



Issue Brief #4

Contributions of migrants and diasporas to all dimensions of sustainable development, including remittances and portability of earned benefits

Introduction

Over the past few years, the contributions of migrants and diaspora to sustainable development in their countries of origin and destination have been acknowledged by the 2030 Agenda for Sustainable Development, the New York Declaration for Refugees and Migrants and the Summits of the Global Forum on Migration and Development.

While the economic and social contributions of migrants to their countries of destination amount to a net benefit overall¹, there can be upfront adjustment costs in the short term – for example, in the case of large movements of migrants, or when migrants settle in small, deprived communities experiencing an economic downturn. These need to be addressed.

In addition, continued heightened security concerns about immigration have led to the development and implementation of policies that increase costs in an effort to restrict migration and are often at odds with development initiatives as they reduce, rather than enhance, migration development benefits.

This issue brief focuses on the economic and social contributions of migration to sustainable development², discusses some of the major challenges and opportunities in leveraging these contributions, and recommends concrete measures to maximize the benefits of migration.

Trends and Issues

Development impact on country of origin

The \$575 billion in global remittances transferred by international migrants to their families in 2016³ - of which \$429 billion were remitted to developing countries - are one of the most tangible economic contributions of migrants to achieving the sustainable development goals in their country of origin⁴. Remittances have the potential to elevate people out of poverty and address their development needs.

More than three times larger than official development assistance (ODA), and more stable than other forms of private capital flows⁵, remittances have lifted millions of families out of

¹ International Monetary Fund, World Economic Outlook, Subdued Demand: Symptoms and Remedies, October 2016 <http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/c4.pdf>

² The environmental elements of sustainable development have been addressed in Issue Brief #2

³ World Bank *Remittances to Developing Countries Decline for Second Consecutive Year*, April 2017 <http://www.worldbank.org/en/news/press-release/2017/04/21/remittances-to-developing-countries-decline-for-second-consecutive-year>

⁴ IFAD, Sending Money Home: Contributing to the SDGs, one family at a time: <https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6>

⁵ World Bank *Trends in Migration and Remittances* 2017:

poverty, contributing to the improvement of food security, education, health, well-being and housing for individual families. Over the last decade, the scope and impact of remittances on countries of origin of migrants have been significant, but they should not be viewed as a substitute for official development aid.

Remittances are private flows of funds that are transferred by people in one country to their families and friends in another country. They represent an important self-protection measure or safety net in times of natural or man-made crises and can improve poor people's resilience to shocks, particularly for rural populations exposed to climate stresses or agricultural prices volatility. Whereas other financial flows – such as official development assistance and foreign direct investment – tend to be cyclical and sensitive to shocks, remittances remain a reliable source of funds even during downturns in the migrant's country of origin.⁶ Despite the benefits brought by such flows to countries of origin, they may not reach the most vulnerable members of society. In fact, the poorest individuals and families often lack the means to migrate even if they wish to. And when they migrate, their financial situation may not allow them to send remittances.

Remittances on their own will not result in development if the conditions for those sending and those receiving remittances are not conducive to development. Financial inclusion of largely excluded populations – through financial education and the provision of financial services at affordable costs – facilitates the investment of remittances into productive activities, thus benefiting sustainable development in the communities of remittance recipients.

Recurrent remittance flows, received through formal financial intermediaries, also provide a record that can be used to assess creditworthiness of remittance receivers. This is a first step toward financial inclusion. If linked with financial services through savings accounts, loans, insurance and investment opportunities, remittances sustainably promote financial inclusion.⁷ These investment options may comprise diaspora funds and bonds and this channeling may be enhanced through financial education and tax and credit incentives.

However, the contribution of migrants to the development of their countries of origin goes far beyond financial remittances, including transfers of skills and knowledge, entrepreneurship, trade, investments, network building, bridging cultural divides and breaking down gender stereotypes⁸. The term “social remittances” was introduced over fifteen years ago⁹ to highlight that in addition to money, ideas and practices circulate between sending and receiving communities. Those social remittances may transform or challenge the values and practices in origin countries. While less easily quantifiable than financial remittances, social remittances can provide a positive development impact, as migrants' linguistic and cultural links to their country of origin empower them to provide distinct contributions and to be agents of change.

<http://www.worldbank.org/en/news/infographic/2017/04/21/trends-in-migration-and-remittances-2017>

⁶ Frankel, J. (2011). Are bilateral remittances countercyclical?. *Open Economies Review*, 22(1), 1-16.

⁷ Mashayekhi, Mina, 2013, Maximizing the Development Impact of Remittances, *Maximising the Development Impact of Remittances*, UNCTAD/DITC/TNCD/2011/8, UNCTAD.

⁸ SRSB Issue Brief #3: https://refugeemigrants.un.org/sites/default/files/ts3_issuesbrief.pdf

⁹ Levitt, Peggy, 1998, Social Remittances: Migration Driven Local-level Forms of Cultural Diffusion https://www.jstor.org/stable/2547666?seq=1#page_scan_tab_contents

A combination of social and financial remittances can help countries of origin improve gender equality and the empowerment of women and girls, for instance by promoting more equitable social norms, increasing the financial inclusion of women¹⁰ and bridging gender gaps through higher participation of returnee women in labour markets,¹¹ with often considerable health and well-being benefits. For those women who stay, their position as heads of households, combined with financial education gives them the tools to enhance the quality of life of their relatives. In addition, when women control the inflow of remittances, either at the sending or at the receiving end, the money is more likely to be spent productively on items such as food, education, health and nutrition services.¹²

Economists and policymakers also emphasize the role of migrants in promoting trade and investment, as the presence of a large diaspora can create markets for products manufactured in their countries of origin and strengthen bilateral trade flows.¹³

Diaspora are “bridge-builders” amongst countries, due to their transnational nature. They reside outside of their countries of birth, yet they often maintain strong links to their countries of origin. They are more than just remittance senders; they can be the catalysts for philanthropy, investments and innovation in their countries of origin. Moving from one country and establishing a life elsewhere is a process that implies transforming the relationship that exists with the society of origin, and also establishing a life within the society of residence. The social networks, feelings, families and sometimes cultures and citizenship of diaspora are shared between distinct societies.¹⁴

Those who return to their country of origin either permanently or temporarily bring with them the skills, ideas, attitudes and behaviours acquired abroad, both positive and negative. However, such social remittances may be unhelpful or harmful if the diaspora remain disconnected and static in their view of their country of origin. Their contributions could oppose any efforts of progress in their country of origin, or for example, the political positioning of the diaspora could run counter to that of the country of origin, especially in cases of conflict.

Related to this are the perceived negative effects of emigration of the highly skilled, or so called “brain drain”, from developing countries which has been debated for many years. While small, developing countries with relatively few professionals have in fact lost health workers and other highly-skilled workers to emigration, these negative effects are generally quite small¹⁵. In addition, there are some mitigating considerations. For example, some

¹⁰ United Nations Capital Development Fund (June 2017). Remittances as a Driver of Women's Financial Inclusion in the Mekong Region. <http://www.unctf.org/article/2173/remittances-as-a-driver-of-womens-financial-inclusion-in-the-mekong-region>

¹¹ UN Women, 2016, At what cost? Women migrant workers, remittances and development <http://www.unwomen.org/en/digital-library/publications/2017/2/women-migrant-workers-remittances-and-development#sthash.iRwWrNOC.dpuf>

¹² International Organization for Migration, 2013. Gender, Migration and Remittances; UN Women, 2013, Managing Labour Migration in ASEAN: Concerns for Women Migrant Workers. Bangkok: UN Women. Plaza and Ratha (2011) Diaspora for Development in Africa, World Bank

¹³ Terrazas, A. (2010). Diaspora investment in developing and emerging country capital markets: Patterns and prospects. *Migration Policy Institute*.

¹⁴ Diasporas and Development, Bridging Between Societies and States, Background Paper for the Diaspora Ministerial Conference, 2013, IOM <http://www.iom.int/files/live/sites/iom/files/What-We-Do/idm/workshops/IDM-2013-Diaspora-Ministerial-Conference/Background-Paper-2013-Diaspora-Ministerial-Conference-EN.pdf>

¹⁵ See Z. Kone and C. Ozden (2017). “Brain drain, Gain and Circulation”. KNOMAD Working Paper 19.

migrants would have faced unemployment had they stayed in their country of origin, and the prospect of higher pay beyond what is possible in the country of origin may incentivize people to invest in their education, leading to higher skill levels overall or “brain gain”.¹⁶

Effective migration policies can foster ‘brain circulation’, in which skills and networks acquired by migrants abroad can become a resource for sustainable development in their area of origin, if such migrants return.¹⁷

Development impact on country of destination

Migration provides benefits to countries of destination, particularly through the contribution of labour migrants at all skills levels. This is true in both developed and developing countries. While countries often vie for the most highly skilled migrants, economic research indicates that the economic contributions of low- and medium-skilled workers are comparable to those of high-skilled workers.¹⁸

Migrants, both in regular and irregular situations, tend to fill labour market gaps and thus to be complementary to the local labour force, allowing the economy to grow more rapidly, which in turn creates more jobs, demanding more services, providing more taxes and leading to higher incomes and wages, thereby boosting GDP.¹⁹ While migrant workers send home, on average,²⁰ about 15 per cent of their earnings as remittances, the remaining 85 per cent remain in countries of destination.²¹

Migrants also create businesses and bring high rates of innovation to their new countries.²² For example, in OECD countries, entrepreneurship is slightly higher among immigrants than among native-born, albeit with marked variations by country of origin and destination, and over time.²³ Comparable data for non-OECD countries would help in understanding the patterns and impacts of migrant entrepreneurship there.

These positive impacts are maximized when women’s labour is fully utilized and their human rights are respected. This requires removing restrictive and discriminatory social norms or laws that hinder the contribution of migrant women to the economies and societies they live in.²⁴

¹⁶ McKinsey Global Institute, *People on the Move: Global Migration’s Impact and Opportunity*, December 2016 <http://www.mckinsey.com/global-themes/employment-and-growth/global-migrations-impact-and-opportunity>

¹⁷ Carr, S. C., Inkson, K., & Thorn, K. (2005). From global careers to talent flow: Reinterpreting ‘brain drain’. *Journal of World Business*, 40(4), 386-398.

¹⁸ McKinsey Global Institute, *People on the Move: Global Migration’s Impact and Opportunity*, December 2016 <http://www.mckinsey.com/global-themes/employment-and-growth/global-migrations-impact-and-opportunity>

¹⁹ *Exceptional People: How Migration Shaped Our World and Will Define Our Future*, by Ian Goldin, Geoffrey Cameron & Meera Balarajan <http://press.princeton.edu/releases/m9301.html>

²⁰ This percentage varies significantly, depending on the characteristics of the migrant, including country of origin, country of destination, skills, gender and duration of stay

²¹ IFAD, *Sending Money Home: Contributing to the SDGs, one family at a time*. Available at : <https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6>

²² UNDP’s Human Development Report, *Overcoming Barriers: Human Mobility and Development*, 2009 http://hdr.undp.org/sites/default/files/reports/269/hdr_2009_en_complete.pdf

²³ F. Ortega and G. Peril, “The causes and effects of international labor mobility: evidence from OECD countries 1980-2005”, United Nations Development Programme Human Development Research Paper 2009/06 (April 2009).

²⁴ See Fleury, A. (2016). *Understanding Women and Migration: A Literature Review*. KNOMAD Working Paper 8. Washington DC: The World Bank/Global Knowledge Partnership on Migration and Development

Establishing the impact of immigration on public finances is a challenge, particularly because attributing revenues and costs specifically to migrants is a complex task. Most studies on the net fiscal impact of immigration²⁵ focus on the most advanced economies. This limited research has indicated that the impact lies between - 1% and + 1% of GDP depending on the context.²⁶

The impact of migration on economic growth rates of destination countries varies depending on the share of population migrants account for and needs to be further researched. Limited research indicates that migration can bring economic challenges in countries of destination in the short term, particularly if there is a large inflow of migrants into a small region, if migrants are close substitutes for native workers, or if the destination economy is experiencing a downturn.²⁷ Over the longer term, however, migrants tend to complement rather than compete with citizens in the labour market, generating greater overall productivity.²⁸

The portability of migrant workers' social security entitlements is an important factor affecting their decision to remain in the country of destination or return to their countries of origin. It also has an effect on taking up employment in the formal economy and thus contributing to social security schemes, or remaining in the informal economy to avoid losing paid contributions when moving to another country. Like other workers, migrant workers should be able to access such benefits after paying into the system, even if they go to another country or return to their home countries. Countries of origin and destination should develop bilateral and multilateral coordination mechanisms ensuring the portability of social security rights (see next section).

Barriers and Obstacles

Despite the evident positive contributions of migrants and diaspora to sustainable development, there continue to exist barriers and challenges that hinder concrete, positive outcomes.

1. Inadequate policies preventing positive development outcomes²⁹

The development impact of migration is influenced by public policy across many different sectors.

The inclusion of migrants in host societies over the longer term is an often overlooked but critical complement to entry and stay policies, because migrants' ability to contribute towards

(KNOMAD).

²⁵ The net fiscal impact of immigration can be defined as the difference between the contributions migrants make to public finances minus the costs of the public benefits and services they receive.

²⁶ OECD. 2013. International Migration Outlook 2013. OECD Publishing; http://www.oecd-ilibrary.org/social-issues-migration-health/international-migration-outlook-2013_migr_outlook-2013-en

²⁷ McKinsey Global Institute, People on the Move: Global Migration's Impact and Opportunity, December 2016 <http://www.mckinsey.com/global-themes/employment-and-growth/global-migrations-impact-and-opportunity>

²⁸ Mette Foged and Giovanni Peri, "Immigrants' effect on native workers: new analysis on longitudinal data", Institute for the Study of Labour discussion paper, No. 8961, 2015.

²⁹ The various ways in which governments can ensure social inclusion are elaborated more fully in the first issue brief https://refugeesmigrants.un.org/sites/default/files/issue_brief_for_first_thematic_session.pdf

development will only be realized by those policies that socially and economically include them into their new societies.

Any group that is disadvantaged in education, housing, health care, and social and civic life will also find itself disadvantaged in the labour market. Migrants, in particular migrants in an irregular situation, often fall in this group and risk not finding appropriate work and pay, preventing them from further developing their skills, generating revenue for the countries they live in, and sending remittances back to their countries of origin.

While migration policies are developed at the national level, programmes on the financial and social inclusion of migrants are implemented locally. Cities are the vanguard of cultural pluralism and have a critical role to play in welcoming newcomers and providing for their inclusion in ways that benefit both migrants and host communities. How cities carry this out has a direct impact on migrants' ability to contribute positively towards the entire society, and to development more broadly. Effective coordination within and between national and local authorities is therefore a key step towards maximizing the positive impact of migration on sustainable development processes.

The link between irregular migration and development is complex and controversial, and warrants acknowledgement. When irregular migration corresponds, in part, to the demands of labour markets in countries of destination, including informal labour markets or poorly regulated ones such as domestic work, these migrants actively contribute to the country of destination through their work and through their contributions to the social security system and tax base. Migrants in an irregular situation may constitute the major labour force in certain industries. Yet, their irregularity may exacerbate their exclusion from their new community and place them at higher risk of exploitation.³⁰ A focus on irregular migration features more fully in issue brief 3 and in the forthcoming sixth issue brief.

2. Costs of transfer of remittances and lack of financial inclusion

Adopted in 2015, the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (A/69/313) commits UN Member States to making remittance transfers cheaper, adequate, faster and safer by promoting access to remittance transfer services, countering the negative impact of "de-risking"³¹ in the remittances market on migrant families, promoting competitive and transparent market conditions and exploiting new and existing technologies, promoting financial literacy and inclusion in both source and recipient countries. Yet the global average cost of sending remittances has remained nearly flat at 7.3 percent in the second quarter of 2017, significantly higher than the Sustainable Development Goals target of 3 percent. There is a need to eliminate exclusivity contracts in both sending and receiving countries amongst banks and postal offices and remittance providers.

While remittances are evidence of migration's contribution to development, they are not per se sufficient to ensure investment and savings by remittance-receiving households. Nor will the reduction of the transaction costs of remittances be enough. Remittance recipients, and in

³⁰ Ibid.

³¹ In this context, the term 'de-risking' refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid risks, particularly risks associated with non-compliance with government regulations related to money laundering and financing of terrorism.

particular women in rural areas, often have low rates of financial inclusion³². How a more inclusive participation of financial service providers (banks, money transfer agencies, postal services), particularly in the most remote rural areas where remittances families reside, and advances in technology can help reduce transaction costs and boost financial inclusion is a knowledge gap to be bridged.

In fact, a recent report indicates that two billion or 38% of working-age adults globally have no access to financial services delivered by regulated financial institutions, with 73 per cent of poor people unbanked.³³ The impact of remittances can be leveraged through higher financial inclusion and protection of remittance recipients, including through advice, goal-setting, strategies to build savings and even help with opening a savings' account.

Because of money laundering and financing terrorism concerns, customer due diligence procedures tend to be cumbersome for all remittance transfers, even those that are of low value and low risk of being connected to money laundering. However, high costs related to customer due diligence may end up turning customers away from formal financial institutions, reducing governmental control over financial flows by forcing transactions through unregulated channels.

3. Portability of entitlements and earned benefits

An estimated 150 million migrant workers³⁴ contribute to the economies of their countries of destination. However, migrant workers, and in particular undocumented workers, are often excluded from basic coverage by social protection instruments and schemes. Even those who do enjoy social protection risk losing their entitlements upon return or further onward mobility, as schemes often have long residency requirements, making it difficult for temporary migrants to claim their benefits.

There are a number of challenges related to concluding and implementing bilateral or multilateral social security agreements³⁵ including: the limited development of social security schemes in some origin countries impeding reciprocal agreements; considerably differing social security schemes, i.e. disparity in the design and level of benefits; and insufficient administrative capacity.

Lacking or incomplete transfers of acquired benefits such as unemployment benefits, family benefits, pensions and health insurance affect individual labour market decisions and migrants' capacity to address social risks which in turn affects how migrants can provide economic and social contributions to both their country of origin and destination.

From an economic point of view, individual labour mobility decisions should not be influenced by the lack of portability of social benefits for which a migrant has established acquired benefits. From a social development policy point of view such acquired benefits are

³² IFAD, World Bank (2015). The used of Remittances and Financial Inclusion: Available at: <https://www.ifad.org/documents/10180/5bda7499-b8c1-4d12-9d0a-4f8bbe9b530d>

³³ Ibid

³⁴ ILO Global Estimates on Migrant Workers: http://www.ilo.org/global/topics/labour-migration/news-statements/WCMS_436140/lang--en/index.htm

³⁵ C. van Panhuys, S. Kazi Aoul, G. Binette: Migrant access to social protection under Bilateral Labour Agreements: A review of 120 countries and nine bilateral arrangements, ILO ESS Working Paper 57, 2017. <http://www.social-protection.org/gimi/gess/RessourcePDF.action?ressource.ressourceId=54405>

a critical element of migrants' and their family's life-cycle planning and social risk management.

Under international human rights law, governments have an obligation to protect the right to social security of all people under their jurisdiction, including migrants regardless of their status. Where migrants have contributed to a social security scheme, they should be able to benefit from that contribution or retrieve their contributions if they leave the country or change their workplace. Furthermore, migrants should be entitled to access non-contributory schemes for income support, affordable access to health care and family support.³⁶

Ways forward and commitments

A number of the recommended commitments for this topic will overlap with the forthcoming issue brief for the last informal thematic session which will focus on “Irregular migration and regular pathways, including decent work, labour mobility, recognition of skills and qualifications and other relevant measures”.

Migrants and the development benefits they generate contribute to the implementation of the Sustainable Development Goals. Yet migration policies can impair the realisation of the social and economic benefits that migrants bring to all countries. Greater institutional coordination and more coherence between migration-related policies can lead to enhanced development outcomes.

In order to best give effect to the commitments below, member states could look at ways to increase a variety of legal pathways for migration into regulated and formal economies, combined with robust inclusion programmes. For those migrants returning to their origin countries either temporarily or permanently, UN Member States could look at policies to help foster their reintegration, including by ensuring portability of earned benefits.

The global compact for safe, orderly and regular migration provides an opportunity to address some of the key issues hindering the development contribution of migrants. More concretely, Member States could consider incorporating the following commitments into the global compact with the inclusion of specific benchmarks, timelines and review mechanisms for implementation:

Maximizing impact of migration on development

- Address obstacles for diaspora involvement in their countries of origin including their legal status in host country, their ability to enjoy their human rights, access to dual citizenship, visa costs and procedures, access to public services, consular support, hurdles to investment and conducting business and banking services in both host and home countries.³⁷
- Establish inter-ministerial coordination mechanisms that involve all relevant national ministries and subnational authorities to identify and ensure alignment of migration-

³⁶ Committee on Economic, Social and Cultural Rights, General Comment No. 19 (2007) on the right to social security, paras. 36-37.

³⁷ GFMD 2012. R.T.1.2 Background Paper – Supporting Migrants and Diaspora as Agents of Socioeconomic Change. IOM, World Bank and IFAD.

related policy priorities, and where possible facilitate participation of other relevant stakeholders such as members of diaspora and civil society.

- In line with SDG commitments and recognizing the cross-cutting impact of migration across policy sectors, identify policy priorities, and develop specific implementation plans related to development and the governance of migration in the priority sectors relevant to the national context;
- Promote cooperation platforms for city and regional administrations that recognize their abilities to develop innovative policies that empower them, through devolved powers and increased resources, to strengthen social cohesion, provide services to migrant communities, and to maximise the economic benefits brought by these communities and diaspora communities abroad.

Remittances and financial inclusion

- Building on commitments taken within the Sustainable Development Agenda, accelerate action to reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent³⁸. This could be pursued by promoting an enabling environment for cost-effective remittance transfer methods, including through improving transparency of and enhanced competition amongst remittance service providers, through new technology and the reduction of cumbersome regulations that cause de-risking.
- Enable remittance markets through competition, innovation and adequate regulatory frameworks towards greater outreach and cost reduction, and create incentives for the private sector to expand adapted services linked to remittances, that will both increase their client base and serve a large unattended population.³⁹
- Provide accessible and gender-responsive financial education and promote financial inclusion of migrants and their families to foster informed choices about the use of remittances and remittances-linked services.
- Develop indicators to allow for effective monitoring of the remittance and migration related commitments contained in the Addis Ababa Action Agenda. Eliminate exclusivity contracts in both sending and receiving countries amongst banks and postal offices and remittance providers.

Portability of entitlements and earned benefits

- Promote and use bilateral and/or multilateral agreements which provide social security coverage and benefits, as well as portability of social security entitlements, to migrant workers, using the model agreement in the Annex of the ILO Maintenance of Social Security Rights Recommendation, 1983 (No. 167).
- Include social security provisions in temporary labour migration programmes or bilateral labour agreements using the Annex of the Migration for Employment Recommendation, 1949 (No. 86) as a model agreement, whilst addressing the difficulties migrant women face in accessing social protection due to eligibility requirements and limitations in portability of earned benefits.

Research and Data

- In line with SDG 17.18, enhance capacity building support to developing countries, including for LDCs and SIDS, on data collection - disaggregated at least by age,

³⁸ Sustainable Development Goal 10.c and Addis Ababa Action Agenda paragraph 40

³⁹ Recommendations from the Global Forum on Remittances, Development and Investment 2017. IFAD, UNDESA and World Bank

migratory status and sex - to help operationalize and monitor the migration-related Sustainable Development Goals.

- Assess the magnitude of diaspora engagement with accurate sex-disaggregated data on flows, costs and market features as another stepping stone to raise and sustain the interest of policy makers to design⁴⁰ and monitor enabling policies pertaining to their country circumstances and for financial service providers to enter into business.
- Promote research that examines ways in which technology can help provide more secure and cheaper ways to transfer remittances.
- Promote conceptual and comparative research on the portability of earned benefits to improve understanding and data availability

5 July 2017

⁴⁰ Recommendations from the Global Forum on Remittances, Development and Investment 2017. IFAD, UNDESA and World Bank