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

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[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 Trends[6]

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

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[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

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[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						
Europe	**1820**	**1870**	**1913**	**1950**	**1973**	**1990**	**1998**	**2000**	**2002**	**2004**	**2005**
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	2 153	3 499	4 840	5 350	5 096	5 097	5 366	5 548
Mexico	759	674	1 732	2 365	4 845	6 119	6 745	7 218	7 039	7 229	7 338
Peru	…	…	1 037	2 263	3 952	2 955	3 675	3 686	3 754	3 971	4 173
Uruguay	…	2 181	3 310	4 659	4 974	6 474	8 317	7 859	6 672	7 518	7 961
Venezuela	…	569	1 104	7 462	10 625	8 313	8 977	8 415	7 614	7 997	8 596
Average	**703**	**1 090**	**1 960**	**3 673**	**5 604**	**5 808**	**7 171**	**7 027**	**6 633**	**7 136**	**7 491**
Other OECD countries											
Australia	518	3 273	5 157	7 412	12 878	17 106	20 361	21 540	22 323	23 301	23 660
Canada	904	1 695	4 447	7 291	13 838	18 872	20 579	22 198	22 860	23 532	23 993
New Zeland	400	3 100	5 152	8 456	12 424	13 909	15 233	16 010	16 614	17 429	17 550
United States	1 257	2 445	5 031	9 561	16 689	23 201	26 619	28 129	28 171	29 704	30 449
Average	**770**	**2 628**	**4 947**	**8 180**	**13 957**	**18 272**	**20 698**	**21 969**	**22 492**	**23 492**	**23 913**

Source: Solimano (2008), chapter 2.

Recent Trends

Emigration from Latin America increased since the 1980s, a period affected by economic contraction in the 1980s, recovery and reform in the 1990s, the Asian crises and other sources of global instability in the late 1990s, and some national economic crises in Argentina, Ecuador and Colombia. At the beginning of the first decade of the 21st Century, the majority of Latin American countries were countries with greater flows of emigration than immigration (see Table 2). At the regional level, immigrants represent, on average, about 1 per cent of the total population while emigrants account for 3.8 per cent (ECLAC 2006). In 2000, the country with the greatest emigration stock, relative to its population, is El Salvador (14.5 per cent of its population), followed by Nicaragua (9.6 per cent), Mexico (9.4 per cent) and the Dominican Republic (9.3 per cent), (see Table 2). By contrast, the countries of immigration (greater proportion of immigrants than emigrants) are Costa Rica (showing a difference of 5.3 percentage points), Venezuela (with a difference of 3.3 percentage points) and Argentina (with a difference of 2.8 percentage points).[10]

Regarding the socio-demographic patterns of migrants the empirical evidence for several Latin American economies shows that Latin American emigrants share three socio-demographic characteristics that can be summarized as follows: i) a high participation of female emigration, ii) a concentration of migratory flows in the most productive working-age groups of immigrants and emigrants, and iii) a higher level of education among emigrants compared to their fellow citizens who do not emigrate.

[10] At the sub-regional level, the emigration rate in the Caribbean is 4 times greater than the average Latin American emigration rate (15.5 per cent versus 3.5 per cent, see Table 2.2). For English-speaking Caribbean the US and Canada are main destination countries. In the Caribbean, the average emigration rate of the five countries with the greatest proportion of emigrants is 39.5 per cent of the population, compared to 9.7 per cent registered by the five countries with the largest emigrant population in Latin America.

Table 2

LATIN AMERICA AND THE CARIBBEAN: IMMIGRANTS AND EMIGRANTS RELATIVE TO THE TOTAL POPULATION, BY COUNTRIES OF ORIGIN AND RESIDENCE, CIRCA 2000

(Selected countries, minimum estimates in thousands of persons and in percentages)

Country	Total Population	Immigrants		Emigrants	
		Number	Percent of the total population	Number	Percent of the total population
Regional total a/	**523 463**	**6 001**	**1.0**	**21 381**	**3.8**
Latin America	**511 681**	**5 148**	**1.0**	**19 549**	**3.5**
Argentina	36 784	1 531	4.2	507	1.4
Bolivia	8 428	95	1.1	346	4.1
Brazil	174 719	683	0.4	730	0.4
Chile	15 398	195	1.3	453	2.9
Colombia	42 321	66	0.2	1 441	3.4
Costa Rica	3 925	296	7.5	86	2.2
Cuba	11 199	82	0.7	973	8.7
Ecuador	12 299	104	0.8	585	4.8
El Salvador	6 276	19	0.3	911	14.5
Guatemala	11 225	49	0.4	532	4.7
Haiti	8 357	26	0.3	534	6.4
Honduras	6 485	27	0.4	304	4.7
Mexico	98 881	519	0.5	9 277	9.4
Nicaragua	4 957	20	0.4	477	9.6
Panama	2 948	86	2.9	124	4.2
Paraguay	5 496	171	3.1	368	6.7
Peru	25 939	23	0.1	634	2.4
Dominican Republic	8 396	96	1.1	782	9.3
Uruguay	3 337	46	1.4	278	8.3
Venezuela (RB)	24 311	1 014	4.2	207	0.9
The Caribbean	**11 782**	**853**	**1.9**	**1 832**	**15.5**
Netherlands Antilles	215	55	25.6	118	54.9
Bahamas	303	30	9.9	28	9.2
Barbados	267	25	9.4	68	25.5
Belize	240	17	7.1	43	17.9
Dominica	78	4	5.1	8	10.3
Grenada	81	8	9.9	56	69.1
Guadeloupe	428	83	19.4	2	0.5
Guyana	759	2	0.3	311	41.0
French Guyana	164	…	…	1	0.6
Jamaica	2 580	13	0.5	680	26.4
Martinique	386	54	14.0	1	0.3
Puerto Rico	3 816	383	10.0	6	0.2
St. Lucía	146	8	5.5	22	15.1
Suriname	425	6	1.4	186	43.8
Trinidad & Tobago	1 289	41	3.2	203	15.7
Others b/	605	124	20.5	99	16.4

Source: Solimano (2008), based on CELADE-ECLAC (2006).

Notes: a/ Data for Cuba, Haiti and the Caribbean provided by the United Nations Population Division, b/ Includes: Anguila, Antigua and Barbuda, Aruba, Bermuda, Cayman Islands, Turks and Caicos, U.K. and U.S. Virgen Islands, Montserrat, Saint Kitts and Nevis, and Saint Vincent and the Grenadines. Estimates of immigrants are minimums, since only a limited number of European and Pacific Island countries (Oceania) are taken into consideration.

3. Determinants of International Migration

The determinants of international migration reflect a complex interaction between development factors of medium and long run nature, short term macroeconomic factors, labour market and socio-demographic variables, geographical, cultural and political factors. Also it is important to mention issues of double causality. For example development gaps drive migration flows as we emphasize in this paper. However, at the same time migration flows also affect the relative development levels of countries through the skill composition of migrants, their education levels and entrepreneurial traits.

In the discussion of determinants of international migration some variables may be more important for explaining South-North migration and others become more relevant for explaining South-South migration. For example the development gaps and wage differentials affect both types of migration but the size of those gaps is often larger for South-North migration. In South-South flows, variables such as geographic proximity, social networks and cultural similarities are very important. Summarizing, the main determinants of international migration are:

(a) *Development gaps* between the country of origin of the migrant and the country of destination. This reflects the differences in economic opportunities and living standards among states, a main factor driving international migration flows. Empirically, this is often measured by the ratios of per capita incomes across countries in a common currency (to make them comparable) and should be adjusted by differences in purchasing power parities.[11] The size of the income gaps can be very large; for example the income per capita of the US is approximately seven times the per capita income of Mexico. If we add the fact that a large border exists between these two countries, the effect of such large disparities in per capita income is to create powerful economic incentives for Mexicans to get to work in the USA. These differences in economic development levels also are reflected in big disparities in real wages and earnings between these two nations.

[11] This is in order to account for the fact that services are cheaper in poorer countries, so using current-dollars per capita income for comparisons may underestimate the living standard in low-income countries.

(b) *Macroeconomic factors* such as business cycles (expansions, recessions) and more acutely, growth and financial crises, also trigger migration flows; for this effect to operate economic cycles should not be fully synchronized among countries, otherwise moving from one country to another with do little to avoid economic hardships at home. The notion is that an economy that is experiencing bad economic times (a recession, a financial crisis) will send people to an economy that is in a different phase of the economic cycle, say in an expansion or booming period with tight labour markets and attractive wages that allure new migrants.

(c) *Imbalances in the labour market and social conditions*, (in both the origin and destination countries) such as unemployment, underemployment and informal work also affect migration flows. Again people will go to countries with relatively low unemployment and good salaries and leave countries in which the labour market is sluggish, there are few jobs and salaries are depressed. Poverty in the origin country is also a determinant of migration flows, although the empirical evidence shows that those who emigrate are not necessarily the very poor as migration entails costs of transportation, legal fees, costs of job search and the like that the very poor can not afford. Inequality, and the realization that the possibilities for upward social mobility are limited at home, can also be a factor inducing emigration.

(d) *Political economy variables* --such as political crises, internal conflicts and political regime—have been very relevant in some countries and periods in Latin America as a pressure for migration. This is a region with a long history of political instability, fragile democracies and cycles of authoritarianism/democracy that have induced waves of emigration, particularly in the second half of the 20th century, as mentioned before in this paper. In general political instability and changes in political regimes may lead more often to the emigration of members of the middle classes, intellectuals and upper classes, as these segments can afford more easily to move internationally than the poor.

(e) *Migration policies* regulating visas, work permits and legal residence status is another important factor regulating the actual flows of migration in destination countries. As illegal or undocumented migration is important in various countries, immigration policies are often not completely effective in affecting *actual* migration

flows. Furthermore, migration policies are often tighter in high-income countries than in middle income nations. Migration policies are ultimately endogenous and reflect the relative political pressures of pro-migration and anti-migration groups in a country. In general, we may expect that firms and households that employ migrant work will be pro-migration. In turn, traditional labour unions that feel affected by migration and "nationalistic" political parties and public opinion may be reluctant or openly opposed to immigration. In turn, as many of the migrants do not vote in elections and are often in an informal migration status, the scope for collective action by migrants is limited. Thus they become a generally weak political force in the receiving country with reduced influence to affect specific policies of great interest to migrants such as residence status, work permits and visa issues, access to social services and others.

(f) *Geography, social networks and cultural differences* between countries affect migration besides purely economic factors. As we shall see below, these set of factors are especially relevant in the case of South-South migration.

As said before recent studies on South-South migration have emphasized the role of proximity and social networks in driving these flows:[12]

(a) *Proximity*. It is estimated that near 80 percent of South-South migration takes place between countries with contiguous borders. In the Latin American countries this is the case between Argentina, Bolivia and Paraguay, Haiti and Dominican Republic, Nicaragua and Costa Rica, Guatemala and Mexico.

(b) *Networks*. The literature on international migration stresses the importance of diasporas and communities of nationals coming from the same country (or a similar region and city in the origin country) in providing useful support and information mechanisms for migrants: this may range from information on job opportunities, housing to moral support and care to the newly arrived, the sick and the unemployed.

(c) Income differentials. This variable is still important in the case of South-South migration, although, as already said, the income level differences between home

[12] See World Bank (2005) and Ratha and Shaw (2007).

and host countries are often narrower in the case of South-South migration than in the case of South-North migration.

4. Migration and Growth

From the previous discussion on development gaps it is clear that the rate of economic growth in both the home and destination country affects and is affected by migration.[13] Output growth is a critical variable in the capacity of an economy to create the jobs and opportunities that migrants look for when they move from one country to another. The pressures for emigration from Latin America are directly related to the region's modest growth performance in recent decades. The combination of a deceleration in the *average growth rate* in the last quarter century in the Latin American region came along with an increase in the *frequency of growth crises* (besides the continuous growth of the comparison countries) preventing the reduction of development gaps at regional level between Latin America and more advanced countries. Latin America registered an annual economic growth rate above 5 per cent between 1940 and 1980, the region's GDP growth rate fell to around 3 per cent per year between 1981 and 2007.[14] Also there was a deceleration in the average rate of growth of *GDP per capita* in this period as total GDP growth decreased faster than population. Table 3 shows for 12 Latin American economies (that account for more than 85 per cent of the total GDP of the Latin American and Caribbean region) and a reference group of extra-regional economies the number of years of negative GDP per capita growth (our definition of a year of "growth crisis") between 1961 and 2005 and sub-periods. In general, the data show a high frequency of growth crisis in several Latin American economies compared to a reference group, a trend that accelerated in the post-1980 period.[15] In the reference group the countries that have a higher frequency of growth crises, the Philippines and

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[13] Migration affects growth through several channels: the cost of labour and the profitability of investment, the availability of various skills and the entrepreneurial traits of immigrants (or emigrants in the case of home country growth). Migration and remittances can also affect savings and through this channel the rate of GDP growth, (Solimano 2008).

[14] See Maddison (2003), Solimano (2006) and ECLAC (2007).

[15] The nature of economic volatility in Latin America evolved over time. In the 1980s high inflation, large discrete currency devaluations was followed by lower inflation but persistent exchange rate volatility and in some countries financial crises, in the 1990s and early 2000s.

Turkey, are also those that have higher emigration rates within the reference group. Slower and more volatile growth implies less job creation, fewer opportunities and real wages and earnings that grow more slowly as the overall "size of the cake" grows at a slower pace.

As a consequence of the slowdown of growth in the last 25 years, the development gaps between Latin America and developed countries *widened* for some countries with modest economic performance in this period. In other countries those gaps have narrowed, as in the case of Chile a country that experienced reasonably rapid economic growth in the last two decades. Over time fast growing and more stable economies are expected to have a higher per capita income than economies that grow more slowly and that are affected by more volatility.[16]

[16] Empirical evidence shows that volatility hampers growth through lower private investment and possibly by also discouraging productivity growth.

Table 3
GROWTH CRISES IN SELECTED LATIN AMERICAN COUNTRIES AND REFERENCE COUNTRIES, 1961-2005

Country	Number of years with negative per capita GDP Growth rates				Percent of crises, 1961-2005
	1961-1980	1981-2005	1990-2005	1961-2005	
Argentina	7	11	6	18	40.0
Bolivia	5	10	3	15	33.3
Brazil	1	11	7	12	26.7
Chile	4	3	1	7	15.6
Colombia	3	5	3	8	17.8
Costa Rica	2	8	4	10	22.2
Ecuador	4	8	4	12	26.7
Mexico	0	8	3	8	17.8
Peru	4	9	5	13	28.9
Dominican Rep.	4	6	3	10	22.2
Uruguay	6	9	6	15	33.3
Venezuela	10	14	7	24	53.3
Average	4.2	8.5	4.3	12.7	28.1
Korea	1	2	1	3	6.7
Spain	2	2	1	4	8.9
Philippines	0	8	5	8	17.8
Ireland	1	2	0	3	6.7
Thailand	0	2	2	2	4.4
Turkey*	2	7	4	9	20.0
Average	1.0	3.8	2.2	4.8	10.7

Source: Solimano (2006).

5. Social Policy, Risk Management and Migration; Goals, Agency and Instruments

An emerging topic of policy interest is the relationship between international migration patterns, risk management and social policies. An adequate understanding of the links between social policy and international migration needs to recognize various factors: (a) the multiple goals that social policy is expected to accomplish, (b) the variety of state and non-state organizations that can contribute to achieving the goals attached to social policy (the agency problem), (c) the main instruments and tools available to carry-out social policy. The main objectives of social policy can be listed as (see UNRISD 2006):

(a) Income support for low income and vulnerable groups (children, the elderly, handicapped, ethnic minorities).

(b) Formation and maintenance of human resources through education, health and pension expenditure.

(c) Redistribution of income and wealth to reduce inequality and promote social stability.

(d) Social protection, inclusion and promotion of social and women's rights.

The conduct of social policy and the provision of social services can be done at national, regional or local levels. In turn, the state is not the only agent that can provide social protection and support to low income groups and vulnerable people. These functions can be provided also by:

(i) Non-governmental organizations legally organized as non-for profits corporations.

(ii) Community groups, labour unions, clubs and neighbor organizations.

(iii) The family and friends.

International migrants, particularly those of low incomes, fewer skills, fragile legal status and who face cultural and languages barriers in the recipient country are a very relevant subject to social policy. The various objectives listed above for social policy are also valid for foreign immigrants. Adverse employment and income shocks affect migrant workers, particularly those who are poor and unskilled and have few assets (and limited capacity to borrow) to smooth-out consumption and maintain living standards in the wake of adverse economic conditions. Migrants, whose family size and birth-rates are often higher than natives, have a high potential demand for social services such as education, health, housing and pensions. Inclusion and the promotion of social rights are obviously very relevant for foreign workers and their families.

The political economy of social policy for migrants is worth considering. As mentioned before they are often a weak constituency and as a result, the level of social benefits accruing to them is bound to be lower than for the rest of the population. Another argument is that migrants may not pay direct taxes what makes the financing of social expenditure more difficult. However, in some migrant-receiving countries such as the US, migrants even those without a fully regularized residence status do pay taxes on a

regular basis and therefore indirectly finance social expenditure. In developing countries, indirect taxation is (for example, VAT) is often a main source of fiscal revenues and migrants pay these taxes. Also, migrants who work under contract in the formal sector pay contributions to social security.

The Complex Relation between Risk and International Migration

Social policy is, to large extent, *a system to manage risks* and other contingencies that affect the very poor, the working class, the migrants, racial minorities and the middle class. The relationship between international migration and risk is two-fold. On the one hand, international migration can be conceived as a way to spread and diversify labour market risks in the home country. On the other, migrants face a variety of risks and vulnerabilities that stem from being foreigners in the foreign country.

One of the most important risks faced by nationals and foreigners alike is related to adverse labour market outcomes (cut in jobs and wages). Other risks are health risks, the loss of property, and so on All these contingencies will affect individual and family welfare. People need to be prepared to cope with them.

An approach in the literature is to view international migration as *a strategy to diversify* risks, particularly labour market and macro risks that are very difficult to diversify for at least two reasons; (a) markets rarely have the capacity and the financial instruments developed to insure people against large labour market and macro risks and (b) the "welfare state" in developing countries often has a lower coverage of social groups than in developed countries. Moreover, its financial and administrative capacities are more limited, reducing its capacity to provide social insurance to the residing population. In this context, some theories view international migration as a mechanism to diversify labour market risks and increase the expected earnings of the migrant and his family (compared to a situation of absence of migration). As this mechanism (migration as risk diversification) may sound somewhat atypical as an insurance mechanism, it may be useful to elabourate a bit further on this concept.

The prevention of home-country risks through migration

The approach of “migration as a risk diversification strategy” assumes the family develops rational strategies to *prevent* risks. In this context, it becomes a convenient strategy for the family as a whole –if their resources and informational capabilities allow-- sending abroad some of its members (often the most educated) to more prosperous and more stable economies. In this way economic risks can be reduced and the income level of the family is increased as the host country is often a higher productivity economy. The theory predicts that the migrant, once he or she is integrated in the foreign labour market and is earning income will send money home (remittances) to contribute to the overall income level of the family (see Solimano 2004).[17] A qualification here: if the direct family (spouse, children) migrates along with head of family to the foreign country the need for sending remittances declines although other family members (the parents, brothers or sisters, and so on) may still continue receiving remittances from the migrant. More formally, in this model, emigration becomes a co-insurance strategy (against labour market risks, unemployment or cuts in salaries) and macro risks (inflation or variations in the value of foreign currency) in the origin country) with remittances playing the role of an insurance claim.[18]

An alternative way to see this process is to postulate that migration is a *response* to adverse shocks once they have already occurred. Here the decision of migration is not taken ex-ante but ex-post, say after an adverse shock has taken place. The shock may be a large recession that leads to cut in jobs and salaries; this will induce individuals and families to emigrate as a way to cope with the situation of lack of employment at home. The predictions of both theories are similar: people will emigrate to face economic downturns and periods of sluggish growth. In the first version of the model the decision to migrate is in the *anticipation* of adverse labour market developments, while in the other version of the model the decision to migrate *follows* the actual realization of an adverse economic outcome.

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[17] Conversely, for the migrant, having a family in the home country may act as insurance as bad times can also occur in the foreign country.

[18] As in any contract there is a potential problem of enforcement (for example, ensuring that the terms of the contract, are respected by the parties). However, we can expect enforcement is simpler, in principle, due to the fact that these are implicit family contracts, helped by considerations of family trust and altruism (a feature often absent in legally sanctioned contracts). See Stark and Levhari (1982).

Risks faced by the migrants in the recipient country

International migrants also face risks in the host (receiving) country. They live and work in a foreign environment, with different social rules and more limited family support and social networks than at home, moreover, many of them live often in a "limbo" legal status. We can identify several types of risks and needs facing international migrants in the host country:

(a) Economic risks such as losing a job and becoming unemployed, a cut in incomes due to a recession, losing the value of assets by a financial crisis and others.

(b) Property and natural disasters risks: an earthquake, floods, and so on

(c) Health risks due to illness, accidents and related risks.

(d) Maternity, childhood and ageing.

(e) Longevity risks. Besides ageing there is what is called an additional "longevity risk" associated with an *unanticipated* increases in life expectancy, due to improvements in health, that can lead to a shortfall of pension's income to finance expenditure at the retirement age. This is a new risk in the sense that people can fail to take into account "longevity risks" when making their savings plans under conditions of lower life expectancy. Furthermore, it is not easy to alter these savings plans ex-post.

(f) Legal risks. In some recipient countries immigrants have to wait for long periods of time before getting a residence visa; in a way they are in a sort of "legal limbo" in which they can not leave the country. In addition, workers and migrants without the corresponding working visa may face the risk of deportation and other legal hazards.

Over time people and societies have developed several individual and social mechanisms for managing some of the risks listed above:

(i) Self insurance;

(ii) Market insurance;

(iii) Social protection schemes provided by the state;

(iv) Risk coping through NGOs and community organizations;

(v) Family-provided risk management.

Self-insurance is typically the more obvious and common of the insurance mechanisms that the migrant uses to face risks. Typically, the migrant can save part of his earnings in liquid form to face contingencies and send remittances back home. Nevertheless, self insurance is often inefficient as the economies of scale of risk diversification through specialized financial instruments are not utilized. *Market insurance* may work well in providing instruments to insure against property risks, natural disasters risks, and health risks. Insurance against property-related risks are relatively standard, natural disasters risks are increasingly dealt with by insurance markets and private health insurance are offered but its cost (premiums) and coverage are an issue that certainly affects low income migrants. However, market insurance, as we have said, faces difficulties to provide instruments that insure against risks that are large and hard to pool such as macro and labour market risks (recessions, unemployment, and so on). Longevity risks can be coped with several instruments. In the United States there are the 401(k) accounts. These are retirement savings accounts offered by employers in which, unlike other savings instruments such as mutual funds and bank accounts, income and interest taxes are deferred until the money is withdrawn from the plan, which is usually at retirement, when people may be in a lower tax bracket. Another tax-deferred instrument like 401(k) or Individual Retirement Accounts (IRA) is an *annuity*. An annuity is a contract between a person and an insurance company (or another institution), under which people make a lump-sum payment or series of payments. Annuities typically offer tax-deferred growth of earnings and may include a death benefit that will pay your beneficiary a guaranteed minimum amount, such as your total purchase payments.

In developing countries these instruments are also emerging. For example, Chile offers APV (Voluntary Pensions Savings Accounts) to complement pensions, the ISAPRE system provides private health insurance and *Renta Vitalicia* (annuities) are offered by insurance companies. However, all these instruments are mostly for upper, middle, and higher income segments of the population.

The problem of cost, coverage and access to market insurance leads to *social insurance provided by the state*. Often the state intends to deal with macro risks. Unemployment insurance and public works programmes are oriented to deal with adverse labour market events. Public health systems are oriented to provide health care to low and middle income people. Public pensions provide income for retirement. The challenge is how to ensure fair access for immigrants to these public services due, among other factors, to the lack of adequate legal status of residence. *Social insurance through NGOs and community organization* is another alternative, or complement to state- and market insurance. These types of organization-based mutual support (*mutualistas* and cooperatives) are older than many market-based systems to deal with risks. *Family-support* is probably the oldest source of insurance. Social networks composed of family and friends are particularly relevant as sources of support among migrant communities.

Rights and Migration

Political and economic rights are often closely tied to citizenship. A person can vote to elect authorities and be elected for public office only if he or she is a national of the country. In some countries citizenship can be acquired and foreigners can take Ministerial positions in government.[19] However, most migrants (except those that become citizens) do not enjoy full political rights in the country of residence. In several countries of Latin America emigrants can vote in elections of their country of origin.[20] In general political rights are probably the less international transferable compared to economic rights. However, human rights (right to speech, to live, and so on) are recognized to be of universal validity.[21] Currently, there is a starting trend to recognize economic rights for people who move beyond national borders. For example in the XVII Ibero-American

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[19] In the US people that occupied important positions such as secretary of state were born abroad, for example, Henry Kissinger who served as secretary of state in the late 1960s and early 1970s was born in Germany. Madeleine Albrecht was also born in Czech Republic and served as secretary of State under President Clinton in the mid 1990s.

[20] An exception, though, is Chile. Chilean nationals residing abroad are still not entitled to vote in national elections held in Chile.

[21] In fact, the doctrine of rights embedded in the UN charter and the Universal Declarations of Human Rights in 1946 gave a vision of a world grounded in the respect of law and respect for human rights by all governments. In turn, the universal declaration of human rights was turned into international law in 1976 into two covenants: one for civil and political rights and the other on economic, social and cultural rights.

Summit of Presidents and Heads of State held in Santiago, Chile in November 2007, most governments of Latin America, Spain and Portugal have signed a multilateral agreement for the transferability and "export" of pensions oriented to recognize the contributions of pension payments that an individual and his family may have done in their country of origin or destination and that can be credited at the time of retirement.[22] The specific modalities vary and can include the actual transfer of funds to the pension system of another country for which a pension agreement exists or the deposit of pension payments in a designated financial institution.

6. Research Issues and Country Studies

The link between social policy and international migration is an emerging subject for which more knowledge is needed. In this paper we have tried to shed some light on the various dimensions of the relationship. Research in this direction may include country studies; these studies could consider the following elements:

(a) It is important to have some estimate of the magnitude and composition of the stock and flows of foreign population living in a recipient country (immigrants) and the stock and flows of nationals abroad (emigrants) from the perspective of the origin country. Then it is important to identify to what extent the state of the host or the home country, or other organizations, provides social protection to immigrants in which areas and for which types of risks.

(b) There is a need to know the legal status of the foreign population as in many cases access to social services have as eligibility criteria the proof of resident status and/or valid work permits in the host country.

(c) Define the set of social policy variables or dimensions (health, education, pensions, rights at work, and housing) that we want to study in terms of the access for immigrants/emigrants. Also of interest would be to know the extent to which the foreign population has access to social protection schemes such as cash transfers, meals for children at school, emergency employment programmes, schools and health facilities and others.

[22] The agreement still needs ratification by parliaments of member countries.

(d) A separate category would be that of "rights at work" for foreigners. This could include access to unemployment insurance, holidays, health insurance provided by employers and maternity leave, and so on.

(e) Identifying programmes by the country of origin of the migrants that provide legal and social protection to the emigrant population (consular and legal support, and so on). Mexico has some programmes in that direction oriented to their emigrant population in the United Sates.

(f) Another very important issue, discussed before, is the portability of pension benefits for migrants and medical insurance.

(g) An indication of the fiscal impact of the access to social services and social protection schemes by the foreign population residing in the host country may be of interest. Also an estimate of the tax-revenue potential tied to the immigrant population is needed. Of course the feasibility of this will depend on the availability of the relevant information.

(h) The effects of immigration/emigration on local labour markets are an important subject. Immigration tends to increase the supply of labour in the recipient country which can be positive for economic growth, particularly in countries that have shortage of labour in certain activities. In addition, immigration moderates or even depresses the real wages of native workers of comparable skills. This may be a source of resistance for immigration by labour unions but also of support by employers association seeking to reduce labour costs through more liberal immigration policies. In addition there is a public finance effect of migration as indicated in point f) above.

(i) In the origin country the emigration of qualified professionals, exit of entrepreneurs and professionals has been a traditional source of concern, usually related to the "brain drain" phenomena. More recent analysis cast in terms of talent mobility (see Solimano 2008) and give more emphasis to the potential benefits for both origin and destination countries of the transfer of new skills, contacts, market access, technology and capital associated with the circulation of talent.

7. Final Remarks

In the second half of the 20th century, in contrast with earlier periods, Latin America became a region of net emigration (emigration outpaces immigration) to the rest of the world. At the same time there has also been a growing flow of intra-regional migration among economies with common borders, common language but significant differences in per capita income among them. An important factor driving extra-regional migration from Latin America is the persistence of large development gaps and differences in economic opportunities with more advanced economies such as United States, Spain, Canada and other high income countries. The slowdown in aggregate regional economic growth in Latin America in the last quarter century,[23] along with recurrent economic volatility and limited social protection, contributed in most countries toward maintaining the development gaps and created or maintained incentives for extra-regional migration. Disparities in economic performance within the Latin American region with significant cross-country income per capita differentials also encourage intra-regional (South-South) migration.

The increased flow of people across national boundaries introduces new challenges to the design, management, eligibility and financing of social policy and social protection schemes in the receiving countries. However, origin countries also have a responsibility to protect their citizens abroad. It is apparent that a more inclusive social contract must incorporate the migrant population. International migrants often face various sources of vulnerability arising from changing macroeconomic conditions, the labour market, health, legal and longevity risks. In this paper we show that these risks can be mitigated through a variety of private, public and community mechanisms such as self-insurance, family and network support, market insurance, social insurance by the state or by NGOs and civil society organizations. In addition, migration often leads to increases in the demand for social services and provision (such as education, health, housing or pensions) in the receiving countries both in the "North" and the "South". Also, governments in the origin country should consider more actively the welfare and social needs of their population residing abroad. In some Latin American countries nationals can not even vote in elections in their home countries. Areas of support by the home

[23] The economic boom of the last four years driven by high commodity prices has been an exception to this general trend.,

country government (some need coordination with the host country government) include consular and legal advice for migrants, international portability of pensions and health insurance and other services. Along these lines, an international agreement regulating pensions systems and portability among Latin American and Caribbean countries, Spain and Portugal, was signed in late 2007 in Santiago, Chile.

It is apparent that the financial, institutional and legal capacity of conducting social policy to deal with the migrant population has to be increased particularly in receiving countries. This requires, first of all, political will and a degree of internal consensus to make these policies sustainable. In addition, there is a fiscal dimension associated with extending benefits to migrants that has to be considered. The links between paying taxes and the entitlement to receive social benefits have to be examined in light of the new demand for social protection by the foreign population and its tax-paying capacity. This must be based on considerations of fiscal sustainability, social equity and fairness. Furthermore, issues of transferability and recognition of social security payments among countries is a new reality that social security systems have to face in a world of increasingly mobile population. Expanding the scope and instruments of social policy in a world with an increasingly mobile population is a major new challenge for the twenty first century.

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