

Executive Summary

International Migration Today

About 3 per cent of the people in the world today live outside the countries where they were born. While this proportion has not risen markedly in recent decades, the migrant share of the population of more developed regions has risen steadily, to about 9 per cent today. Much of that human mobility takes the form of migration from one OECD country to another, but migration links between developing countries and OECD countries are important and growing. What are the consequences of international migration for economic and social progress in low- and middle-income countries? What kinds of policy reforms would maximise the benefits and minimise the risks of these migration flows for all parties involved – sending countries, receiving countries and the migrants themselves? This Development Centre Perspective seeks to answer these questions.

An overview of human mobility in the new century reveals several important characteristics of the emerging migration system (Part I):

Observed patterns of mobility respond (if imperfectly) to immigration policies in OECD countries. This is most clearly seen when comparing different countries' policies to attract skilled immigrants, and differences in the skill composition of immigrants in different countries. Not all migration, however, is finely attuned to policy signals. Language ties, history (e.g. colonial links in the past) and contiguity also drive migrants' decisions regarding where to migrate.

People moving from developing to high-income countries make up a sizeable share of today's international labour mobility. International migrants make up a bigger share of the population in OECD countries, on average, than in the developing world. While about half of these migrants come from elsewhere in the OECD, the remainder come from developing countries in Latin America, Asia, wider Europe and, to a far smaller degree, Africa.

Mobility of low-skilled workers has a greater impact on poverty reduction in the sending country than mobility of the highly skilled. First, low-skilled migrants tend to send more money home. The reasons for this have to do with the conditions under which they migrate. Compared with the highly skilled, they migrate shorter distances, they have a strongly expressed intention to return to their home country and they are generally not accompanied by their family members. All of these factors

promote higher remittance volumes. Moreover, low-skilled emigration reduces unemployment (and possibly raises wages) among low-skilled workers who remain in their home country.

Low-skilled migrants to OECD countries come disproportionately from middle-income countries. Only 3 per cent of low-skilled foreign born in the OECD come from sub-Saharan Africa, and only 4 per cent from South Asia; these are the poorest regions of the world. The numbers of low-skilled migrants from the middle-income economies of Latin America, Eastern Europe and Central Asia are much higher.

Mobility of the highly skilled – those with a tertiary education – disproportionately affects low-income countries. While there are exceptions (such as Ireland), high rates of “brain drain” are endemic to low-income countries, and are especially worrisome in sub-Saharan Africa, Central America and a number of small island states. Ironically, low-income countries tend to participate in the emerging global mobility system in ways inconsistent with poverty reduction.

Taken together, these findings provide ample scope for rethinking the global labour mobility system to ensure greater gains for all parties involved. Furthermore, this challenge is shared by sending and receiving countries, and OECD and non-OECD countries.

The Migration Cycle: Issues and Impact for Sending Countries

An exhaustive review of the research and policy literature on the effect of migration on sending countries, in addition to a careful analysis of a new set of regional and country case studies co-ordinated by the OECD Development Centre, suggests the following (Part II):

International migration contributes to economic growth and poverty reduction in the migrant-sending country through three channels: changes in the labour supply, induced changes in productivity, and remittances. The overall effect of migration at a point in time is the sum of these three mechanisms, and the relative contribution of each varies from country to country and over time.

Developing countries that are players in the global mobility system tend to move through several stages: there is a migration cycle. We propose five stages: exit, adjustment, consolidation, networking and return (Chapter 3).

The effects of the departure of labour vary according to workers’ skill levels. As noted above, low-skilled migrants (who tend, in OECD countries, to come from middle-income countries) can contribute more to poverty reduction in their home countries (Chapter 4). Departure of the high-skilled – the “brain drain” – can hurt sending countries, although the magnitude of the negative impact is far from clear. Certainly an exodus of sorely needed health-care workers and teachers from developing countries is alarming, despite the contribution they make to their host countries in the OECD. At the same time, however, there are questions about the degree to which such workers are productively employed in their home countries (Chapter 5).

Remittances can reduce poverty. During the consolidation stage, investments in technology and human capital begin to pay off in the form of enhanced productivity. Labour supply stabilises and the net growth impact of emigration is positive. Most important, migrants' remittances begin to arrive in the home country, fuelling further expenditures and investment. Remittances finance needed consumption (consumer durables, housing, health and education expenditures are frequently the most common uses), and often facilitate small enterprises and private and community investments (Chapter 6).

As the migration experience matures, the economy moves into the networking stage; transnational diaspora networks become vectors of trade and investment flows between sending and receiving countries. These networks may even become partners in richer countries' development assistance policies (Chapter 7). The final phase of the cycle, return, signals the repatriation of migrants and perhaps the immigration of replacement workers and others from neighbouring countries (Chapter 8).

Policy Coherence for Migration and Development

The migration cycle is a heuristic device, intended to guide analysis and policy making. Policy decisions taken by OECD and non-OECD countries to promote development should differ depending on the stage through which a country is passing in this cycle. Moreover, flows associated with migration, development, trade and other policies can be mutually reinforcing, providing a strong case for co-ordinated decision making across policy domains (Chapter 9).

Taking stock of what we know about the migration-development link leads to several proposals for policy innovation. These can be sorted into three groups:

Governments in receiving countries are encouraged to look at their migration policies through a development lens (Chapter 10):

- Innovative circularity schemes (favoured by multi-use, multi-entry visas and work permits) promise to help manage migration flows more effectively. In the case of highly skilled migrants, such schemes can mitigate crippling effects on social services in sending countries. For the low skilled, circular schemes can promote remittances and reduce the incidence of irregular migration.
- OECD countries should develop guidelines regulating the recruitment of highly skilled workers from developing countries.
- OECD countries should take concerted steps to lower the costs of financial transfers through formal channels while banks and financial institutions in OECD countries, in co-operation with financial institutions in developing countries, take the lead in expanding financial services to poor rural communities.
- A partnership approach should link OECD countries' migration policies and non-OECD countries' human resource development policies as well as its labour market and social policies.

For economic policy makers in migrant-sending countries, migration must be mainstreamed into national development strategies (Chapter 11):

- Major emigration countries should adapt many aspects of their macroeconomic policy making – including taxation, expenditure and exchange rate policies – to the outflow of workers.
- Sending countries must adapt their human resource policies, in both the public and private sectors, to emigration in order to facilitate adjustment and replenishment; at a minimum, such policies should not punish migrants who wish to return and re-enter the labour market.
- Financing higher education, including financial assistance to needy students and the planning of curricula, must take into consideration the possibility that some, indeed many, students may migrate.
- Infrastructure investment decisions need to take into account mobility corridors; improved transport and communication capacity, meanwhile, can help labour markets adjust to emigration.
- Regional initiatives among developing countries need to be strengthened with the support of OECD countries; much low-skilled migration from the poorest countries is to nearby developing countries.

In OECD countries, greater coherence of policies will allow more effective management of the emerging mobility system (Chapter 12):

- At the national level, inter-ministerial and interdepartmental initiatives must be established to promote co-ordination of development and migration policies.
- At the level of supranational or multilateral entities such as the European Commission or the Development Assistance Committee of the OECD, consultations among different policy communities must be put in place.
- Development assistance – foreign aid from OECD countries – can bring developing countries to the bargaining table, and can help build capacity in migrant-sending countries so that they can better adapt to emigration.
- OECD countries' trade policy should be crafted with attention to its impact upon labour mobility.
- OECD countries' security policies must recognise the broad nature of “insecurity” and the relationship between insecurity and labour mobility.
- OECD countries and migrants' countries of origin alike must incorporate migrant organisations into the policy-making process.