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Migrant Labor and Economic Assistance

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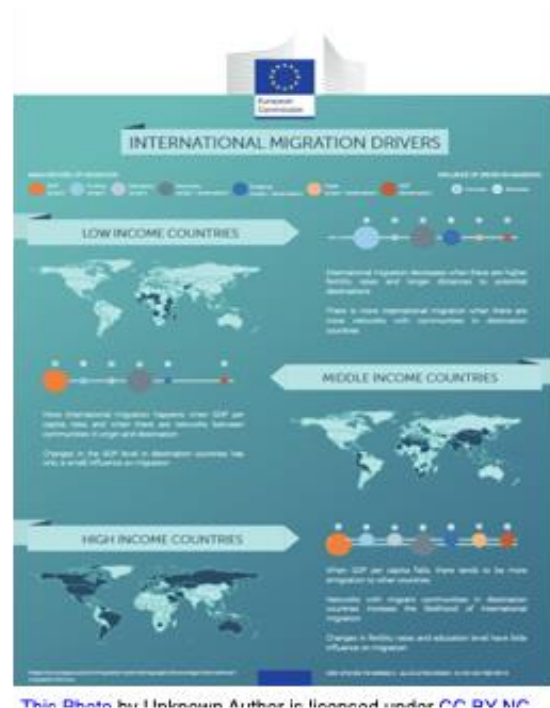
Factors such as labor migration and remittances are often not given sufficient attention in USG mission host country development strategies. According to the International Organization for Migration (IOM), 3.6 percent of the world's population is on the move, and that percentage is projected to increase. Future development plans for Low- and Middle-Income Countries (LMICs) have to consider this population movement and the consequent funds transfer from high income countries to LMICs.

The Scale of Labor Migration and Remittances

It has been said that the real litmus test of development is job creation. The decades-long failure of LMICs assistance programs to create jobs that pay a decent wage has resulted in the exodus of tens of millions of people in search of employment abroad in higher income countries. The IOM's World Migration Report 2024 estimates that there are 281 million labor migrants in the world, and their remittances to their home countries total about USD 800 billion annually.

Take, for example, the cases of Kenya and Nepal, both of which have a ranking of 146 on the 2022 UNDP's Human Development Index (HDI). Kenya has a population of around 56.1 million of whom 535,000 migrated from 2016–2020. In 2022, remittances from migrants totaled USD four billion, which accounts for about 3.5 percent of Kenya's Gross Domestic Product (GDP) of about USD 113 billion. This compares with total official development assistance (ODA) of USD 2.7 billion received by Kenya in 2022.

Nepal has a population of about 31.2 million, of whom, according to the preliminary report of the 2021 census, 2.1 million were abroad. Remittances to Nepal totaled USD eleven billion in 2023. These annual remittances make up about 27 percent of Nepal's GDP of about USD 41 billion. Nepal received 1.2 billion US dollars in ODA in 2022.



How Do the Positive and Negative Effects Balance Out?

As these examples amply indicate, labor migrants send home vast amounts of money. The number of these migrants and the sums they remit to their home countries should be monitored closely and considered in the elaboration of country assistance plans and appropriate policy recommendations to host governments. For some LMICs, as shown in the Kenyan and Nepali cases, annual remittances can be much more than ODA.

In some LMIC's, the definition of a poor household has evolved to be one that does not regularly receive remittances from a family member working abroad. Remittances can support investment as well as consumption, but the proportion spent on each is frequently unknown. The diaspora communities that have resulted from this migration provide expertise as well as funds to their countries of origin and thus can be of assistance in furthering progress in their home countries. These remittances come with a downside. The large and growing number of labor migrants from LMICs represents a brain drain that may well inhibit economic development more than the expertise that labor migrants offer. Often, an LMIC is losing the very people it needs to build its national economy.

Implications for Assistance Programs

Country development strategies need to take fully into account the large and growing labor out-migration and the remittances sent to families. The overall impact of labor migration will vary from country to country. There is no one size fits all. The factors to be considered in each country include:

- Whether labor migration contributes on balance to the country's development.
- The effect of US assistance programs on the level of labor migration.
- Whether the migration stems from economic causes or is based on other factors such as political repression, internal conflict, and climate change.
- The country's reliance on remittances versus its loss of human capital.
- The extent to which remittances provide funds for developmental needs as opposed to basic consumption.
- The relative importance of remittances and outside developmental assistance on economic development efforts.
- How each host country's migration policies can be adapted to best fit its particular development needs.
- The location of diaspora groups, their involvement with their country's development efforts, and whether they can be productively assimilated into the economy when they return.
- Whether there are digital outsourcing employment and automation factors to consider.
- The impact on a country's future development trajectory of the gender and age divide of labor migration.



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Migrant labor presents both an opportunity and a challenge. It may be currently required to meet the development needs of both the origin and the destination countries. Its current size and prospects for growth require it to be an integral part of development and assistance planning. The profound transformative effects that international labor migration is having on local societies needs to be taken into account when formulating future host country development strategies.★

Mark G. Wentling retired in 1996 from the Senior Foreign Service after serving as USAID's principal officer in six African countries. His 50 years in Africa includes work with the Peace Corps, nongovernmental organizations, and as a contract employee for USAID. He has published nine books, including an African Trilogy and his three-volume Africa Memoir, which covers all 54 Africa countries, as well as numerous professional articles. In August 2022, his ninth book, *Kansas Kaleidoscope*, was published. In 2024, he plans to publish his tenth book, *Jackleg Boys*. He resides in Lubbock, Texas with his Ethiopian wife and one of his seven grown children. He claims to have been born and raised in Kansas but made in Africa.

