

OECD Workshop on More Coherent Policies for More Inclusive Growth and Development
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Comments by Jean-Christophe Dumont for Session III
OECD Development Centre

The migration-development nexus is certainly not a new topic, but under the impetus of the Global Commission on International Migration and more recently of the Global Forum on Migration and Development it has reached the top of the policy agenda and the expectations about the role of migration on the economic development of origin country has increased tremendously. The question is then: are these expectations realistic? Are they too high and relevant? There is at least one group for which the benefits are generally unambiguous: migrants and their families; but the question is how much broader the gains extend and can migration be seen as a significant motor for economic development.

First of all, let's look at orders of magnitude: In 2000 there were about 57 million persons born in non-OECD countries living in the OECD. They represented about 5% of the OECD total population and no more than 1.1% of the population of their countries of origin. As a result, even a major and sustained increase in NET migration flows to OECD countries would have a limited effect on the share of emigrants in non-OECD countries' population, casting doubts on the potential impact of migration on the stock of people remaining home (more than 96% of the population even with a tripling of migrants stocks in OECD countries).

Obviously, there are important differences by country of origin as well as by education level for instance, and a better understanding of the links between migration and development needs to look at the micro-economic foundation of the potential macro-linkages.

The economic literature identifies basically 3 main channels through which migration could impact, positively or negatively, the economic development of origin countries:

- The first channel relates to **remittances**: Remittances have increased continuously and remarkably over the last decades (more than 4 times in the last 20 years to reach 207 billion \$ in 2006). This is due to the increase in migration flows but also to a number of statistical artefacts including the increase in the data coverage (explains about 25% of the increase), transfers from informal to legal channels due to reduced transaction costs as well as increasing scrutiny on informal transfers in the context of the fight against terrorism.

Furthermore, the impact of remittances on poverty reduction is mix because migration does not primarily come from the poorest countries and does not concern the poorest people ("close to home" (WB 2006) +1% of GDP implies 0.4% of the poverty rate and in 5 out of 11 countries for which data were available remittances had no impact or actually increase poverty headcounts). The impact on remittances on economic growth and productivity is at least as ambiguous.

That between said, several studies found that remittances increase households' spending in education and health and thus the accumulation of human capital (but once again not necessarily for the poor). Remittances also constitute a stable and countercyclical source of foreign currency useful in a number of ways, but as stated in the conclusion of the proceedings of the OECD/DELSA Conference organised in 2005 in Marrakech on this issue "*remittances are private transfers and the saving involved belong to the migrants and their families who decide on their*

allocation". In addition, not all migrants are entrepreneurs and that they can't be held responsible for the economic development of their origin country.

- The second channel deals with **highly skilled migration** : The recent economic literature, tended to adopted a revisionist approach on the "brain drain" and argues that with increasing migration opportunities for the highly skilled, the expected return to investment in education would raise, and that more people will choose to undertake tertiary education; under certain conditions a "brain gain" is theoretically possible (in which case there are more highly skilled people in the origin country with than without migration). Unfortunately, recent econometric analysis show that the optimal migration rate should be no more than few percentage points and the new data on immigrant stocks by origin countries and level of education collected by the OECD/DELSA seem not to support the necessary condition for a win-win story, except for large developing countries such as India, Brazil or China. That being said, the impact of highly skilled migration on origin country critically depends on the employment opportunities at home. This means that underdevelopment is a cause more than a symptom of the "brain drain". All pools and surveys available confirm that, beyond wage differences, work and career development opportunities, instability, violence and expectations for the children are the primary drivers of emigration. In this context the diploma may be used as a "passport".
- The third and last channel concerns **return migration**: return migration is another area where evidence is scarce if not anecdotal and which has gained increasing attention recently, notably in the context of the "new" approach to circular migration. The question here is under which circumstances do migrants return and is it beneficial for the economic development of their country of origin? To make it short return migration should be viewed as a new migration process which implies comparing alternative opportunities in the receiving country and back home and to support again some fix costs associated to migration. As a result return on a voluntary basis will occur if and only if the economic conditions are sufficiently attractive and secure. Once again the economic development comes first and will not necessary be a sufficient condition.

Obviously, receiving countries can put in place temporary migration schemes and policies to insure return. Beyond, the limits of such policies, the question becomes "in whose interest?" When labour needs in the receiving country are not temporary by nature but structural (such as for LTC or in the construction sector, as opposed to seasonal work in agriculture for instance), employers would usually prefer a lower turn-over rate of their workforce to reduce recruitment costs and increase return on professional training. For the migrants, successive returns encompass costs and difficulties in integrating the formal labour market in their origin country, inducing limited human capital and technological transfers.

That being said, when return is essentially part of the migration project, for instance because migration is used to bypass credit market imperfections and accumulate a lump sum for an investment project, a positive economic impact will be expect and development assistance can provide an efficient support.

But, my point here is that circular migration should not necessarily be seen as the "new silver bullet" for development, as it may not produced efficient gains.

In this context what can be the role of policies to strengthen the positive links between migration and economic development? In other terms, what would look like coherent policies for development?

The term of "coherence" suggest a single and well defined objective that policies would aim at. In reality migration policies pursue specific objectives that are probably quite distinct from the ones assign to

development assistance policies. This is not to say that these objectives are necessarily conflicting, but acknowledging the differences has some implication on what PCD is about : to my understanding it is mainly about “identifying and tackling issues that have a negative impact on the efficiency of both migration and development assistance policies”.

In this regard, we can identify 4 axes for action (these are basic principles to which specific policies can be attached)

- **Enhance efficiency:** facilitate the mobility as such when this is relevant and expected, reduce further the transaction costs of remittances, notably toward smaller countries.
- **Increase equity:** better share the cost of education and training between receiving and origin countries including through targeted aid programs; Put in place policies that would increase the role of remittances on poverty reduction.
- **Insure sustainability:** put in place policies to better manage human resources in both origin and receiving countries to avoid dependence on migration; put in place sound macroeconomic policies that could result in a more efficient and extensive use of remittances for investment purposes, including in human capital.
- **Develop ethic approaches:** identify and promote best practices in terms of international recruitment of foreign workers;

To conclude, if migration yields unambiguous benefits for the migrants and their families, its impact on the economic development of the origin countries remains quite uncertain. PCD can make a difference to some extent but is not the sole responsibility of donor countries. It necessitates that developing countries also make improvements in the efficiency and the relevance of their policies, notably in terms of education and employment. The debate on the international migration of health professionals provides a clear illustration of this shared responsibility to improve PCD.