

RETURNED MIGRANTS AND REMITTANCES ALLEVIATING POVERTY:

EVIDENCE FROM MALANG, INDONESIA

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Introduction



- The benefits of return migration: new ideas, business skills, accumulated savings and assets contribute to development of home countries.
- Not all returnees are able to improve household welfare because of the capital gained not used in a sustainable manner (Adams and Cuecuecha, 2010).
- Yuen et al (2014) in Ponorogo also found no significant different in terms of relative living condition





Research Gaps

- ❑ Many people perceive international migration to be a one-way movement.
- ❑ There is not enough data on return migration for macroeconomic assessments (Wahba, 2015).
- ❑ Almost no attention has been given to empirically analysing sustainability in alleviating poverty at its origin.

Objective of Study

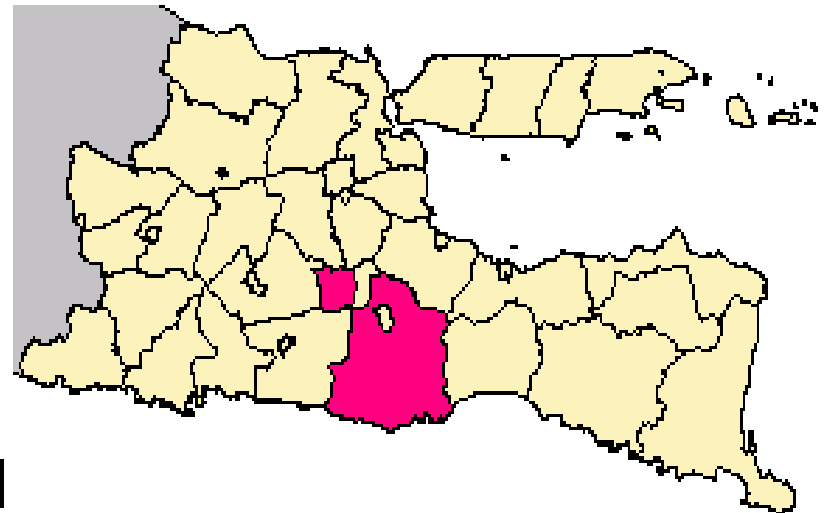
- Examining the condition of return migrants who remain at home after migration

Return Migrants definition: not intend to go back overseas.

- This study specifically investigates whether return migrants can escape from poverty forever (sustainability) or whether they tend to become poor again after a period of time
- Current Migrant is used as control (assuming that current migrant will be return migrant in the future)

Survey and Data

- Primary data from Malang District in East Java
- The proportional area sampling strategy.
- Survey: Return migrant HH (and current migrant HH as control).
- Migrant stock: more than 8000 in 2014/15 BNP2TKI
- Sample covers 21% of the stock of migrants overseas (10.5% Return Migrants and 10.5% Current Migrants).



Malang Context

- ❑ One of the largest sources of labour migrants in East Java
- ❑ Malang consists of 33 sub-district (kecamatan) with a total population of 3 million in 2015
- ❑ Agriculture sector that provides almost 50% of employment
- ❑ Poverty level is quite high at 11.67%

Method




- A Probit model
- The dependent variable is poverty status: poor ($Y=1$) and non-poor ($Y=0$). Poor :current per capita expenditure below the Malang's poverty line.
- The main independent variables: the length of time that return migrants stay at home after working overseas (=sustainability). Duration of squared variable is added
- Control Variables: Duration lived overseas, total money brought back to origin, the present activity, the utilisation of remittances and country of destination


Descriptive Statistics of Return Migrant

Variable	Obs	Mean	Std. Dev.	Min	Max
Poor Households	840	0.378571	0.48532	0	1
Duration staying back in the origin	840	6.589286	6.09747	0	33
Duration staying back in the origin squared	840	80.55357	126.2953	0	1089
Duration living overseas	840	6.741616	5.280257	0.069167	31
Duration living overseas squared	840	73.29731	127.9044	0.004784	961
Ln Income Overseas	840	14.8218	0.863965	11.69525	17.03439
Country: Saudi Arabia	840	0.339286	0.473749	0	1
Country: Hongkong	840	0.317857	0.465921	0	1
Country: Malaysia	840	0.153571	0.360752	0	1
Remittance Utilisation: Consumption	840	0.428571	0.495167	0	1
Remittance Utilisation: Productive	840	0.064286	0.245407	0	1
Household Characteristics					
Age of HH Head	840	39.3	9.450732	20	68
HH Head Work in Agriculture	840	0.328571	0.469974	0	1
HH Head Work in Small Business	840	0.278571	0.448563	0	1
No of dependence	840	0.975	0.834645	0	5

Empirical Findings for Return Migrants


	Coefficient	P value	Coefficient	P value
Duration living in the origin	-0.037	0.079	-0.058	0.011
Duration living in the origin squared	0.001	0.249	0.002	0.080
Duration living overseas	-0.003	0.920	-0.003	0.909
Duration living overseas squared	0.000	0.799	0.000	0.722
Ln Income Overseas	-0.527	0.000	-0.449	0.000
Country: Saudi Arabia	-0.512	0.001	-0.474	0.002
Country: Hongkong	-0.109	0.382	-0.060	0.636
Country: Malaysia	-0.283	0.065	-0.268	0.098
Remittance Utilisation: Consumptive	0.321	0.001	0.310	0.002
Remittance Utilisation: Productive	0.167	0.395	0.283	0.157
Household Characteristics:				
Age of HH Head			0.007	0.228
HH Head Work in Agriculture			0.329	0.001
HH Head Work in Business (Small)			-0.311	0.007
No. of dependence			0.367	0.000
Constant	7.809	0.000	5.942	0.000
No. of Obs.	840		840	
LR chi2(14)	77.12		127.18	
Prob > chi2	0.000		0	
Pseudo R2	0.0692		0.1141	


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- Return migrants remain at home (after working overseas) has a significant effect on their poverty status (has a non-linear relationship).
 - In the beginning, a migrant's household will benefit from the income and other financial capital received from working overseas, but after a period of time migrant households tend to return to poverty, as indicated by a positive effect in the duration square variable.

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- ❑ If their main use of remittance and income is for consumptive purposes then the likelihood of their households being poor has increased.
 - ❑ The time they stayed overseas is not significant. This finding suggests that the longer migrants stay overseas does not guarantee that their families will move out from poverty
 - ❑ If the head of a household works in the agriculture, their HH tends to be categorised as poor, but if their household has a small business they tend to be categorised as non-poor.

Empirical Findings for Current Migrants

	Coefficient	P value	Coefficient	P value
Migrant Characteristics				
Ln Remittances	-0.252	0.000	-0.288	0.000
Duration Overseas	0.013	0.497	0.020	0.343
Duration Overseas squared	-0.00008	0.911	-0.0001	0.815
Age	-0.015	0.018	-0.013	0.060
Sex	0.437	0.029	0.568	0.006
Education	-0.064	0.004	-0.044	0.080
Domestic Workers	0.693	0.001	0.781	0.001
Industrial Workers	0.134	0.528	0.144	0.520
Country: Hongkong	-0.169	0.161	-0.261	0.040
Country: Malaysia	0.013	0.937	-0.135	0.476
Country: Saudi Arabia	0.313	0.048	0.265	0.110
Household Characteristics				
Age of HH Head			0.013	0.003
Education of HH Head			-0.028	0.140
No. of Dependence			0.266	0.000
HH Head working in agriculture			0.415	0.001
HH Head working in business			0.092	0.478
Constant	4.169	0.000	3.685	0.000
No. of observation	840		840	
LR chi2(15)	70.77		130.070	
Prob > chi2	0.000		0.000	

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- The total remittances sent per year to households at the origin is significant and negatively related to the poverty status.
 - The time that current migrants remain overseas does not significantly influence the poverty status.
 - This finding suggests that the longer current migrants remain overseas does not guarantee that their families escape from poverty, but the value of their remittance does.


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- ❑ Domestic workers are more likely to find it more difficult to leave poverty
 - ❑ Current migrants working in Hongkong are less likely categorised as poor
 - ❑ Education is important factor in helping migrants HH escape poverty
 - ❑ HH Heads who work in agriculture tend to be categorised as poor
 - ❑ HH with more dependents are more likely to live in poverty

Conclusions

- This paper has focused on the sustainable conditions amongst returning migrant households in Indonesia.
- The conclusion that this paper reached is that while remittances reduce the probability of households at home living in poverty, returning migrants will not be better off for very long, and will almost certainly return to poverty after a period of time. This needs to be addressed by government policies.

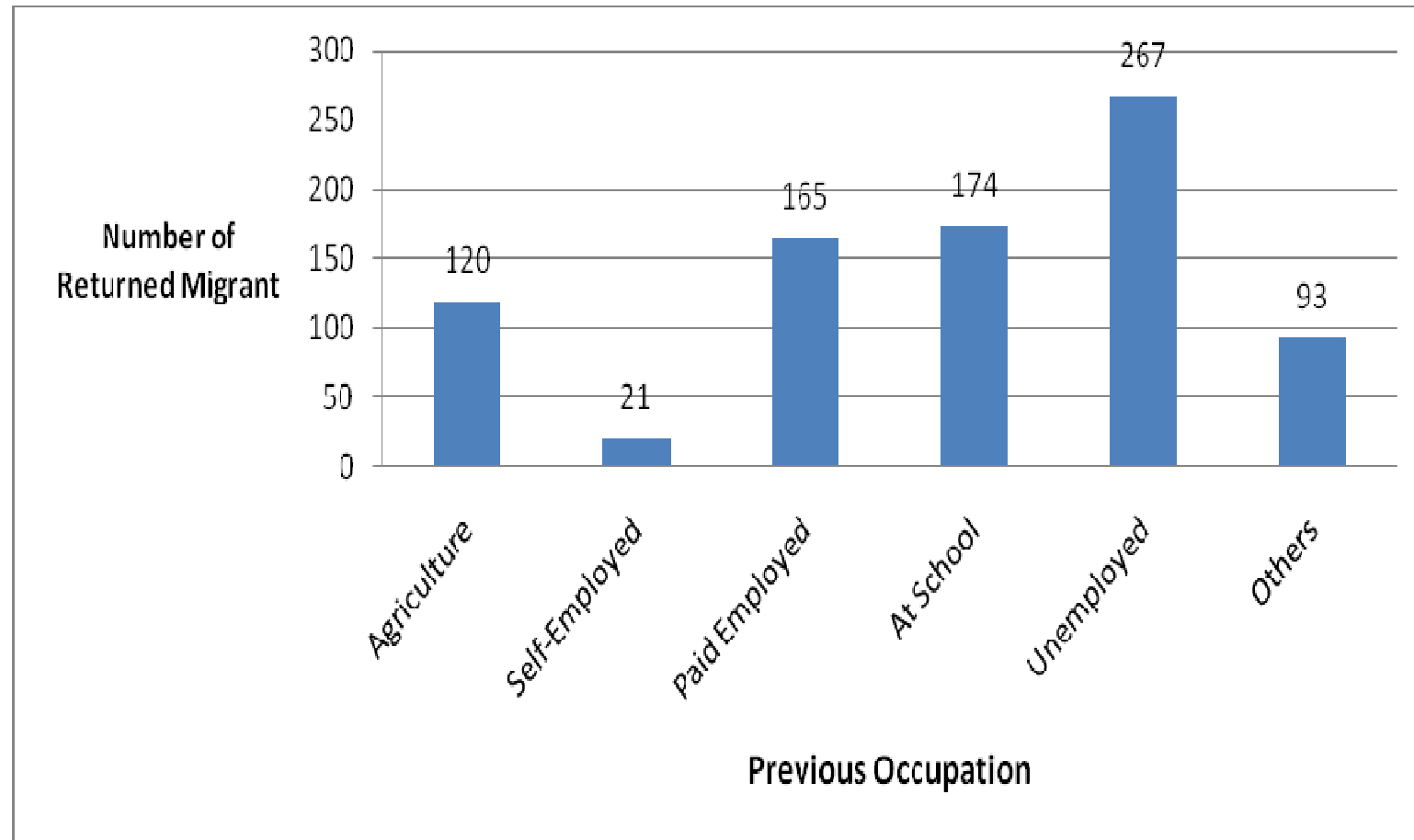
Policy Implication

- There is a need for government to provide guidance to migrant HH on how to use their income in more sustainable and activities to making the best of their available financial capital.
- Some sectors with the potential for development such as SME's should be related to the local potential of Malang where the migrants come from.



Thank You
Terima Kasih

Occupation of Return Migrants before Migration, Malang District 2015



Educational Level of Return and Current Migrants, Malang District, 2015

	Return Migrant		Current Migrant	
	No.	%	No.	%
No Schooling	9	1.07	0	0
Primary School	288	34.29	162	19.29
Junior Secondary	273	32.50	339	40.36
Senior Secondary	243	28.93	321	38.21
University	27	3.22	21	2.15
Total	840		840	

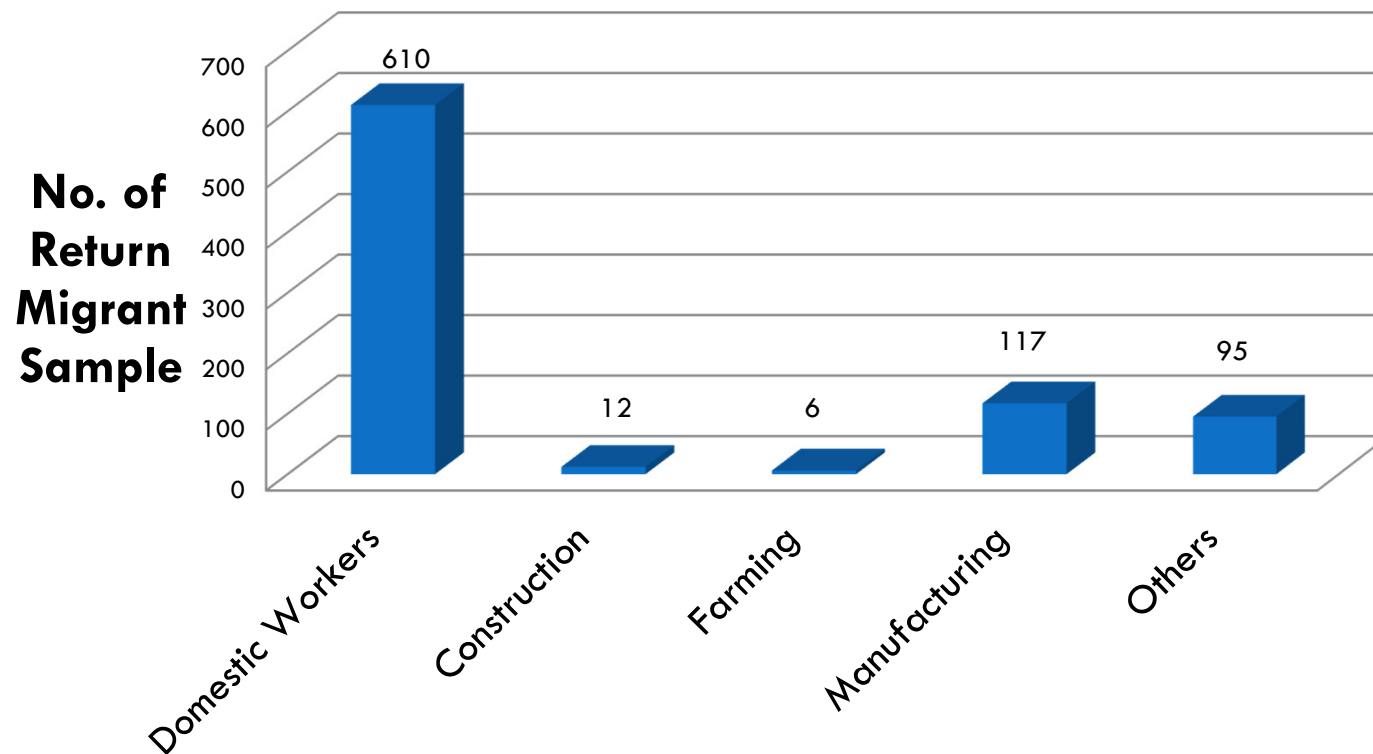
The education level of migrants has improved such that a greater proportion of current workers now have senior secondary education.

Motivation for Migrants Working Overseas, Malang District, 2015

	Return Migrant		Current Migrant	
	No.	%	No.	%
Not enough Household Income	480	57.14	510	60.71
Difficult to Find a Job	126	15.00	126	15.00
To get Experience	153	18.21	126	15.00
Follow Friends/Relatives	6	0.71	12	1.43
Hajj	3	0.36	0	0.00
Others	72	8.57	66	7.86
	840	100	840	100

It suggests that migration is likely to have more influence on a household's financial situation.

Occupation of Return Migrant Overseas, Malang 2015



Occupation of Return Migrant after Return

