

International migration and remittances in Ethiopia

A concrete way for migrants to influence their countries of origin is to send back money or 'remittances'. A Delmi report by Lisa Andersson (2015:1) examines migration from and remittances to Ethiopia. The report shows that households themselves consider that their prosperity increases as a direct effect of remittances. These private transfers improve the living standard of recipients and thus may contribute to poverty reduction. But few households use the funds for productive investments, while only half of migrants send remittances. It is therefore important that decisionmakers make it easier to send remittances and improve possibilities of making investments.

Migration & remittances

This report analyses what factors influence migration from Ethiopia and what effect remittances have for the recipient households.

An awareness of the causes and consequences of migration is needed in order to strengthen the positive effects of migration and counter its negative effects. This is why it is important to understand why migrants leave their countries of

origin and what characterises these migrants, for example whether they have a low or high level of education, whether they are women or men, what countries they choose to travel to and whether or not they send money home. It is also important to study what effect migration has on their former country of origin.

Objective & method

The aim of this study is to contribute to greater knowledge of the drivers of migration and the effects of remittances in Ethiopia. The report analyses the factors influencing Ethiopian migration flows and how remittances affect the subjective wellbeing of and investments made by Ethiopian migrant families that remain in Ethiopia. The country is an interesting test case, not least since it is one of the foremost remittance recipient countries in Africa.

More specifically the report examines the following two questions:

- What factors influence the decision to migrate from Ethiopia and how do these factors differ depending on what part of the world the migrants move to?

- What effects do remittances have on the households' assets and investments, and how do households in Ethiopia rank their own subjective standard of living?

The questions are answered by analysing household data. A sample consisting of 1 282 households in the five most populous regions of Ethiopia (that together represent 96 per cent of the population of Ethiopia) was interviewed in the spring of 2011. The study included both households with migrants and households without migrants and was conducted in both urban and rural areas.

Results

The study shows that there are differences in drivers and migration patterns depending on whether the Ethiopian migrants move to OECD countries, the Middle East or destinations on the African continent.

Migrants to OECD countries were slightly older, came mainly from urban areas and had a relatively high level of education. In contrast, migrants who moved within the African continent were much younger, came from rural areas and

had a lower level of education. Migrants to all destination countries were mainly women, who often moved as maids.

In line with previous research, this study shows that income, networks and geographical proximity play a role for the decision to migrate, but that the size of the role they play varies between different destinations. Network factors such as having friends and family in the destination country are particularly important in the case of moves to OECD countries, while ease of entry to the country is a decisive factor for a large share of the Ethiopians migrating within the African continent. The pay factor does not seem to be a central driver behind migration to OECD countries, in contrast to what has been shown by several previous studies.

About half of the migrants' households receive remittances. The results suggest that migrants have fewer possibilities of sending remittances at the start of their period abroad, but that their possibilities increase when they have stayed abroad for a longer period of time.

The study shows that remittances have a positive effect on the subjective assessment made by

households of their standard of living. This applies both to how the households rank their present situation and to how the situation of the households has changed over the past five years according to the same benchmark.

About 45 per cent of the remittances were used for daily consumption, such as food and drink, and almost 13 per cent for loan repayments, but only five per cent for education. Investments, in agriculture for instance, were less common. Rural households also invested part of the remittances in major durable consumer goods.

Since most of the migrants stated that they had become better off, it can be asserted that the remittances had a positive impact on the households, and could thus play a role in poverty reduction in Ethiopia.

Conclusions & policy implications

The report's conclusions point to two main measures that can be taken with the objective of increasing the positive effects of migration and remittances. First, there should be a focus on making it possible for more migrants to send money home and, second, incentives and

possibilities should be created for investments in more productive activities.

Much of the policy discussion in recent years has been about the high costs often associated with making remittances via official channels. Such channels include banks and companies specialising in international money transfers. Initiatives to reduce these costs include measures to create more competition in the market for money transfers, transactions and subsidies for the development of new technology. A reduction of these costs and simple technology for transfers could therefore stimulate more migrants to send remittances. However, it is far from certain that transaction costs for sending money home are the only factor affecting the wellbeing of migrants. If migrants are forced to go into debt in order to be able to move abroad and use smugglers and illegal migration channels, there is a high risk of migrants running into various types of problems and exploitation in connection with their move. Women, who make up more than half of the

migrants from Ethiopia, are particularly vulnerable. Establishing safe and legal migration channels is therefore important in order to reduce the vulnerability of migrants and to enable them to maximise their chances of successfully achieving their objectives at their destination.

When it comes to incentives for more productive remittances, several measures can be taken. Improving the access of the population to the financial system and to bank services would facilitate investments. If the remittances were deposited in bank accounts instead of being held in the migrants' homes, they would enter into the financial system, and this would, at the same time, pave the way for increased savings by migrants. In addition, more information about different investment opportunities and a generally favourable climate for investment could increase the possibilities of more productive use of the remittances. This would, in turn, increase the positive impact of migration in general.



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Delmi Report 2015:1 – Lisa Andersson
The whole report is available in Swedish at www.delmi.se

