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International labour migration and reproduction of inequalities: The Latinoamerican Case

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*** Although the author works at the United Nations, in the Department of Economic and Social Affairs, his views and analysis belong to his own, and do not represent necessarily the views of the organization.**

Labour migration from Latin America and Caribbean countries is rooted in multiple inequalities and increased informal employment. Historically, access to education has been an important source of inequality; while currently a secure employment has become even more elusive than education. At destinations, low and skilled migrants' livelihoods often become part of wider trends of inequalities, while a more complex pattern of inequalities is reinforced at origins. Improved livelihoods of remittance-receiving families stand out in the midst of widespread poverty, while money liquidity leverage activities of oligopolistic businesses in the productive and financial sectors. Moreover, Latin American governments get addicted to remittances to finance current account deficits and for support trade liberalization policies.

A bigger town, a bigger city “gives you progress.” In a day of the 1940s... in an Andean town... women boiling coffee in a dark kitchen for men going to work... children watching them, “adults first, they have to go to work”... Brown skins walking towards work with a look of purpose in their eyes.

Migrant men going to work in the mines, young women going to work as domestics... They all share something in common: they are on the move.

Farmers had migrated to a mining Andean town, where he/she has the expectation to “*progresar*” [reach progress], if not for them definitely for their present and future children.

One day in the 1960s... Andean men living in the capital Lima of Peru... taking early breakfasts from a street-vendor, a migrant woman like them... “how much?” Paying the bill or indicating to write it down in the notebook for weekly credit... and quickly walking to their factory jobs or swiftly taking the public bus with the same purpose.

Latino immigrants recently arrived in NYC... some with a paper of street directions in their hands... taking the No. 7 train in Queens to arrive to a factory shop in Manhattan. Once arriving in Manhattan... “habla usted español, por favor?” [do you speak Spanish, please?] They are trying to find their way to arrive to work, the reason why they came here in the first place. Ofelia of 18 years old indicates that “I am working as a waiter this year to save and begin college next year...” Julian of 30 years old also stresses, “in six years living in New York I was able to study technical nursing... but my children will study a higher level... meanwhile I send money for them and my wife in Veracruz.”

This paper sheds light on the analytical meaningfulness of these stories. These are people with a purpose in their minds and hands. Migration of these people is never a single step forward, these are often several. It is labour mobility in a pro-active fashion in particular of the so called ‘unskilled’ migrants. Although the thesis of Kapur & McHale (2005) can still hold on the inverse relation between emigration of highly skilled and inequality, the question remains if highly skilled labour in careers not favored by globalization e.g. social sciences, or highly skilled from smaller Latin American economies not surveyed would join the fate and ranks of low skilled migration at destinations. The paper argues

that inequalities at origins act largely as a motivation for international migration of low skilled and some high skilled labour excluded of increasingly elite labour markets, both often pushed to participate on informal work at origins. Demand of immigrant labour at the top and lower scale of occupations at destinations favors this trend. Labour arrangements at destinations will not always include formal means, however, particularly for the low skilled immigrants, while temporary work-permit visas for the highly skilled can often be used in exchange for accepting lower working conditions. For these migrants, migration is also an effort for not remaining “less, lower than others [in the world]” and the opportunity to move to a global city is the possibility to make that possible. To be sure, however, efforts to leave backwardness through migration, in the minds of migrants, also mean expectations for a more secure job and income. And yet, cities also become places where some of these dreams can remain imaginary or even stall (Mahler 1995).

Nowadays, it is perhaps more evident that mass labour migration to global cities (Sassen 2001) is not a mechanism for equalizing wages. The paper rather argues that migration is a mechanism that deepens inequalities at origins while reinforcing wider trends of inequalities at destinations. In this sense, it sheds light on how labour migration is at the center of the reproduction of three complementary processes of inequality, therein revealing why labour migration is an outcome/component of various dimensions of inequality rather than a mechanism to bring development to countries of origin.

- 1) Underlying inequalities of access to education, and informal opportunities in labour markets at origins
- 2) Recreation and reinforcement of mechanisms of wider processes of inequalities in, largely, cities of destination
- 3) Reinforcement of inequalities at places of origin, directly and indirectly, by the transfer of remittances at the local, regional and national levels.

The paper, however, does not intend to portray the story of all Latino migrant streams, all of which as we can assume, obey to different conditions and particular processes involved. However, it does want to highlight some common trends among them alongside the reproduction of wider inequalities in labour markets and at the national level in countries of origin.

Part 1: Underlying inequalities of access to education, and informal opportunities in labour markets at origins

Opportunities for secure jobs that came with the ‘Golden Age’ during the 1950s and 1960s for upwardly mobile rural migrants to Latino American cities has increasingly dwindled from the late 1970s onwards, in particular for some South and Central American countries, so the children of these migrants, many times better educated than their parents, have been facing economic and social insecurity, while working in informal jobs. The result is that these sons and children of earlier internal migrants have unleashed a new wave of international migration while they continue to be the frontline candidates for increasing international migration.

Push and pull factors have been common features in studying the causes of migration. They all remark the *necessity* element for leaving families, peers and birthplaces. In general, low and high skilled migration likely differ in their motivations, entry mechanisms, and opportunities for assimilation. Kapur & Hale 2005 rightly make the difference between the skilled and the 'elite' skilled migrant for the case of the USA, to emphasize that the immigrant component of the labour force has often a higher share in both segments of the highly skilled. For the reasons above mentioned, low skilled migrants, most of them from the ranks of the poor at origins, and increasingly using informal channels, have arrived at destinations in larger numbers for the past twenty five years or so. Key sectors such as agriculture, food processing, construction, cleaning and garment industries have demanded their labour. The cooks, tailors, seamstresses, cleaning and construction workers whom we daily cross in the streets and trains of NYC and LA, or more recently in Denver and Atlanta, bare witness of this trend.

Although the positive selection hypothesis of migration might still hold, an open question is whether mass international migration of low skilled labour have also been as similarly mobile as highly skilled labour. Low skilled migrants have been motivated for earning more than at origins, but more importantly for sending remittances to their families. Remittances have been used to pay the cost of financing immigration, but equally important, to spend in food, education, health and better housing conditions (Adams 2006).

Mass labour migration is rooted in the unequal access to education and increasingly informal employment and eroding working conditions for a sizable part of the labour force in Latin America & The Caribbean (LA&C) countries. The World Bank report 2003 points out the inequalities in accessing education particularly along ethnic (a euphemism for race) and gender lines for countries in LA&C. Public education for primary and secondary schooling in most of Latin American countries only by exception has been free, and it has always been that way. Registration fees, books, notebooks, and other utensils necessary for children's learning have to be fully financed by parents. The classrooms are often overcrowded and not staffed with qualified teachers. In poor neighborhoods, it is not rare that construction of public schools and acquisition of desks and equipment have to be financed by parents themselves. No wonder why in countries where poverty is spread out, the rates of school dropouts and illiteracy are also high. Parents would not have the means to afford these costs. Even so, schooling in the capital cities of countries were better equipped than in provinces, so these cities acted as a magnet for migration. In contrast to this picture, the rich and the middle class, separated from the rest along ethnic and class lines, have typically had the resources to send their children to private schools. These schools, located in elite neighborhoods, were typically adequately provided with good equipment, laboratory utensils, library, small classrooms and better educated teachers. For the rich and the middle class the difference of living in a province or in capital cities of countries has hardly been as abysmal as for the poor, and instead a question of choice of a residential place with similar standard of living and privileges.

On the whole, however, up until the mid 1970s internal migration from rural areas to cities of “education-minded” parents made possible that children get higher education than their migrant parents. Thus from the late 1970s onwards some Latin American countries should have had the opportunity to harvest this higher schooling attainment. However, around that time increasingly jobs became even more elusive than education, with a ‘skill twist’ in the occupational structure, with opportunities for regular jobs in only a few specific careers such as ICT and business management. Highly skilled of other careers often commanding better resources than the low skilled, such as information, money and job contracts, have been migrating by using formal and informal means. However, migration of less skilled labour has been massive and increasingly using informal means. Enough accumulated knowledge of opportunities in “*el extranjero*” [foreign cities], informal employment at origins, sufficient gathering of family resources (informational, material and contact at destination), and persistence in searching for “progress” have increasingly unleashed larger flows of international low-skilled migration for the past twenty five years or so. For both, low and highly skilled, formal and informal demand for immigrant labour in destination countries have been present, contrary to current discussions that primarily center on the demand of skilled migration. While different countries of origin have different rates of emigration, since increasingly there are fewer cities that act like ‘magnets’ for immigration, the shares of the immigrant population and labour force have increased in destination countries (UN 2004).

Similarly, the IADB 1998 study remarks the importance of education in the formation of inequalities in Latin America. So, does migration come out from unequal societies? Low skilled migration from LA&C countries, a region catalogued as the most unequal in the world, particularly from South and Central America has spread rapidly to most of the developed world, including the US, Western Europe and Japan. Other factors combined such as geographical proximity (pull), economic shocks (push), and historical/ethnic linkages (pull) might heighten the migration propensity incubated by inequalities in LA&C. A survey in November 2005 conducted by the Universidad de Lima reveals that over 60 per cent of the young people between 18 and 27 years old in Peru would like to leave the country. Similarly, the survey conducted by Chiroque 2005 reveals that 75 per cent of Lima residents would also leave the country if giving the chance and having the means for it. In Mexico, over 45% of people interviewed would leave the country if given the opportunity to do it or had the resources necessary for it (Suro 2005).

But why inequalities are important for international migration today and not before? For many countries in LA, from the early days of the post-war up to the early 1970s -- passing through the acceleration of modernization during the ‘Golden Age’ of capitalism -- internal mass migration processes from the countryside to the city outweighed largely international migration processes, and had to be experienced first. Afterwards, information on opportunities to work overseas and earn “dollars” or “euros” has become part of the general knowledge. All this occurs in the midst of increasing trends of globalization in trade, finance and information flows, which increase the probability (from the point of view of the potential migrant) that migration can be a successful family

project, while including the expectation of sending/receiving remittances. Remittances often in hard currency represent higher purchasing power for the receiving families.

With some variations among countries, informal employment has been growing at rapid pace in LA&C countries. Overall the contribution of the informal economy to GDP of LA&C countries is about 31%, which is mostly explained by the non-agricultural activities (Charmes 2006). In particular, economic “shocks” during the 1980s and 1990s heightened the growth of the informal economy. The cases of Brazil, Argentina, Ecuador and Peru point out some of the most notable examples. Data for Mexico shows the decreasing trends of wages and formal employment between 1981 and 1998 in both agricultural and non-agricultural activities (Palma 2003). Women occupations, in particular, become more economically insecure as Beneria & Floro 2003 show for the case of Ecuador and Bolivia out of household and individual workers sample data collected of poor urban households.

Household surveys’ data for 21 LA&C¹ indicate that unemployment rates rose during the 1990s and by the early years of the new millennium countries in the Caribbean and some in South America with a large rural sector had rates above 12% e.g. Argentina, Colombia, Dominican Republic, Haiti, Jamaica, Nicaragua, Uruguay and Venezuela. Unemployment is significantly higher for the youth than for prime-age individuals, and roughly the same for the unskilled and skilled workers. Most countries experienced increase in the share of self-employment during the 1990s, by and large informal employment, particularly in Colombia, Panama, Paraguay, Uruguay and Venezuela. In fact, the unskilled self-employed has been the largest group (above 25 per cent) in Bolivia, Colombia, Dominican republic, Ecuador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, Peru and Venezuela.

More than half of LA&C workers have a job in a small firm, which typically tend to have informal or semi-formal arrangements of labour contracts; and in poor countries of Central America and some in South America (Ecuador, Peru, and Bolivia) small firms employ no less than 60 per cent of the total labour force. Notably, employment in manufacturing and primary activities shrunk during the 1990s in most countries of the region, which for the poorest countries represent over 30 per cent of the working population. On average for the region, informal workers are poorer than formal workers, thus household income adjusted for demographics is lower for informal workers. While 5 per cent of formal workers are part of the poorest quintile of the household per capita income distribution, the share is 22 per cent for informal workers; conversely, while over 40 per cent of formal workers belong to the top quintile, only 15 per cent of informal workers manage to get there (Gasparini & Tornarolli 2006).

While this picture largely portrays the main reasons behind the scale of mass low skilled migration, it does not specify enough on skilled migration. In this case, inadequate salary

¹ Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Suriname, Uruguay and Venezuela. Most surveys included in the sample are nationally representative, except three of them (Argentina, Uruguay and Suriname).

levels, lack of appropriate equipment and deteriorating working conditions in some Latin American countries prompt skilled labour to international migration. Expectations for career development would be higher in cities of developed countries, so medical doctors, nurses, engineers and teachers leave their countries. Brain drain from many Caribbean countries has become the epitome of this type of labour flows, particularly when it originates a gap of essential professionals at countries of origin, as the case of Jamaican medical doctors for example. Between 50 and 80 percent of all college graduates from several small countries in Africa and the Caribbean live abroad. The lure of a well-paid job in a wealthy country is a powerful driver of international migration, which has intensified as inequalities among countries continue to grow. Gender inequality also plays a part. Highly-skilled women in migration flows are higher than the number of male migrants in developed countries. A much better status in developed countries than in developing ones, would spur women to move (UN 2007).

Similarly, some teachers of Mexico often working part-time as taxi drivers in the capital city often consider doing the same trade full-time but earning in dollars in California or Texas. A survey I conducted in New York City indicates that about a third of South American undocumented migrants had at least two years of college education when arrived. On the whole, however, skilled labour has more chances to enter legally to cities of destination either because they get scholarships for advanced studies, have relatives who can sponsor them, or are able to obtain visas for temporary/permanent job contracts at destinations.

Part 2: Recreation and reinforcement of mechanisms of wider processes of inequalities in, largely, cities of destination

The analysis above provides the main reasons why migration from LA&C countries have a seemingly polarized picture, with low and highly skilled components, which reveals two trends:

- a) the character of demand of immigrant labour in destination countries, shown in statistics for the US occupations (Orr *et al.* 2007);
- b) the wider inequalities of earnings and opportunities at destinations where immigrant labour arrive

More importantly, immigrants working in the low ranked occupations become part of a quasi 'third' labour market sector, where working conditions, wages, legal status, place of residence, language and life in general put them apart from the mainstream labour force and the rest of the population. Immigrants in low-skilled occupations are employed in food processing, garment industry, construction, agriculture, and low skilled services; often earning low or below minimum legal wages; living from 4 to 8 family members and friends in single bedroom apartments to reduce the rent cost; do not speak English or get by only with the help of children, and in the case of the undocumented, living in fear and alertness to avoid potential deportation from random police check of immigration status in streets and workplaces where they frequent (Jayaraman & Ness 2005). The IADB 2007 survey of Mexicans and Central Americans living in the USA reveals that the biggest problem that immigrants and their families face is discrimination, superseding

other problems such as low salaries, cost of living, lack of jobs and lack of access to affordable healthcare.

In addition, during the last twenty-five years or so, the highly skilled (educated) of only a few careers e.g. business administration, law, medicine, computer systems, have been more employable and with better labour conditions than the rest -- other skilled and less skilled workers. Thus professionals of other careers are likely joining the ranks of people who would not have better choice than leave their countries.

For the USA, increasingly the flows of immigration coming from LA&C countries have been undocumented since the late 1990s; while the flows of documented LA&C migrants were reduced during the period 2000-2004 (PCT 2007). From interviews to Latino immigrants, I gathered information on the cost of informal immigration. The cost of informal passage to arrive to destinations in developed countries has increased for the past twenty years. A trip from Mexico DF to Los Angeles today is between US\$ 500 to 1 000; from Mexico DF to New York City US\$ 1 500 – 2000; depending on the degree of security and support you can get along the way. In 1989 this costs were between US\$ 300 and 800 dollars. A trip from Lima to New York City the cost is between US\$ 8 500 and 10 000; and between Lima and Milan in Italy about US\$ 6 500 – 8 000 dollars. In 1989 the cost for the former was about US\$ 4 500 and for the latter US\$ 5 000. These figures have been gradually increasing, mainly according to allegedly higher police control at the borders.

Latino immigrants using informal means for immigration then would have to pay back these costs to the people who sponsor them. These are typically family members and close friends. As mentioned above, insecure jobs, inadequate labour conditions and overcrowding apartments will have to be endured in dreaming for a better future for migrant and their families at origins. Later on, if they are able to bring their family members to destination cities, immigrant family members know that better chances, if not for them, for their children's future exist. For the rest of family members at origins, the future might more complex, since personal earnings would likely be complemented with remittances received, thus helping to reduce economic insecurity at home. At destinations, however, low skilled immigrants reinforce inequalities in these countries by becoming part of a quasi-third tier in the labour market, with lower wages than natives at equal qualifications e.g. construction, cleaning services, waiting tables. The undocumented status of migrants prompt them to accept labour conditions and wages often below legally established norms, while the precariousness of their work arrangements make their livelihoods highly insecure. Some of the immigrants then will decide to work as day laborers on some corners in Los Angeles, New York City and other US cities, with similarly insecure conditions but with some room to set their salaries (Valenzuela Jr. 2000).

So, why then does immigration happen when insecurity is present in both countries of origin and destination?

Immigrants arrive at destinations not necessarily to live the 'American' or 'European' dream. Quite in contrast to traditional wage differential theories (Todaro 1969), these differences serve only as reference for the family and entrepreneurial projects that immigrants have. Immigrants do not only leave unemployment and underemployment situations at origins to arrive to expected secure jobs found at destinations after a reasonable period of time. Immigrants are increasingly engaged on a regular basis in informal labour arrangements or in jobs with restricted social benefits at destination cities of developed countries. Although this situation is particularly acute for less skilled workers, it also involves immigrant skilled workers since the trend for less secure labour contracts is part of a larger trend in the labour markets, while it has become more restricted the issuance and renewal of H-1B work visas. Immigrants having to endure low wages and inadequate working conditions often do not reap those wage differentials at destinations. Remittances will make effective those differentials by allowing higher purchasing power to receiving family members, since remittances are in hard currency e.g. dollars, yens and euros. In addition, the value of these currencies is typically less unstable than local currencies, which often suffer periodic devaluations during any year. Notably, empirical evidence reveals that remittances flows to particular countries suffering from covariate shocks (e.g. economic, conflict and *un*-natural disasters) rise during and after these events. Remittances act as a cushion against these shocks since transfers tend to soar after hurricanes such as the Mitch in Honduras and Nicaragua; during armed conflict in Guatemala, and after earthquakes in Central America and Peru (Terry & Wilson 2005; IOM 2004).

Results of interviews to 60 immigrants for the past two years in New York City, particularly in Queens, reveals that it is the expectation of sending remittances to families in countries of origin that forcefully motivate immigrants to stay at cities of destination. Surveys conducted in 2004 by the IADB indicated that one third of Mexican and Dominican immigrants decided to send remittances right after arrival in the USA, while over 36 per cent planned sending remittances before immigrating. In the case of a more recent stream, 83 per cent of Ecuadorian immigrants planned to send remittances before immigrating, having left their country after economic and environmental shocks during the period of 1998-2001. The propensity in sending remittances seems to be more pronounced for undocumented immigrants, since costs of entry and uncertainty of seeing their families again are higher. The same survey reports that 80 per cent of Mexicans send remittances on a regular basis. While inadequate working conditions at destinations are often translated in residential segregation and crowded living conditions, these are calculated (although sometimes conflicting) trade-offs in exchange for being able to send remittances (Julca 2005). Further research should shed light on the assessment process that immigrants follow: do they reassess their family projects at destinations following the work conditions found? How different is this process for different immigrant streams? Are immigrants continuously assessing conditions at origins and destinations to determine amount and frequency of remittances?

As the time passes, immigrants might expect that wages and working conditions might improve enough for investing more heavily at destinations, although that varies for different immigrant streams as well as according to the legal residential status they have.

In particular, for undocumented immigrants the expectation that working and living conditions at destinations will change, in the case of the USA, is uncertain. This situation is different for undocumented Latino immigrants in Italy, Spain or Greece, countries which have periodically opted for their legalization during the 1990s.

As mentioned above, the irregular situation of undocumented immigrants in terms of the legal status and working conditions at destinations act as a further incentive to send remittances, which is seen as the only benefit of staying. More even so since September 2001 because 'homeland security' type of actions have targeted immigrants and their neighborhoods in general, and undocumented ones in particular, for random check ups and interrogatories. Recent analysis of census data published by the Center for Immigration Studies (CIS) in Washington indicates that an average of 750 000 of undocumented migrants might have annually arrived during 2001-2007;² which confirms earlier estimations made by Passel et al. 2006. Though the Center focus on the liabilities brought by increasing number of low-skilled immigrants in the US, many of them undocumented, it does overlook the fact that they often work under stressful labour conditions with wages below the legally minimum, and that surveys conducted by the IADB 2004 indicate that Latino immigrants on average spend about 75-80 per cent of their salaries in the US, thus contributing with indirect taxes and social security regardless of their legal status; while remittances to their countries of origin take the rest left. More importantly, immigrants topple natives in the top level of education and in high skilled occupations such as professors, physicians, surgeons, and computer scientists.

Low skilled immigration has been reinforcing wider trends of inequality in the US (see Galbraith 2007). Low Wages and precarious living conditions have been the most visible manifestations, with adverse effects on health and school situations for immigrants themselves and their children, many of them US citizens. The same report of the CIS indicates that 30 per cent of all immigrants and their children lack health insurance, compared with 13 per cent of native-born US Americans. One of every three uninsured people in the country is an immigrant or a young-American child with at least one immigrant parent; while immigrant families account for about three-quarters of the increase in the uninsured during the past 15 years.

Part 3: Reinforcement of inequalities at places of origin, directly and indirectly, by the transfer of remittances at the local, regional and national levels

This part focus on money remittances, leaving aside remittances transferred in term of goods and services. In this sense, remittances from LA&C immigrants to countries of origin have risen quite rapidly for the past three decades, reflecting the increasing flows of migrants, but also the improvement in the quality of remittance statistics. The volume of workers' remittances sent to Latin American countries represented about 40 per cent of the volume sent to developing countries, and on average remittances per capita for the region is about US\$700 dollars (IADB-IFAD 2007). Remittances serve not only for improving food intake and reduce extreme poverty, but to afford investment in education and health expenses (Adams 2006). Remittances can provide the household with capital

² NYT, Thursday Nov. 29, 2007

and income security for productive activities such as agricultural production or microenterprises. In Mexico for example, about a fifth of the capital invested in microenterprises comes from remittances (UN 2007).

However, while remittances serve to improve the livelihoods of receiving households, they on the whole serve to reproduce inequalities along several dimensions. At the community level, by diverging the fate of the receivers from the well-being of non-receivers. Taylor & Wyatt 1996 argue that inequality in the short term is a likely effect for migrant-sending communities. In Mexican villages it was observed that 83 per cent of households receiving remittances owned the home where they lived, while it was only 30 per cent for non-receiving remittance households (Terry & Wilson 2005). In the medium term results are less clear, as multiplicative effects can level off earlier inequalities. Yet, historically unequal distribution of resources and decision making might be reinforced by remittance flows.

In fact, in LA&C economies with typically a high concentration of production and finance in a few firms, money remittances likely end up leveraging the economies of the wealthy rather than of the poor. Thus the potential multiplicative effects can get reduced. Although money remittances lose their first identity after leaving the receiving household to become just money in circulation, remittances are still present in the form of additional money circulating in the receiving economy. The new reincarnation of money remittances circulating as hard currency or exchanged for local currency, supports demand of goods and services in the economy. This process is mediated by formal financial intermediaries, which hold part of this money as savings from individuals and firms. From here, money remittances become less visible, although they will likely serve to increase the flow of potential credit for production and consumption at the regional and national levels. However, since credit in LA&C and other developing countries has historically been concentrated in a few firms and individuals who have access to the financial system, the extra-liquidity generated by remittances would often end up with central banks purchasing this from the private sector.³ Moreover, in LA&C countries often one or two cities concentrate the bulk of the economic and financial wealth, adding to the inertia of the economic system to be able to use the extra liquidity generated by remittances. Mexico City, for example, generates one-third of Mexico's gross national product; and São Paulo, with 10 percent of Brazil's population, contributes with 25 percent to the net national product.

Governments from receiving-remittance countries can become addicted to these extra flows of hard currency since they can be used to finance imports and reduce current account deficits. More importantly, remittances can be used to finance growth strategies based on trade liberalization policies by financing exports for the world market (e.g. coffee) while importing cheap food and other commodities (e.g. corn). These processes further accentuate trade deficits and internal production inertia. In fact, the increasing flow of remittances in Mexico have prompted several administrations to overlook the increasing dependence on food imports, directly affecting the agricultural sector, whose

³ Six major commercial banks hold most of the remittance market in Philippines for which 7.5 million Filipino overseas send an average of \$2 500 dollars each annually (Kabbucho, Sander and Mukwana 2003)

labour force has continued migrating to El Norte. The production of corn in Mexico got reduced during the 1990s, thus affecting the poor for whom it is a basic staple and source of employment. Moreover, the increase in demand for corn to be used as a new source of renewable energy has increased its price, further hurting the livelihood of the poor.

However, further studies are needed to track the circulation of money remittances through formal financial channels and productive sectors. Studies on remittances have focused on sending places (first mile) and receiving end (last mile), overlooking the linkages between the local and national levels. To be sure, however, the study by German Zarate-Hoyos has explored an approximate estimation of multiplicative effects of remittances for the Mexican economy. The study finds that a dollar of remittances can generate two dollars in direct (first round) and indirect (second round) effects; urban activities were more important in the first round, while rural activities took preeminence in the second round. A highest multiplier is found in the services sector, including construction (1.02), while multiplier effects in the industrial and agricultural sectors are of less importance (0.16-0.36). The study however, does not test the model with counterfactual policy “shocks” that can make those effects further positive for the local and regional economies, for example (Terry & Wilson 2005).

Nonetheless, enough evidence exist of the ‘excess’ of liquidity generated in countries with a high share of remittances in GDP e.g. Guatemala, El Salvador, Honduras, since local currencies have been pressed to reevaluate, prompting some specialists to call this phenomenon as the “remittance disease” (Sanchez 2005). Pressures to reevaluate local currencies can be translated into inflationary pressures, which can further give rise to distortions in the composition of goods and services of foreign trade. On average, remittances received by LA&C countries represent 3 per cent of the GDP, and 13 per cent of exports (IFAD-IADB 2007). The proportions vary for each country, although smaller and poor countries have typically higher remittance shares with respect to GDP e.g. Grenada, St. Vincent & the Grenadines, and Honduras with 31, 26 and 25 per cent respectively, while Mexico, Argentina and Brazil’ shares are 3, 0.8 and 0.3 per cent respectively. And yet, in the case of Mexico, remittances flows represent the second large source of foreign exchange, behind oil revenues for exports, and higher than foreign direct investment and ODA. The importance that these figures represent translates the significance of remittances for helping to finance fiscal budgets and current account deficits. Along these lines, the share of remittances in net transfers of external finance for LA&C countries represent 51 per cent, second only to the South Asian region with a share of 83 per cent (Munzele & Ratha 2005).

Without policies directly to address the problematic of remittances, the addiction to them can be a risky business while deepening vulnerabilities for receiving countries by 1) revealing the precarious and unequal economic and social situations in which countries of origin are involved, and 2) flows might get suddenly reduced for ‘shocks’ occurring at sources of remittances. There are examples of a sudden reduction of remittances in other regions during the end of the oil boom, while the recent 2007 stagnation of Mexican remittances might be a sign of could happen.

The understanding of these three type of dynamics analysed in the paper might help to better map migration systems in the context of various dimensions of inequalities, while perhaps also questioning some premises on the causes and impacts of labour migration.

Conclusions

1. Historically, inequalities in Latin American countries have been mainly instrumented through unequal access to education. Nevertheless, previous processes of modernization and internal migration have generated a sizable number of educated people. And yet, dreamt jobs for these people have become increasingly elusive for the past three decades, so working opportunities in foreign countries have become feasible given the demand for immigrant labour at destinations, be this highly skilled or low skilled labour. The increasing feasibility for gathering formal/informal resources to finance migration and the use of ICT to keep links with origins make labour migration a persistent phenomenon. Wage differentials between origins and destinations represent merely a referential framework because immigrants are primarily motivated by the expectation of sending remittances to origins, at almost any wage and working conditions that this could take.
2. At destination cities, immigrants by and large reinforce wider and growing inequalities as well as labour informality. In fact, immigrants become a 'third' sector in the labour market, with lower wages and inadequate working conditions (legally and safety related) relative to natives, while residential segregation seals the character of their livelihoods.
3. Remittances at origins serve to reduce extreme poverty of receiving family members. However, this positive outcome penalizes non-receiving families, reinforcing inequalities at the local level. The further circulation of remittances in the formal financial sector serves to increase the concentration of finance and production in a few firms while leveraging liquidity for their activities. The excess of liquidity at the national level exerts pressure to reevaluate local currencies, while governments become addicted to remittances to finance current account deficits and trade liberalization policies e.g. import of goods and services.

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