Migration, Remittances, Poverty and Human Capital in Cameroon

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Extended Abstract

1. Background and Research Objectives

International migration is one of the most important factors affecting economic relations between developed and developing countries in the 21st century. According to the United Nations (UN), the stock of international migrants estimated is more than 215 million people in 2009, meaning 3.1% of the world's people were living outside their country of birth (World Bank, 2011). In 2012, total official flows of remittances to developing countries were estimated at $401 billion, an increase of 5.3% over the previous year (World Bank, 2013). For many developing countries, the amount of remittances flows has reach to such a large level that it becomes significant in terms of the share in GDP (IMF, 2009).

Remittances flows, money sent by emigrants are an important source of income for most of developing countries. The trend of remittances can have an important implication for the economies seen both in micro and macro perspective. In microeconomic perspective, remittances directly affect household's income and consumption, whereas in macroeconomic perspective remittances influence poverty reduction (Adams and Page, 2005), economic growth, entrepreneurship and financial development (Aggarwal, Kunt, Peria, 2006).

In fact, remittances could flow toward the neediest groups of the population and therefore directly contribute to poverty reduction. Thus, it is possible that even if these flows are fully consumed, a concern mentioned by a number of practitioners, there have significant positive welfare effects (Acosta et al., 2007). In addition, with imperfect insurance and financial markets, remittances can also contribute to higher investment in human and physical capital. In this regard, these financial flows may potentially contribute to raising the country's long run growth potential through higher rates of capital accumulation.

However, there are some concerns that remittances would not benefit to the poor. In particular, Stahl (1982) argues that because the international migration can be an expensive venture, it is going to be the better-off households who will be more capable of producing migration and sending remittances. While poor households would not get the benefit from such remittances flows, they tend to generate inequality so that poverty tends to eventually increase. Moreover, remittances may raise reservation wages and negatively affect labor supply (Rodriguez and Tiognson, 2001).

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Given the potential counterbalancing effects associated to a surge in remittances it may be quite difficult to determine not only the magnitude of the potential development impacts of remittances but also even the direction of these impacts. According to Lucas (2004), the socioeconomic consequences of remittances are wide-ranging though difficult to be generalized. Thus, empirical evidence is needed to ascertain the signs and orders of magnitude of the different economic consequences of remittances flows (Acosta et al., 2007).

Formerly a land of welcome of immigrants during the two past decades after the independences, mainly because of its political stability and its economic prosperity, Cameroon is now one of the largest countries in international migration in Africa. According to the Ministry of Foreign Affairs, the number of Cameroonians living abroad is estimated at four million (4,000,000) for a population estimated at 20 million (20,000,000). On the other hand, according to The World Bank, in 2010, remittances from Cameroonian migrants were estimated at US $148 million, approximately 0.8% of GDP and 2.7% of ODA. These remittances are constantly increasing. Indeed, their amount moves from 11 million US dollars in 2000 to 103 million in 2004 and 148 million in 2010.

Despite the large volume of the Cameroonian population living abroad and the increasing importance of remittance inflows in Cameroon, few studies have analyzed the impact of these remittances on the living conditions of beneficiary households. For the best of our knowledge, there is no study in Cameroon analyzing the effects of remittances on poverty and human capital in a microeconomic perspective.

Against this background, this paper aims to contribute to the debate on the impact of remittances on the economies of recipient countries, through the analysis of their impact on poverty and human capital in Cameroon. The research questions are then the following: Does remittances reduce poverty in Cameroon? What is the effect of remittances on expenditures on education and on health in Cameroon?

2. Literature review

2.1. Literature review on the effect of remittances on poverty

On the impact of remittances on the recipient economies, the neo-liberal functionalist persuasion suggests that remittances are beneficial at all levels particularly the individual, household, community and national level (Orozco, 2002; Skeldon, 2002; Ratha, 2003). Remittances are seen to play a crucial role in developing local level capital markets and productive infrastructure as well as increasing the effective demand for local goods and services. Households who are more insured by remittances shift their portfolios towards riskier investments (Paulson and Miler 2000). On impact on poverty, studies have found that both international migration (the share of a country’s population living abroad) and international remittances (the share of remittances in country GDP) have a strong, statistical impact on reducing poverty in the developing world (Adams and Page, 2003).

2.2. Literature review on the effect of remittances on human capital

The idea according to which remittances could have an impact on human capital is based on three main theories. Firstly, remittances help beneficiaries to demand for and to have access to education and health services which were not accessible to them previously. For example, remittances can make up for the absence or the insufficiency of the health insurance systems and medical infrastructures in the field of health (Guilmoto and Sandron, 2003). However, the impact of remittances on expenditures on health and on education might be limited when the beneficiaries of these remittances do not have access to concerned services, particularly when they manage activities in poor rural sectors (Taylor and Mora, 2006; Özden and Schiff, 2006). Secondly, if the revenues of households increase due to remittances, their families tend to minimize the burden of work imposed on their children, this rises the time available for doing studies (Ben Mim and Mabrouk, 2011). Finally, the decision to allocate remittances to education spending and to expenditures on health depends on several factors, notably the type of migration, permanent or temporary (Domingues Dos Santos and Postel-Vincy, 2004; Naiditch, 2009), the personal interest from the parents (Ben Mim and Mabrouk, 2011).

3. Research Methods and data

3.1. Research Methods

To estimate the effect of remittances on outcomes variables which are expenditures on education and on health, and consumption expenditures, we follow previous studies by using a method that take into account the selectivity related to the receipt of international remittances.

To this end, we adopt propensity score matching, and compare expenditures on education and health, and consumption expenditures in households exposed to no treatment (no remittances) and the same expenditures in households exposed to treatment (those receiving remittances). We estimate the average treatment on the treated (ATT) that is, the difference in outcomes between those treated and those with the same probability of being treated. Probability of being treated is estimated as a function of individual and households characteristics.

The following probit model is used to calculate the propensity score:

$$R_i = \beta_0 + X_i'\beta_1 + u_i \quad (1)$$

Where R_i is a binary variable taking the value 1 if the household i receives remittances and 0 if not. X_i is a vector of observable individual and household characteristics such as age of household head, education, composition of the household, size of land owned, landlessness status, wealth and geographic location.

Additional controls variables related to migrants are considered in order to comply as possible the conditional independence assumption that requires that all variables relevant to the probability of receiving treatment may be observed and included in X. The data used in the study contains relevant treatment variables and individuals information on migrants.

3.2. Data

The data used in the study are from the Survey on the Impact of South-South migration on Development (EIMD) in Cameroon, conducted by the Institute for Training and Demographic Research (IFORD) from August to September 2012 on a sample of 1253 households. The sampling was based on a two-stage stratified sampling. In the first stage, primary sampling units were selected using the weight of emigration and international migration of each department in their region of belonging and area of residence. These departments were then used as a frame for the draw, with probability proportional to size, of 82 villages / districts (71 urban and 11 rural). In the second stage, a sample of households (15) in each village / neighborhood was selected. The survey addresses the motives for migration and the estimated remittances sent over the past 12 months.

4. Expected findings

International remittances reduce poverty at the household level in Cameroon, by increasing household's consumption expenditures. Remittances also have a positive effect on human capital, by increasing health and education expenditures.

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