

Migration and Inequality: Policy Implications

Summary of Key Issues

The 2005 Human Development Report describes inequality as a 'fundamental issue for human development', arguing that progress towards Millennium Development Goals has been hampered by 'unequal access to resources and distribution of power within and among countries'. In contrast, migration represents an important livelihood diversification strategy for many in the world's poorest nations, and may be a way for poor people to gain better access to resources. So does migration help reduce inequality? If so, what policies can help enhance this effect?

Inequality as a Cause of Migration

Inequality is clearly a major driver of migration. Indeed, international migration is a powerful symbol of global inequality, whether in terms of wages, labour market opportunities, or lifestyles. Millions of workers and their families move each year across borders and continents, seeking to reduce what they see as the gap between their own position and that of people in other, wealthier, places. According to the UN there were 191 million international migrants in 2005, increasingly concentrated in the more developed regions of the world. Similarly, internal migration within poorer countries, whether permanent, temporary or seasonal, reflects both perceived and actual inequality of opportunity between places. It is not just inequality between sending and receiving areas that promotes migration. Inequality within sending areas can also generate migration, since more unequal villages tend to produce more migrants than less unequal villages.

Effects of Migration on Inequality

There is not much debate about the effect of inequality on migration. But it is more difficult to draw conclusions about the effect of migration on inequality. Given the range of different types of migration, and the varied contexts within which migration occurs, any overarching conclusion about impacts on inequality is unlikely to be very robust at a global or even a regional level. Examples can be found of migration both increasing and decreasing inequality in different circumstances in

various parts of the world. Although different conclusions can be drawn from the range of evidence, there are some key questions to ask about each case:

- What scale is being considered?
 Migration does seem to reduce inequality on a global scale but is this also the case at a micro level? Circumstances that affect equality within the household may be different from those that affect equality within a village, region or between countries.
- What location is being considered?
 At a local level, the effects of migration may be different depending on location. In countries of destination, migrants may have unequal access to rights compared to local workers. In contrast, in places of origin, migrant selectivity, the sending of remittances, and resulting social change affect mainly socio-economic inequality.
- What time period?

The effect of migration on inequality is likely to change over time, because of the effect of networks which reduce the costs of migration and so extend the opportunity to migrate to a wider group of people. Initially, where migration is expensive, only the better-off will migrate, increasing inequality. But as social networks reduce the costs of migration, it becomes more accessible to poorer



Gender equity can be affected by migration

people, potentially reducing inequality

- What type of inequality?

Often inequality is measured in purely economic terms by income or wealth levels. But there are other types of inequality, including between men and women, between generations, or between different ethnic and caste groups. Indeed, different types of inequality may well be related.

Migration and Global Inequality

Although it is not easy to generalise about the effects of migration on poverty, recent econometric analysis of the potential impact of liberalisation of temporary mobility under GATS Mode IV does suggest some scope for migration to contribute positively to both growth and equity. The World Bank's *Global Economic Prospects 2006* contains a model, based partly on the Migration DRC's Global Migrant Origin Database, which estimates that increased mobility equivalent to three per cent of developed countries' skilled and unskilled work forces would generate an estimated increase in world welfare of over US \$350 billion. More importantly, this increase in welfare would accrue more to developing than developed countries - suggesting it would be beneficial for global inequality. However, this analysis is based on data aggregated at the national level, and so says nothing about the distribution of gains within migrant-sending countries.

Migration and Local-Level Inequality

It is more difficult to make generalisations about the impact of migration on local level inequality. It is often the case that migration increases inequalities between those who have access to migration opportunities, and those who do not, especially where migration is legal, and to places where jobs are available and are better paid. In general, since the better off are more likely to have access to migration, and are more likely to access safe and economically lucrative migration opportunities, this can increase inequality between poor people and those higher up in the social hierarchy. However, richer village residents may also be less willing to migrate, leading to shifts in social and economic power in the village, (see Box 1).

Box 1: Multidimensional aspects to migration and inequality in regions of origin - Bangladesh

Evidence from Bangladesh suggests that international migration can increase inequalities within villages of origin, as relatively wealthy individuals and villages that have more access to long-distance migration enhance their position in relation to the poor. However, in-depth evidence of the relationship between migration and inequality in an ethnographic study of movement from Talukpur, a village in Sylhet, Bangladesh, to the UK tells a more complex story. Here, it is argued that 'access to *bidesh* (abroad) has increasingly become the pole around which inequalities are clustered. Not only has it helped to create them, but so too has it become a metaphor for thinking about them'. The argument relates not only to economic inequalities, but also to broader social and cultural cleavages, with migration becoming one of a number of distinct measures of status and power.

Although inequality has increased between wealthier households and the very poor, it has decreased between the wealthiest - the elite that used to hold positions of power - and the many poorer households who were often previously dependant on this elite for economic and social support, but have now become much better off. Thus migration brought more than simply money, in the form of remittances; it also brought with it considerable changes to landownership in Talukpur, as well as 'cultural capital' and social prestige. In turn, remittances were also fed into other areas of life, with a wider impact on political, social and economic power.

Gardner K. 1995. *Global Migrants Local Lives*, Oxford: Clarendon Press.

What Influences the Impacts on Inequality?

A review of case studies from Central America, Eastern Europe, West Africa and South Asia carried out by researchers from the Migration DRC at the University of Sussex identified two main areas where policy changes could affect the way in which migration impacts on inequality at a global and local scale. The first is access - in other words who gets to migrate where - and the second is opportunity - the range of opportunities that different migration experiences open up. Where poor people have greater choice in terms of migration destinations, the net effect on inequality is more likely to be positive (See Box 2). Evidence from Ghana also

suggests that those who migrate legally are also more likely to do well economically - but that the poor are often excluded from legal migration channels.

Box 2: Restrictions on migration increase inequality

In Albania, a major reason why the poor are restricted to less beneficial migration opportunities within the country or to neighbouring Greece is because of strong restrictions on movement to elsewhere in Europe. Those who go to Europe anyway are often forced into undocumented positions where they experience exploitative conditions and find it difficult or impossible to contribute to households back home. Restrictions on international unskilled female migration from Bangladesh also effectively drives the migration of poorer women into illegality, making them significantly more vulnerable to exploitation and reducing the potential for their migration to help reduce either gender or income inequality. Studies in China have also suggested that the imposition of restrictions on migration (in this case internal) operate to enhance both spatial and inter-household inequality, whereas migration acts to reduce such inequality.

Quoted in Black, Natali and Skinner, 2006

Policy Choices—The International Level

Given the above analysis, the most obvious policy response to growing inequality is to ensure wider access to a range of (legal) migration opportunities for poor people, since as more people move, the process of migration generally becomes more equitable. In contrast, where the poor are effectively restricted to shorter distance, less remunerative or less safe migration streams, they will lose ground in relation to less poor migrants.

The problem is how to enhance the access, especially of the poor, to more 'positive' migration experiences. At a global level, GATS negotiations may be one way, if poorer countries were to include the possibility of legal movement of their workers in wider negotiations over trade, although at present, GATS negotiations that deal with migration are dominated by intra-corporate transfers.

Another option is the development of a global 'managed migration' strategy. For example, economist Jagdish Bhagwati has suggested the creation of a 'World Migration Organisation' (WMO) to oversee and monitor migration in the way that the WTO does for world trade,

whilst the Global Commission on International Migration suggested a consultative facility to codify and spread best practice, an idea partly taken up by the UN in its suggestion for a global forum on migration. W. R. Böhring argues that such an organisation could be the basis on which a consensus is built in favour of 'desirable migration', although any global forum might be just as likely to resolve to crack down on irregular movements, which could increase the difficulty of movement for the poorest, reducing both access and opportunity.

Similar problems beset other global-level plans to manage migration more equitably. One is the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, which holds out the prospect of reduced inequality between migrant workers and nationals in countries of destination, as rights would be enforceable through the courts. However, this Convention currently has just 27 signatories, all of whom are migrant-sending, rather than migrant-receiving nations, and is silent on the issue of *expansion* of migration opportunities. Even where bilateral agreements are signed between nations for the movement of migrant workers, sending nations have few points of leverage to increase workers rights, or promote the spread of benefits to home communities.

Policy Choices—The National Level

If access to preferential migration streams for the poor cannot be negotiated, another alternative is to seek to enhance the opportunities that existing migration flows provide. In this context, meso-level institutions – notably social networks – are important both in facilitating migration in the first place, and influencing how the income earned by migrants is, or is not channeled back to help reduce poverty and inequality. Here, pro-poor policies might include:

- Regulation of the recruitment process to ensure that migrant labour contracts are fair, accommodation for migrant workers is affordable, and abuses are avoided. In India, the existence of stable networks that link migrant workers to labour recruiters is seen as crucial in influencing



Protecting workers rights can positively affect inequality

outcomes for migrant workers

- Supporting initiatives by NGOs and local associations that seek to reduce the risks and costs faced by seasonal migrant workers, such as initiatives to support health care for migrant workers, whether in destination areas or on return, and attempts to make bus routes used by migrant workers safer.
- Support to hometown, religious, ethnic, village and alumni associations that play a crucial role in channeling remittances not only to individuals and families, but also to community-level investments and initiatives.

Another important set of institutions that influence the inequality-reducing or reinforcing effect of migrant remittances is in the financial sector. Individual migrants use a wide range of mechanisms to send money back to families and home communities, ranging from formal banks to money transfer agencies such as Western Union and MoneyGram, more informal *hawala* or *hundi* systems of transfer, and physically carrying or sending home cash during return visits. Of these transfer mechanisms, the more formal kinds tend to be heavily stacked against poorer migrants who wish to send smaller amounts of money, as exchange rates may be unfavourable, and commission rates crippling.

Here, there is potential for policy to:

- Promote competition amongst agencies providing money transfer services, to drive down prices
- Regulate the activities of money transfer agencies to ensure transparency and trustworthiness

More generally, macro-economic stabilisation in countries of origin may also be critical to enable the investment of remittances in things other than personal consumption. Whilst personal consumption may stimulate local economies and so contribute to reducing inequality, substantial and sustainable investment in economic and social activities at a community level is clearly a higher goal for most governments interested in reducing inequality. Migrants cannot, and should not, be expected to make such a contribution entirely on their own.

Key Recommendations

There are some key recommendations that policymakers should consider, to help ensure that migration reduces, rather than increases inequality:

- As migration management policies emerge, especially at a regional and global level, they should be monitored for their impact on inequality in all dimensions within and between countries
- Receiving countries should sign up to, and implement, the International Convention on Protection of the Rights of All Migrant Workers and their Families.
- Migration opportunities could be enhanced for the poorest through supporting worker's rights, regulation of recruitment processes, local migrant associations and NGOs, and safer transport.
- Consider further initiatives to promote transparent and safe mechanisms for poor migrants to transfer small sums of money, and to create a more attractive investment climate in countries of origin.

Development Research Centre on Migration, Globalisation and Poverty

The Migration DRC aims to promote new policy approaches that will help to maximize the potential benefits of migration for poor people, whilst minimising its risks and costs. It is undertaking a programme of research, capacity-building, training and promotion of dialogue to provide the strong evidential and conceptual base needed for such new policy approaches. This knowledge base will also be shared with poor migrants, contributing both directly and indirectly to the elimination of poverty.

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