

Emigration, Return Migration and Informal Insurance in the Origin

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Abstract

While income expansion is regarded as the primary objective of labour emigration, emigration contains risks such as unemployment in the destination. This paper theoretically examines the role of informal insurance on emigration and return decisions, regarding emigration as an income-expansion strategy and return as a reaction to the unemployment in the emigration destination. While informal insurance discourages return migration, the relationship between informal insurance and the likelihood of emigration is ambiguous. It is shown that informal insurance has two contrary effects; risk reduction and gain reduction. Depending on riskiness in the origin place, informal insurance either discourages emigration or has inverted-U-shaped relationship with emigration; low to middle level of informal insurance enhances emigration while too much informal insurance discourages emigration.

Keywords: Informal insurance; labour migration; return migration; unemployment.

JEL classification: J65; O12; O15

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