IS THERE A REVERSE WELFARE MAGNET?
The Effect of Social Policy in Developing Countries on International Migration

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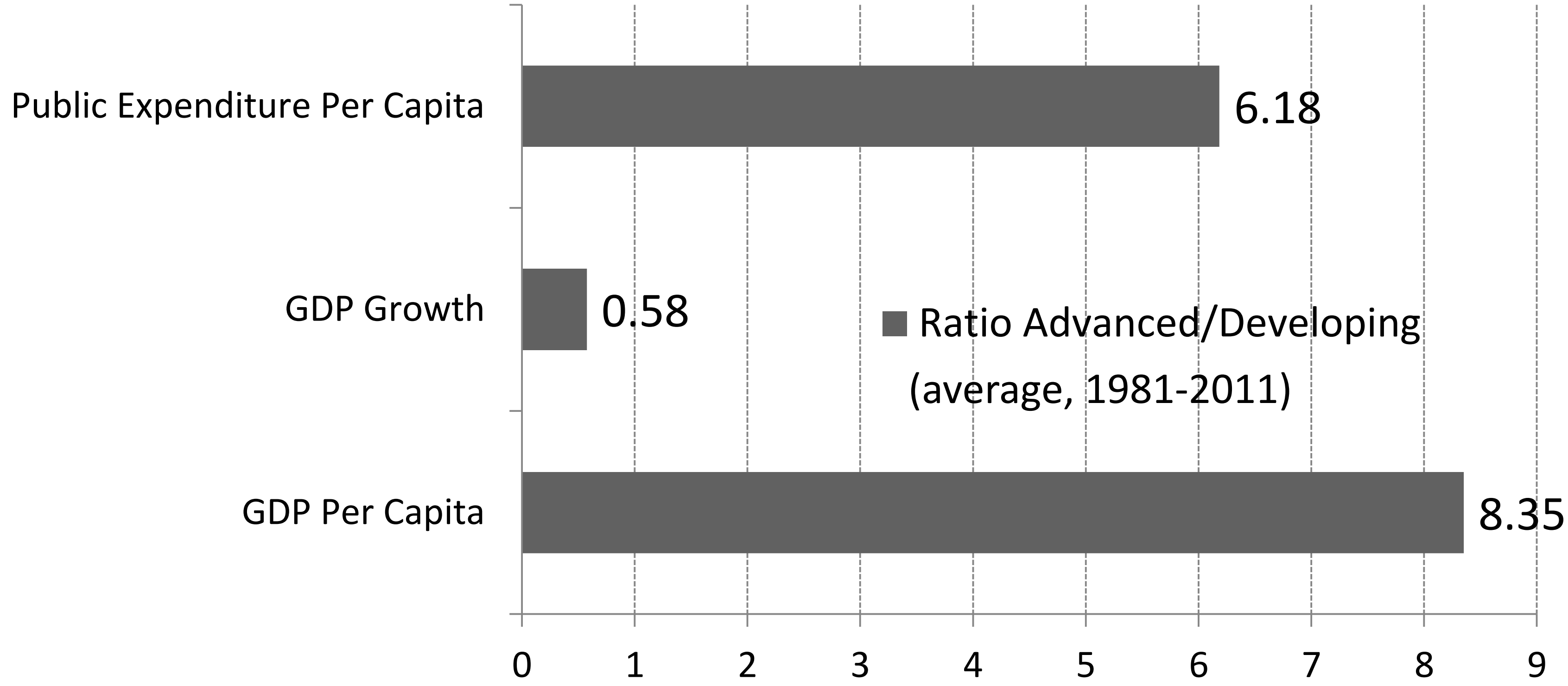
BACKGROUND

- Too much focus on receiving country (welfare magnet)
    - Evidence is mixed, at best; depending on empirical design and context
- Too much focus on income indicators (output indicators)
    - The effect of economic development
    - The effect of between-country inequality
    - The effect of within-country inequality
- Lack of research on the impact of non-migration policies in developing countries, especially macro-level studies
    - Micro-level studies typically look into the effect of cash transfers

DEFINING SOCIAL POLICY

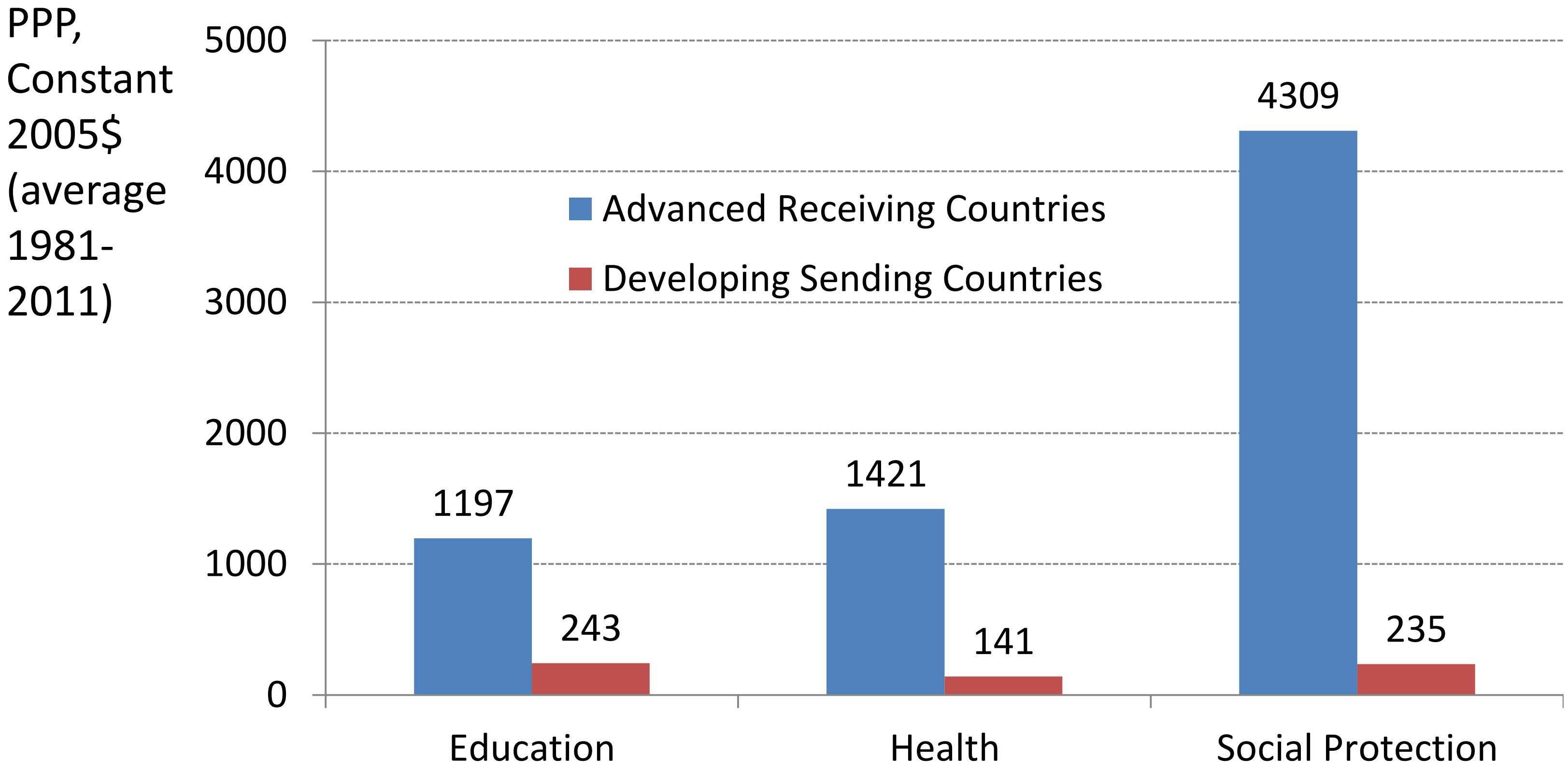
- What is social policy?
  - “The policies which governments use for welfare and social protection” (Spicker, 2014)
  - To address the “Five Evil Giants” in society (Beveridge, 1942)
    - Want (poverty)
    - Ignorance (insufficient education)
    - Squalor (poor housing)
    - Idleness (unemployment)
    - Diseases (ill-health)
- Dimensions of social policy focused in this paper:
  - Education
  - Health
  - Social Protection

PUSH-PULL REVISITED



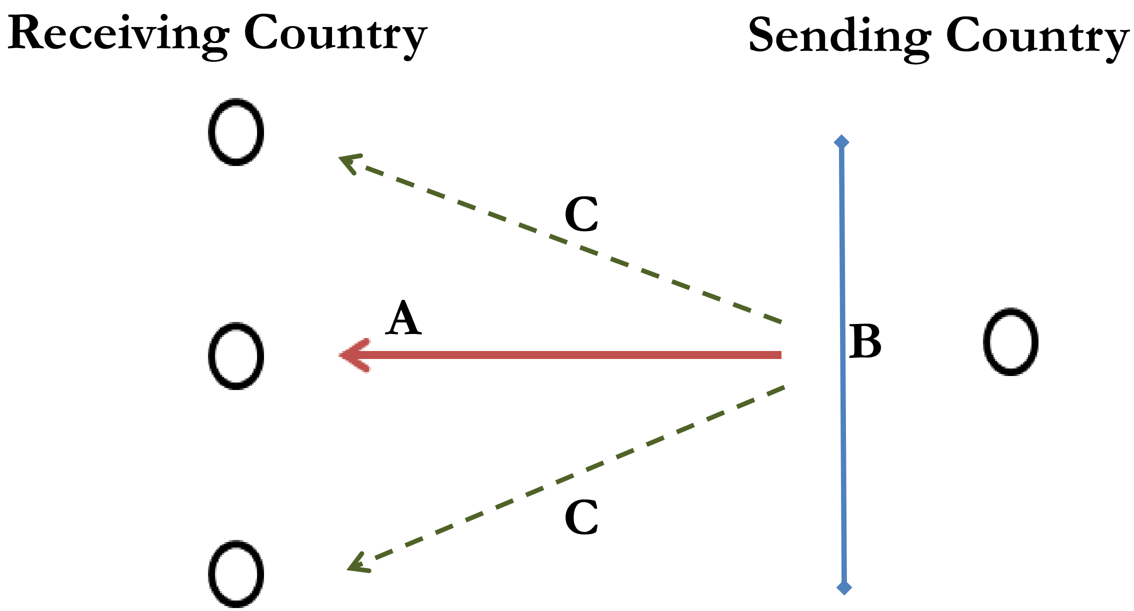
- Gap stemming from GDP per capita is substantial; public expenditure per capita, nonetheless, is not that far behind
- Developing countries catching up advanced economies through higher growth rates
- Hinting that the lure for international migration might be motivated by both income-maximisation as well as risk-minimisation

SOCIAL POLICY UNPACKED



- There is indeed a huge gap in the provision of social policy between developing and developed countries
- If we unbundle social policy components, social protection is the one with the largest gap
- Direct (targeted) social policy, is likely to be a pull-factor

WELFARE MAGNETS TYPOLOGY



- A: Welfare Magnet
- B: Reverse Welfare Magnet
- C: Multilateral Welfare Magnet

DATA AND EMPIRICAL STRATEGY

- Data
  - DEMIG C2C (IMI) -> bilateral migration flow
  - SPEED (IFPRI) -> social policy
  - WDI (World Bank) & CEPII -> other control variables
  - Time-series: 1981-2011
  - Cross-section: 20 receiving countries & 104 sending countries: 'South-North' migration

- Empirical Strategy
  - Gravity Model: poisson pseudo-maximum likelihood (PPML)
  - To address potential endogeneity bias -> instrumental variable
  - Focus on sending country determinants -> destination-time dummies

RESULTS I

Variable	PPML	PPML	PPML
Log GDP per Capita	0.509*** (0.162)	0.529*** (0.160)	0.303* (0.165)
Log Education per Capita	-0.162*** (0.053)		
Log Health per Capita		-0.174*** (0.048)	
Log Social Protection per Capita			-0.034 (0.034)
Other Controls	Yes	Yes	Yes
Origin Dummies	Yes	Yes	Yes
Destination-Time Dummies	Yes	Yes	Yes
Constant	Yes	Yes	Yes
Observation	23,494	23,494	23,494

DEMIG DETERMINANTS of INTERNATIONAL MIGRATION

RESULTS II

Variable	IV-PPML
Log Education per Capita	-0.999 (0.964)
Log Health per Capita	-0.835** (0.368)
Log Social Protection per Capita	-0.545* (0.310)
Other Controls	Yes
Origin Dummies	Yes
Destination-Time Dummies	Yes
Constant	Yes
Observation	23,494

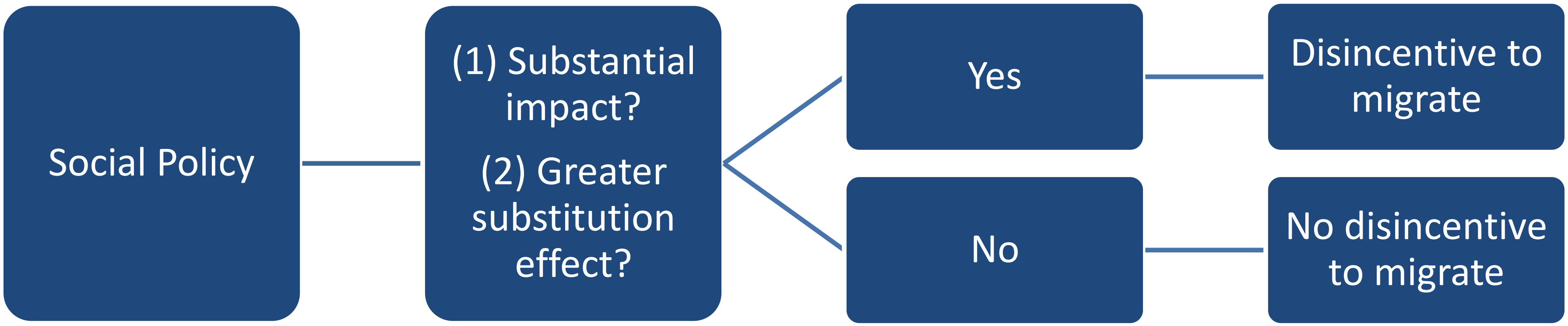
GOING FORWARD

Reduced-Form Regression

IMF (sum of programs, min. 5 months)	-0.044** (0.020)
Other Controls	yes
Destination-Time Dummies	yes
Origin Dummies	yes
Constant	yes
Observations	23497
R-Squared	0.79

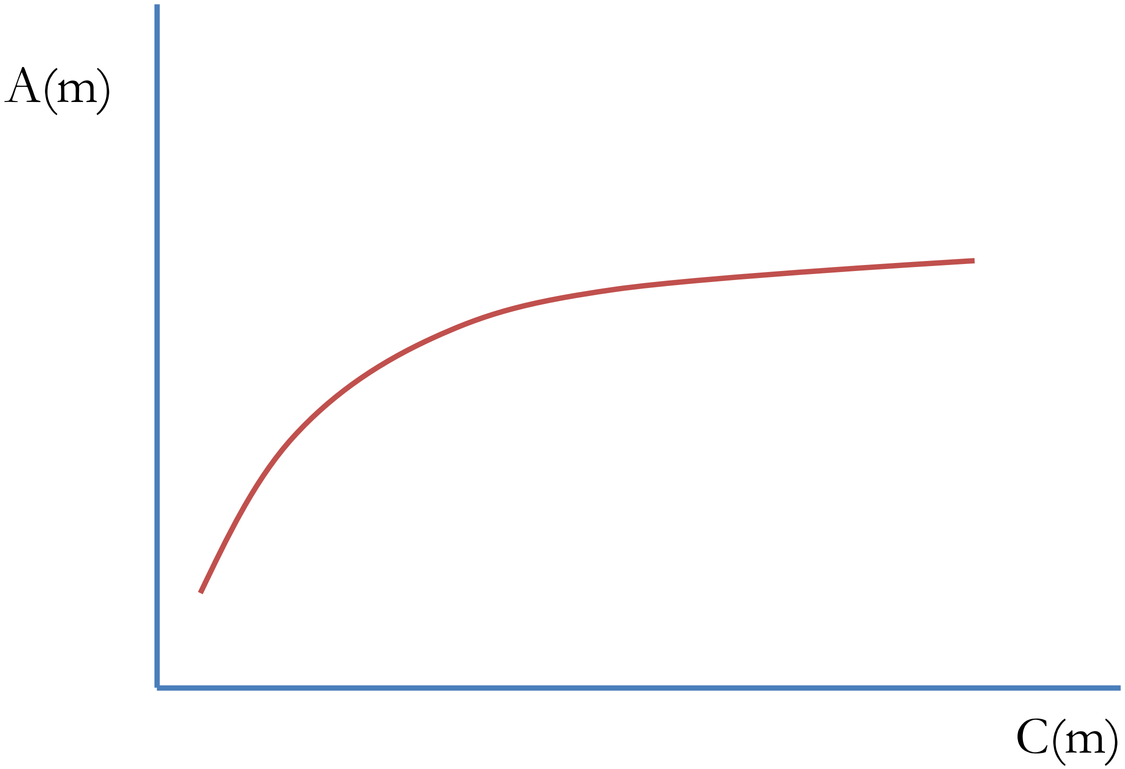
- Keep the PPML estimates
- Need to slightly over-identify the IV-PPML to get better diagnostics
- Conduct 2-stage residual inclusion approach (control function model)
- Exploit the panel-time series potential of the data: common correlated effects mean-group (CCE-MG)

MECHANISM I: RISK-DIVERSIFICATION



- If social policy has substantial impact and greater substitution effect which effectively reduce income & production risks, it shall reduce incentives to migrate / send family members for migration
- Income effect: lifting of liquidity constraint which increases capability to migrate
- Substitution effect: reducing the opportunity cost of no further risk-diversification through migration
- More ‘universal’ or ‘conditional’ social policy should result in greater substitution effect on migration, so that it reduces incentives for migration

MECHANISM II: REDISTRIBUTION



- This is a simple representation of migration aspiration & capability
- A(m) is migration aspiration; C(m) is capability
- Diminishing marginal aspiration to migrate as capability increases
- Individuals are risk-averse to migration-induced risk
- Consistent with migration transition model at the macro level

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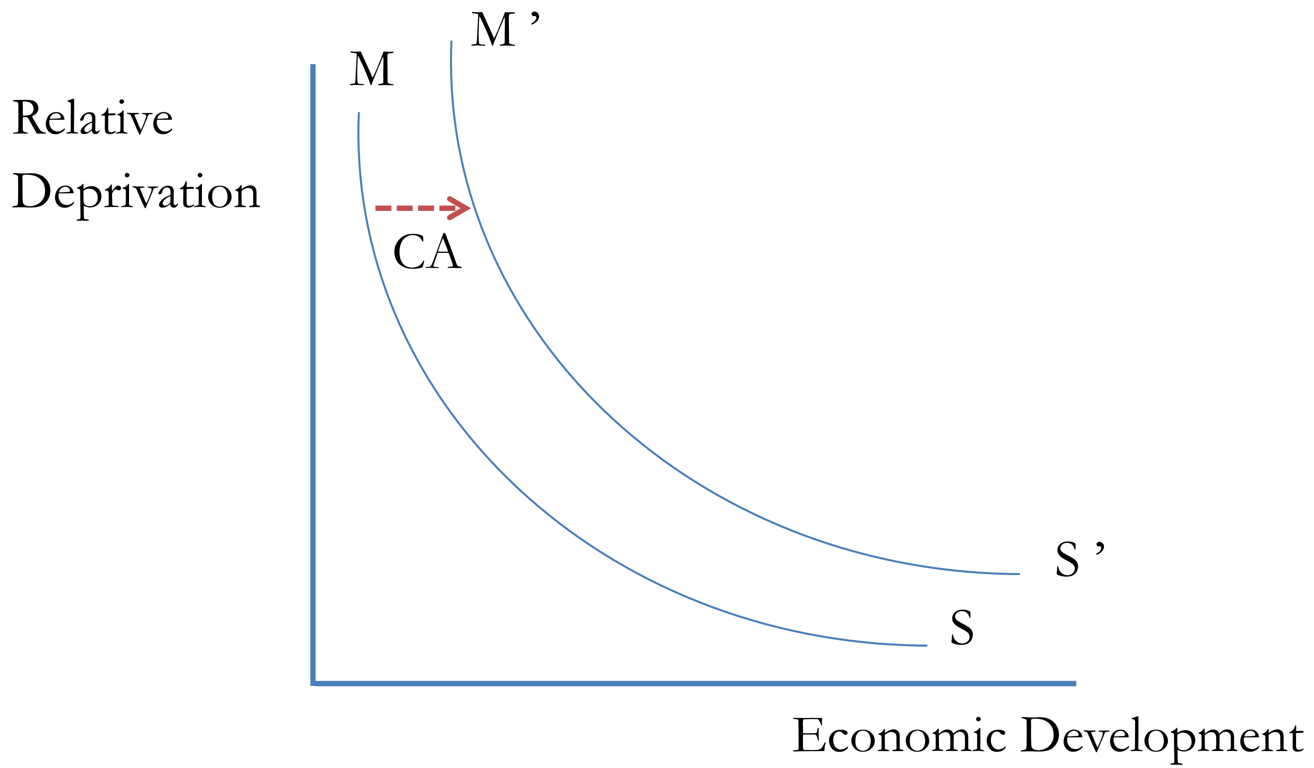
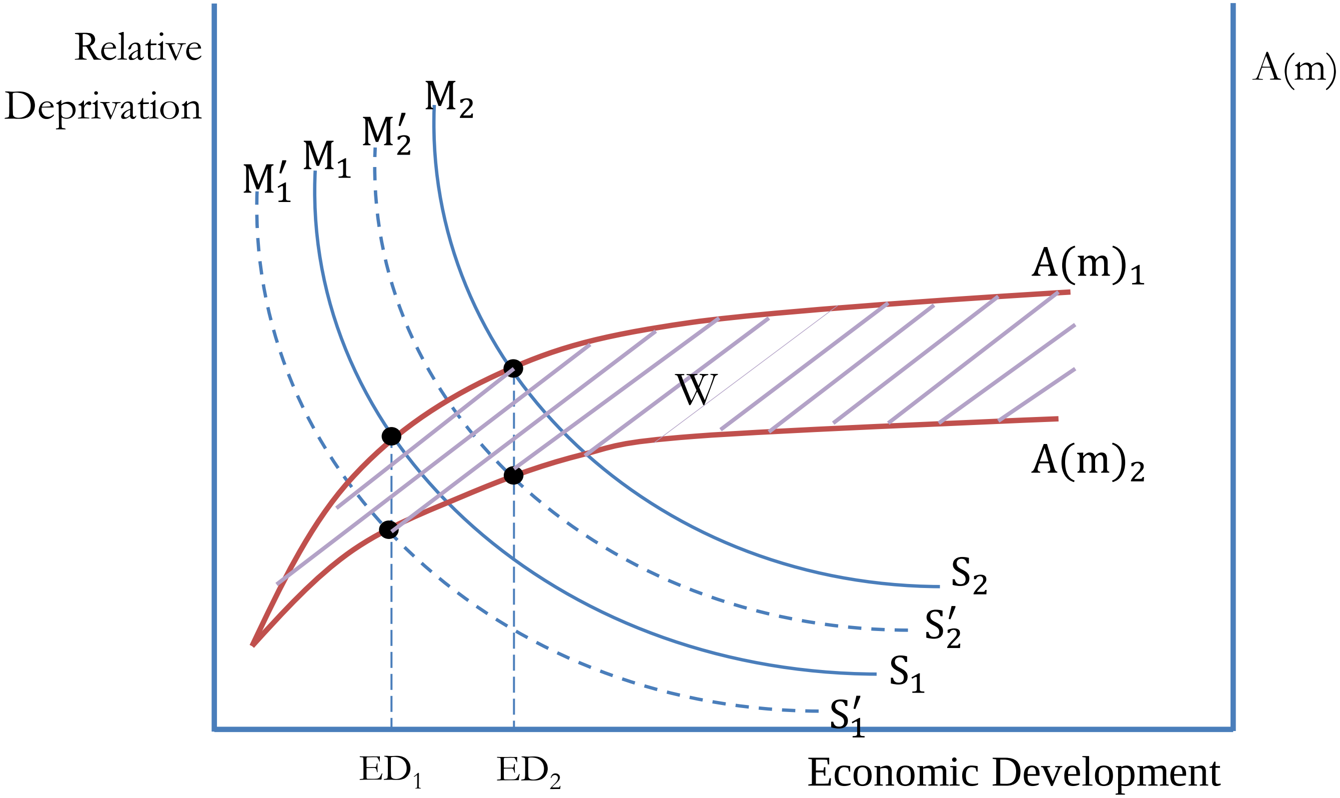


- This is a hybrid migration decision framework, inspired by Alonso model of residential choice
- M is to send more family members for migration / higher propensity to migrate
- S is to send less family members for migration / higher propensity to stay
- CA is the increase in (im)mobility value as functionings due to greater capability

MECHANISM II: REDISTRIBUTION



- This chart combines the aspiration-capability and the hybrid migration decision models assuming capability increases proportionally to economic development
- W is the effect of social policy at home (reverse welfare magnet)
- For a given capability, social policy that effectively reduces relative deprivation, decreases migration aspiration

CONCLUSIONS

Findings

- There is evidence of a ‘reverse welfare magnet’ effect of social policy on migration
- The ‘reverse welfare magnet’ could be explained by two mechanisms: (i) risk-diversification effect; (ii) redistribution effect

Policy Implications

- Better provision of livelihood security through more comprehensive welfare regime in developing countries might help to control migration
- Policy that provides the ‘right’ incentives that tweak the determinants of migration aspirations might be key.

DEMIG
DETERMINANTS of
INTERNATIONAL MIGRATION

THANK YOU!