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Impact of Migration on Household Income, Expenditure and Poverty

Summary

Refugee and Migratory Movements Research Unit (RMMRU) has recently completed a research that examines the impact of migration on income, expenditure and poverty for international migrants relative to internal and non-migrant households. This policy brief presents the findings of the research. The household analysis is based on a true panel survey, where the same households are observed over a three-year interval (SDC and RMMRU panel survey 2014 and 2017). The aim of this brief is to inform the policymakers about the findings and advocate for evidence based reforms to enhance the developmental outcome of migration. The research was mandated by the Swiss Agency for Development and Cooperation (SDC).

Conceptual and Methodological Framework

The research used a migration transition matrix to understand growth in income and expenditure as well as the state of poverty. By comparing respondents who did and did not change their migration status between the two rounds of the survey, the study provides a more robust estimate of the effects of changing migration status on income, expenditure and poverty in Bangladesh. Another focus of the book was to examine gender differences across a range of migration issues: selection into migration, the migration process and returns from migration.

Based on BMET data, 20 high, medium and low international migrant intensity districts were selected through stratified sampling method to conduct the survey. Altogether 6,143 households were interviewed. Among this sample 2,976 were international migrant, 1,431 were internal migrant households and 1,736 were non-migrant households. International migrant households were purposively oversampled compared to internal and the non-migrant households who were used in this research as a control group. In the following section the key findings of the research are presented.

Cost of Migration and Sources of Finance: A significant finding of Wave 2 survey is that the cost of migration has reduced by one-tenth over the three-year sample interval. In 2014 the average cost for male migration was Taka 382,031. In 2017 it dropped to Taka 342,254. In 2014 female migrants on an average paid Taka 96,000 and in 2017 they paid Taka 90,000. For quite a few years, Bangladesh was unable to access important markets such as Saudi Arabia and Malaysia. However, the demand for participation in international migration persisted among rural population, resulting in a relatively high cost of migration during the years of 2013 and 2014. Along with other reasons, the opening up of these two markets during the 2016 and 2017 has increased the supply of work visas and subsequently contributed to lowering the costs of migration. The study has observed some interesting changes in the area of the sources of finance for migration. The most significant in this respect is that the percentage of people who have disposed of land for financing migration has fallen over time. Access to formal credit has increased and the importance of moneylenders as a source of migration loan has decreased. Almost a tenth of those who have migrated during the period from 2014 to 2017 have secured a portion of their migration costs from banks and micro-finance institutions.

Flow of remittances in cash and kind: Compared to 2014 the remittances of male international migrants have reduced by 11 percent. In 2017, international male migrants remitted Taka 193,885 whereas the same migrants remitted Taka 218,812 during 2014. However, this downward trend of remittance did not affect the female international migrants. Female migrants remitted Taka 111,271 in 2017. In 2014, they remitted Taka 109,652. This study also calculated the flow of remittance in kind. It finds that in 2017, the cash value of the goods received by households of male international migrants was Taka 42,035. In 2014, it was Taka 36,054. For female international migrants, the amount stood at Taka 23,571 in 2017 and Taka 23,681 in 2014.

Transitions in migration status and its impact on income: The study catalogued changes in migration status using a transition matrix. The matrix shows changes in the status of household members across the two waves of the panel survey. Between the two waves, 27 percent (1,819 out of 6,810) of the income-earning members of the households changed their migration status. The highest rate of transition (42 percent) has taken place among those who were current internal migrant households in Wave 1. The lowest rate (17 percent) was among members who were classified as returned internal migrants in Wave 1.

In terms of the transitions of migrant members (both internal and international), the most common was from being a current migrant to a returned migrant. For respondents classified as internal migrants in Wave 1, 37 percent changed their status to returned internal migrant, 58 percent remained internal migrants, 4 percent became international migrants and 1 percent became returned international migrant. Similarly, 26 percent of those who were current international migrants in Wave 1 became returned international migrants in Wave 2. Seventy-three percent remained current international migrants and the remaining 1 percent became internal migrants.

The study further finds that changes in migration status have a strong influence on household income. Transitioning to returnee migrant from either internal migrant or international migrant leads to a significant drop in income. However, the study also finds that this decrease in income is temporary. Over time, returnee migrants see an increase in their incomes. The income status can change even when the migration status does not. Changes in income status among those who remained current migrants in both waves of the survey depended on the destinations.

Slow income growth was observed in the case of current international migrant workers. In contrast, the income growth in Bangladesh has been more robust. Both internal migrants and non-migrants between 2014 and 2017 reported increases in their real incomes.

Growth in Expenditure by Migration Experience: An interrogation on the link between consumption growth and household migration status shows that there are considerable differences between households in terms of their initial levels of consumption depending on migration status. On average, international migrant producing households started off consuming approximately 50 percent more than internal migrant producing and non-migrant producing households.

The research also uncovered some heterogeneity in expenditure growth by migration type. The total expenditure of international migrant producing households on average grew by 30 percent. In contrast, average total expenditure growth among internal migrants was only 21 percent whereas that of non-migrants was 27 percent. Thus, internal migrant producing households not started with lower levels of consumption than households from the other two groups, but they are also falling further behind the other groups over time due to lower rates of growth.

Between the two waves of the survey, expenditure on food increased by 9 percent for international migrant households, by 7 percent for internal migrant households and by 14 percent for non-migrant households. The most robust growth was observed in non-food, non-durable consumption, such as clothes, consumer goods, and the like. Growth in this expenditure component was 76 percent overall, 80 percent among international migrants, 58 percent among internal migrants and 82 percent among non-migrants. As a result of this remarkable growth, the share of total household consumption that is accounted for by expenditure on these goods increased from 19 percent to 26 percent.

The study observed very rapid increases in health expenditure for international migrant producing households (35 percent) and non-migrant households (65 percent). However, health expenditure only increased by 15 percent for internal migrant producing households,. By 2016, international migrant producing households were spending on average Taka 1,708 annually on health, whereas internal migrant producing households were spending less than half this amount with an average expenditure of Taka 829. Non-migrant households were spending Taka 984.

In both survey waves, international migrant producing households spent considerably more on education than internal migrant producing households and non-migrant households. In 2017, annual educational expenditures for international

Investment of migrant household in modernization of agriculture migrant producing households were Taka 462.10, whereas those for internal migrant producing households were Taka 261.85 and those for non-migrant producing households were Taka 293.66. Growth in education expenditures was found to be fairly homogenous across groups. For international migrants, this was 8 percent, while that for internal migrants was 12 percent and that of non-migrants was 11 percent. As health and education are both components of human capital, these observations point to an interesting finding. It appears from the data that private investments in human capital are driven by investments in health, rather than investments in education.

Both international and internal migrant producing households' expenditure on rituals grew disproportionately than for non-migrant households. Growth in this component was 17 percent for international migrants, 42 percent among internal migrant households, but only 3 percent among non-migrants. Thus there is some evidence to support the hypothesis that migrant households are obliged to spend more on rituals than non-migrants. Key informant interviews suggest that a major component of ritual expenses are related to marriage and dowry. Presence of a migrant member increases the demands placed on a household for dowry.

Poverty Dynamics and Migration: Against this backdrop of strong overall expenditure growth, one may expect comparable reductions in expenditure poverty. However, an interrogation of the dynamics of the headcount measure of expenditure poverty revealed that while consumption was growing at approximately 9 percent per year, the poverty rate was only declining by around 1 percentage point per year. The data show that expenditure growth among those who were initially poor was actually higher than the sample average, at 78 percent, whereas growth among those who were initially non-poor was a relatively modest 21 percent.

An analysis of the growth rates among those who were poor in the Wave 2 of the survey revealed that on average their expenditure exhibited substantial, negative growth between the two surveys. That is, their levels of consumption fell by 38 percent between 2014 and 2017. It is therefore likely that a new set of households who may have been non-poor in the initial period become poor in the second Wave. A poverty transition matrix shows that 64 percent of households who were poor in the first period transitioned out of poverty by the second period while 57 percent of households who are poor in the second period were initially non-poor and so transitioned into poverty between the two Waves.

The study adopted a simplified definition of transient poverty: households that were poor in both the waves of the survey were defined as chronically poor, whereas those that were poor in one period, but non-poor in another were defined as suffering from transient poverty. The vast majority of the poverty observed in the panel is transient, as opposed to permanent.

The study has also explored the effectiveness of international migration and internal migration in managing the risk of transient poverty relative to the risk of chronic poverty. Despite low overall poverty among the households of international migrants, a large share of what poverty exists was transient in nature (among poor international migrants, 78 percent were transient poor in 2014 while 76 percent were transient poor in 2017). While it is not surprising that chronic poverty is low among these relatively rich households, what is surprising is that international migration at this moment is not an effective longer-term insurance strategy against transient consumption poverty. This may be due to a variety of factors. A recent study (Siddiqui and Abrar, forthcoming) shows that international migration from Bangladesh to the Gulf, other Arab, and South East Asian countries is becoming an extremely risky livelihood strategy. After paying large, upfront costs to migrate, 32 percent of those who migrated were either unemployed or not receiving regular payment. A number of them were forced to return early as they had been victims of fraudulence. Furthermore, between January and September 2018, around 4,000 women migrants have returned to Bangladesh without finishing their contracts, claiming physical torture and in some instances, sexual harassments. Such occurrences may have reduced the effectiveness of migration as a risk-minimizing strategy.

While the households of internal migrants suffered from substantial levels of chronic poverty, the share of transient poverty in total poverty was small (56% in 2014 and 50% in 2017), relative to the rate among international migrants. Poverty was also prevalent among non-migrant households. Interestingly, the share of transient poverty in total poverty appears to be declining over time more rapidly for these households than for other groups. This suggests that effective risk management strategies, other than internal migration, may have become increasingly available to some of the households in these communities. However, internal migrant households may not have access to those opportunities.

Thus, the economic setting in which sample households operate appears to be characterized by extremely high levels of uninsured risk. Changing economic circumstances cause a high incidence of transient poverty, even though the incidence of chronic poverty is reasonably low, at 7 percent. The distinction between chronic poverty and transient poverty has important policy implications. Policies that are designed to tackle one will not necessarily be effective at tackling the other (Jalan and Ravallion, 2007). Issues of chronic poverty require either efforts to stimulate growth and/or redistribution. Tackling transient poverty, by contrast, requires a focus on mitigating and managing risks and correcting failures in insurance markets.

Gender Dimension of International Migration: The socio-economic characteristics across male and female international migrants are different. Male migrants are more likely to be older, married and likely to be from the upper end of the education distribution. Females, on the other hand, are more likely to be separated/widowed and likely to be from the lower end of the education distribution. Similarly, in terms of the living standard index (which is based on ownership and quality of homestead, water and safe-sanitation access, etc.), female international migrants are from the lower end of the distribution. Concerning destination and occupation choice, the international labour market for female migrants is narrower. The top 3 occupation choices for female migrants account for 80% of total female migrant work and the top 5 destinations account for 88% of total female migrant destination. On the other hand, the top 3 occupations for male migrants account for only 28% of the total male migrant work and the top 6 destinations account for 75% of total male migrant destination.

The average costs of international migration for men were around 4 times than that for females for the most Gulf and middle-eastern countries. In terms of financing migration, differences exist across gender. For men, the most important source of migration finance is immediate and extended family. Very few women can secure the assistance of their families to pursue migration. Female migrants are more likely to have arranged deferred payment of migration costs through deductions from their salaries at the destination than male migrants.

The average income of male international migrants is significantly higher than that for females, with the gap increasing with experience. An extra year as a migrant increases the income of male migrants by 1.7% and 0.8% for female migrants. This is due to the nature of work female international migrants perform, which has minimal scope for upward mobility. Not surprisingly, male international migrants send higher annual remittances and send remittances more frequently than female international migrants. However, as a percentage of total income, female migrants remit more. Finally, in terms of returns to investment, it takes less than a year for a new female migrant to recoup their cost of migration, whereas it takes over 39 months for new male migrants to do so.

Future Policy Directions

A comparison of Wave 1 panel survey with that of Wave 2 has shown that poverty in Bangladesh is mainly an issue of uninsured risk, rather than a lack of growth opportunities. Thus, the most important recommendation to emerge from this study is that policies should target the level of uninsured risks faced by households. Ensuring the risk of migration requires stronger oversight of intermediaries and better governance in terms of reducing fraud and the incidence of failed migrations.

One of the findings of the study is that the level of poverty increases when a migrant returns. Till now the government, NGOs or civil society organisations have not developed any meaningful programme for the economic and social reintegration of the returnee migrants. This study highlights the importance of the development of a comprehensive return reintegration strategy for the migrants. This will help minimize the incidence of transient poverty upon return.

An important finding of this study is that the return on investment for female migrants is significantly higher than that for males. Yet, due to protection issue, women's interest to migrate may register a decline. Bilateralism has so far failed to ensure the protection of female migrants, especially to those who are engaged in domestic work. It is therefore important to highlight the protection issue in different regional and multilateral forums. A comparison of the outcome of migration between male and female also show that international female migrants are still excluded from different services offered by the government and the private sector. In order to increase their access to formal loan, targeted interventions are required from the government established Migrant Welfare Bank and other public and private banks in providing migration loan.

RMMRU field research team during the 4 day training workshop, February 2017

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