The Impact of Migration and Remittances on Wealth Accumulation and Distribution in Rural Thailand[1]

Filiz Garip

Harvard University

May 2012

Remittances to developing countries…

…amount to 325 billion US$ annually

…provide a potential pathway out of poverty

Questions

Why do individuals (or households) migrate or remit?

What are the implications of migration and remittance behavior for economic outcomes?

Is there a link between the reasons for migration-remittance behavior and the effect of that behavior on economic outcomes?

Explanations for Migration Behavior

Increasing earnings (Neoclassical microeconomics)

Diversifying risks to earnings (New economics of labor migration)

Social connections to migrants (Cumulative causation)

Explanations for Remittance Behavior

Increasing household's welfare (Altruism)

Exchanging favors with the household (Contractual)

Argument

Different behavioral models of migration and remittances carry different expectations about wealth accumulation in households.

These expectations vary by households' initial economic status.

Hypotheses

Household migrants contribute more to household wealth than individual migrants.

For poor households, departure of a migrant implies a reduction in household's consumption needs, and potentially, a gain in household's assets.

For wealthy households, departure of a migrant implies a loss in the local workforce, and potentially, a loss in household's existing assets.

Thai Setting

From mid-1980s to mid-1990s…

dramatic economic change and growth

shift to production in export processing

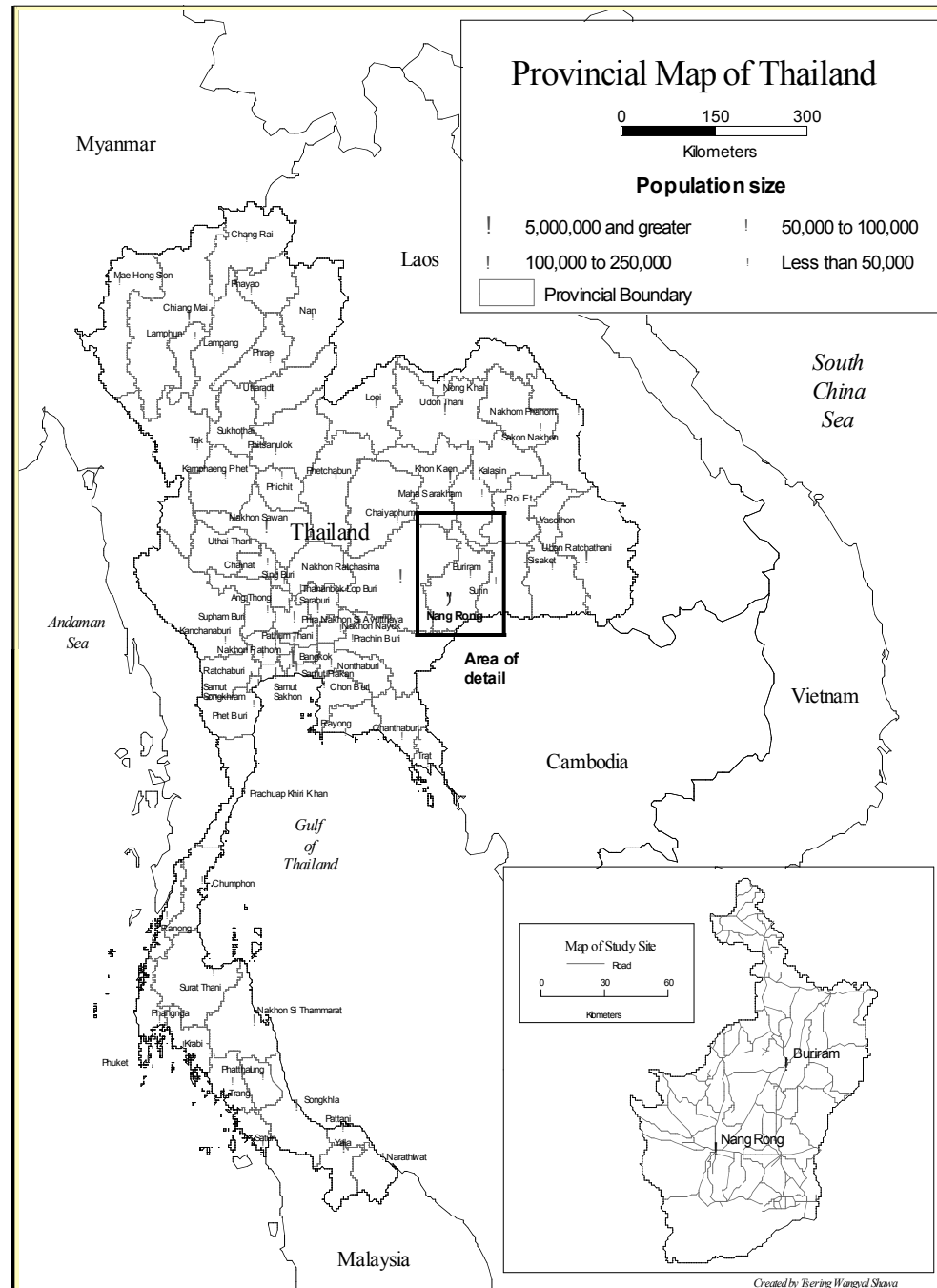increased migration to urban regions, especially from the Northeast

Mid-1990s onwards…

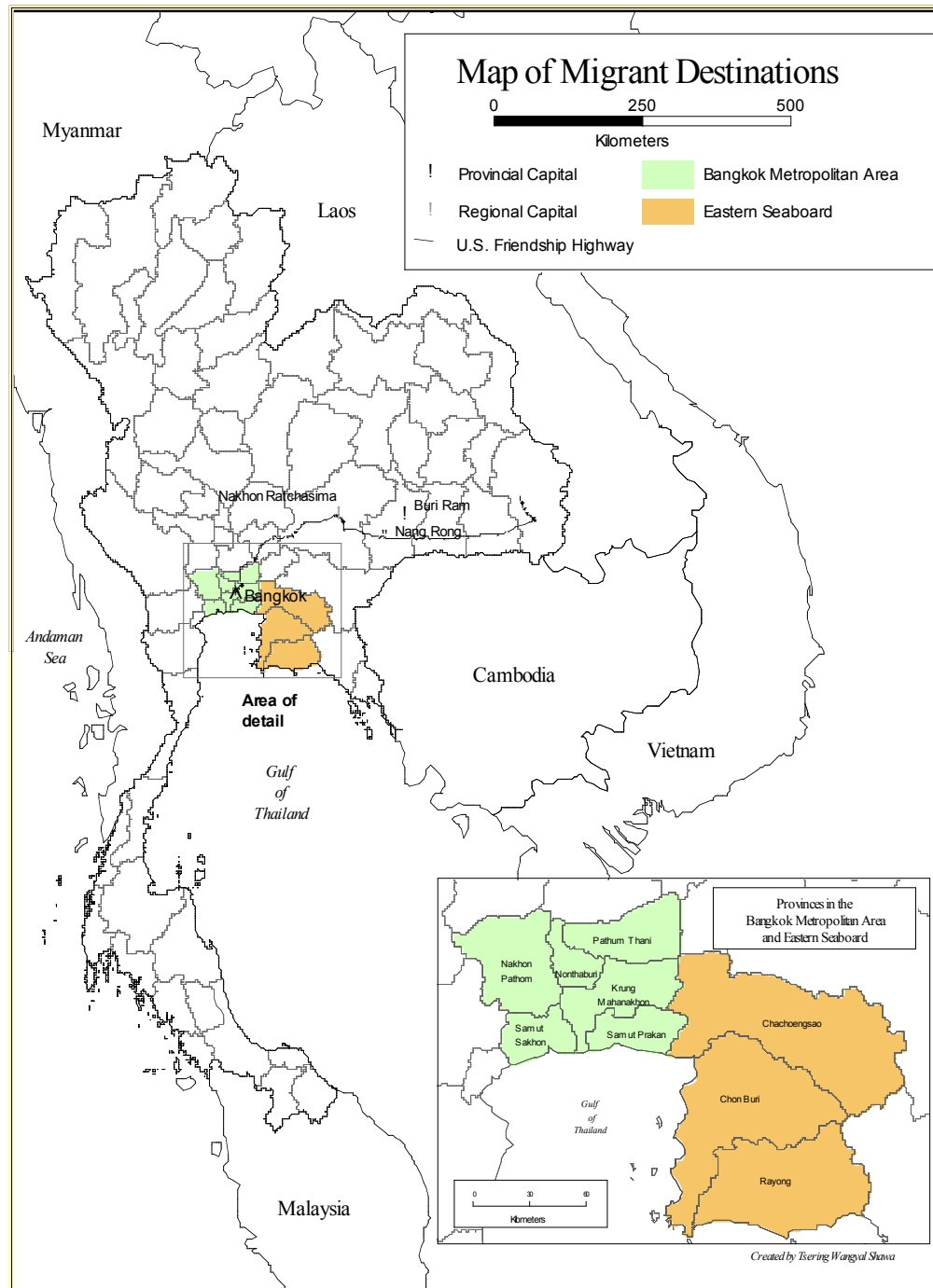decline in export growth

a brief recession due to Asian financial crisis

lower rural-urban migration

Provincial Map of Thailand

Myanmar

Laos

South China Sea

Chiang Rai

Mae Hong Son

Phayao

Chiang Mai   Nan

Lamphun   Lampang
Phrae

Uttaradit

Nong Khai

Loei   Udon Thani   Nakhom Phanom

Tak   Sukhothai   Phitsanulok   Sakon Nakhon

Kamphaeng Phet   Phetchabun   Khon Kaen   Kalasin

Phichit   Maha Sarakham   Roi Et

Nakhon Sawan   Chaiyaphum   Yasothon

Thailand   Udon Ratchathani   Sisaket

Uthai Thani   Buriram

Chainat   Nakhon Ratchasima   Surin

Sing Buri   Thailand Lop Buri

Ang Thong   Saraburi   Nang Rong

Supham Buri   Pra Nakhon Si Ayutthaya

Kanchanaburi   Nakhon Nayok

Pathom Thani   Prachin Buri

Nakhon Pathom   **Area of detail**

Andaman Sea

Ratchaburi   Bangkok   Nonthaburi

Samut Prakan

Samut Songkhram   Samut Sakhon   Chon Buri   Vietnam

Phet Buri

Rayong   Chanthaburi

Trat   Cambodia

Prachuap Khiri Khan

Gulf of Thailand

Chumphon

Ranong

Ko Pha

Surat Thani

Phangnga   Nakhon Si Thammarat

Krabi

Phuket   Phatthalung

Trang   Songkhla

Pattani

Satun   Yala

Narathiwat

Malaysia

Map of Study Site

Road

0   30   60

Kilometers

Buriram

Nang Rong

Map of Migrant Destinations

Data

Nang Rong survey data collected in three waves from 5,449 households (1984, 1994, 2000)

Information on individual demographics and household assets (1984, 1994, 2000)

Questions on migration and remittance behavior in the past year (1994 and 2000)

Qualitative data from focus group discussions with 160 individuals in 8 of the 51 survey villages

Operational Measures

Household asset index constructed…

with polychoric PCA of 15 assets measured in 1994 and 2000 (pooled data)

separately for <u>productive</u> and <u>consumer</u> assets

Land	Housing quality
Farming tools	Durables (TV, VCR, fridge)
Cattle	

Indicators for household demographics, baseline wealth, prior migration patterns and months of water shortage in village

Analytic Strategy

Logit models of migration and remittance behavior in 1993 or 1999 to test behavioral theories

OLS, NN matching and IV models of the change in household productive and consumer assets from 1994 to 2000

   …run separately for poor, medium-wealth and rich households

Results from Migration and Remittance Models

The odds of migrating and remitting are…

lower in households with children

higher in households with young adults

lower in wealthy households

higher in villages with a higher share of prior migrants or remitters

Results from Migration and Remittance Models

For the rich, the odds of migrating increase with assets, and more so…

if there are droughts in the village, or

if there are more sons or daughters in the households

Insights from Focus Groups – Reasons for Migrating

Individual reasons

"I went to find work. My parents didn't really want me to go, but I was stubborn."

Household reasons

"I wanted to help my family."

"My parents wanted me to go, and I wanted to go. I migrated back and forth."

"[My children] migrated so that they could help feed the family."

Social resources

"Others migrated and bought cars and good clothes to wear, so I also wanted to go."

"I have a friend who lives in the city. I asked her to help me find a job,"

"It is risky to go without help, because we might end up not finding work at all."

Insights from Focus Groups – Impact of Migration

"[My sons] ran away. Maybe they were bored of working in the rice fields… Before, three men helped work in the rice field, so things were easier. Now I don't have any help."

"It might have been better for me to stay in the village because we had land. When I migrated for work, no one took care of the land, so we had to rent it out."

"The money [I send] is mainly for hiring help with the farm."

"[Migrants from rich households] think that their father is already well-off… not in any difficulty, so they don't send money. They are still teenagers, so they go out and spend all their money."

"No one sends me money. Whenever they come, I give them money."

"If parents have enough money, they don't want their children to go."

Insights from Focus Groups – Impact of Migration

"We were poor and had nothing to live on. There was nothing to do here, no farmland for us... If [my children] had stayed, we would have to feed them. They went with our blessing because we understood they wanted to help support the family."

"[Remittances] is the reason why I sent my children away."

"When my kids went, I was happy. I was eagerly waiting for them to remit some money home every month so that we would have money to spend."

"There are more expenses if the children stay home. If we go away to work, there are less people home, and it is less expensive to feed the family."

Results from the Wealth Change Model

A. Change in Productive Assets

	The effect of migration		
	Poor	Medium-wealth	Rich
OLS	0.11 *	-0.20 **	-0.65 **
	(0.04)	(0.05)	(0.05)
NN	0.19 *	-0.25 **	-0.56 **
	(0.08)	(0.08)	(0.10)
IV	0.32	-0.12	-0.78 **
	(0.17)	(0.15)	(0.14)

**p<0.01, *p<0.05

Results from the Wealth Change Model

A. Change in Productive Assets

	The effect of migration			The effect of remittances		
	Poor	Medium-wealth	Rich	Poor	Medium-wealth	Rich
OLS	0.11 *	-0.20 **	-0.65 **	0.34 **	0.10	-0.41 **
	(0.04)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
NN	0.19 *	-0.25 **	-0.56 **	0.30 **	0.03	-0.47 **
	(0.08)	(0.08)	(0.10)	(0.09)	(0.10)	(0.14)
IV	0.32	-0.12	-0.78 **	0.54 *	0.78 **	-0.75 *
	(0.17)	(0.15)	(0.14)	(0.26)	(0.26)	(0.32)

**p<0.01, *p<0.05

Results from the Wealth Change Model

B. Change in Consumer Assets

	The effect of migration			The effect of remittances		
	Poor	Medium-wealth	Rich	Poor	Medium-wealth	Rich
OLS	-0.05	-0.10 *	-0.02	0.04	-0.04	0.07
	(0.04)	(0.05)	(0.05)	(0.05)	(0.05)	(0.06)
NN	-0.01	-0.16	-0.01	0.02	-0.04	0.17
	(0.09)	(0.08)	(0.09)	(0.12)	(0.13)	(0.15)
IV	0.09	-0.12	0.14	-0.61 *	-0.19	-0.25
	(0.18)	(0.16)	(0.14)	(0.30)	(0.28)	(0.34)

**p<0.01, *p<0.05

Conclusions for the Thai Setting

Migration and remittance flows are associated with changes in households' productive assets, but not consumer assets.

The poorest one-third gains productive assets with migration and remittances, while the richest one-third loses assets.

The explanation is a potential clash between individual and household goals, which disproportionately hurts rich households.

Migration and remittance flows are likely to have an equalizing effect on the wealth distribution in the rural Thai villages.

Conclusions

The behavioral models for migration and remittances provide the key to understand their economic implications.

A mix of qualitative and quantitative analysis helps us better discriminate among alternative models.

Different behavioral models may be relevant for different groups of individuals.