International Labour Office

Geneva

Labour Migration Highlights No. 5

A migrant-centred approach to remittances

What is at stake?

Migrant workers' remittances are private individual earnings sent by migrants to their families or communities. These are primarily used for food, education, improved housing and health care. Remittances are the expression of migrant workers' solidarity with their families and communities. As a private and autonomous financial resource that crosses borders, remittances can also be pivotal in transforming the benefits of labour migration into development.

ILO action

The ILO intervenes on the demand side of financial services. This involves working with migrant workers and the beneficiaries of remittances to strengthen their capacity to make informed/rational choices about the use of remittances and remittance-linked services. Improved financial education/inclusion can enhance the welfare of low-income households, as well as support enterprises and job creation, and is topical for development.

The ILO's approach: A rights-based approach to remittances

Ensuring the protection of migrant workers is essential to maximizing the development benefits of migration for migrants themselves, their countries of origin and destination. Equality of treatment, non-discrimination and access to decent work are vital to improving migrant workers' incomes and capacity to contribute to development.

The ILO also intervenes on the supply side of financial services in order to leverage the use of remittances for income-generating activities. This involves working with financial institutions so that they develop adequate and innovative financial services. The ILO works closely with workers' and employers' organizations, since they have an important role to play at the sending and receiving ends of remittances.

- Employers' organizations encourage entrepreneurship development in low-income countries through investment of remittances and, in the migrants' host countries, provide financial orientation and access to financial payment facilities.
- Workers' organizations provide financial orientation for migrant workers and their families, both in countries of origin and destination, advocate for more accessible financial infrastructure, and support the development of adequate financial schemes/services for migrant workers.

The ILO has developed financial education training tools and programmes in order to develop the knowledge and skills that are required for responsible budgeting, including spending, saving, borrowing and investing.

The ILO has carried out financial education trainings in Benin, Burkina Faso, Cambodia, Ethiopia, Indonesia, Kenya, Mali, Mauritania, Moldova, Morocco, Myanmar, the Philippines and Senegal. It has done so in close collaboration with local authorities and social partners and with migrant associations in France, Italy, Malaysia, Singapore, Spain and Thailand. At the International Training Centre of the ILO (ITC-ILO) in Turin, training courses are provided in different languages on labour migration issues with specific modules dedicated to remittances.

The ILO provides training to microfinance institutions through the course on "Making microfinance work: Managing product diversification". In Albania and Moldova, technical support was provided in developing national action plans to improve formalization and investment of remittances.

The ILO has also carried out action research on migrant remittances and microfinance in various countries (Bangladesh, Mexico, Nepal, Senegal and South Africa) and feasibility studies on the possibility to use a portion of migrant workers' remittances to develop health micro-insurance products in origin countries (Comoros, Mali and Senegal). A study on the use of remittances in Nepal, including channels for transfer and the time and costs involved, is forthcoming. The study will also review existing financial products suitable for migrant workers.

ILO standards and tools

The **Migration for Employment Convention, 1949 (No. 97)**, states: "Each Member for which this Convention is in force undertakes to permit, taking into account the limits allowed by national laws and regulations concerning export and import of currency, the transfer of such part of the earnings and savings of the migrant for employment as the migrant may desire".

The ILO **Multilateral Framework on Labour Migration** highlights that "the contribution of labour migration to employment, economic growth, development and the alleviation of poverty should be recognized and maximized for the benefit of both origin and destination countries" (Principle 15). The guidelines that may prove valuable in giving practical effect to the above principle include (Principle 15.5) the provision of incentives to promote the productive investment of remittances in the countries of origin; and (Provision 15.6) bringing down the costs of remittance transfers by facilitating accessible financial services, reducing transaction fees, providing tax incentives and promoting greater competition between financial institutions.

Additional ILO resources can be found at http://www.ilo.org/labourmigration.

Facts and figures

- Remittance flows to developing countries are expected to reach US$435 billion in 2014, and US$475 billion by 2016.[1]

- Top recipients of officially recorded remittances for 2013 are India (US$70 billion), China (US$60 billion), the Philippines (US$25 billion), Mexico (US$22 billion), Nigeria (US$21 billion) and Egypt (US$17 billion).[2]

- As a percentage of GDP in 2012, the top recipients of remittances were Tajikistan (52 per cent), the Kyrgyz Republic (31 per cent), Moldova and Nepal (25 per cent each), Samoa and Lesotho (23 per cent each).[3]

- The global average cost for sending remittances remains around 9 per cent.[4]

- Remittances improve household living standards, contribute to poverty alleviation and act as insurance against shocks (economic crisis, drought, natural disasters).

- Remittances improve the health and education of children, and have a positive influence on child mortality, birth weight and school drop-out rate.[5]

- Remittances can also have negative consequences, such as dependency, inflation, increase of inequality between recipients and non-recipients.

[1] World Bank (2014), Migration and Remittances: Recent Developments and Outlook, Migration and Development Brief 23, Development Prospects Group.
[2] ibid.
[3] ibid.
[4] World Bank (2013), Migration and Remittance Flows: Recent Trends and Outlook 2013-2016, Migration and Development Brief 21, Development Prospects Group.
[5] ILO, Developing with jobs, forthcoming 2014.

Labour Migration Branch and Social Finance Unit
International Labour Office
CH-1211 Geneva 22, Switzerland
migrant@ilo.org
sfp@ilo.org
www.ilo.org

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