



International Migration, Risk Management and Social Policy: The Latin America Case

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Abstract

Latin America is a region of net emigration (emigration outpaces immigration) to the rest of the world. At the same time there is also a growing flow of intra-regional migration among economies sharing common borders, common language but having large differences in per capita income among them. An important factor driving extra-regional migration from Latin America is the persistence of development gaps and differences in economic and social opportunities with more advanced economies such as United States, Spain, Canada and other high income countries. Also disparities in economic performance within the Latin American region encourage intra-regional (South-South) migration. International migration introduces new challenges to the design, management, eligibility and financing of social policy. Migrants face various sources of vulnerability coming from labour market, health, legal and longevity risks. These risks can be reduced through various mechanisms ranging from self-insurance, family and network support, market insurance, social insurance by the state or by civil society organizations.

1. Introduction

In the second half of the 20th century Latin America turned into a region of net emigration to countries outside the region. In the late 20th and early 21st centuries South-South flows are becoming also of increasing significance. To an extent the large flows of outside migration reflect the failure of development strategies in Latin America that except in a very few countries, have not been able to provide a sustained stream of jobs, goods salaries and attractive economic and social conditions for the population to stay. Main receiving countries for Latin American migrants outside the region are the USA, Spain and Canada. This extra-regional migration is chiefly driven by differences in per capita income and living standards across countries, the so-called *development gaps*. These gaps create strong economic incentive for people to leave their home countries to earn higher income abroad and offer better education and health services to their children in a foreign country. The other side of the coin of these economic gains is the labour market, health, legal and longevity risks faced by migrants in the receiving countries and their vulnerability to those various types of risks. Low income migrants often have a vulnerable legal status in the recipient countries and face economic, cultural and language handicaps.

A trend in international migration is the growing importance of intra-regional (South-South) migration. In this case geographical proximity, social networks and cultural similarities are important variables in explaining these flows besides more economic determinants such as income and real wage differentials across countries. In the southern cone, Argentina and Chile are countries with income per capita levels above \$10,000 that attract people from lower income per capita (all below \$5,000) neighboring countries such as Bolivia, Paraguay and Ecuador. In Central American countries major South-South migration flows take place from Nicaragua to Costa Rica, from Haiti to Dominican Republic and from Guatemala, Honduras and other Central American countries to Mexico which in turn may be a transit step to get to the US or Canada. Several of these countries share a common border and a common language but still have significant differences in development levels and per capita income among them.²

Recent migration studies show that the Latin American and Caribbean region has near 26 million people living outside their national borders (migrants). In turn, 22.3 million live in OECD countries (86 percent) and 3.6 million (14 percent) in other developing countries. South-South migration in Latin America is chiefly dominated by intra-regional migration: 3.4 millions people live and work in other Latin American and Caribbean country different from their place of birth.³ Clearly, the bulk of the Latin American migration is South-North migration but the percent of South-South migration is far from small.

There are common factors that drive both South-North and South-South international migration flows. In the Latin American context, development gaps both with respect to developed countries and among them affect the magnitude and direction of migration flows. Also recurrent economic instability, growth and financial crises, poverty, inequality and informal employment are parcels of the regional economic and social landscape that have affected migration flows, in spite of the recovery of economic growth in the last five years in Latin America, largely associated with a boom in prices of

² For a collection of recent country studies of determinants of international migration in Latin American and the Caribbean, see Solimano (2008).

³ See Ratha and Shaw (2007).

commodities (see ECLAC 2006a).⁴ Political factors have been also important in driving migration flows in Latin America both in the past and in some countries, at present. The military regimes in the 19760s and 1970s in Argentina, Brazil, Chile, and Uruguay drove exile and emigration, mainly of professionals and intellectuals. On the other hand, the four decade old internal conflict in Colombia and current political change and turbulence in Venezuela have led to middle class and upper class emigration from these two countries to the US and other nations.

In spite the acceleration of economic growth in Latin America during the last four to five years, it is apparent that social conditions in Latin America are an important factor behind migration flows. The proportion of people living below the poverty line, for the region as a whole, in 2005 was close to 38 per cent of the total population (about 213 million people). In turn, critical poverty (indigents) accounts for 16.8 per cent of the population (about 88 million people in 2005) (ECLAC 2006b). The level and persistence of poverty is indicative of existing incentives to seek better income and employment opportunities abroad. In addition Latin America is a region of high income and wealth inequality.⁵ In particular, there is a high concentration in the holdings of financial assets and land in Latin America, which makes wealth inequality more skewed than income inequality. Moreover, the labour market is affected by underemployment and informal work besides open unemployment.

International migration poses a challenge to social policy in the destination and home countries. On the one hand, governments in Latin America are starting to recognize the needs of social protection and legal support of their own nationals residing abroad (emigrants). On the other, in the receiving countries migrants without a full legal status may see hampered their possibilities to access to more stable jobs and social services for them and their families such as health, education, housing, pensions, and unemployment insurance. In addition, migrants often work in informal activities in recipient economies (home services, restaurants, agriculture) and people working in these sectors may not be

⁴ Economic crises lead to job losses, increased unemployment, cut in real wages and when people were affected by financial crises, to the loss of savings. The poor and lower middle class are more affected by these adverse economic shocks as their sources of incomes can be diversified less than those of the rich or more affluent.

⁵ Gini coefficients for income exceed 0.5 in several countries in the region; in turn, the Gini coefficients for wealth are much higher. See Davies et al. (2006).

covered by the formal system of social protection. Therefore they are exposed to adverse employment and income shocks and their possibilities to cope with risks through market and social insurance is limited. In turn, market mechanisms such as financial and insurance markets are also more difficult to access for low income migrants due to their comparative lower degree of financial knowledge and purchasing power to acquire these instruments. In general, the degree (coverage) of social protection (provided by the state) is higher for nationals than for immigrants. Social policy has always a component of redistribution attached to it as those who pay taxes are not exactly the same as those who receive social benefits. International migrants are often a group with reduced political clout in the receiving country and therefore the demand for redistribution to them is often weaker than the demand for redistribution towards nationals. This may affect the receipt of (tax-financed) social benefits by migrants.

This paper examines several of the issues related to international migration, risk management and social policy in the Latin American context. The document is organized in seven sections including this introduction. Section 2 analyzes historical and recent trends concerning international migration in Latin America. Section 3 identifies the main determinants of migration flows (South-North and South-South) and section 4 discusses the relation between migration and growth in a scenario of recurrent growth crises as the one that affected Latin America in recent decades. Section 5 takes-up the various nexus between risk management, social policy and international migration and section 6 highlights main questions and some methodological issues for further studying social policy and international migration through country studies. Section 7 concludes.

2. International Migration in Latin America: History and Recent Trends⁶

Brief Historical Background

International migration from and to Latin America have been closely linked to the globalization process in the past and now.⁷ During the “first wave of globalization” which economic historians place roughly between 1870 and 1913, Latin America

⁶ This section is based on Solimano (2008), chapter 2.

⁷ See Solimano (2003).

(predominantly Argentina, followed by Uruguay and Chile) received large flows of migrants from Spain, Italy, Portugal, some Central European countries, Russia and others. In fact, Argentina, Chile and Uruguay registered the highest per capita incomes in the Latin American region which, in 1913, exceeded those of Italy, Spain and Portugal; the latter being the primary sources of immigrants to those South American countries (see Table 1).⁸

In turn, the per capita income in the richest countries of the “new world,” such as Australia, Canada, New Zealand and the United States, was, in 1913, more than double that of the countries of the European periphery. This first wave of globalization was characterized not only by flows of trade and capital, but also by the massive movements of people between the Old World (Europe) and the New World (North America, South America, Australia and Oceania).⁹ More than half a century later, in the 1950s, per-capita income gaps continued to be favorable to countries such as Argentina, Chile, Uruguay and Venezuela and with respect to southern European countries (some Scandinavian nations had a higher per capita income than Italy and Spain); in 1950, per capita income in Venezuela was also higher than in Sweden (Table 2). This situation changed and reversed during the second half of the 20th Century, especially in the decades following the 1970s when the per capita income of Spain, Italy and the countries of northern Europe surpassed that of Latin America. As a consequence, economic incentives to emigrate from Europe to Latin America practically disappeared and the direction of migration reversed. In fact, historically sending countries such as Spain and Italy became important destination countries for emigrants from Latin America, especially Argentines, Ecuadorians, and Colombians affected by very severe economic and social crises in the late 1990s and early 2000s.

The international mobility of people from and to Latin America also reflects post-colonial and other historical ties. Besides the historical links between Spain and Italy and Argentina, Chile, Cuba, Mexico, Uruguay these ties also extend to other countries such as Portugal and Brazil, the Netherlands and Guyana, France and Haiti, the UK and

⁸ The average per capita income in the countries of the southern and northern “periphery” of Europe (Italy, Spain, Portugal, Norway and Sweden) was slightly higher than the average of the leading Latin American economies (Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela).

⁹ See Solimano and Watts (2005).

English-speaking Caribbean countries. Migration flows between Asia and Latin America—in both directions—is also a phenomenon that has to be mentioned. There are relatively sizeable Japanese communities in Peru, Brazil and other countries. Koreans are also active in trade in Chile.

Current migration patterns show a large concentration of Mexicans in the United States, and a growing importance of Spain as a destination country for Ecuadorians, Colombians, Argentines and others. Also, within the region in Argentina there is a big concentration of Paraguayan and Bolivians. The fact that Spanish is a common language among these countries (also relevant for Latin American migration to Spain) is a factor that helps to explain that concentration. Transit migration is another feature of Latin American migration. People from Guatemala, El Salvador and other Central American countries often migrate first to Mexico as a “stepping-stone” to get later to the United States.

Table 1
DEVELOPMENT GAPS (GDP PER CAPITA OF SELECTED COUNTRIES, 1820-2005)
(in constant 1990 Geary-Khamis international dollars)

| | First wave of globalization: the age of mass migration | | | Second wave of globalization: restricted migration | | | | | | | |
|----------------------|--|--------------|--------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1820 | 1870 | 1913 | 1950 | 1973 | 1990 | 1998 | 2000 | 2002 | 2004 | 2005 |
| Europe | | | | | | | | | | | |
| Italy | 1 117 | 1 499 | 2 564 | 3 502 | 10 634 | 16 313 | 17 990 | 18 740 | 19 118 | 19 440 | 19 475 |
| Spain | 1 008 | 1 207 | 2 056 | 2 189 | 7 661 | 12 055 | 14 129 | 15 269 | 15 875 | 16 276 | 16 559 |
| Portugal | 923 | 975 | 1 250 | 2 086 | 7 063 | 10 826 | 13 106 | 14 022 | 14 185 | 13 977 | 13 809 |
| Norway | 1 104 | 1 432 | 2 501 | 5 463 | 11 246 | 18 466 | 23 826 | 24 364 | 24 715 | 25 236 | 25 662 |
| Sweden | 1 198 | 1 662 | 3 096 | 6 739 | 13 493 | 17 695 | 18 787 | 20 321 | 20 898 | 21 799 | 22 309 |
| Average | 1 070 | 1 355 | 2 293 | 3 996 | 10 019 | 15 071 | 17 568 | 18 543 | 18 958 | 19 346 | 19 563 |
| Latin America | | | | | | | | | | | |
| Argentina | ... | 1 311 | 3 797 | 4 987 | 7 962 | 6 436 | 9 123 | 8 544 | 7 185 | 8 365 | 9 050 |
| Brazil | 646 | 713 | 811 | 1 672 | 3 882 | 4 923 | 5 422 | 5 556 | 5 598 | 5 736 | 5 788 |
| Chile | ... | ... | 2 653 | 3 821 | 5 093 | 6 402 | 9 756 | 9 841 | 10 101 | 10 903 | 11 470 |
| Colombia | ... | ... | 1 236 | 2 152 | 2 400 | 4 840 | 5 250 | 5 000 | 5 007 | 5 200 | 5 540 |

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