



## Migration, remittances, labour market and human development in Senegal

By Ameth Saloum Ndiaye, Oumoul Khayri Niang, Ya Cor Ndione and Erick A. S. Dedehouanou

In 2012, with support of the UK Department for international Development (DfID or UK Aid) and the International Development Research Centre (IDRC) of Canada, PEP launched a new program to support and build capacities in “Policy Analyses on Growth and Employment” (PAGE) in developing countries.

This brief summarizes the main features and outcomes of one of the projects supported under the 2<sup>nd</sup> round of the PAGE initiative (2014-2015).

In this study, local researchers in Senegal seek to understand the effects of migration and remittances on labour market participation and human capital development

### Migration and remittances in Senegal

Once a country of immigration, Senegal is now an important country of emigration (IOM, 2014), and the phenomenon affects a significant/sizeable part of the country’s population (ANSD, 2013). For the period 2010-2015, the net migration rate in Senegal was -1.4 migrants/1000 population – i.e. more people have left the country than entered it (UN Department of Economic and Social Affairs).

According to Goldsmith and al. (2004), migration in Senegal is mainly motivated by the search for better employment and living conditions. In particular, it is often an alternative for young people facing unemployment who hope to alleviate the financial constraints on their households - i.e. by sending remittances they feel in a better position to help out rather than to stay at home not working. .

Indeed, the high level of migration in Senegal comes with a high volume of remittances; up to 1,652 million dollars in 2013 - approximately 11.2% of the GDP (World Bank, 2014). In absolute terms, Senegal ranks third amongst remittance-receiving countries in sub-Saharan Africa (Gupta et al., 2007), and first in the Franc Zone (Ndiaye, 2010). It should also be noted that there is a significant decline in the use of informal channels for remittance transfers (AfDB, 2008).

Increasingly aware of the challenges and opportunities related to migration and remittances, the situation was becoming a major quandary for the Senegalese Government (Deniel,



2013) who decided to create, in 2003, a new Ministry for Senegalese living overseas – i.e. to manage, protect and promote Senegalese living outside the country.

Ten years later, the structure had expanded to include a Directorate General, whose core mandate is to channel migration and remittance towards productive investments and entrepreneurship in the migrants’ regions of origin. And several other agencies dedicated to Senegalese living overseas were also created by the Government over the years.

Indeed, with the rapid expansion of migration and remittances, there is a growing need (and potential) to channel these flows towards specific development objectives. However. these issues were only marginally discussed in the context of the current National Strategy for Economic and Social Development (SNDES, 2012) and, as a result, the country does not yet have a national migration policy. Without such a policy, the Government is not able to properly support and foster the potential of migration for development. More specifically, it fails in driving migration towards productive investments and the development of entrepreneurship.

Some estimates indicate that only 11% of remittance-receiving households have used these resources to fund productive investments (AfDB, 2008). It is a fairly weak contribution to employment creation in the country - an issue that the Government considers a key priority in the SNDES (2012).

On the other hand, as a non-labour source of revenue, remittances may generate a situation of dependence in recipient households, leading to a decrease in labour market participation and

production efforts (Berker, 2011; Schumann, 2013; Ruhs and Vargas-Silva, 2014).

The objective of this study is therefore to understand how migration and remittances may affect labour market participation, as well as the implications of remittances for human capital development in Senegal. More specifically, in terms of human capital, the researchers examine how migration and remittances affect household-level expenditures on education and health.

## Data and methodology

This study uses data from the Migration and Remittances Household Survey, conducted by the World Bank in 2009 with 17,878 individuals and 1,953 households in 11 regions of Senegal.

Of this sample, the analysis considers the working age population (15 to 65 years old), which is divided between the labour force (either working or looking for work) or participating group, and the non-participating group (i.e. not part of the labour force). The households are distinguished between those with at least one international migrant member (34%) and those without any migrants (36%), and their "participation" is defined using the same age and grouping criteria as for the labour force.

A series of econometric models and microeconomic analytical techniques were then applied to the data to assess the effects of migration and remittances on labour participation and outcomes related to human capital development.

## Key findings

The results from the analysis show that, in Senegal, **households with migrants (receiving remittances) are less likely to participate in the labour market** than those without migrants, while the households identified as participating in the labour market have fewer migrants than those not participating.

On the other hand, households with migrants **have relatively lower levels of per capita expenditures** than those without migrants, which indicates that these households are usually poorer. **However, they tend to spend relatively more on education and health** than those without migrants.

In other words, while households participating in the labour market receive fewer remittances, they have higher total expenditures but spend less on education and health than those not participating in the labour market. Finally, all households, regardless of their type, spend relatively more on education than health.

The results also confirm that households with migrants are less motivated to participate in the labour market, because of the remittances they receive, suggesting that remittance inflows may generate a form of parasitism. As the amount of remittances received increases, the households' motivation decreases, and this appears to be significant when a certain level of remittances is reached.

Finally, while the analysis shows that remittances contribute to improving human capital development in Senegal - as recipient households tend to spend more on education and health than the non-recipients - this doesn't mean that health and education outcomes are better for these households.

See table 1, on page 3, for a summary of the statistical results describing the interactions between migration, remittances, labour market participation and human capital in Senegal.

**Table 1:** Descriptive statistics for the interactions between migration, remittances, labour market and human capital in Senegal

	Households with migrants	Households without migrants	Participating in labour market	Not participating in labour market
Participate in the labour market	0.524	0.58	-	-
Live in households with migrants	-	-	0.552	0.607
Per capita expenditures	12,002.18	13,254.35	13,949.61	14,005.35
Per capita remittances	4,945,452	-	2,372,412	3,622,446
Per capita expenditures on education	663.5362	529.4105	608.7029	740.4203
Per capita expenditures on health	434,801	385,765	404,5134	577.1058

**Source:** Authors' computations using data from World Bank (2009).

## Implications for policy

These findings do not suggest that migration should be reduced in order to induce greater labour market participation. In fact, the literature on the subject generally makes it clear that migration is important for development, as households with migrants tend to be relatively poorer and to depend on their migrant members to finance their daily consumption. In Senegal, people migrate mainly to find better living conditions. Therefore, migration should be promoted so as to motivate households with migrants to do business and participate more actively to the labour market.

The Senegalese Government should implement policies that create economic opportunities for households with migrants, to promote entrepreneurship and reallocate remittance flows

towards more productive uses and investments. Such policies would be directly in line with the National Strategy for Economic and Social Development (SNDES, 2012), which anticipates the involvement of Senegalese living overseas in the national development efforts, through the creation of productive investment opportunities for these migrants.

Finally, as their findings show the importance of remittances for the improvement of human capital in Senegal - especially through household-level spending in education and health - the researchers recommend for the Government to not only adopt a national migration policy, but also to endorse official channels for remittance inflows.



This policy brief is based on the PEP project [PMMA-12680](#), carried out with scientific support from PEP and financial support from UK Aid and Canada's IDRC.

To find out more about the research methods and findings, read the [working paper 2016-10](#)