

Do better working conditions affect migrant's remittances decisions?

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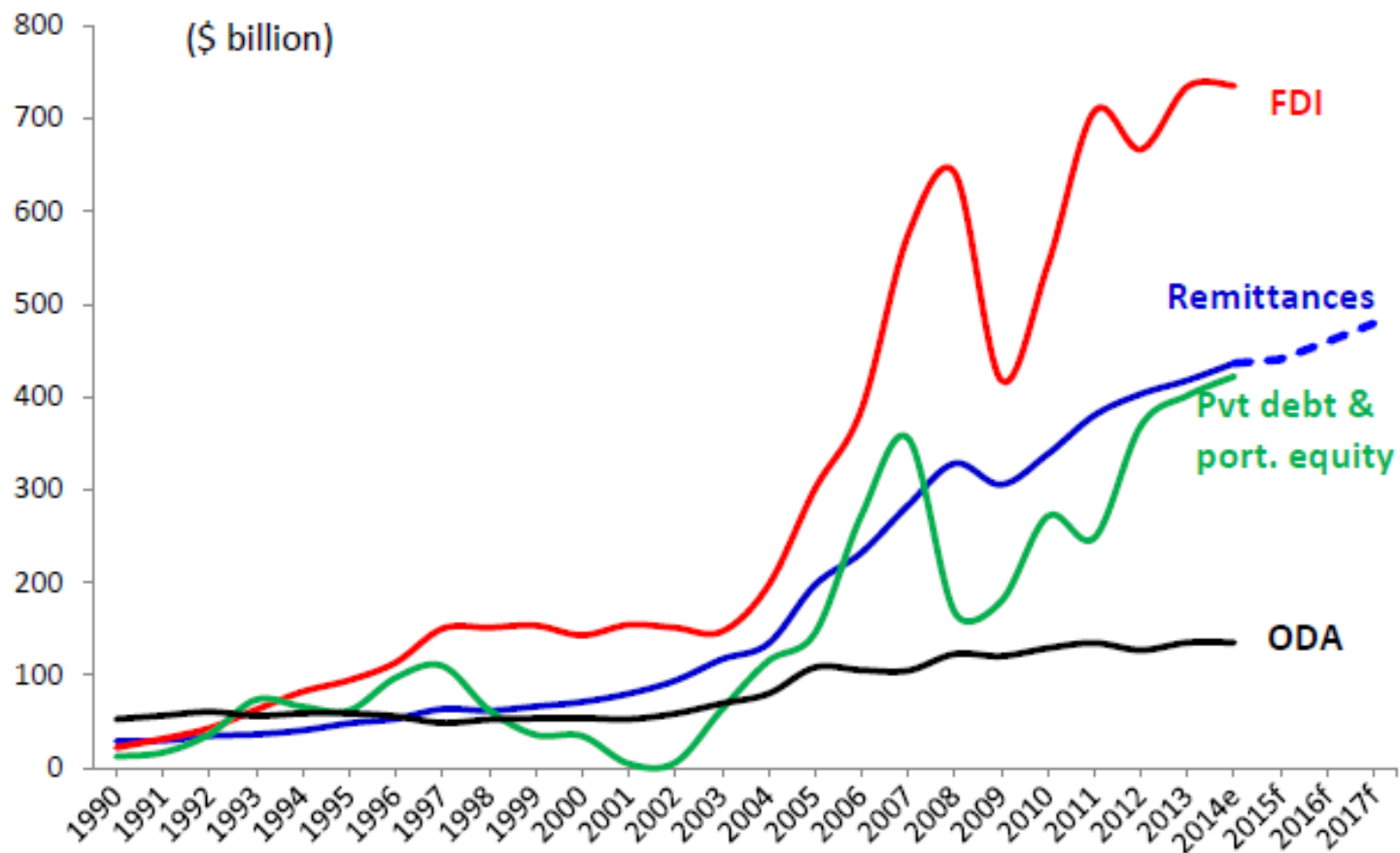
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Motivation



- Migration and remittances play an important role in world's economy:
 - migrants stock **>250 mln people** or 3.4% of world population;
 - remittances sent in 2015 are about \$581.6 billion, of which **\$431 billion** sent to developing countries (WB, 2015);
 - the amount of remittances exceeds ODA and their flow is more stable than flow of private capital;



Sources: World Bank Staff calculations, World Development Indicators, OECD. Private debt includes portfolio investment bonds, and commercial banks and other lending.

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 - the amount of remittances exceeds ODA and their flow is more stable than flow of private capital;
 - remittances contribute to reducing poverty and enhancing human development (Ratha, 2013).
- Determinants of remittances: macro- and microeconomic.
- Impact of **migrants' working conditions** on migrants' remitting behavior has been **unexamined**.



What are working conditions?



Working conditions are at the core of paid work and employment relationships. They cover a broad range of topics and issues, from **working time** (hours of work, rest periods, and work schedules) to **remuneration**, as well as **the physical conditions and mental demands** that exist in the workplace.

ILO, ilo.org/global/topics/working-conditions/

Working conditions can be affected by the policy.

Literature Review: Theory



- Lukas and Stark (1985): motives to remit range from “**pure altruism**” to “**pure self-interest**”

Determinants of remittances (Hagen and Zanker, 2007):

Determinant	Effect on Remittances	Theory
↑ migrant's income	↑	all theories
↑ migrant's risk	↑	co-insurance
↑ migrant's education	↑	loan repayment, exchange motive
↑ households' income	↑	pure self-interest
	↑↓	loan repayment, exchange motive
	↓	pure altruism, co-insurance, strategic behaviour
↑ household's shock	↑	
↑ intention to return	↑	pure altruism
↑ no. of other migrants in hh.	↓	
↑ time	↑↓	loan repayment

Literature Review: Empirics (1)



Income and Employment

- **Being employed** increases the probability of remitting and the amount remitted; but remittances can also be sent from savings (Funkhouser, 1995; Menjivar, 1998).
- More prestigious **occupation** does not always result in higher remittances (Semenov & Gorodzeisky, 2004).
- **Migrant's earnings** are insignificantly or positively related to remittances (Hagen and Zanker, 2007, Dustmann and Mestres, 2010; Menjivar, 1998); an income may increase remittances at decreasing rate (DeSipio, 2000).

Literature Review: Empirics (2)



Migrant's risk

- **Risk of becoming unemployed** is positively related to higher amount remittances sent (Hagen-Zanker and Siegel, 2007. **Stable employment** may lead to more certain remittances of lower amount (Lianos & Cavoundis, 2010 and Lianos & Pseiridis, 2011).
- The lack of **legal status** abroad induces a migrant to remit more (Markova & Sarris, 2002; Liu & Reilly, 2004).
- **Intention to return** induce the migrants to send more (Dustmann & Mestres, 2010; Brown & Poirine, 2005) but the effect also depends on the expected duration of being abroad.

Remittances in Moldova



- 2013: 860 thousand migrants or **24.2% of population** (WB).
- 2010-2012: labour migrants made up about **17% of working age population** (ILO, 2013).
- About 30% of the total households report that they had received remittances (CBS-AXA, 2006).
- 2012: the foreign currency transfers made by individuals through **banks**, amounted to USD 1.77 billion which is **23% to the GDP of Moldova** (WB).
- 41% of remittance-receiving households considered them to be their **main source (65% or more) of household's income** (CBS-AXA, 2006).
- Remittances made up about **60-70% of export** in 2010-2014 exceeding the country's **FDI inflow by six to ten times** (National Bank of Moldova).

Data



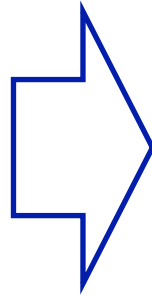
- Migration module designed as an attachment to the LFS as a part of large-scale project “**Effective Governance of Labour Migration and its Skill Dimensions**”.
- The data was collected by the National Bureau of Statistics (NBS) with comprehensive methodological and financial support by the ILO, IOM and WB in **Q4 2012**.
- **Raw data** includes information on **1932 individuals** of age 15 to 64 who have been abroad during the last 24 months with the work purpose (**1177** current and **755** returned labour migrants).

Working conditions in Moldovan data



Definition

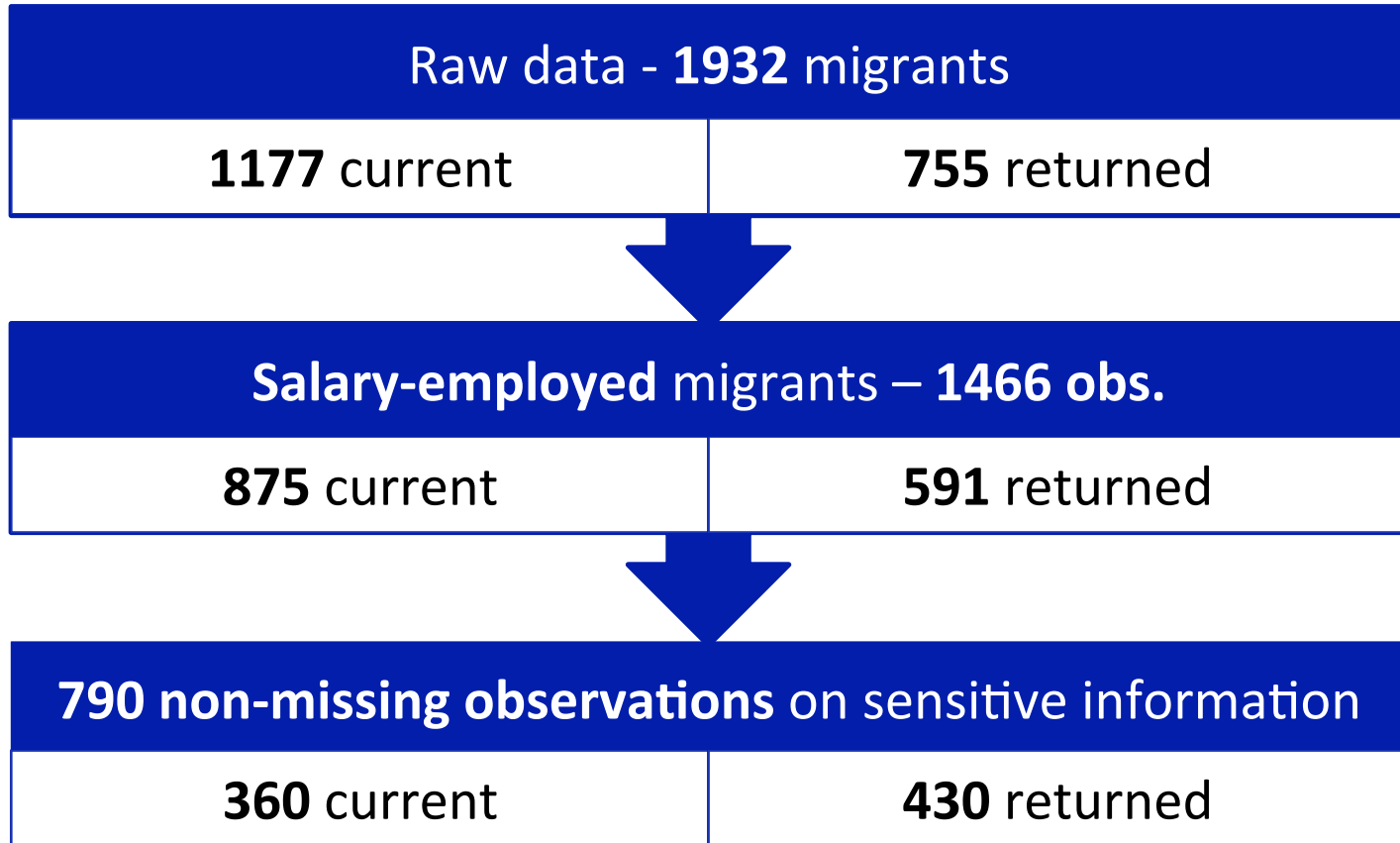
- Remuneration
- Work hours
- Physical conditions
- Mental demands



Data

- Monthly earnings abroad, USD
- Average weekly working hours
- Working contract existence
- Work-related benefits
- Occupation

Sample construction



Descriptive statistics (1)



Variable	Incomplete information	Complete information	Total
No. obs.	676	790	1466
=1 if currently abroad	0.762	0.456	0.597
=1 if remit	0.573	0.842	0.764
Average monthly remittances	238.854	385.570	342.992
=1 if female	0.367	0.372	0.370
age	37.385	37.692	37.55
=1 if migrant's spouse is in Moldova	0.368	0.451	0.413
Average salary in USD'000	0.845	0.864	0.86
Average weekly working hours	52.003	54.062	53.43
=1 if written contract	0.259	0.270	0.265

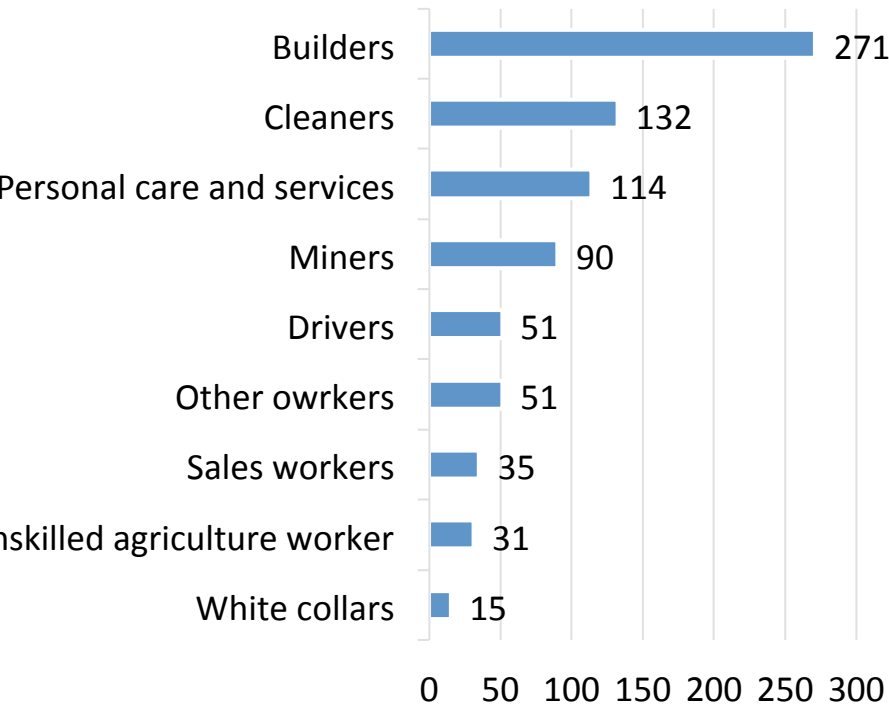
Variable	Incomplete information	Complete information	Total
No. obs.	676	790	1466
=1 if work injury compensation	0.093	0.123	0.109
=1 if unemployment allowance	0.033	0.044	0.039
=1 if paid sick leave	0.127	0.163	0.147
=1 if weekly rest day(s)	0.769	0.858	0.817
=1 if overtime work paid	0.229	0.338	0.288
=1 if contributions to pension fund	0.107	0.122	0.115
=1 if paid annual leave	0.109	0.161	0.137
=1 if health insurance	0.155	0.196	0.177

Migrants' proportion by occupation is statistically the same

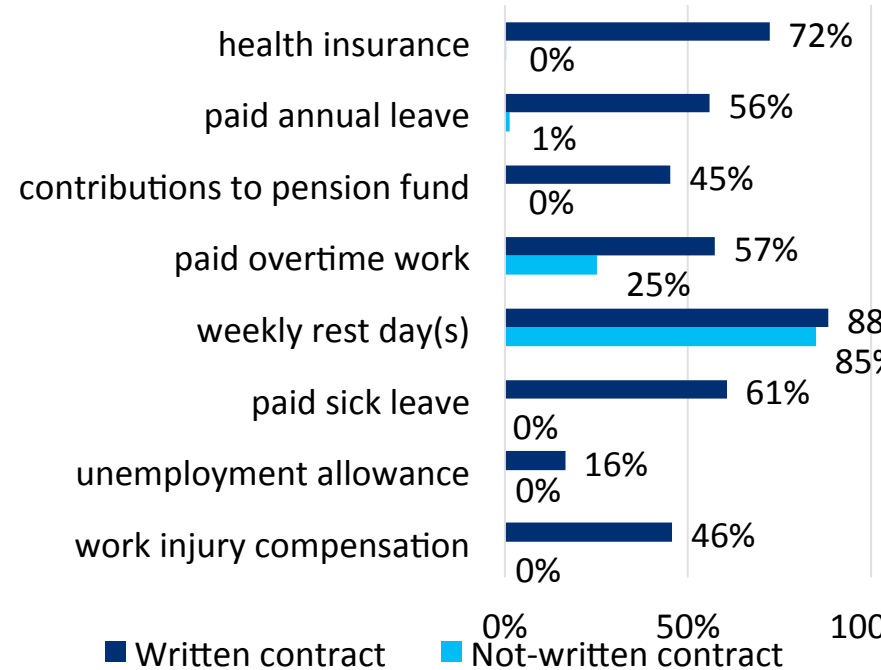
Descriptive statistics (2)



Occupation (790 obs.)



Work-related benefits (790 obs.)



Methodology



Probability of remitting (*probit*) and the **amount of remittances (*tobit*)** with s.e. clustered by destination country.

Four blocks of variables:

- A. personal characteristics** (gender, age, marital status, education level)
- B. characteristics of family at home** (rural, spouse in Moldova or abroad)
- C. general conditions in destination country** (family with migrant, knowledge of local language, country region)
- D. working condition** (wage, working hours, written contract, occupation, work-related benefits).

Estimation Results: Control variables

Basic specification

Variables	probit		tobit	
	(1)	(2)	(3)	(4)
=1 if female	0.0010	0.0131	-61.8028**	-43.1885*
age	0.0057***	0.0052***	5.4640***	5.0540***
=1 if married	0.0536**		56.9806**	
=1 if secondary incomplete or below	-0.0215	-0.0259	-26.9872	-24.3881
=1 if higher	0.0501	0.0455	38.4165	35.5009
=1 if rural	0.1711***	0.1821***	85.3074***	96.8002***
=1 if migrant's spouse is in Moldova		0.0733***		95.0700***
=1 if migrant's spouse is not in Moldova, but not with migrant		0.0667*		-40.9522
=1 if spouse with migrant		-0.0051		-5.5521
=1 if children with migrant	-0.0523*	-0.0287	-36.8087	-21.6181
=1 if parents with migrant	-0.0392	-0.0427	-85.2935	-81.2849
=1 if other relatives with migrant	0.0873**	0.0827**	37.9483*	38.1754*
=1 if knew the language of destination country well	0.0125	0.0142	57.4977*	54.9603*
Observations	790	790	790	790

Dependent variable is 0/1 probability to remit and amount of remittances. Marginal effects are reported

Estimation Results: Working conditions



Variables	probit			tobit		
	(1)	(2)	(3)	(4)	(5)	(6)
Average migrant's salary in USD'000	0.3272***	0.3027***	0.3136***	436.3262***	426.8882***	428.3757***
Average migrant's salary in USD'000 squared	-0.0941***	-0.0861***	-0.0878***	-56.8622*	-55.8694*	-54.4248
Average weekly working hours abroad	0.0003	0.0001	0.0002	0.6293	0.5966	0.6745
=1 if written contract	0.0505***	0.0591***		-55.1015***	-54.7353***	
=1 if sales workers		0.0746***	0.0798***		119.0938***	108.7287***
=1 if work risk covered (injury, unemployment, illness)			-0.1844**		44.9822**	33.2871**
=1 if weekly rest day(s)			0.058			-152.0573***
=1 if overtime paid for extra-hours worked			-0.0005			33.9462**
=1 if additional benefits (pension fund contributions, aleave)			-0.0569			-20.8733
=1 if health insurance			0.1399***			66.0341*
Observations	790	790	790	790	790	790

Dependent variable is 0/1 probability to remit and amount of remittances. Marginal effects are reported

We tried...

- OLS
- Different combinations of work-related benefits
- PCA for work-related benefits

Estimation Results: Working conditions, Russia

Variables	Probit			Tobit		
	(1)	(2)	(3)	(4)	(5)	(6)
Average salary in USD'000	0.3570***	0.3461***	0.3136	500.0178***	513.7355***	538.0201**
Average salary in USD'000 squared	-0.1198***	-0.1174**	-0.1036	-83.6233	-94.8529	-101.9383
average weekly working hours	-0.0006	-0.0011	-0.0011	0.0631	-0.0426	-0.1784
=1 if written contract	0.0556**	0.0549**		-42.6233	-55.4140	
=1 if sales worker ^a		0.0659**	0.0590		112.2437	19.9753
=1 if builder		0.0828*	0.0756		22.5387	-55.4140
=1 if white collar		0.0739**	0.0681		-42.6233	111.4238
=1 if work risk covered (injury, unemployment, illness)			-0.9741			-70.2000
=1 if weekly rest day(s)			0.0068			10.7065
=1 if overtime paid for extra-hours worked			-0.0017			-73.0592*
=1 if pension fund contributions, health insurance, annual leave			0.2022			9.0495
Observations	530	530	530	530	530	530

Dependent variable is 0/1 probability to remit and amount of remittances. Marginal effects are reported



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Your feedback is greatly appreciated!