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Economic Impact Of Out-Migration: A Survey

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Abstract-This survey reviews both theoretical and empirical papers that examine the economiceffects of out-migration.Out-migration is the movement of people from source area to destination area. The survey starts with discussion of empirical studies conducted in India and North-East India followed by review of migration theories. The second part deals with sources of data used in empirical review which includes both primary and secondary data. The third part discusses the methodology used in empirical review. Finally the paper concludes that out-migration can have a major economic impact on the source country. These effects can either be positive or negative depending on the interplay between the effects of growth and remittances.

Keywords: out-migration, primary data, secondary data, growth, remittances.

JEL Classification code -F22, F43, J61, J68.

1. INTRODUCTION

Migration is both a cause and a consequence of some major social and economic transformation. It is a dynamic process and encompasses various forms of temporal and geographical mobility (Afsar 2000). Out-migration is considered as a response of the people to the existing socio-economic and political conditions of a country. Many people, who are unable to fulfill their needs with the environment around them, find it convenient to emigrate rather than fight for a change. It is observed that generally most unemployed young males have a tendency to emigrate and thus even as short-term emigration may relieve the unemployment problem to some extent. Out-migration has become an important factor in the development debate of sending countries. It plays a key role in an economy through the contributions made by the migrants in the form of remittances. India had over 14 million international migrants in 2013 spread across the world, making this the largest emigrant stock. International migrant workers sent USD 71 billion as remittances in 2014, which makes India the world's top remittance-receiving country (World Bank, 2014). India is not only known as a labour exporting country, migration has been a matter of survival for a large chunk of population within India. Internal migration in India occurs as a response to regional disparities in the levels of socio-economic development over the national space; in general, movements arise from less economically developed regions to relatively more developed regions (Joe *et al,* 2009; Kundu*et al,* 2008; Mukherji, 1992; Premi, 1998).

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There is a large body of empirical literature at the international level, which generally agrees that international migration and remittance income brings socio-economic changes in the countries of origin. Several empirical studies find that remittances tend to reduce labour supply and participation. However, these effects are sometimes influenced by gender. For instance, Funkhouser (1992) finds that remittances have a negative effect on labour force participation and a positive effect on self-employment of non-migrants in sending households. Amuedo-Dorantes and Pozo (2006) find that females work fewer hours than males in all types of employment in remittance-receiving households, and females in remittance-receiving households work fewer hours than females in non-remittance-receiving households. The overall female labour supply also decreases with the increase in remittance incomes in rural areas. The higher incidences of informal sector employment among men may be linked to the attempt to compensate for the loss of household income or to defray household migration-related expenditures.

Another study by Rodriguez and Tiongson (2001), focusing on household-level data from Manila, Philippines, found that international migration has a negative effect on labour participation in migrant households. In a similar study in Jamaica, Kim (2007) showed that remittances have a negative impact on labour force participation, but not on weekly working hours. Author concluded that remittance-receiving household members have higher reservation wages and they reduce the labour supply by moving out of the labour force or showing less keenness to find a job. A study by Acosta (2007) found that labour force participation falls for remittance-receiving women but not for men in El Salvador. The results also showed that males who receive remittances are more likely to be engaged in self-employment activities, while business management (non-farm enterprises) is higher among their rural female counterparts. Overall, the results confirm that remittances seem to reduce credit constraints, principally in rural regions.

Similarly, focusing on the household-level data from Nepal, Lokshin and Glinskaya (2009) compared the labour market participation of women in migrant and non-migrant households. The results indicate that women living in migrant households have a 5.3 per cent lower probability of participating in the labour market compared with women from non-migrant households. The effect is strongest for women aged 25–35 and for women with 11 or more years of education. A survey conducted in Egypt, Binzel and Assaad (2009) found that remittances significantly increase women’s labour force participation in the family business, subsistence agriculture and unpaid family work, while they decrease the probability of wage

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and salary work. At the same time, women whose husbands work abroad are less likely to engage in market work, and are more likely to be self-employed because they prefer to spend more time with their children, than working long hours for low wages. In contrast to the above studies, using aggregate level panel data from 66 developing countries over the period 1985–2005, Posso (2012) found a positive and significant relationship between remittances and aggregate labour supply. This positive relationship is consistent across both genders, but statistically more significant for males.

Although there are numerous studies focusing on the relationship between out-migration and economic impact at the international level, but the number of studies done in India are comparatively low. Most of the studies in outmigration are done in the state of Kerala. In a recent paper, Datta (2016) has shown that the Remittances have become increasingly important, which from a crucial link between source and destination areas in Bihar. Broad-based migration and the inflow of remittances have contributed to a tightening of labour market and rise in rural wages over time. They have led to increases in household income and reduction of absolute poverty. Saikia (2015) have analyzed the income, consumption and saving pattern and nature of work of the migrant workers in Trivandapuram district of Kerala. The author have found that poor economic condition in the native place and high wage rate and better employment opportunities in Kerala have been the main reasons of migration .Another paper by Khan and Valatheeswaran (2016) analyze the impact of international migration as a factor affecting the labour supply of male and female left-behind members. International migration results in the relocation of labour supply of male left-behind members from salary and casual wage workers to self-employed workers; it increases female left-behind members' participation in household duties and reduces their participation in unpaid family work.International migration has a strong positive effect on self-employment activities through the inflow of remittance income by relieving the credit constraints faced by the left-behind male members.

Apart from the effect of remittances in many empirical studies researchers have found other effect of outmigration. Ramesh (2012) have analyzed the dynamic and unique character of migration of youth from North Eastern states of India to urban centers. The increased presence of youth from NER in urban centers has more to do with the backwardness of the source regions in terms of economic development, facilities for higher education and availability of gainful employment opportunities. These drawbacks coupled with the social tensions (due to a multitude of reasons) push the prospective youth to search for education

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and employment in urban centers far away from the native. Similarly in another study Narayan and Singh (2015) try to examine the differential in out migration in eastern Uttar Pradesh. They have found that migration rate is likely to be twice in remote villages as compared with semi-urban villages. The migration rate is also higher among people who have completed primary or higher education.To study the increasing trend of outmigration from North Eastern Region (NER) to Bangalore Reimeingam (2016) have studies about growth of migration in Bangalore. The rate of migration from NER to Karnataka has declined steadily; however, to Bangalore it has slightly increased. Urban people from NER show a higher tendency to migrate to Bangalore which is not the case for migrants from NER to rest of India (ROI). NE people, particularly males, migrated to Karnataka and specifically to Bangalore mainly for education and employment.

1.1 THEORETICAL REVIEW

The first scholarly contribution to migration consisted of two articles by the nineteenth century geographer Ravenstein (1885; 1889). He concluded that migration was governed by a "push-pull" process; that is, unfavorable conditions in one place (oppressive laws, heavy taxation, etc.) "push" people out, and favorable conditions in an external location "pull" them out. Everett Lee (1966) reformulated Ravenstein's theory to give more emphasis to internal (or push) factors. Lee also outlined the impact that intervening obstacles have on the migration process. He argued that variables such as distance, physical and political barriers, and having dependents can impede or even prevent migration. Lee pointed out that the migration process is selective because differentials such as age, gender, and social class affect how persons respond to push-pull factors, and these conditions also shape their ability to overcome intervening obstacles. Furthermore, personal factors such as a person's education, knowledge of a potential receiver population, family ties, and the like can facilitate or retard migration.

Several theories have been developed to treat international patterns of migration on their own terms, but these too are variants of push-pull theory. First, neoclassical economic theory (Sjaastad 1962; Todaro 1969) suggests that international migration is related to the global supply and demand for labor. Nations with scarce labor supply and high demand will have high wages that pull immigrants in from nations with a surplus of labor. Second, segmented labor-market theory (Piore 1979) argues that First World economies are structured so as to require a certain level of immigration. This theory suggests that developed

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economies are dualistic: they have a primary market of secure, well-remunerated work and a secondary market of low-wage work. Segmented labor-market theory argues that immigrants are recruited to fill these jobs that are necessary for the overall economy to function but are avoided by the native-born population because of the poor working conditions associated with the secondary labor market. Third, world-systems theory (Sassen 1988) argues that international migration is a by-product of global capitalism. Contemporary patterns of international migration tend to be from the periphery (poor nations) to the core (rich nations) because factors associated with industrial development in the First World generated structural economic problems, and thus push factors, in the Third World.

The concept of internal migration (from rural to urban) attracted the attention of both academicians and policymakers only after the seminal work of Lewis (1954). The inter-sectoral allocation of labour is the centerpiece in the dual economy analysis of Lewis (1954) and subsequent works by Ranis and Fei (1961). The main message of these studies is that in the process of development, labour moves to the modern sector which facilitates development. However, in developing this idea, it is assumed that the modern sector faces perfectly elastic labour supply originating in the traditional or rural sector (i.e., there is unlimited supply of labour from rural to urban sectors). This view is inconsistent with the idea that migration is determined by varying income differentials and that labour is productive in all sectors of the economy. But labour migration from rural to urban sector increases labour productivity and hence it is always desirable and should be encouraged. Ranis and Fei (1961) are of the opinion that technological progress in agriculture sector will make migration process slow by increasing agricultural labour productivity. The Todaro (1969) and Harris and Todaro (1970) models explain the migration flows in the presence of rising unemployment rates in the destination (urban) region which in turn results in the development of informal sector.

Further developments on micro modeling approach are ‘the new economics of migration’ which focus on family as the agent that maximize the family utility function by minimising the risks associated with the agricultural sector (Stark & Bloom 1985; Stark & Katz 1986; Banerjee, 1998; Taylor & Martin 2001; Stark 1991; Mincer, 1978).

Theoretical considerations suggest that the increase in household income through remittances, by lifting budget constraints, increases the reservation wage of the left-behind members of the migrant household. The probability of left-behind members entering or

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staying in the labour market decreases when the market wage is below the reservation wage (Killingsworth, 1983; Taylor, 1999). Apart from the income effect of remittances, the absence of a productive member increases the household dependency ratio. Such arrangements affect the relocation of left-behind family members, which takes place to substitute the absent labour or income (Amuedo-Dorantes & Pozo, 2006). In a traditional society, women tend to participate less in market work and more in household production (Rodriguez &Tiongson, 2001). However, the increased income through remittances, either invested to expand an existing business or to open a new enterprise, would result in an increase in the labour supply of left-behind members of the household or in a shift from wage to non-wage work.

The paper is organized as follows. Section 2 begins with a review of the main data sources used in empirical literature. Section 3 discusses the methodology used by researcher in their studies. Section 4 discuss about the conclusions and remaining questions.

2. DATA ON OUT-MIGRATION

Almost all the empirical work we survey here relies on primary and secondary sources of data. Most of the papers have used primary source of data to study the effect of outmigration. In some papers researchers used combination of primary and secondary data. The secondary sources of data used are Census survey, Central Statistical Organization, NSSO, Planning Commission and other administrative records.

Many studies have used cross-section data through primary survey in a particular time period. In order to study the trend of migration certain papers have used time series data collected from census report.

3. METHODOLOGY

Data are analyzed using various descriptive statistics. Test for difference of means (t-test) is used to test differences between migrant and non-migrant households. To assess the impact of migration and other socio-economic factors on household income, Ordinary Least Square (OLS) regression analysis and binary logistic regression model are used.

Paris, Luis, Chi, Wongsanum and Villanueva (2008) in a conference paper about migration and remittances have used Ordinary Least Square (OLS) regression analysis to assess the impact of migration and other socio-economic factors on household income.

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$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n$

Where, Y = is the total household income which is a dependent variable, X_1 and X_2 are dummy independent variable.

In another paper related to international migration, remittances and labour force participation, Khan and Valatheeswaran (2016) have used a binary logistic regression model to measure the impact of international migration on the labour supply behavior of left-behind members.

$Y_i = P_0 + P_1(EMIG_0) + P_2(X_i) + €_i$

Y_i is the binary outcome variable which represents participation in market work. EMIG is a binary variable which is equal to one if an individual belonging to a household in which at least one member has migrated abroad and 0 otherwise. X_i represents the set of individual.

4. CONCLUSIONS AND REMAINING QUESTIONS

In order to facilitate further necessary research on this topic, we summarized the state of this literature.Workers' remittances, flows received from migrant workers residing abroad, havebecome the second largest source of external finance for developing countries in recent years. Inaddition to their increasing size, the stability of these flows despite financial crises and economicdownturns make them a reliable source of funds for developing countries. Moreover the development potential of remittance flows is increasingly being recognized by researchers and policymakers as the effect of remittances on financial development remains largely unexplored. Better understanding of the impact of remittances on financial development is important given the extensive literature on the growth enhancing and poverty reducing effects of financial development.

Despite of these positive impacts of remittances there are negative social consequences among the households and the society which needs to be examined. The increasing migration of the younger generation leaving the elderly parents behind will have negative impact on the future of agriculture. The resulting labor shortage can cause quality farm lands to be remaining idle and converted to nonagricultural landthus causing a threat to household and national food.

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