

# Transcript: Migration Oxford Podcast

## Movement of Money

**Jacqueline Broadhead** 00:00

Hello, and welcome to the Migration Oxford Podcast. I'm Jacqui Broadhead.

**Robert McNeil** 00:04

And I'm Rob McNeil.

**Jacqueline Broadhead** 00:05

Hi Rob. Today we're talking about something slightly different. We're not talking about the movement of people, but the movement of money. Why was that something that you wanted us to chat about?

**Robert McNeil** 00:14

Well, I think the first thing to remember is that we're actually talking about something which is about the movement of people and the movement of money. I mean, so remittances, which is what we're talking about in today's episode are...for those of you who haven't been...who aren't acquainted with the phrase, this is basically money that is sent by migrants to their friends and families in other countries. And it's quite easy to think of remittances as a sort of relatively small-scale thing, something that's, you know, not a massive deal. It's just, you know, people helping out their family and friends, as we were saying, but in fact this is a ginormous, ginormous contribution to poverty alleviation. It's a ginormous contribution to the global economy as a whole. To the extent...I mean, we know that...that remittances that are recorded as somewhere over 600 billion dollars a year. And the view is that that...that sum is vastly bigger than that, because there's so much of this that isn't recorded. And so we're talking about probably sums of in excess of a trillion dollars per year. I mean, and so this is an absolutely colossal thing. And it's a massive factor in the motivations of migrants. So why migrant... why people move in the first place, and the impact of migration generally. So it's kind of the elephant in the room as far as migration's concerned, and something that we commonly forget to talk about. So yeah, it's a big deal. I think.

**Jacqueline Broadhead** 01:43

It's that idea that, you know, we're very focused on human mobility, researchers looking at these kinds of topics, but other transfers, so transfer of money being probably the most significant, but also transfers that happen, kind of formally, but also informally, they can tell us quite a lot about the nature of migration that maybe we don't get just from looking at kind of the flows and arrivals of people. We're getting a sense of the sort...some of the links between countries, both traditional migration routes, but also perhaps some of the migration routes that aren't so...so common, or so visible. We can see those through flows of...of money in a way that perhaps we don't see from other data. Would you agree with that?

**Robert McNeil** 02:32

Yeah, I think...I think that's absolutely right.

**Jacqueline Broadhead 02:34**

It's such an interesting area of study, because it works in such a different way to tracking policy interventions, or things that are very visible on the surface. And one of the things that really intrigued me that you mentioned from the conversation, Rob, was that the UK actually receives quite a lot of remittances, as well as being a country from which people kind of send remittances.

**Robert McNeil 02:56**

There's a lot of cliches associated with remittances, basically. There's a lot of presumptions that people make that are so far from reality, and this idea that essentially, yeah, remittances is money sent from a rich country to a poor country, by somebody who's moved from the poor country are, you know, is...I mean, of course, it happens a lot that way. But that's by no means the whole story.

**Jacqueline Broadhead 03:17**

I think we probably just have to finish by saying that we're recording this on the hottest day of the year...so far, we hope, the hottest day of the year. I think you can't fail to reflect upon questions of climate mobility and the ways in which the intersection between the movement of money and income flows will be affected by these changes in climate migration and movement of people as a consequence of the...of the climate emergency.

**Robert McNeil 03:51**

Yeah, I think that's...that's a fair point, Jacqui. And I mean, I do think that sitting in a... sitting in a darkened room when it's over 40 degrees outside, does hammer home just how brutal the climate emergency really is. And I think that and...what...one of the things that...that is going to be essential for huge numbers of people is support when they have to become mobile as a result of what's going...of what is unfolding globally at the moment, and remittances are going to be a key part of that.

**Jacqueline Broadhead 04:23**

Whilst that might seem like a slightly depressing note, on a more positive note, we're really delighted to have such a fantastic panel who are able to kind of share some of the research base arising out of a better understanding of remittances and what the impacts of those might be.

**Robert McNeil 04:40**

Absolutely. And we are delighted to be joined today by Dilip Ratha, who's the Head of the Global Knowledge Partnership for Migration and Development or KNOMAD and Lead Economist for Migration, Remittances and Social Protection and Jobs Global Practice at the World Bank, and by Professor Carlos Vargas-Silva, who is the Director of the Centre on Migration, Policy and Society or COMPAS, the very building from which we are doing this recording, or from which at least some of us are doing this recording. So Carlos and Dilip, welcome, and thank you for joining us. If I can start off, Dilip, you are probably the world expert on remittances. You also did a really fantastic TED Talk a little while ago, where you explained how your own pathway in life has actually been fundamentally shaped by

remittances. So can I start by asking you to just recap those experiences a little bit and share something about your journey to where you are now?

**Dilip Ratha** 05:41

Well, thank you. Yes, you know, the story of almost everyone who has been away from home to study or to work, many of us to simply pursue higher studies, we have experience with receiving remittances from our parents, and later on, one also sends money home to support the others. And, you know, it happens at every level. So, yes, I have had a long experience with receiving money and sending money. And in the, in the years, when I was in a village, and went to study in the nearby town, money was sent to me by my father, by money order. And sometimes I believe I have received some currency notes as well, inside an envelope, a letter, regular mail. Now, that story of receiving money and then, later on, as I started working, and even before I started working, I was studying again, I came to the US as a student, I used to send money to my...my brother and my father in my village. And surprisingly, my...my village is one of those...did not have electricity and neither a phone. And it used to take 10 days or so for a letter to arrive from the US to my village. And a simple conversation like, 'are you ok?' Or, 'did you receive the money?' used to take about a month, on average. So you had to plan things ahead of time to manage things, and it always didn't work, actually. Sometimes it worked and many times it didn't even work. So that's the story.

**Robert McNeil** 07:45

Well, so...so we can see that, from your personal perspective, and your experience of remittance...of remittances have been fairly life-changing. They've supported you in your education, and then helped you to support your own family, which is obviously fantastic. But what about the best ways? I mean, what do you think the best ways are to ensure that remittances actually benefit people the most. And from that point of view, I think, not just migrants in receiving...so migrants who are receiving the remittances, but also those people who are actually sending those remittances as well.

**Dilip Ratha** 08:19

Yes, I think, you know, the process is that the migrant does receive support from the family to migrate. And then he or she goes away, sends money home to support the family. And that process goes on for life. And sometimes it goes beyond one's life to second generation and third generation. Now, we also know an important fact that when the family back home is in more of a difficulty, because of let's say, a natural disaster, flooding, or earthquake, or perhaps death in the family, or sometimes happy occasions, like a birth of a child or a wedding, that's the kind of time when the family needs more money, more help, that's when more money is sent. So remittances tend to be in that sense counter cyclical to the recipient family, or the recipient country's economic situation, economic cycle. So remittances, help elevate somebody out of the poverty cycle, and remittances also prevent the occasions when the family might fall back into the poverty cycle.

**Robert McNeil** 09:41

That's fantastic. I mean, Carlos, I'd like to just get you to jump in on this as well, if you don't mind. I mean, in terms of thinking about what you think the best ways to ensure that remittances deliver the best benefits, and again, like not just to...not just to the recipient countries, but also to sending countries, what...do you have...have a view on that?

**Carlos Vargas-Silva 10:01**

Well, in some ways, as Dilip was saying, remittances play a lot of roles for receiving countries and sending countries and migrants themselves. One of the aspects about remittances that I always highlight as important is this idea of risk diversification, which also Dilip, in some ways, was highlighting. So if you have two families across two locations, and they're pooling resources, then the possibility of entering a business that in some ways is risky, any business is risky, you have to take some initial risks, then it's easier if you have that, that...that pooling of resources across countries...having a thing that will benefit both migrants in their destination countries and families back home. Now you talk also about the idea of protecting these flows, how do we protect these flows? I think one of the principles here is that we're talking about flows between mainly individuals and their families. So these are private flows. And it's important to recognise that, that these family members transferring to each other, there are many issues related to these flows from possible taxation of the money, to high fees from intermediaries, to potential...another thing with remittances is mainly you're talking about transactions in at least two currencies (there might be many other currencies in the middle), to the exchange rate that migrants get. So to the point that we make sure that these are private flows, and minimise those intermediaries and the costs to the migrants and their family, I think that...that will lead to a better use of remittances and maximising the potential of these flows.

**Robert McNeil 11:43**

So, Carlos, I mean, this is really interesting. And it brings me to your recent paper that you've produced, that I was lucky enough to have a look at the other day, in which you look at the idea of remittance house owners and remittance house dreamers. And I mean, the idea of a remittance house is obviously quite...quite an...it's a slightly, it's a slightly unusual concept, I suppose for many people. So could you give us a sense of firstly, what do we mean by a remittance house? And what are these two different categories of people? And how do you differentiate them from one another.

**Carlos Vargas-Silva 12:16**

So people send money back home for many reasons. And one of the reasons that many people send money back home is to invest in real estate, which can be getting a house most of the time, but it could also be about getting other assets such as land. And when we were interested in this, this question about what kind of migrants actually invest in houses and properties in their countries of origin through remittances and which ones may not be able to, but really, really want to, and...and in this project, which is why we (my colleague, Paolo Boccagni, from the University of Trento), we did a big survey of Ecuadorian and Indian migrants in London, Milan, and Madrid, in order to ask traditional questions such as, why do these people buy a house? What kind of factors affect you know whether someone get the house, but probably the...the main contribution of this story is not that. There has been a lot of focus already on people investing back home with remittances. But we put a lot of emphasis in looking at those people that we call remittances house dreamers. So those that would really like to buy a house back home, but actually, for some reason, have not done so. And we wanted to see what is...is it a capital reason, right, they don't have the money, and they cannot invest back home yet. So they might do it in the future. We might want it to...want it to see whether this was just an idea of buying a home

but you know, it was not something that they were going to act, at least in the...in the short-term. So the main message is that, in addition to the story, is that in addition to focusing on those that are actually investing back in their home country, through remittances in order to buy houses, we should also look at those people that have not invested yet, but is that...the group that we call dreamers, people that really want to in the future.

**Robert McNeil** 14:07

And I mean, I...so I think one of the other things that you know...that what we were just talking about with Carlos does is it takes us quite some distance from this kind of cliché of remittances being, you know, all about small sums of money sent by relatively low-income people to support impoverished people. When we're talking about buying a home, I mean, we'd look...we're looking at really large sums of money as well. So, I mean, just overall, could you give us some sort of sense, Dilip of the sort of sums of money that are transferred globally, giving us a sense of the kind of the overall economic effects of those?

**Dilip Ratha** 14:43

Sure. Well, you know, the amount of money sent tends to be small, but it is...it is very frequent. And, you know, we have heard of people sending money on a weekly basis. But quite regularly when people get paid. So once a month sending money home is quite normal and the small, small sums of money, let's say 100 dollar, or 200 dollar, or in the case of...recipient economies, like let's say Mexico, maybe 300 to 400 dollars, sent like by migrant, over 12 months, suddenly adds up to a few thousand dollars. And then when the money is sent by a few 100 million migrants, migrant workers, then suddenly the amounts rise up to billions of dollars, hundreds of billions of dollars. So the latest count in 2022, we expect remittances to low- and middle-income countries to reach 630 billion dollars. This is only for low- and middle-income countries, does not include countries like the UK, which also receive remittances. Now 630 billion dollars of remittances...compare that with lower than that amount of foreign direct investment. So remittances actually, are now larger, then the flow of foreign direct investment to low- and middle-income countries, excluding China. And we knew that remittances were already three to four times larger than all development aid, official aid, that goes to low- and middle-income countries.

**Robert McNeil** 16:31

So Carlos, I wanted to come to you now about something. So this, this goes back to the early days of me working on the Migration Observatory in the days when we were lucky enough to have you as part of the team. And you did a load of work on remittances for us then. And one of the things that stood out to me, which even though the data was a bit flaky, was that there was this very strong possibility that the UK was actually a net receiver of remittances. And to me, that just seemed crazy, at the time, I couldn't understand how that was feasible. But...so could you just explain a little bit about how... well if and how wealthy countries that people travel to for work can end up as actual...as net receivers of remittances?

**Carlos Vargas-Silva** 17:15

Well, I think first of all, it's important to highlight again, that there's a lot of uncertainty related to the data. And we don't know if it is a net receiver the UK or not. But one thing, I guess, we can assume, is that the UK receives a lot of money in remittances every... every year. And there's a concept of what

we call reverse remittances. And these are essentially money that is coming from households in what you will...call traditional countries of origin to their migrant relatives. And this is just to support that migrant in the...in the destination country. I have to confess I myself have been a net receiver of remittances for many years from my household, from my parents, right. They were supporting me when I was young, you know, didn't have a proper job, and so on, living in the US and in the UK. So it's money that is flowing to support the migrant and of course, when you think about countries, such as the UK, which is talk of migrants is going to be that large, that will accumulate across, across...across time and across migrants, and you will end up with a large amount of money being received by the country. So while the data is certainly uncertain, it's not completely clear if that is the case. In fact, Dilip's team puts a lot of work in trying to get this data correct but it's...but it's difficult. We can say at least that the UK is a large receiver of remittances....it receives a lot of money every year, and this is largely related with families in the countries of origin supporting their family members here. One aspect related to that also is about how do we see migration. A lot of these families may see migration as an investment. And while the migrant is having a difficult time in the destination country it is worth supporting that migrant, because let's say if that person becomes unemployed for a short period of time, you expect that....you expect that person to find a job at some point later on and potentially to pay back the households, those remittances that they are sending.

**Robert McNeil** 19:22

You've raised this point, Carlos, which I think is really important, about the slightly...well the challenging nature of data collection about remittances. And so, Dilip, I mean, you obviously do a lot of work on this. So could you explain a little bit about those challenges, about why it's so difficult to collect data on remittances and maybe give us a bit of information. I understand that there are some changes or some...some efforts by...by banks, central banks and by...by national statistical organisations to try to overcome those. So...so if you could help us out with that and perhaps if you could also include in that some...some...some thoughts on how well we capture this, these flows of informal remittances as well.

**Dilip Ratha** 20:06

Thanks, Robert. Yes. Indeed, remittances, until recently, were ignored as small change by everyone. And definitely the economic policymakers did not pay enough attention to this kind of small amounts of money sent by migrants. As you know, in most countries, migrants are, in general, treated as a residual anyways, right? They are foreigners. And if they happen to be undocumented, somehow, then forget about them, right, you don't even know how to treat them. In fact, undocumented migrants are ignored by not only the host communities, but also by the origin communities, they don't want to say their people have left, so they fall through the cracks. Now, if there is an undocumented migrant...in fact, I spent some time in the UK—I was a visiting professor at one of the universities—and I had difficulty opening a bank account there, so if a college professor, with a PhD, has difficulty opening bank account, forget about undocumented migrants, then what do they do when they send money? They find ways to send money because in fact, many of them migrated in the first place, just to be able to send remittances. That was the reason for them to cross the mountains and the seas and risk their lives. So they will find ways to send money and they do. And, in fact, often, a very common way of sending money is, you know, you wait until you go home and you carry a lot of cash with you, currency notes with you, or you find someone who is going home near your place, and then you request that person to carry the money with you. In many parts of the world, including in Europe, money is sent often with bus

drivers—all of this is legal by the way—and then there is the so-called unregistered ways of sending money which is frowned upon by regulators, which is the hawala channels—which is you call a friend here, you go to the merchant or somebody here and say that here is 100 pounds, could you call your brother or your agent on the other side to give the local currency? So we have started under KNOMAD, the Global Knowledge Partnership on Migration and Development at the World Bank taking the lead, in partnership with IMF and Eurostat, we have started, what we are calling Remit Stat is the International Working Group to Improve Data on Remittances. We launched it about three months ago. And now we have 45 countries as members, plus the three or four organisations that I talked about: IMF, Eurostat, Universal Postal Union, and the World Bank. And we are looking into improving the data on remittances on a bilateral basis from country to country on a high-frequency basis in terms of monthly or quarterly data in terms of different instruments, whether it is cryptocurrency or mobile phone remittances. Also, we are looking into informal remittances...estimation of informal remittances. And, finally, we are looking into also what kind of migrants send money, and how much, and what kind of migrants may not send money. So, yes, we have a lot of activity now to improve efforts to improve data on remittances.

**Robert McNeil** 23:52

Wow, I mean, that really is a lot. And I don't envy you such a massive task. But it sounds fascinating and brilliant. Look, just to kind of wrap up, I wanted to just look at where we are in the world now. It feels like we're entering a period of...of global instability. And I'm very conscious that remittances may play a really important role in helping people to cope through that. So I'd be interested to know, I mean, particularly looking at things like climate change and the war in Ukraine, the looming global recession and such like, what role you think that remittances are going to play in helping people to cope, and what thoughts do you have on...on what might help those processes to be most effective. So let's start...Carlos maybe if we could start with you.

**Carlos Vargas-Silva** 24:48

For me, the more challenging part of this equation is potentially less about the monetary flows and more about the...the migrant workers that will normally be sending the money. We think about the case of the war, you know, migration within...within Russia is a big thing. Ukrainian migration to other countries, including the UK, for seasonal work and so on, has been affected. So one of the effects that we can see is that the traditional sources of income for a lot of these migrant workers are going to be...are going to be affected. So the money might be affected because of that.

**Robert McNeil** 25:28

Thank you very much, Carlos. And, Dilip, if I...if I could ask you for your thoughts on this.

**Dilip Ratha** 25:32

Thanks, Robert. On Ukraine, the immediate impact on Ukraine would be an increase in remittances to Ukraine. It can be attributed to the fact that usually the male members of the family are not migrating because of restriction that they are supposed to be there in Ukraine during the war. So it is women and children who are migrating. So there is a family connection already there, and therefore there will be more money sent. Now, while remittances to Ukraine are expected to go up, there would be an effect on remittances to central Asian countries, mainly because they receive money from Russia, and Russian economy is facing sanctions and it is not going to do...it is...it is expected to not do that well.

Remittances from Russia to these countries in central Asia would be impacted. To the rest of the world, we know there has been ripple effects. And we know that when countries have difficulty back home and families begin to face difficulties, like not being able to buy food or afford food, that's when remittances would go up. Now on climate change, that's a very, very interesting question. What would that do to migratory patterns all over the world and seasonal migration all over the world. And for sure, in the long-term, climate change is going to cause more migration. And that obviously means that there'll be more remittances. But really, the phenomenon to focus on is on migratory movements because the world is simply not prepared for large migratory movements.

**Robert McNeil** 27:19

Dilip and Carlos, that...that's a sober note on which to end, but I think a really, really fascinating and interesting conversation and I'm enormously grateful to you both.

**Jacqueline Broadhead** 27:31

You've been listening to the Migration Oxford Podcast. I'm Jacqui Broadhead.

**Robert McNeil** 27:34

And I'm Rob McNeil.