



Do Labour Migrants Bring Well-Being to the Households? Revisit the Pathway from Neoclassical to Pluralism

Dinesha Siriwardhane^{1*}

¹Department of Business Economics, University of Sri Jayewardenepura, Nugegoda, Sri Lanka.

Authors' contributions

The sole author designed, analysed, interpreted and prepared the manuscript.

Article Information

DOI: 10.9734/SAJSSE/2021/V10i330266

Editor(s):

(1) Dr. Ridzwan Che Rus, Universiti Pendidikan Sultan Idris, Malaysia.

Reviewers:

(1) Darmawan, Sunan Kalijaga Islamic state University, Indonesia.

(2) Dimos Chatzinikolaou, Democritus University of Thrace, Greece.

Complete Peer review History: <http://www.sdiarticle4.com/review-history/68046>

Received 25 February 2021

Accepted 01 May 2021

Published 05 May 2021

Review Article

ABSTRACT

Aim of this review is to review literature on the impact of international labour migration and remittances on household well-being and present a theoretical and a conceptual framework to facilitate empirical studies. Study found that, migration literature comprises diversified views which has been changed in different era with the changing socio-economic contexts of emigrating and immigrating countries. Present view, which is highly dominated by pluralists, provides theoretical foundation to link migration and remittances to household well-being. Theoretical and conceptual frameworks developed in this review provides a strong foundation for empirical analysis.

Keywords: Labour migration; remittances; well-being; literature.

JEL codes: A14, B13, D60, J 01

1. INTRODUCTION

During past decades, international migration has increased, reaching to 266 million in 2018, according to World Bank [1]. Currently, more

than three percent of the world population is migrants living in another country. A large flow of migrants migrates for work fulfilling the labour shortage in some countries. In turn, emigrant countries are receiving a growing flow of

*Corresponding author: Email: d.siriwardhane@sjp.ac.lk;

remittances. As shown by the World Bank [2], remittance transfers among countries was over US \$ 689billion in 2018. However, the actual size of the remittance flow is believed to be significantly larger than this, due to unrecorded transfers [3]. It is noted that, about 70 percent of this remittance flow is flowing to developing countries, which is accounted as the second largest inflow of foreign resources.

Widening migration and remittance flows are being attracted by policy makers and development agencies. While the focus of the UN Millennium Declaration turns towards the well-being of the people as the key objective of development, well-being outcome of migration has become an important forum for discussion [4]. This has been increasing the interest of researchers to examine migration and well-being. Theories, models, and empirical studies related to migration and remittances provide a strong foundation for migration research. Early theories of migration examine economic causes and long-term developmental impacts of migration. Later, theories discuss different economic and non-economic causes and impacts of migration. In one hand, these separately developed theories do not have proper links between them and none of them provide a rational explanation for migration of labour [5]. On the other hand, theoretical explanation on well-being impact of migration is limited. Compared to early theory of migration, recently developed theories provide some explanations for well-being impact of migration and remittances. However, it is hard to find a scrupulous conceptual study that provides a framework for migration-well-being relationship, based on strong theoretical foundation, for empirical analyses.

A thorough and vigilant review of the migration and remittance literature provides a strong foundation for empirical studies and helps to develop a coherent conceptual framework. A well-articulated conceptual framework grounded on theory can outline the conceptual relationships between migration and well-being of the households that deepens the understanding about migration-well-being relationship in depth. Such framework or a theory that links different aspects of migration provides a forum for a multidisciplinary discussion and offers the foundation for better analyses of complicated nature of migration [5]. Hence, findings of this study contribute in enriching migration literature specially its relationship with household well-being literature and guiding

the researchers, empirically examining the said relationship at the household level.

In this condition, the aims of this study are to review literature on labour migration starting from neoclassical view to modern day perspective and develop a conceptual framework for well-being impact of labour migration. Study begins by providing an overview of international labour migration. Then it examines different migration theories and models presented in different eras of the history. Each of these theories is examined for its hypotheses, significant features and critics and issues raised. Then they are compared. Household well-being, as a concept is presented thereafter. Finally, based on the theoretical foundation, a conceptual framework is developed to facilitate empirical studies, by developing links between labour migration, remittances, and household well-being. Incorporating qualitative methods study use; collecting and analysing of scientific literature, summarizing, categorizing, and comparing between theories to achieve the aims of the study.

2. INTERNATIONAL LABOUR MIGRATION

International labour migration is defined as the, "movement of people from one country to another for the purpose of employment" [6]. According to UN [7], labour migrant is a "person who is to be engaged, is engaged or has been engaged in a remunerated activity in a state of which he or she is not a national". Remittances are the "sum of workers' remittances, compensation of employees and migrant transfers" [8]. In the balance of payments manual of International Monetary Fund (IMF) workers' remittances are defined as the, "current private transfers made by employees to residents of another economy" [9].

International migration and remittances have been discussed in number of disciplines such as economics, demography, sociology and geography. Since it is not bounded to one discipline, most of the theories and models related to migration have been developed separately. Even within the same discipline, different types of models and theories have been developed based on various assumptions. Hypotheses developed on them are also different each other.

3. EVOLUTION OF MIGRATION THEORY

Debate over human migration goes beyond 1950s. Rich literature available in this regard

consists of theories and models of migration in various disciplines. Even though these theories and models examine similar phenomenon in migration, assumptions they are based on and frameworks they use are significantly different [5].

Scholars classify these theories and models in different ways based on the levels, initiation and perpetuation of migration, patterns of migration, related discipline, and application of theories to current situation. Historical evolution of the theory of labour migration begins with the views of developmentalists and neo-classical economists in 1950s. Theoretical literature has been enriched by pluralists, who simultaneously considered agency and structure into account and thereby based on livelihood approaches in 1980s. In literature, it was found that the debate over migration has been developed from optimistic views to pessimistic views [10]. Recent literature on migration is a mixture of both optimistic and pessimistic views, which have been enriched after the presentation of theory of New Economics of Labour Migration (NELM).

3.1 Neo-classical Theory

Neo-classical theory of migration is the oldest and most popular among theories of labour migration [5]. It focuses on both micro and macro levels in migration discussions. It links migration to the development process of labour sending sector or country. In countries or sectors with low labour endowment, high wage rates are operated while in countries or sectors with high labour endowments, low wage rates are operated [5]. Sectors with high wage rates attract the labour from the sectors with low wage rates. In neoclassical theory, these wage differentials are considered as the main cause behind migration between countries or sectors. When the migration continues, wage rate in labour receiving countries or sectors start decreasing while the wage rates in labour sending countries or sectors start increasing. Elimination of wage differentials finally limits the migration flow.

Initial views of migration in the neoclassical theory come from Smith (1776) and Ravenstein (1889) [11]. Ravenstien (1889) shows that migration is mainly controlled by push - pull factors. Push factors are the unfavorable situations motivating people to emigrate abroad. Pull factors are the favorable factors that attract people to a host country such as high wage rate and better employment condition, that attract

people to migrate to them. These views in neoclassical theory were later nourished and extended by Lewis [12] and Harris and Todaro (1970) linking migration to the development process.

Lewis theory is based on the concept of labour market dualism and the assumption of full employment. It adds that, in the global context, resources are distributed among different sectors or countries in an unequal manner and the imbalance thus caused, generates inequality in the economic growth. In this backdrop, it suggests labour migration as a better path for transferring resources from countries or sectors with excess labour to countries or sectors with labour shortage.

In his two-sector model, Lewis [12] explains the structural transformation and changing economic growth through labour migration. He identifies two sectors of an economy as, subsistence sector and industrial sector. According to Lewis [12], it is assumed that the subsistence sector of a developing economy is characterized with excess labour and low wage rates. On the other hand, industrial or rather developed capitalist sector has a shortage of labour. In this backdrop, the capitalist sector offers higher wages that attracts the individuals from the subsistence sector. Individuals migrate concerning the wage differentials. This migration flow continues until the wage differential eliminates. Labour migration from the subsistence sector to the capitalist sector, fulfills the labour shortage in the capitalist sector. This is resulted in the enhancement of the production, profit and capital accumulation in the capitalist sector that leads to an economic growth. On the other hand, transferring of excess labour from the subsistence sector increases the wage and employment rates in the subsistence sector. It increases the development of the subsistence sector. This shows that migration can be resulted in balanced growth.

A decade after Lewis theory, Todaro presented a model extending Lewis theory. This model was later developed by Harris and Todaro in 1970 based on the structural transformation in a dual economy and named as Harris-Todaro Model. Harris -Todaro model also assumes that wage differentials between sectors attract the excess labour from one sector to the other. Their focus was on the real wage differential which is determined by the potential wage rate and the probability of being employed in the host country. Similar to Lewis [12], Todaro model also explains the development of the capitalist sector and

removal of excess labour in the subsistence sector by the labour migration (Harris and Todaro, 1970). Hence, households in both sectors enjoy benefits of migration that ultimately resulted in balanced growth.

In common, neoclassical models mainly discuss the balanced growth generates through labour migration. Hence, migration in the Neoclassical theory, is one of the strategies that a developing country can use to develop both subsistence and capitalist sectors through elimination of excess labour, creation of employment opportunities, generation of profits for reinvestments and enhancement of the wage rate in the subsistence sector. These confirm that neoclassical theory of migration was optimistic. Even though neoclassical theory of migration was presented over six decades ago, still it is the most popular theory in the migration literature. It is simpler and can convince the causes as well as effects of migration. This simplicity allows researchers to derive clear testable hypotheses that provide the academic basis to design proper policies related to immigration [5].

Later, neoclassical models, based on wage differential between sectors, have been questioned. If the wage differentials attract the labour from the subsistence sector, why some are selected as migrants and others as non-migrants was the first question raised [13]. This selectivity problem was addressed by the human capital theory of Sjaastad [13]. The second question raised was the narrow focus of the neoclassical theory. Focus of neoclassical theory of migration is rather economic. It has not taken other socio-cultural factors behind migration (Prakash, 2009). Empirical evidence confirms that number of socio-cultural factors such as poverty, foreign employment policy, political environment, foreign employment policy of the governments, institutional structures that facilitate migration process, etc. affect migration.

Continuation of the migration flow was the third question raised in the literature. Neoclassical theory assumes that migration continues until wage rates between emigrating and immigrating sectors or countries come closer. However, it is not clear whether it is expected that individuals would stay at the destination even after the raise of wage rate in the subsistence sector or return to their home country or sector. If the migrants return, that can be resulted in wage decline in the labour sending sector. Further, the role played by the remittances has not been discussed in the

neoclassical theory. Even though the migration decision is taken by individuals, migrants send part of their income to their households left behind. Currently, a large flow of remittances is transferred to emigrating countries. Evidence confirms that these remittances play an important role in enhancing economic development of those countries. Last, empirical validity of the neoclassical model has questioned by the researchers. Excess labor in the subsistence sector, reinvestment of the profits and employment generation in the capitalist sector are contrasted with some of the empirical evidence found in developing countries (Harris and Todaro, 1970). These evidences leave a question connected to the empirical applicability of neoclassical thought.

3.2 New Economics of Labour Migration

New Economics of Labor Migration theory (NELM) has laid the foundation for a new discussion on labour migration in 1980s. NELM is pioneered and enriched by Stark [14,15,16,17]; Stark and Bloom [17]; Lucas and Stark [18]; Stark and Levhari ([19,20], and Taylor and Martin [21]. Going beyond the macro level impacts, NELM theory focuses on the impacts of migration at micro and meso¹ levels.

3.2.1 Migration decision making

NELM offers a different explanation about making decision to migrate. As shown in the theory, migration is a collective decision of the household members as a group, for the benefit of the whole household [17]. Initially, household members collectively finance the migration. In turn, migrants remit money for the benefit of the household. In NELM theory, this is considered as a mutually beneficial contractual arrangement among migrant and the household left behind [18]. While the household bear the cost of migration, the migrant on the other hand remit money in turn for the benefit of the household.

Similar to neoclassical theory, NELM also considers the maximization of utility as an objective of migration. However, NELM shows that utility of the migrant is derived from the utility of the household [18]. Hence, maximization of the utility of the migrant is done through maximization of the household's utility. People decide to migrate expecting to maximize the utility of the household by remitting money [22,18,23,24].

¹ Meso level is the community level which lies between micro and macro levels

In making collective decision, households consider the potential increase in absolute household income as well as relative income [5]. Relative income refers to the income compared to a reference group. People compare their income with the income of a reference group, such as living community, friends or relatives. Income inequality between the household and the reference group creates relative deprivation. Hence, the people with low income compared to the other people in their community tend to migrate [16].

One of the significant features in NELM is its explanation about market failure and migration. It points out that market failure in developing countries as one of the main reasons for migration. Market failure occurs in two situations prevail in developing countries, i.e. imperfect insurance market and imperfect credit market. Most developing countries do not have a proper institutional mechanism. This is resulted in lack of properly functioning insurance market that prevents proper risk management. Absence of properly functioning insurance market motivates the people to diversify their household income as a strategy to manage the risk. Migration, in this situation provides the people a strategy to manage the risk that they face. When one of the household members migrates to another country, household receive an income from another economic setting. Earning from different economic contexts helps them to diversify the income and thereby to protect the income security at the household level [5]. Absence of credit programs on the other hand prevents low income earning people from accessing the credit market [5]. Compared to developed countries, access to credit market especially for low income earning groups is limited in developing countries. This imperfection in the credit market also motivates people to find alternative sources of funds for their household level investments. In this context, migration work as a strategy to find capital for their household level investments.

3.2.2 Role of remittances

Early theories of migration lack the discussion on remittances. Neoclassical theory mainly focuses on migration flows caused by wage differentials and the development impact, generated by them through changes in the labour market. NELM on the other hand, shows the benefit of remittances at the households in three main ways, i.e. enhance household income, diversify the household income, loosen credit market

constraints [17,19,20]. First, remittances enhance the household income and thereby help the households to climb up in the income ladder [25,26]. Second, as a new source of household income, remittances help the households to diversify their income specially in times of crisis [19,20,27]. Generally, members of households pool the income and spend it to satisfy their needs and wants. Very often there is more than one income source in the household. When all of them are from the same environment, the whole household has to bear the effects created in the environment such as economic shocks, shocks generated by disasters or the changes in economic growth and development and civil war or changes in the political environment. Hence, people diversify the income as a strategy to protect themselves from such external shocks. Labor migration is one of such common strategies used by them for this risk diversification. Since remittances are flowing from a different economic environment, risk associated with it is different. Third, remittances provide necessary funds for investments and thereby loose the credit market constraints [19,20]. Many rural households in less developed countries do not have opportunity to invest in the agricultural sector or to convert their household level production to commercial productions. Remittances help those households to loosen the credit market constraints and find funds for their investments and commercialization of their household production [28,19,20].

3.2.3 Motives of Remittances

NELM theory further postulates three main types of motives of remitting by the labour migrants to their households left behind: pure altruism, pure self-interest, tempered altruism, or enlightened self-interest [18].

A) Pure Altruism

Pure altruistic motive refers to sending remittances, expecting to enhance the household left behind. Labor migrants send part of their income to the household to enhance the utility of the household members left behind [22,18,23,24]. In this situation, the objective of the migrant worker is to maximize a utility function which consists of the utility of the earner as well as the utility of the other household members left behind [18]. Ultimately, the expectation of the remittance sender is to maximize the well-being of the household. Pure altruism shows the aim of the migration is to enhance the income and consumption of the

household left behind. Empirical evidence for pure altruism of the migrants is provided by Agrawal and Horwitz [22] and Rapoport and Docquier [24] in the literature.

Under altruistic motive, there are different economic and other determinants of remitting money on altruistic motive. Economic determinants such as the initial situation of wealth and household income of the migrant worker before leaving the country, the income earned in the host country [18], the demographic and social determinants such as the household composition and the education of the migrant [22] motivate the migrants to remit the money for the enhancement of the welfare of their households. On the other hand, some other background factors such as the nature of attachments between the household members and the migrant worker, the region of origin of the emigrant household and the time period in which the emigrant worker stay abroad also motivate these people to remit the money for household welfare [23].

B) Pure self-interest

Stark and Bloom [17] have explained three reasons of self-interests, behind remitting money to the household members left behind. The first reason is the aim of the migrant labourer to protect the inheritance in access in the future. Hence, to keep the family ties for achieving the future inheritance, the migrant workers remit money to their parents. The second reason is to invest money in the country of origin while the migrant laborer is working abroad. In this situation, the household is working as the agent for investing money in productive ways. The migrant worker remits the money for the investments and motivates the household members to be engaged. Thirdly, the development of future position of the migrant worker and his household is also in focus. He sends money for the purchase fixed capital, housing, spending for social work to gain the prestige in the community and for the improvement of the relationship with the friends and relations. The motivation of self-interest may be resulted in an enhanced level of savings and investments thereby economic growth.

C). Tempered Altruism or Enlightened Self-Interest

Tempered altruism on the other hand, discusses the role of remittances and mutually beneficial

contractual arrangements between migrant and the household left behind. Remittances support to diversify the income and control the risk that the households face in external shocks. Empirical evidence provided by Stark and Levhari [19,20] and Stark [28] show that remittance work as an insurance in a crisis, that protects the households from external shocks and support to enhance the well-being.

NELM explains that migrants remit money due to a mutually beneficial contractual arrangement among the migrant and the household. While the household bear the cost of migration, the migrant on the other hand remit money in turn. Generally, members of households pool the income and spend to satisfy the needs and wants of them. Constantly, there are more than one income earners of the household. When all of them are in the same environment, the whole household has to bear the effects created in the environment such as economic shocks, shocks generated by the disasters or the changes in the economic growth development and the civil war or changes in the political environment. Hence, people diversify the risk as a strategy to protect from such external shocks. Labor migration is one of such common strategy used by them for this risk diversification. Explaining the risk diversification, Stark and Levhari [19,20], and Stark [28] show that remittances protects the households from the risk that they face. This is a type of insurance that ties migrant and the household. Main determinant of remitting money under the insurance motive is the level of risk for the income sources faced by the household of the migrant labourer [22,18].

3.3 Other Theories of Migration

Some of other theories of migration include; human capital theory, dual market theory, network theory, world system theory, institutional theory, and cumulative causation theory. Human capital theory focuses on human capital variables affecting the migration. While the neoclassical theory explained that migration occurs due to labour transformation from sectors with low wage to sectors with high wage, then a question of selectivity was raised by economists. They questioned that why a part of the people only migrates for higher wages. The answer for this selectivity question was provided by human capital theory of migration. Seminal works of Mincer in 1974 and Becker in [28] provides the foundation for human capital theory of migration [21]. It was later integrated to the seminal work of neoclassical economists and Todaro (1969,

pg.138-148) on two sector model explanations. Neoclassical version of human capital migration model was first developed by Sjassted [13] answering the selectivity problem. He viewed the migration as a kind of investment. Sjassted [13] integrated human capital theory and neoclassical theory of migration. According to him, potential wage in a destination is determined by human capital variables such as skills and talents. These in turn determines the labour migration. On the other hand, there are costs associated with the potential income at the country of destination. These include, cost of travelling, cost of living for the time from moving to the host country till finding a high income earning job; efforts and hardness in adaptation for a new country and psychological costs associated with losing and making bonds [5]. When migrating, people consider these costs as well as benefits they can enjoy at the host country. As shown by Sjaasted [13] a potential migrant migrates only if the net benefit of migration is positive. He or she selects the host country where the net benefit of migration is highest. In calculating net benefit, people consider the present value of potential income and associated costs as well as the probability to find employment at destination. Todaro extended this view by contributing to develop the human capital theory of migration. He illustrated the way that the human capital characteristics of individuals affect the potential earnings at the destination and the probability to obtain an employment at the destination sector or country [22]. Discounted net financial benefits of migration are positively related to the probability to take the migration decision and this provides a better explanation for migration than the wage differential approach.

Dual labour market theory, presented by Michael Piore in 1979 (Cited in Massey et al. [5]), mainly focuses on pull factors of labour migration. It shows that migration is resulted by the surrounding environment specially the environment in the labour market of immigrating country. Developed industrialized countries or sectors have a very good demand for labour. Hence, they tend to offer higher wages to attract labour from different country contexts.

Network theory of migration explains the way that the social networks between people increase migration. Social network related to migration is considered as a set of bonds between migrants, returned migrants and non-migrants. Non-migrants include friends, family members, relatives or neighbors who have links with current

migrants or returned migrants. These links between people, motivates and facilitate non-migrants for the migration in terms of financing the migration, shared information, support for finding employment at the host country. Hence, networks increase the probability of the people to migrate. Increasing number of migrants due to networks, expands the migration networks. Networks between migrants and potential migrants reduce the cost and risk of migration and enhance the potential net benefit that the migrants can enjoy [5]. Sharing information with migrants and the support received from them increase the expected return form migration [5].

World System theory, developed by Wallerstein in 1974 (Cited in Massey et al. [5]), links the migration to the globalization. In past decades, economies have become more independent and hence structural changes have occurred in both production and labour markets [5]. Development in international trade and transfer of vast investment flows from south to north has been resulted in structural changes in both labour sending and receiving countries. These structural changes in the world economy have resulted in a large flow of international migration [10]. Migration is mainly emerged by the economic, social, cultural and institutional structure of the immigrating and emigrating countries.

Institutional theory explains that in international migration, an important role is played by profit oriented and non-profit oriented institutions by making the migration process more comfortable [5]. While profit oriented institutions play an intermediary role between labour demanding firms and labour supplying migrants, non-profit oriented institutions provide humanitarian support to the migrants to settle in destination country and solve the problems they face. These are resulted in increasing migration.

Cumulative causation theory presented by Gunnar Myrdal (1997 cited in Massey et al. [5]), explains that social structure and the motivations generated in that structure to the flow of migration. Migration changes the structure of the society, creates networks, changes the social meaning of work. Once a person migrates, social context of the migrant and his family left behind changes. Scholars show that migration of a person changes socioeconomic factors such as; cultural perceptions, income and land distribution, production methods used for household level agrarian production and

distribution of human capital among various regions [5] Changes in socio-economic contexts cause migration of other people that is resulted in increasing flow of migration.

4. COMPARISON OF MIGRATION THEORIES

Theories of labour migration and remittances have been developed over a half century. Diversified views have been enriched the migration theory over this long period. Table 1 presents the evolution of migration theories and summarizes main core of them.

As shown in the Table 1, neoclassical theory considers migration as an individual decision. Wage differentials between home and host countries motivate individuals to make migration decision. Differently to this, NELM theory finds a collective decision making in migration at the household level. According to the theory of NELM, migration is a strategy to manage uncertain situations face by the households. Even though the migration is considered as a collective decision it does not say that the wage differentials do not affect to the migration decision. Since the households expect income enhancement and income security higher wage in destination countries motivates the households to take migration decision. Hence, wage differential as a cause of migration has not totally been excluded in the NELM theory.

It shows that, households decide to migrate to diversify the labour and minimize the risk. Hence the objective of migration is the development of the whole household. There the migrant work as an agent to fulfill the objective. As shown in the NELM remittances as an insurance that help the households to survive. While neoclassical theory focuses on migration as a strategy for a balanced growth, NELM theory focuses on the migration and livelihood of the households in labour sending communities. Hence, remittances have given a significant place in the NELM theory even though it has disregarded in the neoclassical theory.

5. HOUSEHOLD WELL-BEING

The well-being is defined in economics, sociology, medical and health sciences in a vague manner with different dimensions. In brief, the most common definition is keeping the people at a better level. As a compound concept, well-being needs to have a clear notion that

reflects on economic as well as non-economic aspects of the life [30].

In economics, well-being concepts are measured through utility based, commodity based as well as functional based approaches. Each of them has own measurements. Table 2 presents main information about different approaches of well-being found in the literature. Well-being of a rational person is measured by the utility gained by consuming a specific set of commodities, under the utility-based approach. According to Jeremy Bentham, direct expressions and responses of the people provides a proper way to measure the well-being [31]. Mullis [32] shows that goals of a person, his or her expectations and the means of achieving are included in subjective well-being. Literature suggests numerous measurements for subjective dimension of well-being such as satisfaction of life and happiness. In fact, psychological satisfaction such as the pleasure or the happiness of an individual, freedom that a person enjoys, spiritual dimensions, relationships of a person with others are considered in this subjective well-being [30]. Happiness of the households has been measured in different ways. Happiness indices, general happiness questionnaires, narrative quoting, and happiness measurement through questions with Likert scale answers are among them. As shown by Fuentes and Rojas [33], satisfaction of basic needs has a strong relationship with the happiness of the households than its relationship with the income improvement. Even though the satisfaction or pleasure cannot be measured through a specific measurement, literature provides number of ways to measure the happiness level of the people.

Well-being theories basically assume that the ultimate objective of the household is to maximize utility. Even though the utility cannot be measured through a specific measurement, it shows the level of satisfaction and the way of achieving maximum satisfaction level through indifference curves and budget lines. Some researchers use subjective well-being index which consists of questions related to general and mental health of the people [34]. However, it is generally accepted that the consumption of commodities, the physical conditions in which they live and the wealth or the properties also change the quality of life of the people though they have been neglected in the utility based approach.

Table 1. Theoretical development of labour migration and remittances

Theory	Time phase	Key contributors	Level of analysis*	Decision maker	Focus			
					Causes	Objective	Remittances	Impact of migration
Neoclassical theory	1950s	Lewis [12] Todaro (1969); Harris and Todaro (1970)	Micro Macro	Migrant	Wage and income differentials. Migration cost. employability	Earn a higher wage	-	Balanced growth in subsistence and urban sectors
Human Capital theory	1970s	Sjaastad [13]	Micro	Migrant	Potential wage at destination.	Earn a higher wage	-	Answered the selectivity problem. skilled workers can earn more and tend to migrate.
NELM	1980s	Stark [14,15,29] Stark and Bloom [17] Stark and Levhari [19,20] Lucas and Stark [18]	Micro/Meso	Family	Relative Deprivation, Credit market imperfection	Minimize risk, maximize family income & capital	Remittance motives and Micro level impacts	Income diversification, Remittance for household Livelihood development
Dual Labour Market	1970s	Michael Piore (1979)	Macro	Labour market	Labour demand of industrial economies			
Network	1980s	Massey (1988, 1989)	Meso	Social networks	Social network of migrants and others increase migration			Migrants support others for migration
World System theory	1970s	Wallerstein (1974)	Macro	Globalization	Structural changes resulted from globalization			
Institutional			Macro	Institutes	Activities of			

Theory	Time phase	Key contributors	Level of analysis*	Decision maker	Focus			
					Causes	Objective	Remittances	Impact of migration
theory Cumulative Causation theory	1990s	Gunnar Myrdal, Massey (1990)	Meso	Structural changes	agencies Migration changes social environment	Michael Piore (1979)		Migration change social structure that motivates others to migrate

Source: Tabulated by author; Note: * Micro level refers to individuals, meso level refers to household level and community level and macro level refers to whole economy level

Table 2. Approaches of well-being

Well-being Approach	Broad Spectrum	Measurement/s	Related studies
Utility based Approach	Psychological satisfaction gained by a person	Happiness, freedom spiritual dimensions, relationships with others, subjective well-being index	Burgnoli et al. [30]; Akay et.al. [34]; Fuentes and Rojas [33]
Commodity based Approach	Physical achievements	Income, Consumption, Asset holding	Chowa et.al [35]; Bracking and Sachikonye [36]; Kibikyo and Omar [37]; Stark [16]; Adams and Page [38]
Functional Approach	Capability of a person	What someone can do using the resources?	Sen [39]

Source: Compiled by the author

Commodity based approach on the other hand takes into the consideration, the objective well-being. Objective well-being or the economic well-being refers to physical achievements of a household that assures a certain level of living condition. It focuses on material aspect of the life. Objective well-being has been measured using different indicators of quality of life such as, level of income, income stability, level of consumption, condition of the living environment, facilities for education and health and assurance of safety and security. Among them household income is the common measurement of the well-being used in the literature, considering its impact on the consumption improvement [33]. In examining the well-being, Chowa, Ansong and Masa, [35] have mainly focused on the income of the people. Bracking and Sachikonye [37]; Kibikyo and Omar [37]; Stark [16] and Adams and Page [38] measure economic well-being in terms of income poverty and income inequality. As suggested by Burgnoli, et al. [30], the well-being can be measured in terms of consumption expenditure. Total consumption expenditure of the households, equivalent consumption expenditures or per capita consumption expenditure is some of consumption related indicators used to measure the household consumption level. Glewwe [40] and Meyer and Sullivan [41] shows that consumption is a relatively better indicator for the household well-being compared to the income of the people.

Commodity based approach concerns the resource endowment of the people. It is widely used for the assessment of the well-being of individuals or households. It is a simple method that anyone can easily understand and interpret. However, commodity-based approach measures

only the monetary aspects received by the individuals. The possession of wealth or income does not assure a certain level of satisfaction or enhancement of quality of life in all the time. Some dimensions of the well-being, for instance, the happiness, pleasure and the satisfaction are not taken into consideration under this approach. On the other hand, it does not measure the long-term changes in the living condition of households. Temporary fluctuations of income represent an enhancement of the income level but may not result in enhancement of the living condition [41].

Functional or capability approach focuses on the capability of the households or individuals. In recent studies, well-being is viewed in a different way. Sen [39] in his capability approach suggests an alternative method which uses a range of social indicators of well-being to assess the well-being of individuals. In his description, human functioning and capabilities are included. The well-being is interpreted in the capability approach as the actual freedom of choice. It emphasizes that the households need to have the freedom to choose among many alternative opportunities. Thus, it is measured through the functions played by numerous aspects of life. For an example, well-being can be considered as adequately nourished, being healthy and educated with self-respect.

Since the well-being is a multidimensional conception, focusing on subjective and objective aspects, it is necessary to have both qualitative and quantitative measurements to measure it [31].

6. LABOUR MIGRATION, REMITTANCES AND HOUSEHOLD WELL-BEING: A CONCEPTUAL FRAMEWORK

Migration – well-being relationship in the early migration theory is explained at the macro level. Neoclassical theory shows the benefits of migration received by both labour sending and receiving communities. While the labour migration provides a solution for the labour shortage in the immigrant country, it solves unemployment and low wage rate problems in the emigrant country [12]. Even though, the neoclassical theory does not show a direct relationship between migration and household well-being, enhancement of the average wage rate and the increase in the employment rate imply the possibility to improve the well-being of the households in the emigrant country. However, early theory of migration has not considered remittances and its impact to household well-being. Different to early theory, labour migration –well-being relationship is well explained in NELM. It discusses the household level implications of migration and remittances.

Based on NELM theory it is considered that the households take the decision to migrate as a group [17]. This decision aims the household level objectives [17,19,20]. NELM shows that an implicit contractual arrangement among the migrant and the household, in which the households finance the migrants to migrate expecting the future benefits and migrant remit money for the well-being of the household [17].

As a part of this implicit contractual arrangement, migrant remit money for the household.

Migrants with pure altruistic motive, often maximize their utility, which is derived from the utility of the household [18]. Hence, maximization of the utility of the migrant implies the maximization of the utility of the household. They remit money to their households as a support to enhance the household income and thereby consumption. These two, i.e. household income and consumption, in turn are two main indicators of objective well-being in the well-being literature. As shown in Prabal De and Ratha [25] and Koc and Onan [26] remittances help the people to climb up in the income ladder.

On the other hand, as shown in the tempered altruism, migrants remit money as a part of their contractual arrangement and help the household to face income shocks and risks successfully. In this situation, remittances help to diversify income sources of the household [19,20]. Earning income from different political and economic contexts reduce risk face by people specially in a crisis. Similarly, remittances help people to loosen credit market constraints [19,20]. Empowerment given by the remittances to households help in loosening credit market constraints faced by the households.

Based on literature on migration, remittances, and well-being a conceptual framework can be developed as shown in Fig. 1.

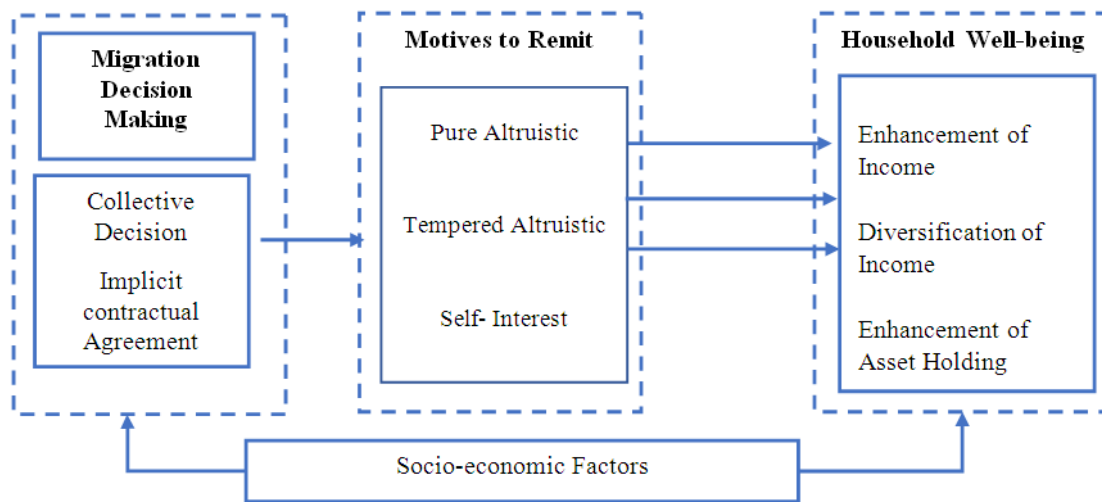


Fig. 1. Migration and household well-being: A conceptual framework

7. DISCUSSION AND CONCLUSION

Evolution of migration literature goes back to era of developmentalists and then move to neoclassicists and pluralists later. They have an optimistic view on macro level impacts of labour migration. Neo classical theory on the other hand focuses on migration with structural transformation in immigrating and emigrating countries. It discusses labour market imbalances between urban and rural sectors as the main cause and balanced growth as the main outcome of migration. Pluralists brought a different and a broader view to migration. The theory of NELM with a pluralist view, focuses on micro, macro as well as meso level aspects related to migration. Developing NELM theory as a comprehensive theory Stark, Bloom, Levhari, Taylor and Martin explain different causes as well as outcomes of migration. Collective decision making, contractual arrangements between migrants and their families left behind, credit market imperfection, altruistic motives of migrants to remit and risk diversification are the main pillars of migration theory of NELM. Contractual arrangements motivate migrants to remit money to the household left behind. They remit money either with a pure or tempered altruistic motive. As explained in NELM, remittances bring significant changes to household and help to diversify income sources reducing risk face by them. Further it helps to loosen credit market constraints.

Though neoclassical and other migration theories and models do not present a direct relationship between migration and well-being at the household level, some points of discussions especially presented by NELM provides a better foundation to identify a link between migration and household well-being. Based on NELM theory, collective decision of migration and contractual agreement between migrants and household members implies a strong bond between migrants and the households left behind. Accordingly, migrants remit with three motives; altruistic, self-interest and tempered altruistic. Remittances send with pure altruistic motive shows direct impact of migration on household well-being as it mainly aims to enhance household income level. Tempered altruistic motive of migrants, is resulted in diversification of household income reducing risk that the household face in a crisis. Though the self-interest motive aims the future benefit of migrant, investment purpose of migrant resulted in enhancement of financial and non-financial

asset holding of the household. Hence, the remittances send with self-interest motive increases asset holding and thereby well-being of the household.

COMPETING INTERESTS

Author has declared that no competing interests exist.

REFERENCES

1. World Bank. Leveraging economic migration for development, a briefing for the world bank board. Washington DC: World Bank; 2019.
2. World Bank. Migration and remittances, recent developments and outlook. Washington DC: World Bank; 2018.
3. World Bank. Migration and remittances factbook 2016. Washington DC: World Bank Group; 2016.
4. IOM (International Organization for Migrants). World migration report, migrant well-being and development. Geneva: International Organization for Migration; 2013.
5. Massey D, Arango J, Hugo G, Kouaouci A, Pellegrino A, Taylor E. Theories of international migration: A review and appraisal. *Population Council*. 1993;19(3):431-466.
6. IOM (International Organization for Migrants). Labour migration and human development, annual review. Geneva: International Organization for Migration; 2012.
7. UN. The international convention on migrant workers and its committee: Fact sheet No.24(Rev.1). Geneva: United Nations; 2005.
8. World Bank. Migration and remittances factbook 2011 (2nd ed.). Washington DC: World Bank; 2011.
9. IMF (International Monetary Fund). Balance of payments and international investment position manual sixth Ed. (BPM6) (6th ed.). Washington, D.C.: International Monetary Fund; 2009.
10. Haas H de. "Remittance, migration and social development, social policy and development programme paper, 34. United Nations Research Institute for Social Development; 2007.
11. Zickute I, Valimante K. Theoretical insights on the migration process from economic behavior's perspective. *Procedia-Social*

- and Behavioral Sciences. 2015;213:873-878.
12. Lewis W. Economic development with unlimited supplies of labour. The Manchester School. 1954;22:139-191.
 13. Sjaastad LA. The costs and returns of human migration. Political Economy. 1962;70(5):80-93.
 14. Stark Oded. Economic-demographic interactions in agricultural development: The case of rural-to-urban migration. Food and Agriculture Organization of the United Nations, Rome; 1978.
 15. Stark O. The cost and returns of human migration. Political Economy. 1978;70(5):80-93.
 16. Stark O. Rural to urban migration in LDCs: A relative deprivation approach. Economic Development and Cultural Change. 1984;32:475-486.
 17. Stark O, Bloom D. The new economics of labour migration; 1985. Available: http://www.migrationpolicycentre.eu/docs/SummerSchool2013/readings/Kaczmarczyk_Reading%206.pdf
 18. Lucas RE, Stark O. Motivations to remit: Evidence from Botswana. Journal of Political Economy. 1985;93(5):901-918.
 19. Stark O. Research on rural-to-urban migration in less developed countries: The confusion frontier and why we should pause to rethink afresh. World Development. 1982;10:70-73.
 20. Stark O, Levhari D. On migration and risk in LDCs. Economic Development and Cultural Change. 1982;31:191-196.
 21. Taylor EJ, Martin PL. Human capital: Migration and rural population change. In B. L. Gardner, and G. Rausser (Eds.), Handbook of Agricultural Economics. New York: Elsevier Science. 2001;1(1):457-511.
 22. Agrawal R, Horowitz A. Are international remittance altruism or insurance? Evidence from Guyana using multiple-migrant households. World Development. 2002;30:2033-2044.
 23. Funkhouser E. Remittances from international migration: A comparison of El Salvador and Nicaragua. The Review of Economics and Statistics. 1995;77:137-146.
 24. Rapoport H, Docquier F. The economics of migrant's remittances. IZA Discussion paper No. 1531; 2005.
 25. Prabal De, Ratha D. Impact of remittances on household income, asset and human capital: Evidence from Sri Lanka. Migration and Development. 2012;1(1):163-179.
 26. Koc I, Onan I. International migrants' remittances and welfare status of the left-behind families in Turkey. Migration Review. 2004;38(1):78-112.
 27. Siriwardhane D, Amaraturunge S, De Silva I. Remittance and risk diversification in developing country context: Evidence from Sri Lanka. Rajarata Journal of Social Sciences. 2019;04(02):1-20.
 28. Becker G. Human capital: A theoretical and empirical analysis with special reference to education. New York: Columbia University Press; 1975.
 29. Stark O. Migration in LDCs: Risk, remittances and the family. Finance and Development, Browsed. 1991;39-41. Available: https://www.elibrary.imf.org/doc/MF022/14054-9781451951790/14054-9781451951790/Other_formats/Source_PDF/14054-9781463985585.pdf
 30. Burgnoli A, Giuseppe F, Modena F. Multidimensional economic well-being: is it measurable? Case of Lombardy. Working Paper 10; 2009. URL: <https://ideas.repec.org/p/trn/utwpol/0910.html>
 31. Collard D. Research on well-being: Some advice from Jeremy Bentham. Philosophy of the Social Sciences. 2006;36(3):330-354.
 32. Mullis RJ. Measures of economic well-being as predictors of philological well-being. Social Indicators Research. 1990;26:119-135.
 33. Fuentes N, Rojas M. Economic theory and subjective well-being: Mexico. Social Indicators Research. 2001;53:289-314.
 34. Akay A, Giulietti C, Robalino J, Zimmermann K. Remittances and Well-Being among Rural – to- Urban Migrants in China. IZA dp 6631; 2012.
 35. Chowa G, Ansong D, Masa R. Assets and child well-being in developing countries: A research review. Children and Youth Services Review. 2010;32(11): 1508-1519.
 36. Bracking S, Sachikonye L. Migrant remittances and household well-being in urban Zimbabwe. International Migration. 2010;48(5):203-227.
 37. Kibikyo D, Ismail O. Remittances effects on poverty and social development in Mogadishu, Somalia. Microeconomics and Macroeconomics. 2012;10:1-11.

38. Adams R, Page J. Do international migration and remittances reduce poverty in developing countries? *World Development*. 2005;33(10):1645-1669.
39. Sen A. *Commodities and Capabilities*. North-Holland; 1985.
40. Glewwe P. Investigating the determinants of household welfare in Cote d'Ivoire. *Living Standards Measurement Study Working Paper No.71*; 1990.
41. Meyer B, Sullivan J. Further results on measuring the well-being of the poor using income and consumption. *The Harris School of Public Policy Studies*, The University of Chicago; 2010..

© 2021 Siriwardhane; This is an Open Access article distributed under the terms of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Peer-review history:
The peer review history for this paper can be accessed here:
<http://www.sdiarticle4.com/review-history/68046>