Origin countries

Managing migration for development

Key messages

• When migrants’ skills and attributes are a strong match with the needs of destination countries, origin countries benefit as well. Benefits include remittances, knowledge transfers, and positive impacts on the labor market. These benefits accrue to both regular and irregular migrants, although migrants’ gains, and how much they can share with their families in their origin countries, are larger when they have regular status.

• However, the absence of migrants also has a downside for their families and origin countries, including the impacts of the brain drain when high-skilled workers emigrate. Although the costs tend to be smaller in magnitude than the gains, they are significant in some countries.

• Origin countries benefit most when they make labor emigration an integral part of their development strategy. In doing so, they can adopt policies and engage in bilateral cooperation with destination countries to increase the net impact of migration on poverty reduction (figure 5.1).

Figure 5.1 The policies of origin countries can maximize the impacts of migration on poverty reduction

Source: WDR 2023 team.

Note: Match refers to the degree to which a migrant’s skills and related attributes meet the demand in the destination country. Motive refers to the circumstances under which a person moves—whether in search of opportunity or because of a "well-founded fear" of persecution, armed conflict, or violence in their origin country.
Reaping the full development benefits of remittances

Remittances to low- and middle-income countries have increased dramatically over the last two decades. They were estimated at US$605 billion in 2021, even though their measurement raises technical difficulties (spotlight 5). In 2021, India, Mexico, China, the Philippines, and the Arab Republic of Egypt were the main recipient countries, in that order. Remittances account for about one-third of the total recorded capital inflows to low- and middle-income countries (figure 5.2). They also account for a large share of the gross domestic product (GDP) in several countries in Central America and Central Asia, in small low-income economies, and in countries with a large diaspora, such as Lebanon (figure 5.3).

The remittances they can send their families is often a primary motivation for people to migrate. Many families decide together on the optimal migration strategy—who migrates, where, how long, and how remittances will be spent. Some migrants send remittances to their broader community, especially when the community is in need.

The size of remittance inflows depends on migrants’ characteristics. Many low-skilled workers migrate alone and regularly remit a large share of their income to support the families they left behind. For example, Indian migrants in Gulf Cooperation Council (GCC) countries send, on average, nearly 70 percent of their earnings to their families. Among low-skilled migrants, women are more likely to remit higher amounts. By contrast, high-skilled migrants are more likely to come from wealthier families, migrate with their immediate families, and move permanently. Although they may remit higher amounts, they tend to do so sporadically.

Figure 5.2 Remittances represent a large and growing share of external financing flows to low- and middle-income countries

![Figure 5.2](image)


Note: The figure covers low- and middle-income countries as classified by the World Bank. The data for 2021 are estimates; the data for 2022 and 2023 are forecasts. Portfolio flows include both debt and equity investments. If China were excluded, trends would show remittance flows exceeding FDI flows over the last five years. FDI = foreign direct investment; ODA = official development assistance.
Remittance flows depend as well on how successful migrants are in the destination country, whether they have a job, and how much they earn. Remittances are larger when migrants’ skills and attributes are a stronger match with the needs of the destination society—which is why origin countries benefit more from such movements. Remittances are also larger when migrants have a documented status. Irregular migrants face greater exposure to job insecurity and income fluctuations and are thus less able to remit in a regular and predictable manner.7

Effects on poverty reduction

Remittances have proved to be a powerful instrument for reducing poverty in origin countries. In Nepal, remittances from GCC countries and Malaysia accounted for 40 percent of the decline in poverty rates between 2001 and 2011 (figure 5.4).8 In 2018, remittances were found to reduce the poverty rate in the Kyrgyz Republic from 30.6 percent to 22.4 percent of households.9 In Central America and the Caribbean, large reductions in poverty were experienced between 1970 and 2000 in areas where migrants came from the bottom 40 percent of the income distribution.10 Similar positive impacts on poverty reduction have been found in Indonesia and the Philippines.11 Remittances contribute to poverty reduction across a variety of dimensions:

- Remittances increase household income. For example, in Bangladesh remittances from low-skilled migrants double their families’ income.12 In Albania, remittances nearly double the daily per capita income of households in the bottom 30th percentile.13 In some households, remittances function as lifelines, especially in conflict-afflicted countries such as Somalia. Internally displaced persons living outside settlement areas receive an average of US$876 a year in international remittances, or almost twice the level of GDP per capita.14

Figure 5.3 In some countries, remittances account for over one-fifth of national income


Note: Remittances as a share of gross domestic product (GDP) are based on 2022 estimates.
Remittances increase consumption and food security. For example, Indonesian households receiving remittances spend about 16 percent more on food than they would without remittances. In Ethiopia, farm households receiving remittances are less worried about procuring sufficient food and are at lower risk of malnutrition.

Remittances allow households to spend more on education and health care—human capital investments with important long-term benefits. For example, in Colombia households receiving remittances spend 10 percent more on education. In Malawi, migration to South Africa has increased the educational attainment of children in rural communities. In many other countries, children in households that receive remittances tend to stay in school longer and reach higher levels of education and lifetime income.

Remittances enable some household members to reduce their working hours. In rural Nepal, remittances allow women to spend less time in agricultural and informal work. In some Latin American countries, thanks to remittances female household members in rural areas were able to reduce the number of hours they spent in informal and nonpaid work. However, male household members were not similarly affected. The effects, though, are uneven. In Nigeria and Mexico, some household members have to replace the labor and income of the person who left, such as when the family is operating an enterprise.

Remittances help close some gender gaps. In some countries, such as Pakistan, remittances contribute to closing the gender gap in primary education. In Morocco, parents with low levels of education in households that receive remittances postpone their daughters’ entry into the labor

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**Figure 5.4** In Nepal, poverty levels declined between 2001 and 2011 in villages with higher emigration

![Figure 5.4](image-url)

*Source: Shrestha 2017.*

*Note: The figure was constructed using Nepal's Housing and Population Census data for 2001 and 2011. Villages were first sorted based on the change in migration rates to member countries of the Gulf Cooperation Council (GCC) and Malaysia. They were then grouped into 100 bins, each containing 1 percent of Nepal's population. Each point in the figure indicates the average change in migration rate (horizontal axis) and average change in poverty rate (vertical axis) of each bin.*
market so they can stay in school longer. But social norms play a key role. For example, in rural Tajikistan the main beneficiaries of remittances are boys because they are expected to be more productive than girls in the labor market.

In addition to their immediate effects on available income, remittances contribute to poverty reduction through a variety of channels:

- Remittances protect households from shocks. Remittances increase when migrants’ families face economic downturns, and they smooth consumption, especially for families with limited access to formal financial markets. In the Philippines, remittances have made up, on average, 60 percent of household income lost from typhoons and other natural disasters. In Ethiopia, households that receive remittances use cash reserves to cope with drought instead of selling livestock. Although permanent migrants do not send remittances frequently, they tend to increase their remittances when their families in their home countries face adverse economic shocks. In times of crises, remittances can be directed to entire communities. For example, migrants from the Pacific Islands residing in New Zealand sent goods and remittances through nongovernmental organizations to rebuild village livelihoods and wider communities after Cyclone Winston hit their region of origin in 2016.

- Remittances can facilitate entrepreneurship by easing financial constraints. In Morocco and Tunisia, households that receive remittances are more likely to engage in commercial agriculture (rather than subsistence farming) and purchase modern agricultural equipment. In Nigeria, households that receive remittances invest more in agrochemicals and planting materials, and thus their farms have larger yields. In Ecuador, remittances increase the probability of being self-employed among men and of microenterprise ownership among females.

- Remittances reduce poverty even in households that do not receive them. Households that receive remittances increase their spending, which boosts local economic activity and the incomes of other households in the community. Spending from remittances creates local jobs in nontradable sectors such as construction. In Albania, international migrants tend to invest in businesses and housing in the capital city, Tirana, instead of their home villages, fueling urban job creation and internal migration. In the midst of the Asian financial crisis in 1997–98, remittances increased in some regions in the Philippines and protected them from the downturn. The development impacts were long-lasting in these regions, mainly through higher investments in education.

Despite the benefits, remittances have mixed effects on inequality. In some countries, remittances boost the economic and social mobility of the poor, such as in Morocco. But the dynamics can be complex. The effect of remittances on inequality depends on which households receive them and how much they receive. For example, remittances were found to increase inequality in Kosovo while lowering it in Mexico and Pakistan. Remittances can initially increase inequality because wealthier households can more easily afford to send migrants abroad and thus earn higher remittances. But equality will decline over time when emigration becomes easier through migrant networks and lower costs, making it possible for less wealthy households to benefit as well. Remittances may also create new equalities—between households that receive remittances and become relatively wealthier and those that do not in the same community.

Some policies further increase the impacts of remittances on poverty reduction. For example, making it easier for migrants and their families to open savings accounts in origin countries linked to remittances helps them accumulate assets. Some countries are also providing financial literacy training for migrants before their departure and for their families, which leads to higher savings rates, lower
debt levels, and ownership of more assets. In Mexico, regulatory reforms to enable land ownership by women have improved the entrepreneurial activities of female members of households that receive remittances in rural areas. Other interventions shown to increase the development impact of migration include matching grants that incentivize households to direct remittances for education purposes. Two pilot activities—EduRemesa (2011–12), aimed at El Salvadorian migrants in Washington, DC, and EduPay (2012–13), aimed at Filipinos in Rome—increased education expenditures without crowding out other expenditure categories.

**Macroeconomic stability**

Remittances are a stable source of foreign exchange, which supports macroeconomic stability. Unlike official development assistance (ODA) flows—government to government—or profit-seeking foreign direct investment (FDI) and other capital flows, remittances are transfers between private individuals based on family relationships. In contributing to foreign exchange inflows, remittances increase the foreign exchange reserves available to pay for imports and to service the external debt. In the Philippines, they are the largest source of external financing, covering the trade deficit and keeping the current account balance in surplus.

Because they are mostly used to finance household consumption, remittances tend to be less volatile than FDI and other capital flows. From 1980 to 2015, official capital flows were twice as volatile as remittances, and private capital flows were almost three times more volatile than remittances (figure 5.5). Remittances tend to be resilient even in times of crises. For example, during the global financial crisis of 2008–10 they remained relatively stable while other capital inflows suddenly stopped. During the COVID-19 pandemic, after initially dropping, they recovered rapidly following the adoption of fiscal stimulus packages in destination countries. The availability of large amounts of foreign exchange provided by remittances and their relative stability help anchor market confidence and contain borrowing costs for governments and businesses.

The ability of migrants to send remittances is not affected by business cycle fluctuations in countries of origin, which can help smooth these fluctuations. For example, remittance inflows increase after natural disasters. In Latin America and the Caribbean, remittances were found to rise from 4 percent to 4.6 percent of GDP after hurricanes and other natural disasters, and remittances to El Salvador rose following harsh agricultural conditions.

However, remittance flows can be affected by business cycle fluctuations in the countries of destination. For example, in 2015 and 2020 weak oil prices reduced the economic activities

![Figure 5.5](image-url)
and employment of migrant workers in countries dependent on oil exports, thereby affecting remittance outflows. Yet the decline was less pronounced in countries that managed to better smooth macroeconomic fluctuations. For example, outward remittances from the Russian Federation experienced a bigger decline than those from Saudi Arabia (figure 5.6).59

Countries that receive remittances from a diversified set of destination countries are less exposed to business cycle fluctuations in these countries.60 This is illustrated by the diverging experiences of the Philippines and Mexico following the 2008–10 global financial crisis. Filipino migrants have global footprints, and they work across a range of sectors such as health care, manufacturing, construction, and seafaring industries. At the peak of the global financial crisis, their remittances rose by 5.6 percent. By contrast, Mexican migrants are concentrated in the United States, and they work primarily in the construction and services sectors, which contracted severely during the financial crisis.61 Remittances to Mexico fell by 16 percent.

**The cost of sending remittances**

Sending money across international borders remains expensive, despite technological advances. Remittance costs averaged 6 percent (of a remittance) during the second quarter of 2022, or twice the 3 percent target of the United Nations’ Sustainable Development Goals (SDGs). Costs include various fees and foreign exchange margins in both the sending and receiving countries.62 They are highest for transfers to Sub-Saharan Africa, at 8.8 percent in the second quarter of 2022.

Remittances are channeled through a range of operators—including banks, money transfer operators, post offices, and mobile operators—as well as through informal systems, such as the hawala used in parts of Africa, the Middle East, and South Asia. On average, banks tend to charge higher fees, and their

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**Figure 5.6** From 2007 to 2020, remittance outflows from the Russian Federation were more correlated with oil prices than those from Saudi Arabia

![Figure 5.6](image-url)

*Source:* World Bank 2021b.

*Note:* Q = quarter.
delivery times are longer than other means of transfer. Post offices are less expensive, although volume and demand are often low.\textsuperscript{63} In cost, money transfer operators, such as Western Union or MoneyGram, are third. Mobile operators, such as M-Pesa (from Kenya to Tanzania and Uganda, from Rwanda to Kenya, and from Tanzania to Kenya) and Orange Money (from France to Côte d’Ivoire and Mali and from Senegal to Mali), are the cheapest channel, and their costs are close to the SDG target (figure 5.7). Typically, informal transfers are more expensive than mobile payment services.\textsuperscript{64}

The costs of sending remittances reflect a variety of factors. Countries with large remittance inflows such as India and the Philippines generally enjoy low costs—even “no fees” for certain corridors and transaction amounts. But low-income countries face costlier options, especially for poorer households receiving smaller and irregular amounts. Corridors with higher fees tend to be those in which competition is limited in either the sending or receiving countries,\textsuperscript{65} where migrants are fewer,\textsuperscript{66} and where access to financial institutions is more difficult, once again in both sending and receiving countries.\textsuperscript{67}

The use of mobile digital money, regardless of operators, is lowering costs. However, its potential growth and availability are constrained by regulations aimed at money laundering and the financing of terrorism. These operators face strict scrutiny when partnering with international money transfer networks and accessing domestic payment systems.\textsuperscript{68}

Lowering the cost of remittances will require increasing competition in both the sending and receiving countries and ensuring that migrants and their families can compare the costs of all the channels available to them.\textsuperscript{69} Expanding the use of mobile payment services could also help lower costs within the context of a well-regulated market. The Group of Twenty (G20) has developed a road map to that effect. It calls for (1) a commitment to a joint public and private sector vision; (2) coordination of regulatory,

\textbf{Figure 5.7} Money transfers via mobile operators are less expensive than through other channels

\textit{Average cost of sending a US$200 remittance, 2011–22}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{remittance_cost}
\caption{Average cost of sending a US$200 remittance, 2011–22}
\end{figure}


\textit{Note:} Q = quarter.
supervisory, and oversight frameworks; (3) improvements in existing payment infrastructure and arrangements to support the requirements of cross-border payments; (4) increased data quality and standardized data exchange; and (5) new payment infrastructure and arrangements.¹⁰ In some countries, reforms aimed at strengthening the financial sector can also encourage senders to transfer money through formal financial channels.

**Leveraging knowledge transfers**

Migration benefits countries of origin through knowledge transfers from diasporas and returning migrants. These effects are larger when migrants are successfully employed in the destination country—that is, when their skills and attributes are a strong match with the needs of the destination economy. Knowledge transfers can also include the transfer of institutional and social norms to the country of origin (box 5.1).

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**Box 5.1 Migrants can transfer institutional and social norms to their origin country**

Migrants can be agents of institutional change in their countries of origin. The shorter their stay in destination countries (that is, the stronger the links with their origin countries), the greater is the diffusion of ideas from destination to origin countries. The transfer of "social remittances" has largely occurred in three areas.

- **Institutional quality.** The migration of high-skilled individuals has a positive effect on institutional quality if the origin country has policies that allow diaspora members and returning migrants to take part in social and economic activities. In such contexts, institutional quality can benefit from the knowledge and experience acquired in the destination country. These effects are blunted, however, when large-scale emigration leads to a dearth of qualified professionals in local government and political parties, which delays political and social change.

- **Demand for accountability.** Migrant households tend to be more politically active, and they may demand greater political accountability in communities of origin, such as in Cabo Verde and the Philippines. Remittances from Filipino migrants are related positively to government effectiveness at the provincial level. As education increases thanks to remittances, residents call for more political accountability, and rent-seeking activity in local governments becomes less likely. Networks connecting migrants to residents in their origin villages have shaped political attitudes and empowered village residents in countries such as Mozambique.

- **Gender norms.** Migration affects the evolution of gender norms but in different ways. For example, Moroccan and Turkish migrants to Europe have transmitted liberal views on gender roles to their communities of origin, and they tend to have fewer children. By contrast, migrants to the Gulf Cooperation Council (GCC) countries, such as those from Jordan and the Arab Republic of Egypt, tend to adopt and transmit more conservative gender norms and to have more children than comparable households without migrants. Migration to countries with female political empowerment is associated with higher female parliamentary participation in origin countries.

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a. Docquier et al. (2016); Levitt (1998); Tran, Cameron, and Poot (2017).


Migration contributes to the integration of origin countries into global networks. Some migrants have served as catalysts for increasing international trade between origin and destination countries. They have provided information on laws, regulations, markets, and products and have linked sellers and buyers across these countries. An increase in demand for goods and services produced in origin countries has also been linked to migrants from those countries. Migration has been linked as well to an increase in FDI flows from destination to origin countries and a reduction of the corresponding transaction costs.

Migrants—especially if they are highly educated and are in high-skilled occupations—have also helped to develop industries in their countries of origin by transferring knowledge and fostering innovation. For example, Indian migrants in California’s Silicon Valley have launched large information technology–related firms in India. In 2006, firms established by returnees accounted for some 90 percent of firms in software technology parks in Bangalore. Citations in patent applications reveal that ethnic networks facilitate knowledge transfer, raising the labor productivity of manufacturing in origin countries. Some diasporas are contributing to the national debates on economic policy making. For example, Vietnam and the Republic of Korea have programs to invite their diasporas to take part in formulating their economic development plans.

Some temporary migrants acquire skills abroad and return home better equipped with skills and assets. They command higher wages than nonmigrant workers with similar education levels, especially those who have a tertiary education. They are also more likely than nonmigrants to engage in self-employment and entrepreneurship, especially because migrants tend to have a relatively high risk tolerance and an entrepreneurial appetite. For example, in Bangladesh more than two-thirds of returning temporary migrants engage in some form of entrepreneurial or self-employment activity after returning, as opposed to only one-third of similarly educated nonmigrant workers (figure 5.8).

Figure 5.8 In Bangladesh, returning migrants are more likely than nonmigrants to be self-employed or entrepreneurs

Share of population self-employed or engaged in entrepreneurial activity, by age and migration status

Knowledge transfers can be supported by government policies in the country of origin. The extent of transfers depends on political stability, institutional quality, the investment climate, human capital, and export capacity. Some countries have also adopted measures to facilitate diaspora engagement, including to foster collaboration in research and development. Others, like the Philippines, offer temporary emigrants entrepreneurial training to ease their return to the domestic labor force and improve the odds that they can contribute to national development.

Managing labor market impacts

Employment and wages

The emigration of large numbers of workers reduces the size of the labor force in origin countries. In the Philippines, approximately 2 million workers (or about 5 percent of the labor force) leave for temporary foreign jobs each year—on average for seven years. In Tajikistan, nearly half of the labor force works abroad on a seasonal basis, primarily in Russia. Such outward migration alleviates the pressures of unemployment and underemployment, especially in lower-income countries with younger populations. However, this effect is partly blunted if migrants return and reenter the domestic labor force.

In origin countries, the effects of migration on the labor force are uneven across regions because migrants come disproportionately from some regions, such as in Mexico (map 5.1). In parts of the Philippines, the rate of emigration is twice higher than the national average. In Bangladesh, emigration rates can reach 10 percent of the labor force in some areas. Labor market effects are greater in regions with large outflows.

At times, emigration creates tight labor market conditions and, in turn, generates movement by workers within a country. For example, in India emigration from the state of Kerala created relocation opportunities for workers from Kolkata. In Bangladesh, the government has subsidized internal transportation costs to facilitate such labor reallocations within the country.

The effects of migration on domestic wages are often more complex—and they largely depend on who migrates. If migrants were unemployed before moving, migration increases labor force participation without significantly changing wages. If, on the other hand, migrants were working before moving, their departure may increase wages for those who have similar skills and who stay in the country of origin. For example, in the early 2000s, outflows of young and low-skilled workers improved wages for other low-skilled people in Pakistan and the Philippines. But migration can also depress wages for those whose skills are complementary to those of the migrants.

Map 5.1 Emigration from Mexico is uneven across regions
Share of households with emigrant(s), by municipality

Note: The map shows the share of households in each municipality with at least one person who emigrated from 2014 to 2019.
For example, emigration of high-skilled workers reduces the wages of low-skilled workers if a substantial part of the service industry serves clients with high incomes who are no longer in the country.91

**Brain drain**

Migrants whose skills and attributes are a strong match with the needs of the destination economy can also be critical workers in their country of origin. Thus their emigration can create situations in which the interests of the countries of origin and destination are not aligned.

The emigration of highly skilled people from lower-income countries is often referred to as a “brain drain.” It is an impediment to development when the costs to the origin society from losing a highly qualified worker outweigh the benefits from the remittances and the knowledge spillovers the worker generates. These adverse effects are especially relevant when workers are in occupations deemed essential for the origin society such as health care.

The emigration of high-skilled workers is a global phenomenon. It stands at about 4 percent of the high-skilled population of high-income member countries of the Organisation for Economic Co-operation and Development (OECD), slightly over 10 percent for middle-income countries, and around 20 percent for low-income countries.92 High-level skills tend to be in greater demand in many destination countries, and these migrants have better access to foreign employment opportunities. Accordingly, tertiary-educated workers tend to be overrepresented among emigrants from lower- and middle-income countries (figure 5.9).93 The emigration rate for individuals with a tertiary education is 7.3 times that of individuals with only a primary education and 3.5 times that of individuals with only secondary schooling. For example, 25.6 percent of Cambodians (age 25 and over) with a tertiary education live abroad, compared with 6.7 percent of those with a primary or secondary education.94

The emigration rates of highly skilled and educated workers is especially high in low-income and smaller countries. In Sub-Saharan Africa and in Small Island Developing States in the Caribbean and the Pacific, the emigration rates of the tertiary-educated are 30 times higher than those of the less-educated.95 More than 40 percent of all tertiary-educated people born in Small Island Developing States have emigrated to another country. About 70 percent of highly educated Cabo Verdeans live abroad.96 In 2018, about 25,000 doctors trained in Sub-Saharan Africa—that is, nearly one-quarter of the total number of physicians in Africa—were working in OECD countries.97

For origin countries, the brain drain raises two policy questions. First, how do they mitigate the brain drain's effects, especially on sectors such as health care? Second, when the losses in origin countries translate into gains in destination countries, can mechanisms be established to redistribute some of the gains from destination to origin countries? This issue is particularly relevant when the education of the emigrants is financed publicly, either in part or in full.

High-skilled emigration often stems from the economic limitations and resource constraints in the origin countries. Some high-skilled workers are not employed at their full productive capacity domestically.98 For example, challenges in providing basic health care services in some countries arise not only from the absence of health professionals, but also from the shortage of inputs, medicines, and facilities in the health care system. Some shortages have stemmed from doctors' preference for working in urban areas to the detriment of rural areas,99 such as in Benin, Côte d'Ivoire, Mali, and Senegal. At times, the decision to migrate is linked not only to income but also to professional advancement prospects, better facilities, and family safety.100

In many small countries, the domestic market is too limited for some sectors to be profitable. Seeking to give high-skilled professionals incentives to stay rather than migrate, some countries have specialized in niche activities that can also serve the global market. For example, medical tourism
not only can serve as a source of additional revenue in the health care sector, but also can give medical workers opportunities to stay as well as respond to the domestic demand. For smaller economies, regional cooperation could also make it possible to expand domestic markets and sustain specialized activities that would otherwise not be viable, thereby reducing the incentives of high-skilled professionals to emigrate.

To reduce the impact of brain drain, origin countries need to expand their capacity for training high-skilled workers. Greater capacity increases the likelihood that a sufficient number of high-skilled workers stay, even if others migrate. The challenge, however, is how to finance such an expansion.

When high-skilled workers who leave have been educated with public funding from the origin country, their migration becomes a de facto subsidy from the origin country (typically lower-income) to the destination country (typically higher-income). Almost one-third of college-educated emigrants, however, have obtained their education after they migrate—at no cost to their country of origin. This proportion is particularly high among some migrant groups. For example, more than 50 percent of

Figure 5.9  On average, migrants are more educated than the labor force in their origin countries

Share of the tertiary-educated among emigrants and labor force in origin countries, 2020


Note: The size of the circles is relative to the number of emigrants from the country. The diagonal line represents equal levels of tertiary education between emigrants and the labor force in the origin country. For country abbreviations, see International Organization for Standardization (ISO), https://www.iso.org/obp/ui/#search.
college-educated Jamaicans who live in the United States studied there (figure 5.10), and 90 percent of Micronesian and 95 percent of Tongans with tertiary education received their degrees abroad. In some countries, private education can complement public efforts. For example, in response to the rising demand in destination countries for nurses, the Philippines rapidly expanded its nursing education programs in private institutions. For every new emigrant nurse, nine new nurses were licensed, ultimately boosting the net number of nurses in the country.

International cooperation can enhance the match between workers’ skills and attributes and the needs of the destination economy while reducing some of the adverse effects of the brain drain. For example, the Global Skills Partnerships (GSPs) and other bilateral and regional agreements between origin and destination countries facilitate expansion of training. In a GSP, the country of destination—either the government or the private sector—underwrites the training of potential migrants so that they acquire the qualifications needed by its labor market. The training is held in the country of origin prior to migration. It also benefits students who will stay home and enter the domestic labor force.

To be effective, however, such schemes must be market-driven with substantive involvement by the private sector. The Australia Pacific Training Coalition (APTC) learned this lesson. It established technical and vocational training campuses on five Pacific Island countries and had by 2019 graduated over 15,000 students. However, only a small fraction of these students moved to Australia or New Zealand for work, despite a majority aspiring to do so. This outcome was attributed to weak links with prospective employers and inadequate mechanisms for recognizing skills and experience obtained in the country of origin.

Figure 5.10 Many high-skilled migrants who migrate to the United States from Latin America and the Caribbean and Sub-Saharan Africa receive their tertiary education in the United States

<table>
<thead>
<tr>
<th>Share of high-skilled migrants in the United States who received their tertiary degree in the United States</th>
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<tr>
<td><strong>a. Migrated from Latin America and the Caribbean</strong></td>
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<tr>
<td>Country of origin</td>
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<tr>
<td>Belize</td>
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<td>Nicaragua</td>
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<td>Dominican Republic</td>
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| **b. Migrated from Sub-Saharan Africa** |
| Country of origin | Share of migrants (%) |
| Cabo Verde | 60 |
| Zambia | 55 |
| Guinea | 50 |
| Liberia | 45 |
| Gambia, The | 40 |
| Ghana | 35 |
| Senegal | 30 |

The additional measures needed to retain essential workers in critical sectors such as health care would require cooperation between origin and destination countries. For example, some origin countries have considered requiring essential workers to undertake a minimum period of national service. The enforcement of such schemes that go against market forces is challenging and more likely to succeed when supported by both origin and destination countries—for example, if destination countries mandate a minimum period of service as a condition for receiving a visa within the broader context of bilateral labor arrangements. But such measures can only be complements, not substitutes, for other policies that make domestic labor markets more attractive for the targeted workers.

Taking a strategic approach

Migration of workers whose skills and attributes are a strong match in destination economies can be a powerful driver of poverty reduction in countries of origin. Some origin countries, such as the Philippines, have managed it as an integral component of their development strategies, with noticeable results (box 5.2).

Box 5.2 The Philippines: A case study of how origin countries can benefit from migration

The Philippines offers an instructive example of a proactive, integrated policy approach to migration. Its migration system evolved from the 1970s to its current structure spanning the entire migration life cycle—from pre-deployment to eventual return and reintegration. Its elements include the following:

- **Bilateral labor agreements.** The Philippines entered into 54 bilateral labor agreements (BLAs) to provide better conditions for emigrants. For example, the BLA with Saudi Arabia and other Gulf Cooperation Council (GCC) countries for household service workers abolished placement fees to reduce migration costs and included a model contract enshrining certain rights and protections. It permitted the establishment of a minimum wage. The BLA also accompanied broader reforms to better equip workers with technical skills and knowledge. Enforcement of these agreements requires ongoing efforts by both destination countries and the Philippines.\(^a\)

- **Preparation of migrants.** The government has put in place programs to develop potential migrants’ skills in line with the demands in the global market. The Technical Skills and Development Authority (TESDA) trains more than 800,000 graduates a year. Education in selected occupations in high demand globally, such as nursing, has also been expanded. This approach has positive spillovers for the domestic labor market because some graduates from these programs do not migrate. In parallel, the government provides pre-departure orientation programs to inform migrants about the risks and benefits of migration and labor rights and safety measures, as well as information specific to the destination. Recently, the Philippine government began requiring financial literacy training for all prospective overseas workers. The recent inclusion of this pilot financial literacy class in the orientation programs increased the likelihood of having a bank account among some migrants.\(^b\) Lessons from these pilots will need to be reflected in broader efforts beyond the pilot phase.

- **Protection of migrants.** The Philippines aims to engage with workers while they are overseas through its Philippine Overseas Labor Offices (POLOs). These offices assist with labor protection, training, and general support. In addition, the Philippines has established a Post Arrival Orientation Seminar that

\(^a\) Box continues next page
Box 5.2 The Philippines: A case study of how origin countries can benefit from migration (continued)

...imparts information about the destination country and, in some exceptional circumstances, resource centers that can serve as shelters for women migrant workers in need. To further protect workers and their households, the government requires that they be covered by insurance, which is generally the responsibility of the employer or recruiter, but there are gaps in such health insurance coverage as exposed during the COVID-19 pandemic.²

- **Cost of remittances.** Remittances are important determinants of investment in health and education in the Philippines, especially for children. The costs of sending remittances to the Philippines from other countries in the region are among the world’s lowest because of efforts by the government and the private sector to develop digital platforms and expand information on remittance services. Investments in education have also increased thanks to private sector innovations that allow lenders to designate remittances for specific purposes. And yet despite the significant development impacts of remittances, gaps remain, particularly for children whose parent or caregiver goes abroad. Households relying on remittances may face uninsured shocks from abroad, such as a pandemic.³

- **Support to returning migrants.** To maximize the economic potential of returning migrants, the government implements programs to support their reintegration into the labor market, which includes providing information about return and opportunities to gain skills while abroad. The government also offers business training and loans or grants for entrepreneurship. However, uptake of these supportive efforts has been low—just 4 percent of returnees. Seventy percent of returning migrants still report having difficulty finding a satisfactory job. The government has continued to expand these efforts, especially during the COVID-19 pandemic.⁴

- **Institutional arrangements.** The Philippine Development Plan 2017–2022 aimed to mainstream migration, facilitate temporary movements, and support migrants’ return.⁵ The new Philippine Development Plan (2023–28) focuses on returning migrants’ reentry into the economy, and on the management of social impacts, including through health and psychosocial services to migrants’ children. To ensure coherence among all interventions, the government has merged several agencies to form the cabinet-level Department of Migrant Workers to support migrants and their families prior to departure, while abroad, and upon return.⁶ In addition, the government recently resuscitated the right of migrants overseas to vote for senators and party-list representatives as a way to get their voice heard.

**Source:** Ang and Tiongson (2023).

a. Arriola (2022); Chilton and Woda (2021); ILO (2019); Rivera, Serrano, and Tullao (2013); Ruhunage (2014); Wickramasekara (2015); Yagi et al. (2014).


c. Ang and Tiongson (2023); DOLE (2015).

d. Asis (2006); Clemens and Tiongson (2017); Cortes (2015); De Arcangelis et al. (2015); Dominguez and Hall (2022); Edillon (2008); NEDA (2021); Pajaron, Latinazo, and Trinidad (2020); World Bank (2022b); Yang (2008).

e. Ang and Tiongson (2023); Asis (2020); OECD (2017, 83).


To manage emigration for poverty reduction, countries have adopted measures in areas that often reinforce one another:

- **Remittance costs.** Reducing remittance costs and incentivizing migrants to channel such transactions through the formal financial sector. For example, Mexico does not charge income tax on remittances received under a certain amount (about US$30,000). Vietnam and Tajikistan have also removed taxes on incoming remittances and saw increased flows as a result. These efforts can also be complemented by partnerships in destination countries. For example, the Tonga Development Bank has created the ‘Ave Pa’aanga Pau initiative, a digital service supporting remittances received from New Zealand and Australia for a fee of about 4.5 percent.

- **Knowledge transfers.** Strengthening the business environment to maximize the effects of knowledge transfers and engaging with the diaspora to further encourage knowledge flows. For example, Korea and Vietnam have programs to invite their diasporas to take part in formulating their economic development plans.

- **Supporting return.** Supporting return migrants as they reenter the domestic labor force, such as in Malaysia. To entice migrant workers to come back, Malaysia offers benefits that include a 15 percent flat income tax for five years, permanent status eligibility for foreign spouses and children, and various duty exemptions.

- **Skills building.** Providing workers with skills that are a strong match with the needs of both the domestic market and potential destination countries and even specializing in some skill sets, such as in Bosnia and Herzegovina, the Philippines, Tunisia, Indonesia, and India in the context of the Triple Win Program with Germany. The program is designed to facilitate migration to Germany. The process comprises foreign credential recognition processes, language and professional courses, and job placements. Beneficiaries are then entitled to a residence permit.

- **Supporting nationals abroad.** Strengthening consular services to support migrants while they are abroad, which the Philippines did so migrants would be better protected against abuse and exploitation.

Efforts like these have been institutionalized in some countries, both at the national level and through bilateral cooperation. Many origin countries have established specialized agencies to design and implement emigration-related policies and coordinate with other government departments. Some countries, such as Bangladesh, Pakistan, and the Philippines, have established dedicated ministries for effective coordination. In parallel, some origin countries have entered into formal bilateral labor agreements with destination countries as a way to regulate and steer labor migration in a manner that is mutually beneficial.

**Notes**

1. World Bank (2022b).
2. Migrants’ reasons for sending remittances depend on the conditions in their origin countries and the type of migration. On the one hand, the countercyclicality of remittances suggests migrants’ altruism—that is, they send money to improve the well-being of their families (Frankel 2011; Lucas and Stark 1985; Osili 2004). On the other hand, remitting behavior can be motivated by migrants’ self-interest, such as to increase the probability that it will lead to an inheritance (Hoddinott 1994; Osili 2004) or to invest in assets in the origin country (Garip 2012). Whatever the motivation, it is difficult to test for altruism or self-interest because remittances reflect diverse factors and reasons—such as to compensate a family member caring for a migrant’s children (Cox 1987). Or perhaps altruism and self-interest coexist. Lucas and Stark (1985, 904) assert: “In the end, one cannot probe whether the true motive is one of caring or more selfish wishing to enhance prestige by being perceived as caring.”

3. Adams (2009); Fischer, Martin, and Straubhaar (1997); Stark and Bloom (1985). When remitting part of their
income, migrants may conceal their true earnings from their family members back home to, for example, avoid pressure from family members to remit. See McKenzie, Gibson, and Stillman (2013); Seshan and Zubrickas (2017).


7. The positive impacts of remittances may be weaker because they mutually reinforce one another. For example, increased poverty may induce migrants to send more remittances.


10. Acosta et al. (2008).


19. McKenzie and Rapoport (2011) found this to be true in Mexico, especially among younger adolescents ages 13–15.


21. Chami et al. (2018), using 177 cross-country data at the aggregate level for 1991–2015. The term reservation wage refers to the least amount of money a person would accept to work in a particular position or type of employment.


31. Taylor et al. (2005). The longer migrants stay abroad, the weaker are the ties to the origin country and the less frequent are the remittances.


33. de Haas (2001).


37. It is not empirically simple to properly measure the relationship between remittances and overall poverty because they mutually reinforce one another. For example, increased poverty may induce migrants to send more remittances.


42. On positive effects, see Acosta et al. (2008); Gubert, Lassourd, and Mesplé-Soms (2010); Margolis et al. (2013); Mughal and Anwar (2012); Taylor and Dyer (2009). On negative effects, see Adams (2006); Möllers and Meyer (2014). On no effects, see Yang and Martínez (2006).

43. de Haas (2009).

44. Koczan et al. (2021).

45. Koczan et al. (2021, 21).

46. Chin, Karkoviata, and Wilcox (2015). For Albania, see Piracha and Vadea (2010). For Egypt, see Mahé (2022); McCormick and Wahba (2001); Wahba and Zenou (2012). For the Kyrgyz Republic, see Brück, Mahé, and Naudé (2018). For returnees from Germany to Türkiye, see Dustmann and Kirchkamp (2002).


51. Hosny (2020); Le Dé et al. (2015).

52. IMF (2017) and various other Article IV Consultations reports.


55. Kpodar et al. (2021); Quayyum and Kpodar (2020); World Bank (2021a).


59. Russia is a key destination for low-skilled migrants from Central Asian countries such as the Kyrgyz Republic and Tajikistan, while Saudi Arabia and other Gulf Cooperation Council countries attract many low-skilled migrants from South Asian countries, Egypt, Indonesia, and the Philippines.

60. Barajas et al. (2012).


62. A transaction fee charged by a recipient’s bank for cash transferred via a wire transfer is often referred to as a lifting fee.

63. World Bank (2021b). The World Bank’s Remittance Prices Worldwide (RPW) monitors the cost incurred by remitters when sending money through the major remittance corridors. RPW is used as a reference for measuring progress toward global cost reduction objectives, including SDG 10.0 and the Group of Twenty (G20) commitment to reducing the global average transfer cost to 5 percent. Since the second quarter of 2016, RPW has been tracking 48 remittance-sending countries and 105 remittance-receiving countries, for a total of 367 country corridors worldwide. RPW tracks the cost of sending remittances for four main types of remittance service providers: banks, money transfer operators (MTOs), post offices, and mobile operators. MTOs include...
both traditional providers and innovative/fintech players. On average, 15–17 services per corridor are tracked every quarter.

64. See, for example, Munyegera and Matsumoto (2016, 2018).
68. UNCTAD (2014).
69. A World Bank indicator, the Smart Remitter Target (SmaRT), benchmarks the average of the three lowest-cost remittance service providers in each corridor to inform customers of cheaper options available (World Bank 2016).
70. FSB (2020).
72. Fagiolo and Mastrorillo (2014); Felbermayr and Jung (2009); Genç (2014).
73. Javorcik et al. (2011); Mayda et al. (2022); Parsons and Vézina (2018).
82. Bossavie et al. (2021).
83. Gamlen, Cummings, and Vaaler (2019); Newland (2010); Tabar (2020).
84. Ang and Tiongson (2023).
85. OECD (2016).
86. The regional concentration highlights that social networks influence the decision to migrate. Extensive networks of migrants who are immediate family members, relatives, and friends encourage those who would otherwise remain to emigrate. Giulietti, Wahba, and Zenou (2018) estimate that if 50 percent of someone’s weak ties have migrated, his/her probability of migrating increases by 155 percent if his/her strong ties have migrated compared to the case in which the strong ties have not migrated. Viswanathan and Kumar (2014).
87. See Bryan, Chowdhury, and Mobarak (2014).
89. Gazdar (2003); Majid (2000); World Bank (2005).
98. The Joint Learning Initiative–World Health Organization benchmark defines such a shortage as 2.28 health workers (including doctors, nurses, and midwives) per 1,000 inhabitants.
100. Chanda (2015); Stephany et al. (2021).
110. Restricting migration could reduce the incentives for individuals to invest in and accumulate human capital (World Bank 2019). Restrictions on outflows of workers have often lasted only a short time and can harm workers. Clemens (2015) asserts that obstructing outflows of skilled workers harms the workers themselves, substantially eliminating their earning power—for example, by 60–90 percent for a professor, engineer, or doctor.
111. GPFI (2021).
113. GSMA (2021); TDB (2012).

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