Migration, poverty and indebtedness

Migration dynamics, patterns and impacts from the CHIME research project

Workers near Nyaung-U, Mandalay Region. © Ko Oo 2017

Highlights

- Debt was mentioned in the majority of qualitative interviews with lower income households as a factor in migration decision-making. For many, migration was perceived as the only way out of interlocking problems of debt, rural bonded labour and extreme poverty.
- Families reported going into debt to finance migration, even when the migration was being undertaken to repay existing debts – it being seen to offer greater long-term prospects.
- Of international migrants, 38 per cent sought loans (from relatives, friends, brokers or employers) to finance migration. The figure was just 5 per cent among internal migrants i.e. those who migrate within Myanmar.
- Although migration is often seen as a route out of rural bonded labour, when brokers facilitate migration, migrants are also at risk of debt bondage and dubious contracts at destination.
- In most cases, the initial costs of migration are replaced with more prosperity for the migrant and their family. However, for some, change may be slow or imperceptible and, in a minority of cases, migration failure leads to mounting debts and sale of assets.

About the CHIME project

This briefing paper is based on research conducted as part of the “Capitalising Human Mobility for Poverty Alleviation and Inclusive Development for Myanmar” (CHIME) project.

The project was implemented by the International Organization for Migration (IOM), the University of Sussex, Metta Development Foundation, and the Ministry of Labour, Immigration and Population of the Government of Myanmar.

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The research was conducted in four regions/states – Ayeyarwady, Mandalay, Rakhine and Shan – in spring/summer 2017. Using mixed methods consisting of household surveys, qualitative interviews, and community discussions, CHIME explored the complex relationships between migration, poverty and development.

The total sample covered in the quantitative household survey (3,116 rural households) is regionally representative for Mandalay and Ayeyarwady but not for Shan or Rakhine due to varying degrees of access to sampled villages.

Background

According to the World Bank, a third of Myanmar's population are poor and a further 14 per cent near-poor.[1] Where households live on the edge of poverty, shocks such as illness, crop failure, or natural disaster can have severe repercussions and send them into poverty. The most common approach for dealing with shocks is to borrow money. Households are also using credit to support themselves during lean times with nearly one in five households having taken out a loan to cover basic food needs.[2] This practice is particularly prevalent in rural areas.

Approximately a fifth of all households in Myanmar are heavily indebted.[3] These households struggle to make long-term investments to improve their well-being and may also take actions that reduce their ability to bounce back.[4] CHIME data illustrate how migration is undertaken to repay debts, as well as to diversify sources of income and mobilise resources for investment in education, housing and durable goods. Migration brings opportunities for migrants and their left-behind families but also comes with risks, including further indebtedness, debt bondage and exploitation.

Financial drivers of migration

Chronic poverty and debt was one of four interrelated groups of factors identified as driving migration in Myanmar. In the qualitative interviews which targeted lower income households, 136 out of 192 interviewees mentioned debt as a major constraining factor for the household. Migration was often regarded as the only way of releasing the family from debt. Debts were incurred for a variety of reasons, including:

- to cope during the lean (non-harvest) season when employment is scarce;
- to pay for education and health;
- to cope with livelihood losses resulting from erratic weather conditions and disasters, fluctuating crop prices and/or restricted access to natural resources; and to fund migration.

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Daily life in Pakokku. © Ko Oo 2017

[1] A near-poor person is someone who is above the poverty line of MMK 1,303 per day, but below MMK 1,564 per day. World Bank. 2017. An analysis of poverty in Myanmar (English). Washington, D.C.: World Bank Group.
[2] Ibid p. 107
[3] Ibid, p.10
[4] Ibid, p.10

Many qualitative interviewees reported living 'hand to mouth' and struggling to cope with day-to-day expenses. Interviewees also described how sudden and/or slowly accumulated negative changes in their circumstances had triggered migration. A number of respondents explained their struggle to cover the medical expenses of family members' illnesses or accidents, and how these resulted in financial setbacks and going deeper into debt (as in Box 1).

The system of wage advances – in which the poor take wage advances, in cash or in kind, during the lean season in exchange for their labour (or that of their children) during the peak season – is prevalent in rural areas in some of the surveyed regions. The system offers poorer households a degree of security. However, the highly uneven relationship it fosters can lead to exploitative working conditions. When this occurs, workers become trapped in an endless cycle of debt where they rely on wage advances to meet daily expenses in the lean season and work for little or nothing in return during the peak season.

A decision to migrate was normally taken by the family as a whole as a way of mobilising resources to manage extreme poverty. Trapped in systems of wage advances and debt bondage and vulnerable to exploitation, respondents revealed the extremely difficult conditions faced by poor and landless villagers. In such cases, migration was often seen as the key means – and for many the only means – of breaking the cycle and releasing themselves from the interlocking problems of extreme poverty and chronic indebtedness.

Box 1: Interlocking disadvantage and chronic indebtedness

Aung Kyaw* is a 47-year-old man with five children. His family has been chronically indebted since he suffered from cardiovascular disease a few years ago. In the past, he made a living by climbing toddy palm trees and worked with his wife. He described how the job was tiresome and that their lives *"were just buried under these palm trees and there was nothing we could do to change it. We couldn't even go when our mother and father passed away because we couldn't hire other people to work this job."* They were able to make a living through palm work as there was a good market for it. However, things took a turn for the worse when Aung Kyaw fell sick, due to unaffordable medical treatment. The family sold their land to pay for his medical treatment and also had to borrow money at an interest.

In order to overcome this situation, Aung Kyaw's eldest daughter decided to work in Yangon. Both parents were very sad to let her go. Aung Kyaw said:

> *"I cried and cried in the bed, saying I couldn't let my girl go and work there alone."*

Aung Kyaw's health situation has improved but he still cannot work hard. He is trying to work in brick-making to pay for his medicines, but the medicines cost much more than he can earn. His wife often goes with a group of women from her village by train to weed sesame and beanfields in nearby villages.

Although debts were sometimes incurred to finance migration, in the long term, initial hardships are usually offset by the benefits brought by migrants' increased earnings and new opportunities opened up as a result. Indeed, as Box 2 shows, changes brought about by migration can vastly improve household well-being, social standing and peace of mind. It is these long-term effects that migrants generally have in mind when they migrate.

Box 2: From debt and dishonour to peace of mind

Hla-May, a 52-year-old mother of eight from Ayeyarwady, owed several people money and had to sell portions of her land to pay back her debts. Apart from monetary debts, she also owed some farmers labour during the peak season, which she had promised against borrowings. She mentions that those to whom she owed, came to argue with her. She described an arduous and difficult period in her life:

*All names in this brief have been changed to protect respondents' identities.

"People came from here and there to ask money from us, and I don't even want to talk about how much I cried. I had to apologize to this person and that person. We were in so much trouble because all of these people wouldn't give us a pass. People came from this farm and that farm to fight with me, so I was crying a lot. We were in debt for about 12 acres, so when the crops were ripe, people came and called us to harvest their farms and blamed us for not being able to render work for them, but we were already in the middle of harvesting another farm. Everything turned out to be okay when two of my daughters went to work in Yangon. We didn't have to worry about transplanting rice or harvesting anymore. Our mind is at peace now, but before I was almost going crazy. I have to let my other children go to school despite our difficulties, because if they are not educated they will get in trouble. That's why we have to think of ways to send them to school."

Financing migration

International labour migrants face higher costs and are more likely to pay higher fees to brokers and recruitment agencies than internal migrants. The number of internal migrants using intermediaries, such as brokers, to finance internal migration, is negligible. In contrast, 43 per cent of male international migrants and 28 per cent of female international migrants used paid intermediaries to migrate.

Interview data revealed that many families borrowed money from multiple sources including relatives, employers, microfinance institutions, government loans and private moneylenders, as well as from return migrants who used their remittances to establish loan facilities for villagers. When it comes to financing migration, international migrants are more likely than internal migrants to turn to loans, reflecting the higher costs of international migration. Of CHIME's international migrant respondents, 38 per cent sought loans (from relatives, friends, brokers or employers) to finance migration compared to 5 per cent of internal migrants.

CHIME's interview data suggest that poor households are unable to utilise credit schemes because of structural barriers and terms of borrowing that are beyond their means. A World Bank study found that landless people, women and youth face persistent constraints in accessing credit, with less than 30 per cent of adults in Myanmar having access to financial services (World Bank, 2016). CHIME case studies corroborate such findings and confirm the constraints placed on the rural poor's access to credit. Most credit programmes are aimed at rural livelihoods but these present potential beneficiaries with difficult-to-meet entry requirements. For example, the largest state-sponsored source of credit, the Myanmar Agricultural Development Bank, limits its loans to those with land registration documents, thereby unintentionally favouring better-off households and leaving poorer households with few formal documents, unable to access credit. Several respondents reported avoiding such traditional credit channels altogether, with them instead preferring to borrow money from microfinance institutions for rural livelihoods, but using the loan to finance migration.

Where the cost of migration becomes an issue for households, labour market intermediaries who can arrange migration and help with upfront costs (i.e. brokers) were important facilitators. Although the household survey results do not show the extent to which brokers financed initial migration costs, qualitative interviews captured a few cases where the upfront costs for migration were recouped through migrant wages under a situation of bonded labour.

At home in Ywangan, Shan State. © Ko Oo 2017

This brief is based on CHIME research conducted by Dr. Priya Deshingkar, Dr. Julie Litchfield and Dr. Wen-Ching Ting.

Bonded labour

Migration is often seen as a route out of rural conditions of bonded labour; however, migrants are also at risk of bondage when their migration is facilitated by brokers. IOM's Glossary on Migration (2011) defines bonded labour as "service rendered by a worker under condition of bondage arising from economic considerations, notably indebtedness through a loan or an advance." Where bondage arises from debt, the implication is that the debtor (or someone under his/her control) is tied to the creditor as security for that debt until it is repaid. In such cases, individuals may be forced to work for little or no pay, and with no control over their debt.

Qualitative findings show two kinds of bonded labour: debt bondage and dubious contracts. Several interviews reveal that bonded labour practices are endemic in agriculture and fishery, with some cases also involving child migrants. Bondage-like obligations occur when a worker pawns his/her own labour, or their children's, towards the repayment of their debts. For workers on time-bound contracts, there were obstacles to withdraw from the work at their will and they must remain bonded to the employer until the fixed term has ended. Instances of forced labour were also observed: employees' documents are often taken away and wages withheld until the end of the contract (see examples in Box 3).

There is a real risk of bondage and exploitation when money borrowed cannot be repaid, especially for irregular migrants. Our qualitative interviews captured a few cases of broker-mediated arrangements between workers and employers that closely resembled bondage-like conditions. Meeting upfront costs for migration and then recouping them through migrant wages is one way in which bondage may occur. The arrangement traps the worker in debt temporarily, and the interviews indicate that families are aware of this practice and expect that their investment in migration will pay off in the long term. Although cheating that leaves migrants in precarious situations is not very common, there are certainly cases where it occurs. In cases where migrants lack a strong support network at their place of destination, the consequences can be very serious.

Box 3: Exploitation and bondage

The 18-year old daughter of Zin Lay, a 41-year-old woman in Rakhine State, migrated to China aided by a broker. The broker did not charge her daughter, stating that she would have to pay for the costs of recruitment through work. After her daughter left the village, Zin Lay lost contact with her for five months, and became extremely worried. When she finally heard from her daughter, she said she had been tricked by the broker:

"She told me about why she couldn't contact me. She said that the broker deceived them and took all my daughter's salaries in advance. She said: 'Mom, we had to work at a water purification factory. But the broker took all of our salaries in advance. We didn't get our salaries. That is why all of us (12 persons) ran away from the factory with a Chinese guy. Fortunately, we accidentally met a Rakhine guy who asked us where we were going. The Rakhine guy helped us and searched for a new job for us at a fishing factory."

Another respondent, Myo Lwin, a 24-year-old Rakhine man, migrated to Yangon when his father's sickness created financial difficulties for the family. Through a broker, he found employment as a company security guard with very low pay (MMK 30,000 per month), but with accommodation and food provided. The company kept his ID card and made him sign a contract stating that if he quit his job before a certain time, he would not be paid in full. The company also failed to pay him the weekly wage they had initially agreed upon. Myo Lwin eventually quit, but the employer did not pay the wages owed to him or return his ID card.

Remittances

CHIME data show that migration rarely leads immediately to a migrant having disposable income to send back to their family as remittances. Brokers expect to be paid, and securing employment and accommodation becomes an urgent priority that must be met before a migrant is in a position to start sending money home. Pressure also comes from families who may expect migrants to send remittances early and often. In fact, it is common for migrants to not be able to send remittances for at least the first five to six months.

Remittance-receiving households reported that they normally spend their remittances on household appliances, renovating the house, buying land, paying back debts, covering medical expenses and supporting a younger sibling's education. One 62-year-old woman in Ayeyarwady explained that remittances sent by her two sons were used for paying back debts, repairing ceilings and other structures in the house, buying household goods, paying medical expenses and supporting the younger sibling's education, which brought a significant change for her family. In a similar vein, another respondent – a 49-year-old Ayeyarwady man – reported using the remittances from his daughter in Yangon on household goods, support for his younger daughter's education and on paying back debts. He explained:

> *There were a few changes after she left. Our livelihood improved a little bit. We could manage to live a simple life. We bought things we need for this house. Now we also save money, we get to eat enough. Do we have debt? We do, but the amount of our debt is different now. My migrating daughter can help every month and even though it is not a big amount of money, it can help us to reduce our debt. She helps her youngest sister with everything about her education. When her youngest sister wanted something like new clothes, she would buy it for her.*

Many interviewees strongly believed that investing in education would result in higher incomes, helping to break the cycle of debt and poverty. The interviews yield compelling evidence of the huge sacrifices made by extremely poor families to invest in children's education with siblings supporting each other's education and/or migration.

Migrant workers in Nyaung U, Mandalay Region (L) and Ywangan, Shan State. © Ko Oo 2017

Box 4: The cost of precarity and migration failure

Ei Chaw, is a 45-year-old woman in Shan State. She has six children, of which two are married. The two middle sons have migrated to Thailand and the two youngest children are still in school. Her eldest son went to Thailand with the help of his uncle's contacts. He initially got a job at a tofu shop but later shifted to a painting job. The irregular working days of the painting job led to unstable earnings, which created financial problems for the family back home:

> *"We do not own farmland anymore. Our family was not doing well, so my son went to Thailand three years ago. We didn't have investment money, so we borrowed money from other people at 10 per cent monthly interest. He sent a little bit of money, and it was all spent to pay just the interest. He hasn't sent us money for a year because he has not been doing well, and so we had to sell our farmland to pay back the debt as it was getting bigger."*

Zayar Oo, a 20-year-old male from Rakhine, belongs to a poor family of eight. His brother migrated to Thailand to work at an iron factory and help improve the family's financial situation. He migrated with a group of villagers through a broker. They each paid MMK 500,000, of which the parents had to borrow MMK 300,000 from friends and family. He sent remittances twice, allowing the family to partially repay the loan. However, the remittances came to an abrupt end when he suffered a serious injury due to an iron bar falling on his leg. He is unable to work and even though he remains in Thailand, he has not sent back any money, forcing the family to mortgage their house and land.

Precarity, shocks and the impact of failures

In most cases, the initial disadvantages, costs and risks of migration are gradually replaced with more prosperity for the migrant and their family – debts may be repaid, food security improves, siblings are educated, elderly parents are cared for and the social standing of the family rises.

However, this is not always the case and for those trapped in poorly paid jobs at the bottom of production chains (for example) change may be slow or imperceptible.

In a minority of cases, migration failed and this had dire consequences for the household. The case of a 39-year-old gold mine worker from Rakhine, illustrates how migration to different destinations under different terms can have different impacts on the household. This worker's first migration to a gold mine was undertaken with the expectation that large amounts of money could be made and was financed by mortgaging the family's land. The migrant returned eight months later with savings of MMK 200,000. Of this, MMK 50,000 was used to release the land from the mortgager, and the remaining MMK 150,000 was used by the family for their everyday needs for a month and a half. As their house was dilapidated, he then decided to migrate to China with six friends from his village to build a new house.

The process of migration and the conditions of work at destination, are fraught with uninsured risks and hardship, and interviews with families back home indicated that they can be adversely affected when the family member who migrated, faces unexpected difficulties. A challenge that migrants often face is how the difference between their migration-related expectations and the actual working and living conditions at destination, create unforeseen costs. Such costs could be incurred due to periods of unemployment, irregular payment or injury. In some cases, the migrant's left-behind family sold assets to support the migrant and to pay for mounting debts.

Travelling to Amarapura, Mandalay Region. © Ko Oo 2017

From evidence to action: what can we learn from CHIME's findings?

1. CHIME's research reveals the potential of migration for breaking the cycle of debt. Since it is often the poorest, most vulnerable and indebted households that cannot and/or do not migrate, future programming should seek to reduce the barriers to their migration and create new avenues for safe and gainful migration.

   (a) The high cost of migration, particularly international migration, is a significant barrier for rural households. Reducing the reliance on exploitative intermediaries, for example, by providing better access to safe migration information, would help to reduce the costs.

   (b) While rural credit facilities are improving across Myanmar (World Bank QSEM, 2016), there are currently no state-sponsored or large credit facilities for migration. Migration is constrained by a lack of available credit and unrealistic repayment schedules on existing credit options. Creating tailored credit facilities for migration – with realistic repayment schedules and terms – would create new avenues for migration, reduce reliance on expensive moneylenders, and reduce the incidence of debt bondage.

2. CHIME findings suggest that sending remittances home using formal banking methods incurs significant transaction costs, especially for international migrants. The value of remittances received by families, and the frequency or regularity of remittance receipt, could be increased if cheaper and more immediate methods of transferring money were developed.

3. CHIME research shows the importance of remittances in managing household debts. Efforts should be made to support migrants and their households to manage remittances more efficiently – moving beyond repaying the debts to building assets and livelihoods.

4. CHIME's data highlight the damaging effects of migration failure on household finances, particularly in cases where migration is funded by debt. It is therefore vital that future programming works to reduce the incidence of migration failure through, for example, the promotion of decent work, improved access to social protection, and better mechanisms for exploited migrants to seek redress. Managing the short-term risks and costs of migration could also shorten the time before remitting begins and help amplify the benefits of migration.

The CHIME study is available in the following formats in English and Myanmar:

- Full report
- Regional briefs (Ayeyarwady, Mandalay, Rakhine)
- Thematic briefs (Gender, Agriculture, Urbanisation, Poverty and Indebtedness, Remittances, Social Impacts)

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