

International Migration, Risk Management and Social Policy: The Latin America Case

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Abstract

Latin America is a region of net emigration (emigration outpaces immigration) to the rest of the world. At the same time there is also a growing flow of intra-regional migration among economies sharing common borders, common language but having large differences in per capita income among them. An important factor driving extra-regional migration from Latin America is the persistence of development gaps with more advanced economies such as United States, Spain, Canada and other high income countries. Also disparities in economic performance within the Latin American region also encourage intra-regional (south-south) migration. International migration introduces new challenges to the design, management, eligibility and financing of social policy as migrants face various sources of vulnerability coming from labor market, health, legal and longevity risks. These risks can be reduced through various mechanisms ranging from self-insurance, family and network support, market insurance, social insurance by the state or by civil society organizations.

1. Introduction

In the second half of the 20th century Latin America turned into a region of net emigration to countries outside the region. In the late 20th and early 21st centuries south-south flows are becoming also of increasing significance. To an extent the large flows of outside migration reflect the failure of development strategies in Latin America that except in a very few countries, have not been able to provide a sustained stream of jobs, goods salaries and attractive economic and social conditions for the population to stay. Main receiving countries for Latin American migrants outside the region are the USA, Spain and Canada. This extra-regional migration is chiefly driven by differences in per capita income and living standards across countries, the so-called *development gaps*. These gaps create strong economic incentive for people to leave their home countries to earn higher income abroad and offer better education and health services to their children in a foreign country. The other side of the coin of these economic gains is the labor market, health, legal and longevity risks faced by migrants in the receiving countries and their vulnerability to those various types of risks.

A trend in international migration is the growing importance of intra-regional (south-south) migration. In this case geographical proximity, social networks and cultural similarities are important variables in explaining these flows besides more economic determinants such as income and real wage differentials across countries. In the southern

cone, Argentina and Chile are countries with income per capita levels above US\$ 10,000 that attract people from lower income per capita (all below US\$ 5,000) neighboring countries such as Bolivia, Paraguay and Ecuador. In Central American countries major south-south migration flows take place from Nicaragua to Costa Rica, from Haiti to Dominican Republic and from Guatemala, Honduras and other Central American countries to Mexico which in turn may be a transit step to get to the US or Canada. Several of these countries share a common border and a common language but still have significant differences in development levels and per capita income among them.²

Recent migration studies show that the Latin American and Caribbean region has near 26 million people living outside their national borders (migrants). In turn, 22.3 million live in OECD countries (86 percent) and 3.6 million (14 percent) in other developing countries. South-south migration in Latin America is chiefly dominated by intra-regional migration: 3.4 millions people live and work in other Latin American and Caribbean country different from their place of birth.³ Clearly, the bulk of the Latin American migration is south-north migration but the percent of south-south migration is far from small.

There are common factors that drive both south-north and south-south international migration flows. In the Latin American context, development gaps both with respect to developed countries and among them affect the magnitude and direction of migration flows. Also recurrent economic instability, growth and financial crises, poverty, inequality and informal employment are parcels of the regional economic and social landscape that have affected migration flows, in spite of the recovery of economic growth in the last five years in Latin America, largely associated with a boom in commodity of prices (see ECLAC, 2006a).⁴ Political economy factors have been also important in driving migration flows in Latin America both in the past and in some countries, at present. The military regimes in the 19760s and 1970s in Argentina, Brazil,

² For a collection of recent country studies of determinants of international migration in Latin American and the Caribbean, see Solimano (2008).

³ See Ratha and Shaw (2007).

⁴ Economic crises lead to job losses, increased unemployment, cut in real wages and when affected by financial crises to the loss of savings. The poor and lower middle class are more affected by these adverse economic shocks as their sources of incomes can be diversified less than those of the rich or more affluent.

Chile, and Uruguay drove exile and emigration, mainly of professionals and intellectuals. On the other hand, the four decade old internal conflict in Colombia and current political change and turbulence in Venezuela have led to middle class and wealthy emigration from these two countries to the US and other nations.

In spite these cyclical improvements it is apparent that social conditions in Latin America are an important factor behind migration flows. The proportion of people living below the poverty line, for the region as a whole, in 2005 was close to 38% of the total population (about 213 million people). In turn, critical poverty (indigents) accounts for 16.8% of the population (about 88 million people in 2005) (ECLAC, 2006b). The level and persistence of poverty is indicative of existing incentives to seek better income and employment opportunities abroad. In addition Latin America is a region of high income and wealth inequality (Gini coefficients for income exceed 0.5 in several countries in the region; in turn, the Gini for wealth are much higher, see WIDER, 2006). Moreover, the labor market is affected by underemployment and informal work besides open unemployment.

International migration poses a challenge to social policy in the destination and home countries. On the one hand, governments in Latin America are starting to recognize the needs of social protection and legal support of their own nationals residing abroad (emigrants). On the other, in the receiving countries migrants without a full legal status may see hampered their possibilities to access to more stable jobs and social services for them and their families such as health, education, housing, pensions, and unemployment insurance. In addition, migrants often work in informal activities in recipient economies (home services, restaurants, agriculture) and people working in these sectors may not be covered by the formal system of social protection. Therefore they are exposed to adverse employment and income shocks and their possibilities to cope with risks through market and social insurance is limited. In turn, market mechanisms such as financial and insurance markets are also more difficult to access for migrants. In many countries social protection (provided by the state) schemes are often defined giving a priority to nationals. Social policy has always some component of redistribution attached to it as those who pay taxes are not the exactly the same of those who receive social benefits. International migrants are often a group with reduced political clout in the receiving country and

therefore the demand for redistribution to them is often weaker than the demand for redistribution towards nationals.

This paper examines several of issues related to international migration, risk management and social policy in the Latin American context. The document is organized in seven sections including this introduction. Section 2 analyzes historical and recent trends concerning international migration in Latin America. Section 3 identifies the main determinants of migration flows (south-north and south-south) and section 4 discusses the relation between migration and growth in a scenario of recurrent growth crises as the one that affected Latin America in recent decades. Section 5 takes-up the various nexus between risk management, social policy and international migration and section 6 highlights main questions and some methodological issues for further studying social policy and international migration through country studies. Section 7 concludes.

2. International Migration in Latin America: History and Recent Trends⁵

Brief Historical Background

International migration from and to Latin America have been closely linked to the globalization process in the past and now.⁶ During the “first wave of globalization” that economic historians place c.1870 and 1913 Latin America (predominantly Argentina, followed by Uruguay and Chile) received large flows of migrants from Spain, Italy, Portugal, some Central European countries, Russia and others. In fact, Argentina, Chile and Uruguay registered the highest per capita incomes in the Latin American region which, in 1913, exceeded those of Italy, Spain and Portugal; the primary sources of immigrants to those South American countries (see Table 1).⁷

In turn, the per capita income in the richest countries of the “new world,” such as Australia, Canada, New Zealand and the United States, was, in 1913, more than double that of the countries of the European periphery. This first wave of globalization was

⁵ This section is based on Solimano (2008), chapter 2.

⁶ See Solimano (2003).

⁷ The average per capita income in the countries of the southern and northern “periphery” of Europe (Italy, Spain, Portugal, Norway and Sweden) was slightly higher than the average of the leading Latin American economies (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela).

characterized not only by flows of trade and capital, but also by the massive movements of people between the Old World (Europe) and the New World (North America, South America, Australia and Oceania).⁸ More than half a century later, in the 1950s, per-capita income gaps continued to be favorable to countries such as Argentina, Chile, Uruguay and Venezuela and with respect to southern European countries (some Scandinavian nations had a higher per capita income than Italy and Spain); in 1950, per capita income in Venezuela was also higher than in Sweden (Table 2). This situation changed and reversed during the second half of the 20th Century, especially in the decades following the 1970s when the per capita income of Spain, Italy and the countries of northern Europe surpassed that of Latin America. As a consequence, economic incentives to emigrate from Europe to Latin America practically disappeared and the direction of migration reversed. In fact, historically sending countries such as Spain and Italy became important destination countries for emigrants from Latin America, especially Argentines, Ecuadorians, and Colombians affected by very severe economic and social crises in the late 1990s and early 2000s.

The international mobility of people from and to Latin America also reflects post-colonial and other historical ties. Besides the historical links between Spain and Italy and Argentina, Chile, Cuba, Mexico, Uruguay these ties also extend to other countries such as Portugal and Brazil, the Netherlands and Guyana, France and Haiti, the UK and English-speaking Caribbean countries. Migration flows between Asia and Latin America—in both directions—is also a phenomenon that has to be mentioned. There are relatively sizeable Japanese communities in Peru, Brazil and other countries. Koreans are also active in trade in Chile. Moreover, historically, there were significant flows of Chinese population to the US and Canada.

Current migration patterns show a large concentration of Mexicans in the United States, a growing importance of Spain as a destination country for Ecuadorians, Colombians, Argentines and others. Also, within the region in Argentina there is a big concentration of Paraguayan and Bolivians. The fact that Spanish is a common language among these countries (also relevant for Latin American migration to Spain) is a factor that helps that concentration. Transit migration is another feature of Latin American

⁸ See Solimano and Watts, 2005.

migration. People from Guatemala, El Salvador and other Central American countries often migrate first to Mexico as a “stepping-stone” to get later to the United States. Part of these flows corresponds to ethnic migration (indigenous groups).

Table 1
DEVELOPMENT GAPS (GDP PER CAPITA OF SELECTED COUNTRIES, 1820-2005)
(in constant 1990 Geary-Khamis international dollars)

Europe	First wave of globalization: the age of mass migration			Second wave of globalization: restricted migration							
	1820	1870	1913	1950	1973	1990	1998	2000	2002	2004	2005
Italy	1 117	1 499	2 564	3 502	10 634	16 313	17 990	18 740	19 118	19 440	19 475
Spain	1 008	1 207	2 056	2 189	7 661	12 055	14 129	15 269	15 875	16 276	16 559
Portugal	923	975	1 250	2 086	7 063	10 826	13 106	14 022	14 185	13 977	13 809
Norway	1 104	1 432	2 501	5 463	11 246	18 466	23 826	24 364	24 715	25 236	25 662
Sweden	1 198	1 662	3 096	6 739	13 493	17 695	18 787	20 321	20 898	21 799	22 309
Average	1 070	1 355	2 293	3 996	10 019	15 071	17 568	18 543	18 958	19 346	19 563
Latin America											
Argentina	...	1 311	3 797	4 987	7 962	6 436	9 123	8 544	7 185	8 365	9 050
Brazil	646	713	811	1 672	3 882	4 923	5 422	5 556	5 598	5 736	5 788
Chile	...	...	2 653	3 821	5 093	6 402	9 756	9 841	10 101	10 903	11 470
Colombia	...	...	1 236	2 153	3 499	4 840	5 350	5 096	5 097	5 366	5 548
Mexico	759	674	1 732	2 365	4 845	6 119	6 745	7 218	7 039	7 229	7 338
Peru	...	...	1 037	2 263	3 952	2 955	3 675	3 686	3 754	3 971	4 173
Uruguay	...	2 181	3 310	4 659	4 974	6 474	8 317	7 859	6 672	7 518	7 961
Venezuela	...	569	1 104	7 462	10 625	8 313	8 977	8 415	7 614	7 997	8 596
Average	703	1 090	1 960	3 673	5 604	5 808	7 171	7 027	6 633	7 136	7 491
Other OECD countries											
Australia	518	3 273	5 157	7 412	12 878	17 106	20 361	21 540	22 323	23 301	23 660
Canada	904	1 695	4 447	7 291	13 838	18 872	20 579	22 198	22 860	23 532	23 993
New Zealand	400	3 100	5 152	8 456	12 424	13 909	15 233	16 010	16 614	17 429	17 550
United States	1 257	2 445	5 031	9 561	16 689	23 201	26 619	28 129	28 171	29 704	30 449
Average	770	2 628	4 947	8 180	13 957	18 272	20 698	21 969	22 492	23 492	23 913

Source: Solimano (2008), chapter 2.

Recent Trends

Emigration from Latin America heightened since the 1980s, a period affected by economic contraction in the 1980s, recovery and reform in the 1990s, the Asian crises and other sources of global instability in the late 1990s and some national economic crises in Argentina, Ecuador and Colombia. At the beginning of the first decade of the 21st Century, the majority of Latin American countries were countries with greater flows of emigration than immigration (see Table 2). At the regional level, immigrants represent, on average, about 1% of the total population while emigrants account for 3.8% (ECLAC, 2006). In 2000, the country with the greatest emigration stock, relative to its population,

is El Salvador (14.5% of its population), followed by Nicaragua (9.6%), Mexico (9.4%) and the Dominican Republic (9.3%), see Table 2. By contrast, the countries of immigration (greater proportion of immigrants than emigrants) are Costa Rica (showing a difference of 5.3 percentage points), Venezuela (with a difference of 3.3 percentage points) and Argentina (with a difference of 2.8 percentage points).⁹

Regarding the socio-demographic patterns of migrants the empirical evidence for several Latin American economies shows that Latin American emigrants share three socio-demographic characteristics that can be summarized as follows: i) a high participation of female emigration, ii) the concentration of migratory flows in the most productive working-age groups of immigrants and emigrants, and iii) the higher level of education among emigrants compared to their fellow citizens who do not emigrate.

⁹ At the sub-regional level, the emigration rate in the Caribbean is 4 times greater than the average Latin American emigration rate (15.5% versus 3.5%, see Table 2.2). In the Caribbean, the average emigration rate of the five countries with the greatest proportion of emigrants is 39.5% of the population, compared to 9.7% registered by the five countries with the largest emigrant population in Latin America.

Table 2

LATIN AMERICA AND THE CARIBBEAN: IMMIGRANTS AND EMIGRANTS RELATIVE TO THE TOTAL POPULATION, BY COUNTRIES OF ORIGIN AND RESIDENCE, CIRCA 2000
(Selected countries, minimum estimates in thousands of persons and in percentages)

Country	Total Population	Immigrants		Emigrants	
		Number	Percent of the total population	Number	Percent of the total population
Regional total a/	523 463	6 001	1.0	21 381	3.8
Latin America	511 681	5 148	1.0	19 549	3.5
Argentina	36 784	1 531	4.2	507	1.4
Bolivia	8 428	95	1.1	346	4.1
Brazil	174 719	683	0.4	730	0.4
Chile	15 398	195	1.3	453	2.9
Colombia	42 321	66	0.2	1 441	3.4
Costa Rica	3 925	296	7.5	86	2.2
Cuba	11 199	82	0.7	973	8.7
Ecuador	12 299	104	0.8	585	4.8
El Salvador	6 276	19	0.3	911	14.5
Guatemala	11 225	49	0.4	532	4.7
Haiti	8 357	26	0.3	534	6.4
Honduras	6 485	27	0.4	304	4.7
Mexico	98 881	519	0.5	9 277	9.4
Nicaragua	4 957	20	0.4	477	9.6
Panama	2 948	86	2.9	124	4.2
Paraguay	5 496	171	3.1	368	6.7
Peru	25 939	23	0.1	634	2.4
Dominican Republic	8 396	96	1.1	782	9.3
Uruguay	3 337	46	1.4	278	8.3
Venezuela (RB)	24 311	1 014	4.2	207	0.9
The Caribbean	11 782	853	1.9	1 832	15.5
Netherlands Antilles	215	55	25.6	118	54.9
Bahamas	303	30	9.9	28	9.2
Barbados	267	25	9.4	68	25.5
Belize	240	17	7.1	43	17.9
Dominica	78	4	5.1	8	10.3
Grenada	81	8	9.9	56	69.1
Guadeloupe	428	83	19.4	2	0.5
Guyana	759	2	0.3	311	41.0
French Guyana	164	...	...	1	0.6
Jamaica	2 580	13	0.5	680	26.4
Martinique	386	54	14.0	1	0.3
Puerto Rico	3 816	383	10.0	6	0.2
St. Lucía	146	8	5.5	22	15.1
Suriname	425	6	1.4	186	43.8
Trinidad & Tobago	1 289	41	3.2	203	15.7
Others b/	605	124	20.5	99	16.4

Source: Solimano (2008), based on CELADE-ECLAC (2006).

Notes: a/ Data for Cuba, Haiti and the Caribbean provided by the United Nations Population Division, b/ Includes: Anguila, Antigua and Barbuda, Aruba, Bermuda, Cayman Islands, Turks and Caicos, U.K. and U.S. Virgin Islands, Montserrat, Saint Kitts and Nevis, and Saint Vincent and the Grenadines. Estimates of immigrants are minimums, since only a limited number of European and Pacific Island countries (Oceania) are taken into consideration.

3. Determinants of International Migration

The determinants of international migration reflect a complex interaction between development factors of medium and long run nature, short term macroeconomic factors, labor market and socio-demographic variables, geographical, cultural and political factors. Also it is important to mention issues of double causality. For example development gaps drive migration flows as we emphasize in this paper. However, at the same time migration flows also affect the relative development levels of countries through the skill composition of migrants, their education levels and entrepreneurial traits.

In the discussion of determinants of international migration some variables may be more important for explaining south-north migration and others become more relevant for explaining south-south migration. For example the development gaps and wage differentials affect both types of migration but the size of those gaps is often larger for south-north migration. In south-south flows, variables such as geographic proximity, social networks and cultural similarities are very important. Summarizing, the main determinants of international migration are:

(a) *Development gaps* between the country of origin of the migrant and the country of destination. This is often measured by the ratios of per capita incomes across countries in a common currency and should be adjusted by differences in purchasing power parities. The size of the income gaps can be very large; for example the income per capita of the US is approximately seven times as much as the per capita income of Mexico. If we add the fact of a large border between these two countries, the effect of such large disparities in per capita income is to create powerful economic incentives for Mexicans to get to work in the USA. These differences in economic development levels also are reflected in big disparities in real wages and earnings between these two nations.

(b) *Macroeconomic factors* such as cycles and growth and financial crises also trigger migration flows; for this effect to operate economic cycles should not *not* be fully synchronized among countries. The notion is that an economy that is experiencing bad economic times (a recession, a financial crisis) will send people to an economy that is a

different phase of the economic cycle, say in an expansion or booming period with tight labor markets and attractive wages that allure new migrants.

(c) *Imbalances in the labor market and social conditions*, in the origin and destination countries such as unemployment, underemployment and informal work also affect migration flows. Again people will go to countries with relatively low unemployment and good salaries and leave countries in which the labor market is sluggish, there are few jobs and salaries are depressed. Poverty in the origin country is also a determinant of migration flows, although the empirical evidence shows that those who emigrate are not necessarily the very poor as migration entails costs of transportation, legal fees, costs of job search and the like that the very poor can not afford.

(d) *Political economy variables* --such as political crises, internal conflicts and political regime—have been very relevant in some countries and periods in Latin America as a pressure for migration. This is a region with a long history of political instability and cycles of authoritarianism/democracy that have induced waves of emigration as mentioned before in this paper. Also a factor that affects collective action of migrants is that they are often un-organized, many of them do not vote in elections and therefore tend to be a weak political force in the receiving country. This weakens their capacity to affect specific policies of interest to migrants such as residence status, work permits and visa issues, access to social services and others.

(e) *Migration policies* regulating visas, work permits and legal residence status is another important factor regulating the actual flows of migration in destination countries. As illegal or undocumented migration is important in various countries, immigration policies are often not completely effective in affecting *actual* migration flows. Furthermore, migration policies are often tighter in high-income countries than in middle income nations.

(f) *Geography, social networks and cultural differences* between countries affect migration besides purely economic factors. As we shall see below these set of factors are especially relevant in the case of south-south migration.

As said before recent studies on south-south migration have emphasized the role of proximity and social networks in driving these flows:¹⁰

(a) *Proximity*. It is estimated that near 80 percent of south-south migration takes place between countries with contiguous borders. In the Latin American countries this is the case between Argentina, Bolivia and Paraguay, Haiti and Dominican Republic, Nicaragua and Costa Rica, Guatemala and Mexico.

(b) *Networks*. The literature on international migration stresses the importance of Diasporas and communities of nationals coming from the same country (or a similar region and city in the origin country) in providing useful support and information mechanisms for migrants: this may range from information on job opportunities, housing and also as a source of moral support and care to the newly arrived, the sick and the unemployed.

(c) *Income differentials*. This variable is still important in the case of south-south migration although, as already said, the income level differences between home and host countries are often narrower in the case of south-south migration than in the case of south-north migration.

4. Migration and Growth

From the previous discussion on development gaps it is clear that rate of economic growth in both the home and destination country affects (and is affected) by migration.¹¹ Output growth is a critical variable in the capacity of an economy to create the jobs and opportunities that migrants look for when they move from one country to another. The combination of a deceleration in the *average growth rate* in the last quarter century in the Latin American region came along with an increase in the *frequency of growth crises* were two related factors, (besides the continuous growth of the comparison countries) preventing the reduction of development gaps at regional level between Latin America and more advanced countries. Latin America registered an annual economic

¹⁰ See World Bank (2005) and Ratha and Shaw (2007).

¹¹ Migration affect growth through several channels: the cost of labor and the profitability of investment, the availability of various skills and the entrepreneurial traits of immigrants (or emigrants in the case of home country growth). Migration and remittances can also affect savings and through this channel the rate of GDP growth, (see Solimano, 2008).

growth rate above 5% between 1940 and 1980, the region's GDP growth rate fell to around 3% per year between 1981 and 2007.¹² Also there was a deceleration in the average rate of growth of *GDP per-capita* in this period as total GDP growth decreased faster than population. Table 3 shows for 12 Latin American economies (that account for more than 85 percent of the total GDP of the Latin American and Caribbean region) and a reference group of extra-regional economies the number of years of negative GDP per capita growth (our definition of a year of "growth crisis") between 1961 and 2005 and sub-periods. In general the data show a high frequency of growth crisis in several Latin American economies compared to a reference group, a trend that accelerated in the post-1980 period.¹³ Slower and more volatile growth implies less job creation, fewer opportunities and real wages and earnings that grow more slowly as the overall "size of the cake" grows at a slower pace.

As a consequence of the slowdown of growth in the last 25 years, the development gaps between Latin America and developed countries *widened* for some countries with modest economic performance in this period. In other countries those gaps have narrowed, as in the case of Chile that experienced rapid growth in the last two decades. Over time fast growing and more stable economies are expected to have a higher per capita income than economies that grow more slowly and that are affected by more volatility.¹⁴

¹² See Maddison, 2003, Solimano 2006 and ECLAC (2007).

¹³ The nature of volatility in Latin America evolved over time. In the 1980s high inflation, large discrete currency devaluations was followed by lower inflation but persistent exchange rate volatility and in some countries financial crises, in the 1990s and early 2000s.

¹⁴ Empirical evidence shows that volatility hampers growth through lower private investment and possible by also discouraging productivity growth.

Table 3

**GROWTH CRISES IN SELECTED LATIN AMERICAN COUNTRIES AND REFERENCE COUNTRIES,
1961-2005**

Country	Number of years with negative per capita GDP Growth rates				Percent of crises, 1961-2005
	1961-1980	1981-2005	1990-2005	1961-2005	
Argentina	7	11	6	18	40.0
Bolivia	5	10	3	15	33.3
Brazil	1	11	7	12	26.7
Chile	4	3	1	7	15.6
Colombia	3	5	3	8	17.8
Costa Rica	2	8	4	10	22.2
Ecuador	4	8	4	12	26.7
Mexico	0	8	3	8	17.8
Peru	4	9	5	13	28.9
Dominican Rep.	4	6	3	10	22.2
Uruguay	6	9	6	15	33.3
Venezuela	10	14	7	24	53.3
Average	4.2	8.5	4.3	12.7	28.1
Korea	1	2	1	3	6.7
Spain	2	2	1	4	8.9
Philippines	0	8	5	8	17.8
Ireland	1	2	0	3	6.7
Thailand	0	2	2	2	4.4
Turkey*	2	7	4	9	20.0
Average	1.0	3.8	2.2	4.8	10.7

Source: Solimano (2006).

5. Social Policy, Risk Management and Migration; Goals, Agency and Instruments

An emerging topic of policy interest is the relationship between international migration patterns, risk management and social policies. An adequate understanding of the links between social policy and international migration needs to recognize various factors: (a) the multiple goals that social policy is expected to accomplish, (b) the variety of state and non-state organizations that can contribute to achieving the goals attached to social policy (the agency problem), (c) the main instruments and tools available to carry-out social policy. The main objectives of social policy can be listed as (see UNRISD, 2006):

(a) Income support for low income and vulnerable groups (children, the elderly, handicapped, ethnic minorities) in case of negative shocks.

(b) Formation and maintenance of human resources through education, health and pension expenditure.

(c) Redistribution of income and wealth.

(d) Social protection, inclusion and promotion of social rights.

The conduct of social policy and the provision of social services can be done at national, regional or local levels. In turn, the state is not the only agent that can provide social protection and support to low income groups and vulnerable people. These functions can be provided also by:

(i) Non-governmental organizations legally organized as non-for profits corporations.

(ii) Community groups, labor unions, clubs and neighbor organizations.

(iii) The family and friends

International migrants, particularly those of low incomes, fewer skills, fragile legal status and who face cultural and languages barriers in the recipient country are a very relevant subject to social policy. The various objectives listed above for social policy are also valid for foreign immigrants. Adverse employment and income shocks affect migrant workers particularly those who are poor and unskilled and have little assets (and limited capacity to borrow) to smooth-out consumption and maintain living standards in the wake of adverse economic conditions. Migrants, whose family size and birth-rates are often higher than natives, have a high potential demand for social services such as education, health, housing and pensions. Inclusion and the promotion of social rights are obviously very relevant for foreign workers and their families.

The political economy of social policy for migrants is worth considering. As mentioned before they are often a weak constituency and as a result, the level of social benefits accruing to them is bound to be lower than for the rest of the population. Another argument is that migrants may not pay taxes what makes more difficult the financing of social expenditure. However, in some migrant-receiving countries such as the US, migrants even those without a fully regularized residence status do pay taxes on a regular basis and therefore indirectly finance social expenditure.

The Complex Relation between Risk and International Migration

Social policy is, to large extent, *a system to manage risks* that affect the very poor, the working class, the migrants and racial minorities. The relationship between international migration and risk is two-fold. On the one hand, international migration can be conceived as a way to spread and diversify labor market risks in the home country. On the other, migrants face a variety of risks in the foreign country.

One of the most important risks faced by nationals and foreigners alike is related to adverse labor market outcomes (cut in jobs and wages). Other risks are health risks, the loss of property, etc. All these contingencies will affect individual and family welfare. People need to be prepared to cope with them.

An approach in the literature is to view international migration as *a strategy to diversify* risks, particularly labor market and macro risks that are very difficult to diversify for at least two reasons; (a) markets rarely have the capacity and the financial instruments developed to insure people against large labor market and macro risks and (b) the limited scope and nature of the “welfare state” in developing countries reduce the scope for social insurance by the state. International migration to a country whose economic fortunes are not fully correlated with the home country —otherwise it would not make economic sense to migrate to start with – allows the migrant, in principle, to diversify labor market risks and increase the expected earnings of the migrant and his family (compared to a situation of absence of migration) . As this mechanism (migration as risk diversification) may sound somewhat atypical as an insurance mechanism, it may be useful to elaborate a bit further on this concept:

The prevention of home-country risks through migration

The approach of “migration as a risk diversification strategy” assumes the family develops rational strategies to *prevent* risks. In this context, it becomes a convenient strategy for the family as a whole –if their resources and informational capabilities allow-- sending abroad some of its members (often the most educated) to more prosperous and more stable economies. In this way economic risks can be reduced and the income level of the family is increased as the host country is often a higher

productivity economy. The theory predicts that the migrant, once he is integrated in the foreign labor market and is earning income will send money home (remittances) to contribute to the overall income level of the family (see Solimano, 2004).¹⁵ A qualification here: if the direct family (wife, children) migrates along with head of family to the foreign country the need for sending remittances declines although other family members (the parents, brothers or sisters, etc) may still continue receiving remittances from the migrant. More formally, in this model, emigration becomes a co-insurance strategy (against labor market risks in the origin country) with remittances playing the role of an insurance claim.¹⁶

An alternative way to see this process is to postulate that migration is a *response* to adverse shocks once they have already occurred. Here the decision of migration is not taken ex-ante but ex-post, say after an adverse shock has taken place. The shock may be a large recession that leads to cut in jobs and salaries; this will induce individuals and families to emigrate as a way to cope with the situation of lack of employment at home. The predictions of both theories are similar: people will emigrate to face economic downturns and periods of sluggish growth. In the first version of the model the decision to migrate is in the *anticipation* of adverse labor market developments, while in the other version of the model the decision to migrate *follows* the actual realization of an adverse economic outcome.

¹⁵ Conversely, for the migrant, having a family in the home country may act as insurance as bad times can also occur in the foreign country.

¹⁶ As in any contract there is a potential problem of enforcement (e.g. ensuring that the terms of the contract, are respected by the parties). However, we can expect enforcement is simpler, in principle, due to the fact that these are implicit family contracts, helped by considerations of family trust and altruism (a feature often absent in legally sanctioned contracts).

Risks faced by the migrants in the recipient country

International migrants also face risks in the host (receiving) country. They live and working in a foreign environment, with different social rules and more limited family support and social networks than at home, moreover, many of them live often in a “limbo” legal status. We can identify at least four main types of risks facing international migrants in the host country:

- (a) Economic risks such as losing a job and becoming unemployed, a cut in incomes due to a recession, losing the value of assets by a financial crisis and others.
- (b) Property and natural disasters risks: an earthquake, floods, etc.
- (c) Health risks due to illness, accidents and related risks.
- (d) Longevity risks. As the migrants get older there is an additional “longevity risk” associated with unanticipated increases in life expectancy, due to improvements in health, that can lead to a shortfall of pension’s income to finance expenditure at the retirement age.
- (e) Legal risks. This is relevant for migrants that may face the risk of deportation and other legal hazards.

Over time people and societies have developed several mechanisms for managing some of these risks. Some of these insurance mechanisms are probably more developed in economies with higher income levels. Let’s list these mechanisms:

- (i) Self insurance;
- (ii) Market insurance;
- (iii) Social protection schemes provided by the state.
- (iv) Risk coping through NGOs and community organizations.
- (v) Family-provided risk management.

Self-insurance is typically the more obvious and common of the insurance mechanisms that the migrant use to face risks. Typically, the migrant can save part of his earnings in liquid form to face contingencies and send remittances back home. Nevertheless, self insurance is often inefficient as the economies of scale of risk

diversification through specialized financial instruments are not utilized. *Market insurance* may work well in providing instruments to insure against property risks, natural disasters risks, and health risks. Insurance against property-related risks are relatively standard, natural disasters risks are increasingly dealt with by insurance markets and private health insurance are offered but its cost (premiums) and coverage are an issue that certainly affects low income migrants. However, market insurance, as we have said, face difficulties to provide instruments that insure against risks that are large and hard to pool such as macro and labor market risks (recessions, unemployment, etc.). Longevity risks can be coped with several instruments. In the United States there the 401(k) accounts, people can buy annuities or simply increase their general savings. In developing countries these instruments are also emerging: for example Chile offers APV (Voluntary Pensions Savings Accounts) to complement pensions and the ISAPRE system provides private health insurance. However, all these instruments are mostly for upper middle and higher-income segments of the population.

The problem of cost, coverage and access to market insurance leads to *social insurance provided by the state*. Often the state intends to deal with macro risks. Unemployment insurance and public works programs are oriented to deal with adverse labor market events. Public health system are oriented to provide health care to low and middle income people. Public pensions provide income for retirement. The challenge is how to ensure fair access to immigrants to these public services due, among other factors, to the lack of adequate legal status of residence. *Social insurance through NGOs and community organization* is another alternative, or complement to state- and market insurance. *Family-support* is of course another source of “insurance”.

Rights and Migration

Political and economic rights are often closely tied to citizenship. A person can vote to elect authorities and be elected for public office only if he or she is a national of the country. In some countries citizenship can be acquired and foreigners can take Ministerial positions in government.¹⁷ However, most migrants (except those that become

¹⁷ In the US people that occupied important positions such as secretary of state where born abroad, e.g. Henry Kissinger who served as secretary of state in the late 1960s and early 1970s was born in Germany.

citizens) do not enjoy political rights in the country of residence. In several countries of Latin America emigrants can vote in elections of their country of origin.¹⁸ In general political rights are probably the less international transferable than economic rights. However, human rights (right to speech, to live, etc) are recognized to be of universal validity.¹⁹ Currently, there is a starting trend to recognize economic rights for people who move beyond national borders. For example in the XVII Ibero-American Summit of Presidents and Heads of State held in Santiago, Chile in November 2007, most governments of Latin America, Spain and Portugal have signed a multilateral agreement for the transferability and “export” of pensions oriented to recognize the contributions of pension payments that an individual and his family may have done in their country of origin or destination and that can be credited at the time of retirement.²⁰ The specific modalities vary and can include the actual transfer of funds to the pension system of another country for which a pension agreement exists or the deposit of pension payments in a designated financial institution.

6. Research Issues and Country Studies

The links between social policy and international migration is an emerging subject for which more knowledge is needed. In this paper we have tried to shed some light on the various dimensions of the relationship. Research in this direction may include country studies; these studies could consider the following elements:

(a) It is important to have some estimate of the magnitude and composition of the stock and flows of foreign population living in a recipient country (immigrants) and the stock and flows of nationals abroad (emigrants) from the perspective of the origin country. Then it is important to identify to what extent the state of the host or the home

Madeleine Albrecht was also born in Czech Republic and served as secretary of State under President Clinton in the mid 1990s.

¹⁸ An exception, though, is Chile. Chilean nationals residing abroad are still not entitled to vote in national elections held in Chile.

¹⁹ In fact, the doctrine of rights embedded in the UN charter and the Universal Declarations of Human Rights in 1946 gave a vision of a world grounded in the respect of law and respect for human rights by all governments. In turn, the Universal declaration of human rights was turned into international law in 1976 into two covenants: one for civil and political rights and the other on economic, social and cultural rights.

²⁰ The agreement still needs ratification by parliaments of member countries.

country, or other organizations, provides social protection to immigrants in which areas and types of risks.

(b) There is a need to know, the legal status of the foreign population as in many cases access to social services have, as eligibility criteria, the proof of resident status and/or valid work permits in the host country.

(c) Define the set of social policy variables or dimensions (health, education, pensions, rights at work, and housing) that we want to study in terms of the access for immigrants/emigrants. Also of interest would be to know the extent to which the foreign population has access to social protection schemes such as cash transfers, meals for children at school, emergency employment programs and others.

(d) A separate category would be that of “rights at work” for foreigners. This could include access to unemployment insurance, holidays, health insurance provided by employers and maternity leave, etc.

(e) Identifying programs by the country of origin of the migrants that provide legal and social protection to the emigrant population (consular and legal support, etc). Mexico has some programs in that direction oriented to their emigrant population in the United States.

(f) Another very important issue, discussed before, is the portability of pension benefits for migrants and medical insurance.

(g) An indication of the fiscal impact of the access to social services and social protection schemes by the foreign population residing in the host country may be of interest. Also an estimate of the tax-revenue potential tied to the immigrant population is needed. Of course the feasibility of this will depend on the availability of the relevant information.

(h) The effects of immigration/emigration on local labor markets are an important subject. Immigration tends to increase the supply of labor in the recipient country which can be positive for economic growth, particularly in countries that have shortage of labor in certain activities. In addition, immigration moderates or even depresses the real wages of native workers of comparable skills. This may be a source of resistant for immigration by labor unions but also of support by employers association

seeking to reduce labor costs through more liberal immigration policies. In addition there is a public finance effect of migration as indicated in point f) above.

(i) In the origin country the emigration of qualified professionals, exit of entrepreneurs and professionals has been a traditional source of concern, usually related to the “brain drain” phenomena. More recent analysis cast in terms of talent mobility (see Solimano, 2008) and give more emphasis to the potential benefits for both origin and destination countries of the transfer of new skills, contacts, market access, technology and capital associated with the circulation of talent.

7. Final Remarks

Latin America is a region of net emigration (emigration outpaces immigration) to the rest of the world. At the same time there is also a growing flow of intra-regional migration among economies with common borders, common language but large differences in per capita income among them. An important factor driving extra-regional migration from Latin America is the persistence of development gaps with more advanced economies such as United States, Spain, Canada and other high income countries. The slowdown in aggregate regional economic growth in Latin America in the last quarter century, albeit the boom of the last four years, along with recurrent economic volatility and limited social protection contributed for most countries of the region to maintain the development gaps and created or maintained incentives for extra-regional migration. Also disparities in economic performance within the Latin American region with significant cross-country income per capita differentials also encourage intra-regional (south-south) migration.

International migration introduces new challenges to the design, management, eligibility and financing of social policy and social protection schemes as migrants face various sources of vulnerability coming from labor market, health, legal and longevity risks. These risks can be reduced through various mechanisms ranging from self-insurance, family and network support, market insurance, social insurance by the state or by NGOs and civil society organizations. In addition, migration often leads to increases in the demand of social services (education, health, housing, pensions) in the receiving countries both in the “north” and the ‘south”. Also governments in the origin country

should consider more actively the welfare and social needs of their population residing abroad. In some Latin American countries nationals can not vote in elections in their home countries. Areas of support by the home country government (some need coordination with the host country government) include consular and legal advice for migrants, international portability of pensions and health insurance and other services. In this line, an international agreement regulating pensions systems and portability among Latin American and Caribbean countries, along with Spain and Portugal was signed in late 2007 in Santiago, Chile.

It is apparent that the institutional capacity of conducting social policy to deal with the migrant population has to be increased particularly in receiving countries. Also there is a fiscal dimension associated with extending benefits to migrants that have to be considered. The links between paying taxes and the entitlement to receive social benefits have to be examined in light of the new demand for social protection of the foreign population and its tax-paying capacity. This has to be based on considerations of fiscal sustainability, social equity and fairness. Also issues of transferability and recognition of social security payments among countries is a new reality that social security systems have to face in a world of increasingly mobile population.

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