

INTERNATIONAL MIGRATION REGIMES AND ECONOMIC DEVELOPMENT *

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A. THE CONTEXT

International migration is attracting increasing attention, both among governments in the industrialized countries and within various international agencies. Trade continues to dominate the international agenda, though migration is also becoming a focus of interest for good reason. Recent simulations indicate that small increments to global miAssistance and total remittances perhaps capping direct foreign

Amidst this mounting interest, this study is concerned with the links between international migration and economic development in the lower income countries. This interplay is two-way: development affects migration and migration affects development. The effects of development on migration and of migration upon development are intimately linked and both influences are controversial.

The former link has attracted increasing attention in some of the OECD countries where inability to control migration has focused efforts on migration management, including the role of economic development at origin as a device for reducing migration pressures. However, it is the second element of interplay, the effects of migration upon development that is the main focus of the present study. In the process of migration, despite the high rents that are extracted by many middlemen, voluntary migrants presumably believe they will gain by moving. However, the economic consequences of departure upon those left at home is far more ambiguous and is the subject of this study. In particular, this is an investigation into the effects of international migration to the high income countries upon the economic development of the lower income countries from which many of the migrants originate. The focus is on labor migration, but not exclusively: the margins between migration for work and other forms of migration are blurred.

Although this study focuses upon the effect of migration upon economic development, the reverse effect cannot be neglected and the contentious nature of both influences is drawn out and reexamined. The prevailing lack of resolution may not be inappropriate: the links between migration and development differ from context to context, varying with the extent and nature of migration streams, the migrants' experiences, and the economic, political and social setting in the home country. Alternative migration regimes, with variegated patterns of skilled and unskilled workers, of temporary and permanent movers, of men and women, of solitary sojourners and families shifting domicile, should not be expected to have uniform consequences for development.

* This is an executive summary of the report "International Migration Regimes and Economic Development", prepared for the Expert Group on Development Issues in the Swedish Ministry for Foreign Affairs. The full report is posted at the following website: <http://www.egdi.gov.se/migraiton.htm>. The final version of the report will be available from Edward Elgar Publisher in 2005.

1. *Four Case Study Areas*

To explore the diversity of experiences in the linkages between migration and development, four migration regimes were selected for specific attention within this study, each exhibiting distinct characteristics, though all represent major migration streams from lower to higher income countries. Together, these four regimes encompass a substantial portion of global migration from low to high income countries while representing a diversity of migration experiences:

Migration to the Europe Union: A case in which coordination of migration policies among member countries, control of irregular migration, widespread use of short term migrant workers, and strategies toward refugees and asylum seekers come to the fore.

Contract workers in the Persian Gulf from South and Southeast Asia: A case dominated by migration on fixed period contracts, without family accompaniment, exhibiting a rising role for female labor migration.

The brain drain to North America: A case of selective legal migration in these countries of traditional settlement, resulting in a bimodal distribution of migrant skills; highly skilled migrants are admitted on a more permanent basis with family accompaniment, and unskilled workers enter both with and without legal documentation.

Migration transition in East Asia: A case of increasingly integrated labor markets as the higher income countries experience migration transitions, legal migration being almost exclusively short term though combined with widespread employment of trainees, students and irregular over-stayers, all being impacted by the East Asia financial crisis.

B. THE DETERMINANTS OF MIGRATION

1. *A Snapshot of Migration at the Millennium*

Despite fears of massive migration from the countries in transition after 1990, the net migration rate into the EU, relative to population, has actually been about half of that into North America in the last decade. Indeed, migration to North America exhibits a fairly strong upward trend over recent decades, and migration from Asia to the Gulf was greater during the 1990s than in the previous decade, despite pessimism over the demise of this regime with declining oil prices in the 1980s. Within East Asia, migration has also increased in the last two decades, though there are considerable inter-country differences in these trends.

While North America (both Canada and the US) and the GCC states in the Persian Gulf have very large migrant stocks relative to their populations, the countries of East Asia and the EU (after deducting migrants from other EU member countries) possess much smaller migrant stocks relative to their populations.

Females already represented 47 percent of international migrants by 1960 and this proportion has increased only slightly since then. However, the participation of women differs very much across the four regimes. In North America and Europe women are about half of the migrant stocks, but their proportions vary considerably by country of origin. In the Gulf, male migrants are clearly the overwhelming majority, though women from Indonesia, the Philippines and Sri Lanka play important roles too.

asylum seekers and refugees are fleeing situations of real conflict; violence which is both influenced by economic development and in turn prejudices development prospects.

C. LABOR MARKET RESPONSES TO EMIGRATION

Virtually all of the evidence indicates that tighter labor markets at home discourage departure. Does departure of international migrants also result in tighter labor markets for people who are left behind?

Yet there is a less positive possibility, namely when emigration of skilled personnel restricts labor demand and hence employment opportunities of less skilled counterparts who remain at home. Within the set of countries examined in this study, no clear evidence of such cases emerges, yet the general possibility cannot be denied.

D. EMIGRATION OF THE HIGHLY SKILLED

The international mobility of highly skilled people takes a wide variety of forms: applic5n(t.9(ED)]id)13.5

stems from the universal subsidization of education, and hence the view that emigration also exports the returns on this public investment. Yet, at the time of emigration, these are sunk costs.

Despite these potential costs, not all movements of highly skilled migrants, from low to high income countries, necessarily represent a 'brain drain' in the sense of imposing a net loss. In the end there is a dearth of evidence establishing clear costs. Yet one should not infer from the lack of systematic evidence that costs are never incurred. No doubt the truth is mixed. It is dubious that the departure of information technology experts from India since 1990 has imposed very real losses on the average Indian at home; the same be said of most professionals leaving the Philippines; the loss of medical personnel from South Africa may be quite another story. In the balance, the number of governments that seem actively concerned with the process of brain drain is less than one might think. Indeed, a number of governments have become sufficiently concerned with the lack of opportunities at home for their college graduates, and the political threat that this poses, that they are quietly encouraging and aiding emigration: a situation sometimes dubbed a 'brain overflow'.

There are also other ameliorating factors. Highly skilled migrants remit, though the evidence on whether they remit more than less skilled counterparts is mixed; the highly skilled earn more but they also settle more permanently and are permitted to bring their families with them, severing ties with home. Some have argued that an educated overseas diaspora confer other forms of benefits on those at home through transnational networking, though the evidence in this regard suggests a limited scope particularly for the lower income countries. Recently, there has also been some attention to the possibility that emigration of highly educated persons may induce additional education amongst stayers. In such contexts as the Philippines the high departure rate of college educated adults has almost certainly motivated additional college attendance within the Philippines and even influenced the choice of discipline for study. Yet it is doubtful that this has left more college graduates remaining at home. More generally, an examination of global evidence reveals little support for an expansion in the tertiary educated labor force at home as a result of high-skilled emigration.

Study abroad is not only a form of migration of the highly skilled in its own right but presents important opportunities to turn an overseas education into more permanent forms of migration: opportunities both for the student and the host country. Among the developing countries, a negative association is demonstrated in this study between the rate at which students stay abroad after graduating overseas and the income level of the home country. For the lowest income countries this presents a dilemma: exposing students to high quality study abroad can be important for local development, if they return, but in most cases relatively few return.

More generally the OECD countries appear to be heightening the competition to attract the most able, not only in North America but more recently in Europe and, at least by statement of intent, in East Asia. It seems unlikely that the industrialized countries will show much restraint in their efforts to recruit the highly skilled; the world is exhibiting skill-biased technical progress and the demands on the highly skilled are steadily increasing. The notion of refunding the country of origin, at least for educational costs incurred, has resurfaced recently, with proposals to compensate for state recruitment of healthcare

Moreover, the skills and experiences acquired abroad often prove of limited value in the lower technology settings of the developing countries.

A last option is to reconsider the financing of higher education in the lower income countries. The social costs of tertiary education are extraordinarily high, especially relative to incomes in the poorer countries and the social rates of return on this higher education are lower than on additional funding to more basic education. Moreover, the major beneficiaries of college education are frequently the sons and daughters of the wealthy elite. The outcome of these heavily subsidized educations, at least in some contexts, is a brain overflow and emigration after graduation.

E. REMITTANCES

Among those developing and transition economies where labor market slack is a chronic problem, exporting labor in return for remittances poses an attractive component of a development strategy. The global system of remittances comprises both formal and informal transfers. Systematic data exist only on the formal flows; far less is known about the flows of remittances through informal channels

Several countries from our case study areas, including India, the Philippines, Turkey, Russia and Morocco are amongst the highest recipients of formal remittances, given their net migration rates, while Thailand, Bangladesh, Sri Lanka and Tunisia are also within the top twenty countries. On the other hand, Pakistan, Indonesia, Bulgaria and Romania record only small remittances despite high net out migration levels.

Some of these differences represent the relatively greater importance of informal remittances in specific countries, such as Pakistan, or the inadequacy of recording mechanisms, as in Indonesia. Yet differences in the composition of migration and the policy stimuli to remittances matter too.

Temporary migration to the Gulf has generated massive remittances over an extended period. The expansion of temporary labor migration within East Asia has also spawned large, though predominantly unrecorded remittances. For Turkey and the Maghreb countries, a mix of recorded and unofficial remittances provide a critical resource, and some of the countries of Eastern Europe have become utterly dependent for day to day living on remittances from undocumented migrants. Very few refugees in camps command the resources to remit at all, yet global evidence suggests no lower rates of remittance to countries generating large numbers of recognized refugees. The wider diaspora appears to be an important part of this story, with resettled refugees and asylum seekers in the higher income countries remitting home, possibly though the near diaspora in camps in third countries.

Recognition of the importance of remittances as a source of external finance has evolved rapidly among the developing countries of the Western Hemisphere where, by 2000, gross reported remittances exceeded 40 percent of the current account balance and a quarter of the inflow of direct investments. Of all countries in the world, the US is the largest single source of reported remittances, but relative to the stock of migrants the EU sends more and the GCC states far more. Moreover, Mexico's reported remittance inflows amount to almost a third of the US reported outflows and most of the evidence points to a relatively low rate of remittance compared to the very high earnings of the highly skilled from the rest of the developing world residing in North America. The upshot of these regimes is that, on average, the lower income developing countries receive a higher portion of their incomes from remittances than do the middle income countries, although remittances received per capita are lower among the poorer countries.

Within countries, the evidence on whether the impact effect of remittances tends to equalize the income distribution is mixed, though accounting for multiplier effects of remittance spending, both within

and across villages, seems to tip the balance toward a more equalizing effect. Similarly, although remittances seem to be a significant source of investments in some countries this is not the case in others. One suspects that much of this difference in inducement to invest reflects the overall attractiveness of investing in any given economy, but this remains to be tested. Whether remittances accelerate economic growth, through investments or otherwise, remains a matter of dispute and the evidence is again mixed. However, remittances clearly do raise income levels for many, and not necessarily only the recipients of

enjoyed only small technology gains from their diasporas, in part because of the lack of pre-existing technological capital and in part because of their technology gap in relation to the OECD regions. It is the higher income countries, such as Taiwan, Korea, Ireland and Israel, that have been able to take most advantage of technology transfers from their diasporas, again reflecting the state of the home country economy rather than the skill base or location of the diaspora. Meanwhile, most of the low income countries are left out of this virtuous cycle; although the relative rate of brain drain (at least to the US) tends to be higher among the poorer countries, few of these countries are well positioned to experience any of the beneficial forces of brain gain. The Philippines has one of the highest rates of emigration and of brain drain in the world; the resultant diaspora did contribute to the overthrow of the Marcos regime but there has been no subsequent improvement in economic performance and no signs of any brain gain effects.

The extent to which migrants enhance trade flows, foreign investments by others or themselves, and transfers of technology, may be susceptible to policy interventions. Yet the efficacy of such interventions remains poorly understood. A number of countries do offer incentives to overseas nationals to invest in the home country. China offers substantial tax breaks and infrastructure support to foreign investors in general and investment has been massive, yet the link between these incentives and realized investments remains unclear. Non-Resident Indians are permitted to invest, subject to approval, in a wider range of real estate options than are other foreign investors, allowed greater equity participation in civil airlines, and to acquire a greater range of immovable properties. However, major irritants to Non-Resident Indian Investors are reported to remain. In the Philippines, efforts to involve the diaspora in investments go unmonitored and are apparently ineffective.

Fostering contacts with the overseas diaspora, and especially the intelligentsia, may facilitate the emergence of more active knowledge networking. Actively encouraging and supporting the formation of transnational associations involving researchers at home and abroad may complement such efforts. Yet how effective government efforts prove in this vein remains uncertain. First, some of the more active formal networks appear to have emerged from private initiatives and not from government sponsored efforts. Second, it is far from clear how effective these networks ultimately prove as vehicles for realized improvements in productivity at home.

There are indications that migration of highly skilled people may prove important in overcoming prevailing barriers to trade in a world where reliable information is scarce. Yet, to the extent that positive feedback effects through trade, investment and technology transfer are observed, it tends to be through networking with the highly skilled, not through the unskilled. Yet the highly skilled migrate in large numbers only to North America. Nonetheless, for some countries the diaspora indeed plays a major role. For some of the poorest countries this appears to be far less true. Indeed, it is in some of the poorer countries that parts of their diaspora are more actively involved in promoting or supporting instability and violence at home.

G. RETURN MIGRATION

Although reliable historical perspectives are not available, it seems that circular migration has increased globally. Not only have various forms of guest worker programs expanded, but rotation of highly skilled persons is occurring more frequently too, both on short term bases and after a period of settlement.

The vast majority of guest workers return home, though the duration of stay can be substantial in the interim. The lengths of stay depend in part upon the fixed costs of reentry and the odds of being able to return abroad again. Intensive repeat migration is prevalent in the border areas of Mexico and among seasonal workers in the EU; Albanians who return voluntarily have been away only a year on average; but

reduce the stocks of foreign nationals, by offering financial incentives to return, proved ineffective: the incentives were simply too small. The more recent revival of labor contracting and use of seasonal labor in Europe appears to be resulting in less permanent domicile. In any case, irregular migrants can become fairly permanent too, as among some of the urban-based Mexicans in the US, and indeed such permanence tends to be reenforced by an inability to come back yet again. Whether temporary and irregular migrants are substitutes or complements appears mixed. Critics of the newly proposed guest worker program in the US claim that the earlier *bracero* program induced subsequent undocumented movement, though some expansion in irregular migration would surely have occurred anyway. Certainly some of the European countries today are either assuming that expanded legal entry will reduce the number of asylum seekers and irregular movements, or exploring bilateral deals to regularize recruiting in return for efforts to reduce irregular migrations.

The OECD countries show little inclination to permit permanent entry of unskilled foreign workers. The future implications of migration from the developing countries for economic development in those countries of origin, and specifically for their poor, will consequently hinge critically upon the continued evolution of temporary worker programs. In a few contexts, conscious decisions have been taken to reduce long term reliance on imported labor, though such decisions were not always realized. Attempts to

which families are better off because of migration or whether members migrate more commonly from better off families.

The migration-remittance nexus may be particularly effective in addressing issues of transient poverty. First, migration may prove a viable option in the face of sudden crisis or economic downturn. Massive refugee flows have resulted from the onset of violence and associated poverty in the last two decades, though not all of these incidents have proved to be transient. Migrations, both internal and international, also resulted from the onset of the East Asia financial crisis. Moreover, there is evidence that remittances move counter-cyclically, thus offering relief during recessions, perhaps motivated by altruism during times of crisis but also stimulated by exchange rate depreciation. On the other hand, to the extent that remittances are indeed motivated by altruism, and hence concerns for loss of income at home,

Health: A number of health related issues arise from international migration. These range from concerns for the mental health of migrants, to the lack of healthcare workers as a result of their emigration, and the potential for the spread of diseases through migration. The last of these has become particularly acute with the spread of HIV-AIDS which has been clearly shown to have followed international truck routes in Africa and concern continues over the links between international mobility and transmission of HIV-AIDS. To the extent that migrants are aware of potential personal health problems that they and their families may face, these concerns tend to be weighed in the decision whether to risk the migration undertaking. HIV-AIDS is different in this respect: the costs can spread far beyond the migrants' families, raising major social concerns requiring societal and indeed multinational solutions.

Family cohesion: Many international migrants are married and have children. In some of our case study areas fathers and mothers are the majority of migrants. Family accompaniment is relatively rare, except among more highly skilled migrants. In some instances, the resultant separation can be for extended periods. The average tour to the Gulf is probeE(4(ov)12.(4(ovo)1u2.5(r)-2.4(ob10.9(to b)0.9(fo

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I. WINNERS AND LOSERS IN I

intent to return home, links with the diaspora evaporate over time: remittances and the stimuli to trade, capital flows and technology transfer die. Students and other highly skilled people who settle permanently abroad, and are able to bring their family or form a family abroad, contribute little to their home countries. The migrants themselves probably benefit more from permanent settlement, but those left at home do not.