



The economic and social remittances

The effect in the sending countries

Economics of Migration in Europe Lesson 9

Professor Alessandra Venturini



UNIVERSITÀ DEGLI STUDI
DI TORINO



The effect

The effect of migration in the sending countries:

- Population (size, growth and skill composition);
- Growth of the economy;
- Employment rate;
- Wealth vs. poverty

Through remittances and movement of human capital



REMITTANCES

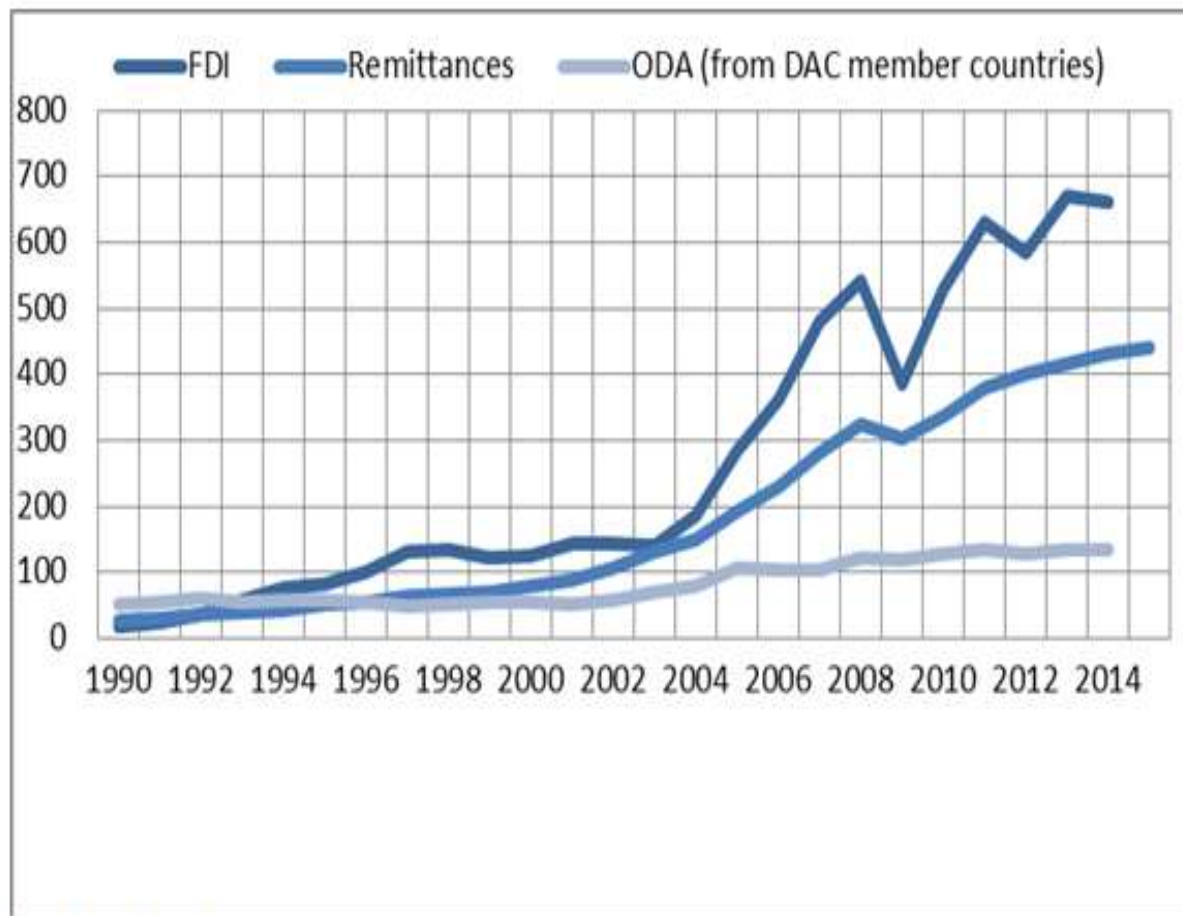
A. Channel of entrance of remittances:

- Banks (loans);
- Money transfers;
- Friends;

→ **Difficult to measure**



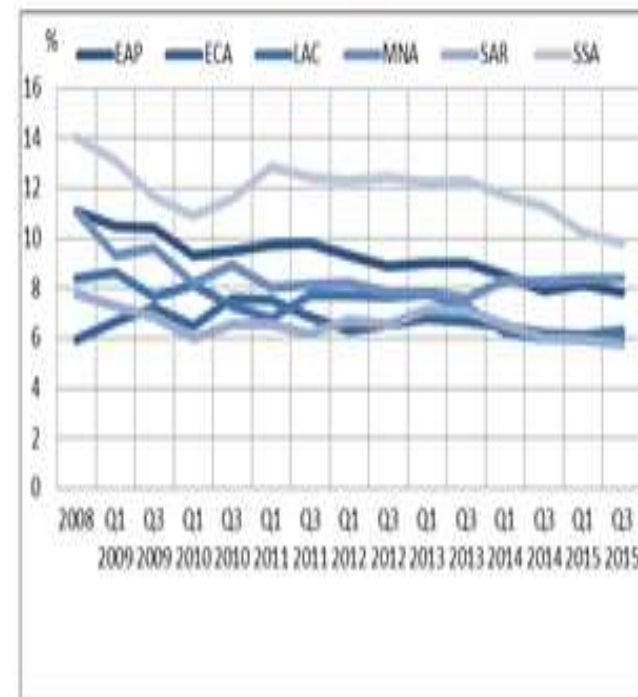
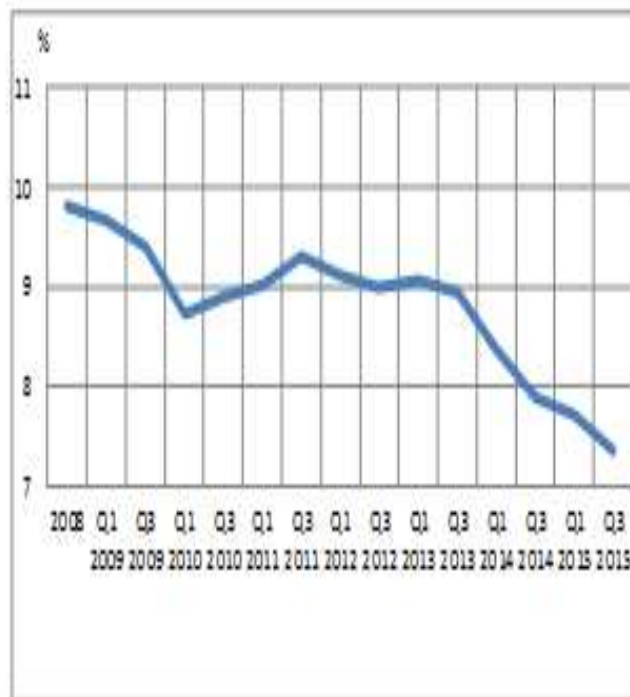
Figure-6.10: Remittances to developing countries far exceeds Official Development Assistance (ODA)



Sources: World Bank Migration and Remittances Factbook 2016; World Development Indicators; ODA data from OECD-DAC.



- Figure 6.13: Overall remittances costs have fallen by approximately 2 percentage points since 2009, but costs vary greatly across regions

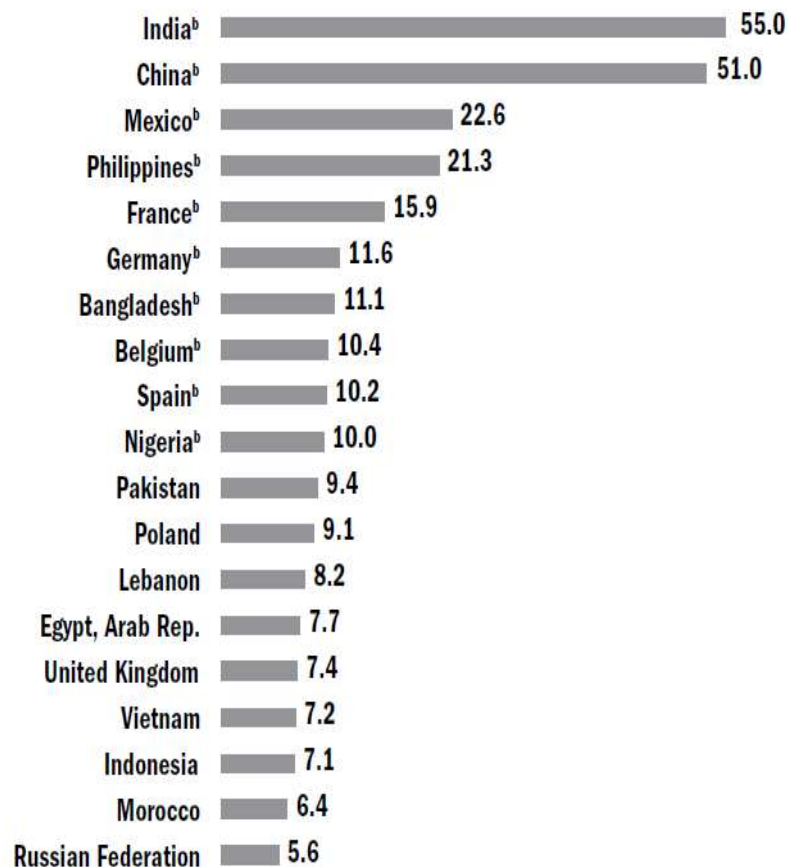


Source: The World Bank, Remittance Prices Worldwide, available at <http://remittanceprices.worldbank.org>



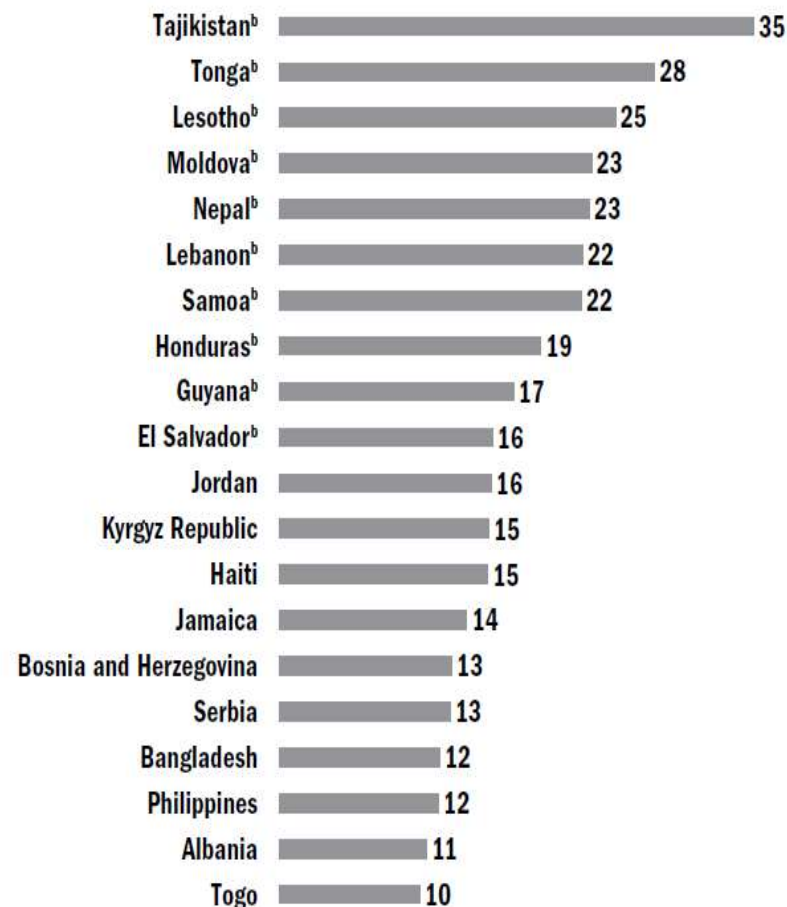
Top Remittance-Receiving Countries^a, 2010e

US\$ billions



Top Remittance-Receiving Countries^a, 2009

percentage of GDP





B. Destination of remittances:

- Consumption;
- Education;
- Investment, house, land and business.

C. MacroEffects:

- Balance of payments and growth;
- Social remittances (i.e. democracy).

D. Micro Effects:

- Poverty,
- Income dispersion,
- Child labour, school attendance,
- Discourage incentive to work (Amuedo-Dorantes, Pozo AER 2006)
- Financial development



	Flow of remittances received (2007, billion US\$)	Remittances % of GDP (2006)
Morocco	5.7	9,5%
Algeria	2.9	2.2%
Tunisia	1.7	5%
Egypt	5.9	5%
Palestine	0.6	14.7%
Jordan	2.9	20.3%
Lebanon	5.5	22.8%
Syria	0.8	2.3%

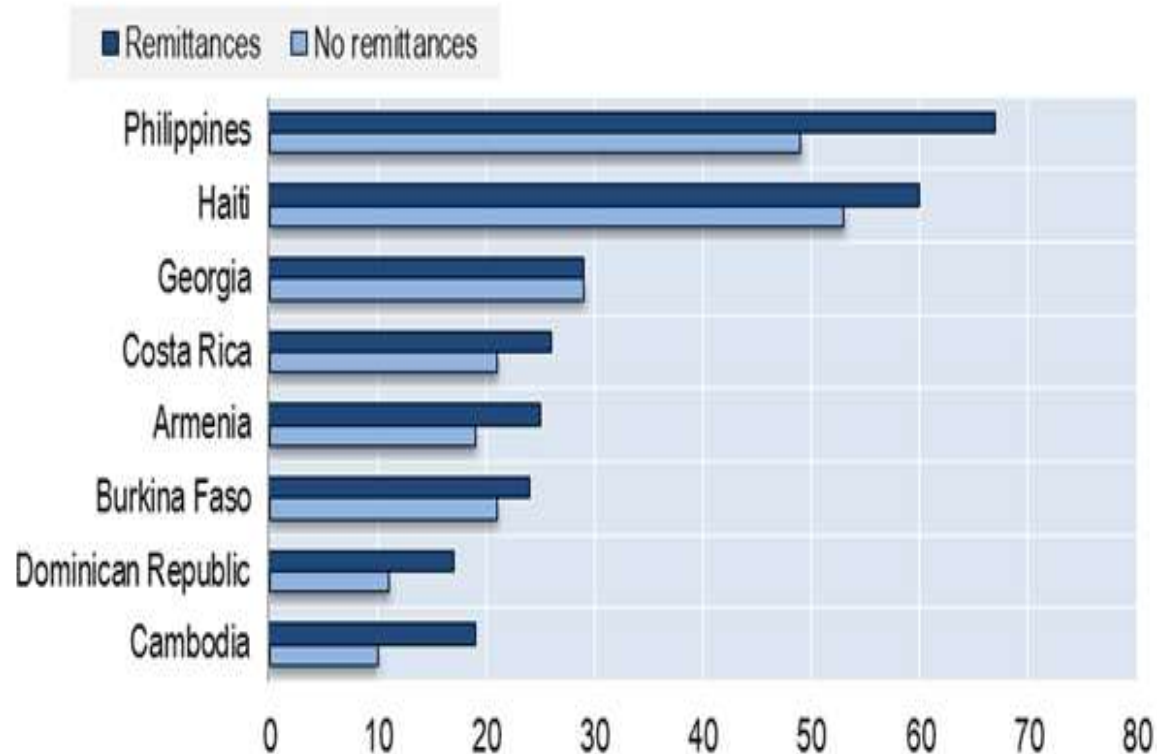


FINANCIAL DEVELOPMENT

- Underdevelopment is coupled with **under financial development**, and remittances can contribute to reduce financial constraints and favour investments and growth.
- The difficulties in borrowing in developing or, in transition countries, in reducing growth, and remittances can substitute or integrate the formal financial system in an efficient way given the lower cost (no interest rate or bribe to pay) and larger diffusion being closer to the final user.
- Giuliano and Ruiz-Arranz (2005); Muncada (2005)
- Aggarwal, Demirgüç-Kunt and Martinez Peria (2011)



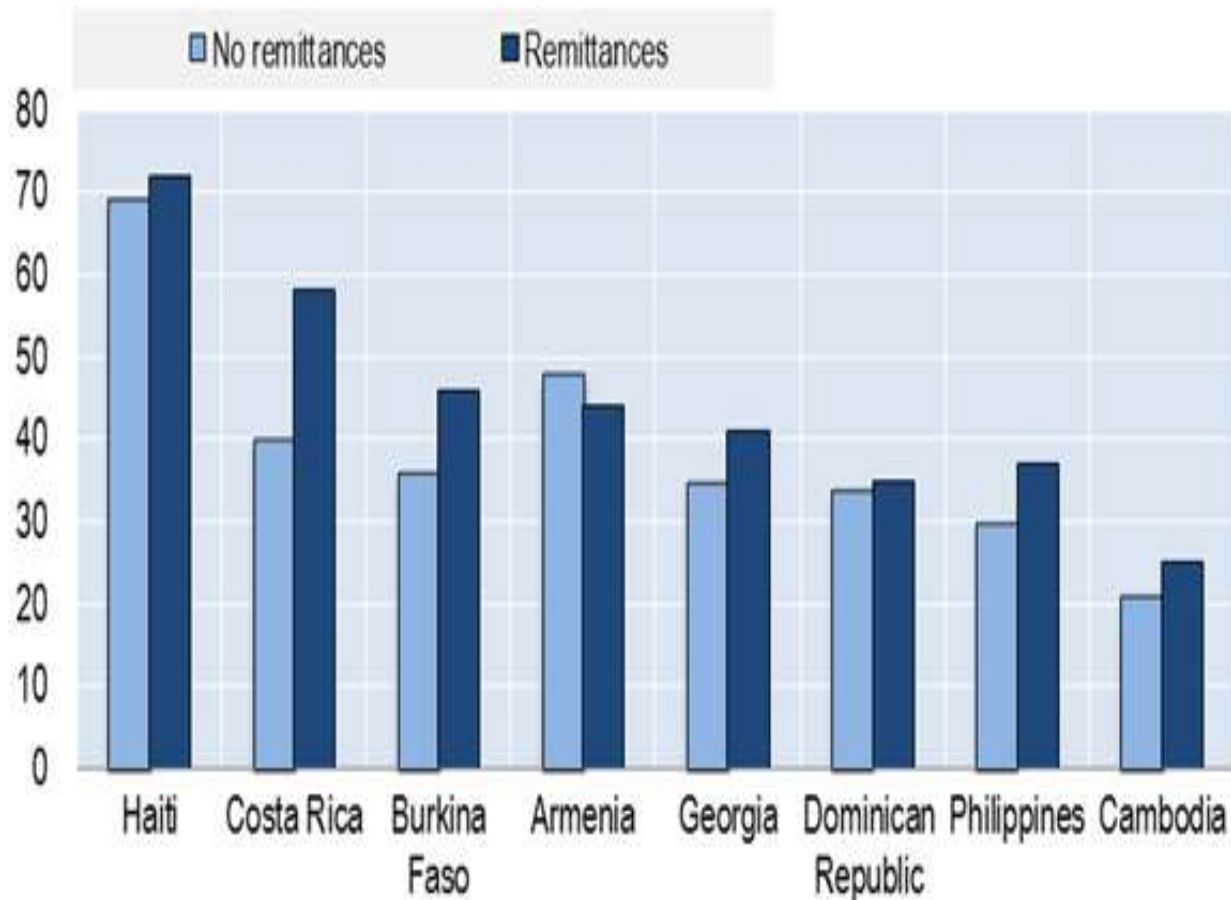
Figure 6.11: Share of households owning real estate, by remittance status



Note: Real estate include non-agriculture land and/or housing other than house used as accommodation by the household.

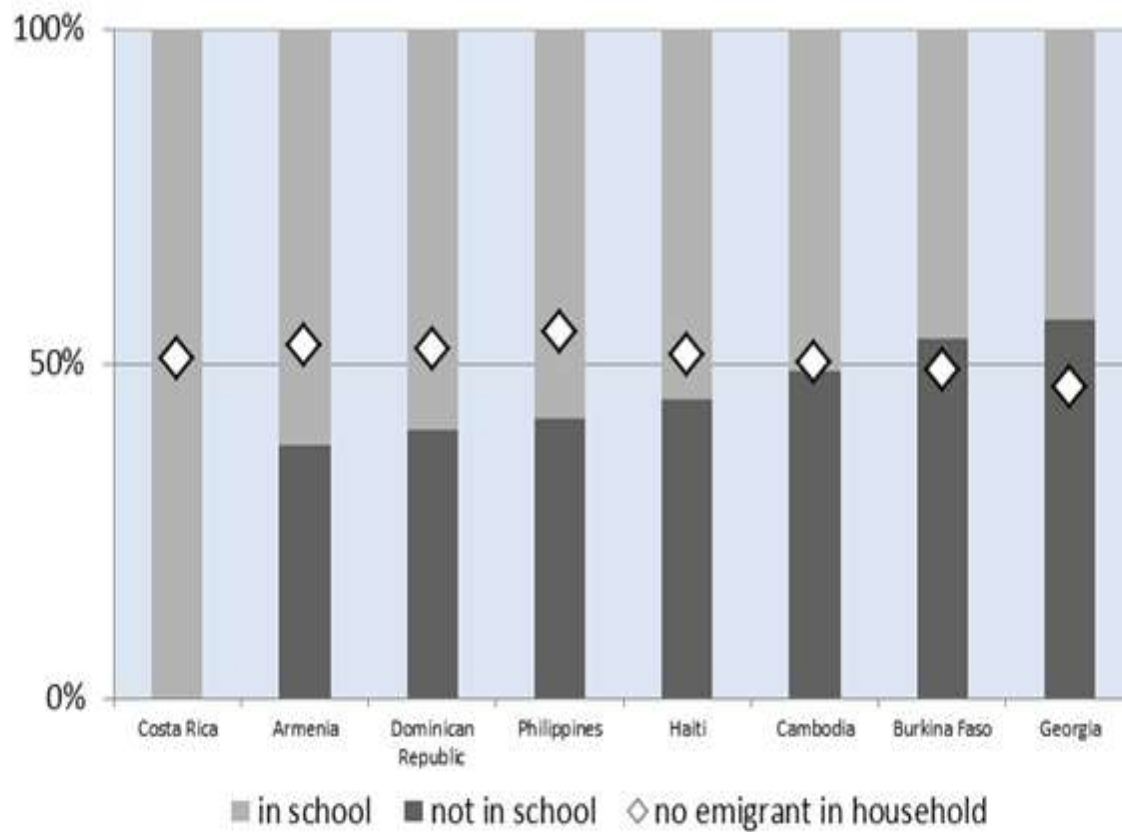


Figure 6.12: Share of youth (aged 18-22) enrolled in education, by remittance status





- Figure 6.7: Ratio of the share of children (6-15) with an emigrated member from the household between those attending school or not





- Figure 6.14: Share of households receiving remittances through informal channels, by bank account status

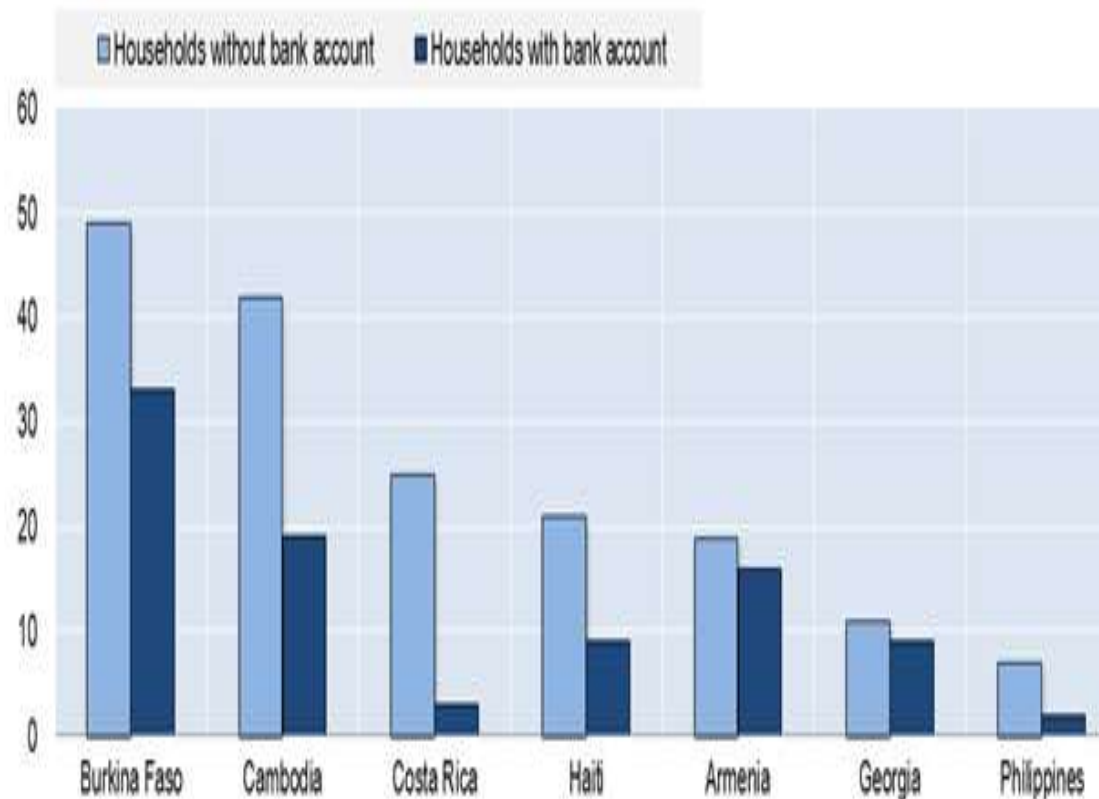
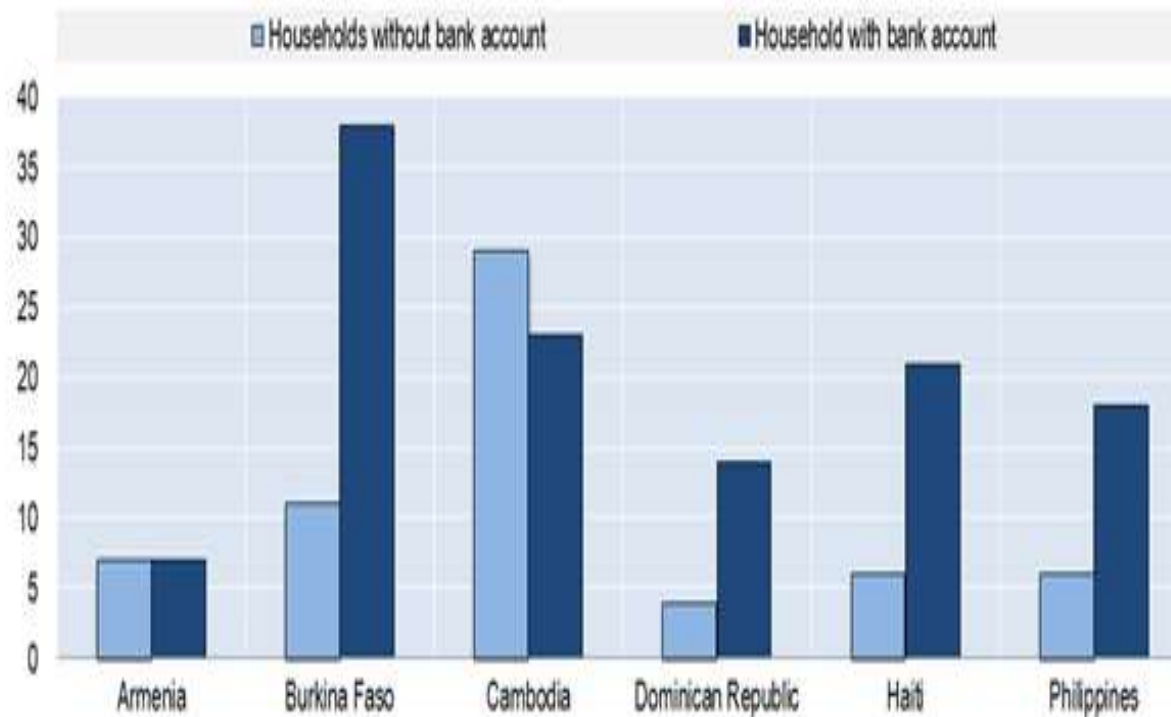




Figure 6.15: Share of households that accumulated savings after a migrant left, by bank account status





REMITTANCES AND THE LABOUR MARKET

- **Remittances has not to be only a subsidy**
- Return migrant should find a job or even a self-employed job.

→ es. Veneto and Calabria or Sicily



Figure 6.16. Share of households running businesses, by whether households have returnees or not.

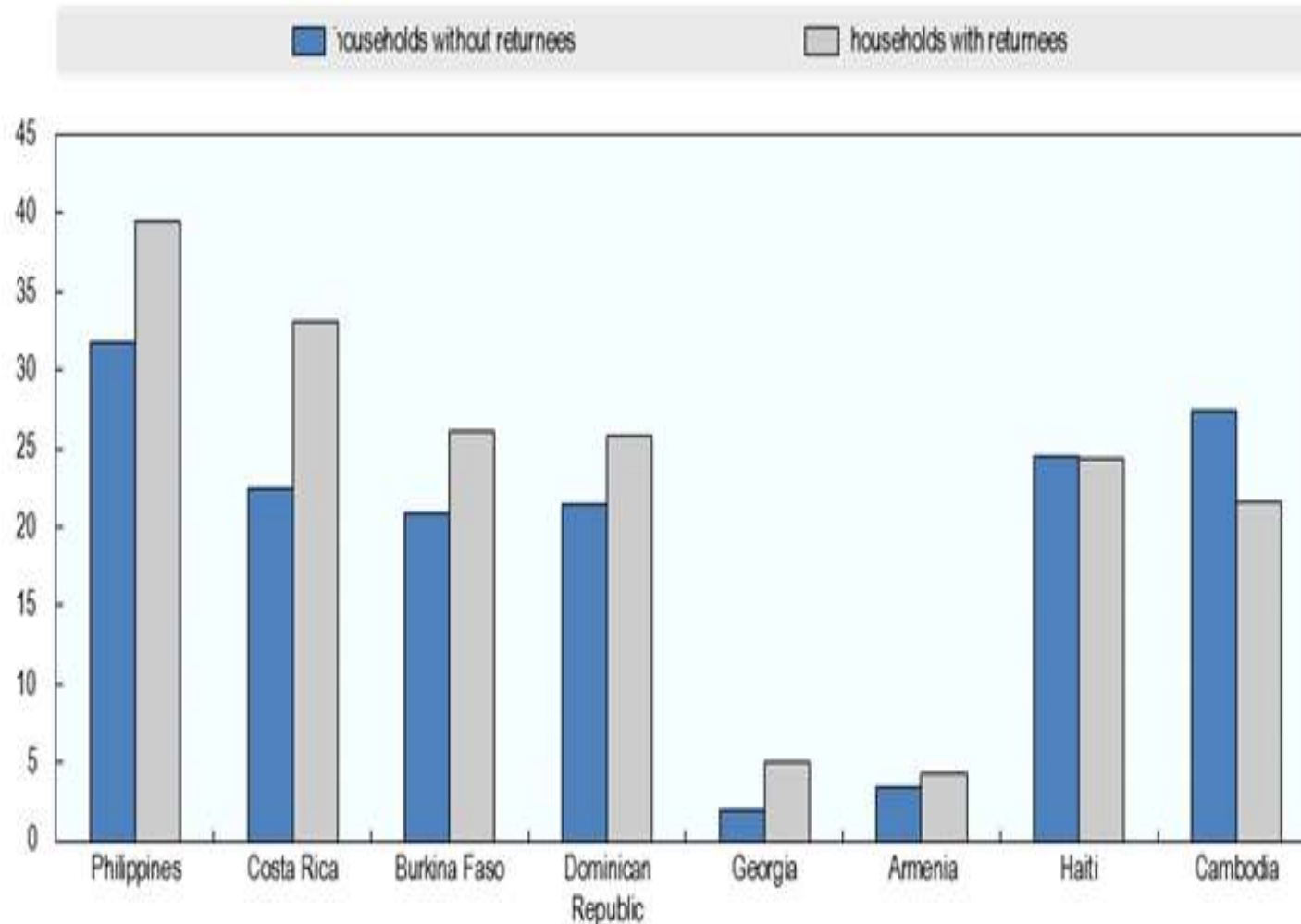
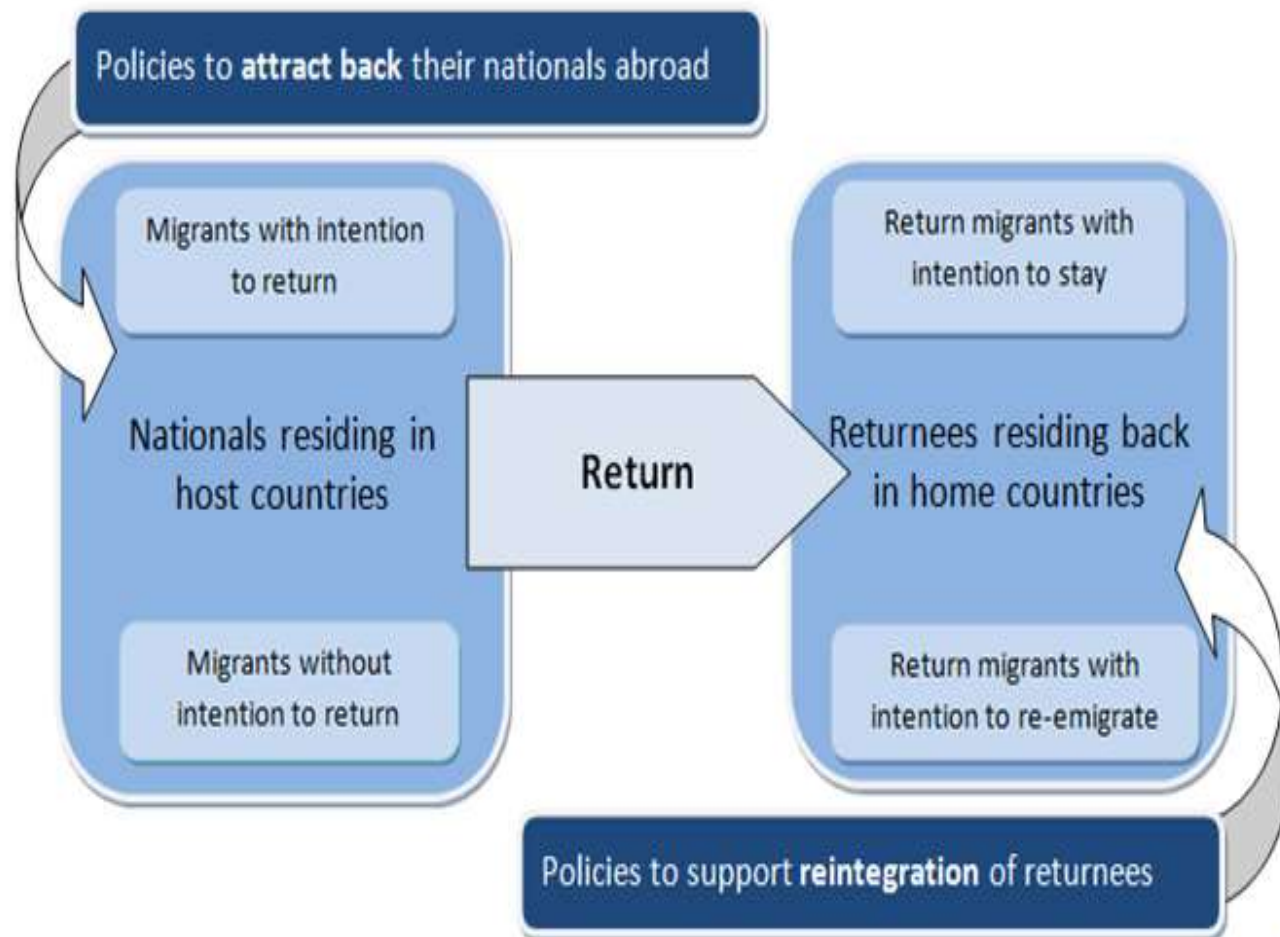




Figure 6.18. Typology of return policies in countries of origin





- Figure 6.17. Share of individuals with post-secondary education among the groups of non-migrants and return migrants

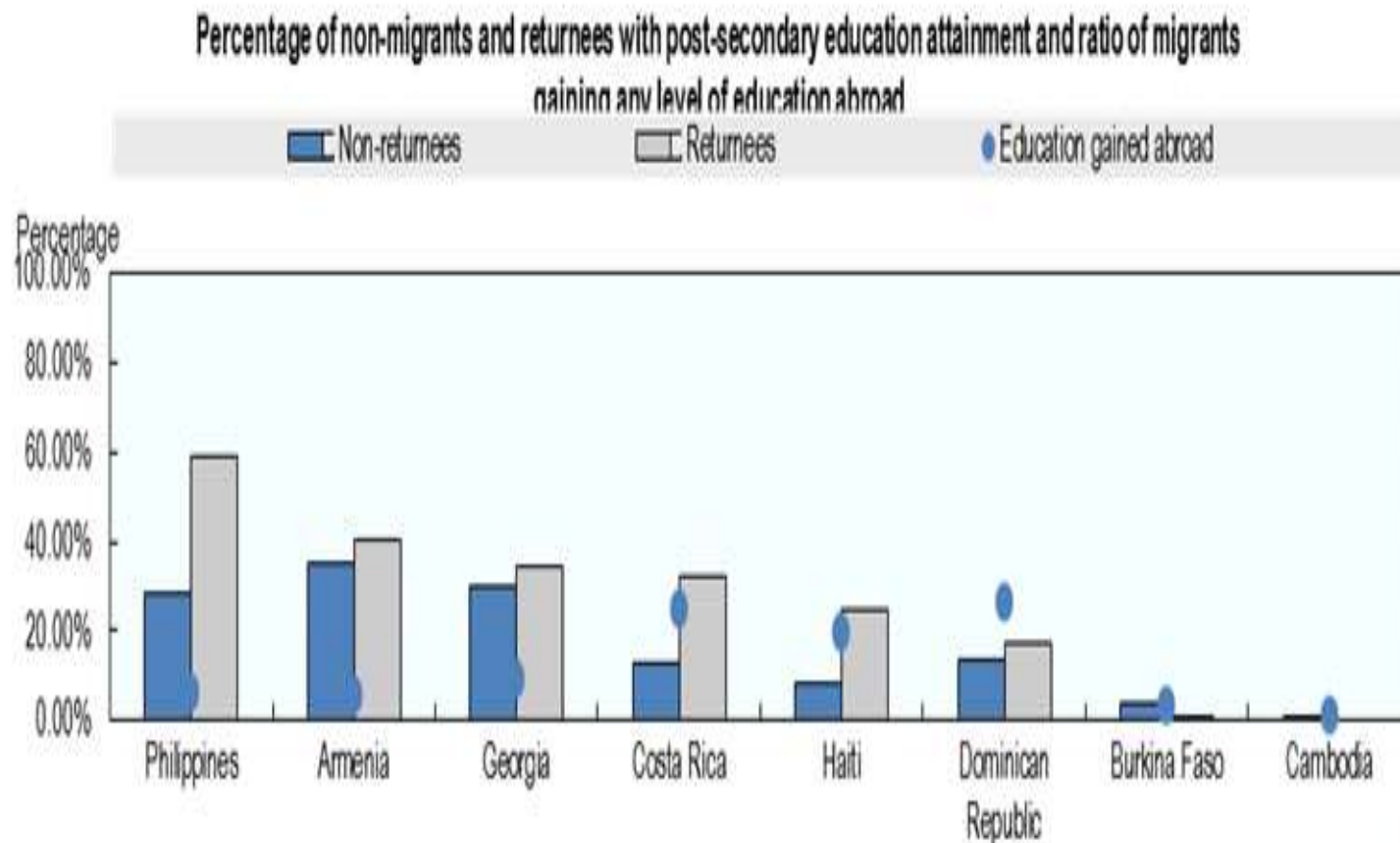




Figure 6.19. Reasons returnees came back to their origin countries

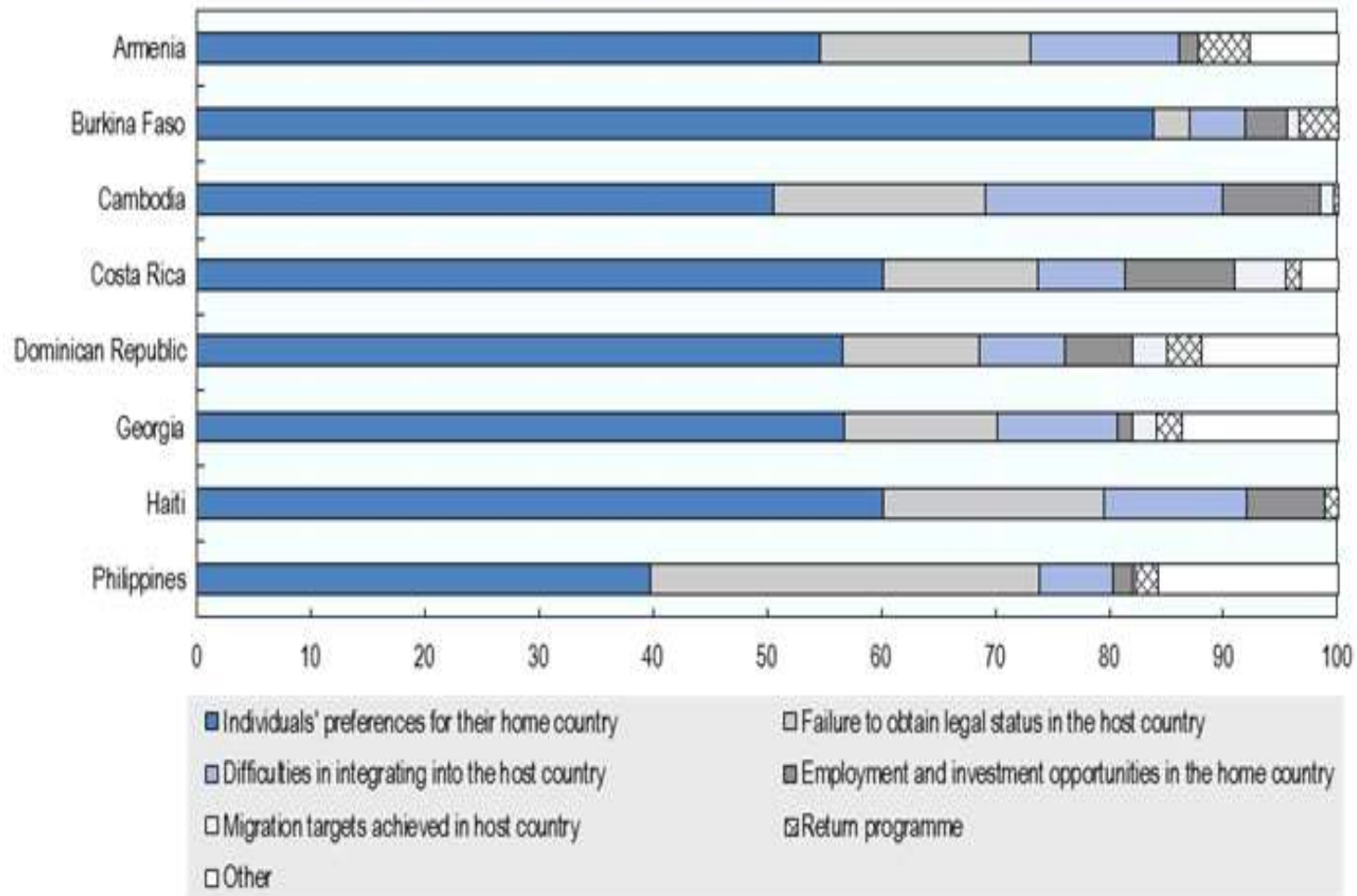




Figure 6.20. Challenges faced in the origin countries after return

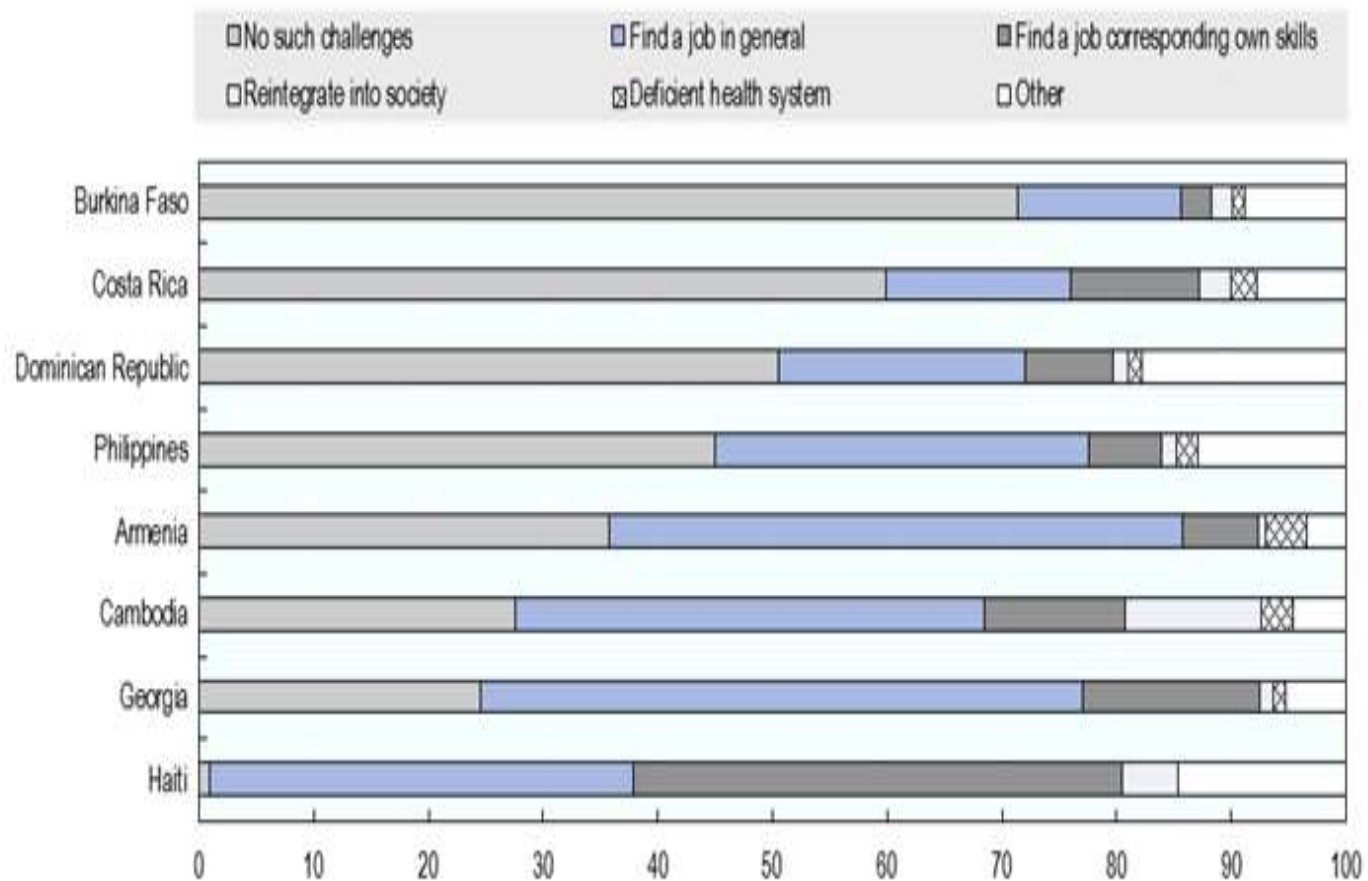




Table 2

Aid, exports, and remittances

(1990-97 Averages, percentages)

	<u>Remittances</u> GDP	<u>Aid</u> GNI	<u>Exports</u> GDP
CE Europe & Central Asia	4.16%	2.70%	37.00%
Turkey	1.96%	0.33%	17.82%
East Asia & Pacific	1.05%	3.41%	42.88%
Philippines	5.46%	1.96%	34.67%
Indonesia	0.24%	1.07%	26.82%
Latin America & Caribbean	2.17%	4.56%	27.54%
Colombia	1.16%	0.23%	17.24%
Mexico	1.19%	0.09%	21.92%
Middle East & N. Africa	7.19%	3.07%	32.20%
Egypt	8.69%	6.85%	23.84%
Morocco	6.68	2.76	26.08
South Asia	2.87%	4.68%	17.50%
Bangladesh	3.05%	4.49%	9.19%
India	1.59%	0.64%	9.70%
Sub-Saharan Africa	3.71%	15.06%	27.42%
Ethiopia	0.28%	16.89%	10.15%
Nigeria	2.11%	0.91%	43.13%
Senegal	3.04%	12.99%	28.84%

Source: World Bank data

From R Faini. 2003, Migration, Remittances and Growth mimeo.