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THE ECONOMIC IMPACT OF MIGRATION ON AN ECONOMY

A Review of How the Economic Development of a Nation is Impacted by Migration and the Remittances of the Migrant Workers

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A REVIEW OF HOW THE ECONOMIC DEVELOPMENT OF A NATION IS IMPACTED BY MIGRATION AND THE REMITTANCES OF THE MIGRANT WORKERS

Project Description & Objectives

Discussion surrounding immigration and the mobility of labour has swirled around for many decades but in more recent years this debate has intensified greatly. The reasons for the growth of the debate are manifold but fundamentally revolve around the fact that globalisation and the opening of borders that were hitherto closed or restricted in some way have led to ever increasing numbers of people leaving their country of birth and living and working abroad.

There are many reasons why people choose to work abroad, whether it is for relatively short periods of time or permanently. Historically the vast majority of countries have not been very good at understanding all the real reasons that their citizens leave their home country, or in maintaining a meaningful ‘relationship’ with them once they have migrated.

In more recent years, the desire to understand the migrating citizens’ motivations and wanting to maintain useful two-way links with them has driven governments around the world to review the position. This change in approach has very much been encouraged, and indeed assisted, by a number of supra-national institutions including the World Bank, the International Centre for Migration Policy Development, the International Migration Institute and many more.

The first step that each country must take when considering how best to strengthen its relationship with its citizens working abroad is to get to know the details of the diaspora as only once they are better understood is it possible to engage with them in any meaningful way. Obtaining this information can be gone about in many ways but the more comprehensive the picture the better equipped the donor country is to ensure both meaningful dialogue and closer economic ties.

The Government of Georgia has already started to understand the benefits of identifying and engaging the diaspora but this project is intended to help them to better understand their citizens living and working abroad and to use this information to further improve the two-way engagement process. By using this information, together with looking at the experiences of other countries and examining international best practice it will help the Georgian Government to better shape its thinking and approach to maximising links with the diaspora.

Overview

Immigration / migration has always had, and will continue to have, the potential to polarize views, whether it is from the perspective of the host country receiving the immigrants or the origin country losing the migrants. It is of course not only the more official stance of the governments involved but also that of the populations themselves that need to be considered, whether in the receiving or the origin country. In both cases attitudes can vary dramatically from hostile or disruptive through benign to being positively helpful and providing assistance.

Indeed, it is often the host countries population that gets the most publicity and is reported the most even if its impact is normally not the most critical. However, when a host population starts to become too hostile to the level of immigration then this can lead to host governments deciding, or indeed being forced into, changing policy. Good recent examples of this are BREXIT in the United Kingdom and with the election of Donald Trump in the USA, the surprise outcome of both revolving largely around the host country's desire to stem inward immigration.

It is perhaps for that reason that the majority of academic and other research that has been conducted over the years has focused much more on the immigrants and the relationship with the host country rather than the diaspora's relationship with the country of origin. In more recent years, as the mobility of labour has increased, it has led to a greater need for the origin country to understand the diaspora more and has spawned growing levels of research.

However, as more countries around the world have started to understand the importance of increasing their knowledge and maintaining links with their diaspora so too have the World Bank and other donor institutions. These institutions in turn are now funding numerous projects worldwide and sponsoring more research and this has led to the rise of specialist institutions such as the International Migration Institute, the International Centre for Migration Policy Development, and the Centre on Migration, Policy and Society, to name just a few. These specialist organisations have rebalanced the focus of research and started to address the gaps in knowledge from the origin country perspective.

More specifically, the World Bank and other donors have provided funding to the specialist consultants and others to work with specific countries to help them to understand their own position and adopt different practices in order to engage better with their diaspora.

This matrix of desire for more knowledge, specialist consultants, and the donor funds to pay for the research and other work has led to a sharp increase in the number of initiatives and actions being taken. As a direct result of this, the number of origin countries that have established some form of formal diaspora institution(s) has grown tremendously in recent years. These institutions range from counsels, committees, quasi-governmental bodies, and diaspora units attached to parts of government, through to full diaspora political departments and even full ministries.

Figure 1 below shows the increase in such bodies since 1980 but what is clearly demonstrated is the sharp increase in the last ten years from a much slower beginning. To demonstrate this point further, the International Organisation for Migration held the world's first ever 'Diaspora Ministerial Conference' in 2013 and it was attended by 548 high level government participants from 143 countries as well as another 40 participants from various migration focused organisations.

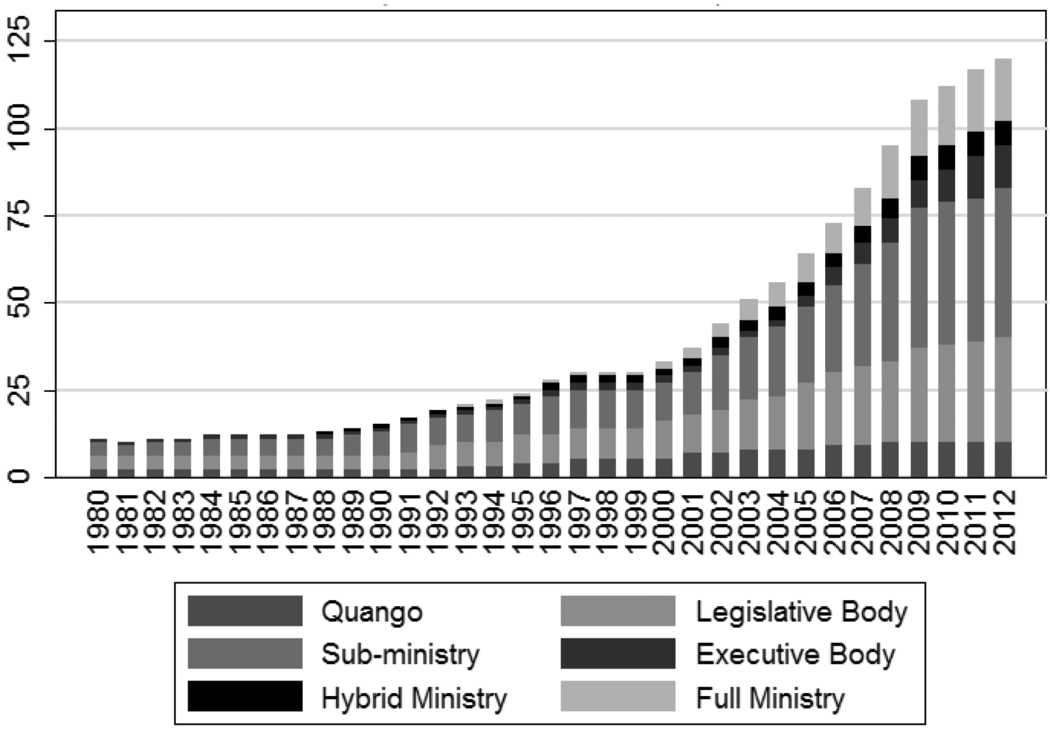
Further, diaspora institutions in one form or another now exist in more than half of the member states of the United Nations and their establishment is now generally seen as being beneficial to all involved.

Various research suggests that there are three predominant reasons that makes an origin government wish to engage more with its diaspora, namely 'tapping', 'embracing', and 'governing'. In the majority of cases there would appear to be an element of all three reasons but in unequal measure and the mix varies from one country to another.

Tapping focuses on how the origin country can use its diaspora to obtain the maximum possible financial gain for the country, whether this is from remittances from the citizens' living abroad back to family members at home or

Figure 1.

Annual Count of Diaspora Institutions Globally, 1980-2012 (Gamlen et al 2013, Oxford Diasporas Programme / International Migration Institute)



more focused and sophisticated means such as encouraging them to invest in companies or projects back in the origin country.

Embracing revolves around the desire to view them as still part of the community of the country even if they are living outside its borders. This helps to keep cultural and heritage roots alive and in so doing keeps a stronger bond between those living abroad and their home country, and maybe lead to other benefits or even returning to the origin country in due course.

Governing is perhaps the most difficult, and because of this the least practised. This aspect attempts to have some greater level of influence or control over the diaspora which the origin country hopes will assist it in international relations or in ensuring that whilst the people may live abroad they are still responsible in some way to the origin country.

All three of these motivations are explored in more detail later in this paper.

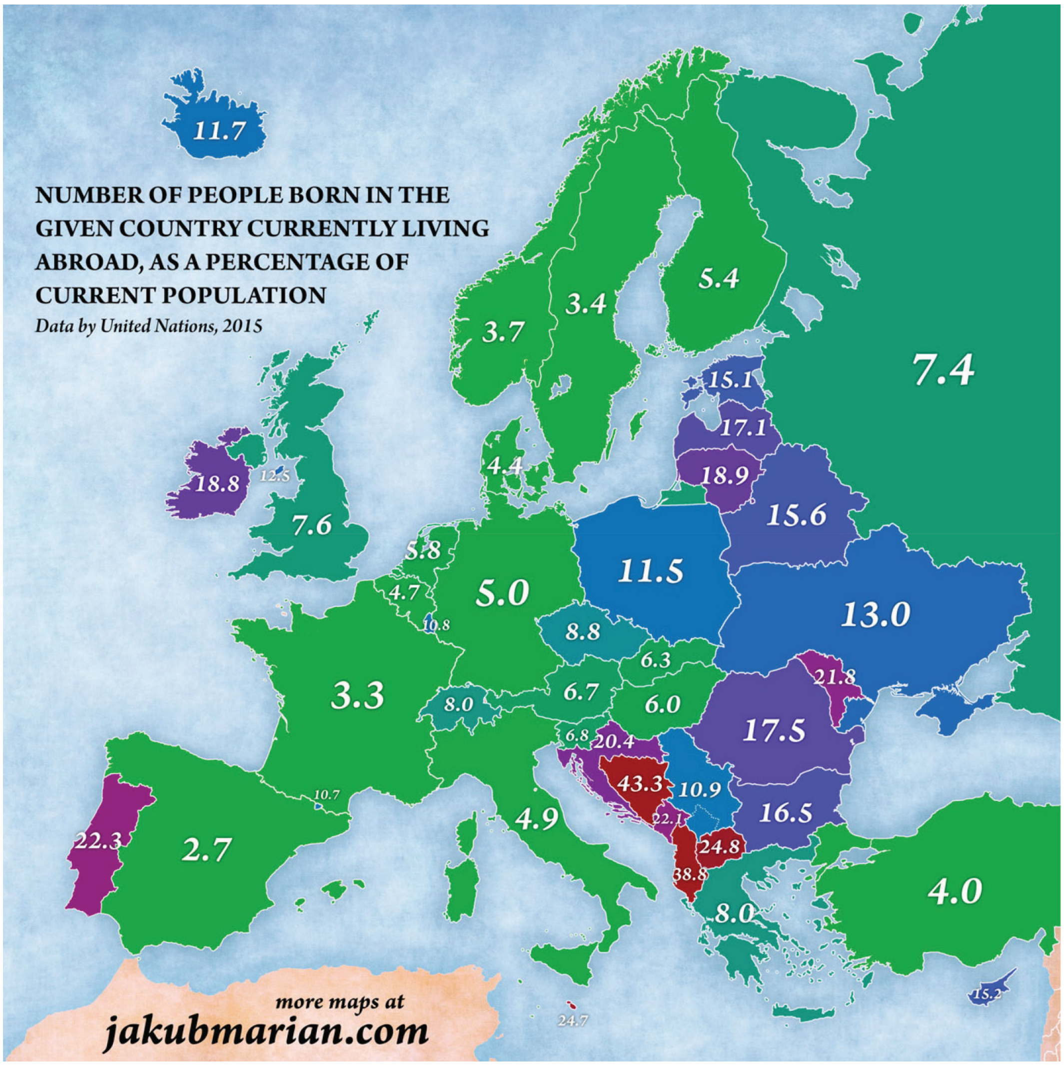
Underlying all three of these reasons that a government may choose to engage with its diaspora more is the overriding concern that as it is normally the younger generation that moves abroad there is some form of 'brain drain'. That is, that from both a financial and other perspectives that the country is somehow weaker, or at least potentially so, by the loss of young, talented, and quite possibly well-educated members of the community moving abroad.

The last point, however, that the origin country only suffers, is now often seen as a somewhat outdated view, as more recent research and better ways to engage the diaspora has led to a better understanding of what can be gained and how to better mitigate any downside.

The shear level of international migration is often not fully realised, nor is the fact that it affects rich and poor countries alike. Figure 2 below shows the percentage of a country's population living and working abroad.

Figure 2.

Percentage of Migrants (Source: jakubmarian.com)



Whilst this figure shows percentage of the population, in terms of overall numbers of citizens the UN estimate that because of its larger population Britain has some 4.97 million migrants making it more than any other western country. The majority move to Australia, USA, Canada, New Zealand and Bangladesh. The migrants moving to Bangladesh are almost exclusively second generation Bangladeshis' moving back 'home' to the country of origin of their parents.

This last point can make pure statistics potentially confusing as whilst people born in a country are of course counted among the citizens of that country, if they are born to parents that migrated from another country then they are also counted amongst the diaspora of the origin country of their parents. As such they have family, cultural, and emotional ties to that country also and may wish at some point to migrate back to the home country of their parents.

Figure 3 above shows what a large impact this can have on any of the official migration statistics. For example, more Estonians and Lithuanians have moved to live in Russia than any other country, and more Croatians have moved to Serbia than anywhere else. The majority of these flows are second generation migrants 'returning' to the land of their parents.

Figure 3.

Destinations of Migrants (Source: jakubmarian.com)

Whilst it is undoubted that first generation migrants have a much stronger bond with the origin country than second or third generations ever could, this flow of reverse migration clearly demonstrates the benefits of ensuring that cultural and emotional ties with migrants and any future families that they may have can be very important in the future.

As such, because of potentially very long timescales, actually measuring the success of any diaspora engagement policies in any meaningful way may be very difficult but nevertheless engaging with them would seem to be a very worthwhile exercise.

Diaspora Engagement Policies

With the growing realisation of the benefits of engaging with the diaspora and the assistance and funding of donors and specialist institutions more and more countries are looking at the alternative ways to approach this.

Whilst ‘tapping’, ‘embracing’, and ‘governing’ are the three underlying reasons most governments want to engage with their diaspora, the question remains of how best to do this and what exactly are the benefits. Furthermore, what is the impact of migration on an origin country’s economy and how does this change by engaging with the diaspora?

As discussed, many steps are being taken with capacity building policies and information gathering exercises. These in turn enable both the origin and the host country to work with the diaspora on a broad front from economic, legal, and humanitarian perspectives.

Institution building is often the first step and would most often include working with the country's embassies abroad as the local link in each country. This approach can greatly assist in the gathering of much more detailed feedback rather than just the statistical data of how many people have moved to any given country, or other standard data.

Once a better understanding is obtained, the government is better placed to decide exactly how to engage with its diaspora from a financial perspective as well as the correct balance of extending rights and extracting obligations. With the correct mix it is now recognised that a country does not need to suffer brain drain or for the economy to suffer without any rewards flowing back to the origin country.

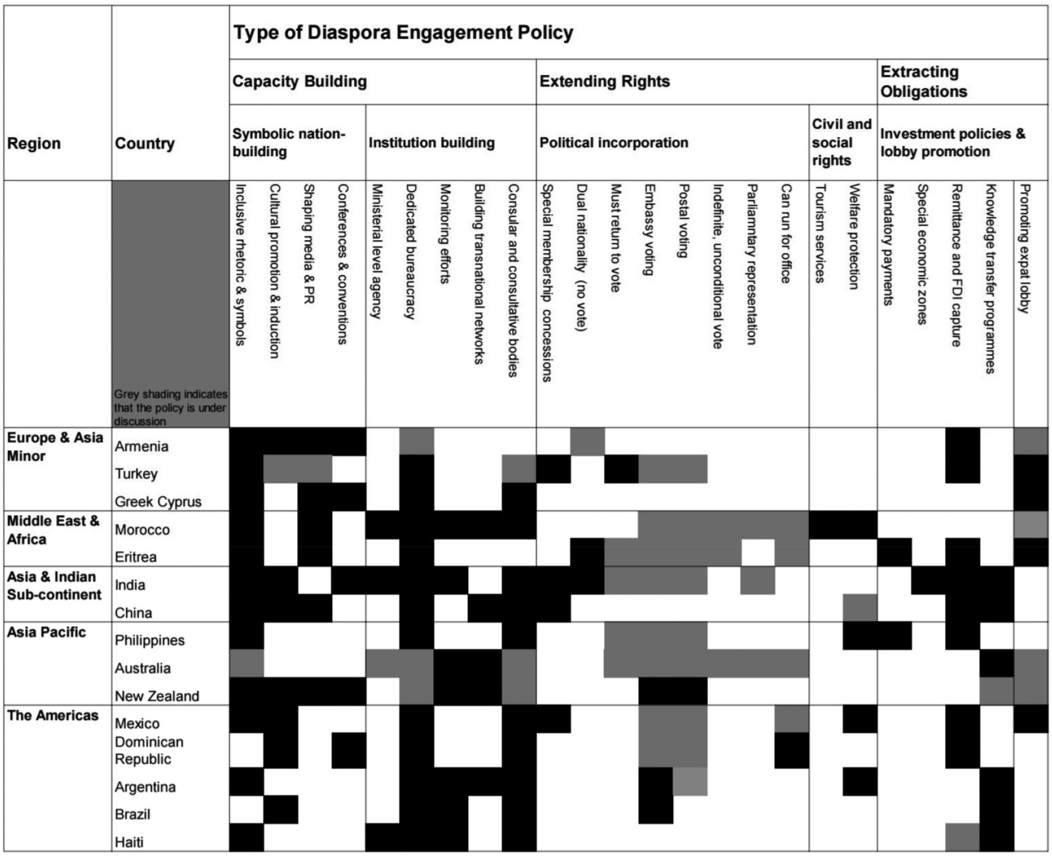
The common thread running through all diaspora engagement policies is the attempt by the government to underline and strengthen the emotional ties and moral and other obligations felt by the diaspora with their home country.

Whilst the data is a little old, having been collated in a very large study in 2006, figure 4 shows the very diverse range of engagement policies being adopted globally. Specifically it focuses on the 15 countries that provided the most data.

Figure 4.

Types and Spread of Diaspora Policies Globally, 2006 (Gamlen, Centre on Migration, Policy and Society)

Countries Using Diaspora Engement Policies (detailed sources consulted)



The study covered many more countries than those shown above but only those above provided sufficiently detailed information. It is very clear that capacity building by way of soft humanitarian issues and by institution building was the most advanced and prolific way to start to engage with diaspora.

At the time of the study, many countries were extending rights but it was clearly beginning to happen with many more countries actively engaged in internal discussions within government and external discussions with the diaspora. Since 2006 the vast majority of those countries that were in discussion on these first two points have subsequently moved ahead and firmed up on the discussions in some form, making them policy.

However, of even more significance still is the fact that many more countries not even mentioned in this figure above have now set up firm policies in these areas and yet more are in the stages of discussions and investigating as to the best options open to them.

Extracting obligations, however, was the least developed of the three areas in the research undertaken and unlike the other two areas it remains very underdeveloped in comparison given the complexities of actually making this happen. The two main obstacles being the amount of pressure that can actually be brought to bear and how to exert control without interfering in some way with the citizens duties and obligations in the host country, or indeed international relations between the governments of the origin and host countries.

In addition, experience gained by those countries already with diaspora engagement policies would seem to suggest that a soft, gentle, and voluntary approach works far better than a hard or forced approach.

In the same study that obtained the results displayed in figure 4, a further 58 additional countries provided fragmented but still significant data and the results for these are displayed in figure 5 below.

What is perhaps most notable from this figure are two very relevant points, neither of which would generally be considered to be the case. Firstly, it very clearly shows the fact that countries using diaspora engagement policies are common around the world and not just clustered in certain regions. Again, since this study was conducted, as more and more countries adopt their own policies the spread is even more global. Secondly, it is not just poorer countries that have taken this approach but many of the richest countries in the world including USA, Canada, Germany, France, Switzerland and Japan.

Whilst it remains true, therefore, that poorer countries do perhaps have the most to gain from remittances sent by citizens abroad back to family members, the very fact that rich counties around the world are interacting more and more with their diaspora shows that there are many other benefits to adopting migration policies.

Now that we have explored some of the reasons that a government decides to engage with its diaspora we can start to focus more specifically on the question of how migration affects a country's economy and how the government might try and influence this in some way.

Encouraging Financial Links

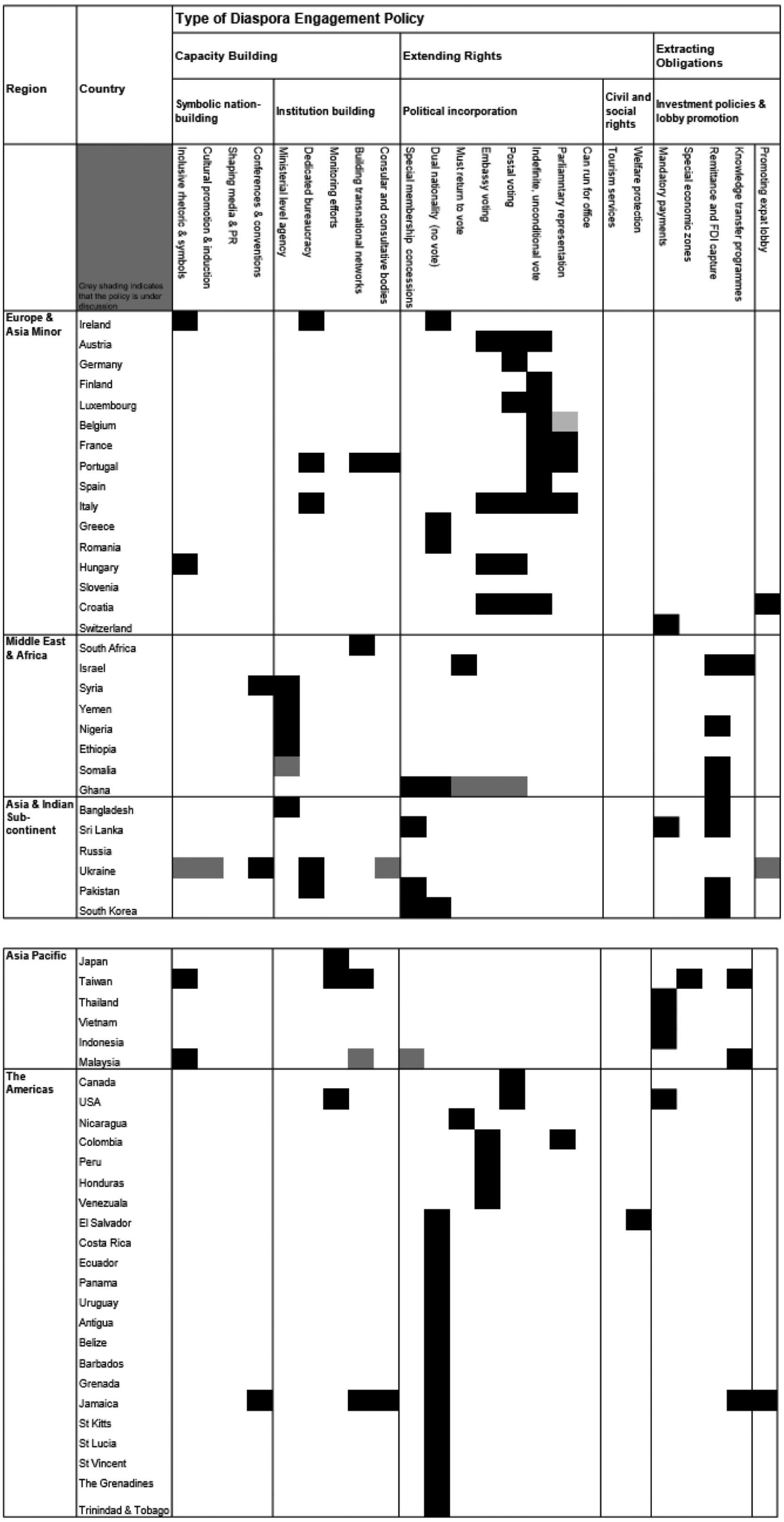
According to the United Nations "the international migration of labour is an important component of globalization and economic development in many less developed countries". The phenomena of migration is not new and the UN estimate that the level of workers abroad increased more or less linearly for the 40 years between 1965 and 2005, rising from an estimated 76 million people to 188 million people during those years.

With the opening of the borders within the EU and other weakening of border restrictions globally, since 2005 the increase has been rising above the linear trend since that time. Indeed, the UN estimated that in 2015 there were approximately 244 million international migrants and that this figure had grown by 41 percent from only 15 years previously.

Figure 5.

Types and Spread of Diaspora Policies Globally, 2006 (Gamlen, Centre on Migration, Policy and Society)

Countries Using Diaspora Engagement Policies (detailed sources not consulted)



There are many forms of financial links, ranging from perhaps the most obvious and prevalent, being cash remittances from those working abroad back to family members, through to more sophisticated and larger one off payments by way of investments in the home country.

Whilst it is true that the vast majority or remittances flow from migrants from less developed economies as they are most needed by family left behind, it is not just emerging economies that can benefit from the migration of citizens to work abroad, but wealthier nations also.

Looking first at remittances, as would be expected these are often directly linked to the reasons citizens migrate in the first place and the level of family ties and commitments they leave behind them in their home country. This in turn is often linked to their age. Younger less skilled migrants tend to be male without young children and they often remit less back home, whereas older, more skilled or better educated are often female who leave children in the home country and they would normally remit more.

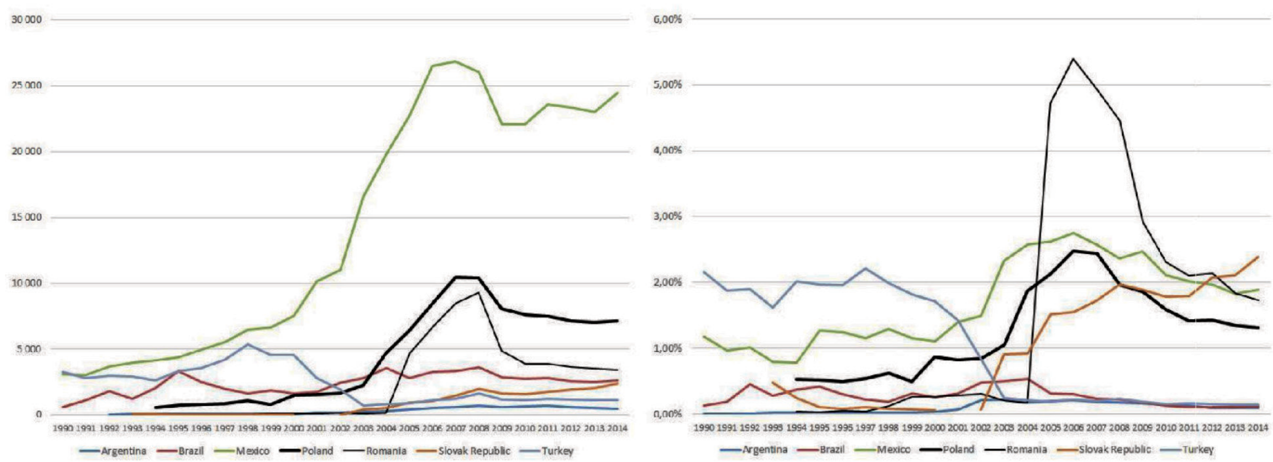
Figure 6 below displays the level of remittances from one of the case study countries detailed below (Poland) along with six other countries. It can clearly be seen that the actual level of remittances, however measured, can vary quite dramatically between countries and over time depending on incentives and circumstances.

In the example countries above, the level of this type of remittances account for up to 2.5 percent of GDP and many tens of billions of USD each year. In addition, these remittances are normally focused on the poorer regions and families in the origin country as it is from those areas that the migrants are more likely to come and once left, more likely to remit funds home.

The World Bank estimates that in 2010, remittances to developing countries alone exceeded USD320 billion and the level of remittances worldwide increases year on year. Further, they also estimate that due to the difficulties of measuring remittances that these official figures only actually represent 50 to 75 percent of the true level of remittances made.

With regards to official remittances, in terms of absolute numbers, India (USD 70 billion), China (USD 66 billion), Philippines and Mexico (both each USD 24 billion) received the highest amounts in 2012. However, In terms of gross domestic product (GDP), remittances are much

Figure 6.



Level of remittances received – total (left panel) and as % of GDP (right panel), Poland vs. other benchmark countries, 1994-2015 (millions USD)

Source: World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks (2016).

more significant for smaller economies in that they amounted to 47 percent of GDP in Tajikistan, 31 percent in Liberia and 29 percent in Kyrgyz Republic for the same year.

In contrast to other foreign capital flows, remittances are not only more stable and often actually continuously increasing, they are also countercyclical. For example, after the financial crisis in Asia and the terrorist attacks on 11 September 2001, portfolio investments plunged in reaction whilst remittances rose. And in Botswana it has been reported that migrants transfer higher remittances during periods of prolonged droughts as their families need more support.

Most evidence would suggest that remittances from migrants back to the origin country are beneficial both for the immediate recipients and for the country as a whole although there is some argument that this might not always be the case.

In the study of economics it is generally accepted that there is a multiplier effect of some 8x for every unit earned. That is, because that income is spent, and then the receiver of that spends it again, and this process repeats itself many times, then the original unit of income is actually worth approximately eight times that to the economy as a whole.

As such, for every unit of income remitted by a migrant back to family or back to the origin country in some other way, then it actually benefits the economy as a whole to a much greater degree.

The actual level of the multiplier effect does however vary depending upon what the money is spent on, and more specifically if it is spent on goods rather than services, are those goods manufactured in the home country or abroad. If the goods are imported then some of the multiplier effect goes abroad as it supports the jobs of those that manufactured the goods in the first place.

However, a very large study conducted in 2008 across 59 emerging economies analysing data over a 30 year period concluded that that for every one percentage point that remittances increased, it was associated with a 0.37% decrease in the level of poverty. This underlines the beneficial impact that remittances can have on both the direct recipients and the wider economy.

But even taking the simple view that buying imported ‘luxury’ goods is pure consumption and does not really support the economy of the home country can often be very misleading. In an in depth study conducted in Brazil it found many examples of the following: imported cars were often used as taxis; imported refrigerators, large televisions and other such equipment were often used as part of a bar; and even telephones were sometimes used by the owner to provide a ‘community’ telephone for which a charge was made.

In all of these examples it can be seen that what appeared to be pure consumption was actually investment into a small business that provided income and jobs and helped to support the recipient and boost the local economy. None of these would have been possible without the remittance from the family member that had migrated in the first place.

Figure 7 below provides a balanced view on the benefits or otherwise of remittances, but even when presented in this way it would seem clear that the benefits more than outweigh any concerns.

As will be seen in more detail in the case studies below, the fact that the majority of migrants remit money to family in the origin country, together with the fact that this can be a relatively high percentage of their income, and that there are many migrants, rapidly means that the total amount of money remitted can be very substantial. Receiving governments can choose to assist this flow, and so increase it, in any number of ways, for example by relaxing currency control regulations if they exist, reducing bureaucracy or tax on incoming funds, or in assisting with how it can physically be collected.

One aspect that is worthy of note is the fact that of the remittances sent to the very poor-

Figure 7.

Different Perspectives on Migrant Remittances (Source: Gamlen, Centre on Migration, Policy and Society)

Pessimistic and Optimistic Perspectives on Remittances

Fears Regarding Remittances (Stahl & Arnold 1986)	Optimism Regarding Remittances
Remittances do not lead to productive investments but instead fuel profligate consumption.	Micro-level: non-productive investments and consumption improves standard of living and quality of life (Stahl & Arnold 1986). Can tide people over in times of crisis (Van Hear, cited in Ostergaard-Nielsen 2003b) and help diversify household risks. Macro-level: consumption increases demand, producing multiplier effects that stimulate home-country industries and economies (Stahl and Arnold 1986).
Distribution of remittances is uneven and increases income and wealth inequalities.	Remittance income is more evenly distributed than both overseas development aid and foreign direct investment (Hugo 2003).
Remittance expenditures may result in inflation.	Price gains are mitigated by the allocation of resources to production of higher-priced goods (Stahl and Arnold 1986).
Remittances may increase dependency with the risk of sudden decline.	Labour export should be seen as any other export sector which must be carefully managed to avoid dependence (Keely and Tran 1989).
Remittances adversely affect agricultural development by removing incentives to labourers.	Decline in agricultural productivity is due to loss of labour power through emigration, not complacency amongst workers (Stahl and Arnold 1986).

est households in the origin country, a larger percentage of the funds received are spent on pure consumption of basic necessities such as food, clothing, or housing. Once those households have grown in wealth as a result of these remittances, or for remittances sent to less poor households, then less of the funds received are spent just on consumption and more is spent on investment in some form.

In this way remittances can lift the poorest households into a position of being able not just to consume the funds received but to invest them, perhaps in some form of small business that will then help them to survive going forward. But in either case the wider economy benefits from the multiplier effect.

However, Mexico is often cited as being the most innovative in this field with its ‘matching fund’ programme ‘Tres por Uno (3x1)’ whereby for every peso remitted by Mexicans working abroad the government matches it with three more pesos. This can be a very powerful incentive and this is clearly shown in figure 6 on page 12 showing annual receipts of some USD25 billion.

Moldova partly copied the Mexican remittance policy but linked it into match funding remittances that were used by direct family of the migrants to establish a small business. The government’s aim was to increase remittances invested in the Moldovan economy by USD8.5m whilst creating 2,000 new businesses and 6,000 new jobs, of which 70% were to be in rural areas.

The Moldovan scheme was partly successful in the five years that it ran, between 2010 and 2015 as some 504 new businesses were set up under the scheme and 1,100 new jobs created.

One of the very simplest ways to encourage remittances is by making it easier and cheaper to send payments. Historically, transfers by Western Union for example have been very expensive, especially for smaller amounts. If the physical collection of any funds is also complicated because of bureaucracy or systems then this can also be another deterrent.

Cheap, direct electronic transfers between bank accounts can make this much better but even this requires both the sender and the recipient to hold a bank account and in many of the poorer countries this is not the case. A perfect example of an alternative money transfer system is that of M-Pesa.

M-Pesa originated in Kenya in 2007 and is a mobile phone based money transfer system and it has grown to become the world's most successful such system, and now operates in Kenya, Tanzania, Afghanistan, South Africa, India, Romania and Albania. Using this system anyone can transfer money very cheaply to anyone else that has a mobile phone registered in one of these countries. It can be transferred from phone to phone or internationally by using debit or credit cards so making it very easy for the diaspora to transfer money back to family in the origin country.

Once the credit has been received on the recipient's mobile phone then the funds can be collected from any one of literally tens of thousands of small shops around the country. As such, the recipient does not need a bank account but simply a mobile phone.

Other countries have focused more on encouraging remittances by trying to channel the received funds in some more formal way, perhaps by way of an investment that can then be used to help the government in other ways. For example, India and Philippines have issued foreign currency denominated bonds aimed at migrants, whilst India and Pakistan offer preferential interest rates on remittances received.

Some countries actively encourage citizens to work abroad as the government recognises the beneficial impact that inward remittances from the diaspora can have on the economy as a whole. These can vary from Pakistan providing free passport issuance through to the Philippines establishing their own job agency to help migrants find work abroad in the healthcare and other sectors.

The success of the Philippine policy is clearly evidenced by the number of Philippinos that are employed by nursing home and hospitals throughout Europe and worldwide. The vast majority of these remit a large percentage of their income back to family and substantially help the Philippine economy as a whole. Not only does the scheme greatly increase foreign currency remittances but it also reduces the level of unemployment in the Phillipines.

Another example of an 'alternative' policy to increase the level of remittances is the approach taken by the Nepalese Government. They have made vocational training prior to migration mandatory in the belief that it assists their citizens that leave to get a job in the new country, and this in turn will enable them to send remittances to family left at home. The vocational training is focused around the skills they may need rather than any skills that they may already have used before leaving.

Remittances can take many forms, from very small individual payments on a very regular basis to much larger but irregular payments. The smaller, more regular payments are typically to support family members directly in some form whilst the larger, irregular payments may take the form of official Foreign Direct Investment or community projects.

Foreign Direct Investment (FDI) is something that all governments worldwide spend a lot of time and resources in trying to encourage into the country. That is because FDI is often involved in major infrastructure projects or the building of major manufacturing facilities and is viewed as an external resource that the receiving country would not normally possess.

The diaspora can play a major role in encouraging FDI from their host country into their origin country as they are able to talk about potential investments and also have much greater country knowledge than those that they might discuss the opportunities with. This 'role' might be an informal one, simply spreading the word about projects and investment possibilities as and when opportunities present themselves or they may be harnessed by the origin government to undertake this role in a more formal way.

In addition to encouraging outside investors from the host country they may also of course be in a financial position to make investments in their own right, given the fact that they should be more comfortable with both the investment opportunities and investment climate than foreign nationals might be.

These more personal levels of FDI often take the route of remittances to family in order to enable them to establish a business or buy land which in turn will help them to become less dependent on the remittances from abroad.

One way that the origin country can try to stimulate FDI from the diaspora is to issue diaspora bonds in small denominations. The governments of India and Israel have done this very successfully and raised USD40 billion but other countries such as Ethiopia and Nepal have tried but not succeeded.

As well as the need to ensure that any diaspora bonds are properly marketed and receive adequate publicity, practice shows that bonds that are linked to specific projects are more likely to succeed than more general issues. More specifically, if the defined projects are in an area that appeal to members of the diaspora then they are even more likely to invest in the bonds. This type of project would often include housing, schools, hospitals and other community infrastructure benefits that might directly benefit the diasporas families in some way.

One recent study estimated that seven sub-Saharan countries alone could raise up to USD10 billion by way of diaspora bonds and that those countries with large diasporas abroad, especially in wealthier host countries, are those most likely to succeed in this way of raising FDI.

Whilst remittances often represents the most obvious and even the biggest easily measurable financial link between an origin country and its diaspora there are so many other ways that having a community of friendly nationals living around the world can assist.

Another way in which remittances from migrants can be extremely beneficial to the origin country is in times of emergency. For example, after Typhoon Haiyan devastated parts of the Philippines, Philippino-Americans alone donated many millions of USD to disaster relief and reconstruction efforts.

Recently, there has been a strong growth in Donor Advised Funds (DAFs) which are charitable giving accounts administered by public charities into which donors can make tax-deductible donations. The major appeals of this structure for migrants is that they receive tax incentives from their host country and that they have an influence on how the funds are spent back in the origin country, assuming that is the focus of the DAF.

In the USA alone DAFs hold nearly $54 billion in assets although it is true that only a very small percentage of this is focused around diasporas and their country of origin. In the future, however, it is probable that they will play an ever more important role in remittances from the diaspora.

One such way that should not be underestimated is the way that the diaspora can facilitate cross border trade, either directly or indirectly. Members of the diaspora may find niches in the host country to increase the level of specific products from the origin country, for example roses imported into the UK from Ecuador or Kenya, or work with family members back home to source products from the host country to export back to the origin country.

Less directly, any community living abroad misses certain 'home comforts' with the most obvious being food and drink products. As a very direct result of the number of Polish and other communities now living in the UK there are thousands of diaspora focused food and other shops spread throughout the whole country. Not only do these represent a direct new export market for the origin countries but with the right encouragement at both ends the volumes can increase substantially and enter the mainstream market of the host country.

Put simply, trade often needs a trusted partner at both ends of the transaction and somebody that knows and has access to their market. What easier and better way to do this than via members of the diaspora?

One country that has understood the importance of its diaspora is Ethiopia. In the 1970s and 1980s many people fled Ethiopia because of conflict caused by the revolution but during the 1990s many of these returned home. Today, both low and highly skilled migrants resettle abroad and whilst the percentage of the population leaving is relatively low compared to many countries, given the overall size of the population means that the total number of diaspora is quite high. Whilst the exact number is unknown it is estimated to be up to 2 million people.

Since 2002 the Government of Ethiopia has become one of the most active countries in sub-Saharan Africa to engage its diaspora and has chosen to do this by adopting a very broad range of policies and initiatives. The government see the diaspora, and specifically their remittances in various forms, as being a key resource to develop the country.

They have established special ministries as well as creating special units in embassies worldwide that can work with the local diaspora and ensure that centralised polices are adapted to local circumstances whilst at the same time providing feedback from the diaspora to the government.

More specifically, the Ethiopian Government introduced a range of measures to encourage remittances in general and also targeted at specific investment orientated remittances. These policies include:

- Issuing of 'Yellow Cards' that extend numerous rights to the diaspora including removing the need to obtain visas, work permits and the like as well making FDI from the diaspora much easier

- Treating members of the diaspora as local residents and not as foreigners which in turn means that they are not restricted in types or minimum size of investment as foreigners are

- Custom import duty exemptions on capital goods and construction equipment for the establishment of an enterprise

- Foreign currency bank accounts for non-residents

- Reducing transfer costs

- Issuing of diaspora bonds

- Various return incentives focused around exemption from import duties and other taxes

These types of policies are used by many countries around the world in an attempt to maximise remittances and FDI.

One further example that is worthy of note is that of a policy adopted by Singapore. Singapore is a very rich country with a GDP per capita of USD87,100 but it also has understood the benefits of a close relationship with its citizens abroad. It has established a very successful policy of actively encouraging and paying for top students to study abroad in specific sectors of the economy in order to gain knowledge that they will bring back to Singapore. The students are obliged to return to Singapore to work for a minimum stipulated period in the appropriate sector that they have studied, such as science or engineering. If they do not return then the Government seeks repayment of the training costs and exercise mortgages on property or other security if needed.

This example does not increase diaspora remittances but it does ensure brain gain and knowledge transfer to help to develop the Singapore economy still further from within.

In a similar but less extreme example, Belarus provides free university education within Belarus for all that want it but once graduated the graduates must then work for the government or a state owned company for some years in order to 'repay' the debt to the country. This is of course much easier in a country such as Belarus where much of the economy is still state owned and controlled.

Georgia – Information Gathered from the Diaspora in the UK

The Georgian experience of migration is similar in many ways to the norm and whilst the largest numbers of people over the years have left go to the USA, Russia, and Greece there is also a community of some 20,000 Georgian's living in the UK, of which many are students.

The Georgian Government sees its diaspora as being a very big support for the economy as a whole with a total of approximately USD1 billion having been remitted by citizens living and working abroad back to their extended family remaining in Georgia.

Like in so many other countries it has often been the lack of jobs, level of debt or lack of prospects that have driven these citizens to leave Georgia and go to the UK and other countries.

Unlike with many other countries including the two case studies detailed below, the most typical migrant from Georgia to the UK is a well-educated woman in her 30s that often leaves very close family, including young children, behind. This move is seen as being necessary in order to provide for the family.

Some one million people have left Georgia to work abroad in the last 25 years and the rate of migration is actually increasing in more recent years. Of these, whatever their initial intentions, once established abroad very few have any intention of ever returning to Georgia, with the possible exception of students that come from more wealthy Georgian families.

It is estimated that the average Georgian remits approximately three percent to four percent of their salary back to wider family members back home although this does of course vary markedly from one migrant to another. In addition to this, they also work together as a community and help each other in need, even when no personal relationship exists.

There is a strong and well developed 'Georgian Community in the UK' organisation that has good relations with the Georgian Embassy in London and it is through these bodies that the Georgian Government often interacts with its migrants in the UK and is now further developing its policies.

Country Case Study – Slovakia

In order to better understand how migration affects a county's economy, and to better compare the position of Georgia it is useful to look at a number of other countries in more detail by way of case studies. The first such country case study is Slovakia which was chosen because of its similar size of population to Georgia and that it is also an emerging economy that was historically a command economy under the influence of the USSR.

Figure 8 below displays basic data for both countries that help to put the research into better context. All the data used is the latest available and is taken from the CIA World Factbook.

It can clearly be seen that the population and median age of Slovakia and Georgia are very similar. It is also clear that youth unemployment, for those between the ages of 15 and 24 years old, is some 3 times higher than unemployment for all ages in total and this is even more true for young males,

Figure 8.

Country Data Comparing Slovakia and Georgia (Source: CIA World Factbook website, 2017)

	Slovakia	Georgia
Population (million)	5.4	4.9
Median Age	40	38
Labour Force (million)	2.72	1.96
Unemployment – All	9.8%	12.1%
Unemployment – 15 to 24	29.7%	35.6%
Net Migration Rate	0.1/1000	-2.2/1000
GDP Per Capita	$31,200	$10,100
Of Which Household Consumption	55.9%	66.9%

The latest figures would seem to suggest that there is actually a very small net return of migrants to Slovakia whilst there is still an outflow from Georgia. However, all the independent research is of the opinion that official migration figures often for most countries often greatly underestimate the real number of migrants for one reason or another.

One last notable point from the raw data is that given the lower GDP per capita in Georgia a much greater percentage of this is represented by household consumption as it is required to cover the very basics of living.

Whilst there may or may not be a brain drain for any given country, what is not in doubt is that migration happens because the citizens that chose to move abroad do so because they are either forced by financial circumstances or at the very least feel that they have better opportunities abroad.

Figure 8 above shows the very high level of youth unemployment this is very often a key factor that leads to the financial need or desire to migrate. However, if the level of migration is notable then this can actually reduce the number of those out of work in their home country that may become a burden on the state and in turn assist those that remain to get a job as the competition is reduced. That is, the oversupply of labour is removed and thus helps those that remain.

In this way, migration can be seen to be beneficial on a country that at the time does not have the production / services or economy to support the level of those looking for employment. Not only this but the vast majority of migrants remit funds back to family or the home country in some form, thus helping to support the economy of the origin country.

In 2016 , for example, the World Bank estimated that Slovaks living and working abroad remitted some €2 billion back to Slovakia. It is also estimated that approximately 7 percent of the potential Slovak labour force works abroad and are driven there by the significantly higher income potential. The Slovak Government is on record as saying that some of the poorer regions of the country that have higher local unemployment levels are largely supported by remittances from family members working abroad.

What is notable in Slovakia, and many other countries, is that it is jobs in construction, health, and services that are often the most commonly entered into in the host country and that it is predominantly young males that are the migrants. These workers do not feel tied in the same way as the older generations but have gained some work experience or knowledge that they can use abroad, as well as already being able to speak a foreign language at least partly. These factors encourage mobility of labour and international migration.

Figure 9.

Slovak Migration Statistics (Source: Postova Banka, 2016)

Selected characteristics of Slovak migrants on a short term (Q1 2016)		
Age structure		
15-24	16.4	10%
25-34	53.3	33%
35-44	40.9	26%
45-54	33.5	21%
55 and more	15.7	10%
Education		
University or collage	24.0	15%
High school	60.6	38%
Vocational secondary education	70.7	44%
Primary education	4.5	3%
Occupation sector		
Manufacturing	33.9	21%
Retail and wholesale	8.3	5%
Transport and warehouse	7.1	4%
Hotel and restaurant	14.7	9%
Health care and social work	37.9	24%
Construction	43.7	27%
Other	14.3	9%

Figure 9 below shows that one third of all Slovak migrants were in the age range of 25 to 34 years old. In addition, 44 percent of migrants only had vocational secondary education and a further 38 percent had high school education. With migrants in the age range of 35 to 44 years old there is a correlation to these having a university or college education and moving to more skilled jobs in the host country. At lower levels of education more men than women migrate but at higher levels of education the numbers of men and women are broadly the same.

Whilst the vast majority of Slovaks migrate to work on short term contracts many of these then go on to take more short term contracts and decide not to return to Slovakia but to migrate permanently. A survey conducted By the Business Alliance of Slovakia in 2016 put the figures at 7 percent planning to return in the short term, 33 percent looking to stay away for some years and more than half not planning on returning at all.

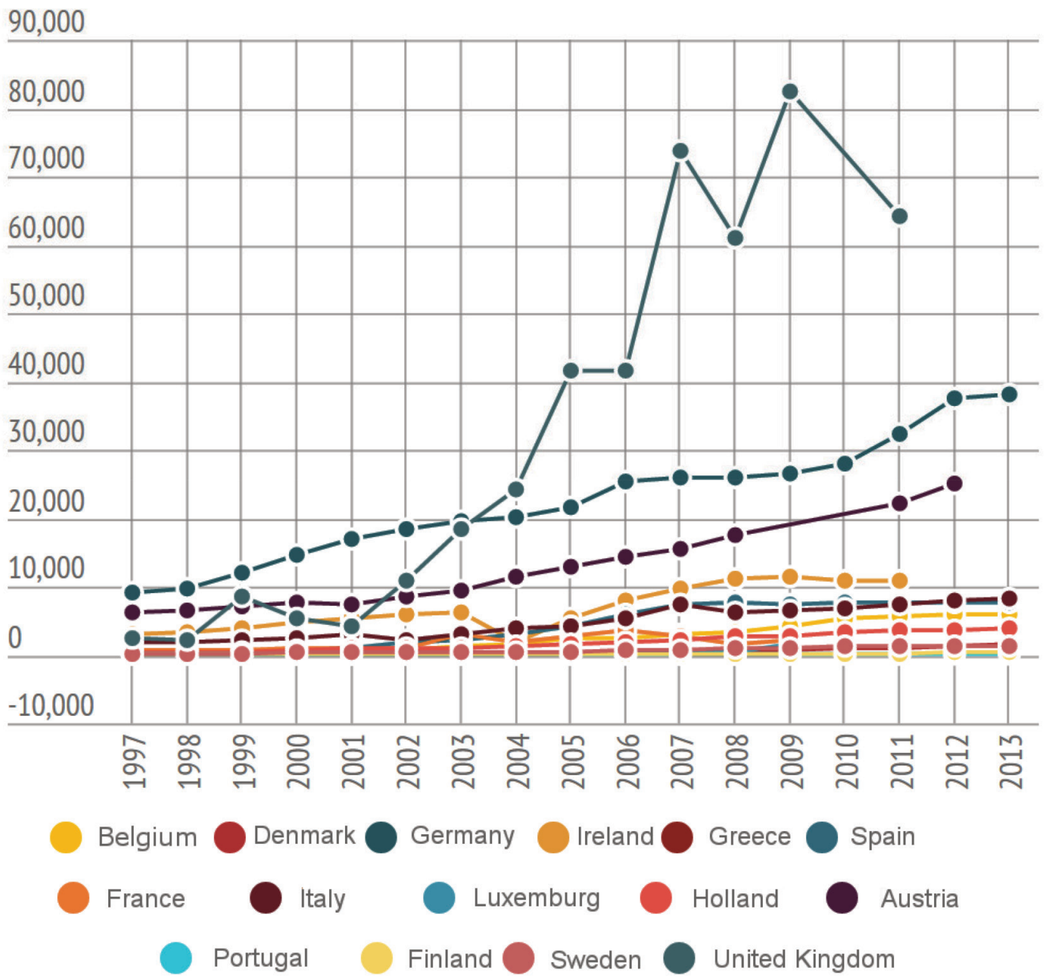
In addition, the longer a migrant works abroad, even if it is on a succession of short term contracts, then the lower the chances that they will then chose to return home once any contract ends.

Of those studying abroad, only 30 percent said they wished to return to Slovakia at the end of their studies but this rose dramatically to 46 percent if the salaries available to them were higher.

As with all the emerging economy countries that have joined the EU15 countries in the last 13 years there has been a continuing climb in

Figure 10.

Outflow of Slovak Workers to EU15 Countries over the Last 20 Years



the level of migrants moving abroad in search of higher earnings. This phenomena is shown as being a general uptrend for most countries in figure 10 below.

The Business Alliance of Slovakia believe that the solution is to improve the business environment as a whole in Slovakia which would lead to more employment and wage increases. This view was endorsed by the National Union of Employers and the Federation of Employers' Associations. This would reduce the desire for many people to leave in the first place and also encouraging those that have already left to return. The Business Alliance, however, recognise that it has been the relatively cheap cost of labour that has encouraged the car manufacturers and other sources of foreign direct investment to invest in Slovakia in the past and so only greater efficiencies will make this goal possible.

In addition to the above, the Slovak Government and certain other Slovak institutions are starting to provide funding for a number of schemes to encourage migrants to return. In one such scheme that started in 2015, experts with knowledge gained by working abroad and returning to work for the state administration or at public universities can be eligible for one off grants of up to a maximum of €50,000 depending on their level of experience and seniority. There are of course various restrictions and the scheme is only small at present but demonstrates that the government is considering a host of new ideas to encourage brain gain by encouraging migrants to return. So far there has only been very limited take up of this scheme with only 8 completed grants at this time compared with an expectation of 27 to have been awarded by this stage of the programme.

The Slovak Government is encouraged by the experience of Ireland that saw large levels of migration when the Irish economy was in difficulty but with many of them returning when the economy improved. Importantly, they also note that the Irish Government remained active with its diaspora in order to ensure that links were maintained.

Interestingly, the Slovak government are also looking to the fact that an improvement in their economy would also encourage emigration into the country from other countries whose citizens see Slovakia as offering more opportunities than in their own country.

Country Case Study – Poland

Whilst Poland is much bigger than Georgia or Slovakia, with a population of some 38.5 million, it nevertheless is an emerging economy going through the same processes over the last three decades as those countries. As such it is also worth considering Poland's experience.

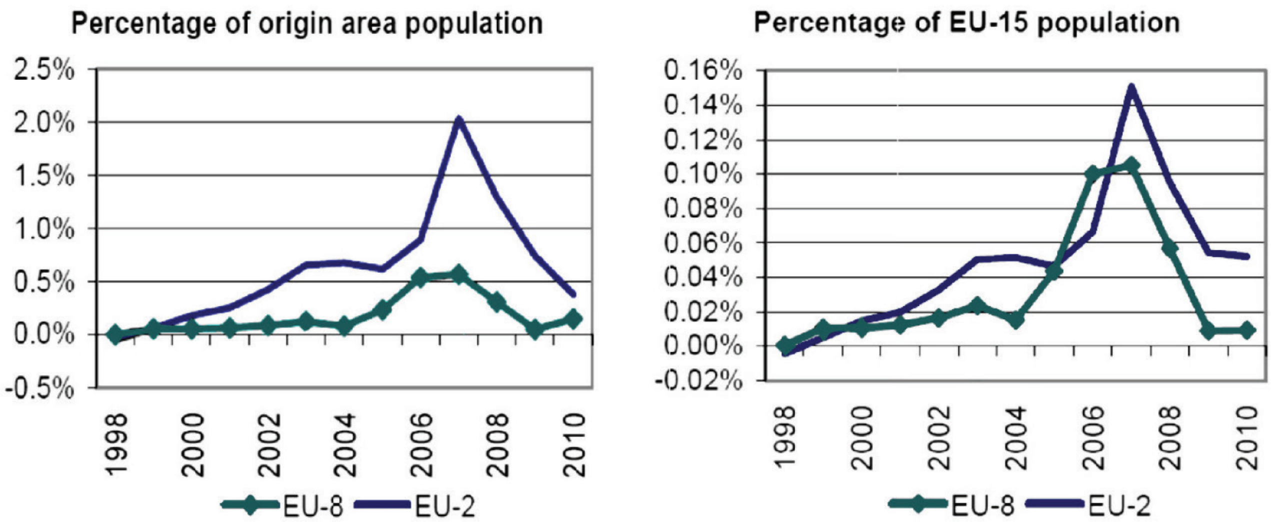
In May 2004 the EU8 (Poland, Hungary, Czech, Slovakia, Slovenia, Estonia, Latvia, and Lithuania) were admitted to join the EU and this was followed in January 2007 by the EU2 (Bulgaria and Romania) although in the latter case free working was not permitted until 2014.

Once the border controls were relaxed and the need to obtain visas and work permits were removed, the number of migrants from Poland and the other accession states to the wealthier EU15 countries increased rapidly, as figure 11 below shows.

In 2004, the number of migrants from these countries to the EU15 was 1.1 million but by 2014 this had risen to 6.1 million people. The above figure shows migration by percentage of population but as the population of Poland is more than all the other EU8 countries combined then the majority of these immigrants to countries like the UK were Polish.

In 2015 the UN estimated that there were 4.4 million Polish born migrants and that represent-

Figure 11.



Net migration flows from the EU8 and EU2 countries to EU15 countries, percentages.

Source: Holland *et al.* 2011: 50 (based on the EU LFS data).

Figure 12.

Selected characteristics of Polish migration (Source: Janicka and Kaczmarczyk, 2016, based National Bank of Poland data)

Category	Netherland 2009/2012	Ireland 2009/2012	Germany 2009/2012	UK 2009/2012
Av. Length of stay – months	34/52	36/68	65/95	42/61
% staying less than 36 months	70/45	69/10	54/31	52/24
% staying less than 12 months	28/7	24/1	25/5	21/3
% of migrants aged 25-34	36/43	48/60	32/28	46/51
% with university education	41/23	37/31	49/24	40/30

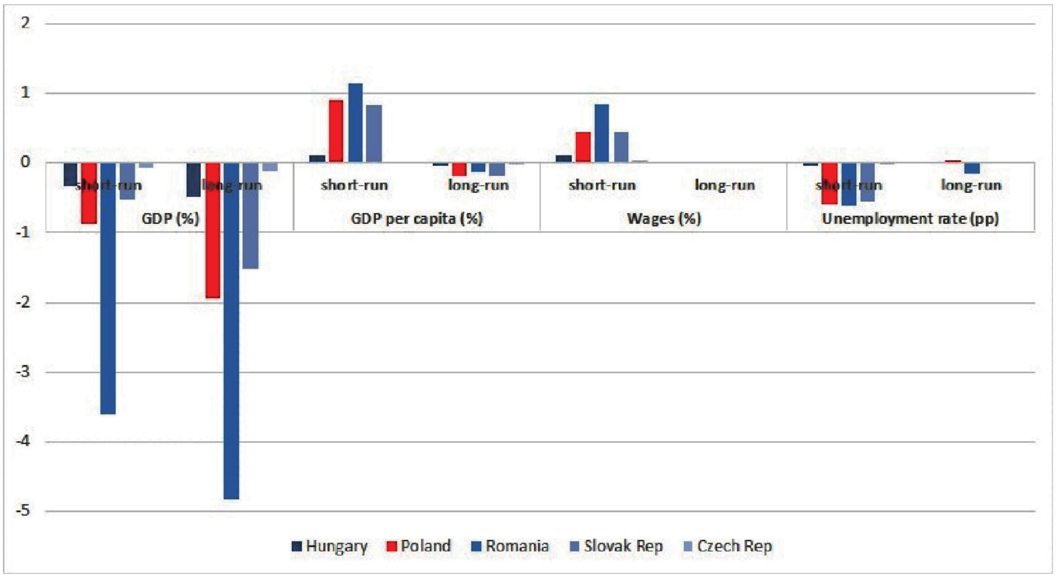
ed 11.5 percent of the population. As such, a higher percentage of Poles had migrated then Slovaks.

Perhaps the most obvious thing that can be seen in this figure is the importance of the comparable prospects and economies between the origin country and the host country. Following the financial crash in 2008 the economies and prospects in the more developed countries declined and many migrants returned home.

Some of the population in host countries view migrants as coming to take advantage of better social security policies but in reality over 90% of Polish migrants took up paid jobs in the host country. Figure 12 below focuses on the length of stay, level of education and age range of Polish migrants to certain EU15 countries.

As with Slovak migrants, the majority of Polish migrants were in the age range of 25 to 34 years old but there is a marked difference between which countries the different ages are attracted to and this depends on the jobs and the level of skills required. In all cases it can be seen that Polish migrants are staying longer in the host

Figure 13.



Short- and long-term effects of migration for Poland and other benchmark countries, 2004-2007

Source: Kaczmarczyk *et al.* 2016.

countries and in more recent years there have been very sharp declines in only short term migration periods.

But perhaps of most interest is the decline in the percentage of migrants with a university education, with many of the higher educated migrants returning to Poland as their own economy strengthens.

What is not shown in this figure is the fact that whilst many Poles have migrated abroad in search of better pay and prospects, so in turn have many Ukrainians migrated into Poland for the very same reasons. This reflects the Slovak government's statement in the Slovak case study that by improving their economy it will encourage immigration from other countries.

When the levels of migration are limited then so too of course is any impact on the economy of the host country. Figure 13 below compares Poland with four other countries in the region and how migration has effected GDP, GDP per capita, wages, and unemployment in both the short term and the long term. However, when the level of migration becomes very high, as seen in Poland and other EU10 countries in the 13 years since joining the EU then it can have a significant impact.

It is clear that the effects of migration are more profound in the short term but then normalising over the longer term, perhaps as the origin country's own economy develops.

What is interesting is that GDP per capita and wages rise in the short term as unemployment falls but over time a new balance is found.

Regional Case Study – Asia

So far this paper has looked at individual countries in isolation but to better understand the reasons behind immigration and emigration, and the impact it has on both the origin country and the host country it us useful to consider if from a wider, regional perspective.

Asia is home to about half of the world's population, but is the source of only 34% of its emigrants and host to only 17% of its immigrants. Furthermore, the majority of these stay within the region, often moving just to a neighboring country or, in the case of China, often moving within the country itself.

Much of this flow of labour is illegal, with often neither the origin nor the host country seeming to encourage it. This closed approach, however, is very clearly damaging the economy and growth prospects of the countries on both sides of the equation, albeit for different reasons.

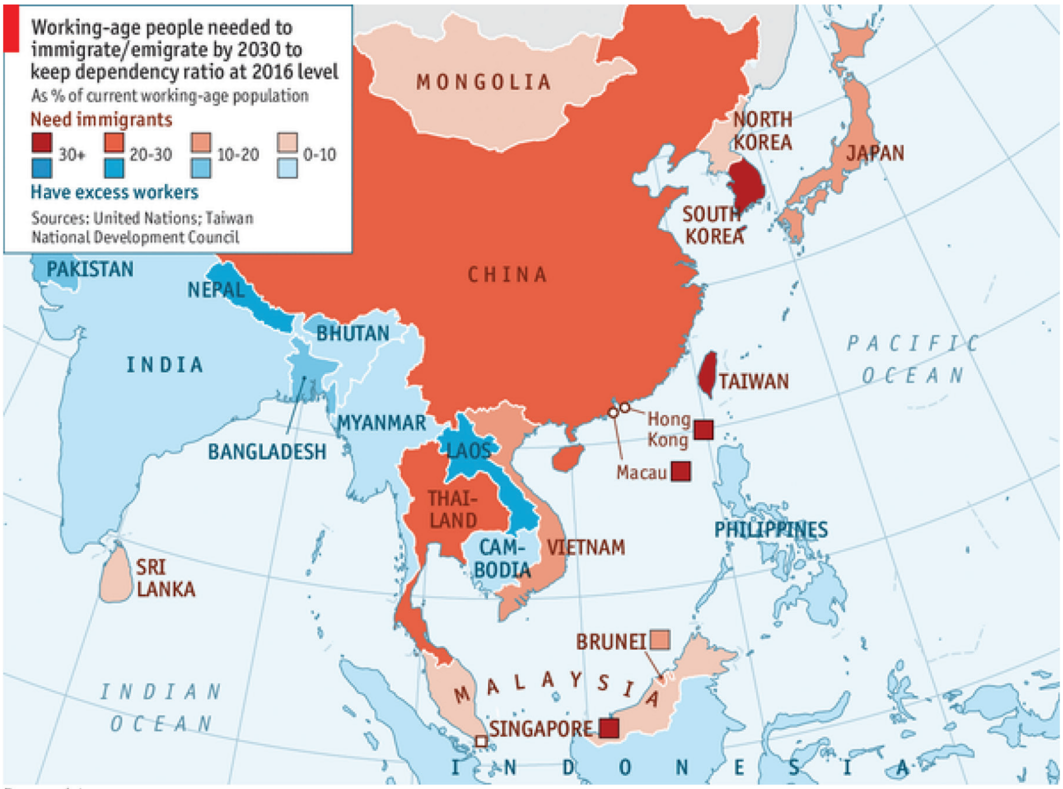
Figure 14 below shows those countries in the region with more available jobs than workers to fill them and so in need of migrant workers (shown in orange) and those countries with more available workers than can be employed and so would benefit from workers moving abroad and remitting money back home (shown in blue).

In number terms, by 2030 to keep the share of its population at working age steady, East Asia would have to import 275 million people between the ages of 15 and 64 whilst South-East Asia would need to attract 9.5 million people. As can be seen from the map, these broad numbers mask large disparities between countries. Singapore, Malaysia, Vietnam and especially Thailand need workers, whilst Myanmar, Indonesia and the Philippines have too many. South Asia, meanwhile, could afford to lose 134m workers—India alone could send more than 80m abroad—without worsening its dependency ratio.

Some of the countries in the region remain very resistant to allowing immigrants in or migrants leave whilst others have fully understood the benefits and encouraged it by developing policies suitable for their particular situation. For example, some 40 percent of the workforce in Singapore are immigrants and Hong Kong encourages nurses, nannies and maids.

Figure 14.

Regional Migration: Why it is Necessary (Source: The Economist, 2017)



As long ago as 1974 Hong Kong introduced a scheme to encourage domestic workers to the country and this coincided with the year that the Philippines adopted its policy of finding jobs overseas. The case of the Philippine has been studied previously in this paper but with these two complimentary policies in place Hong Kong had over 340,000 foreign domestic workers of which more than half were from the Philippines. Wages for these workers were low for Hong Kong standards but very high by Philippine standards thus enabling the remittances of the workers back home to family in the Philippines.

It can be seen, therefore, that countries that are proactive in policy making and work with their diaspora, and even encourage migration in certain circumstances are the countries that will ensure that their economies gain the most from the mobility of labour.

Conclusions

In more recent years there has been a rapid increase in the understanding of the importance of a country staying in close contact with its diaspora. This has led to more donor funding being available and more specialist institutions looking at the problems and opportunities and how best to engage the diaspora for the best results for the origin country and the migrants themselves.

These two factors have fuelled the sharp increase in the number of countries with formal diaspora policies as well as an increase in those countries looking at expanding the reach of those policies or indeed new countries establishing polies for the very first time.

From the evidence above, it is clear that this phenomena is a global one and is not restricted to only certain regions or continents of the world. Further, it is also clear that it is not restricted to only poorer countries, as many of the richest countries in the world are also developing stronger links with their diaspora and a wider range of diaspora policies.

Whilst policies can be grouped into three different segments, namely 'tapping', 'embracing', and 'governing', all countries' policies are a mixture of the three, and each are designed for their own requirements. For example, it may be that rich countries might not focus so much on remittances as poorer ones need to but more on other aspects.

What all research agrees upon, as well as bodies such as the World Bank and the UN is that remittances sent from the diaspora back to the origin country are of great importance and in many of the poorer countries it is crucial for the development of the economy. What is more, the level of these remittances globally grows year on year and this is expected to continue.

The actual amount received in the origin country not only assists the recipient but also improves the local economy and that of the whole country and through the multiplying effect of the circulation of money its effects can be much more than the amount received. Even what appears to be 'pure' consumption may in fact be investment into a business.

It is for these reasons that many countries worldwide have now developed wide ranging and imaginary policies to encourage remittances from their diaspora. These policies may take the form of reduced tax or bureaucracy, investment incentives, or even direct involvement in one form or another in assisting their citizens to obtain jobs abroad.

We have seen that remittances themselves can take many forms and be encouraged in many ways and that policies focused on this can indeed have a very direct impact on the level of remittances received.

In addition to remittances, we have also seen that there are many other ways in which the diaspora can have an impact on the origin country's economy, everything from increasing trade, encouraging FDI, knowledge and skills transfer, and many, many more.

Indeed, if the right policies are put in place, it is very easy to see how migration and potential 'brain drain' and loss of human resources can in fact be turned around be very beneficial for the host country.

Perhaps the biggest conclusions to draw from the research undertaken is that each country must fully understand its diaspora and develop a good two way relationship with them. This is the first step to then developing wide ranging links and a broad suit of policies covering all of the 'tapping', embracing', and 'governing' although practice shows that more of a focus on the first two will bring best results.

If the policies are successful then they will assist in the diaspora helping to develop the economy of the origin country and the better the home economy and the more politically stable it is the more likely any migrants are to return. There are numerous examples globally of second generation migrants returning to the home country of their parents so even if the economic progress takes time it can still pay dividends in the meantime.

In addition, the better the economy and the more transparent the legal and judiciary systems the more likely it is to attract FDI and immigrants from other countries.

As such, it can be concluded that migration can indeed have quite a significant impact on the origin country's economy and indeed it is quite possible that the biggest single impact will come from the level of remittances made from the diaspora to family members back home.

If ignored, or handled badly, it is possible for a country to suffer brain drain and for the economy to be negatively affected by emigration, especially if the numbers of people involved are relatively high. However, it is also well within the power of the origin country's government to be proactive and develop diaspora related policies that should ensure that migration can have a very positive affect on the economy.

It can be seen that whether a country is a net 'importer' or 'exporter' of labour it is beneficial to be proactive and to develop governmental policies covering both immigration and emigration. Origin countries should actively maintain close relationships with their diaspora in order to ensure the most beneficial outcome for their economy.

Recommendations

From the conclusions drawn above and drawing on the experience of many other countries from around the world the following recommendations are made:

- Obtain as much information as possible on the diaspora. This information should not only be at the pure statistical level but should also be at the more detailed and personal level in order to ensure that a true insight is actually achieved.

- Once detailed information has been obtained, engage with the diaspora through many different channels and in all countries where there is a significant migrant population and / or the country has an embassy.

- Ensure that there is a good two way dialogue so that central government understands the needs and wishes of the diaspora, and also that the diaspora are informed about any actions, proposals, investment opportunities and the like of the origin country

- The government should establish a high level, dedicated centre within government to ensure that the importance of the diaspora is clearly understood throughout government and to ensure a coordinated approach to it between other ministries

- Introduce well thought out policies that are tailored to that of the origin country and their diaspora. These policies should focus on ways to encourage remittances in all its forms as well as ways to assist with bilateral trade and other ways that the population abroad can help to develop the origin country's economy.

- Wherever possible, the origin country should fully understand the major impact that a stable and trusted government, along with a strong legal system and an independent judiciary, can have on the willingness of the diaspora to fully engage with the home country.

- A well developed, reliable, and transparent financial sector is also crucial to encourage remittances and increase the impact that the diaspora can have on the economy.

- Lastly, the two points above will enable the government to introduce and develop wider policies that will develop the economy as a whole which will lead to increasing wages and more opportunities for the remaining population. This environment will, in turn, increase the chances if first and second generation migrants returning home but also encourage immigration from other countries.

These recommendations will of course take time to implement but should ensure that the economic impact of migration on the economy is a positive one in both the short and long term.