Remittances and Social Policy: Reflecting on The Migration Conference 2019

Fethiye Tilbe

Abstract

The debates over and interest in remittances have grown significantly in the last decade or so. This is mainly due to the growth in the volume of remittances sent and received around the world which exceeded 600 billion USD per annum. Despite a burgeoning literature, most studies focus on the receiving end. However, it takes two to tango. The circumstances of those sending and the impact of sending remittances on the sending parties are equally important. The determinants of each and every transfer, the motivations to send money and its impact on further migrations, integration and beyond needs to be understood. More studies needed to understand sending behaviour and dynamics. Patterns of remittance sending should be examined from both sending and receiving perspectives. Another weak area in the literature is the remittance flows into industrialised countries (or traditional destination countries). These flows represent about a third of global remittance flows and yet to receive adequate attention in scholarly and policy debates. Within the wider framework of remittances debate, it is also important to bring in social policy perspectives. These questions are being reflected in this article concern the papers presented at The Migration Conference 2019 Bari, Italy.

Keywords: Remittances; migration; reverse flows; social policy; The Migration Conference; TMC 2019.

JEL Classification: F22, F24

Introduction

Impact of remittances may be examined at the macro and micro levels (Cohen, 2014). However, this must also be done regarding the sending and receiving ends. The subjects that are related with the welfare regime like the regulatory and auditory framework, labour market and working conditions, and welfare mechanism, etc. appear as the topics that must be discussed by considering the sending end (destination country). On the receiving end, who get remittances in the country of origin, variables like the income of the migrants' household, the decisions of the family members to be included in the labour market, level of making use of social aids, the changing status of women depending on her income, access to education and

Dr Fethiye Tilbe is Lecturer at Tekirdag Namik Kemal University, Tekirdag, Turkey. Email: fethiyetilbe@nk.edu.tr.
health etc. have been examined within social policy in a relatively rich literature. However, the sending end of remittances was overlooked. Similarly, the flows from traditionally remittance-receiving geographies to what is often called industrialised destination countries have not been paid much attention. In this article, we underline that remittances cannot be fully understood only by dealing with what happens to the country of origin (i.e. the receiving end), and secondly, we encourage researchers to look into remittance flows to industrialised countries. In the light of these two questions, we also briefly review the discussions held at the latest Migration Conference 2019 in Bari, Italy.

Drivers for Sending Remittances
The literature largely focuses on two main reasons for the sending remittances: Altruism, and self-interest to secure the inheritance and to invest in household assets with the expectation of a return. There are many, also with conflicting results, studies emphasising the importance of either of these two motivations (Agunias, 2006: 21). Lucas and Stark (1985: 904) argued that the justifications of altruism and self-interest often constitute a messy situation. The desire of gaining prestige and caring conflates. For this reason, “tempered altruism” or “enlightened self-interest” concepts were developed (Lucas and Stark, 1985: 901). Hence, remittances may be considered as a part of the household risk distribution strategy, the source of the investment capital for interventional activities and education, or as a simultaneous investment to facilitate the migration of other household members.

Altruism means that the money is sent for the care of the left-behind household, relatives and sometimes others in the community of origin (Johnson and Whitelaw, 1974; Lucas and Stark, 1985). Thus sending remittances is considered as a selfless/altruistic behaviour that may arise from love, necessity and/or responsibility towards the family (Marwan, 2011: 99). In altruistic behaviour, the amount of money sent increases with the income level of the migrant and decreases when the income of households decreases (Funkhouser, 1995: 138).

Purchasing something is also considered as a key motivation for sending remittances. In this type, money is sent for the purchase of a variety of services, which includes insurance for migrant’s assets left behind, as well as expenditures for caring of children, parents or the elderly (Cox, 1987; Lucas and Stark, 1985). In this type of behaviour, it is predicted that the amount of money sent increases with an

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1 For details see: www.migrationconference.net.
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increase in the income of migrants (Rapaport and Docquier, 2005: 13). However, unlike the altruistic justification, even though the household income increases, the process of sending money will still continue because the family is now able to cover a higher quality of services like better consumption, education and health (Mouhoud et al., 2008: 9). The model can be criticized as ignoring the socioeconomic conditions of migrants in the destination country and ignoring the sending end.

It has been also shown in the literature that repayment of the debts that incur in migration process or prior to migration is a strong motivation for some migrants (Marwan, 2011: 100). Studies on this issue also argue that repayment of the money spent for migrant’s education or repayment of the debts incurred to the family in financing the migration process is a strong motivation for some (Piorine, 1997; Brown, 1997; Glytsos, 1988). In such a situation, the existence of an “implicit family contract” is a feature mentioned in the literature (Lucas and Stark, 1985; Agarwal and Horowitz, 2002). In such cases, the migrant needs to have a hope to find a job and high-enough earnings (Stark, 1991; Agarwal and Horowitz, 2002; Gubert, 2002; Marwan, 2011: 101).

On the other hand, Stark and Levhari (1982), Lucas and Stark (1985; 1991) argue that remittance is actually a transfer that involves a risk distribution contract as an insurance premium. In this model, migration is a household strategy for risk distribution. Households diversify their sources of income by sending family members to work in various labour markets. Money is often sent when the household faces a difficult situation. In return, households provide support to the migrants when economic conditions deteriorate in the destination country, for example, during unemployment periods (Solimano, 2003: 8). This also draws attention to the other issue we raised: remittances sent to destination countries.

Another motive behind sending money to family members back in the homeland could be pure self-interest. This is about the passion for inheriting family assets. In other words, parents use inheritance as an incentive (or bait) for their children to send them more money (De la Brière et al., 2002; Hoddinott, 1994).

The literature on self-interest in remittance sending also highlights the investment by remittances in real estate, cattle farming, land plots and other financial assets (Blue, 2004). Hypothetically, money transfers for investment purposes are more sensitive to the economic and political climate of the host country and country of origin. If the revenues in the host country are higher, more remittances are likely to
be sent by migrants. At the same time, higher income levels in the country of origin are likely to encourage more transfers because of favourable economic conditions for investment (Marwan, 2011:103).

The next question for us is the determinants of these motivations and sending behaviour. One should still bear in mind the importance of understanding both sending and receiving perspectives.

Marwan divides determinants of remittances into behavioural and structural dimensions. He aims to bridge the gap between motivations and the context (of macro and microeconomics) in both countries of origin and destination.

**The Determinants of Remittances**

As we frequently face in the literature (e.g. Russell, 1986), the decisive factors of remittances are grouped into two. The first set of factors deal with the sociodemographic characteristics of migrants and their families. The second set of determinants are related to institutional factors, as well as macroeconomic and political variables. However, the literature largely focuses on the first set of determinants, rather than macro-economic variables. These sociodemographic determinants are seen as key reasons for sending money. According to Russell (1986), possible sociodemographic determinants of remittances include factors such as share of the population in the destination country, income levels of migrant households, employment of other household members, marital status of migrants, level of education and professional status of the migrants. Integration indicators such as employment and income tend to have a positive effect on the ability of migrants to send remittances (de Haas, 2007: 17). Amuedo-Dorantes and Pozo (2006) concluded that income increases in countries that receive a significant number of immigrants, and in return, this increases the remittances sent home for personal insurance as well as family-oriented insurance.

The literature on macroeconomic determinants of remittances, on the other hand, emphasize the number of employees, wage rates, economic activity in destination country and country of origin, exchange rates, relative interest rates in countries sending and receiving employees, political risk factors (Russell, 1986; Straubhaar, 1986; Swamy, 1981; Elbadawi and Rocha 1992; El-Sakka and McNabb 1999). The hypothesis that was developed by Vargas-Silva and Huang (2005: 85) demonstrates the relationship between the macroeconomic conditions in the destination country and those in the country of origin and the remittances. The model says that the flow of remittances sent by migrants to the country of origin will increase when there is an improvement in the economic conditions in the
destination country, and will decrease when there is improvement in the economic conditions of the country of origin. Sirkeci and Ratha (2012: 333) reported that the other factors that affected the flow of remittances were the economic opportunities in the country of origin, development and growth trends in the country of origin and in the destination, consumption trends of migrants, cultural characteristics, migrant experiences and exchange rate fluctuations. For this reason, relatively fewer studies showed that the economic conditions of immigrants in the destination country are decisive in money transfer behaviour.

Effects of Remittances
Parallel to the relationship between migration and development, although “developmental” optimism was dominant in the 1950s and 1960s in the context of international migration and remittances, pessimism became dominant in the 1970s and 1980s. This has changed as a result of the emergence of more detailed viewpoints in the 1990s, the rediscovery of remittances, and the revival of optimism about migration and development in recent years (de Haas, 2007: 6). Since the 1990s, a growing number of studies have emerged that challenged the ambiguous views that migrants are wasting their incomes on personal consumptions (Adams 1991: 719). A great number of previous studies support that households receive international remittances tend to invest more than non-migrant households and control income and other related household variables. Rapoport and Docquier (2005: 2) pointed out that there is a considerable amount of evidence that remittances promote access to the self-employed phenomenon and increase investment in small businesses.

The effects of the remittances can be examined at both micro and macro levels. Studies dealing with the effects at the macro level showed that remittances reduce poverty (Adams and Page, 2005), and help accumulate human and physical capital, economic growth and development (Ziesemer, 2006 and Adenutsi, 2010). In a survey conducted on long-term migrants, Uruci and Gedeshi (2003) concluded that the vast majority of these migrants with a rate of 69.7% sent remittances to cover the basic needs of the family (UN, 2011: 6). Similarly, Du et al. (2005) found that having a migrant (domestically) increased per capita income of a household at a rate of 8.5-13.1% (de Haas, 2007: 20).

In many previous studies, it was concluded that international remittances reduce poverty, both directly and indirectly. Based on the study examining the impact of international migration on poverty based on a household survey conducted in 71 developing countries,
Adams and Page (2005) found international remittances to have a negative effect on poverty. In this respect, a 10 percent increase in the share of remittances in a country’s Gross Domestic Product (GDP) causes a 1.6 percent reduction in the proportion of people living in poverty (UN, 2011: 8), with less than $1.00 per person per day leading to a 3.5% decrease in the share of living people (de Haas, 2007: 19). Similarly, Teto (as cited in de Haas, 2007: 19) predicted that 1.17 million Moroccans would fall to poverty level without international remittances (among 30 million), and that the rate of people living below the poverty limit would increase to 23.2% from 19.0%. More recent studies drew our attention to the relationship between remittances and food security (Kuuri et al., 2013; Crush, 2013; Crush and Caesar, 2018). It was also argued that “severe food insecurity was significantly related to not receiving remittances... while receiving remittances seems to positively affect the food security status of individuals in the Global South (Ebadil et al., 2018:135).

The literature has clear gaps regarding the socio-economic context, institutional and regulatory frameworks in the sending end. To improve our understanding of remittances, future studies need to focus on bridging and filling this gap.

**What was discussed in Bari to fill this gap?**

Scholars in social policy seem to have overlooked remittances as a subfield. In this article, the importance of remittances for social policy discipline can be discussed through the debates accommodated by The Migration Conference 2019 held in Bari, Italy. Here I discuss the papers presented at the conference.

As many would argue, by now, The Migration Conference series has become a prominent global venue for academics, policymakers, practitioners, students, media and other interested public to engage in intelligent debates and research-informed discussions on human mobility and its impacts around the world. Thematic areas covered by some 600 presentations by over 760 contributors from all around the world also included a significant number of papers on remittances (see Tilbe and Mahmutoğlu, 2019).

The Migration Conference 2019 offered 23 sessions covering remittances. While some sessions were completely dedicated to remittances research, others were covered under tracks of the economics, work and employment. Truly reflecting the nature of the remittances, these discussions were often framed in relation to acculturation, data and methods, wellbeing, technology, transnational ties, policy, integration, return migration, migration process, and migration theory. Understandably, as discussed above,
remittances were analyzed in relation to labour markets, working conditions of migrants, wages received, gender, economic development, household expenditures, and household welfare. These also happen to be the core topics in the field of social policy.

The effects of migration on economic development and household welfare, particularly in the countries of origin, were discussed at length during the conference. In most cases, development debates refer to remittances. Although the experience gained in the destination country makes an indirect contribution to the economic development of the country of origin, the literature mainly focuses on remittances due to its direct and short-term impact. Almost all of the papers presented at the conference focused on the social and economic effects of remittances on households and economies in the receiving country.

Devkota, for example, focused on the impact of remittances on economies of the countries of origin pointed out that the exponential rise in foreign labour migration in Nepal has produced a snowball effect on the economy of the nation. As documented by the World Bank, remittance received by Nepal increased to 31.7 per cent in 2015 while it was reported to constitute 2 per cent of the Gross Domestic Product (GDP) in 2000. According to Devkota, the dramatic variation in the economic development of the country has proved that migration is increasingly significant for livelihood, economic development, political stability, and policy planning in Nepal.

Gurbanov, Mammadzayev and Isgandar have focused on the role of international remittances in poverty reduction in resource-poor Former Soviet Republics and argued that remittances gradually became an integral part and the strongest pillar of economies in many post-Soviet states. Similarly, Alonzo et al., historicizing the evolution of province of the Philippines’ overseas migration culture and its socio-economic consequences through a local-to-national continuum, pointed out socio-economic outcomes and impacts of emigration in Ilocos Norte in the Philippines.

Those focusing on the microeconomics such as Chaudhary, who examine the impact of remittance on socio-economic development in the village of Tarai/Madhesh, Nepal, focused on the impacts of remittances on the migrant households. According to Chaudhary, the remittance has played a vital role in improving the socio-economic condition, poverty reduction and generating political awareness in the areas. Sharma and Batra, on the other hand, explored the impact of internal and international migration on consumption well-being and food security of the household left behind indicated that in all
methods they find households with internal migrants are doing better than the international ones which can be related to the migrants’ education levels.

Inderst analysed the effects of emigration on expenditure and economic activity of migrant households in Kenya and found migrant households, compared to their non-migrant counterparts, have spent significantly more on education and health but less on business activities. On the contrary, Kumari, argues the relation between technology and migration; impact of remittances on migrant households from Siwan district of Bihar by using qualitative research method, found that remittances have been invested mostly on land purchase, construction of houses, consumption, purchase of luxury goods, but little on education, health and entrepreneurship. In the same vein, Kakkhkarov and Ahunov found that households in receipt of remittances tend to spend their hard-earned earnings on traditional ceremonies, wedding gifts, and non-food expenditures. Majority of these expenditure items are aimed to increase the social status of households and could be classified as a manifestation of conspicuous consumption. So, long-run economic effects depend on these expenditure patterns. If remittances finance enhancements in human capital, education, health outcomes, or small business development, this will maximise their contribution to economic growth. According to Cosciug, in the past 15 years, 50 billion euros were sent by migrants back home in Romania. 70–80 per cent of those financial remittances were spent on home appliances (40–50 per cent), extension/modernization of houses (40–50 per cent), and automobiles (10–20 per cent), pointing out the positive contribution of remittances to both national economy and the welfare of households.

Makhlouf’s paper attempted to explain the nature of the empirical relationship between remittances and interpersonal trust using data from the 2010 – 2014 wave of World Values Survey (WVS). Results underlined the role of remittances in consolidating trust in the home country. Mukwembi also attracted attention to the strength of social ties as a factor determining remittance behaviour. He claimed that the strength of social ties between migrants and relatives at home plays a major role in determining remittance flows and strong social ties encourage remittances to be transferred to the country of origin. Similarly, Mapril explored the relationship between remigration, ideas about the future and relatedness in transnational spaces, and argued that in Portugal, where many have invested remittances in businesses, in their children’s education, and maintained close relations with the relatives through economic and social remittances,
a good number migrants also decided to remigrate to other European countries.

Das, on the other hand, discussed that migration of male members of the household for employment can bring economic gains in terms of regular flow of remittances and potentially male migration may have a positive effect on women’s autonomy, and empowerment in the household, increasing workforce participation, mobility, and authorising women’s control and management of finances and access to credit.

Only one study presented at the Conference brought up a direct discussion of drivers for sending remittances. Kushnirovich investigated the monetary remittance sending behaviour of migrants in Israel and their motivations. The study revealed that remittance sending behaviour has been predominantly driven by motives of altruism, and only in part by seeking insurance and/or investment. However, attachment to the host country has been found to complement maintenance of transnational social ties, and positively associated with remitting irrespective of migrants' origin.

**Conclusion**

The focus and scope of these papers presented at The Migration Conference 2019 in Bari reflect the general trend in the literature. The focus on the remittance-receiving developing countries is understandable in the context of a political climate obsessed with preventing migration. However, it is also largely due to the significant impact of these monetary and social transfers to theses migrant-sending countries. There is still a lot of unknowns that warrants further research on the receiving end of remittances. This is why both the literature mentioned above and the conference papers reviewed focus on the impact on developing countries. All of the 38 papers on remittances presented at the Migration Conference have focused on the receiving countries. The impact of remittances on receiving communities, households, countries at national, regional or local levels was discussed. Determinants and motivations were discussed in the same vein too. Nevertheless, the regulations and institutions in the remittance sending countries may have an impact on all aspects of remittances including the amount, frequency and motives and patterns.

It is important to conclude that the gap highlighted in the first half of this article is yet there and the coverage in the debates held in Bari at the Migration Conference was similar to the existing literature. Social Policy perspectives are important to frame these debates and further our understanding of remittance sending behaviour and patterns with
a particular emphasis on the sending end but without divorcing both ends of the remittances flows. Hopefully, in the next migration conference, this will be addressed better.

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