variety of foreign countries, origin households experienced sudden changes in exchange rates due to the 1997 Asian financial crisis. The paper finds that the appreciation of a migrant's currency against the Philippine peso leads to increases in the origin household remittance receipts, and reductions in poverty in migrants’ origin households. The authors also find evidence of spillovers to households without migrant members, focusing on cross-regional variation in the mean exchange rate shock experienced by the region’s migrants. In regions with more favorable mean exchange rate shocks, aggregate poverty rates decline even in households without migrant members. However, they do not find strong evidence of effects on region-level inequality.
Remittances in Broader Processes and Contexts
Topic 18 – Remittances and Urban-Rural Transformations

While internal and international migration tends to be part and parcel of broader processes of urbanisation and rural development, remittance inflows to migrant sending localities and regions tend to accelerate and transform these same processes. First, remittance inflows tend to increase the share of non-agrarian income among migrant and nonmigrant households. Second, migrants often prefer to invest remittances in nearby urban centres, thereby reinforcing existing tendencies of urbanisation. Third, return migrants often prefer to re-settle in urban centres with their families while remittances can also finance rural-urban migration of family members for work or study. Finally, the aggregate positive effects of remittances on income and employment growth in migrant sending regions have transformed some regions into relatively prosperous areas.

For instance, de Haas (2007) found that in Morocco an increasing share of return migrants prefer resettling and investing in urban centres within migrant sending regions (rather than capital cities), due to the presence of public amenities, schooling, employment opportunities and the greater potential for investment. Through urban-based real estate and business investments, remittances receiving households simultaneously capitalize on, and actively contribute to, the accelerated urban growth and concentration of economic activities in migrant boomtowns, which have become destinations for internal migrants.

Remittances also tend to contribute to accelerating rural transformations, albeit in very heterogeneous ways. Whereas under favourable agro-ecological conditions, remittances have enabled migrants to modernise agriculture and invest in land and cattle, in other cases remittances have led migrant households to de-intensify or wholly abandon agriculture. Taylor et al (2006) found that in rural Guatamala remittances have permitted the conversion of rainforest into cattle pasture and also resulted in the accumulation of land in the hands of migrants.

In a study of migration and agricultural change in an Ecuadorian sending region, Jokisch (2002) found that remittances have neither led to agricultural abandonment nor to agricultural improvements. However, large investment in housing converted much of the region into a peri-urban landscape of cultivated real estate. In some Moroccan rural regions, remittances have enabled investments in modern irrigated agriculture, whereas they have triggered abandonment in other regions (de Haas 2007). The same evidence from Morocco also suggests that agricultural production may decline in the short term as a result of the lost labour effect, whereas in the long term
effects may be positive after agricultural systems have readjusted and migrants start to invest. This seems to be corroborated by a study of the effects of temporary labour migration from five African countries to South Africa’s mines on agricultural production in countries of origin, in which Lucas (1987) finds that migration diminishes domestic crop production in the short run, but enhances crop productivity and cattle accumulation through invested remittances and increased domestic plantation wages in the long run. These findings demonstrate that the impact of migration and remittances should not been seen through a short-run lense, but should instead be studied with a longitudinal perspective.

There is a great need for research on interactions between international and internal migration, including the role of remittances in possibly facilitating a shift from rural to urban sectors. In fact, a lack of longitudinal data on migration and urban-rural transformations has hindered research in this area to date, and this seems to be a priority area for future research.

This paper reviews the impact of international migration on socio-economic development in sending regions. Migration and remittances have considerably improved living conditions, income, education and spurred economic activity through agricultural, real estate and business investment, from which non-migrants indirectly profit. This has transformed migrant-sending regions such as the Rif, Sous and southern oases into relatively prosperous areas that now attract internal ‘reverse’ migrants. Although this challenges prevailing pessimism, the developmental potential of migration is not fully realized due to several structural constraints. Migration impacts are heterogeneous across space, socio-ethnic and gender groups, and tend to change over time and household migration cycles. Depending on the specific development and investment context, migration and remittances may enable people to retreat from, as much as to invest in, local economic activities. Paradoxically, development in migrant-sending regions seems to be a prerequisite for return and investment rather than a consequence of migration.


This paper examines the effects of international migration from two regions of Canar Province in Ecuador to metropolitan New York on agricultural production and land-use. Thousands of farmers from the highland provinces of Canar and Azuay, Ecuador, have immigrated to metropolitan New York, where they work in menial jobs and remit, as a group, millions of dollars annually. A small agricultural survey was administered in two communities to determine land-use and agricultural production of migrant and nonmigrant households. The results suggest that migration has neither led to agricultural abandonment nor have remittances been dedicated to agricultural improvements – refuting the two opposite hypotheses that predominate in the literature. Agriculture was not significantly affected by the large labor loss and the significant inflow of remittances. Semisubsistence agriculture remains an important riskaverse economic and cultural activity, but cultivation is a poor investment. A large investment in housing and land has converted much of the region into a peri-urban landscape of cultivated real estate.

This article examines temporary labor migration from five countries to South Africa's mines. The author extends the analysis of labor withdrawal from agriculture to embrace long-term effects. What has been neglected is the possibility that earnings of migrants may serve as a source of capital accumulation in the rural areas. Emigration (a) diminishes domestic crop production in the short run; (b) enhances crop productivity and cattle accumulation through invested remittances in the long run; (c) increases domestic plantation wages. In both Malawi and Mozambique, emigration to South Africa's mines significantly inflated labor costs to the local estate and plantation operators. This points at the conflicting interests between employers in the sending countries and in the mines.


Based on extensive ethnographic fieldwork, this article analyses how migrants and their remittances effect gender relations, ethnicity, land use, and land distribution. Evidence is drawn from research in four communities. San Pedro Pinula and Gualan represent communities of eastern Guatemala. San Cristobal Totonicapan is an Indigenous town in Guatemala’s western highlands, and San Lucas is a lowland frontier community in the Guatemalan department of Ixcan, which borders Chiapas, Mexico. The results suggest that migrants and their financial and social remittances result in significant changes in land use and land distribution in Ixcan. Migrant money permits the conversion of rainforest into cattle pasture and also results in the accumulation of land in the hands of migrants. In terms of land use, we see in San Pedro Pinula that migrant money also allows the Pokoman Maya to make small entries into the Ladino (non-indigenous) dominated cattle business. In San Pedro Pinula, the migration and return of Maya residents also permits them to slowly challenge ethnic roles. Also in Gualan and San Cristobal migration and social remittances permit a gradual challenge and erosion of traditional gender roles. However, migration-related changes in traditional gender and ethnic roles is only gradual because migrants, despite their increased earnings and awareness, are confronted with a social structure that resists rapid change. Despite the advantages that migration brings to many families, especially in the face of a faltering national economy and state inactivity regarding national development, the analysis suggests that migration and remittances have not resulted in community or nation-wide development.
Diasporas are an important and long-standing feature of the migration experience. Researchers have argued that diasporas can have a significant effect on their countries of origin through their economic and social linkages, particularly during times of civil conflict, war and insecurity. As the flow of remittances from international migration has increased, interest in the economic and social impact of remittances from diasporas has grown.

Several studies rely on the case study approach to illuminate the remittances sent by diasporas. Koser (2003) explores the Eritrean Diaspora and provides a detailed picture of the close involvement of a migrant population in the political and economic life of its country of origin. An interesting issue highlighted in his study is that since independence, adult Eritreans abroad have been asked by their governments to provide a voluntary contribution of their annual income to their homeland.

Empirical studies on diasporas and remittances face significant data challenges because existing data sources do not often provide information about the size of diaspora populations in the host economies. However, some insights can be drawn from studies that study how the size and strength of family and community networks in host and origin communities impact remittance flows. Funkhouser (1995) for example, finds that the greater the number of family migrants, the lower probability of sending a transfer and the contribution from an individual migrant, other things being equal. However, diaspora networks may also affect the migration decision and earnings opportunities in the host environment.

A current question in the literature is how sending countries can engage diaspora populations in order to maximize remittance and impact development in their homelands. For example, the Chinese and Indian diasporas have fueled development in their countries via both cash remittances and their direct engagement associated with the remittances. Many sending countries have sought to develop policies to maximize the amounts of remittances sent back and to stimulate investments by migrants. Remittances may be viewed as a vital source of foreign exchange and a major instrument of national economic development. In the Asian and Pacific context, this has also been referred to as the MIRAB model (Bertram 1986). This is as a national development model, in which a combination of “migration, remittances, aid, and (government) bureaucracy” is expected to contribute to the economic take-off of developing countries.

Over the past decade, many sending states have embarked upon more inclusive diaspora engagement policies through extending special political
and economic rights to emigrants and allowing dual citizenship (Gamlen, 2006). Besides fostering ties with migrants and their descendants, improving banking systems and improving competition on remittance markets is seen as a vital strategy to prevent remittances from declining. The Moroccan state, for example, has been rather successful in stimulating remittances through a combination of Diaspora engagement policies, the creation of a network of banks abroad as well as macro-economic, fiscal measures favoring migrants to remit money (de Haas and Plug, 2006). Although such policies to attract remittances may yield some success, past experiences suggest that it is unlikely that increased remittances alone can trigger national economic development, as this requires creating institutional environments that are attractive for migrants to invest in.
Topic 19 – Articles


Developed in the mid 1980s to explain economic processes in New Zealand's sphere of influence in the Pacific islands, the MIRAB model has proved applicable across a wide range of island economies. Identifying features of a MIRAB economy are heavy reliance on transfer payments, including repatriated factor incomes, to finance current expenditure; a migration process that disperses the members of ethnic groups across geographical space while retaining the organic unity of families and communities; and a consequent transnationalization of the society's economic activity whenever external niches of economic opportunity become accessible. Production of tradable goods is marginalized by the operation of market forces in the absence of regulation, and policies to promote tradable-led development have little application. The paper presents macroeconomic data to illustrate three stylized facts for MIRAB economies: persistent gaps between national expenditure and gross domestic product, a combination of large trade deficits with balanced current accounts (and hence limited debt accumulation), and the long-run stability of per capita aid flows. Some country-specific variations on the basic MIRAB model in the recent literature are reviewed, along with some recent economic literature on the microeconomics of transnational networks of kin and community.


In contrast to earlier predictions, migrant remittances from Europe to Morocco have shown an increasing trend over the past decades. Remittances constitute a vital and relatively stable source of foreign capital. The so-called "euro effect" and concomitant money laundering can only explain part of the recent, extreme surge in remittances. The structural solidity of remittances is explained by the unforeseen persistence of migration to northwestern Europe; new labor migration toward southern Europe; and the durability of transnational and transgenerational links between migrants and stay-behinds. The stable economic-political environment and new "enlightened" policies toward migrants explain why Morocco has been relatively successful in channeling remittances through official channels.

This paper uses household data from El Salvador and Nicaragua to examine the determinants of remittances from international migration. Nearly twice as many households in San Salvador, the capital of El Salvador, receive remittances from relatives abroad than do households in Managua, the capital of Nicaragua, and of those who receive remittances, the average remittance received in San Salvador is over double that in Managua—$119/month to $45/month. The author finds that the role of observable characteristics in explaining differences in the level of remittances, accounting for the self-selection in the decision to remit, is not large. The difference is explained by differences in the behavioral coefficients and by differences in the self-selection bias of those who remit out of the pool of emigrants between the two countries. The number of family migrants abroad has a negative impact on the propensity to remit and the amount remitted by an individual migrant.


This paper presents an original typology of diaspora engagement policies intended to facilitate comparative research. The typology is arises from a two part argument: a) that diaspora engagement policies consist of a diversity of measures aimed at (re)producing citizen-sovereign relationships with expatriates, and b) that these measures can be coordinated as part of states' attempts to manage the scale of their political and economic manoeuvres. By using the typology to systematically review the diaspora engagement policies of over 70 states, the paper questions four key assumptions in existing literature on diaspora engagement policies, establishing that they are compatible with two models of citizenship, and arguing that they are not confined to any one kind of state.


In this chapter, Koser examines the relationship between the Eritrean government and Diaspora. He argues that the Eritrean state has been able to build on the pre-war link between the Eritrean Diaspora and the government to mobilize support from the Diaspora and finance the Eritrean-Ethiopian conflict. In the post-independence era, the state has intensified its efforts to enhance its relationship with the Diaspora. The state has employed multiple strategies including the re-opening political offices in major host
countries, the revitalization of Eritrean relief associations; and the participation of the government in events organized by migrants. Koser recognizes diaspora communities' growing disillusionment with the government, and the emerging religious, ethnic and political factions in the post-independence era.
Topic 20 – Remittances, Environment and Natural Disasters

Recent studies have shown that remittances may be of considerable importance during crises and economic and political insecurity. During natural disasters, emergencies, conflict or war, remittances may provide a relatively stable source of income, and contribute significantly to household welfare. Because formal market transactions tend to be disrupted and government capacity may be limited in times of insecurity, researchers and policymakers have shown a growing interest in understanding how remittances can help mitigate the economic shocks that impact crisis-affected populations.

One strand of the literature on this topic is largely descriptive. For example, Ismail (2000) provides a descriptive overview of the role of remittances, provided by a large diaspora of migrant workers and refugees, in post-war Somaliland. Based on field-work conducted in Somalia, the paper discusses trends in the size, sources, means of transferring remittances, distribution and use of remittances, their role in livelihoods and in the country's economic recovery and future prospects. The author suggests that remittances have contributed to the rapid growth of a vibrant private sector in the post-war period. However, the economic impact of remittance flows may also be limited by the lack of credit schemes and facilities for saving.

Another strand of literature aims to measure the degree to which remittance flows respond to natural disasters and shocks. Yang (2006) examines the impact of hurricane exposure on international resource flows, including remittances to developing countries. The author finds that the impact of hurricane exposure on resource flows varies according to the receiving country's income level. In the poorer half of the sample, hurricane exposure leads to a substantial increase in migrants' remittances, such that total inflows from all sources in the three years following hurricane exposure amounts to roughly three-fourths of estimated damages. However, in the richer half of the sample, hurricane exposure stimulates inflows of new lending from multilateral institutions, but induces declines in private financial flows that are very large.

A central question then is whether remittances can provide insurances in the face of shocks induced by natural disasters and other emergencies. Clarke and Wallsten (2003) examine whether remittances can insure households against income shocks, using a longitudinal household-level data set from Jamaica. The panel dataset includes remittance information as well as detailed self-reported information about damage incurred due to a major hurricane (Hurricane Gilbert in 1988). The authors conclude that remittances
act as insurance, but only partially: parameter estimates suggest that remittances increased by only about 25 cents for every dollar of hurricane damage experienced by a given household. The authors rely on household fixed effects to deal with unobserved heterogeneity and potential moral hazard problems.

Yang and Choi (2007) investigate whether remittances sent by overseas migrants serve as insurance for recipient households using a nationally representative household survey from the Philippines. The authors find that remittances from international migration respond to income shocks experienced by Philippine households. In particular, changes in income are found to lead to changes in remittances in the opposite direction, consistent with insurance motives. About 60 percent of declines in household income are replaced by remittance inflows from overseas. Because household income and remittances are jointly determined, rainfall shocks are used as an instrumental variable for income changes. The authors conclude that while consumption in households with migrant members is unchanged in response to income shocks, while consumption responds strongly to income shocks in households without migrants.

This paper provides a descriptive overview of the role of remittances, provided by a large diaspora of migrant workers and refugees, in post-war Somaliland. Based on field-work conducted in Somalia, the paper discusses trends in the size, source, means of transfer, distribution and use of remittances, their role in livelihoods and in the country's economic recovery and future prospects. The total value of remittances, originating mainly from migrant labor in the Middle East and more recently an exodus of refugees to the West, and greatly facilitated by the growth of telecommunications in Somaliland and of remittance agencies, is estimated at some US$500 million annually — around four times the value of livestock exports. Contrary to the prevailing view that remittances are mainly used for consumption and unproductive investments such as housing and land, the author suggests that in Somalia, the author suggests that remittances have contributed to the rapid growth of a vibrant private sector. However, remittance flows have also been associated with a number of negative side-effects such as the loss of the skilled labor, increased income inequality and booming sector effects, and their positive impact is limited by the present lack of credit schemes and facilities for saving.


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This paper examines the impact of hurricane exposure on international resource flows, including remittances to developing countries. Using meteorological data, the author constructs a time-varying storm index that accounts for the fraction of a country's population exposed to storms of varying intensities over time. The author finds that the impact of hurricane exposure on resource flows varies according to the receiving country's income level. In the poorer half of the sample, hurricane exposure leads to a substantial increase in migrants' remittances, such that total inflows from all sources in the three years following hurricane exposure amounts to roughly three-fourths of estimated damages. However, in the richer half of the sample, hurricane exposure stimulates inflows of new lending from multilateral institutions, but induces declines in private financial flows that are very large.


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Additional Resources
FINANCE AND DEVELOPMENT INSTITUTIONS

- **International Monetary Fund**
  The IMF provides definitions, guidelines for compiling data, and statistics about remittances as part of its keeping track of balance of payments between nations. This page provides a link to the *IMF’s Balance of Payments and International Investment Position Manual*, which defines remittances and provides guidelines for collecting and preparing remittances statistics.

- **World Bank Group**
  Various departments and programs of the World Bank and the International Finance Corporation provide data, analysis, and policy regarding remittances and their impact on development.

  - The Development Prospects Group focuses generally on global economic trends, including Migration and Remittances, the webpage for which links to the *Migration and Remittances Factbook 2008*, which provides remittance data for all countries, regions, and income groups of the world and other resources and publications related to remittances.

  - The Poverty Reduction Group’s webpage on Migration and Development links to Seminars, Publications, and Related Links, many with a focus on remittances.

  - This group also prepares two of the bank’s “flagship” publications: *Global Development Finance* (a chapter of the 2003 issue is widely credited with having brought public attention to remittances)
The Development Research Program on International Migration and Development gathers data and conducts analysis of the impact of migration on development including The Determinants and Impact of Migration and Remittances, which describes research employing household surveys, focused on different countries, related to national remittance statistics, and other studies:


The Financial and Private Sector Development’s webpage on Remittances outlines policy initiatives of the bank and provides links to current projects, a large list of bank publications on remittances, a schedule of bank and other international institution meetings on remittances, and links to a large number of other organizations with remittance resources.


The World Bank's Gender and Development webpage provides access to a small number of articles that address gender and remittances if the reader types “remittances” into the page’s web function.


**Inter-American Development Bank**
The IDB's Multilateral Investment Fund provides data and research reports on remittances from all parts of the world to Latin America and the Caribbean and their impact on development. This webpage provides data on remittances to the region and links to other remittance data, projects, and publications related to bank activities, including finance and capital markets; micro, small, and medium enterprise development – with lessons learned from various project case studies in the banking of remittances; and, through its Library, access to over 130 bank publications on remittances.

http://www.iadb.org/mif/remesas_map.cfm?language=English&parid=597
• **Department for International Development (UK)**
The DfID Remittance Information Library provides what is probably the most comprehensive set of links to thematic and geographically categorized list of publications on remittances.
http://www.dmassocs.com/dril.cfm

Searching the DfID website for remittances turns up additional studies, reports, news and other resources:

DfID’s strategy toward migration and development, including remittances, is described in a policy paper, “Moving Out of Poverty, Making Migration Work Better for Poor People”:

• **United States Agency for International Development**
The USAID’s Global Development Partnership program, which links public and private enterprise, has launched a Diaspora Networks Alliance (DNA) to leverage migrant resources, including remittances, for development.

A search for “remittances” in the USAID publications library, Development Experience Clearing House, provides access to over 35 research and policy publications on remittances.
http://dec.usaid.gov/

• **International Organization on Migration**
The IOM supports policy and research activities related to migration and development. A search for “remittances” yields many of IOM’s publications on the topic generally and in numerous countries.
http://www.iom.int/jahia/jsp/index.jsp

• **Overseas Development Institute**
ODI is a research and policy organization that has focused on international and internal migration and development, including remittances:
http://www.odi.org.uk/themes/migration/#remittances

ODI has examined remittances during crises: implications for humanitarian response
http://www.odi.org.uk/HPG/remittances.html
United Nations Economic Commission for Europe
A joint meeting of the UNECE, World Bank, and US Census Bureau on January 14-15, 2008 examined the use of household surveys in measuring remittances in sending and receiving countries. The agenda of the meeting and conference papers can be found at: http://www.unece.org/stats/documents/2008.01.migration.htm

UNITED NATIONS

United Nations, Department of Economic and Social Affairs, Statistics Division
Searching for “remittances” at this website yields numerous reports of policy activities and publications of research. http://unstats.un.org/unsd/default.htm


United Nations International Research and Training Institute for the Advancement of Women (UN-INSTRAW).

RESEARCH CENTERS

Institute for Development Studies, University of Sussex
The IDS website “Livelihoods Connect” provides a general overview of remittance and development issues and links to international conference agendas and papers and publications on the role that remittances play in the livelihoods of people during emergencies. There are also links to a large number of organizations researching remittances. http://www.livelihoods.org/hot_topics/migration/remittancesindex.html #3
• **Institute for the Study of International Migration**
  ISIM has organized a Research Consortium on Remittances in Conflicts and Crises, which coordinates between international researchers and provides links to studies by some of its members. [http://isim.georgetown.edu/pages/RCRCC.html](http://isim.georgetown.edu/pages/RCRCC.html)

**OTHER RESOURCES**

• **Global Forum on Migration and Development**

• **Migrant Remittances Newsletter**
  This quarterly publication, which is supported by DfID and USAID, provides news and information about remittance flows, policies, and research. Subscriptions and back issues are available. [http://www.microlinks.org/ev_en.php?ID=13069_201&ID2=DO_TOPIC](http://www.microlinks.org/ev_en.php?ID=13069_201&ID2=DO_TOPIC)

• **Migration Policy Institute**
  This organization’s Migration Information Source provides policy analysis, reporting, and summaries of findings by leading researchers. A search for “remittances” yields over 35 publications on various aspects of remittance flows, their impact on development, and policies for development. [http://www.migrationinformation.org/search.cfm](http://www.migrationinformation.org/search.cfm)

• **Financial Action Task Force**
  The FATF is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. [http://www.fatf-gafi.org/pages/0,2987,en_32250379_32235720_1_1_1_1_1,00.html](http://www.fatf-gafi.org/pages/0,2987,en_32250379_32235720_1_1_1_1_1,00.html)

• **Remesas.org**
  This organization provides Spanish-language access to news, research, and other web resources particularly related to the organization’s activities in Spain capacity building, investigations, and cooperation,
which are organized to enhance the development contributions of remittances. www.remesas.org


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