

**migration**

International migration involves the movement of people, on either a temporary or permanent basis, among the countries of the world economy. Throughout human history, these changes of residence have helped to alleviate human suffering, enhance technological progress, and promote cultural exchange. As of 2006, approximately 200 million people or three percent of the world's population lived outside their country of birth. Although, by historical standards, this percentage is low, international migration has doubled since 1980. Migration continues to be a key dimension of globalization, albeit one that has complex determinants and outcomes.

As a field of inquiry, international migration has received less attention from social scientists than many other aspects of the world economy. Nonetheless, it is one with a relatively long intellectual history that originally goes back to Ravenstein (1889), with modern contributions going back to Lee (1966). Theoretical and empirical research into international migration underwent a significant renaissance beginning in the 1990s, and multilateral financial institutions gave increased amounts of attention to the subject (e.g., World Bank, 2006). A grounded understanding of migration requires an investigation into its recent history, types of migration, the migration decision itself, impacts of migration on both source and destination countries, and current policy debates.

**Recent History**

The modern era of globalization began in the late nineteenth century. A central component of this was the "Age of Mass Migration" described by Hatton and Williamson (1998). Between 1850 and 1914, approximately 55 million Europeans migrated, most of them unskilled males who settled in the United States. As Manning (2005) emphasizes,

however, the Age of Mass Migration was not just European in nature, with 50 million Chinese and 30 million Indians also migrating (not all voluntarily), primarily to serve as unskilled laborers in British colonies in Africa and the Pacific.

The trans-Atlantic mass migration increased the New World labor force by a third and reduced that of the European economies by an eighth. As a result, the wage gap between North America and the leading European countries narrowed, and flows of migrations from traditional sources slowed. Yet, as Western Europe was reaching the end of this migration cycle, other less-developed countries in Eastern Europe were just getting started, giving rise to new sources of migration. The new migration proved to be politically controversial, however, and in 1917, the US introduced a literacy test for new migrants. This, as well as the outbreak of World War I and its accompanying restrictions on movements of people, effectively brought an end to this era of migration.

Starting in 1917 and continuing throughout the 1920s, isolationist policies characterized much of the western world. The onset of the Great Depression and the outbreak of World War II only reinforced this trend. International migration declined dramatically. In the aftermath of World War II, however, resurgent nationalism and the spread of communism sent millions of refugees across the European continent. In Western Europe, once a major source of migrants, rapid economic growth in the late 1940s and 1950s led to a shortage of low-wage labor. Initially, the demand was met by migrants from southern European countries, but such sources quickly proved insufficient. By the 1960s, countries across Western Europe were admitting millions of guest-workers from Turkey and North Africa. While the 1973 oil crisis and the ensuing high unemployment brought an abrupt end to these programs, the oil-exporting countries in

the Middle East later replicated and expanded the guest-worker model, thereby ensuring that flows of low-skilled migrants remained a significant component of world migration.

In the mid-1960s, Australia, Canada, and the United States overhauled their immigration policies, allowing for a much greater volume of flows and opening the door to migration from countries in Asia, Africa, and Latin America. Together with the precipitous decline in cost of intercontinental transport and communication, these reforms have led to steady growth in both the volume and diversity of migrant flows. Yet, as a consequence of international migration becoming subject to expanded legal provisions, increasing numbers of migrants opted to forgo legalities altogether. Consequently, undocumented migrants posed increasing challenges for destination countries.

Since the late 1980s, migration flows have continued to grow rapidly. Although Western Europe is an increasingly popular destination for migrants, the United States accepts more immigrants than any other country in the world. The Gulf countries of the Middle East have also emerged as a major destination for migrants, particularly for low-skilled workers from South and Southeast Asia. As of 2006, Mexico and the Philippines were significant sources of low-skilled labor, the latter having 10 percent of its population in foreign countries. China and India predominate as sources of high-skilled migrants.

### **Types of Migration**

Migrants leave their home countries and are admitted into destination countries for a wide variety of reasons, and distinct administrative channels have evolved to facilitate these flows. Following are some of the major channels, both legal and unregulated, that define the current international migration system.

*Permanent High-Skilled Migration.* Over recent decades, Australia, New Zealand, Canada and the United States have selectively granted permanent residence to a limited number of high-skilled foreigners who are likely to offer these countries positive economic benefits. Whereas Australia, Canada and New Zealand operate a “points” system to rate the desirability of potential immigrants, the United States primarily relies on nominations of potential immigrants by local companies who wish to hire them. Among source countries, India and China lead the way. Some high-income countries such as South Korea and the United Kingdom also provide significant numbers of these kinds of migrants. Several Western European countries adopted similar approaches to permanent high-skilled migration.

*Temporary High-Skilled Migration.* In many developed countries, programs that grant permanent residence to foreigners who do not have historical or ethnic ties to the destination country are politically difficult. In such cases, governments may seek to fill occupational shortages through the recruitment of high-skilled migrants on a temporary basis. Historically, these flows have been concentrated in education and health-related services. During the 1990s, however, booms in information and communication technology (ICT) led to a shortage of related skills in many high-income countries, resulting in a jump in flows of technology professionals, most from India. In the early years of the 21<sup>st</sup> century, even non-traditional countries of immigration, such as China and the Czech Republic, began to grant temporary work visas to high-skilled foreigners.

*Temporary Low-Skilled Migration.* Despite the fast growth of temporary high-skilled migration, these flows are dwarfed by temporary low-skilled migration, in which countries admit migrant workers to provide low-cost services on a strictly temporary

basis. Countries typically implement these programs when rapid economic growth has improved the wages and work conditions of the local workforce and left them correspondingly unwilling to work at low-wage jobs. One of the best-known programs of this kind was the West German *Gastarbeiter* program of the 1960s and 1970s in which West Germany recruited large numbers of Turkish and North African guest workers. Although these programs were rolled back in the low-growth, high-inflation period of the 1970s, low-skilled migration programs proved to be popular in some parts of the Middle East. As of 2006, for example, approximately 10 million temporary low-skilled migrants were employed in the Gulf States. India and Pakistan are major sources of manual laborers and construction workers, with domestics, nurses and other service workers coming primarily from Sri Lanka, the Philippines and Thailand. The rights of temporary low-skilled migrants, however, are often not well defined or protected.

*Family Migration.* Family migration is among the largest official channels of migration and represents a large share of flows from low- and middle-income countries to high-income countries. This mode of migration enables foreign spouses of citizens, children born abroad, and even foreign-born parents and siblings of citizens to gain permanent residency.

*Co-Ethnic and National Priority Migration.* A number of programs provide permanent residency to foreigners on the basis of their ethnic background, religious affiliation, or national origin. In many cases, these programs function through the liberal application of the *jus sanguinis* citizenship tradition, in which parentage rather than place of birth determines citizenship rights. Germany and Israel, two of the largest and most controversial exponents of co-ethnic and national priority migration, grant permanent

residency to those who share the ethnicity and religion of the country, respectively, regardless of familial ties. Other programs, such as the visa lottery system of the United States, aim to diversify immigration flows.

*Asylum Seekers.* The 1951 Geneva Convention protects persons with a “well founded fear of persecution [by state agents] for reasons of race, religion, nationality, membership of a particular social group, or political opinion” from return to their country of origin. Asylum seekers commonly invoke the 1951 Convention in seeking permission to remain permanently in a destination country. In order to assess asylum claims, major recipient countries have established elaborate administrative legal procedures, including access to counsel and the right to appeal initial decisions. As a result, individual claims can sometimes take years to resolve. In some destination countries, asylum seekers qualify for social services. In others, they are granted only the right to work. In yet others, they remain in detention until a final decision on their application is reached.

*Refugees.* Groups of people who have fled to neighboring countries due to war, famine, environmental collapse, or political strife are considered refugees. Refugees are often hosted in makeshift camps set up by international humanitarian agencies along the border of the affected country with the expectation that they will return to their country of origin at the conclusion of the disturbance. Where this is not possible, the United Nations High Commissioner for Refugees (UNHCR) might seek to resettle refugees in a third country or help them to settle in the country of refuge.

*Undocumented Migration.* Of all the different forms of migration, few seem to engender as much political consternation as flows of undocumented migrants. Reliable data on the number of people involved in undocumented migration are limited and

estimates vary widely. There is evidence, however, that flows increased markedly in the 1990s and the early years of the 21<sup>st</sup> century, particularly to Europe where the implementation of the free movement of labor within the European Union has greatly increased the economic return for illegal migrants to reach a member country. Major flows also exist between Mexico and the United States and among countries in West Africa, Southern Africa, and Southeast Asia. Flows of undocumented migrants include those who move voluntarily and those who are trafficked against their will.

*Visa-Free Migration and Students.* Visa-free migration exists (with some exceptions) within the European Union, as well as between New Zealand and Australia. This channel grants citizens the right to work for an unlimited time in any of the countries that are party to the agreement. Finally, students who travel to foreign countries for educational purposes have emerged as a major avenue by which young people from developing countries can, having satisfied a number of conditions, obtain the right to work and permanently reside in developed countries.

### **The Migration Decision**

Economists explain human decisions, including the decision to migrate, using the concept of *utility maximization*, which assumes that the goal of all human beings is to maximize their individual or household utility, sometimes interpreted as a sense of happiness or well-being. According to this approach, prospective migrants will migrate only if they are reasonably confident that the sum total of all the relevant changes will increase their utility level.

Unlike many other economic decisions, migration involves a range of factors that can change in ways unknown to the individual. Even in the presence of perfect

information, migration is fraught with personal risk, and it can thus be very difficult for a person to know with any degree of certainty whether migration will improve his or her life. The inherent unpredictability of migration tends to discourage people from leaving their home countries, even when doing so would increase their expected income. Those who do choose to migrate are often unusual in their willingness to tolerate risk. The predominance of young males in migration statistics reflects this reality.

Migration is an expensive endeavor in terms of both the direct costs involved and the opportunity costs of leaving a livelihood in the home country. These costs prevent a large number of people from migrating even if they wish to do so. This, in conjunction with the unwillingness of those earning high incomes to migrate, gives rise to the so-called *migration hump*. That is, those with the highest inclination to migrate come from middle-income countries, where wages are high enough to provide the base level of wealth necessary to finance migration, but also low enough to generate significant financial incentives for migrating to high-income countries. Thus, as incomes in middle-income countries increase, migration rates tend to decline. On the other hand, when incomes rise in low-income countries, migration rates tend to increase. Such was the case during the Age of Mass Migration, with significant increases in emigration rates following industrial revolutions by four or more decades

Another important factor that can either spur or restrict migration is the presence of familial or trusted contacts in the destination country. If a large number of people from their community have migrated, potential migrants have easy access to information on the experiences of other migrants and relatively high confidence in what they are told.

Immigrant communities can also provide essential services to new arrivals, such as accommodation and employment, thereby lowering the cost and risk of resettlement.

In some cases, neither financial resources nor information networks in destination countries allow migrants to fully assess their prospects. Some high-skilled migrants, for example, fail to secure a job that utilizes their skills. This causes what analysts refer to as *brain waste*.

### **Impacts on Source Countries**

High-skilled migrants are commonly trained at substantial costs to the taxpayers of source countries through public education systems. Their departure thus has profound effects in the form of what is known as *brain drain*. Source countries can also lose tax revenues that migrants would have generated. More importantly, many of the skills sent from less-developed to more-developed countries are already scarce in source countries. In the case of medical services, for which more-developed countries have a strong desire and less-developed countries an urgent need, the brain drain can cost lives. In Malawi, for example, HIV/AIDS has reduced the country's life expectancy to under 40 years. Despite this health crisis, the country has lost approximately half its nursing staff to migration. Partly as a result, the rate at which Malian women die during pregnancy and childbirth has approximately doubled.

The emigration of skilled workers does not always create problems for source countries. In some cases, emigration alerts outside investors to a large or relatively underused skill base of the source country. The success of skilled Indian migrants in the United States, for instance, helped to spur the large inflow of ICT-related foreign direct investment to India seen over recent years. Many foreign ICT companies, impressed by

the talent working for them outside of India, sought out equivalently-skilled individuals within India as employees in FDI-related facilities. Thus, when the conditions are right, skilled migrants are able to generate networks of investment, trade and technology transfer that increase the productivity and demand for skills in the home country, while extending the global technology frontier and lowering the cost of products used by billions of people worldwide.

Another potentially compensating benefit of the brain drain is that it tends to increase the demand for skills in the source country by raising the rate of return to education. Some researchers have suggested that, even accounting for the emigration of skilled individuals, the increase in demand for education generated by the brain drain may actually *increase* the number of skilled workers in the population. This is known as a *brain gain*. While brain gain outcomes are possible, they depend on very large responses in the supply of education and training. They are not, therefore, a *general* outcome of high-skilled migration.

The most easily quantifiable benefit of emigration to source countries is the flow of money, or *remittances*, sent by migrant workers to their home countries. Recent estimates suggest that the total remittance flow to developing countries now exceeds US\$160 billion. In a number of countries, remittance inflows are larger than inflows of foreign direct investment and can compose up to 10 percent of national incomes. Such flows can make a significant difference for families living in poverty in source countries, and this is a common reason why communities allow and sometimes even encourage their family members to seek work abroad.

Under the auspices of the World Trade Organization (WTO), the liberalization of services trade has occurred in a number of sectors of interest to developed countries such as finance and telecommunications. The WTO's General Agreement of Trade in Services (GATS) recognizes the *temporary movement of natural persons* as a way to export certain labor-intensive services such as housekeeping and construction. Given the natural comparative advantage of developing countries in such labor-intensive services, this channel could be of great importance to their trade and development prospects. The WTO protocol on the temporary movement of natural persons, however, is largely limited to the exchange of corporate personnel and is not designed to enhance the delivery of labor-intensive services.

### **Impacts on Destination Countries**

The world's most productive economies often depend on and benefit greatly from the presence of migrant workers. Currently, the world's richest countries continue to import labor at high rates. For example, in Southeast Asia's richest country, Singapore, migrants make up around one-quarter of the workforce. In Europe, those countries with the highest number of migrant workers, such as Switzerland and Luxembourg, are also the wealthiest. In Dubai, currently among the world's fastest expanding areas of economic activity, as of 2006 there were nine times as many migrant workers as resident nationals.

Across all regions of the world, the correlation between levels of economic growth and immigration is clear, not only because migrants wish to move to where they can earn the highest wages, but also because these countries perceive it to be in their interest to admit immigrants in relatively large quantities. By lowering the costs of

production, bringing needed skills and expertise, and enhancing productivity, migrants can offer large benefits to growing economies.

Critics of immigration are usually concerned with its impact on social fabric, national culture, environment, social welfare programs, or the wages of low-skilled workers. Correspondingly, advocates of increased immigration have turned their attention to the potential role further inflows could play in ensuring the sustainability of pension systems in the face of ageing populations.

A common claim against migration is that migrants, particularly those who are low-skilled or undocumented, consume far more in public services than they contribute in tax revenue to destination countries. Evidence on this is mixed. For instance, many European studies conclude that immigrants (even undocumented immigrants) contribute more in taxes and pension funds than they consume in benefits or other public services. As the population of retirees is set to rise dramatically in developed countries and as native-born fertility rates fall below replacement levels, migrant workers can prove crucial to generating the tax revenues needed to support social security systems. To the extent that migrants contribute to increased productivity and competitiveness in destination countries, they also contribute to fiscal health.

The contention that migrants “take the jobs” or reduce the wages of native workers is probably the most common argument advanced against migration. Economic theory suggests that increasing the size of the labor force will lower the wage level, all other things equal. Yet, when a region receives an influx of immigrant labor, native workers may choose to move to other regions, thereby masking any changes in the

aggregate wage. Firms might also decide to move into a region experiencing such an influx, causing local wages to increase.

Migrants that bring with them distinct skills or business contacts can generate changes in technology, productivity and trade patterns that can affect an economy in ways unforeseen without their presence. Indeed, it is often the case that low-wage, immigrant labor does not compete with low-wage native labor, but instead is employed in sectors that native workers avoid, such as child care, cleaning services and menial farm jobs. Furthermore, entrepreneurial immigrants have often played a crucial role in establishing trade and investment links between destination and source countries. These links often prove equally crucial in raising the living standards of native citizens.

Unlike statistically testable hypotheses regarding the effect of migration on public finances or low-skill wages, claims that immigrants alter culture or threaten national cohesion are difficult to assess. Fears that migrants threaten the cultural or social order remain among the most instrumental sources of resistance to migrant inflows. Yet the historical record shows that many of the perceived cultural idiosyncrasies of migrants fail to outlive the first generation, while others such as music, cuisine and sport are co-opted by the native culture due to their popularity among natives.

### **Policy Priorities**

Migration has always been and will continue to be a central feature of the world economy. It does, however, involve a number of important policy issues that have not yet been resolved: increased multilateral coordination of migration flows, prevention of human rights abuses, care of refugee populations, facilitation of the temporary movement of natural persons in services trade, the harnessing of remittance flows for poverty-

reducing investments, management of the brain drain, and reduction of brain waste.

These priorities compose a large and important policy agenda for better harnessing this important socio-economic process for development purposes in the modern world economy.

*See also: Brain Drain, Brain Gain, Brain Waste, European Union, General Agreement on Trade in Services, Information and Communication Technology, International Organization for Migration, Remittances, and Temporary Movement of Natural Persons*

### **Further Reading**

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