



POLICY NOTE OF WORKING PAPER 3.11

REMITTANCES, EDUCATION AND RETURN MIGRATION. EVIDENCE FOR IMMIGRANTS IN SPAIN

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OBJECTIVE

The impact of migrants' education level on remittance flows is one of the most discussed issues within the migration literature. In fact, it has been argued that the negative impact of the brain drain due to migration could be offset by the remittances that skilled migrants send back home to their family. Do skilled migrants remit more or less than unskilled migrants? If they remit more than unskilled immigrants, the impact of brain drain would be lower for their home country. Given that most developed countries' immigration policies increasingly favour skilled migrants, whether they remit more or less than unskilled migrants has important implications for migrants' home countries. From a policy perspective, the concern is whether migration policies that shift the education composition of migrants affect remittances.

The objective of this paper is to analyse the relationships between remittances behaviour, return migration and educational levels for immigrants in Spain using microdata from the 2007 Encuesta Nacional de Inmigrantes. Studying immigration in the Spanish labour market is a matter of great interest, because Spain has become in a relatively short time a country with significant and heterogeneous migration flows. In fact, and in contrast with many countries, immigration to Spain originates from a highly varied range of countries, with origins as diverse as Latin America, the Maghreb and Eastern Europe. Furthermore, immigration from Latin America is characterised by the sharing of both the Spanish language and culture, but the level of development of Latin American countries is clearly lower than the one in Spain, and there are marked differences between the various countries on the continent. This feature is not common to other countries that have traditionally received immigration, such as the United States, the United Kingdom and Australia, in which immigrants (with English as their mother tongue) normally come from only a few countries, some of which have a similar level of development.

SCIENTIFIC METHODS

Our objective is to analyze whether more educated migrants are more or less likely to remit (the extensive margin) and, in the case they do remit, whether they send more or less remittances than less educated migrants (the intensive margin). With this aim, we specify and estimate two different econometric models. First, we estimate a probit model for the decision to remit and, second, we estimate a regression model for the amount remitted. However, since certain factors affecting the probability of remitting, also affect the amount remitted, in the second case, we use a Heckman's sample selection model.

Our results clearly show a negative association between education and remittances at the extensive margin, and a strong positive relationship at the intensive margin. Combining both the extensive and intensive margins reveals that, in general, more educated migrants do remit significantly more. However, the evidence is mixed once we take into account their different origins and their intentions to return. In particular, we find a substantial different effect between immigrants from Morocco, Ecuador and Romania (the 3 more relevant groups in Spain) when compared to immigrants from the rest of the world, a difference that is related to educational levels and intentions to return, but not totally explained by them. In fact, once the effect of the other covariates is discounted for, the probability to remit of immigrants from Ecuador and Romania is 6 and 9 percentage points higher than in the rest of developing countries while this probability is 12 points lower in Morocco. Similar results are found when we look at the results for the determinants of the annual amount remitted. Education has, now, a positive and significant effect but, plans to return, however, turns out to be insignificant to explain the amount remitted. Heckman's lambda is also significant showing evidence that both decisions are somehow linked. Last, the dummy variables associated to the three most relevant immigrants' origin countries show again clear differences among them. While remittances from Moroccan are not different of those from the rest of the world, Ecuadorian send much more (17%) and Romanian send substantially less (-20%). The factors behind these differences among countries have not been identified by the literature and could be related to institutional and cultural differences that have not been analysed and that are clearly relevant in order to understand the mechanisms behind remittance behavior.

POLICY VALUE-ADDED

The relevant policy question of this analysis is whether, in order to compensate the brain drain of qualified workers due to more selective migration policies, remittances can alleviate the problem. Moreover, policies related to return migration are also attracting growing interest and, in particular, those intended to support the effective management of temporary migration and those that involve assistance for voluntary return. These policies can also affect remittances' flows as the behaviour of temporary and permanent immigrants is quite different. Further, the return to the origin country could have additional benefits through different channels: first, migrants bring back with them the education and working experience they acquired abroad together with the social capital obtained from their migration experience and, second, they may come back with the savings accumulated during their stay abroad.

Our results have shown that temporary migrants have a higher probability to remit, but they do not remit a higher amount of money. This is the opposite behaviour to the one observed for qualified migrants who remit less frequently but they remit more money. Taken together, this evidence suggests that sending highly skilled migrants who are able to earn higher income is one way to increase remittance flows, particularly if their migration experience is perceived as temporary and not permanent. A recent paper by Leblang (2013)¹ suggests that one possible policy option in this framework will be to promote dual citizenship as it will generate larger remittances and a higher likelihood of return migration. Our results also support this view that could be considered in the framework of the European Neighbourhood Policy bilateral action plans.

¹ <http://pages.shanti.virginia.edu/dleblang/files/2012/10/Harnessing.pdf>
<http://personal.lse.ac.uk/RICKARD/david.pdf>