Impacts at origin and destination

4

Movement has multiple impacts on other people besides those who move—impacts that critically shape its overall effects. This chapter explores impacts in the country of origin and in the host country while underlining their interconnectedness. Families with members who have moved elsewhere in the country or abroad tend to experience direct gains, but there can also be broader benefits, alongside concerns that people's departure is a loss to origin communities. As regards impacts on places of destination, people often believe that these are negative—because they fear that newcomers take jobs, burden public services, create social tensions and even increase criminality. The evidence suggests that these popular concerns are exaggerated and often unfounded. Still, perceptions matter—and these warrant careful investigation to help frame the discussion of policy.

Impacts at origin and destination

Among people who do not move but can be affected by movement are the families of movers and communities at places of origin and destination. The multiple impacts of movement in these different places are critical in shaping the overall human development effects of movement; this chapter addresses each in turn.

At places of origin, impacts can be seen on income and consumption, education and health, and broader cultural and social processes. These impacts are mostly favourable, but the concern that communities lose out when people move needs to be explored. Our review of the evidence shows that impacts are complex, context-specific and subject to change over time. The nature and extent of impacts depend on who moves, how they fare abroad and their proclivity to stay connected, which may find expression in flows of money, knowledge and ideas, and in the stated intention to return at some date in the future. Because migrants tend to come in large numbers from specific places—e.g. Kerala in India and Fujian Province in China—impacts on local communities may be more pronounced than national impacts. Yet the flow of ideas can also have far-reaching effects on social norms and class structures, rippling out to the broader community over the longer term. Some of these impacts have traditionally been seen as negative, but a broader perspective suggests that a more nuanced view is appropriate. In this light we also examine the extent to which national development plans, such as poverty reduction strategies (PRSs), reflect and frame efforts of developing countries to promote gains from mobility.

Much academic and media attention has been directed to the impacts of migrants on places of destination. One widespread belief is that these impacts are negative—newcomers are seen as 'taking our jobs' if they are employed, living off the taxpayer by claiming welfare benefits if they are not employed, adding an unwanted extra burden to public services in areas such as health and education, creating social tensions with local people or other immigrant groups and even increasing criminal behaviour. We investigate the vast empirical literature on these issues, which reveals that these fears are exaggerated and often unfounded. Nevertheless, these perceptions matter because they affect the political climate in which policy decisions about the admission and treatment of migrants are made—fears may stoke the flames of a broader hostility to migrants and allow political extremists to gain power. Indeed, historical and contemporary evidence suggests that recessions are times when such hostility can come to the fore. We end this chapter by tackling the thorny issue of public opinion, which imposes constraints on the policy options explored in the final chapter.

4.1 Impacts at places of origin

Typically, only a small share of the total population of an origin country will move. The exceptions—countries with significant shares abroad—are often small states, including Caribbean nations such as Antigua and Barbuda, Grenada, and Saint Kitts and Nevis. In these cases the share can exceed 40 percent. The higher the share, the more likely it is that impacts on people who stay will be more pervasive and more profound. While the discussion below focuses on developing countries, it is important to bear in mind that, as shown in chapter 2, emigration rates for low-HDI countries are the lowest across all country groupings.

In general, the largest impacts at places of origin are felt by the households with an absent migrant. However, the community, the region and even the nation as a whole may be affected. We now look at each of these in turn.

4.1.1 Household level effects

In many developing countries, movement is a household strategy aimed at improving not only the mover's prospects but those of the extended

Despite these financial rewards, separation is typically a painful decision incurring high emotional costs for both the mover and those left behind

family as well. In return for supporting the move, the family can expect financial remittances when the migrant is established—transfers that typically far outweigh the initial outlay or what the mover might have hoped to earn in the place of origin. These transfers can in turn be used to finance major investments, as well as immediate consumption needs.

Despite these financial rewards, separation is typically a painful decision incurring high emotional costs for both the mover and those left behind. In the words of Filipina poet Nadine Sarreal:

Your loved ones across that ocean
Will sit at breakfast and try not to gaze
Where you would sit at the table
Meals now divided by five
Instead of six, don't feed an emptiness.[1]

The fact that so many parents, spouses and partners are willing to incur these costs gives an idea of just how large they must perceive the rewards to be.

Financial remittances are vital in improving the livelihoods of millions of people in developing countries. Many empirical studies have confirmed the positive contribution of international remittances to household welfare, nutrition, food, health and living conditions in places of origin.[2] This contribution is now well recognized in the literature on migration and reflected in the increasingly accurate data on international remittances published by the World Bank and others, illustrated in map 4.1. Even those whose movement was driven by conflict can be net remitters, as illustrated at various points in history in Bosnia and Herzegovina, Guinea-Bissau, Nicaragua, Tajikistan and Uganda, where remittances helped entire war-affected communities to survive.[3]

In some international migration corridors, money transfer costs have tended to fall over time, with obvious benefits for those sending and receiving remittances.[4] Recent innovations have also seen significant falls in costs at the national level, as in the case of Kenya described in box 4.1. With the reduction in money transfer costs, families who once relied on relatives and close family friends or who used informal avenues such as the local bus driver to remit are now opting to send money through banks, money transfer companies and even via cell-phones.

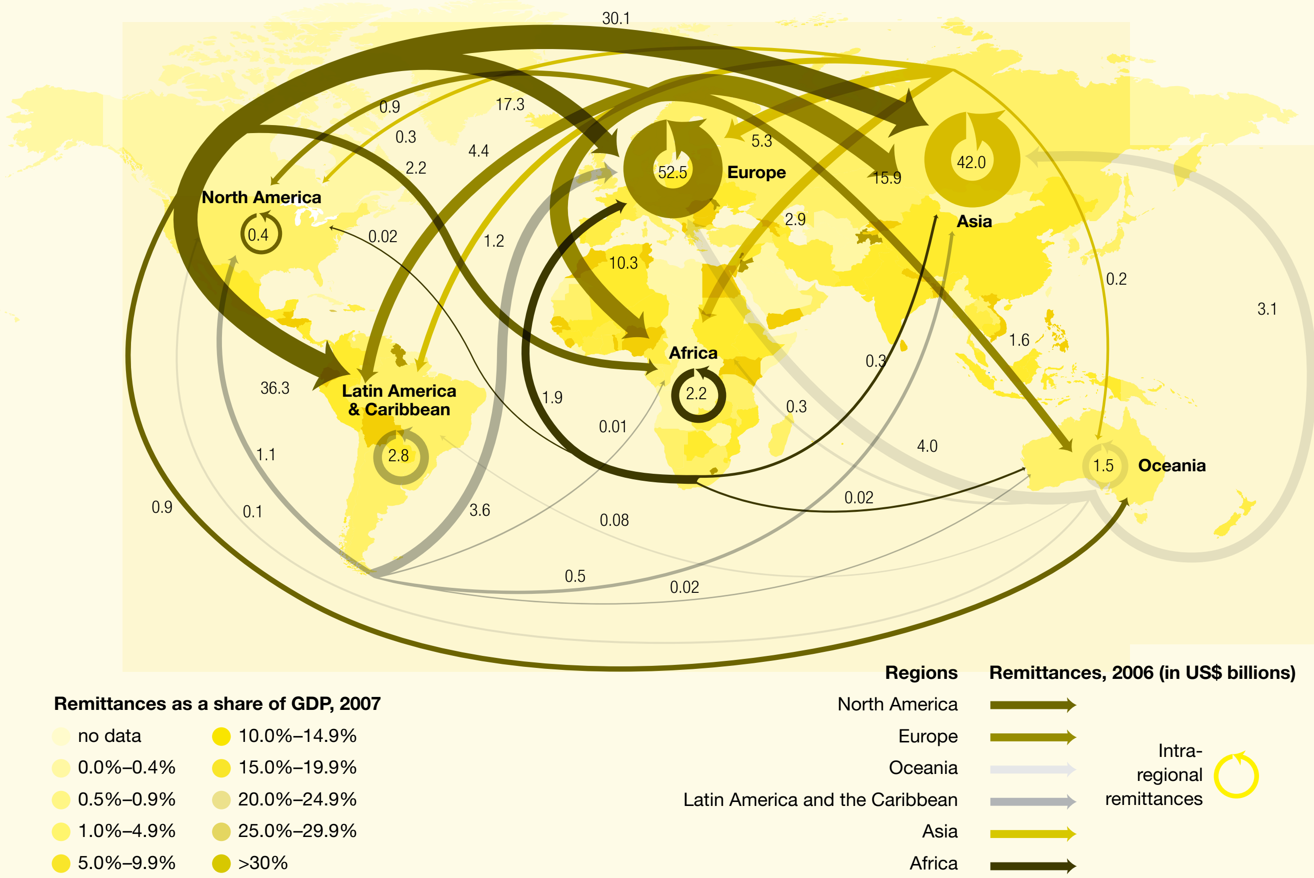
An important function of remittances is to diversify sources of income and to cushion families against setbacks such as illness or larger shocks caused by economic downturns, political conflicts or climatic vagaries.[5] Studies in countries as diverse as Botswana, El Salvador, Jamaica and the Philippines have found that migrants respond to weather shocks by increasing their remittances, although it is difficult to establish whether these effectively serve as insurance. Recent examples include the 2004 Hurricane Jeanne in Haiti, the 2004 tsunami in Indonesia and Sri Lanka and the 2005 earthquake in Pakistan.[6] In a sample of poor countries, increased remittances were found to offset some 20 percent of the hurricane damage experienced,[7] while in the Philippines about 60 percent of declines in income due to rainfall shocks were offset.[8] In El Salvador crop failure caused by weather shocks increased the probability of households sending a migrant to the United States by 24 percent.[9]

Migrants can provide this kind of protection if their incomes are large enough and do not vary in tandem with their families'. This depends on the nature and breadth of the shock, as well as the location of the migrant. For example, remittances may not provide much insurance against the effects of the current global economic recession, as migrant workers almost everywhere suffer retrenchment just when their families most need support (box 4.2). Remittances to developing countries are expected to fall from US$308 billion in 2008 to US$293 billion in 2009.[10]

Even when the total volume of remittances is large, their direct poverty-reducing impact depends on the socio-economic background of those who moved. Within the Latin America region, for example, a recent study found that in Mexico and Paraguay remittance-receiving households were primarily from the bottom of the income and education distribution, whereas the opposite pattern was found in Peru and Nicaragua.[11] More generally, however, restrictions imposed by the limited opportunities of the low-skilled to move across borders mean that remittances do not tend to flow directly to the poorest families,[12] nor to the poorest countries.[13] Take China, for example: because migrants generally do not come from the poorest households, the aggregate poverty impact of internal migration is limited (an estimated 1 percent

Map **4.1** **Remittances flow primarily from developed to developing regions**

Flows of international remittances, 2006–2007



Source: HDR team data based on Ratha and Shaw (2006) and World Bank (2009b).

reduction), although this still translates into almost 12 million fewer poor.[14] At the same time, some migrants do come from poor households and significant remittances sometimes flow to non-family members, which allows for broader benefits—as has been found for Fiji and Jamaica, for example.[15]

The poverty-reducing effects of internal migration, which have been demonstrated by studies in a diverse range of national situations, may be even more significant. In Andhra Pradesh and Madhya Pradesh in India poverty rates in households with a migrant fell by about half between 2001/02 and 2006/07,[16] and similar results were found for Bangladesh.[17] Large gains have also been reported from panel data, tracking individuals over time, in the Kagera region of Tanzania between 1991 and 2004.[18] Research conducted for this report, using panel data and controlling for selection bias, examined the cases of Indonesia between 1994 and 2000 and Mexico between 2003 and 2005. In Indonesia, where almost half of all households had an internal migrant, poverty rates for non-migrants were essentially stable for the period (which included the East Asian financial crisis), falling slightly from 40 to 39 percent, but declined rapidly for migrants, from 34 to 19 percent. In Mexico, where about 9 percent of households had an internal migrant, poverty rates rose sharply from 25 to 31 percent for non-migrants for the period (which included the 2001/02 recession), but only slightly, from 29 to 30 percent, for migrants. In both countries, at the outset households with a migrant made up less than half of the top two wealth quintiles, but over time this share rose to nearly two thirds.[19]

Box **4.1** **How cell-phones can reduce money transfer costs: the case of Kenya**

For many people in remote rural areas of developing countries, the costs of receiving money remain high: recipients typically have to travel long distances to a regional or national capital to collect cash, or the cash has to be hand-delivered by an intermediary, who may take a sizeable margin.

The rapid diffusion of cell-phone technology over the past decade has led to the development of innovative money transfer systems in several countries. For example, in Kenya, a leading cell-phone company, Safaricom, teamed up with donors to pilot a system that subsequently led to the launch in 2007 of M-PESA (meaning 'Mobile-Cash'). Anyone with a cell-phone can deposit money in an account and send it to another cell-phone user, using M-PESA agents distributed across the country.

A recent survey of users across Kenya found that, in just two years, M-PESA has expanded rapidly. It is now used by some 6 million people or 17 percent of the population—out of 26 percent who are cell-phone owners—and is supported by a network of more than 7,500 agents. Transfers can be made from the port city of Mombasa to Kisumu on the shores of Lake Victoria, or from Nairobi in the south to Marsabit in the north—both two-day bus trips—with the push of a few buttons and at a cost of less than a dollar. By mid-2008, the volume of money sent had reached some 8 percent of GDP, mostly in the form of a large number of relatively small transactions.

Source: Jack and Suri (2009).

One dimension of movement that appears to affect remittance flows is gender. Evidence suggests that women tend to send a larger proportion of their incomes home, on a more regular basis, though their lower wages often mean that the absolute amounts are smaller.[20]

There is also a temporal dimension to these flows. Over time, the knock-on effects of remittances may substantially broaden the impacts on poverty and inequality.[21] The poor may gain when remittances are spent in ways that generate local employment, such as building houses, or when businesses are established or expanded.[22] Some studies have found that remittance recipients exhibit greater entrepreneurship and a higher marginal propensity to invest than households without a migrant.[23] Positive investment effects can take decades to materialize in full, however, and are complex and far from automatic. The lag may reflect delays in the sending of remittances as migrants adapt to their new homes, or political and economic conditions in places of origin—such as a poor climate for investment—which can inhibit or deter transfers.[24] Lastly, remittances can also create a store of capital to fund further migration, years after the first family member has left.

Some commentators discount the importance of remittances because they are partly spent on consumption. This critique is mistaken, for two broad reasons. First, consumption can be inherently valuable and often has long-term, investment-like effects, especially in poor communities. Improvements in nutrition and other basic consumption items greatly enhance human capital and hence future incomes.[25] Similarly, spending on schooling is often a priority for families receiving remittances, because it increases the earning power of the next generation. Second, most types of spending, especially on labour-intensive goods and services such as housing and other construction, will benefit the local economy and may have multiplier effects.[26] All of these effects are positive.

Families with migrants appear more likely to send their children to school, using cash from remittances to pay fees and other costs. This reduces child labour. And, once there, the children of migrants are more likely to finish school, as the better prospects associated with migration affect social norms and incentives.[27] In Guatemala internal and international migration is associated with increased educational expenditures (45 and 48 percent respectively), especially on higher levels of schooling.[28] In rural Pakistan temporary migration can be linked with increased enrolment rates and declines in school dropout rates that exceed 40 percent, with larger effects for girls than for boys.[29] In our own commissioned research, similar results were found in Mexico, where children in households with an internal migrant had a 30–45 percent higher probability of being in an appropriate grade for their age.[30]

The prospect of moving can strengthen incentives to invest in education.[31] This has been predicted in theory and shown in practice in some countries. Emigration of Fijians to high-skilled jobs in Australia, for example, has encouraged the pursuit of higher education in Fiji. This effect is so large that, while roughly a third of the Indo-Fijian population has emigrated in the past three decades and skilled workers are over-represented among emigrants, the absolute number of skilled Indo-Fijian workers in Fiji has greatly increased.[32] A number of governments, including the Philippines, have deliberately sought to promote work abroad in part by facilitating the generation of skills at home.[33]

The impacts of migration prospects on schooling incentives are shaped by the context and the prospects themselves. In Mexico, for instance, where low-skilled, often irregular migration predominates, boys were more likely to drop out of school to take up this option.[34] In our commissioned study of Chinese census data at the provincial level, investments in schooling in rural source communities responded to the skills needed for job opportunities outside the province. Thus, where internal migrants had secondary education, this generally encouraged the completion of higher levels by children remaining in the community, whereas in provinces where migrants tended to have completed only middle school, this was associated with lower high school completion rates.[35]

The health outcomes of people who do not move may be affected by migration, through effects on nutrition, living conditions, higher incomes and the transmission of knowledge and practices. There is evidence that the higher incomes and better health knowledge associated with migration have a positive influence on infant and child mortality rates.[36] However, in Mexico at least, it was found that longer term health outcomes may be adversely affected, because levels of preventive health care (e.g. breast feeding and vaccinations) were lower when at least one parent had migrated.[37] This may be associated with the higher work burden and/or reduced levels of knowledge associated with single parenting or families with fewer adults. Moreover, when infectious diseases can be contracted in destination places, return travel can bring significant health risks to families at home. The risks of HIV and other sexually transmitted diseases can be especially high.[38]

Box 4.2 **The 2009 crisis and remittances**

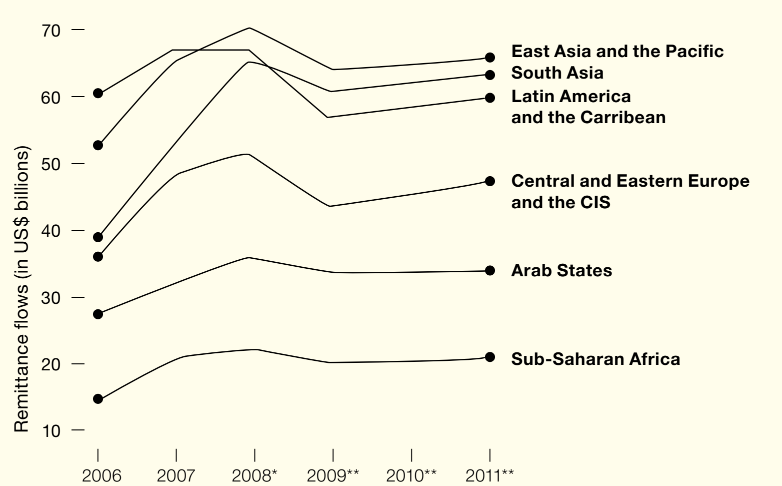
The 2009 economic crisis, which began in major destination countries and has now gone global, has shrunk flows of remittances to developing countries. There is already evidence of significant declines in flows to countries that depend heavily on remittances, including Bangladesh, Egypt, El Salvador and the Philippines.

Countries and regions vary in their exposure to the crisis via remittance effects. Remittances to Eastern European and Central Asian countries are forecast to suffer the biggest drop in both relative and absolute terms, partly reflecting the reversal of the rapid expansion that had followed European Union accession and the economic boom in the Russian Federation. In Moldova and Tajikistan, where remittance shares of GDP are the highest in the world (45 and 38 percent respectively), flows are projected to shrink by 10 percent in 2009. El Salvador is facing a significant decline in remittances, which account for over 18 percent of its GDP.

About three quarters of remittances to sub-Saharan Africa come from the United States and Europe, which have been badly affected by the downturn (chapter 2). It remains to be seen whether these sources will prove more or less resilient than official development aid and private investment flows.

Source: Ratha and Mohapatra (2009a,b).

Figure 4.1 **The global recession is expected to impact remittance flows**
Projected trends in remittance flows to developing regions, 2006–2011



* Estimate ** Forecasts
Source: Ratha and Mohapatra (2009b) and The Economist Intelligence Unit (2009).
Note: These regional groupings include all developing countries as per UNDP Regional Bureaux' classification. For the complete list of countries in each region see 'Classification of Countries' in the Statistical Annex.

Offsetting the potential gains in consumption, schooling and health, children at home can be adversely affected emotionally by the process of migration. One in five Paraguayan mothers residing in Argentina, for example, has

The effects of skills flows are less detrimental for origin communities than is often assumed

young children in Paraguay.[39] Studies investigating the possible impacts have found that these depend on the age of the child when the separation occurs (in the first years of life the impact may be greater), on the familiarity and attitude of the adult in whose care the child is left, and on whether the separation is permanent or temporary.[40] The advent of cheap and easy communication, for example by cell-phone and Skype, has eased the separation of family members and has greatly helped the maintenance of ties and relationships in recent years.

Movement can affect gender relations at home.[41] When women move, this can change traditional roles, especially those surrounding the care of children and the elderly.[42] When men migrate, rural women can be empowered by their absence: field studies conducted in Ecuador, Ghana, India, Madagascar and Moldova all found that, with male migration, rural women increased their participation in community decision-making.[43] Norms adopted in a migrant's new home—such as a higher age of marriage and lower fertility, greater educational expectations of girls, and labour force participation—can filter back to the place of origin. This diffusion process may be accelerated in cases where the social and cultural gap between sending and receiving countries is large.[44] This has been confirmed by recent findings regarding the transfer of fertility norms from migrants to the extended family and friends at places of origin: lower numbers of children at the national level become the norm in both places.[45]

Overall, however, the evidence about impacts on traditional gender roles is mixed. For example, where the lives of migrants' wives at home remain largely confined to housekeeping, child-rearing and agricultural work, little may change—except that their workloads increase. Gains in authority may be temporary if male migrants resume their position as head of the household on return, as has been reported from Albania and Burkina Faso, for example.[46]

The transmission of norms may extend to participation in civic affairs. Recent studies in six Latin American countries have found that individuals with greater connections to international migrant networks participate more in local community affairs, are more supportive of democratic principles and are also more critical of their own country's democratic performance.[47]

4.1.2 Community and national level economic effects

Beyond its direct impacts on families with migrants, movement may have broader effects. Migration-driven processes of social and cultural change can have significant impacts on entrepreneurship, community norms and political transformations—impacts that are often felt down the generations. For example, Kenya, and indeed most of Africa, may be affected today and in the future by Barack Obama Senior's decision, taken five decades ago, to study in the United States. Most of these effects are highly positive. However, one concern that needs to be addressed is the outflow of skills from source communities.

Fears that the mobility of the skilled harms the economy of origin countries have long been voiced, though the debate has become more nuanced in recent years.[48] The concerns surface regularly in a range of small states and poorer countries, but also extend to such countries as Australia, which sees many of its graduates go abroad. This issue has, over the past few decades, spawned a range of proposals, which are reviewed in chapter 5. But an important underlying point is that mobility is normal and prevalent, even in prosperous societies (chapter 2). Skilled people, like everyone else, move in response to a perceived lack of opportunities at home and/or better opportunities elsewhere, for both themselves and their children. Attempts to curtail these movements without addressing underlying structural causes are unlikely to be effective. There are also reasons to believe that the effects of skills flows are less detrimental for origin communities than is often assumed, as argued in box 4.3.

One traditional concern has been that the departure of able-bodied youth leads to labour shortages and declines in output, particularly in agriculture.[49] In Indonesia, for example, communities faced shortages of labour for cooperative farm work.[50] However, in many developing countries, movements of labour from agriculture to urban areas can be an important part of structural transformation. And to the extent that a shortage of capital, not labour, constrains growth in most developing countries, remittances can be an important source of rural investment finance.

Migration can be a strong force for convergence in wages and incomes between source and destination areas. This is because, as mobility

Box **4.3** **Impacts of skills flows on human development**

The emigration of people with university degrees has attracted much popular and academic attention, especially because the shortage of skills is acute in many poor countries. The evidence suggests that improving local working conditions in order to make staying at home more attractive is a more effective strategy than imposing restrictions on exit.

It is important to recognize that the dreadful quality of key service provision in some poor countries cannot be causally traced to the emigration of professional staff. Systematic analysis of a new database on health worker emigration from Africa confirms that low health staffing levels and poor public health conditions are major problems, but tend to reflect factors unrelated to the international movement of health professionals—namely weak incentives, inadequate resources, and limited administrative capacity. Migration is more accurately portrayed as a symptom, not a cause, of failing health systems.

The social cost associated with skilled emigration should not be overestimated. Where graduate unemployment is high, as it often is in poor countries, the opportunity cost of departure may not be large. If a highly productive but modestly paid worker leaves a community, it suffers a significant loss; but if an equally skilled but *un*productive worker leaves, the community is hardly affected. If, for example, teachers often do not show up to work, the direct impacts of their departure are unlikely to be large. While this should not weaken the drive to address these underlying sources of inefficiency and waste, the fact that staff may not currently be serving their communities is not a point that can simply be wished away in the debate about skills flows.

Like other migrants, skilled people abroad often bring benefits to their countries of origin, through remittances and the development of networks. As shown in figure 3.2, the absolute gain in income from migration can be huge, so that if only a fraction of the difference is remitted, the benefits to the home country can be considerable. Some research has suggested that the share of foreign direct investment in a developing country is positively correlated with the number of that country's graduates present in the investing country. Other studies have found that the more high-skilled emigrants from one country live in another, the more trade occurs between those countries.

Last but not least, significant numbers of skilled emigrants do return—a recent estimate suggested that about half do so, usually after about five years. Recent literature has also emphasized the increasing importance of circular movement as transnational networks grow.

Source: Clemens (2009b), Banerjee and Duflo (2006), Javorcik, Ozden, Spatareanu, and Neagu (2006), Rauch (1999), Felbermayr and Toubal (2008), Findlay and Lowell (2001) and Skeldon (2005).

increases between two regions, their labour markets become more integrated and large differences in wages become more difficult to sustain. There is considerable historical evidence, reviewed in chapter 2, that enhanced mobility is associated with the reduction of wage disparities between countries. Inequalities within countries can follow a bell-shaped pattern over time: progress in some areas creates wealth and thus increases inequality, which encourages migration, which over time in turn tends to reduce inequality. Studies have associated greater internal labour mobility with a reduction in inter-regional income disparities in Brazil, India, Indonesia and Mexico.[51]

Interestingly, emigration rates for skilled workers are substantially higher among women than men in most developing countries.[52] Women with tertiary degrees are at least 40 percent more likely than male graduates to emigrate to OECD countries from a wide range of countries, including Afghanistan, Croatia, Ghana, Guatemala, Malawi, Papua New Guinea, Togo, Uganda and Zambia. While this could reflect various factors, structural and/or cultural barriers to professional achievement at home seem the most likely explanation.[53]

The movement of skilled people happens not only across but also within borders, as people move towards better opportunities. This is illustrated in figure 4.2, which compares movement within Brazil, Kenya, Philippines and United States to international rates. The striking result is that we find very similar patterns of migration of skilled workers within and across nations. In particular, the tendency for a higher proportion of skilled workers to emigrate from small states is echoed in a similar tendency to migrate more from small localities. This suggests that the policy options explored in discussions of local development—such as increased incentives and improved working conditions—may also be relevant to policy-making related to the emigration of skilled professionals abroad.

More broadly, the economic effects of migration at the national level in countries of origin are complex and, for the most part, difficult to measure. Networks may arise that facilitate the diffusion of knowledge, innovation and attitudes and so promote development in the medium to longer term. There is a host of anecdotal evidence indicating that migrants support productive activities in their countries of origin, through technology transfer, the repatriation of enhanced skills and exposure to better working and management practices.[54] The Chinese government has pursued links with Chinese studying abroad to help promote academic excellence in its universities. Similarly, India's 'argonauts'—young graduates who helped fuel the country's high-tech boom in the early 2000s—brought to their jobs the ideas, experience and money they had accumulated in the United States and elsewhere.[55] The entire software industry model changed as firms increasingly outsourced production to India or based themselves there. In this case, skilled migration brought significant external and dynamic effects, which benefit both workers and the industry in the place of origin.

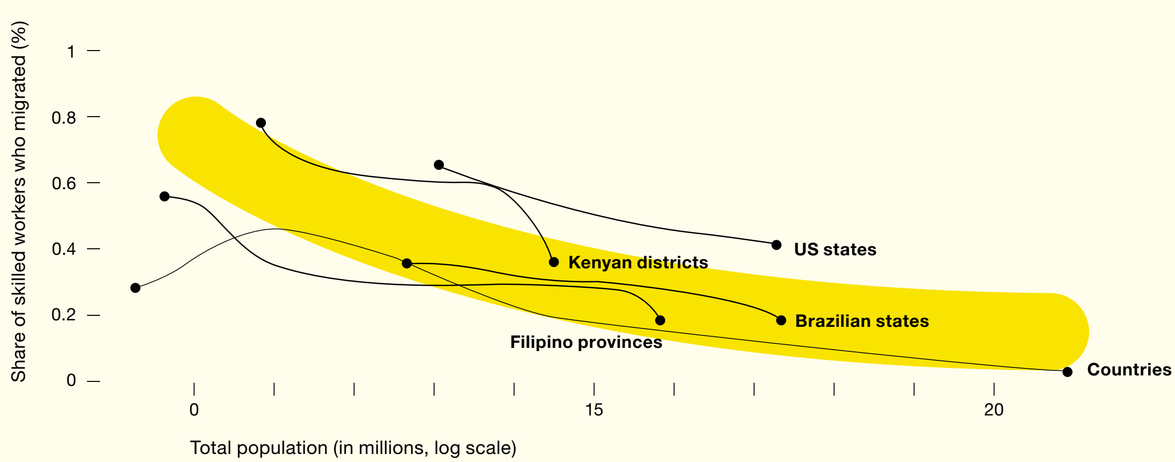
The spread of new industries via international networks of skilled professionals can be rapid and unpredictable, can find niches even amidst otherwise low levels of overall development, and depends crucially on the openness of the business and political environment at home. It appears that countries such as the Islamic Republic of Iran, Viet Nam and the Russian Federation, which have more closed systems, have benefited less in high-tech business formation via their skilled workers abroad than have India and Israel, for example.[56]

Almost all the quantitative macro studies on effects at the national level have focused more narrowly on the scale and contribution of remittances. In 2007 the volume of officially recorded remittances to developing countries was about four times the size of total official development aid.[57] At this scale, remittances are likely to be making a strong contribution to foreign exchange earnings relative to other sources in individual countries. In Senegal, for instance, remittances in 2007 were 12 times larger than foreign direct investment. Remittances represent a significant share of GDP in a range of small and poor states, with Tajikistan topping the list at 45 percent; for all the countries in the top 20 remittance receiving countries, the share exceeded 9 percent in 2007; and in more than 20 developing countries, remittances exceed the earnings from the main commodity export.

However, two major qualifications should be attached to these findings. First, the vast bulk of these flows do not go to the poorest countries. Of the estimated inflows of remittances in 2007, less than 1 percent went to

Figure **4.2** **Skilled workers move similarly across and within nations**

Population and share of skilled workers who migrate internally and internationally



Source: Clemens (2009b).
Note: Shares represented using Kernel density regressions.

countries in the low-HDI category. So, for this group, remittances are only about 15 percent of their official development aid. By contrast, in Latin America and the Caribbean remittances in 2007 amounted to about 60 percent of the combined volume of all foreign direct investment and aid. Second, studies that have sought to trace the impacts of remittances on the long-term growth of the recipient country suggest that these impacts are generally small, although the findings are mixed.[58] This stems in part from the fact that the development impact of remittances is ultimately contingent on local institutional structures.[59]

Concerns have been expressed that remittances create a form of 'resource curse', contributing to undesirable currency appreciation and thereby hampering competitiveness. Here again, however, the evidence is mixed.[60] Moreover, remittances go to individuals and families and are thus distributed more widely than rents from natural resources, which flow only to governments and a handful of companies and thus can tend to exacerbate corruption. One positive macroeconomic feature of remittances is that they tend to be less volatile than either official development aid or foreign direct investment, although still subject to cyclical fluctuations, as seen in 2009 (box 4.2).[61]

In general, 'remittance-led development' would not appear to be a robust growth strategy. Like flows of foreign aid, remittances alone cannot remove the structural constraints to economic growth, social change and better governance that characterize many countries with low levels of human development. That said, for some small states, particularly those facing additional challenges related to remoteness, mobility may be integral to an effective overall strategy for human development (box 4.4).

4.1.3 Social and cultural effects

Mobility can have profound consequences for social, class and ethnic hierarchies in origin communities if lower status groups gain access to substantially higher income streams. This is illustrated by the cases of the *Maya* in Guatemala[62] and the *Haratin*, a group of mainly black sharecroppers, in Morocco.[63] These are welcome changes, which can disrupt traditional, caste-like forms of hereditary inequality based on such things as kinship, skin colour, ethnic group or religion, which are associated with unequal access to land and other resources.

The ideas, practices, identities and social capital that flow back to families and communities at origin are known as *social remittances*.[64] These remittances can arise through visits and through rapidly improving communications. The case of the Dominican village of Miraflores, where two thirds of families sent members to Boston in the 1990s, shows the impacts on gender dynamics. Women's roles changed, not only in Boston, where they went out to work, but also in the Dominican Republic, where they enjoyed a more equal distribution of household tasks and greater empowerment generally. Another example comes from Pakistanis at the Islamic Center of New England in the United States, where women pray and run the mosque alongside men. News of these changes has travelled back to Karachi in Pakistan, where some women still prefer traditional approaches but others are trying to create new spaces where women can pray and study together. Health is another area where social remittances have an impact. As a result of exposure abroad, visiting or returning migrants may bring back practices such as drinking safe water, keeping animals out of living spaces, or going for annual medical check-ups.

The social and cultural effects of migration are not always positive, however. A counter-example is the deportation of youth from the United States back to Central America, which has been likened to the export of gangs and gang cultures.[65] Although detailed data and analysis are not available, a recent regional report found that the distinction between home-grown gangs (*pandillas*) and those exported from the United States (*maras*) is not always clear.[66] In either case, programmes that target at-risk individuals and communities with a view to preventing youth and gang violence are needed, alongside inter-governmental cooperation and greater support and funding for reintegration programmes.[67]

For many young people all over the world, spending time abroad is considered a normal part of life experience and migration marks the transition to adulthood. Field studies in Jordan, Pakistan, Thailand and Viet Nam have found that migration was a means of enhancing a family's social status in the local community. It is

The ideas, practices, identities and social capital that flow back to families and communities at origin are known as *social remittances*

Box **4.4** **Mobility and the development prospects of small states**

As noted in chapter 2, it is striking that the countries with the highest rates of emigration are small states. These rates often coincide with underdevelopment. For poorer small states, the disadvantages of being small include over-dependence on a single commodity or sector and vulnerability to exogenous shocks. Small countries cannot easily take advantage of economies of scale in economic activity and in the provision of public goods, and often face high production costs and consumer prices. In the case of small island states, remoteness is an additional factor, raising transport costs and times and making it difficult to compete in external markets. All these factors encourage out-migration.

The financial benefits associated with migration are relatively large for small states. In 2007, remittances averaged US$233 per capita, compared to a developing country average of US$52. The annual highest flows relative to GDP are found in the Caribbean, with remittances accounting for 8 percent of GDP. However, most small states are not among the countries with the highest GDP shares of remittances, so they are not especially exposed to shocks from this source. At the same time, the benefits of migration for small states go well beyond the monetary value of remittances. Moving opens up opportunities for labour linkages, which can enhance integration with economic hubs. Temporary labour migration can be a way of balancing the economic needs of both the origin and destination sides, of providing opportunities for low-skilled workers and of enabling broader benefits at home through the repatriation of skills and business ideas. To the extent that smallness overlaps with fragility and, in some countries, instability, migration can be a safety valve to mitigate the risk of conflict, as well a diversification strategy over the longer term.

Some small states have integrated emigration into their development strategies, mainly to meet the challenge of job creation. Our commissioned review of PRSs showed that many small states (Bhutan, Cape Verde, Dominica, Guinea-Bissau, Sao Tome and Principe, and Timor-Leste) mention positive elements of international migration in terms of impact on development and/or poverty reduction. Among the goals in Timor-Leste's Poverty Reduction Strategy Paper (PRSP) (2003) was that of developing a plan for 1,000 workers to go abroad annually. However, others (Djibouti, Gambia, Guyana and Maldives) refer to emigration only as a problem. Some see negative aspects, such as exposure to downturns in remittances (Cape Verde) and increased inequality (Bhutan). Dominica's PRS saw emigration both as a cause of poverty and as contributing to poverty reduction.

Small states can make migration a strategic element of development efforts in several ways, some of which involve regional agreements. Some countries focus on temporary employment abroad. Others emphasize the creation of skills, sometimes in concert with neighbours. Mauritius has actively encouraged temporary employment abroad as a way of acquiring skills and capital that migrants can use to set up their own business on return. Supported by donors, the government has established a programme that provides technical and financial support to returning migrants. The Lesotho Development Vision 2020 focuses on generating jobs at home by attracting foreign direct investments, while recognizing the role of work abroad, especially in neighbouring South Africa. Its PRS sets out reform measures that include automation and decentralization of immigration services, establishment of a one-stop shop for efficient processing of immigration and work permits, and anti-corruption measures in the Department of Immigration. Development strategies can take broader measures to deal with the challenges of remoteness. For example, in the South Pacific, regional universities and vocational training have facilitated mobility, and several states have entered into migration agreements with their neighbours.

Emigrants from small states have similar profiles to migrants generally, in that they tend to have more skills and resources than people who stay. In Mauritius, for example, the total emigration rate is 12.5 percent, but about 49 percent for graduates. Overall, however, there is no significant difference in the net supply of skills, measured by the number of doctors per 10,000 population, between small and large states. In terms of simple averages, the number of doctors is actually higher for small states, at 23 per 10,000 compared to 20 per 10,000 on average for all countries.

Source: Luthria (2009), Winters and Martin (2004), Black and Sward (2009), Seewooruthun (2008), Government of Lesotho (2004), Winters, Walmsley, Wang, and Grynberg (2003), Amin and Mattoo (2005), Koettl (2006) and Pritchett (2006).

thus not surprising that the probability of migration increases for those with links to people already abroad.

Sometimes a 'culture of migration' emerges, in which international migration is associated with personal, social and material success while staying home smacks of failure.[68] As the social network grows, the culture is further engrained and migration becomes the norm, particularly among the young and able. This has been observed in cases where there has been large-scale out-migration, such as the Philippines, as well as in West and Southern Africa. A study in Nigeria found that two out five undergraduate students were more interested in leaving Nigeria as a way of gaining social status than in seeking gainful employment at home.[69] This can also be seen with respect to internal migration: a recent study from Ethiopia suggests that shifting preferences and aspirations as a result of education could lead people to migrate out of rural areas, irrespective of the earning potential that migration may provide.[70] The culture can acquire its own self-perpetuating momentum, as illustrated by the Irish, who continued to emigrate at the height of the Celtic Tiger boom.

In West Africa, migration is often not merely a vehicle for economic mobility but is also considered a process through which a boy attains maturity.[71] For some groups in Mali, Mauritania and Senegal, migration is a rite of passage: it is through the knowledge and experience acquired from travel that young adolescent males become men.[72] In the Soninke village of Kounda in Mali mobility distinguishes males and females.[73] Masculinity involves the freedom to move, whereas women in the village are to a large extent fixed inside the household. Men who do not migrate and remain economically dependent on their kin are considered to be immature youngsters and women refer to them with a derogatory term, *tenes*, which means 'being stuck like glue'. In Mali, the colloquial French term used to describe migration is *aller en aventure*, literally, to go on adventure. For the Soninke, being 'on adventure' implies being 'on the path to adulthood'.

The effect of migration on income distribution and social inequality is primarily a function of selection—that is, who moves (see chapter 2).[74] In general, money flows associated with international migration tend to go to the better off, whereas, at least in the longer term, remittances from internal migrants tend to be more equalizing.[75] This type of pattern has been found for Mexico and Thailand, for example.[76] Our commissioned research on China also found that inequality initially rose with internal remittances, then fell.[77]

If it is the better off who tend to migrate, then an appropriate response is to ensure access to basic services and opportunities at home as well as to facilitate the mobility of the poor. As we argue in chapter 5, poor people should not have to move in order to be able to send their children to decent schools: they should have options at home, alongside the possibility of moving.

Collective remittances sent through hometown associations and other community groups have arisen in recent decades.[78] These usually take the form of basic infrastructure projects, such as the construction of roads and bridges, the installation of drinking water and drainage systems, the sinking of wells, the bringing of electricity and telephone lines, and other public goods such as local church or soccer field restorations. Sometimes these are co-financed—the most famous example being Mexico's *Tres Por Uno* programme, which aims to increase collective remittances by assuring migrant associations that, for every peso they invest in local development projects, the federal, municipal and local government will put in three. The amount transferred as collective remittances remains only a fraction of that sent back individually to families, so the potential development impact of such programmes should not be overstated.[79] For example, it has been estimated that, since 1990, Filipinos in the United States have donated US$44 million in financial and material assistance to charitable organizations in the Philippines, an amount equivalent to only 0.04 percent of GDP in 2007.[80]

Mobility can affect social and political life in countries of origin in a broader sense. Migrants and their descendants may return and become directly involved in civic and political activities. Alternatively, business investments, frequent return visits and/or collective initiatives can affect patterns of participation by others at home. For example, in Lebanon, new political forces were formed, particularly after the 1989 Ta'ef Accord, as returning migrants used the wealth earned abroad to engage in politics.[81]

Evidence that emigrants have spurred the improvement of political institutions in their home countries is accumulating. Democratic reform has been found to progress more rapidly in developing countries that have sent more students to universities in democratic countries.[82] Knowledge and expectations brought home by a group of Moroccans returning from France have been found to shape basic infrastructure investments by the government in their home region.[83] However, if emigration serves simply as a safety valve, releasing political pressure, the incentives of the established political elite to reform are diminished.[84]

Just as migrants enrich the social fabric of their adopted homes, so too they can act as agents of political and social change if they return with new values, expectations and ideas shaped by their experiences abroad. Sometimes this has taken the form of supporting civil wars, as in the case of Sri Lanka's diaspora, but in most cases engagement is more constructive.[85] Contemporary high-profile examples include

Evidence that emigrants have spurred the improvement of political institutions in their home countries is accumulating

Box 4.5 **Mobility and human development: some developing country perspectives**

Several recent National Human Development Reports (NHDRs), including those of Albania, El Salvador and Mexico, have focused on the development implications of mobility. In other countries NHDRs have considered how mobility influences selected aspects of development, such as the role of civil society (Egypt), rural development (Uganda), economic growth (Moldova), social cohesion (Côte d'Ivoire) and inequality (China).

Mexico's NHDR identifies inequality as the most robust determinant of migratory flows, and movement as a factor that modifies the availability of opportunities to others, including stayers. Drawing on the National Employment Survey, the average Mexican migrant is found to have slightly above-average schooling and intermediate income levels but comes from a marginalized municipality, suggesting an initial set of capabilities coupled with lack of opportunities as major driving factors. The report finds that the overall human development impacts of migration in Mexico are complex and conditional on the profile and resources of different groups. For example, while migration tends to reduce education inequality, especially for girls, it can also discourage investment in higher education in communities where most migrants traditionally go abroad for low-skilled jobs.

Different insights come from El Salvador, where emigrants represent 14 percent of the population and the impact of migration is more visible at the macro level. The recent acceleration of migration is seen to have contributed to the country's transition to a service economy, which has relied heavily on remittances and a mosaic of small businesses specialized in delivering goods and services to migrants and their families, including nostalgia products and communications. The report suggests that migration allows some relatively poor people a degree of upward mobility through their links to the global economy.

Source: UNDP (2000; 2004a; 2005a,b; 2006a; 2007c,e; 2008c).

Ellen Johnson-Sirleaf, President of Liberia and Africa's first female head of state, and Joaquim Chissano, former President of Mozambique and now a respected elder statesman. Recognizing the potential benefits of diaspora engagement, some governments have begun to actively reach out.[86] For example, Morocco and Turkey have extended political and economic rights to emigrants and allowed dual citizenship.[87] However, whether these policies of engagement benefit non-migrants or simply subsidize an elite group outside the country remains an open question. By improving its investment climate (presently ranked first in Africa by the World Bank's Doing Business Index), Mauritius has also attracted migrants back; similar patterns have been seen in India and Turkey, among other countries.

4.1.4 Mobility and national development strategies

To date, national development and poverty reduction strategies in developing countries have tended not to recognize the potential of mobility, nor integrated its dynamics into planning and monitoring. This is in part due to the range of other pressing priorities facing these countries, from improving systems of service delivery, through building basic infrastructure, to promoting broad-based growth.

Country-level perspectives on the links between mobility and development can be gleaned from recent National Human Development Reports. The highlights are summarized in box 4.5.

To gain insights into the link between national development strategies and migration in a larger sample of countries, we commissioned a study to review the role of migration in Poverty Reduction Strategies (PRSs). These strategies are statements of development objectives and policy, prepared by poorer countries whose views are often neglected in migration debates. PRSs are of interest since they also involve contributions from, or partnerships with, civil society actors, are intended to be based on quantitative and participatory assessments of poverty, and provide a sense of government priorities.[88] They are also important important because international partners have committed to aligning their assistance to these national strategies, given the importance of country ownership in development.

To date, Bangladesh's PRS has perhaps the most comprehensive treatment of migration and development linkages. The most recent PRSs for Albania, the Kyrgyzstan and Sri Lanka also reflect a major focus on migration-related issues. Many African countries acknowledge the role of remittances, the advantages of return and circular migration of skilled expatriates and the value of knowledge transfer from such people. Several strategies intend to attract development investments from wealthy members of the diaspora.

Earlier analysis of the treatment of international migration in PRSs was based in part on the number of mentions of the word 'migration'.[89] While simple, this indicator is not very meaningful. It is nonetheless striking that there is no significant correlation in PRSs between the number of references to migration and various measures of its possible importance for national development, such as share of the population living abroad, level of remittances and rate of urbanization.[90]

PRSs have laid out a wide range of migration-related policy initiatives, although these are often not explicitly based on prior analysis. In many cases the state of knowledge about the relationship between the proposed initiative and its expected development impact is weak, underlining the importance of better data and analysis.

In general, PRSs appear to recognize the complexity of international migration, acknowledging both its advantages—opportunities for development and poverty reduction—and its possible negative effects. Some tend to stress the positive—for example the most recent PRSs of Ethiopia, Nepal, Senegal and Uzbekistan frame emigration as an opportunity, without mentioning possible downsides. Most recent strategies emphasize the role of remittances, including those of Bangladesh, Democratic Republic of the Congo, Ghana, the Lao People's Democratic Republic, Liberia, Pakistan, Timor-Leste and Uzbekistan.

Several strategies articulate policies towards migration. We can distinguish between policies that are broadly 'proactive/facilitative' and those focused on 'regulation/control' (table 4.1). Combating trafficking, preventing irregular migration and modernizing and strengthening immigration and customs services feature frequently. It is striking how some of these policies echo those promoted by rich country governments.

To sum up, while the PRS framework generally has not been geared towards addressing migration policy per se, it could provide a useful tool for integrating migration and development issues. Fitting this dimension into an overall national strategy for development will require investments in data and analysis and in broad stakeholder consultation. These challenges are discussed further in chapter 5.

4.2 Destination place effects

Debates about migration often dwell on the economic and social impacts on rich destination countries. This report has deliberately sought to redress this imbalance, by beginning with the migrants and their families, then focusing on the places they came from. However, that is not to say that the impacts on people in destination communities are unimportant.

In many developed countries, the percentage of migrants in the total population has risen rapidly over the past 50 years. It is now estimated to be in double figures in more than a dozen OECD countries.[91] As noted in chapter 2 and shown in detail in Statistical Table A, the highest shares are found in Oceania (16 percent)—which includes Australia and New Zealand, North America (13 percent) and Europe (8 percent). The shares range between only 1 and 2 percent in the three major developing regions of Africa, Asia, and Latin America and the Caribbean. The highest country shares are recorded in the GCC states and in South-East Asia, including 63 percent in Qatar, 56 percent in the United Arab Emirates, 47 percent in Kuwait and 40 percent in Hong Kong (China). The real and perceived impacts of immigration are critical, not least because these perceptions shape the political climate in which policy reforms are debated and determined.

We begin this section by reviewing the economic impacts of immigration as a whole, then focus more narrowly on the labour market and

Table **4.1** **PRSs recognize the multiple impacts of migration**
Policy measures aimed at international migration in PRSs, 2000–2008

Proactive/facilitative	No. of countries	Proactive/facilitative	No. of countries	Regulation/control	No. of countries
Export labour	10	Facilitate remittances	9	Combat trafficking	19
Encourage female migration	1	Encourage legal remittance channels	3	Modernise customs	18
Promote student mobility	3	Engage diasporas	17	Strengthen border control	17
Sign bilateral agreements	9	Promote investment by diasporas	8	Combat illegal migration	12
Improve labour conditions abroad	6	Import skills	4	Promote refugee return	10
Pre-departure training	6	Participate in regional cooperation programmes	8	Tackle the 'brain drain'	9
Develop consular services	3	Promote more research/monitoring	8	Support return	7
Regulate recruitment industry	2	Build institutional capacity	5	Sign readmission agreements	2
Facilitate portability of pensions	2	Combat HIV/AIDS amongst migrants	7		
Promote refugee integration	7	Re-integrate trafficking victims	5		

Source: Adapted from Black and Sward (2009).
Note: 84 PRSs reviewed.

Migrants can bring broader economic benefits, including higher rates of innovation

fiscal impacts. For each of these types of impact there are important distributional issues—while there are overall gains, these are not evenly distributed.

4.2.1 Aggregate economic impacts

The impact of migration on aggregate growth rates of destination countries has been much discussed, but robust measurement is difficult. The data requirements and methodological complexities, including the need to disentangle direct and indirect effects and work out their timing, all present challenges (see box 1.1).

Economic theory predicts that there should be significant aggregate gains from movement, both to movers and to destination countries. This is because migration, like international trade, allows people to specialize and take advantage of their relative strengths. The bulk of the gains accrue to the individuals who move, but some part goes to residents in the place of destination as well as to those in the place of origin via financial and other flows. In background research commissioned for this report, estimates using a general equilibrium model of the world economy suggested that destination countries would capture about one-fifth of the gains from a 5 percent increase in the number of migrants in developed countries, amounting to US$190 billion dollars.[92]

To complement our review of the country-level studies, we commissioned research to construct a new dataset on migration flows and stocks, including consistent annual data on nature of employment, hours worked, capital accumulation and changes in immigration laws for 14 OECD destination countries and 74 origin countries for each year over the period 1980–2005.[93] Our research showed that immigration increases employment, with no evidence of crowding out of locals, and that investment also responds vigorously. These results imply that population growth due to migration increases real GDP per capita in the short run, one-for-one (meaning that a 1 percent increase in population due to migration increases GDP by 1 percent). This finding is reasonable, since in most instances annual migration flows are only a fraction of a percentage point of the labour force of the receiving country. Moreover, these flows are largely predictable, implying that the full adjustment of per capita investment levels is plausible even in the short run.

At the individual country level, at least in the OECD countries, similar results have been found—that is, increased migration has neutral or marginally positive effects on per capita income. For example, simulations following the European Union accessions of 2004 suggest that output levels in the United Kingdom and Ireland, which allowed large-scale inflows from the new member states of Eastern Europe, would be 0.5–1.5 percent higher after about a decade.[94] In countries where migrants account for a much higher share of the population and labour force—for example in the GCC states—the aggregate and sectoral contributions to the economy can be expected to be larger. However, detailed empirical analysis is unfortunately not available.

Migrants can bring broader economic benefits, including higher rates of innovation. Productivity gains in a number of destination places have been traced to the contributions of foreign students and scientists to the knowledge base. Data from the United States show that between 1950 and 2000, skilled migrants boosted innovation: a 1.3 percent increase in the share of migrant university graduates increased the number of patents issued per capita by a massive 15 percent, with marked contributions from science and engineering graduates and without any adverse effects on the innovative activity of local people.[95]

Countries explicitly compete for talent at the global level and the share of graduates among migrants varies accordingly.[96] The United States, in particular, has been able to attract migrant talent through the quality of its universities and research infrastructure and its favourable patenting rules.[97] In Ireland and the United Kingdom the share of migrants with tertiary education exceeds 30 percent, while in Austria, Italy and Poland it is below 15 percent.[98] Countries offering more flexible entry regimes and more promising long-term opportunities have done better in attracting skilled people, whereas restrictions on duration of stay, visa conditions and career development, as in Germany for example, limit uptake. This has led to discussions about a blue card or European Union-wide employment permit—an idea that has received preliminary backing from the European Parliament and approval by the European Council.[99] Singapore and Hong Kong (China), have explicit policies to welcome foreign high-skilled professionals. These policies range from allowing immigrants to bring their families, through facilitating permanent residence after defined waiting periods (two years for Singapore, seven for Hong Kong (China)), to the option of naturalization.[100]

Programmes to attract skilled labour can be developed using a general points-based approach, linked to labour market tests and/or employer requirements (chapter 2). A centralized 'manpower' planning approach can be difficult to implement, especially in the face of structural change and economic shocks. Points-based schemes, which have the virtue of simplicity, have been used by destination governments to favour high-skilled migrants or to attract workers for occupations in short supply on the national labour market, as in Australia's General Skilled Migration programme.

Migration can stimulate local employment and businesses, but such effects are likely to be context-specific. Migrants also affect the level and composition of consumer demand, for example in favour of nostalgia goods, as well as locally available goods and services that are close to homes and work-places. Our commissioned study of such effects in California found evidence suggesting that an influx of immigrants over the decade to 2000 into specific areas (selected to capture the potential pool of customers for different firms) was positively correlated with higher employment growth in some sectors, especially in education services. The impact on the composition of demand was mixed: a higher share of migrants was associated with fewer small firms and stand-alone retail stores, but more large-scale discount retailers. At the same time, consistent with expectations, the study found that increased immigration was associated with increased ethnic diversity of restaurants.[101]

4.2.2 Labour market impacts

There is controversy around the effects of migration on employment and wages in the destination country, especially for those with low levels of formal education. Public opinion polls show that there is significant concern that immigration lowers wages.[102] There have also been lively academic debates on the subject, notably in the United States. Yet it is striking that most empirical studies in the OECD draw similar conclusions, namely that the *aggregate* effect of immigration on the wages of local workers may be positive or negative but is fairly small in the short and long run.[103] In Europe, both multi- and single-country studies find little or no impact of migration on the average wages of local people.[104]

At the same time it must be recognized that wage responses to immigration are unlikely to be distributed evenly across all workers and will be most pronounced where locally born workers compete with immigrants. The debates have clarified that it is not just the total number of migrants that matter but their skill mix as well. The kinds of skill that migrants bring affect the wages and employment opportunities of different segments of the local population, sometimes in subtle ways. If the skills of migrant workers complement those of locally born workers, then both groups will benefit.[105] If the skills match exactly, then competition will be heightened, creating the possibility that locally born workers will lose out. However, this is not a foregone conclusion: often the results are mixed, with some individuals in both groups gaining while others lose. Assessing these effects is problematic, because measuring the degree to which different groups' skills complement or substitute for one another is difficult, particularly across international borders.[106]

One striking example of complementarity is how migrants can facilitate higher labour force participation among locally born females.[107] The availability of low-cost child care can free up young mothers, enabling them to go out and find a job. There is consensus in the literature that low-skilled migrant labour generally complements local labour in Europe.[108] This may arise in part because migrants are more mobile than locally born workers—as in Italy, for example.[109] More importantly, migrants are often willing to accept work that locals are no longer prepared to undertake, such as child care, care of the elderly (much in demand in aging societies), domestic work, and restaurant, hotel and other hospitality industry work.

As noted, the small *average* effect on pay may mask considerable variation across types of local workers. There is a vast empirical literature on

Migrants can facilitate higher labour force participation among locally born females

Legal and institutional factors—both their design and their enforcement—matter

the effect of immigration on the distribution of wages in developed countries. In the United States, estimates of the effect on the wages of unskilled workers range from –9 to +0.6 percent.[110] Locals with low levels of formal schooling may still have advantages over migrants due not only to language but also to knowledge of local institutions, networks and technology, which enables them to specialize in complementary and better-paid tasks.[111]

The imperfect substitutability of migrant and local labour is consistent with recent evidence suggesting that the workers affected most by the entry of new migrants are earlier migrants. They feel the brunt of any labour market adjustment, since newcomers primarily compete with them. In the United Kingdom, for example, heightened competition among migrants in the early 2000s may have increased the difference between the wages of locals and migrants by up to 6 percent.[112]

While the evidence about employment impacts is less extensive, the pattern is similar. Detailed investigations have not established a systematic relationship between immigration and unemployment. This is in part because of labour market segmentation, as low-skilled migrants accept jobs that are less attractive to locals, enabling the latter to move to other sectors and jobs. The massive inflows associated with European Union accession led neither to the displacement of local workers nor to increased unemployment in Ireland and the United Kingdom. Recent experience in Europe thus supports the idea that migrant labour does not have a large effect on the employment of locals. One European study found that a 10 percent increase in the share of migrants in total employment would lower the employment of residents by between 0.2 and 0.7 percent.[113]

These econometric results should also be interpreted in the light of the evidence concerning the labour market disadvantage of migrants that was reviewed in chapter 3. Legal and institutional factors—both their design and their enforcement—matter. If migrant workers fall through the net of the formal arrangements that protect wages and working conditions, unfair competition with locally born workers could well follow. A similar outcome can be expected where people are excluded from unions or where the enforcement of regulations is weak. Even in countries with well-regulated labour markets, workers with irregular status often tend to fall ‘under the radar’—the drowning of Chinese cockle gatherers in Morecambe Bay in the United Kingdom was a notorious case of lack of enforcement of health and safety standards. Recent British research found that more general structural trends, particularly the increasing use of agency (temporary) labour contracts, which are associated with fewer rights for workers, are significant factors shaping the pay and working conditions of migrant workers. There is widespread evidence of payment below the legal minimum wage, especially for younger migrants.[114]

Among emerging and developing economies, empirical evidence on the labour market impacts of immigration is sparse. A recent study of Thailand, which investigated whether places with higher concentrations of migrants had lower wages, found that a 10 percent increase in migrants reduced the wages of Thai locals by about 0.2 percent but did not lower employment or reduce internal migration.[115] Simulations conducted for Hong Kong (China), found that even large increases in new immigrants (a 40 percent increase) would lower wages by no more than 1 percent.[116] To the extent that migrants can find employment only in the informal labour market, their arrival will have a larger effect on locals who themselves operate informally. In many developing countries, informality is ubiquitous, so migrants are likely to join an already large segment of the market.

4.2.3 Rapid urbanization

Rapid urban growth, which can be partly attributed to internal migration, can pose major challenges. While people may be attracted by the better opportunities available in cities, it is nonetheless true that local services and amenities may come under severe strain. This can be seen in large cities, such as Calcutta and Lagos, as well as the myriad medium-sized cities, from Colombo to Guayaquil to Nairobi. Many newcomers and their families in developing countries end up in shanty towns and slums, typically on the outskirts of large cities. Residents in these areas often face high service costs. They may also be at risk from flooding and landslides, not to mention harassment from the authorities and violence, theft or extortion at the hands of criminals.

When movement is driven by falling living standards and weak support services in places of origin, the rate of migration to urban centres can exceed the demand for labour and the provision of services there.[117] Under these conditions the outcome is high structural unemployment and underemployment. Moreover, where local authorities are ill prepared for population growth and face severe institutional and financial constraints, the result is likely to be rapidly increasing disparities in incomes and well-being and segmentation of the city into areas that are relatively prosperous and safe, with good services, and 'no-go' areas where living conditions are falling apart. In contrast, when people are attracted to cities because of employment opportunities, net benefits are likely to accrue as the concentration of ideas, talent and capital lead to positive spillovers. This has been found in the Republic of Korea, for example.[118]

These contrasting scenarios underline the importance of good urban governance, which can be defined as the sum of the many ways individuals and institutions—public and private—plan and manage city life. Among the most important aspects of urban governance for migrants are: adequate financial resources, which must often be generated through local taxation; equitable pricing policies for basic social services and utilities; the extension of services to areas where migrants live; even-handed regulation of the informal sector; outreach and support services (such as language classes) targeted to migrant groups; and accountability, through such mechanisms as representation on local authorities, the publication of performance standards for key services, and the regular independent audit and publication of municipal accounts.

Field research provides useful insights into how city authorities are handling flows of people and the more general challenges of urban poverty. The findings suggest that decentralization and democratization can allow the poor more opportunities to lobby and to make incremental gains, at least in terms of infrastructure provision.[119] Having a voice—and having that voice heard—seems to work in terms of protecting the poor from the worst excesses of bad governance, particularly from harassment and removal of informal traders.[120] There are clearly echoes of Amartya Sen's argument about the positive effects of democratic processes and a free press.[121]

Clearly, however, some municipal governments have wielded levers with negative repercussions for migrants. For instance, a review of urbanization experiences in Asia, commissioned for this report, finds that a number of governments continue to pursue policies aimed at decelerating in-migration. Several countries were found to have forcibly cleared slums, pushing the poor into periphery areas void of services.[122] In Dhaka, Bangladesh, some 29 slum areas, home to 60,000 people, were cleared by the authorities in early 2007. In Jakarta, Indonesia, the 'closed city' policy requires migrants to present proof of employment and housing, making it difficult for them to stay legally, while a law passed in September 2007 makes squatter settlements on river banks and highways illegal. Sometimes this kind of intervention can lead to unrest, as in Bangladesh, for example, following evictions in Agargoan and other settlements.[123] It appears that mass evictions are more likely when democracy and accountability are weak, as the shantytown clearances around Harare in Zimbabwe during 2005 demonstrate.

One final point: popular perceptions among local people in Europe and the United States as well as South Africa, for example, associate migrants with price increases in certain private markets, such as the rental market for housing. To the best of our knowledge, no studies establish the existence of such an effect.

4.2.4 Fiscal impacts

A popular measure of the impact of migration, though not one that necessarily reflects its true economic and social effects, is the perception of the changes it brings to the government's fiscal position.[124] People across the political spectrum often share concerns about the implications of migration for the welfare state. Our analysis of the European Social Survey of 2002 suggested that up to 50 percent of the region's population worry about migrants being a net fiscal burden, with those most concerned tending to be less well educated, older and/or unemployed. The concerns are most acute in the Czech Republic, Greece, Hungary and Ireland, much less so in Italy, Luxembourg, Portugal and Sweden. Some people are worried about increased costs, others

People across the political spectrum often share concerns about the implications of migration for the welfare state

A migrant whose child attends state school may also provide childcare services that facilitate the entry of a high-skilled woman into the labour force—and both pay taxes

about sustainability in the face of reduced social cohesion. Some governments have sought to address these concerns by introducing waiting periods for becoming eligible to receive benefits, as in Australia, New Zealand and the United Kingdom, for example.

Do migrants 'take more than they give,' or vice versa? This is a highly contentious issue, and one that we believe has garnered unwarranted attention. Estimating migrants' use of public services is fraught with measurement difficulties, while calculating their offsetting tax contributions adds another layer of complexity. A migrant whose child attends state school may also provide childcare services that facilitate the entry of a high-skilled woman into the labour force—and both pay taxes.

In practice, there is wide variation across countries in both the existence and generosity of welfare benefits and the eligibility of migrants. Studies in the United States, which has low levels of benefits for a rich country, have found a range of estimates, but the general picture is consistent: first-generation migrants tend to generate net fiscal costs whereas later generations tend to produce large fiscal surpluses.[125] At the same time, taxes paid by migrants may not accrue to the levels of government providing services to migrants. Especially where migrants are under-counted and where fiscal transfers are made to local authorities on a per capita or needs basis, it may be that the localities facing the largest burdens in extending basic services to migrants also lack adequate resources to do so.

Local government typically accounts for a significant share of total government spending and often bears the burden of financing basic services, including services for migrants. According to the International Monetary Fund,[126] the share of spending in 2007 by subnational authorities in developed countries ranged from 63 percent for Denmark to 6 percent for Greece. The share is significant in a number of other major destination countries, including the Russian Federation (51 percent) and South Africa (47 percent). But there are exceptions—for example Thailand, where the share is below 15 percent. Thus, depending on the structure of public finances, migrants could impose net fiscal costs on one level of government while being net contributors to total public revenue. For example, the costs of providing educational and health services, which may include special programmes such as language courses, may be concentrated in local authorities, while income taxes accrue to the central government.

In the United States, fiscal concerns appear to affect the immigration policy preferences of different groups. One study found that locals tend to be in favour of curbing immigration if they live in states that have large migrant populations and provide migrants with generous welfare benefits.[127] This opinion is strongest among locals with high earnings potential, who tend to be in higher tax brackets. Similar results were obtained using a sample of over 20 countries in Europe.[128]

In countries with progressive tax systems and welfare benefits, low-skilled migrants, refugees and those entering under family reunification programmes are associated with higher net fiscal costs. In some European countries migrants, after accounting for their demographic characteristics, appear to be more dependent on welfare programmes than locals, but this is certainly not the case in all countries.[129] The difference can be traced back at least partly to the relative generosity of the welfare systems.

In the 2008/09 recession, rising unemployment and hardship among migrants can be expected to impose additional costs on public finances, although the degree to which this happens in practice remains to be seen. Determining factors in each country will be the share of migrants among the unemployed and the structure of unemployment benefits, particularly the eligibility rules. Even in countries with well-developed welfare systems, the access of migrants to benefits may be limited. A recent study predicted that, among European countries, Estonia, France and Latvia were likely to face a higher public finance burden due to the costs of migrants' welfare benefits during the 2009 downturn, whereas Austria, Finland, Germany, Ireland and Spain would register less-marked increases.[130] In many developing countries, the issue of rising fiscal costs during a time of recession typically does not arise, because welfare benefits are simply unavailable to anyone.

Migration is sometimes touted as a solution to the looming fiscal crisis associated with rapid

Whether positive or negative, the net fiscal impacts of immigration are not large

aging in many developed countries (chapter 2). This would require that migrants be net contributors to the fiscal system in the short to medium term. The longer term costs when migrants themselves retire need also to be taken into account. Both imply the need either to continually expand immigration or, more realistically, to raise social security contributions from the increased numbers of working migrants while introducing structural changes to the design of social security and retirement systems.

Whether positive or negative, the net fiscal impacts of immigration are not large. Putting the various effects together, relative to GDP, most estimates for the United States and Europe place the net fiscal impact of immigration in the range of ± 1 percent of GDP.[131] For example, the figure for the United Kingdom is ± 0.65 percent of GDP.[132] These estimates indicate that the fiscal consequences of migration should not generally be a key factor in designing policy.

Some destination governments impose additional fees on migrants, based on the principle that individuals receiving a benefit over and above the services enjoyed by the local taxpayer should contribute more. In 1995, Canada introduced a Right of Permanent Residence Fee equivalent to US$838, to be paid before a visa can be issued (but refundable if the client is refused or chooses not to proceed). Several amendments over time have sought to mitigate negative impacts with a loan option, flexibility in the timing of payment, elimination of the fee for refugees, protected persons and dependent children—and then halving of the fee in 2006. In addition to the fee, there is a US$430 administrative charge for adults (US$86 for dependents). However, in the Canadian and other similar cases, there is no direct link between the revenues generated from this fee and funding for integration programmes. The United Kingdom recently introduced a landing fee, at a more symbolic level of UK£50 (US$93). Both these examples seem oriented more towards assuaging popular concerns than towards raising revenue to cover fiscal costs.

4.2.5 Perceptions and concerns about migration

Migration is a controversial issue in many countries. The mere presence of newcomers from different backgrounds can pose challenges, especially in societies that were traditionally homogeneous. Broadly speaking, three interlinked types of concern can be distinguished, related to security and crime, socio-economic factors, and cultural factors.[133] We end this chapter by addressing each of these aspects in turn.

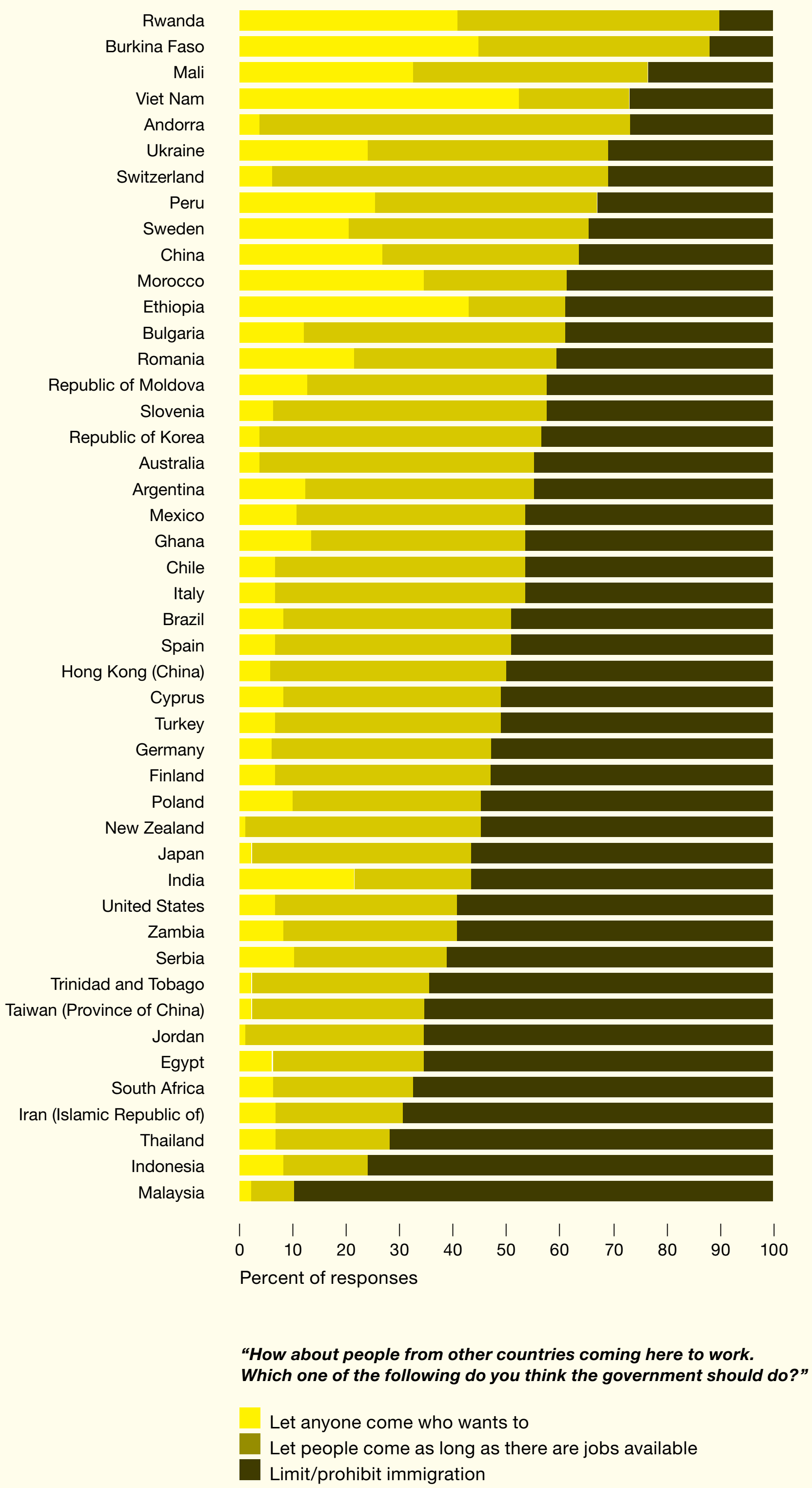
Following the attacks on the United States in 2001, security concerns rose to the top of the political agenda. A major issue was the association, real or imagined, of foreigners with a lack of loyalty and the threat of terrorism. Such fears are far from new, having characterized many historical instances of anti-immigration sentiment. Examples include the ethnic Chinese in Indonesia, who were suspected of political subversion on behalf of Communist China during the 1960s, and the ethnic Russian populations in the Baltic states who were suspected of undermining the states' newly won independence after the collapse of the Soviet Union in the early 1990s. These concerns normally abate somewhat over time, only to resurface in new forms at times of political instability and change.

Security concerns also derive from the perceived links between immigration and crime, which are often cited in popular debates about migration. We found that more than 70 percent of respondents to the European Social Survey of 2002 believed that immigrants worsen a country's crime problems, with the figure rising to more than 85 percent in Germany, the Czech Republic and Norway. As exemplified by the film *The Godfather*, stereotype images associating immigrants with crime have long been propagated through the popular media, which often feature violence perpetrated by a range of immigrant groups including the Italian *mafia*, Chinese triads and Central American gangs such as the Salvadoran *Mara Salvatrucha*.

The data do not confirm these stereotypes. However, they do reveal significant variation in immigrant crime rates across countries. Data from the 2000 US census show that, for every ethnic group, incarceration rates among young men are lowest for immigrants, even those who are the least educated. On average, among men aged 18 to 39 (who comprise the vast majority of the prison population), the incarceration rate of the locally born in 2000 was 3.5 percent, five times higher than the 0.7 percent rate of the

Figure **4.3** **Support for immigration is contingent on job availability**

Attitudes towards immigration and availability of jobs, 2005/2006



Source: Kleemans and Klugman (2009).

foreign-born.[134] Earlier studies for the United States yielded similar findings.[135] However, the picture in Europe is more varied. Data from the Council of Europe on 25 countries show that on average there are more than twice as many foreign-born people in prison than locally born. A study on six European countries found that, in Austria, Germany, Luxembourg, Norway and Spain, offense rates are higher for foreigners, while this was not the case in Greece, for example.[136]

Fears that migrants will undermine the socio-economic status of local people have been tested empirically. As already indicated, the effects can be positive for some individuals and groups and negative for others, but are seldom very large. However, the 2008/09 economic recession represents a severe shock to many workers in destination (and other) countries, possibly the worst since the Great Depression of the 1930s. While there is no serious suggestion that this shock has been caused by migrant labour, it has nevertheless stoked the flames of anti-immigrant rhetoric, as local workers search for ways of saving their own jobs. Governments are under enormous pressure—and often fail to withstand it. Opinions are shifting, even in cases where migration has been broadly welcomed by the public thus far—for example, in the United Kingdom against Eastern Europeans, despite the successful experience of large-scale inflows during the long boom.[137]

People's views about migration are conditioned by the availability of jobs. In the majority of the 52 countries covered in the latest World Values Survey, most respondents endorsed restrictions on immigration, but many emphasized that these restrictions should be clearly linked to the availability of jobs (figure 4.3).[138] The demographic and economic projections presented in chapter 2 suggest that, beyond the current recession, structural features will lead to the re-emergence of job vacancies and hence new opportunities for migrants.

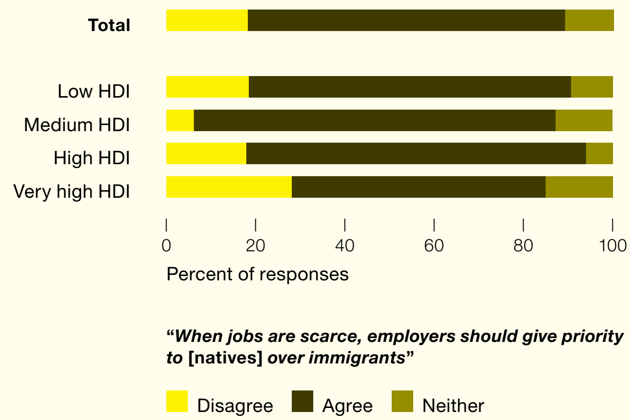
Even in normal times, many feel that preference should be given to locally born people (figure 4.4). Our regression analysis found that this view prevailed more among people who were older, had lower incomes, lived in small towns and did not have a migrant background. Interestingly, however, people were more likely to favour equal treatment of migrants in countries where the stock of migrants was relatively high.

Economic and security concerns can sometimes reinforce each other, in what becomes a vicious circle. Migrants who are marginalized—due, for example, to temporary or irregular status or high levels of unemployment—may resort to anti-social or criminal behaviour, confirming the security fears of locals. If this leads to further discrimination in the labour market and in policy formation, such migrants may turn away from the new society back to the old, possibly forming gangs or other anti-social organizations that threaten local populations. This type of pathology has been observed among some young Maghrebians in France and some Central American groups in the United States.

Where labour market disadvantage leads to social exclusion, repercussions for social cohesion can quickly follow. Recent research in seven developed countries has highlighted barriers to socialization encountered by children in immigrant families.[139] These families are often concentrated in certain locations, such as particular low-income urban localities. This fosters educational and socio-economic segregation: residence in segregated neighbourhoods limits contacts with locally born people, a separation reinforced by attendance at schools that are *de facto* segregated. A study we commissioned on Latino immigrant identity in the United States suggested that restrictive migration policies and increasingly adverse public opinion over time, alongside mixed human development outcomes, have affected people's sense of self. The study, based on interviews with immigrants and their children from several Latin American countries, suggests that immigrants have formative experiences that engender group solidarity but promote a rejection of American identity, related to the realities of the labour market during a period of rising inequality.[140]

Concerns are also expressed about the possible impacts of immigration on the political climate.[141] However, in most countries, the relative size of the migrant population is too small to have a direct effect on national electoral politics, particularly since migrants come from a diversity of backgrounds and will have a diversity of political views. In any case migrants are generally not permitted to vote in national elections. Their preferences may be more significant in local elections, where granting of voting rights to first-generation immigrants is more common.[142] Over time, as economic, social and cultural assimilation deepens, the effects of migrants on voting patterns become even less predictable.[143]

Figure **4.4** **When jobs are limited, people favour the locally born**
Public opinion about job preferences by destination country HDI category, 2005/2006



Source: Kleemans and Klugman (2009).

Last but not least, in sufficient numbers, migrants can affect the ethnic and cultural diversity of a society, literally changing the face of a nation. Several countries that today are highly prosperous were historically founded by migrants. Australia, Canada, New Zealand and United States have continued to welcome large inflows over time, in successive waves from different countries of origin, and generally have been highly successful in absorbing migrants and giving them a common sense of belonging to the new nation despite their cultural differences.[144] In countries with a long and proud history of independence and a strong sense of national identity, the arrival of newcomers may pose more challenges.

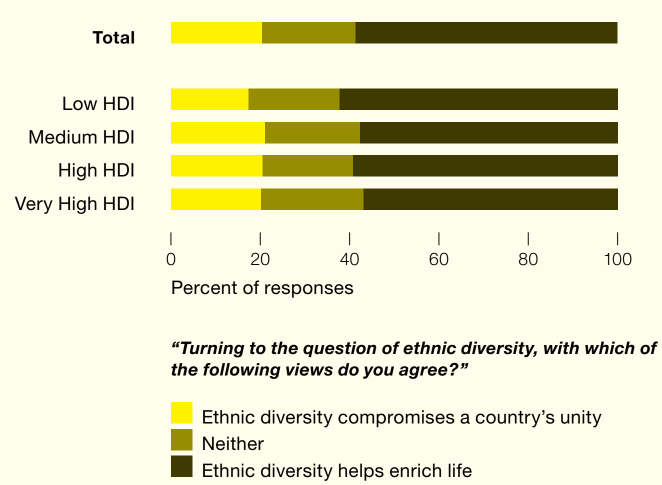
Of course, some cultural attributes are more easily adopted by locals than others. For example, many societies welcome new cuisines (probably the most resistant are the French and Italians, who think they have figured it out already). This confirms Paul Krugman's thesis that a taste for variety, combined with economies of scale, does more to explain international trade patterns than any other factor. But some find it harder to open the door to new religious and social customs such as the wearing of headscarves by women and the payment of dowries.

While specific issues can arise, the evidence suggests that people are generally tolerant of minorities and have a positive view of ethnic diversity (figure 4.5). People who are less well-educated, older, unemployed and without a migrant background are less likely to value ethnic diversity.[145] At the same time, more than 75 percent of respondents in the 2005/2006 World Values Survey did not object to having a migrant as their neighbour. These attitudes point to clear opportunities for building a broad consensus around better treatment of migrants, a policy option that we explore in the next chapter.

Insecurity and adverse reactions may arise when migrant communities are seen to represent alternative and competing social norms and structures, implicitly threatening the local culture. This is associated with the view that ethnic identities compete with each other and vary considerably in their commitment to the nation state, implying that there is a zero sum game between recognizing diversity and unifying the state. Yet individuals can and do have multiple identities that are complementary—in terms of ethnicity, language, religion, race and even citizenship (chapter 1). Thus when migrants integrate more fully and more diffusely with their adopted homeland, which in turn becomes even more diverse, they have a better chance of being valued as enriching society and introducing complementary cultural traits.

Figure **4.5** **Many people value ethnic diversity**

Popular views about the value of ethnic diversity by destination country HDI category, 2005/2006



Source: Kleemans and Klugman (2009).

4.3 Conclusions

This chapter has explored the impacts of mobility on those who do not move. We began with places of origin and focused on developing countries (although by far the highest regional rates of out-migration are observed for Europe and the lowest for Africa). The greatest impacts are at the household level, for those who have family members who have moved, and these are largely positive for income, consumption, education and health. However, the poverty impacts are limited because those who move are mainly not the poorest. Broader community and national effects can also be observed, although these patterns are often complex, context-specific and subject to change over time.

Given the global recession of 2008/09, it is especially important to assess the impact of migration on host communities and countries. There is no evidence of significant adverse economic, labour market or fiscal impacts, and there is evidence of gains in such areas as social diversity and capacity for innovation. Fears about migrants are generally exaggerated.

These findings, alongside those in the preceding chapter, suggest the possibility of creating virtuous circles through policy measures that enhance and broaden the benefits of mobility. This would increase migrants' economic and social contributions to both destination and origin communities and countries.

The public policies that people encounter when they move play a large part in shaping their futures. Designing these policies well is in the interests of migrants themselves, the communities they leave behind and the other residents in their adopted homes. It is to this topic that we turn in the final chapter of this report.