

*The ambivalent impact of remittance inflows
on labour markets and economic
development in origin countries*

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ETF Skills Lab Network of Experts - MIGCOM

MIGRATION AND DEVELOPMENT IN COUNTRIES OF ORIGIN

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Structure

- Remittances are typically seen as a positive factor balancing the negative impact of emigration in countries of origin
- Alternative view: Remittance ‘trap’ as a variant of resource curse
- Basic descriptive statistics – growth rates of labour exporting countries vs non-LEC countries globally
- From macro-growth statistics to structural (pol-econ) explanations using the example of the Western Balkans
- A framework for political economy of remittances – potential negative impact on growth and development via fiscal policy and labour market channels

Complete list of LEC and In-Between countries (including micro states)

Labor exporting

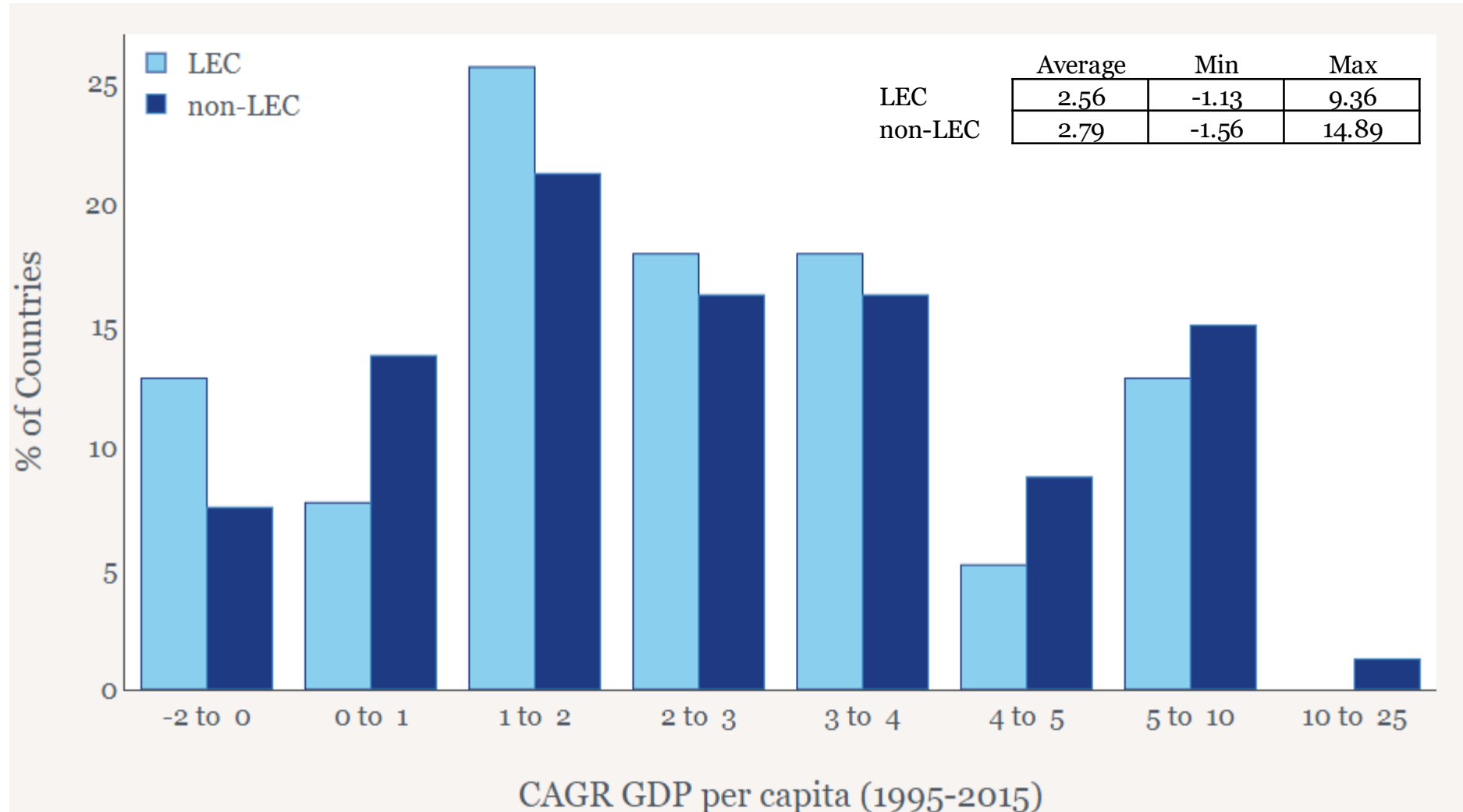
| Country | Code | Income classification |
|-----------------|------|-----------------------|
| Comoros | COM | L |
| Gambia | GMB | L |
| Guinea-Bissau | GNB | L |
| Haiti | HTI | L |
| Liberia | LBR | L |
| Mali | MLI | L |
| Nepal | NPL | L |
| Senegal | SEN | L |
| Togo | TGO | L |
| Zimbabwe | ZWE | L |
| Armenia | ARM | LM |
| Bangladesh | BGD | LM |
| Cabo Verde | CPV | LM |
| Egypt | EGY | LM |
| El Salvador | SLV | LM |
| Ghana | GHA | LM |
| Guatemala | GTM | LM |
| Honduras | HND | LM |
| Kiribati | KIR | LM |
| Kyrgyz Republic | KGZ | LM |
| Lesotho | LSO | LM |
| Micronesia | FSM | LM |
| Moldova | MDA | LM |

| Country | Code | Income classification |
|------------------------|------|-----------------------|
| Morocco | MAR | LM |
| Nicaragua | NIC | LM |
| Pakistan | PAK | LM |
| Philippines | PHL | LM |
| Samoa | WSM | LM |
| Sri Lanka | LKA | LM |
| Tajikistan | TJK | LM |
| Tonga | TON | LM |
| Ukraine | UKR | LM |
| Vietnam | VNM | LM |
| Yemen | YEM | LM |
| Albania | ALB | UM |
| Bosnia and Herzegovina | BIH | UM |
| Dominican Republic | DOM | UM |
| Fiji | FJI | UM |
| Georgia | GEO | UM |
| Guyana | GUY | UM |
| Jamaica | JAM | UM |
| Jordan | JOR | UM |
| Lebanon | LBN | UM |
| Montenegro | MNE | UM |
| Serbia | SRB | UM |

In-between

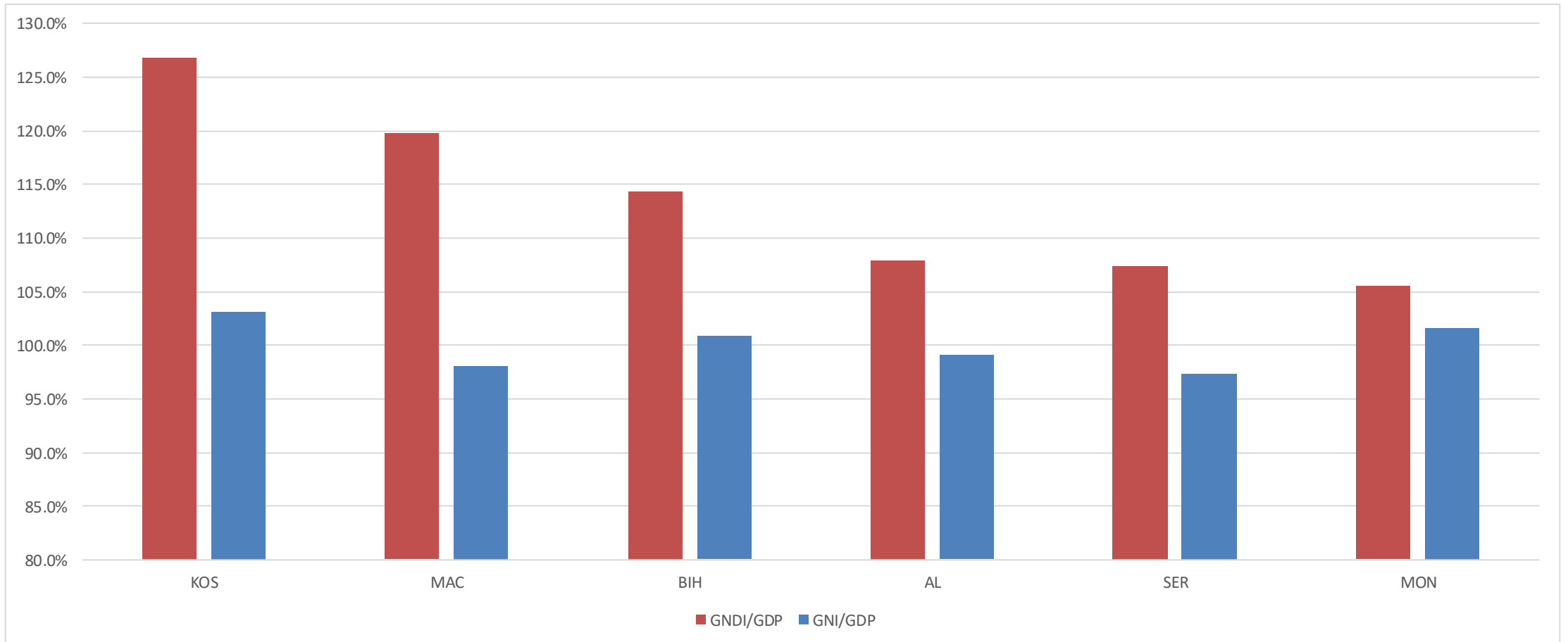
| Country | Code | Income classification |
|-----------------------|------|-----------------------|
| Burkina Faso | BFA | L |
| Uganda | UGA | L |
| Bolivia | BOL | LM |
| Djibouti | DJI | LM |
| India | IND | LM |
| Myanmar | MMR | LM |
| Nigeria | NGA | LM |
| Sao Tome and Principe | STP | LM |
| Tunisia | TUN | LM |
| Uzbekistan | UZB | LM |
| Belize | BLZ | UM |
| Mexico | MEX | UM |
| Croatia | HRV | H |
| Hungary | HUN | H |
| Latvia | LVA | H |

Long Term Growth Rates – LEC and non-LEC compared



Source: World Bank; High income countries and In Between Countries excluded

GNDI and GNI relative to GDP in the Western Balkans, around 2015



Vicious circle of remittances, inequality and migration in the Western Balkans

1. Remittance inflow

2. Consumption increase / sustenance, poverty suppression. Currency appreciation.

7. Migration (in RS, MN and NM without brain drain)

3. Tax-benefit and public expenditure system extract maximum revenue from remittances and buy maximum loyalty to the Government

6. Reinforced inequality and labor market duality – unemployment, informal, vulnerable employment

4. Reduced competitiveness and disincentives for work and entrepreneurship. Rent seeking in public sector

5. Stalled economic growth

