POVERTY ANALYSIS AND POVERTY: Incorporating Migration and Remittances

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Main messages

- Don’t forget about the households who leave – may be one of the main channels out of poverty.
- Issues for impact on households left behind:
  - Fungibility of money
  - Migrants self-select
  - Reverse causality

  $\Rightarrow$Difficult to get the right counterfactual, but better data and methods help.
- Lots of help available around the Bank…

HOUSEHOLDS WHO LEAVE AND POVERTY

- Typical cross-sectional household survey may have information on where currently live, where lived 5 years ago, whether have a family member overseas.
- Misses entire households which move overseas.
- Clemens and Pritchett (2008) “Income per natural” provides a start at looking at poverty impacts of this.

Clemens and Pritchett

	% of all non-poor residing in the U.S.		
Country of birth	**$1/day**	**$2/day**	**$10/day**
Haiti	14.1	26.2	82
India	0.2	0.7	27.2
Mexico	12.3	14.6	42.5

Internal migration also route out of poverty

- Those who had moved out of the Kagera Region had nearly 10 times higher consumption change from 1991 to 2004, compared to those who remained in the community.
- For those who stayed in the community, we see basic needs poverty rates drop by about 4 percentage points over 13 years, while for those who moved elsewhere within the region we see basic needs poverty rates drop by about 12 percentage points, and for those who moved out of the region drop by 23 percentage points.
- For our whole sample of panel individuals we find that average consumption between 1991 and 2004 went up by a bit more than $60 per person, while the basic needs poverty rates fell by about 8%. Had we only focused on those individuals still residing in the baseline community we would have concluded that average consumption went up by a bit under $30 and poverty rates declined by 4 percentage points
- i.e. WILL UNDERSTATE MOVEMENTS OUT OF POVERTY IF IGNORE WHOLE HOUSEHOLDS MOVING.

What about those left behind? Do the poor benefit from remittances?

- Typical cross-sectional survey has total income, remittances
- Questions of interest: are remittances going mainly to poor households? Do remittances lift households out of poverty?
- *Naïve answer 1:* look at where households receiving remittances lie in the income distribution.

  Problem: this is AFTER remittances

Poverty and Remittances

- *Naïve answer 2:* subtract remittances from total income, and see where those receiving remittances lie in the distribution

  Problem: treats remittances as manna from heaven
- *"Solution"*: try and calculate what household income would have been in absence of remittances

Considerations

- Lost income of migrant: some approaches try and calculate this by predicting income for migrant if s/he had stayed
- Receiving remittances might change labor supply of other household members, might allow them to overcome liquidity constraints on entrepreneurship, etc.
- Absence of a member might change labor supply, income-earning opportunities in household

  i.e. income of other household members affected by receipt of remittances and by migration
- Household resources per person is higher due to absence of an eater

=> Need to consider all these factors when attempting to look at poverty impact

McKenzie, Gibson, Stillman (2007, Table 7)

	Broad per capita income	Headcount Poverty	Poverty Gap
Actual Levels			
Migrant households	3,337	0.392	0.133
	(341)	(0.076)	(0.035)
Unsuccessful Ballot	4,706	0.224	0.077
	(460)	(0.071)	(0.028)
Counterfactual Predictions for Migrant households			
Using Unsuccessful ballots to pre	4,691	0.195	0.084
	(307)	(0.053)	(0.028)
Using non-applicants to predict	3,408	0.320	0.118
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Non-Experimental Impact with Perfect Comparison Group

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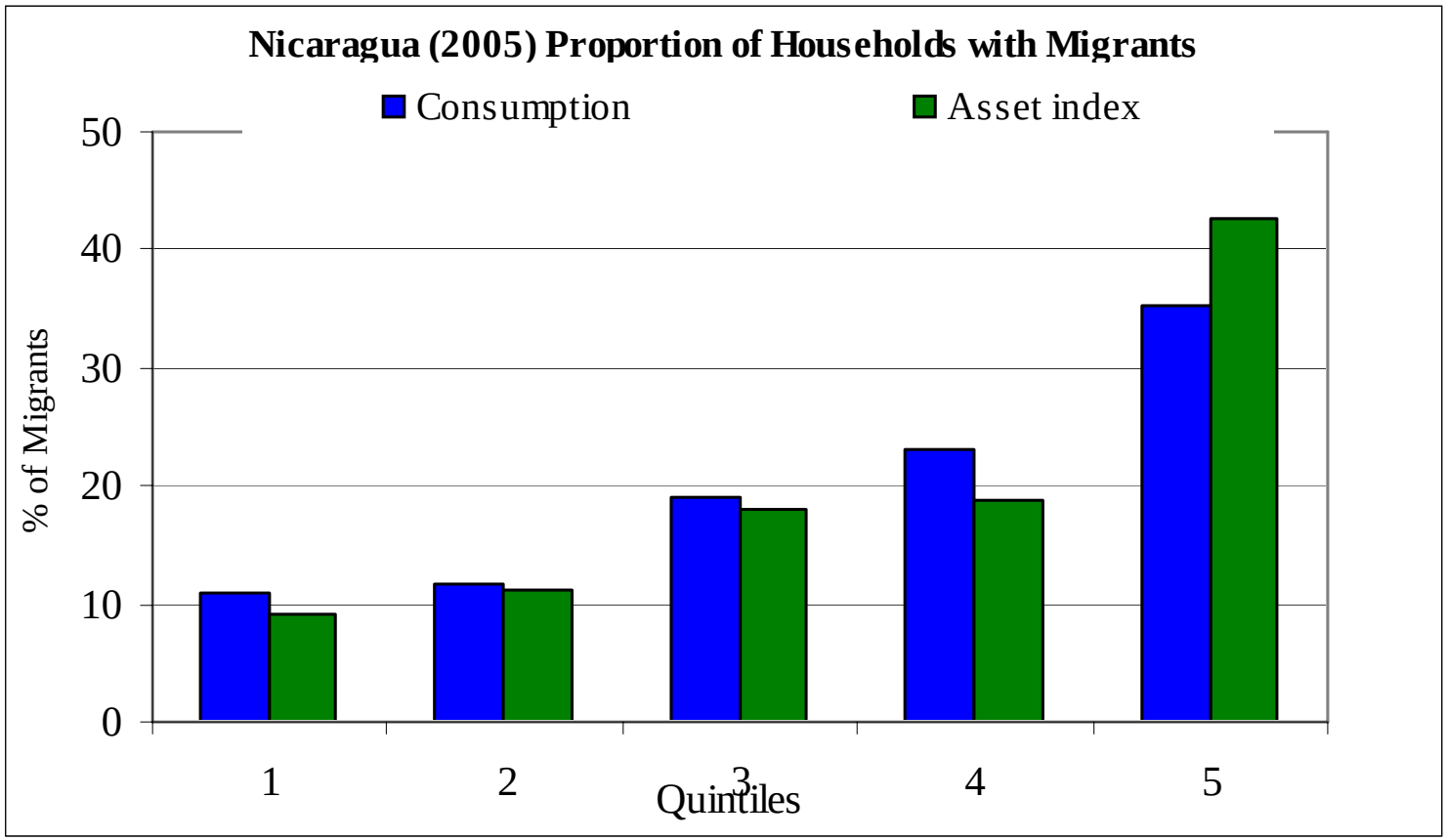
Non-Experimental Impact with General Population as Comparison Group

So what should we do…

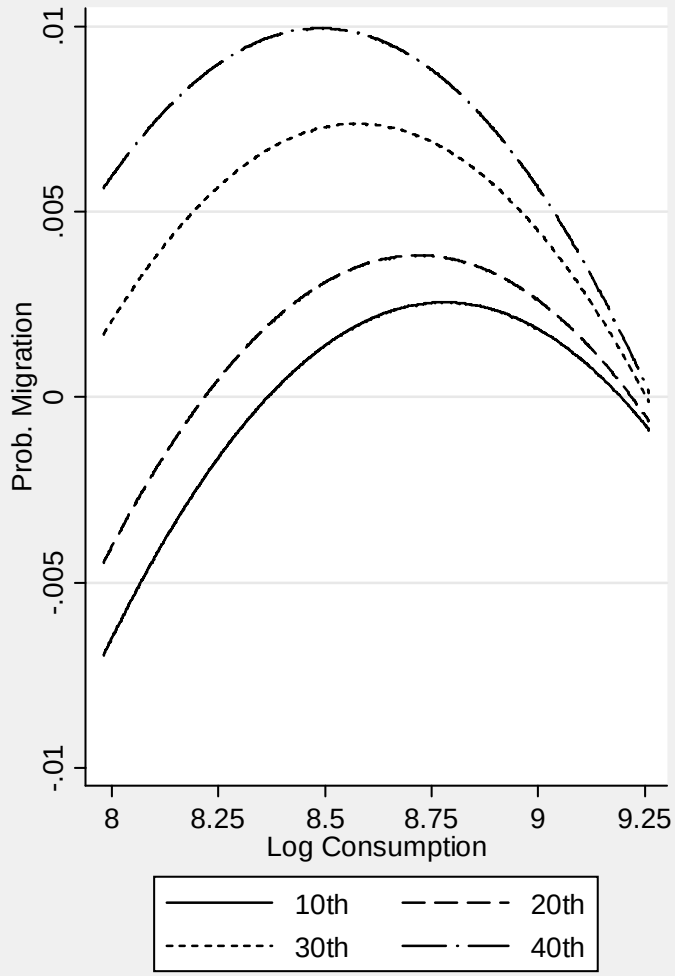
- Try and think of possible good instruments
  - E.g. exchange rate shocks (Philippines), labor market conditions in receiving country, historic networks, policy changes, cost of sending money changes,…
- Use pre- and post-migration data for difference-in-differences or matching
- Think about possible directions of biases, and whether non-experimental methods are likely to give upper or lower estimate.

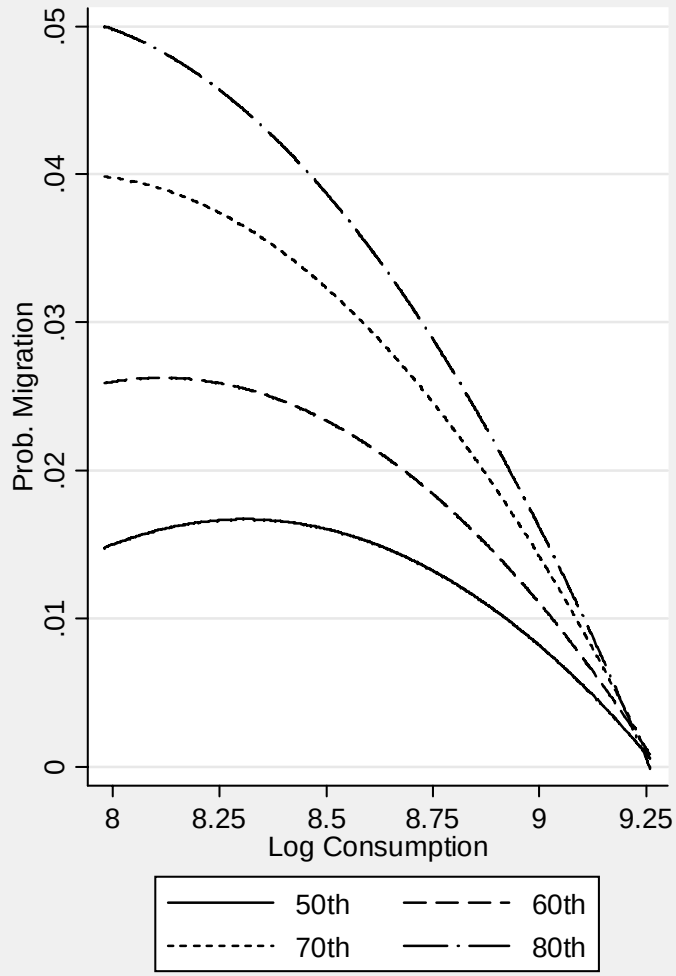
Heterogeneity

- Impacts will vary by:
  - Where in distribution migrants selected from



Migration becomes more pro-poor as networks grow/costs fall.





Effect varies by choice of destination

- Nepal (PR: 3.6pp / 30%)
  - elasticities (10% increase in migration)
  - Internal Migrant 1/3 of reduction (-2.4%)
  - Migrant abroad 2/3 of reduction (-3.2%)
- Nicaragua (P_0 46%)
  - Migration to Costa Rica - 4% (-25% in Rur)
  - Migrant to U.S. - 19% (-47% in Rur)

Going forward

- Remember whole households that leave
- Work hard to get the right comparison group for households with a migrant
  - Survey design important, panels good
  - Matching or IV
- Go beyond averages – migration not homogenous
- Growing experience including migration in poverty reports – plenty of help available…