

***ECONOMICS OF MIGRATION***

**Dr. Hiral Sheth**

**ABSTRACT:**

Since the end of World War II, migration and development has been the subject of intense discussions among policymakers, academics, civil society and the public. Migration became a fundamental pillar of development across several regions under regional integration and development projects, namely the European Economic Community succeeded by the European Union. Spurred by geopolitical events that have greatly affected human mobility on a global scale, the relationship between migration and development has become central in contemporary political, economic and social policy debates. This research study is an attempt to understand the perspective of economics of migration in the context of European nations.

**KEYWORDS:** Migration, development, international, push, pull.

**OVERVIEW: TIMES ARE CHANGING**

**‘Migration is an expression of the human aspiration for dignity, safety and a better future. It is part of the social fabric, part of our very make-up as a human family’.**

Ban Ki-moon, Secretary-General (2007-2016), United Nations, at the 2013 High-level Dialogue on International Migration and Development Whether as migrant-sending or migrant-receiving locations or both many countries have rich, complex international and internal migration histories. When it comes to migrant integration, the local level integration matters a lot. Local authorities play a vital role in this integration. Cities can learn from each other and help provide local, regional, national and international policy makers and practitioners with better evidence for integration policy design.

Migration is a feature of social and economic life across many countries, but the profile of migrant populations varies considerably. In part this is because of the variety of sources of migration. International migration as a practice has a long history with some turning points. Disintegration of the middle age societies and accompanied changes such as renaissance,

commercial revolution, colonization, agricultural and industrial revolutions, emergence of free market societies, modern education and technological advancement are some prominent factors which have contributed to the growth of international migration. In the recent past, globalization has further enhanced migration, mainly through revolutionary changes in information technology. Reduced transportation and communication cost, international conventions on migrants, encouragement of skilled and professional labour migration, signing of bilateral and multilateral treaties allowing free movement of labour and such other factors have made international migration a popular practice throughout the world. (Rosen, 2007). Economic blocks like the EU have opened the gates of international migration in their member countries. (Fleischer, May 2019). This study aims to better understand the link between migration and development in the context of European nations.

### **RESEARCH METHODOLOGY**

The research paper employs a descriptive and analytical method of research. The secondary data sources have been used from government websites, research reports, publications, press releases etc. to organise and assemble information.

### **RATIONALE FOR THE STUDY**

While migration is an integral part of globalisation, many discussions of globalisation focus exclusively on trade, investment and capital flows, and ignore the movement of people. A good deal of the deficits in the economic field of migration research could be solved by intensifying research on economics of migration. Despite the fact that issues of migration research have been extended and deepened during the last few years, there is still need for further research on the theoretical and empirical level research. The impetus for this research work came from a view that policy-oriented research and analysis about migration had not kept up with developments. This omission is particularly visible and important in the context of the debate about globalisation.

### **OBJECTIVES OF THE RESEARCH STUDY**

- To understand migration and development linkages.
- To know about various determinants of migration.
- The study tries to understand different economic theories of migration and theoretical perspective for migration.

### **REVIEW OF LITERATURE**

Over the past ten years, immigrants represented 47% of the increase in the workforce in the United States, and 70% in Europe (OECD, 2012). Even though most migration is not directly driven by workforce needs, immigrants are playing a significant role in the most dynamic sectors of the economy. Migrants contribute more in taxes and social contributions than they receive in individual benefits. Recent work on the fiscal impact of migration for all European countries, as well as Australia, Canada and the United States, has provided new and internationally comparative evidence (Liebig and Mo, 2013).

In Europe free movement migration helps address labour market imbalances. The scope of labour mobility greatly increased within the EU/EFTA zones following the EU enlargements of 2004 and 2007. This added to labour markets' adjustment capacity. Recent estimates suggest that as much as a quarter of the asymmetric labour market shock – that is occurring at different times and with different intensities across countries – may have been absorbed by migration within a year (Jauereal., 2014).

International migration has a demographic impact, not only by increasing the size of the population but also by changing the age pyramid of receiving countries. Migrants tend to be more concentrated in the younger and economically active age groups compared with natives and therefore contribute to reduce dependency ratios (Gagnon, 2014). Second, migrants arrive with skills and abilities, and so supplement the stock of human capital of the host country. (Hunt, 2010). Employment is the single most important determinant of migrants' net fiscal contribution, particularly in countries with generous welfare states. Most immigrants, after all, do not come for social benefits, but to find work and to improve their lives and those

of their families. Efforts to better integrate immigrants should thus be seen as an investment rather than a cost.

### **MIGRATION AND DEVELOPMENT LINKAGES**

Migration is a major feature of today's globalised world. In broad terms, migration is the movement of people from one place of residence to another. While the term migration covers population movement internal to a country—rural to urban or from one locality to another in a different jurisdiction. International migration is a distinct legal, political and social category, as people move from a nation-state in which they are citizens with the rights and protections citizenship normally confers, to other countries where rights and protections of nationality, of access to social protection, and of common identity often do not apply and where social and cultural paradigms may be significantly different.

According to recent OECD work the term “migrant” is a generic term for anyone moving to another country with the intention of staying for a certain period of time – not, in other words, tourists or business visitors. It includes both permanent and temporary migrants with a valid residence permit or visa, asylum seekers, and undocumented migrants who do not belong to any of the three groups (OECD, 2016b).

Since the end of World War II, migration and development has been the subject of intense discussions and deliberation among policymakers, academicians, civil society and the public. Migration became a fundamental pillar of development across several regions under regional integration and development projects, namely the European Economic Community succeeded by the European Union. The first global development framework to recognize the role of migration and its immense contribution to sustainable development worldwide was the Declaration and Programme of Action of the International Conference on Population and Development at Cairo in 1994. The overarching contemporary framework is the 2030 Agenda for Sustainable Development with its Sustainable Development Goals. While explicit reference to migration and development was laid out in SDG Target 10.7 on “safe, regular and responsible migration and mobility,” more than 44 SDG Targets across 16 of the 17

SDGs apply to migrants, refugees, migration and/or migration-compelling situations ( Taran et al. 2016).

## **DETERMINANTS OF MIGRATION**

**Supply Driven migration-** It is a well-recognized fact that a growing number of people are forced to leave their countries of origin not only because of conflicts and persecution, climate change but also because of other existential threats. These include poverty, hunger, unemployment and lack of decent work or good governance, absence of access to education and healthcare, basically due to underdevelopment.

Besides, other factors that enter into the migration decision are likely to include:

- ☐ labour market conditions in both the source and destination countries;
- ☐ laws and policy in both countries;
- ☐ information and information flows (which may be accurate or otherwise);
- ☐ chain migration effects (at the ethnic group, local/village, or family level);
- ☐ transport and transaction costs;
- ☐ capital constraints (which may influence potential immigrants' ability to pay transport costs); and

**Demand Driven migration-** The overwhelming proportion of migration into Europe reflects most EU member countries' need for 'foreign' labour and skills to maintain viable workforces capable of sustaining their own development. This demand results from rapidly evolving technologies, changes in the organisation of work, its location, and the declining number of local people active in the workforce, all of which reflects the local population's ageing and declining fertility. Hence, the need for migrants and allowing migration in European countries.

## **THEORIES OF MIGRATION**

Economic migration is normally a voluntary market transaction between a willing buyer (whoever is willing to employ the immigrant) and a willing seller (the immigrant), and is hence likely to be both economically efficient and beneficial to both parties. Indeed, the basic

economic theory of immigration is very similar to that of trade; and, like trade, immigration generally is expected to yield welfare gains. "As long as the marginal productivity of labour differs in various countries, the migration of labour is welfare improving." One key difference between immigration and trade, however, is that – unlike goods or capital – immigrants are economic and social agents themselves, with a degree of control over the immigration decision. So unlike goods or capital, immigrants are self-selected. Partly as a result, immigration is most likely to occur precisely when it is most likely to be welfare-enhancing.

In the long run, the contribution of highly qualified immigrants to a society's stock of useful knowledge is the most important economic effect of immigrants. Starting with the seminal works by Paul Romer (1986, 1987 and 1990) and Robert Lucas (1988), the immigration of skilled migrants has been evaluated as stimulating the dynamics of economic growth. According to the "new growth theory", "a cumulative human capital produces positive knowledge externalities that spill over the economy in which they occur and, thus, countries which have high levels of human capital grow more quickly" (Straubhaar 2000). Saxenian (2002) has shown that, indeed the positive externalities associated with skilled migration go beyond the economics of market prices, labour, and capital, and are reflected more in increased technological and entrepreneurship networks in, and between the sending and the receiving countries.

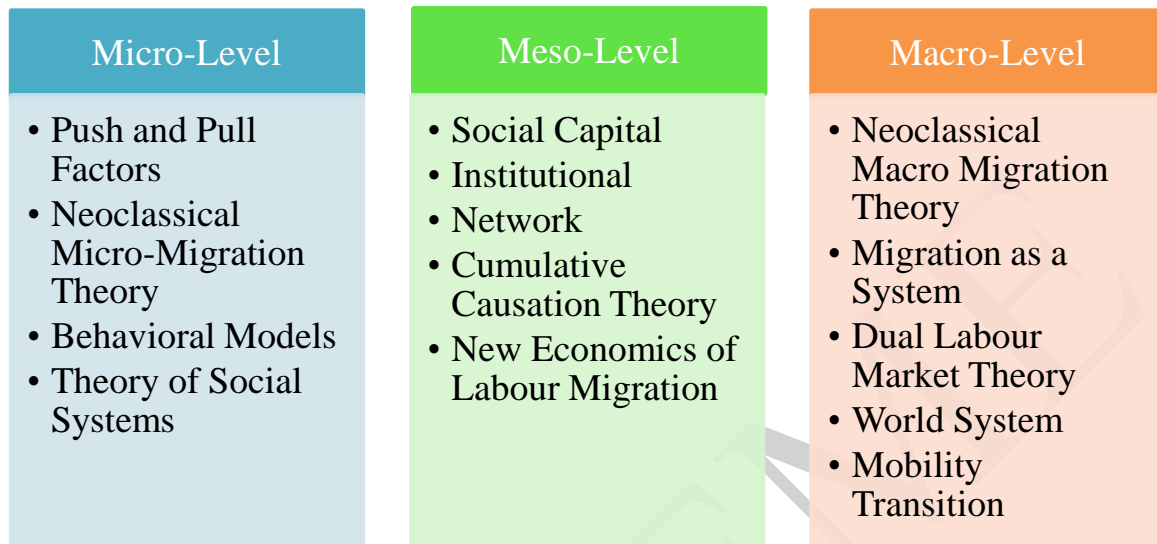
International migration is such a diverse and complex phenomenon that no single theory has been able to provide a satisfactory all-encompassing explanation. As per Hammaretal. (1997) and Faist and Faist (2000) and Hagen-Zanker (2008) migration theories are divided into three main categories as micro-level, macro-level and meso-level of migration (Figure 1). Micro-level theories consider migration decisions from an individual's perspective, i.e. a person's desires and expectations. Meso-level is where migration decisions lie in between the two former theories, i.e. family bonds, social networks, peer groups and isolated minority communities. Macro-level theories consider migration decisions from an aggregate point of view, i.e. the economic structure of the country.

For example, to explain one of each, **Micro Level-** Theories of Migration Neoclassical Micro Migration Theory: This theory assumes that labour market and economy move towards equilibrium in the long run through trade and migration. It considers migrants as purely rational actors. Migrants move from societies where labour is abundant and wages are low , to societies where labour is scarce and wages are high. Decisions to migrate are taken at the individual level and higher earnings in the long run are considered to compensate for the cost and risk of relocating .

**Meso Level-** New Economics of Labour Migration Theory: A variation of the neoclassical theory, this theory incorporates the societal dimension in the decision to migrate. The migration decision is often taken collectively especially within households. Migration of selected family members may be used to mitigate risks and diversify income resources for the entire family.

**Macro Level-** Dual or Segmented Labour Market Theory: The need for cheap workers in modern societies is the main factor explaining migration. The demand for labour in developed economies pulls migrants independently from the labour or wage conditions at the origin societies. At the receiving economy, the labour market is segmented the native-born have access to careers, good pays and safe working conditions; migrants are channelled to labour intensive secondary or tertiary sectors that provide precarious jobs, low pays and hazardous working conditions.

FIGURE 1: MIGRATION THEORIES



Source: Faist & Faist, 2000; Hagen-Zanker, 2008; Hammar et al., 1997

## CONCLUSION

After World War II, international migration has been taking place within an increasingly complex set of national and international policies aimed at regulating and controlling immigration, admissions and flows. Migration does not “cause” growth: the relationship is likely to run in both directions. Second, growth is affected by numerous other factors, and identifying the effect of migration is far from trivial. But, the fact remains that the trend for migration to European nations will continue in the coming years.

**‘Remember, remember always that all of us, and you and I especially are descended from immigrants and revolutionists’.** Franklin D. Roosevelt, 32<sup>nd</sup> US President

## REFERENCES

Faist, T., & Faist, T. (2000): The volume and dynamics of international migration and transnational social spaces. Oxford: Oxford University Press.

Fleischer, A. (2019): Building the common home: migration and development in Germany. Munich: Caritas.



Gagnon, J. (2014): Demographic Change and the Future of the Labour Force in the EU27, in other OECD Countries and Selected Large Emerging Economies, Matching Economic Migration With Labour Market Needs, OECD Publishing, Paris.

Hagen-Zanker, J. (2008): Why do people migrate? A Review of the Theoretical Literature.

Hammar, T., Brochmann, G., Tamas, K., & Faist, T. (1997): International Migration Immobility and Development: Multidisciplinary Perspectives. London: Bloomsbury Academic.

Hunt, J. (2010): Skilled Immigrants' Contribution to Innovation and Entrepreneurship in the US", Open for Business: Migrant Entrepreneurship in OECD Countries, OECD Publishing, Paris.

Jauer, J., T. Liebig, P. Martin and P. Puhani (2014): Migration as an Adjustment Mechanism in the Crisis? A Comparison of Europe and the United States, OECD Social, Employment and Migration Working Papers, No. 155, OECD Publishing, Paris.

Liebig, T. and J. Mo (2013): The Fiscal Impact of Immigration in OECD Countries, International Migration Outlook 2013, OECD Publishing, Paris.

Rosen (2007): Remittances, Investment and Portfolio Allocations, The Ohio State University, Ohio.

OECD (2012), "Renewing the Skills of Ageing Workforces: The Role of Migration", International Migration Outlook 2012, OECD Publishing, Paris.

OECD (2016b), Making Integration Work: Refugees and others in need of protection, OECD. Publishing, Paris,

Taran, Patrick (2012): "Rethinking Development and Migration; Some Elements for Discussion," online GMPA Working Paper by Global Migration Policy Associates.

Saxenian, A. (2002): Silicon Valley's New Immigrant High-Growth Entrepreneurs. In: Economic Development Quarterly, 16 (1), 20-31.

Straubhaar, T. (2000): International Mobility of the highly skilled: „Brain Gain“, „Brain Drain“ or „Brain Exchange“? In: Klemmer, P./Wink, R. (Hg.), Preventing Unemployment in Europe. A New Framework for Labour Market Policy. Cheltenham: Edward Elgar, 31-46.

**BIO**

**Dr. Hiral Sheth** is working with K.C. College, Churchgate, Mumbai-20. She can be contacted at [hiralsheth22@gmail.com](mailto:hiralsheth22@gmail.com).