Policy Coherence for Development

MIGRATION AND DEVELOPING COUNTRIES

A Development Centre Perspective



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2007

Policy Coherence for Development 2007

MIGRATION AND DEVELOPING COUNTRIES



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Foreword

The Development Centre has organised its 2007/2008 work programme around strategically selected output areas culminating in the production of regular annual or biannual flagship publications and regional *Outlooks*. These serve as the hubs for associated policy dialogue events organised by the Centre and as instruments for engaging key stakeholders in the Centre's activities. Each thematic output area and its corresponding "flagship" is supported by an *Informal Policy Network* composed of interested principal stakeholders in member-country capitals and delegations, and an *Expert Network* of specialists from the OECD community, other international organisations, the private sector, leading international universities and think tanks. An *Informal Advisory Group* for each output area including the regional Outlooks has been formed from these networks.

This volume on *Policy Coherence for Development: Migration and Developing Countries* is the third of the Centre's thematic flagships. *Financing Development* and *Business for Development* are the first and second titles in the series. The series is to be completed by the *African Economic Outlook, Latin American Economic Outlook* and *Black Sea and Central Asian Economic Outlook*.

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Preface

Human mobility is a fundamental feature of globalisation. Like the movement of goods, services and capital across national borders, the movement of people presents tremendous opportunities to many – not least of whom the migrants themselves. But as is the case of those other dimensions of globalisation, international migration is viewed with trepidation, both in migrants' home countries and in their countries of destination.

A critical but often missing element of the debate surrounding international migration – in particular from low- and middle-income countries to OECD countries – is a better understanding of the impact of migration on economic and social development in countries of origin. While few would go so far as to argue that mass emigration is a viable development strategy, it is nevertheless reasonable to ask how migrants' countries of origin could gain more from the migration phenomenon.

Accordingly, this OECD Development Centre Perspective reviews the evidence from the field, including the results of a number of regional and country case studies co-ordinated by the OECD Development Centre, in order to distil from this stocktaking a number of proposals for policy innovations in sending and receiving countries alike. The goal of these policy recommendations is neither to increase nor decrease current migration flows, but to enhance the benefits and minimise the risks for all parties concerned.

Migration and Developing Countries is the third title in the OECD Development Centre's new series, *Development Centre Perspectives*. *Policy Coherence for Development and Human Security* (the activity area that produced this volume) is one of the three main activity areas of the Development Centre's 2007-2008 Programme of Work. The others are *Business for Development* and *Financing for Development*. The *Policy Coherence* series will explore the interaction of policy decisions taken in OECD and non-OECD countries (e.g. the interaction of migration and development policies) and their joint impact on economic and social progress in the developing world. The series is critically concerned, furthermore, with the social dimensions of globalisation, including the interaction of policies with informal institutions such as, in this volume, migrants' diaspora networks.

It is our hope that *Migration and Developing Countries* serves as the basis for a deep and wide-ranging discussion on the gains to be sought, and the pitfalls to be avoided, for those countries with significant inflows or outflows of migrants.

Javier Santiso
Acting Director
OECD Development Centre
October 2007

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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 contiguousness 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

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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).

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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 polices and non-OECD countries' human resource development policies as well as its labour market and social policies.

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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.

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Introduction and Overview

Few dimensions of globalisation excite controversy like international migration. There may be less consensus – among citizens, migrants, trade unions, employers and governments – about the movement of people across international borders than there is about any other aspect of globalisation. Indeed, by any measure, the liberalisation of the movement of goods or capital across borders, though controversial as well, is substantially more advanced than the freedom of people to move.

While much ink has been spilled debating the consequences of this phenomenon for immigrant-receiving economies – particularly the high-income countries of the OECD – comparatively less attention has been paid to the consequences, whether good or bad, for the migrants' home countries. This *Development Centre Perspective*, the first in an annual OECD series devoted to policy coherence, development and human security, addresses the impact on the migrants' countries of origin: if developing countries want to promote growth and poverty reduction, what kind of policy measures should be put in place?

In this *Development Centre Perspective* we argue two things. First, migration can bring gains – often considerable – to the migrants' countries of origin, over and above the gains realised by the migrants themselves. Second, migration flows respond – if imperfectly – to policies in sending and receiving countries. Taken together, these findings suggest that decision makers in migrant-sending and migrant-receiving countries alike can choose policies and measures to maximise the benefits and minimise the risks associated with migration. Indeed, we conclude that partnerships between sending and receiving countries will provide a means for more effectively organised migratory flows from which all parties – sending countries, receiving countries and migrants – stand to gain.

This *Perspective* is based on an exhaustive critical evaluation of the existing research literature on the topic, and draws on a host of regional and country case studies carried out by the OECD Development Centre together with a global network of experts. We show that migration can be a powerful motor for economic and social progress in migrants' home countries; but the contribution of migration to development varies over time, and from country to country. Migration contributes to growth and poverty reduction through various channels – through its effects on the labour supply, on productivity changes and the transfer home of remittances by migrants. The relative contribution of these channels varies at different points in a country's experience with migration. More effective management is needed to maximise the gains and minimise the risks associated with the phenomenon, and the proper policies depend on where a sending country sits in the migration cycle.

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The book opens by characterising the main flows of migrants to the OECD area. Where do they come from? A substantial proportion (nearly half) come from other OECD countries. The other half come from developing regions, but not the poorest countries; many middle income countries in North Africa, south-eastern Europe and Latin America are among the top sending countries.

The skill level of migrants – a critical concern for observers interested in the impact of immigration on OECD-country labour markets – matters as well for development in the sending countries. Surprisingly perhaps, the mobility of the low skilled contributes more to poverty reduction (for many reasons explained in this *Perspective*) than the mobility of the highly skilled. Furthermore, the low skilled who migrate to OECD countries are far more likely to come from middle-income countries. At the same time, low-income countries are disproportionately affected by the brain drain (the mobility of the highly skilled). In a sense, the poorest countries are underrepresented among the "winners" from migration, while they are overrepresented among the "losers".

OECD countries should look at their migration policies through a "development lens" – i.e. how do their immigration policies affect development in sending countries? This does not mean that the objectives of migration policies should be subordinated to those of development co-operation. Instead, we argue that interlinking migration and development policies offers opportunities to pursue the objectives of both sets of policies more effectively.

Conversely, developing countries must also look at their development policies through a "migration lens". That is, those countries that are players in the global mobility system must mainstream migration and remittances in their national development strategies – in their poverty reduction strategy papers, for example.

For OECD countries, policies other than those directly related to immigration also have consequences for migration and development. Aid, trade and security policies all have an impact on migration behaviour and development outcomes, and more co-ordination among ministries is needed to increase the effectiveness of migration and development policies alike. Aid in particular can enhance the development impact of migration by investing in physical and human capacity – infrastructure, training and institution building. This capacity, in turn, increases a society's ability to respond and restructure in response to emigration on a large scale.

New partnerships between sending and receiving countries promise more effective management of the emerging global labour mobility system. What we mean by "partnerships" is a new deal for developing countries along the following lines: OECD countries bring to the table the commitment to look at their migration policies through the lens of development, expand options for legal migration and provide development assistance to finance capacity building. Developing countries commit themselves to become credible partners in mobility management and to mainstream migration and remittances into their national growth and development strategies. The chapters that follow seek to show why partnerships that interlink migration, development co-operation and other policies promise to increase the gains from migration; they also show how much work remains to be done.

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An Overview of the Book

The possibility of gains for migrants' countries of origin is the central question of this book. The answer, to be discussed in more detail below, is that international migration is both a powerful motor for economic progress in migrants' home countries and a source of risks.

Part One of this volume sets the stage for a discussion of migration, from the point of view of both sending and receiving countries. Part Two discusses the effects of both low-skill and high-skill migration on sending countries. Part Three of this book looks at various possibilities for more coherence and the integration of policies dealing with trade, aid and migration that could help both the poorest in middle income countries and the poorest countries currently suffering from migration of the highly skilled. It also suggests integration of national policies, more effective regional policies and actions that can be taken on a global level to aid national growth of developing countries and to make migration a more effective tool for both OECD and developing countries.

The Policy Coherence Series

The Policy Coherence for Development series, of which this volume is the first publication, is based on two premises. The first is that economic and social development in the low- and middle-income countries of the world is affected by the interaction of a variety of policy decisions. Consider policies of OECD countries: OECD countries' development-assistance policies certainly impact development outcomes, but so do their migration, trade and security policies. Thus, the Policy Coherence series will look closely at the interaction of decisions from different policy domains. In this first publication, we exhaustively analyse the interaction of migration and development policies, in migrant-receiving and migrant-sending countries. What are the social and economic costs of incoherent policy making, and what practical policy proposals could improve the prospects for growth and poverty reduction?

The second fundamental premise underlying the Policy Coherence series is that development policies interact with informal institutions – norms, practices, codes of conduct – that coherent policies must recognise and acknowledge in order to meet their objectives. In this volume, a critical and challenging example is diaspora networks, transnational migrants' organisations that can be powerful vectors of trade, investment, integration and development-assistance policies if properly encouraged and engaged.

Future editions of the Policy Coherence series will analyse other critical issues of development today, with the same attention to the role of policy interactions and social institutions.

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Part One

International Migration Today

Chapter 1

Human Mobility in the New Century

Summary

The movement of migrants from developing and transition economies to OECD countries has created concerns about liberalising the provision of services and movements of people. Migration figures must be seen in context in order to inform policy making. Most migration in the OECD takes place between OECD countries themselves, even as mobility among developing countries is considerable. The extent of irregular migration is often exaggerated and today's migration is overshadowed by 19th century migration to America from Europe. Mobility of the low skilled reduces poverty in the source country more readily than that of the highly skilled; the low skilled come from middle-income countries whereas mobility of the highly skilled affects low-income countries disproportionately. A new OECD database provides the basis for more systematic study of origins and skill levels of migrants in the OECD.

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In recent years, the attention of policy makers and citizens alike in many OECD countries has been captured by the movement of people from developing countries to OECD countries. In part, this preoccupation has been encouraged by discussion and images in the media ranging from alarmist to utterly shocking. The debate in 2005 regarding the European Commission's so-called "Bolkenstein directive" (European Commission, 2004), a proposal to liberalise substantially the provision of services within Europe, reflected worried discussions of an inundation of "Polish plumbers" whose low wages would throw plumbers in higher-wage European Union countries out of work. More frightening images in the media depict the perilous entry of illegal migrants into OECD countries. In late 2005, desperate migrants, largely from sub-Saharan African countries who had crossed into Morocco, stormed the Spanish exclaves at Ceuta and Melilla seeking to enter EU space. Many migrants faced a harsh response by authorities, and several met their death. (See the report by the French NGO Migreurop (2006) for the accounts of several Malian migrants, which includes official mortality statistics as well as other parties' estimates of the human costs of the Ceuta and Melilla episode.) In mid to late 2006, the images of migrants scaling walls covered with barbed wire were replaced by those of shipwrecks, as Spanish authorities rescued migrants in ill-equipped fishing pirogues from Senegal who were hoping to make landfall in the Canary Islands; Spanish immigration authorities estimated that as many as 6 000 migrants might have perished or gone missing during 2006.

Across the Atlantic, mounting pressures surrounding illegal Mexican and Central American migrants into the United States led the US President to ask Congress in 2006 for funding to build a 1 125 km fence along the US-Mexican border, putatively to stem illegal immigration. The ominous anti-migrant wall responded to grassroots initiatives, such as the constitution in 2006 of the so-called "Minuteman Project", a paramilitary vigilante border patrol movement. At the same time, a May 2006 protest called "A Day Without Immigrants" against such sentiment brought one million people into the streets of Los Angeles (and more in other American cities) to draw attention to the positive contribution of immigrants to the American economy.

In these examples, much public attention is focused on the effect of immigration on economies and societies in OECD countries – from the loss of jobs to foreign plumbers, to the loss of control of national borders, to teeming masses of desperate migrants. Though the objective of this book is not to address this question, it is worthwhile to point out that the impact of immigration on wages and unemployment in OECD economies is smaller than might at first be supposed, according to economic research: see Box 1.1 for more details.

A key component of public concern regarding immigration in OECD countries is precisely that migrants come from poorer countries. A reasonable question to ask, if coherent policy debate is to be conducted, is whether the emigration of developing-country nationals brings benefits to or imposes costs upon their countries of origin. Indeed, this was the fundamental question posed by the Global Commission on International Migration (GCIM), convened by UN Secretary-General Kofi Annan in December 2003; the presentation of the Commission's findings at the UN in September 2006 placed the issue of migration and development squarely on the global agenda. For further information on the GCIM see www.gcim.org.

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Box 1.1. **The Labour Market Impacts of Immigration in OECD Countries**

What happens to wages and unemployment of native workers in the presence of large immigration flows? The consensus of researchers is that such impacts are much smaller than one might at first suspect (see for example Longhi *et al.*, 2004).

The empirical evidence from Europe, reviewed by Muenz *et al.* (2006), shows that immigrants and natives are complements rather than substitutes in the labour market. That is, immigrants tend to fill labour-market gaps avoided by natives, including jobs that are dirty, dangerous and difficult (e.g. low-paid service jobs), seasonal shortages of labour (e.g. farming, road repair and construction) and the unmet demand for skilled labour in several skill- and knowledge-intensive industries (e.g. IT sector). In that sense, immigration contributes to labour market efficiency. The effect of immigrants on the wages of native workers ranges from no measured effect at all (e.g. United Kingdom) to weak but positive effects (e.g. Spain) to strongly positive effects (e.g. the north of Italy). Though native workers may not lose, other immigrants might not fare so well: in some countries (e.g. Belgium) newcomers compete largely with earlier waves of immigrants for available low-skilled jobs, often in declining industrial sectors.

In general, negative effects on wages are observed in labour markets marked by institutional rigidities (e.g. Germany) that slow the adjustment of labour supply, and thus demand is hampered. In most European countries, measures to protect workers (e.g. dismissal protection, rigid wages) can reduce the negative effects of immigration in the short term. In the long term, however, they are likely to aggravate the negative impact of immigration on the equilibrium level of native employment. Indeed, these measures frequently reduce employment of both natives and immigrants.

Card (2005) reviews the evidence regarding immigration and unemployment in the United States. The main lesson is that although immigration has a strong effect on the relative supply of labour of different skill levels, local labour market outcomes for low-skilled natives are not much affected by these relative supply shocks: the observed relationship between immigration and the wages of low-skilled native workers is surprisingly weak. Card argues that the absence of local labour market impacts can be explained by unobserved changes in labour demand that affect wages along with immigration-induced increases in labour supply: namely, if the demand for low-skilled labour increases at the same time as immigrants enter the market, any downward pressure on wages is mitigated (or even reversed). Moreover, these changes in the demand for low-skilled labour might be related to the presence of immigrants: Card presents evidence that employers in such labour markets (in sectors such as agriculture, the textile, apparel and footwear industry, and a set of low-skilled service industries) are much less likely to adopt advanced – i.e. labour-saving – technology if a large supply of unskilled labour is readily available. While the demand for low-skilled labour might not increase in such markets, it will remain high relative to labour markets where low-skilled immigrant workers are less numerous.

This evidence should not be taken to mean that immigration might not increase the vulnerability (if not the wages or employment levels) of native low-skilled workers (and, indeed, of other migrants). Nevertheless, the small size of the measured impacts, together with the huge potential gains of international migration to many parties, should encourage policy makers to target policy measures at vulnerable, low-skilled workers (native and foreign-born alike) in a more effectively organised labour mobility system.

More generally, the OECD Development Centre's "Gaining from Migration" project has exhaustively reviewed the evidence surrounding migration and economic progress in both sending and receiving countries; for more details, refer to OECD (2007).

Sources: Münz *et al.* (2006); Longhi *et al.* (2004); Card (2005); OECD (2006*b*).

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Putting Today's Migration Flows in Perspective

In today's environment of uncertainty and suspicion, an honest debate, based on reasonably good information on current trends, is important to lay the groundwork for an enhanced partnership for migration. A useful starting point is to put the alarmist perspective on immigration in its context. Take the example of migrants from sub-Saharan Africa pouring into Spain through the Canary Islands. Spanish authorities estimated that 31 000 West African migrants had come to the Canary Islands during 2006 (BBC news report, 28 December, 2006). Without diminishing the humanitarian crisis involved in this very dangerous migration corridor, the consequences of the addition of nearly 35 000 sub-Saharan Africans to the Spanish labour market must be compared to a total immigrant inflow that measured 645 800 in 2004. Indeed, Spain's foreign-born population at the end of 2005 was 2.6 million, as Spain regularised the status of more than 560 000 foreign workers in that year. Some 40 per cent of foreigners in Spain come from EU countries (especially Romania) and 26 per cent are from South America, with most spectacular growth from Ecuador (OECD, 2006*a*). The point is not to single out Spain, but to illustrate the complexity of immigration flows, and the relative magnitudes of the flows most noted by the media and those not so immediately newsworthy.

It is also instructive to compare the flows of migrants today with flows in the past. Indeed, it was on the basis of the heyday of virtually unrestricted international migration in the late 19th and early 20th centuries that economic historian Kevin O'Rourke concluded that "emigration is an incredibly effective way for poor countries to raise their living standards" (O'Rourke, 2004). If emigration can contribute to the sending country's development – the very question this book seeks to address – it is worth knowing how today's flows compare with those of the past.

Table 1.1 compares data provided by O'Rourke (2001) with current OECD data for two OECD member countries that were major immigration countries in the earlier migration era and remain so now: Canada and the United States. The immigration rate reported in the table is the flow of immigrants per 1 000 population. Immigration rates thus measured were more than twice as high 100 years ago in the United States and more than three times as high in Canada as they are today. The foreign-born share of the population has dropped as well in both countries, though less dramatically than the immigration rate. What Table 1.1 illustrates is that today's immigration flows are not nearly as remarkable as those of the "golden age" of immigration at the turn of the 20th century.

Seen from the perspective of countries of origin, annual emigration rates were much higher for some European countries in the 19th century (more than 15 per cent in Italy and Ireland, for example) than for today's high emigration countries (4 to 5 per cent are among the highest annual emigration rates today worldwide).

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Table 1.1. **Immigration in Canada and the United States, Early 20th and Early 21st Centuries Compared**

	Immigration rate, 1910s average	*Immigration rate, 2000-2004 average*	*Migrant share of population, 1911 (percentage)*	*Foreign-born share of population, 2004 (percentage)*
Canada	16.8	7.4	22	18
United States	10.2	3.2	14.7	12.8

Note: *Columns I and III are adapted from information provided in O'Rourke (2001), who provides decadal rates, here converted to annual numbers. Columns II and IV are from OECD (2006a), Section IV (for Column II) and Statistical Annex Table A.1.4 (for Column IV).*

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Moreover, the more recent history of international migration belies the notion of an explosion of immigrants. According to the UN Department of Economic and Social Affairs (statistics illustrated in Figure 1.1), migrants comprised 3 per cent of the world's population in 2005, versus 2.5 per cent in 1960. This is an important increase, but it is not recent. The migrants' share of world population was steady at 2.9 per cent in 1990, 1995 and 2000; the jump occurred between 1985 and 1990, and was largely associated with the collapse of the Soviet Union (after which many people became "migrants" overnight, without moving at all, as they now live in countries other than the one in which they were born).

The UN statistics show, however, that the migrant share of the population in more developed regions has risen dramatically over the same period, from 3.4 per cent in 1960, to 9.5 per cent in 2005. Once again, there is a discrete jump with the dismantling of the Soviet Union, but the importance of immigration in the richer economies has increased substantially over the last half-century. Even so, these statistics do not automatically imply that more people from poor countries are moving to OECD countries. As we will see later in this chapter, a substantial amount of immigration in OECD countries originates in other OECD countries.

Putting today's movements in historical context is not meant to deny their importance. Discussion of the emerging global labour mobility system must nevertheless avoid an alarmist tone. Given that 3 per cent of the world's population lives in a country other than that of their birth, what are the consequences for the development of the countries they have left behind (if only temporarily)? And what steps might policy makers take to maximise the benefits and minimise the risks associated with this phenomenon?

A review of the data on patterns of emigration below will lead to several conclusions:

1. *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 contiguousness also drive migrants' decisions.

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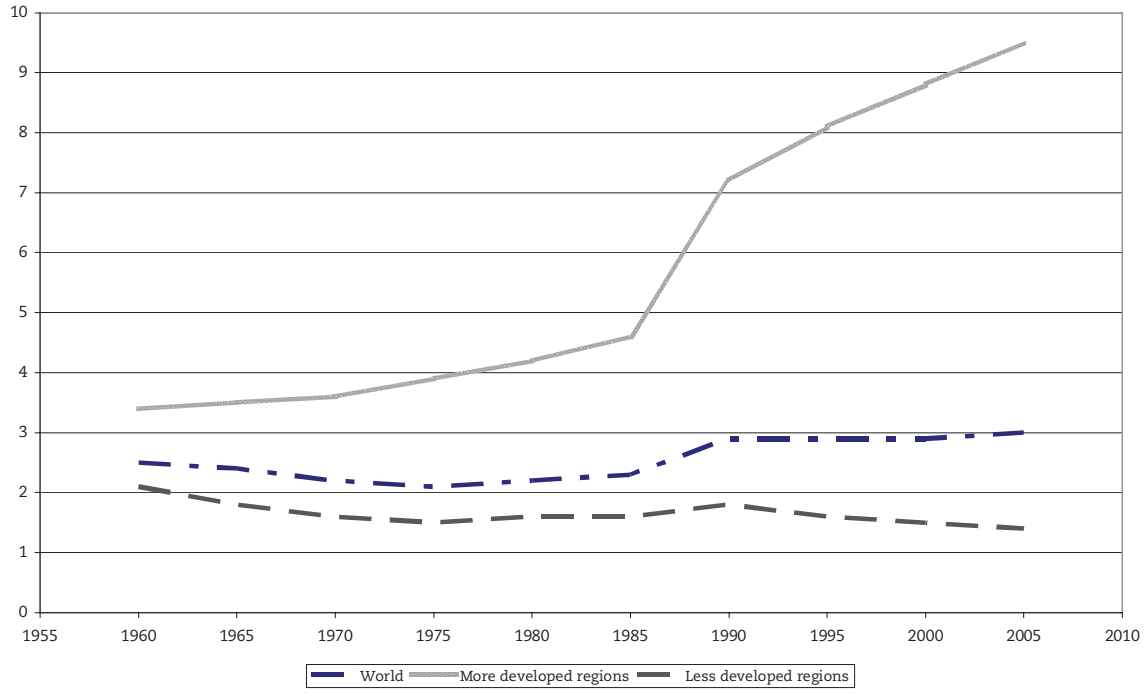
Figure 1.1. **International Migrants as a Percentage of World Population, of Less Developed Regions, and of More Developed Regions, 1960-2005**



Note: "More Developed Regions" comprise all regions of Europe plus Northern America, Australia/New Zealand and Japan.

Source: United Nations (2005).

StatLink http://dx.doi.org/10.1787/131678112202

2. *People moving from developing 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.

3. *Mobility of the low-skilled has a greater impact on poverty reduction in the sending country than mobility of the highly skilled.* The reasons for this have to do with the conditions under which the low-skilled tend to move. Compared with the highly skilled, they travel shorter distances, they have a strongly expressed intention to return and they tend not to be accompanied by their family members. All of these factors promote higher remittance volumes. The vulnerability-reducing aspect of remittances is greater when low-skilled migrants send money home to their families. Moreover, low-skilled emigration reduces unemployment (and possibly raises wages) among low-skilled workers who remain behind.

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4. *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, and Eastern Europe and Central Asia are much higher.

5. *Mobility of the highly skilled – those with a tertiary education – disproportionately affects low-income countries.* While some high-income countries, such as Ireland, experience high rates of "brain drain", they 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 conclusions raise two questions for policy makers concerned with economic development. First, what effects do these movements have on developing countries? Second, what can governments in OECD and developing countries do to maximise the gains and minimise the risks associated with international migration?

International Labour Mobility: the View From OECD Countries

Questions about the number, the national origin, and the level of education of immigrants in OECD countries can be answered more systematically now, thanks to a new OECD database on the foreign-born population for each OECD country, by country of birth and educational attainment (see Box 1.2).

Where do migrants in OECD countries come from? Just over half of the OECD's foreign-born population was born in other OECD countries. Detailed information on the remainder is provided in Charts 1.1, 1.2 and 1.3. These charts provide information on the origin of migrants in the OECD from Turkey and Mexico (two OECD member countries with high rates of emigration to higher-income economies in the OECD) and non-OECD countries. Chart 1.1 illustrates that the most significant sending regions are (in order of quantitative importance) Latin America, Asia and wider Europe. Africa is substantially less important as a source of migrants to the OECD, and the overwhelming majority of African migrants in the OECD come from north of the Sahara. Individual countries with many migrants in the OECD include Mexico (the home of 11.2 per cent of migrants in the OECD), Turkey (2.6 per cent), and the Philippines, India and China (2.5 per cent each). The Maghreb countries (Morocco, Algeria and Tunisia) together account for 4 per cent. Chart 1.2 disaggregates, in a similar way, the countries of origin for the foreign born in OECD countries who have not acquired host-country nationality. The geographic pattern of migrants' origins is broadly similar to that shown in Chart 1.1, with some telling differences. Mexicans, for example, account for 21 per cent of foreign born with foreign nationality, but only 11.2 per cent of the foreign born in the OECD. The pattern for Turks is the reverse: they account for 2.6 per cent of the foreign born, but only 1.5 per cent of the foreign born with foreign nationality in the OECD. These trends tell us something about the propensity of migrants to acquire the host countries' nationality, which depends in turn on the rules in place in the countries to which they migrate.

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Box 1.2. **OECD Database on Immigrants and Expatriates in OECD Countries**

The OECD database makes it possible to provide, for the first time, a comprehensive picture of migration to each OECD country over recent decades as well as a picture of brain drain / brain exchange both within OECD countries and from non-OECD countries to the OECD area.

Most censuses in member countries were conducted around the year 2000 and results are available for all of them. Thanks to their comprehensive coverage, censuses are particularly well adapted to identifying and studying small population groups. In several countries, however, there is no population census and population registers or large-sample surveys were used to obtain data on the foreign-born population. Census data were used for 23 of the 29 participating countries and other sources for the remainder. The database currently includes data on the foreign born in OECD countries by detailed place of birth, nationality and educational attainment (three levels). The database covers 227 countries of origin and 29 receiving countries within the OECD zone. Only 0.46 per cent of the total population of all OECD countries did not report its place of birth and 0.24 per cent did not report a specific country for the place of birth (either a region was specified or no answer was given). The level of education was reported for more than 98 per cent of the population 15 years of age or older. Finally, complete information (i.e. detailed education and detailed place of birth) is available for 97.8 per cent of the OECD population aged 15 and over. "Emigration rates" by level of qualification have been calculated for more than 100 countries.

Data adjustments have been necessary for only two situations. First, data for Japan and Korea were not available by country of birth. For these two countries, it has been assumed that the country of nationality is the country of birth. This seems a reasonable assumption for the foreign born, given the very low rate and number of naturalisations in these two countries. However, it will tend to overestimate the number of foreign born relative to other countries, because persons born to foreigners in Japan or Korea will also tend to be recorded as foreign and thus be classified as foreign born. The second situation concerns Germany, where the available source was the Microcensus, a large-scale household sample survey. (The most recent German census was conducted in 1987.) This source identifies whether or not a person was born abroad, but not the country of birth. Equating country of birth and country of nationality for Germany would have attributed "Germany" as the country of birth to naturalised foreign-born persons, whose numbers are not negligible, and to the numerous "ethnic" German immigrants who obtained German nationality upon entry into Germany. Another data source (the German Socio-Economic Panel) was used to adjust the data for Germany where this was possible.

Source: Dumont and Lemaitre (2004) Lemaitre *et al.* (2005).
www.oecd.org/els/migration/censusdatabase

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Chart 1.3, finally, disaggregates the information in Chart 1.1 in terms of the education level of migrants. The percentages refer to the share of the total for a given skill level. Thus, high-skilled Indians account for 5.4 per cent of high-skilled migrants in the OECD born outside the OECD, while low-skilled Indians account for 1.6 per cent of low-skilled migrants in the OECD born outside the OECD.

How many migrants are there in OECD countries? Different OECD countries have pursued different immigration policies and these differences are reflected in the stocks of migrants in those countries today. The so-called settlement countries, namely Australia, Canada, New Zealand and the United States, have traditionally focused on permanent migration and it is not surprising that the foreign-born populations in those countries are relatively high. The foreign-born share of the total population is 23 per cent in Australia, 19.3 per cent in Canada, 19.5 per cent in New Zealand and 12.3 per cent in the United States.

Although some European countries of the OECD have very large foreign-born populations (e.g. Luxembourg, with 32.6 per cent, or Switzerland, with 22.4 per cent), most have lower proportions of migrant stocks than the settlement countries. The foreign born comprise less than 5 per cent of the population in Poland, the Slovak Republic, Finland, Hungary and the Czech Republic, and between 5 and 10 per cent in Spain, Portugal, Denmark, Norway, the United Kingdom, Greece and France.

The East Asian countries of the OECD – Japan and Korea – have not been important destinations for international migrants in the past half century. Indeed, the share of non-citizens is only 1 per cent of the population in Japan, and 0.3 per cent in Korea. Nevertheless, international migration will become a more important phenomenon in both countries in coming years. In 2004, Japan admitted about 375 000 immigrants with a status other than that of temporary visitors and 117 000 foreign students – the highest number ever. This, together with the fact that in 2004 about 5 000 foreign students acquired resident status in order to work, may be an indication of Japan's efforts to attract and retain highly skilled foreigners. In Korea, on the other hand, the new government has designed a work permit system for unskilled workers (OECD, 2006*a*).

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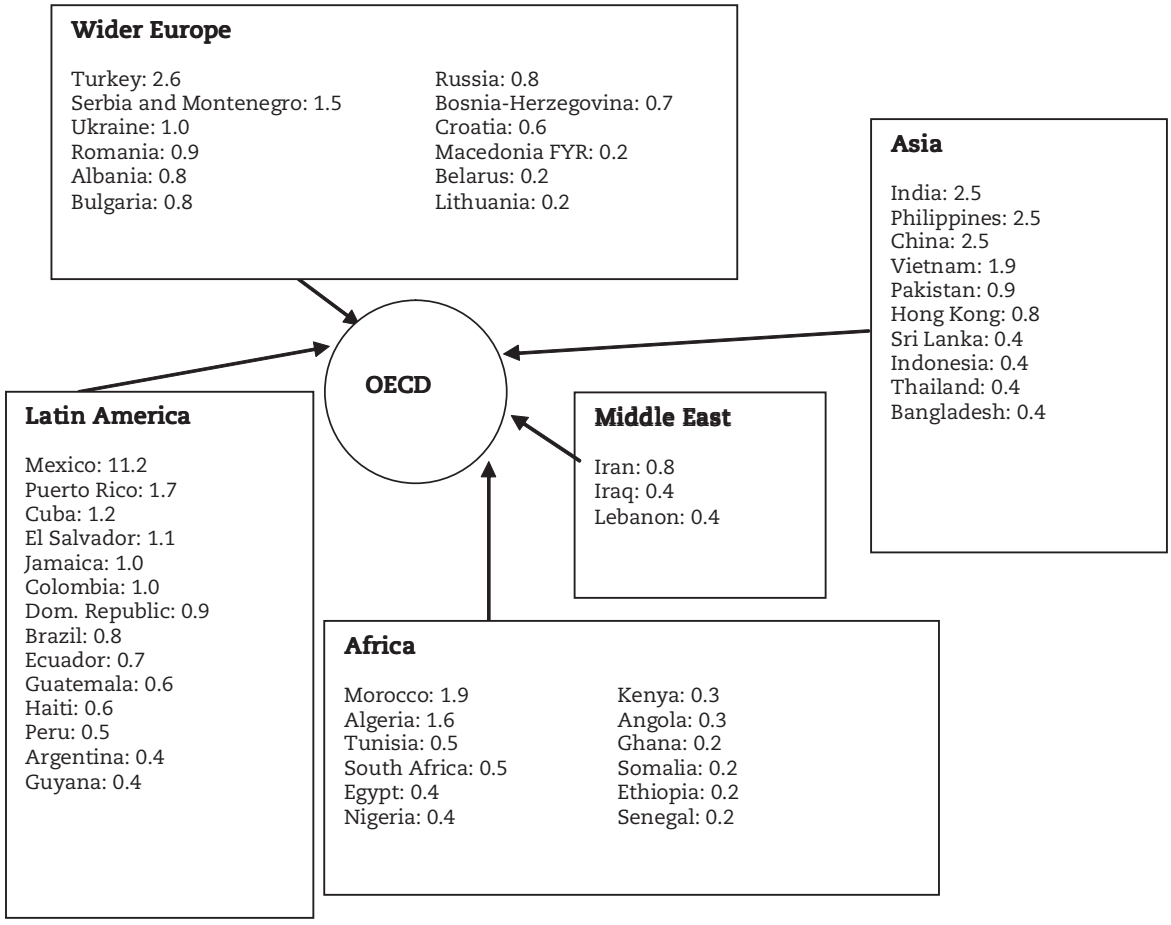
Chart 1.1. **Share of Foreign Born Living in the OECD, by non-OECD Country of Birth**



Note: Turkey and Mexico are OECD Member countries. Each figure is defined as the total born in country *i*, living in the OECD, divided by the total foreign born in the OECD (percentage); only the main sending countries in each region have been included in the charts.

Data source: OECD (2004, 2005), based on census data 1999-2003.

StatLink http://dx.doi.org/10.1787/132008718284

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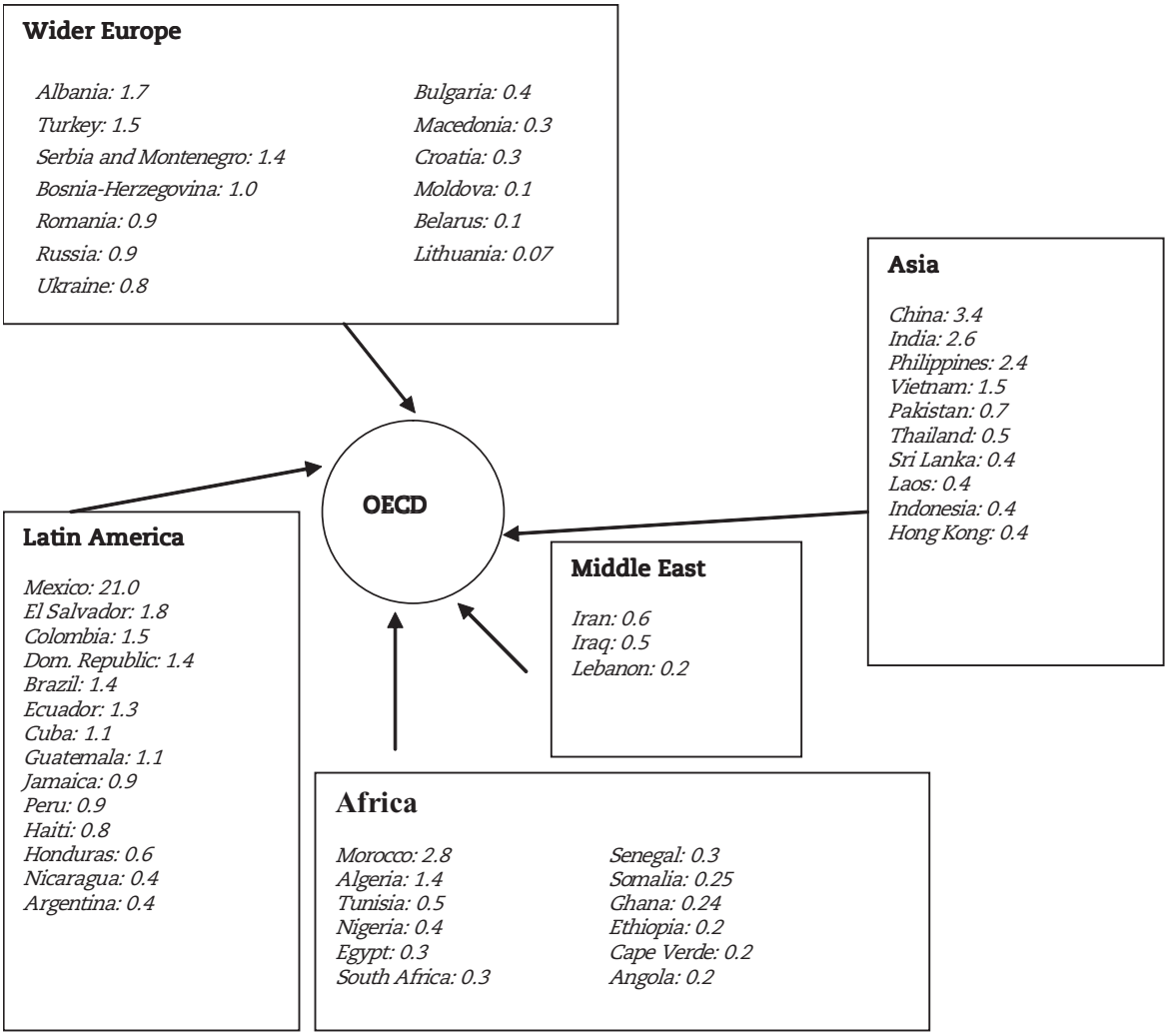
Chart 1.2. **Share of Foreign born Living in the OECD, with Foreign Nationality, by Non-OECD Country of Birth**

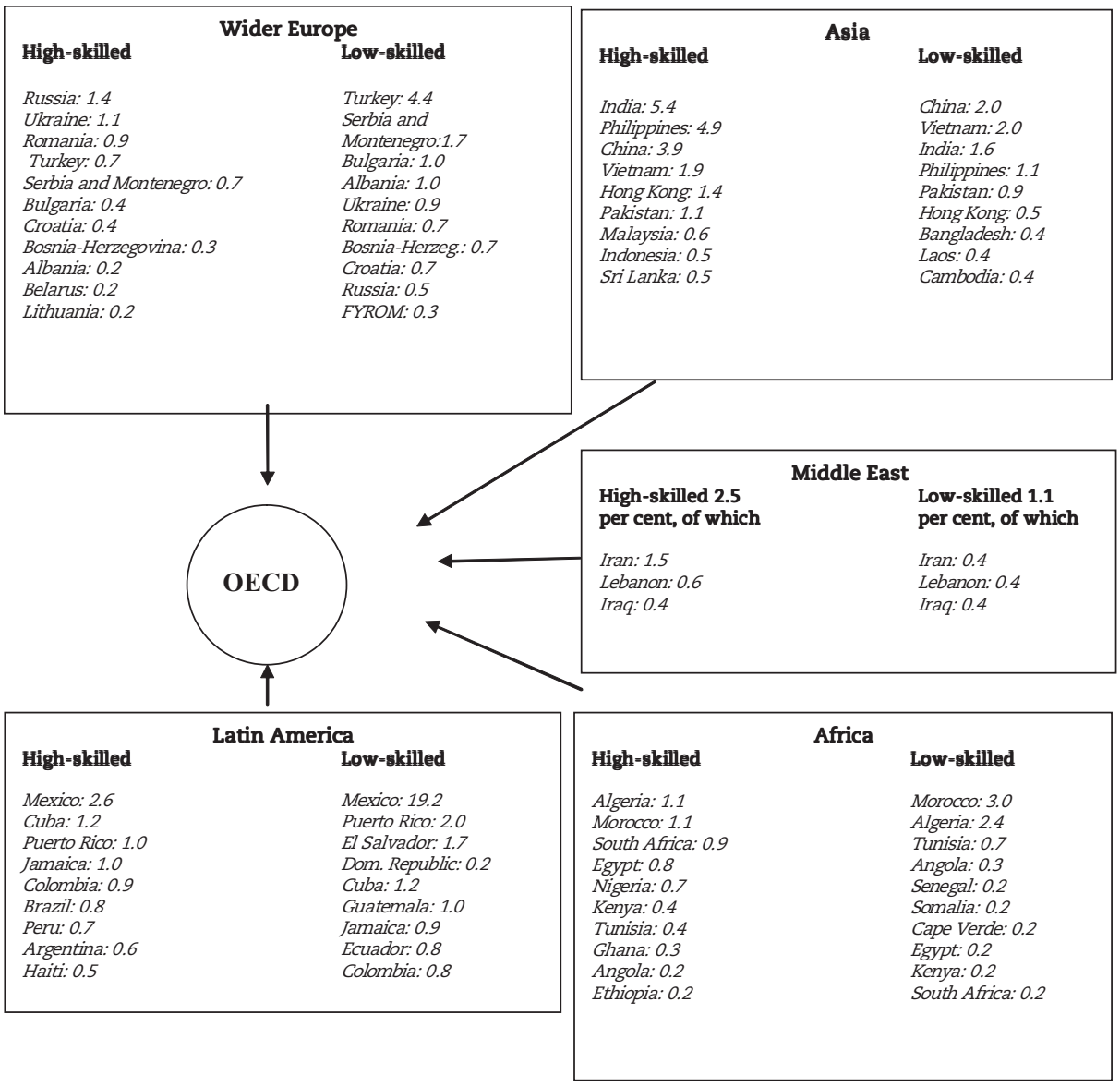


Notes: Turkey and Mexico are OECD Member countries. Each figure is the total born in country *i*, living in the OECD, divided by the total foreign born in the OECD (percentage); only the main sending countries in each region have been included in the charts.

Data source: OECD (2004, 2005), based on census data 1999-2003.

StatLink http://dx.doi.org/10.1787/132018624433

Chart 1.3. **Share of High- and Low-skilled Foreign-born Living in the OECD, by non-OECD Country of Birth**



Note: Turkey and Mexico are OECD Member countries. Each figure is defined as the total born in country *i*, living in the OECD, divided by the total foreign born in the OECD (percentage); only the main sending countries in each region have been included in the charts.

Data source: OECD (2004), based on census data 1999-2003.

StatLink http://dx.doi.org/10.1787/131880235444

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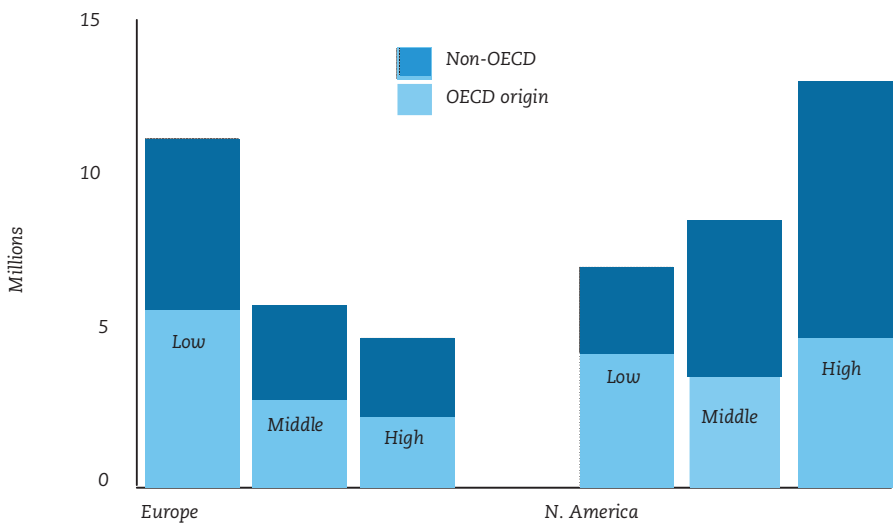
What are the differences in skill levels of immigrants in different OECD countries? It is an unfortunate and perhaps misleading shorthand to refer to migrants as "skilled" and "unskilled." A farmer from sub-Saharan Africa who migrates to Europe may be nearly illiterate (and therefore counted as "unskilled"), but he may also embody highly specialised and productive knowledge about agricultural practices: this knowledge is a loss of skills to his home country when he migrates. Moreover, many migrants explicitly recognised as "skilled" are unable to practise their professions in OECD countries, a phenomenon known as "skill waste": everyone has heard of migrant engineers driving taxi cabs. A further complexity arises when workers who are highly skilled in their low-income country of origin find that their skill levels are below average when they migrate, a phenomenon that likely besets the middle range of the skills continuum.

Despite all of these qualifications, however, the average level of education (the basic proxy for "skill") varies considerably across migrants, and across migrant-receiving countries. In part, these patterns reflect policy decisions in OECD countries. Until quite recently, little effort was made by European states to attract highly skilled migrants. Partly by default and partly by design, a significant portion of migrants to Europe has consequently possessed fairly low skill levels, as is illustrated in Figure 1.2. In the OECD countries of Europe, by 2000 there were about 11 million expatriate adults with low levels of education (nine years of schooling or less). In comparison, there were nearly 6 million with a secondary school education and slightly fewer than 5 million with a tertiary education.

Figure 1.2. **Adult Migrants in OECD Europe and North America by Education Level and Origin (2000)**



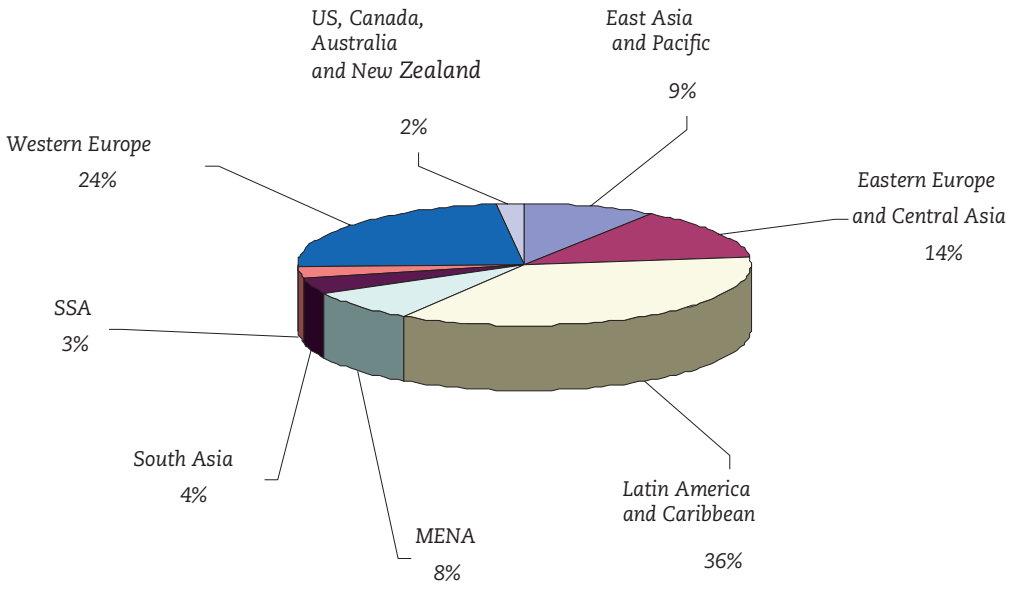
Note on Schooling Levels: "Low" refers to less than upper secondary; "Middle" to upper secondary but not tertiary; "High" to tertiary level.

Source: OECD (2004, 2005).

StatLink http://dx.doi.org/10.1787/131762771583

Figure 1.3 compares the world's largest migration flows by educational level and origin. The early guest worker programmes in Europe, most of which ended around 1974, were designed to provide workers for manufacturing and some service jobs. Most of these tasks were semi- or low-skilled. Family reunification, which followed the settlement of substantial numbers of guest workers, brought in relatives with a socio-economic profile similar to that of the original guest workers. Little systematic information is available on the skill levels of the waves of people seeking asylum in Europe during the 1990s, but many were from countries where educational attainment is on average not high. Meanwhile, the growth in contract labour schemes in European agriculture has expanded opportunities for low-skilled migrant workers. In 2000, about 55 per cent of foreign adults present in the EU-15 were estimated to have had less than a secondary education (i.e. less than nine years of schooling).

Figure 1.3. **Low-education, Adult, Foreign-born Migrants in OECD Countries by Region of Origin (2000)**



Data source: OECD (2004, 2005).

StatLink http://dx.doi.org/10.1787/131687844628

Of these relatively poorly educated adults, about one third originated in Latin America and the Caribbean (especially in Mexico). Twenty-four per cent were from Western Europe and 14 per cent from Eastern Europe and Central Asia. The smallest portion (2 per cent) originated in the traditional immigration countries (US, Canada, Australia and New Zealand). Contrary to what media accounts might lead one to believe, only a tiny percentage (3 per cent) of foreign-born, low-skilled adults in OECD countries originate in sub-Saharan Africa. Low-skilled migrants from South Asia also constitute only 4 per cent of low-education adults in OECD countries (See Figure 1.3).

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By contrast to the situation in many European OECD countries, 10.2 million foreign-born adults in North America are highly skilled while 14.2 million are low-skilled. In North America (but also Australia and New Zealand, which have similar migration patterns) migrants generally have higher educational attainments owing to rigorous selection processes. Of course, much of the high-skilled mobility occurs between OECD countries. In particular, the United States, Australia, Canada, Switzerland, Spain, Sweden, Luxembourg and Norway (in that order) are net beneficiaries of highly skilled migration from other OECD countries (OECD, 2006*a*). For these OECD countries, the inflow of highly skilled nationals from other OECD countries is higher than the outflow from these countries to other OECD countries. In the US, for example, 49.9 per cent of those born in other OECD countries have at least some tertiary education. The settlement countries are net winners in the global competition for talent: though many of their skilled citizens emigrate to work elsewhere, especially in the OECD (e.g. a skilled Canadian going to work in France), they receive many more highly skilled immigrants from *all* countries, OECD and non-OECD alike (e.g. a skilled Chinese coming to work in the United States). The *net* inflow of highly skilled immigrants is positive in the United States (8.2 million), Canada and Australia.

For skilled migrants in OECD countries (Chart 1.3), the main sending region is Asia (24 per cent of all highly skilled foreign born living in the OECD), followed by Latin America (11.6 per cent) and Africa (8.8 per cent). By country of origin, the first ranked is India (5.4 per cent of the highly skilled foreign born living in the OECD), followed by the Philippines (4.9 per cent) and China (3.9 per cent). For the low skilled, Latin Americans constitute the highest share among low-skilled foreign born living in the OECD area (15.5 per cent), followed by Africans (9.6 per cent) and migrants from the wider Europe region (8.6 per cent).

Table 1.2 lists some of the most significant transition and developing economies which are the source for large numbers of low-skilled workers residing in OECD countries. Some of these economies are poor performers; it is not surprising that low-skilled workers seek to leave. However, two key factors distinguish these states from other low-income countries from which few low-skilled workers migrate to OECD countries: proximity and the existence of former colonial ties. As statistical analysis demonstrates (reported more fully in Box 1.3), these two factors, together with a common language, account for a substantial share of migration movements.

Box 1.3 reports the results of an econometric analysis of the relative importance of geographic proximity, a common language and colonial ties in explaining migrants' choice of destination. More precisely, we model the share of the bilateral stocks between two countries that can be explained by these three factors. Unlike the data presented in Table 1.2, Table 1.3 is based on an analysis of the migration decisions of migrants of all skill levels, and not only the low skilled.

The regression results confirm the quantitative importance of geographical proximity, language and colonial ties. Together they explain about 20 per cent of the variation in migrants' destination choices as measured by migrant stock in the OECD. Colonial ties and a common language are positive predictors of migration, while the distance between two countries affects migration negatively.

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Table 1.2. **Adults with Low Education Levels in the OECD: Selected Developing and Transition Countries (2000)**

	Number of low-educated adults in OECD	*Low-educated adults out of total home country population (percentage)*
*Mexico**	5 900 981	6.03
*Turkey**	1 365 322	2.03
Morocco	918 816	3.21
Algeria	726 780	2.4
Serbia and Montenegro	548 090	5.16
Bulgaria	309 720	3.8
Albania	296 224	9.52
Ukraine	283 677	0.58
Jamaica	267 138	10.36
Tunisia	237 533	2.49
Romania	230 789	1.03
Bosnia-Herzegovina	225 928	5.69
Croatia	217 204	4.89

* *Mexico and Turkey are OECD member countries. The data given in this table therefore refer to Mexicans and Turks living in other OECD member countries.*

Data source: *OECD (2004, 2005).*

StatLink http://dx.doi.org/10.1787/132032032743

Table 1.3. **Stocks of Foreign Born as a Function of Distance, Language and Colonial Ties**

Dependent variable: number of people born in country i, living in country j/total population of country i)

	(1) All	*(2) High-skilled*	*(3) Low-skilled*
1 if common official language in the two countries	2.543 (0.131)**	2.561 (0.127)**	2.014 (0.144)**
1 if colonial relationship after 1945	3.288 (0.283)**	3.000 (0.270)**	3.544 (0.298)**
1 if the two countries are contiguous	2.048 (0.449)**	1.724 (0.433)**	2.231 (0.476)**
Log distance in km between the two countries(i)	-0.893 (0.057)**	-0.679 (0.059)**	-0.848 (0.066)**
Constant	-2.896 (0.499)**	-5.927 (0.510)**	-4.264 (0.571)**
Observations	3671	3057	2919
R-squared	0.2142	0.2247	0.1930

Notes: *Description of explanatory variables (by row): (i1) 1 if there is common official language in the two countries; (2) 1 if there is a colonial relationship between the two countries after 1945; (3)1 if the two countries are contiguous; (4) bilateral distance in km between largest cities, weighted by share of the city in total population in the country.*
Standard errors in parentheses.
**: significant at 5 per cent*
***: significant at 1 per cent*

Source: *variables on colonial ties, language, contiguousness and distance are from CEPII (2006). The stock of migrants comes from OECD (2004, 2005).*

StatLink http://dx.doi.org/10.1787/132063315002

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Box 1.3. **Explaining the Econometric Exercise**

What factors determine migrants' choice of destination? Clearly, historical (including colonial) and language links matter; distance, too, is an important factor for poorer migrants. The following results of a simple econometric exercise provide a quantitative picture of the relative importance of these basic decision criteria.

The choice and construction of the dependent variable for the purpose of this exercise have proven to be quite difficult. To the best of our knowledge, there are no good data measuring bilateral flows available for a large number of countries. Where they do exist, they do not cover a large number of sending countries. The OECD database on international migrants in OECD countries (see Box 1.2) is one of the first attempts to count foreign-born citizens in the OECD member countries by country of birth and, most importantly, by education level. This dataset allows us to overcome some of the data problems discussed in the literature.

A well known factor determining migration is cost, which we would like to account for in our regressions[1]. The cost of migration has often been proxied by the distance between the country of origin and the country of destination. For that reason we use data from the CEPII geographic distance measures[2]. The CEPII has calculated different measures of bilateral distances (in kilometres) available for 225 countries across the world. We use two distance measures based on bilateral distances between the largest cities of those two countries, those inter-city distances being weighted by the proportion of the city's overall country population (Head and Mayer, 2002 for more details). Moreover, we use a dummy variable for contiguity.

We also employ a dummy variable which equals one if the two countries have the same official language (see CEPII, 2006).

The results of these regressions are presented in Table 1.3. The first column presents the results of the regression for OECD receiving countries and low and middle income sending countries. Columns (2) and (3) report the results of the same regression distinguishing between highly skilled (2) and low-skilled (3) foreign born. The full sample of foreign born, colonial and historical ties, common language and geographic proximity explains about 21 per cent of the variation in the share of migrants' stocks. This is 19 per cent for low-skilled foreign born and 22 per cent for the highly skilled. The coefficient of the variable on colonial ties has the right positive sign and is statistically significant in all specifications. The same holds true for the common official language dummy which confirms that a common language favours migration between two countries. The coefficient of the distance variable between the two countries is an important determinant and has the expected negative sign which is robust to the different specifications. This also holds for the coefficient of the contiguousness dummy, which is positive and statistically significant even when we control for the distance between countries.

Notes

1. In this exercise we focus only on distance and historical, language and colonial ties, but economic, political and proximity factors are also important in acting both as push and pull factors in influencing the decision to migrate. Possible additional explanatory variables include demographic pressure, such as population density and population growth, GDP per capita (which accounts for current economic and living conditions in the migrants' country of origin), life expectancy at birth and unemployment, which are additional push factors identified in the literature. Additional models including these variables, which are estimated but not reported in this study, are available from the authors upon request.
2. A description of the data used and information on the sources can be found in the notes accompanying Table 1.3.
3. We have also attempted to use different variables capturing colonial ties: whether the two countries were ever in a colonial relationship or if they are currently in a colonial relationship, if they were or currently are the same country, if they were colonised by the same country post-1945, etc. The results of all these proxies of colonial ties are similar and are not reported here.

Source: Katseli *et al.;* CEPII, 2006.

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Chapter 2

International Labour Mobility: A View from the Sending Countries

Summary

Migrants to OECD countries come from a wide variety of sending countries, with different migration behaviour and varied migration histories. Transition countries, the most important source of migrants for OECD countries in Europe, are characterised by explosive emigration and painful economic adjustments. Emigration from sub-Saharan Africa, meanwhile, continues a long history of mobility within Africa in search of a better livelihood. Generally, low-skilled African migrants go to other African countries and Europe; the highly skilled go to North America, reflecting migration policies in receiving countries. The transition from exporter to importer of migrants demonstrates a country's economic progress. For example, Poland now has an influx of highly skilled workers from Western countries. Guatemalan migrants in Mexico, in contrast, demonstrate an essentially circular, seasonal pattern of migration, though new patterns are emerging there.

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As the purpose of this book is to study the perspective of the migrant-sending countries, an exhaustive country-by-country accounting of the numbers, destinations and skill levels of emigrants is beyond its scope. Nevertheless, this chapter highlights recent trends for a handful of important countries of origin.

Who are the sending countries? As seen in Chapter 1, immigrants in OECD countries come from low-income and middle-income countries; from the OECD countries' nearest neighbours, but also from those at a great distance. Two "stylised facts" posed in Chapter 1 may help clarify who the sending countries are. First, migrants are more likely to come from middle-income countries. That is, on average emigration rates to the OECD are higher among richer developing countries than poor ones. Using the OECD Database on Immigrants and Expatriates (see Box 1.2), Cogneau and Gubert (2005) show that a country's emigration rate is a smooth and increasing function of the country's per capita income up to a point; beyond a certain level of average income emigration rates fall as income rises. They point out that Latin American countries and countries from the Middle East and North Africa (MENA) region, including Turkey, together account for only one-sixth of the population of the developing world, but account for fully two-thirds of the migrant stock born in developing countries resident in the OECD.

A second stylised fact is that "brain drain," or the emigration of the highly skilled, disproportionately affects low-income countries, while mobility of the low skilled is more a phenomenon of middle-income countries. This is consistent with the first stylised fact, given that the overall size of flows of the low skilled are much larger. These two general trends indicate that we should look at both low- and middle-income sending countries for a representative set of country experiences with migration and development, and that we must be alert to different effects in countries of different income levels. In addition to differences in income level, we should also compare the experiences of countries at different stages of the migration cycle as mentioned in Chapter 1 (and explained in greater detail in Chapter 3 below).

With these selection criteria in mind, the country accounts that follow are based on a series of case studies co-ordinated by the OECD Development Centre and carried out in conjunction with experts in OECD countries and in the countries being studied. A full list of the countries covered, with details on Internet access to the case studies, is provided in Box 2.1[1]. While the Development Centre's country case studies cannot capture the entirety of the global migration experience, they do offer a rich portrait of the phenomenon. This book will refer continuously to these country case studies as it surveys the life cycle of migration's impact upon development in a sending country.

The experiences introduced here can be grouped into three migration regimes. The first is that of transition economies, where an abrupt economic upheaval and structural change is followed by a massive outflow of labour. The second is that of sub-Saharan Africa, where labour migration has a much longer history, and where internal, regional and international movement is frequently motivated by the quest for a better standard of living. The third refers to countries in the final stages of the migration cycle (see Chapter 3); namely, traditional emigration countries with higher income levels that have begun to attract immigrants themselves, sometimes on a large scale[2].

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Transition Economies: Explosive Emigration and Painful Adjustments

This section is based on the country case studies of Albania (Markova 2006a), Bulgaria (Markova 2006*b*) and Moldova (Borodak 2006).

The eastern and southern edges of Europe are, as noted in Chapter 1, quantitatively the most important sources of migrants into the OECD (second only to OECD countries themselves). Much of this movement is driven by distinct and brusque changes in migration patterns that occurred with the end of the Soviet economic and political system.

A former Soviet republic, Moldova has been the source of large-scale labour emigration, most of it low-skilled. In some rural regions, the emigration rate has been extraordinarily high: for example, in some villages, surveys report that as many as 60 per cent of working-age women had migrated. Overall, migrants (as measured by net cumulative emigration) may constitute as much as 10 or 11 per cent of the population, or 17 to 18 per cent of the labour force. In Bulgaria the emigration numbers are equally impressive: between 1992 and 2001, emigration averaged 22 000 yearly, while the total number of returnees was estimated at just 19 000 people over the period. The 2001 census recorded a population size of 7.9 million, a decrease of nearly half a million from the previous census in 1992.

Albania, though not part of the Soviet bloc, likewise witnessed an explosive emigration that continues, at a diminished pace, to this day. While the Albanian economy stabilised during the mid-1990s, job creation nevertheless lagged behind the growth of the labour force. By the mid-1990s, even as one-fifth of the labour force had emigrated, unemployment was still at 20 per cent. By 2001, emigration had removed one in six, possibly even one in five or one in four Albanians from their country of origin. This is a rate of loss unparalleled in any other Eastern European country at that time, or indeed by just about any other country in the world. Government estimates from 2004 place the total number of Albanian emigrants at one million, out of a 1989 population of 3.2 million.

To varying degrees, migrants' choices of destination reflect patterns of labour movement established under the socialist system, geographic proximity and foreign demand for different skills. A truly massive wave of Moldovan emigration, beginning in 1994-96 and continuing today, has witnessed a diversification of migration corridors. Emigration to Commonwealth of Independent States (CIS) countries – a continuation of intra-Soviet labour migration significant since the 1970s – continues, favoured by the absence of visa requirements and migrants' knowledge of the Russian language. Workers migrate in larger numbers to Eastern and Central European countries (Romania, the Czech Republic, the Slovak Republic, Poland) and to Turkey and Israel. In the European Union, Greece, Cyprus, Italy, Portugal and Spain are the favourite destinations. Moldovans meanwhile have appeared in a broad range of other countries, including Austria, Germany, Belgium, France, the United Kingdom, Ireland, the Netherlands, Switzerland, the United States, Venezuela and South Korea.

The Southern European and CIS corridors, in particular, are quantitatively the most important ones. Migrants' choices are driven by their skill levels, and where they come from in Moldova. Better educated and urban workers are more likely to go to southern

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Europe, while the less skilled and rural workers are more likely to choose CIS countries. Furthermore, the lower the migrant's household income, the more likely he or she is to go to a CIS destination, possibly as a consequence of language familiarity.

For Bulgarians, three trends stand out. First, Germany and Greece have been consistently popular destinations for Bulgarian migrants. Second, Spain has surged to the number-one position in a very short period of time, surpassing Germany and Greece. Third, the number of Bulgarians in the Czech Republic and Hungary has declined slightly, perhaps as migrants there perceive an improvement in conditions in their home country.

Emigration from Bulgaria continues albeit at a declining rate. In recent years, there has been a marked pattern of circular and temporary migration, especially after April 2001 when Bulgarian citizens were allowed a three-month visa-free stay in countries within the Schengen Zone. Bulgaria's accession to the EU will likely strengthen these circular movements.

In Albania there are also clear patterns of temporary migration. The vast majority of temporary migrants originate in rural areas in the centre and the northeast of the country and travel to Greece to supplement their poor earnings from their agricultural activities at home. Despite the higher cost, the flow of temporary migrants in recent years to more distant destinations such as Italy and Germany has increased substantially.

The Bulgarian government's Agency for Bulgarians Abroad, based on a 2003 survey, identifies four groups of migrants. With appropriate variations, the categories can be extended to other transition economies' emigration experience.

- In recent years, a small number of *wealthy expatriates* (fewer than 100 people) have invested in productive enterprises in Bulgaria. However, some of them have faced difficulties in Bulgaria, including accusation of destabilising actions against the state. Others have been reluctant to invest in Bulgaria, fearing potential interference by the state and/or deterioration of the business environment.
- *Middle class* Bulgarian emigrants (about 20 000 people) are found in the United States, Canada, Germany, Austria and other Western European countries. They are considered an already established Bulgarian lobby and a good potential source of investment. (For example, the United States is already home to three Bulgarian-American Chambers of Commerce.) In 2000 former Prime Minister Ivan Kostov attempted to attract the interest and expertise of young Bulgarian expatriates from this group, organising a "Bulgarian Easter" in Bulgaria.
- *Seasonal or temporary Bulgarian emigrants* often migrate irregularly and occupy lower social strata in the host country, even when they migrate legally. Most seasonal migrants remit small amounts of money each month to their families and relatives in Bulgaria.
- *Ethnic settlements,* usually situated close to the Bulgarian border, strive to establish closer economic ties with their motherland.

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Sub-Saharan Africa: A Long History of Mobility

[This section is based on the country case studies of Mali (Gubert and Raffinot, 2006) and Ghana (Quartey, 2006), and on the regional overview by Adepoju, 2005[3].]

Much of Europe's recent attention to immigration has been focused on sub-Saharan Africa, in particular the tragic spectacles of West African migrants' unsuccessful attempts to enter the European Union via Ceuta, Melilla and the Canary Islands. Behind these headlines, however, lies a history of extraordinary mobility, much of it contained within Africa. Thus, Africa's history of mobility is a substantially less punctuated one than that of the transition economies. International migrants from sub-Saharan Africa have long used mobility as a means of securing a better standard of living.

Migration — internal, regional and international, short- and long-term — has been a feature of Malian society for centuries. Nevertheless, the scale of Malian migration grew considerably during the second half of the 20th century, particularly at the regional (i.e. West African) level. It is estimated that between 1960 and 1990, more than two million Malians emigrated to neighbouring countries, particularly Côte d'Ivoire (though the flows to that country have slowed as a result of its political crises, and indeed return flows have increased). Malians have also migrated further afield on the continent: some 20 000 to 35 000 are estimated to be working in South Africa.

Malians migrate in relatively large numbers to OECD countries as well. According to the OECD Database on Immigrants and Expatriates (OECD, 2005), there is a stock of 48 515 Malians in the OECD, 40 222 of whom reside in France. Migrants' choices of destination are closely linked to language and skill level: while 71 per cent of Malian immigrants in France have a low education level, only 16.3 per cent of Malian immigrants in Canada do. This has to do with the migration policies of different OECD countries. North American countries are far more biased towards skilled workers.

Within Mali, particular regions stand out as contributors to international migration flows: Kayes in particular, though it borders three countries (Guinea, Mauritania and Senegal) is noteworthy for its high emigration rate to France.

Traditionally, Ghana has been a net immigration country; migrants have come from Togo, Burkina Faso, Nigeria and Côte d'Ivoire. Beginning in the late 1980s, Ghana ceased to be a net recipient of migrants and has remained a net exporter to date. The OECD Database on Immigrants and Expatriates (2004) reports 189 461 Ghanaians residing in the OECD, including 67 190 in the United States and 56 112 in the United Kingdom. Smaller but significant populations are found in Italy (17 471), Canada (17 070) and the Netherlands (11 201). These numbers again show the strong language ties between sending and receiving countries (though the high numbers for Italy suggest that language is not the only reason). The phenomenon of brain drain – the flight of a significant portion of the country's skilled workers – is especially relevant for Ghana: some 34 per cent of Ghanaians in the OECD are highly skilled (versus 12.6 per cent of Malians, for example).

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Making the Transition from Migrant-sending to Migrant-receiving Country

[This section is based on the regional case studies of Central Europe (Okólski, 2006) and Central America (Freije, 2006).]

Virtually all European OECD countries have been major sources of emigration in the past (France is essentially the only exception). Other OECD countries continue to be important sending countries, notably Turkey and Mexico. Today, some of these sending countries increasingly attract migrants themselves. This section looks briefly at this process in two cases, one in Central Europe and the other in Latin America.

Poland

In many ways, Poland's migration experience mirrors those of Albania, Bulgaria and Moldova, discussed earlier in this chapter. As with those countries, many Poles have sought their fortunes abroad, facilitated in the Polish case by their country's accession to the European Union in 2004, with the freedom of movement that implied. Poland has furthermore been the site of important seasonal migration to Germany (described in greater detail in Box 8.2). The analysis by Stark *et al.* (2006, Table 1) of the characteristics of these migrants is particularly relevant for a consideration of this type of circular mobility: seasonal migrants tend to have large households, to be from rural regions, to have lower education levels, than the Polish population generally. [Further information on Polish emigration in the European context is provided in Zimmermann (2005).]

A further characteristic of labour mobility in Poland, however, is the important immigration it has witnessed during the transition from socialism. The first group of immigrants came mainly from former Soviet republics and many of them integrated into the (informal) labour market.

Legal labour immigration in Poland is a small proportion of total labour immigration. The 2002 population census identified some 40 000 foreigners residing in Poland, including both temporary and permanent migrants. In the same year, nearly 23 000 individual work permits were issued, 41 per cent to citizens of EU countries and 24 per cent to citizens of former Soviet republics. Comparisons with later years are difficult because of changes to the permit system that resulted from Poland's accession to the EU; nevertheless, the total number of legal migrants is limited. In the mid-1990s, the number of foreigners employed illegally was estimated at 2 to 4 million annually.

A majority of undocumented migrants work seasonally. Apart from performing domestic services, undocumented migrants are typically employed in agriculture, trade and construction. Most are believed to be nationals of the Ukraine and other CIS countries.

At the same time, a smaller but significant inflow of highly skilled immigrants has been observed in Poland; the reasons are strongly related to inflows of foreign direct investment (FDI). FDI inflows grew during the transition period on average 5 per cent annually or more, and today 5 per cent of the labour force work in

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companies that are at least partly foreign owned. At the same time, the proportion of persons with tertiary education in the total employed population rose from 10.5 per cent in 1993 to 17.1 per cent in 2001. These changes were not the result of significant changes in the tertiary enrolment ratio. As a consequence, in the first few years of transition there was an under-supply of skilled labour, especially in services and high-tech industries, which increasingly sought workers abroad.

Data on work permits suggest that in absolute terms the inflow of highly skilled workers from Western countries is not large, but its effects for Poland were important, allowing for a dynamic development of many sectors, including banking and financial services, insurance and consulting.

Mexico

This section is based on the country case study by Freije (2006).

The flow of migrants from Mexico to the United States is among the largest sustained human migration flows in modern history. But in the shadows of this massive flow there lies an immigration flow from Guatemala, and, to a lesser extent other Latin American countries, across Mexico's southern border.

The migratory process between Guatemala and Mexico has historical roots that can be traced back to the 19th century. Today, Mexico is not only the second largest destination for Guatemalans, but Guatemalans are also the second largest nationality of migrants in Mexico. According to 2000 census data, Guatemalans represent slightly above 5 per cent of all foreigners living in Mexico[4] .

The number of Guatemalans in Mexico has fluctuated in past decades, largely as a function of the worst years of the Guatemalan civil war (1960-96). Fully half of the 400 000 Guatemalans who fled came to Mexico, though only 45 000 were recognised as refugees by the United Nations High Commission for Refugees (UNHCR). Most of these refugees, recognised or not, entered the Mexican state of Chiapas during 1981 and 1982; the Mexican government was concerned with the social and political consequences of such a massive inflow and in 1984 decided to relocate most of the refugees to the other southern border states of Campeche and Quintana Roo.

According to official figures, 42 003 individuals returned to Guatemala between 1987 and 1999. With the end of formal repatriation in 1999, the Mexican government offered several programmes to those refugees who wanted to stay in Mexico. Nearly 10 000 Guatemalans and 18 000 of their children, born in Mexico, registered with these programmes.

Given that most Guatemalans in Mexico are temporary migrants, census-based numbers may grossly under report the size of the migrant population. Estimates from the 1990s suggest that 300 000 Guatemalans migrate to Mexico annually on a temporary basis.

Female migrants from Guatemala outnumber males. This may be due to the increasing labour force participation among women with stagnant job opportunities in their country. There has been an inflow of Guatemalan housemaids and textile workers into Mexico for decades.

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Guatemalan immigration in Mexico is overwhelmingly low-skilled: 23.9 per cent of Guatemalans in Mexico have no formal education and 42.2 per cent have some education, but have not completed primary school. By contrast, migrants from El Salvador to Mexico are substantially more educated.

Guatemalan migrants are highly concentrated both geographically and in terms of the sector in which they work. More than 90 per cent of Guatemalan migrants are concentrated in the southern border states of Chiapas, Campeche and Quintana Roo (in part as a legacy of the refugee experience described above). More than half of employed Guatemalans work in the primary sector, and more than one third work as day labourers. Most Guatemalans work in the coffee plantations of the Soconusco area, which also explains the large percentage of agricultural day labourers. These factors point to an essentially circular pattern of migration[5]. Circular migrants tend to work either as seasonal labourers in agricultural activities during a four- to eight-month period, or work in informal commercial activities returning to their homes weekly or even daily. Visas allow agricultural workers to stay in Mexico up to one year, but the average duration is of around 180 days because of the temporary nature of their work; thus circular migration patterns are not constrained by regulations.

Guatemalan migration to Mexico contrasts with Guatemalan migration to the United States. Guatemalans in Mexico are mainly low-skilled, seasonal agricultural workers, whereas Guatemalans in the United States have intermediate levels of education, work in the service sector and are permanent migrants.

The overview of several countries' experience in this Chapter illustrates the diversity of experiences of migrant-sending countries. A closer examination of this diversity suggests, moreover, that many migrant-sending countries progress through different stages. At a given point in time, two major countries of origin — say, Albania and Algeria in 1995 — are at quite different stages of the cycle. An analysis of the effects of migration on a sending country must carefully explore these different stages. Elucidating the stages of the migration cycle is the task of Part Two of this book.

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Box. 2.1 **Country and Regional Studies**

In order to gain a better understanding of the impact of the migration phenomenon on sending countries, the OECD Development Centre has undertaken a series of country and regional case studies. In each case, the Centre is working with experts in the country being studied. Though the particular questions posed may differ from case to case (e.g. more attention is given to the trade-migration interlinkage in the Moroccan and Guatemalan case studies; more attention is given to the brain drain in the Ghanaian case study, etc.), each of the case studies attempts to give a general background of the economic conditions in the sending country, the impact of migration upon the country's development through various channels (e.g. labour-market effects, remittances, trade and investment interlinkages, return migration and, in some cases, new immigration). The available data sources are surveyed and best estimates are generated for the quantitative variables of interest to decision makers, notably, migrant flows and remittance flows.

While 13 case studies cannot pretend to survey exhaustively the breadth of migration experiences around the world, the studies nevertheless provide a wealth of quantitative, qualitative and analytical detail to inform decision making in the area of migration policies for sending and receiving countries alike.

The countries and regions surveyed are listed below, together with the principal author. These and other materials produced by the OECD Development Centre under the heading of migration and development are or will soon be available at the following web address: www.oecd.org/dev/migration.

Albania: Eugenia Markova (Sussex University and London School of Economics, UK)

Bulgaria: Eugenia Markova (Sussex University and London School of Economics, UK)

Ecuador: Iliana Olivié (Real Instituto Elcano, Spain) and Hugo Jácome (FLACSO, Ecuador)

Ghana: Peter Quartey (ISSER, University of Ghana, Legon)

Greece: Nicholas Glytsos (KEPE), Jennifer Kavounides (IMEPO), Theodora Xenogiani (OECD Development Centre)

Guatemala: Samuel Freije (Universidad de las Américas, Cholula, Mexico)

India: Devesh Kapur (University of Pennsylvania, US)

Mali: Flore Gubert (Institut de Recherche pour le Développement (IRD) and DIAL, France) and Marc Raffinot (DIAL and Université Paris Dauphine, France)

Moldova: Daniela Borodak (CERDI, France)

Morocco: Lionel Fontagné (Université Paris 1, France), Nicolas Péridy (Université de Nantes, France) and Bachir Hamdouch (INSEA, Rabat, Morocco)

Turkey: Ahmet Icduygu (Koç University, Istanbul, Turkey)

Regional Overviews

Sub-Saharan Africa: Aderanti Adepoju (HRDC, Lagos, Nigeria)

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Notes

1. In this study, bibliographic references are provided to the country case studies, but in most cases, specific references to the sources used by case-study authors are not provided. For full bibliographic details on underlying source materials, please consult the case studies themselves at www.oecd.org/dev/migration.
2. The case of Latin American migration, particularly to the United States, is not emphasised to the same extent as other regions in the Development Centre's case studies; it is, nevertheless, among the world's most carefully studied migration experiences, and ample references to the research literature of this region are made throughout this study. Moreover, several aspects of the development consequences of Latin American migration are the subject of ongoing activities of the OECD's *Latin American Economic Outlook* project. For a comprehensive study of the impact of remittances in Latin America, see Fajnzylber and López (2007).
3. For further information on West African movements in particular, see ECOWAS-SWAC/OECD (2006).
4. The most numerous foreign group resident in Mexico is that of US citizens; no small part of this group comprises Mexican migrants or their children who have acquired US nationality.
5. Seasonal employment for the purpose of this book refers to stays of less than one year; all other types of agreement with stays exceeding one year are referred to as temporary. Both seasonal and temporary migration can be repetitive if the same individual crosses borders more than once over time. Repetitive migration, whether seasonal or temporary, is called circular.

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Part Two

The Migration Cycle: Issues and Impact for Sending Countries

Chapter 3

Economic Effects of Migration on the Home Country: A Simple Life-cycle Model

Summary

It is impossible to generalise about the effects of migration on sending countries because the effects of emigration on their economies depend very much on their position within the *migration cycle*. Most emigration countries will pass through some version of the stages of this cycle. Emigration can affect growth and poverty reduction through three channels: changes in the labour supply, changes in productivity, and through migrants' remittances. The net benefit (that is, benefits minus costs) of emigration is the sum of these three effects, and the relative importance of each channel varies over the life of the migration cycle. The *five* stages of the migration cycle are exit, adjustment, consolidation, networking and return. Some stages may be skipped or accelerated and return may coincide with immigration from other countries.

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What is the effect of migration on growth, poverty, inequality and development in migrants' home countries? Experiences vary widely depending on the country in question. Moreover, there are important differences between short- and long-term impacts. Most studies of the phenomenon use cross-country comparisons to analyse these effects. Such a comparison can be misleading if we compare a country with many decades of migration history with another whose migration history has just begun. Emigration experiences tend to progress through stages and it is not logical to compare two countries at different stages of this migration cycle. A country in the early stages of the cycle may experience labour shortages that depress economic growth, while another country of origin – one that may also have experienced such shortages a decade ago – may today benefit from robust remittance receipts. A naïve comparison of the two experiences would conclude that migration might be good for development or that it might be bad. Such a "mixed-evidence" conclusion would be erroneous; migration might expose an economy to risks at one point in the cycle, but the same economy could derive significant benefits at a later stage in the cycle. Moreover, at a given point in time, certain groups in society (e.g. low-skilled workers who do not emigrate) might derive substantial benefits from emigration, while others suffer negative shocks (e.g. employers).

Figure 3.1 summarises a life-cycle model of a country's migration experience over time, which identifies possible contributions of migration — both positive and negative — to economic growth in the migrants' home country. The model also sheds light on the heterogeneity of outcomes across different countries. Migration can affect growth through three channels: changes in labour supply, productivity and migrants' transfers. The magnitude of a migration-related shock to the economy depends on the stage of the country in the migration cycle.

Figure 3.1. **A Model of the Migration Cycle: Its Effects on the Sending Country**

Phase	Labour Supply	Productivity	Remittances	Growth	Poverty Reduction
Exit	↓	↓	0	0/↓	↓
Adjustment	↓/0	?	0/↑	0/↓	0/↓
Consolidation	0	↑	↑	↑	↑
Networking	0	↑	0/↑	↑	↑
Return	↑	?	↓	?	?

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On the basis of a review of migration experiences such as those summarised in Chapter 2, *five* stages can be identified, each associated with a different configuration of shocks and different impacts on growth and inequality. These five stages are *exit*, *adjustment*, *consolidation*, *networking* and *return.* The idea of the migration cycle is also developed in Katseli (2004) and Katseli *et al.* (2006).

The table is interpreted as follows. During the exit stage, for example, the effect of migration is to reduce the labour supply (as indeed workers are leaving the country); thus there is a downward pointing arrow in the cell for labour supply in the row for the exit stage. Note that, in the column for poverty reduction, a downward pointing arrow is a bad thing: that suggests that poverty is increasing. A zero in a cell — e.g. the effect on labour supply during the consolidation stage — indicates that no measurable effect is expected. Question marks reflect uncertainty about the direction of the effect.

1) Exit

Whether the departure of migrants leads to a decline in employment and a fall in output critically depends on the degree of unemployment or underutilisation of labour. In the case of skilled emigration, productivity is expected to decline as well. Other economic changes occur as well: for example, within-household inequality may increase and family roles may also change as a result.

Social strains associated with exit can be painful. In Albania, some 20 000 married women were living without their husbands at the time of the 2001 census, while many elderly people have been left behind by their emigrant children, creating the phenomenon of socially-isolated "elderly orphans". While remittances can eventually cushion this social isolation, the loss of children and grandchildren through emigration has often been detrimental to older people's self-respect and to Albanian family life (Markova, 2006*a*). The social effects, both negative and positive, of emigration are considered in greater detail in Chapter 6.

2) Adjustment

As more people leave the country, output continues to fall. Continuing migration improves, however, the information regarding employment opportunities in destination countries and thus reduces the information and transaction costs related to migration. Reduced migration costs, in turn, encourage family or community members to start joining initial migrants. Households start using migration as a livelihood strategy. Within such a strategy, the possibility of migration might also encourage those left behind to start investing in skills required to leave the country and seek improved prospects abroad (e.g. training to be a nurse). At this stage, the home economy starts adjusting to migration. This may take the form of increased labour force participation, as women and children in the home economy begin looking for employment. Adjustment often leads to the restructuring of the economy, including the mechanisation of agriculture, or increased investment in other sectors, including human capital accumulation. However, massive emigration of skilled employed labour

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may turn out to be detrimental to the economy and the social fabric if it negatively affects social-service delivery or leaves the home country without a critical mass of human capital and with no prospects of replenishing the stock.

3) Consolidation

Although reunification of emigrants' families in the destination country may continue at this stage, at some point international labour flows tend to stabilise. In the presence of a suitable policy stance in the migrants' home countries, economic activity improves as migrants' remittances increase and the benefits of economic restructuring and human capital accumulation undertaken during the adjustment stage are realised. The magnitude of remittance flows and the way they are used depend on the economic environment and financial market conditions as well as the characteristics of the migrants themselves. Remittances first increase consumption, especially of food and other basic needs. They are also frequently used to finance improvements in housing and living conditions as well as education expenses for children. Remittances might also be used to purchase luxury goods.

During this consolidation state, growth tends to increase and poverty to fall. Continuing declines in the informational and administrative costs of migration lead to changes in the composition and characteristics of households whose members migrate. Poorer households can afford to migrate and the remittances sent to their families help to reduce absolute poverty and inequality.

The consolidation phase may also witness a decline in the competitiveness of the home country. This so-called "Dutch Disease" occurs for at least two reasons. Massive infusions of foreign currency – in the form of migrants' remittances – increases overall liquidity and tends to raise domestic relative to foreign prices. In other words, the real exchange rate appreciates; foreign consumers pay more for the home country's exports, depressing the country's export sector. Second, migrants' families often use their increased income to purchase more "non-traded" goods, such as consumer goods and housing improvements. Increased demand for non-tradeable goods increases their price relative to that of traded goods, shifting domestic resources towards non-traded goods production. Dutch disease and the evidence regarding its severity in practice will be discussed more fully in Chapter 6.

4) Networking

During the networking stage, migrants become better integrated into the destination country and often form networks across transnational communities; family reunification is largely completed and a second generation of emigrants appears in the host country. The creation of "home town associations" in the destination country improves the communication between the two countries and enhances economic links. As time passes, migrants exploit their knowledge of markets in both countries and become good trade and investment intermediaries.

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Migrants continue to send growth-fuelling remittances, but at a declining rate, especially if they have been joined by their family members. Human capital accumulation, spurred in part by remittance flows and the improved incentives provided by the possibility of emigration, has in the meantime contributed to skill formation in the countries of origin. All of these phenomena boost productivity in the sending countries. Although positive growth may be accompanied by a reduction in absolute poverty, changes in the distribution of income and wealth depend in large measure on who migrates and how remittances are used. Growth alone does not guarantee that inequality will decline.

5) Return

In most cases, by this stage, emigration has contributed to development, skill formation and increased growth. As a result, the home country begins to experience labour shortages, especially in low-skill jobs in selected local markets. These vacancies may be filled by domestic migration and by inflows of labour from neighbouring countries. Repatriation of older emigrants coincides with immigration of unskilled labour to increase labour supply. Transfers tend to decline with repatriation. Return migrants, wherever they might have lived before, often choose to settle in cities when they go home, increasing pressure on urban labour markets. New immigrants, being more flexible, usually settle in areas where the labour shortages appear, such as rural areas, finding employment as agricultural workers or providing household services.

Return migration can be actively promoted by migrants' home countries through various incentive schemes; in some cases these efforts reach out to the descendants of the original migrants. The Bulgarian government, for example, attempted to resettle ethnic Bulgarians from abroad (e.g. from Moldova and Ukraine). The unwritten policy amounted to an attempt to achieve an ethnic balance in "ethnically sensitive areas" especially those depopulated by emigration. The attempt was not particularly successful as most of the returning Bulgarians wanted to settle in the cities, and not in the targeted regions (Markova, 2006*b*).

During the return stage, many countries become immigrant-receiving economies. Whether growth is boosted or dampened at this stage depends upon the degree to which new immigrants complement or crowd out native workers, upon the skills brought back by return migrants, and on labour market flexibility. Where regional markets are more integrated, immigration by newcomers for seasonal or contract work facilitates the creation of economic and social networks leading to positive externalities in trade and investment with neighbouring countries. (For example, immigrants from former Soviet republics now working in Poland might one day give rise to new trade and investment networks between their home and host countries.)

At this stage, the home country may begin to play the role of destination country for other countries just embarking on the migration life cycle. As we saw in Chapter 2, this is the case of traditional sending countries like Poland and Mexico,

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which have become important recipients of labour, even as emigration continues. Greece, Spain and Portugal have switched from net emigration to net immigration countries in recent decades, as did many other European OECD countries in the more distant past.

The framework above does not apply equally to all countries and experiences. Some stages might be skipped or never reached in a given migration experience, and the stages' duration may differ significantly from one country to another. This diversity of experiences will be duly noted in the chapters ahead, which look at important features of the stages in greater detail.

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Chapter 4

Departure of Labour: When Does the Home Country Benefit?

Summary

Sending countries can benefit from low-skill migration during the exit and adjustment phases by reduced pressure on the domestic labour market, creating employment opportunities and increased wages for other low-skilled workers who remain at home. In general, low-skilled workers remit more than the highly skilled and come from poorer communities where their remittances make a greater contribution to poverty reduction than the remittances of the highly skilled. Benefits from the departure of the highly skilled accrue in the latter stages of the migration cycle. Brain drain entails risks for sending countries but can also encourage higher levels of education at home. Temporary and circular migration – of both low-skilled and highly skilled workers – can benefit migrants and the sending country, often more than permanent migration.

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There are two ways that sending countries can benefit from migration during the exit and adjustment stages that were sketched in Chapter 3: first, by reducing pressure on the domestic labour market; and second, from the brain gain, or productive movement of skilled workers, which can be promoted through temporary, circular and return migration. The vast majority of migration concerns low-skilled migrants with the exception of a few countries, for example the Philippines. The impact of the departure of low-skilled migration on sending countries remains understudied. However, the main channel through which sending countries benefit from low-skilled emigration is through remittances – a critical feature of the consolidation stage which will be examined in detail in Chapter 6.

Departure of Low-skill Labour

Migration of low- and semi-skilled workers typically reduces poverty more effectively in countries of origin than does the emigration of professionals, for three reasons. First, such workers come from lower income families and communities, who therefore benefit directly. Second, their withdrawal from the home-country labour market can open up opportunities for other low- or semi-skilled replacement workers at home. This of course critically depends on whether or not those who migrated were employed prior to their departure. Even if there is substantial unemployment back home, and even if the migrant him- or herself was unemployed, emigration reduces the pool of unemployed. Finally, these migrants tend to remit more per person than highly skilled professionals, especially if they have left their families behind. There is scope for considerably greater migration-led poverty reduction through this channel. At present, for instance, only 17 per cent of the relatively low-skilled migrants to the EU-15 countries originate from the least developed countries of sub-Saharan Africa, South Asia and Latin America. Even if substantial benefits do not yet accrue to these countries, the observed patterns of migration have nevertheless contributed to poverty reduction in the poorer regions of middle-income sending countries.

How emigration benefits low-skilled workers who remain behind depends on labour-market conditions. Consider two scenarios. In the first, there are tight labour markets in the country of origin: unemployment spells are brief and infrequent and underemployment is rare. When workers emigrate, employers must raise wage offers to fill the resultant vacancies. Overall output declines, at least in the short run, and employers may be hurt by the rise in wages. Low-skilled workers benefit from the higher wages they now command, and over time the mix of productive activities adjusts to the diminished supply of low-skilled workers and output rises again.

Under the second scenario, there is a substantial pool of unemployed workers; workers may furthermore be underemployed at low wages. In such "surplus-labour" contexts, departing workers can be readily replaced at little or no cost to employers. Here, by definition, costs imposed on employers are minimal and overall output may hardly be affected. Unskilled workers who remain at home gain as the waiting time to find a job falls, or as they climb the job ladder to better positions.

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While both contexts are common, much of the emigration of low-skilled workers originates in poorly performing economies, where surplus labour conditions predominate.

Formal evidence of the degree to which labour markets exhibit surplus labour characteristics is rare. Massive labour withdrawal has been accompanied in some economies by rising wages at home, perhaps partially induced by the emigration process. For instance, manufacturing wages in the Philippines have tracked recruitment of overseas workers remarkably closely, despite persistently high unemployment rates. In Pakistan, wages for both skilled and less skilled workers, particularly in the construction sector, have responded over time to the mass movements of men to the Persian Gulf. In earlier times, the mass deployment to South Africa of mine workers from Malawi and Mozambique induced rising labour costs to the dismay of employers at home. (See Katseli *et al.* (2006), for a consideration of the evidence on labour market conditions in sending countries.)

Such instances, however, are probably not the norm. Table 4.1 presents labour market indicators for a few of the countries with high rates of low-skill migration listed in Table 1.2 (Chapter 1). With the exception of Croatia, these indicators suggest considerable slack in the labour markets. The withdrawal of low-skilled workers, even in large numbers, has imposed little output loss on most of these countries' economies. Rather, these mass withdrawals have probably served to improve the lot of those left behind.

Table 4.1. **Labour Market Indicators Since 1990: Selected Developing and Transition Countries**

		Real wage annual growth per cent	Average unemployment rate per cent
Macedonia, FYR	1995-2004	1.37	
Croatia	1991-2004	2.51	
Romania	1991-2004	0.40	8.9
Turkey	1990-2001		7.9
Morocco	1990-2003		18.1
Algeria	1990-2004		26.0
Tunisia	1994-2004		15.1
Suriname	1990-1994		13.3

Note: Real wage growth is based on end-point comparisons, deflating reported wages by the consumer price index. Comparable measures are not available for the other countries in Table 4.1.

Source: IMF (2005).

StatLink http://dx.doi.org/10.1787/132114734435

The case of Eastern and Central European countries is interesting. The transition to a market economy and the associated decline of agriculture and manufacturing gave rise to high unemployment, as the service sector could not absorb the newly available labour force. In these countries migration could be seen as a possible alternative for unemployed people or workers who would leave the country in search of better work and living conditions. In Moldova for example, migration appeared as a solution to the high unemployment rate as it would release pressure on the labour market.

However, unemployment remained high because of the lack of new jobs (Borodak, 2006). In the case of Central Europe, international migration had little effect in facilitating labour market adjustment, even in regions with significant unemployment. However (seasonal) migration has been found to decrease unemployment in the Opole region in Poland. This is a typical region of seasonal migration to Germany owing to to the double Polish/German citizenship of many of its inhabitants. [See Okólski (2006) for a discussion of the impact of migration on labour markets in Central Europe.]

In sum, when there is an exodus of unskilled workers, one of two things happens. First, this labour outflow could induce higher wages for those who remain at home. Alternatively, emigration simply diminishes the pool of the unemployed and underemployed. In either case, the prospects of low-skilled workers who remain at home are improved.

Departure of High-skill Labour

The brain drain – large-scale emigration of highly skilled workers – is broadly recognised as one of the biggest risks associated with international migration. Chapter 5 will consider these risks in greater detail. But there may also be benefits. Emigration opportunities for the highly educated can encourage higher levels of education at home. If only a small fraction of those who are induced to seek out further education and training emigrate, then the stock of highly educated at home may even expand. Put simply, the possibility of migration creates incentives for improvement of skills and human capital formation. This, in turn, enhances economic growth in the home country. Newer models of economic growth suggest that the average level of human capital is an important determinant of an economy's growth rate: higher levels of educational attainment induced by a brain drain can thus accelerate growth even if some of the highly skilled leave (Stark, 2005).

Does the brain drain raise growth rates through higher education levels? Analyses of cross-country patterns of skilled emigration in relation to measures of educational attainment provide empirical evidence that is mixed. The answer probably varies from country to country. In the Philippines, for example, there is little question that the unusually high levels of tertiary education attained, given the income level of the country and often at fee-paying private universities, is induced to a considerable extent by the opportunity to emigrate. In other countries, the net effect is probably negative. In Mexico, for example, researchers find that migration to the United States reduces educational attainment among rural Mexicans. In contrast, high-skill internal migration networks in Mexico (e.g. from villages and small towns to Mexico City) increase the likelihood that children will stay in school beyond compulsory age[1].

1. The effects of Mexican migration to the United States are analysed in McKenzie and Rapoport (2007) and McKenzie (2005); Boucher *et al.* (2005) explore internal migration networks in Mexico. See also Stark (2005).

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Emigration of the highly skilled can nevertheless benefit the country of origin when (and if) the migrants return with enhanced skills. Return migration, as well as temporary and circular migration, can promote the circulation and exchange of skills and know-how. This requires, of course, that the newly acquired skills can be put to good use in the home-country labour market. The experience of many skilled Moldovan migrants is an example of a worst-case scenario: unable to deploy their skills at home (because of low demand for those skills), workers emigrated to richer countries, where their qualifications were unrecognised. Having worked for a time abroad in jobs for which they were overqualified, the migrants returned home with depreciated human capital (Borodak, 2006).

The productivity of return migration may operate outside the labour market altogether. Research in rural Mexico demonstrates that children of migrant families have a lower infant mortality rate and higher birth weight than other children. Improved health knowledge among returned migrant mothers plays a key role in this improvement and this knowledge spreads to others in the village, improving child health among non-migrant families as well (Hildebrandt and McKenzie, 2004).

There is also potential to upgrade the available technology at home, based upon the experiences of returning migrants, but this may be less feasible where only a few highly trained migrants return. Indeed the return rate of the highly skilled may not always be significant enough to create substantial positive effects. Unfortunately, the scarcity of data on the return rate of migrants, whether skilled or unskilled, makes it difficult to draw firm conclusions. Nonetheless, studies in the United States and Sweden show that migrants from higher income countries return home earlier and at a higher rate than other migrants (Borjas and Bratsberg, 1996; Edin *et al.*, 2000). This provides indirect support for the hypothesis that rates of return in poorer economies may be insufficient to generate meaningful transfer of skills and technology.

In Poland, the outflow of highly skilled specialists is complex and controversial (Okólski, 2006). An outflow of specialists may contribute to relative technological backwardness. At the same time, the mobility of top specialists enhances the development of scientific disciplines by fostering international research and exchanges: a survey of Polish scientific migrants reports that they feel close ties to Poland and its scientific community. Return migration itself is reportedly difficult: Polish scientists and technical workers who spend some years abroad find it difficult to be accepted in Polish scientific and research institutions; limited infrastructure and an unfavourable research environment prove an obstacle to their productive integration upon return.

In sub-Saharan Africa, human capital circulation within the region is replacing brain drain from the region: the loss of skilled workers to OECD countries is increasingly accompanied by a reallocation of the skilled labour force within Africa. Both brain drain and brain circulation largely originate from the same group of countries, all of which have invested heavily in human resource development. These are, notably, Ghana, Uganda, Nigeria and Kenya. During the past decade, skilled urban professionals from these and other countries have found the booming economies of Gabon, Botswana, Namibia and South Africa to be convenient alternatives to Europe, the United States and the Middle East. Botswana has evolved from a migrant-sending to a migrant-receiving country, attracting skilled professionals. This inflow of migrants

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is fuelled largely by political stability, a fast-growing economy, prudent economic management and a small, largely unskilled, local labour force: The number of non-nationals legally resident in Botswana tripled between 1971 and 2001 to over 60 000 (Adepoju, 2005).

During the exit and adjustment stages emigration of the low-skilled confers important benefits on the low-skilled workers who remain behind. Given that these are likely to be among the poorest and least secure people in a developing country, this must be regarded as a benefit of great consequence. Of course, the benefit to this part of the population must be weighed against costs that may be borne by employers in conditions of tight labour markets, but as we have argued, most migrant sending countries have considerable slack in their labour markets. For the emigration of the highly skilled, however, benefits accrue to the home country only under somewhat special circumstances, and these are likely to prevail only in the latter stages of the migration life cycle, if at all. These negative consequences of emigration are now considered. in greater detail in the following chapter.

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Chapter 5

The Brain Drain and Negative Social Effects: When is the Home Country Hurt?

Summary

The available information on the brain drain, its consequences and the professions most affected is insufficient to make sweeping generalisations. The area most affected by high emigration rates of the highly educated population is sub-Saharan Africa. The potential costs can be great: brain drain means loss of skills for the source country, loss of ideas and innovation, loss of the nation's investment in education and loss of tax revenues, but most importantly, perhaps, the loss of critical services in the health and education sectors. "Brain overflow" in receiving countries can lead to misuse and subsequent downgrading of professional skills of migrants. There are other costs of emigration borne by sending countries: among them social effects which can create regional inequalities, and strains on families and gender roles, children and their schooling, and crime.

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While emigration can have positive effects for sending countries, it may also entail risks and it can, under certain conditions, harm the migrants' home country. More effective governance of the migration phenomenon must therefore focus on mitigating these risks. The downside risks of emigration to the home country are relevant to all stages of the migration cycle, but arguably loom larger during the exit and adjustment stages.

The Brain Drain

The process of brain drain — emigration of the highly skilled from low and middle income countries — is commonly considered to be one of the most negative aspects of international migration for the home country's development. The first part of this chapter looks more closely at the magnitude of the phenomenon, and its likely effects.

The Magnitude of the Brain Drain

Until recently, consistent data on skilled emigration have been scarce. New databases that fill this gap include, notably, the OECD Database on Immigrants and Expatriates in OECD Countries (introduced in Box 1.1) as well as the database compiled by Docquier and Rapoport (2004). Nonetheless, these two important data sources have limitations. First, they tell us nothing about the brain drain to non-OECD countries. For countries losing professionals to such destinations as the Persian Gulf, South Africa and Singapore, this omission is significant. Second, counting the number of expatriates with tertiary education provides no information on their field of expertise. For health workers in sub-Saharan Africa, Clemens and Pettersson (2006) have compiled a New Database of Health Professional Emigration from Africa. This database includes information on migration of African health workers to South Africa, and distinguishes between doctors and nurses. By design, however, it is limited to one skill sector and one region of the world.

What do available data tell us? As Figure 5.1 shows, the foreign-born, tertiary-educated populations of the OECD countries are estimated to have increased by nearly 8 million between 1990 and 2000. By the turn of the millennium, this resulted in a total of slightly over 20 million such highly skilled people in the OECD. North America is clearly the dominant attraction (see Figures 1.2 and 5.1). Almost two-thirds of the foreign-born, tertiary-educated population living in the OECD countries were in North America in 2000. Most of these were in the United States. The OECD countries of Europe have attracted about one quarter of the highly skilled migrants, while the remaining 10 per cent are in Australia, New Zealand, Japan and Korea.

Second, more than 40 per cent of highly skilled migrants in the OECD are actually transfers from one OECD country to another (see Table 5.1): brain circulation among the advanced economies is common. In 2000, almost one-third of the highly skilled adults in the OECD who originated from outside of the OECD came from East Asia with nearly 80 per cent of them residing in North America. The next three largest groups are from South Asia, the Caribbean and South America, and again more than

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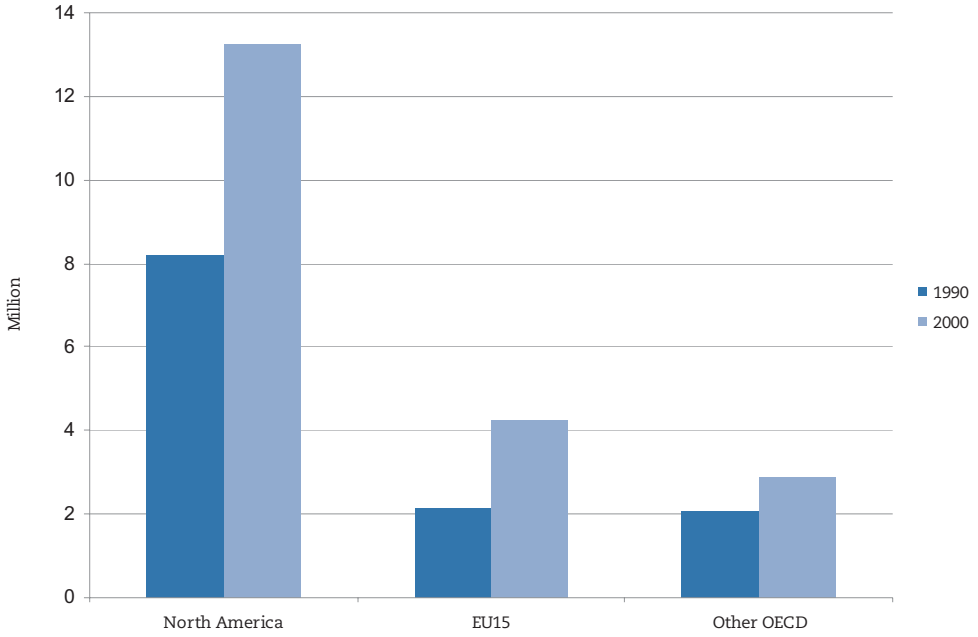
Figure 5.1. **Number of Tertiary Educated Migrants in OECD Countries: 1990 and 2000**



Data source: Docquier and Marfouk (2006).

StatLink http://dx.doi.org/10.1787/131836206410

70 per cent of each of these were in North America. Even for sub-Saharan Africa, a slightly larger fraction of the brain drain is to North America than to Europe. Note, however, that Europe had the highest share of migrants from sub-Saharan Africa, whereas the United States had the highest share of migrants from Southeast Asia.

What is the quantitative importance of highly skilled emigrants relative to the number of university-educated workers staying behind in the home country? The regions with high rates of brain drain are clear: Central America and the Caribbean Islands, Southwest Asia and parts of Indochina, Central and Eastern Europe and the Balkans, but above all sub-Saharan Africa.

For the highly skilled in many sending countries, OECD countries are an important destination. Table 5.2 lists the 40 countries with the highest portion of their tertiary educated populations resident in OECD member states in 2000. Twenty-one of the 40 countries listed in the table are in Africa; all but three of those are in sub-Saharan Africa. A further ten are small states in the Caribbean Basin, 12 are island nations. Most have former colonial ties to European OECD member countries. Interestingly, three OECD member countries appear in this list (Iceland, New Zealand and Ireland).

The emigration of highly skilled professionals has been a contentious issue between rich and poor countries in Africa. This development had its antecedents in the 1960s when newly-independent African countries undertook unprecedented expansion of their educational systems. Emigration was later spurred by deteriorating economic, political and related factors, including lack of job satisfaction and a system in which performance was not always recognised or rewarded. Uganda led the way in both volume and speed of exodus of its skilled manpower, as highly educated people were forced to migrate to Kenya, South Africa, Botswana, as well as to Europe

and North America. For similar reasons, large proportions of Somali, Ethiopian, Zambian and, later, Kenyan graduates have sought work overseas. Attempts to restrict migration by the bonding system – a civil-service practice in which the person commits to serve for a particular number of years in exchange for the training received – and travel clearance requirements imposed on Tanzanian, Ugandan and Kenyan professionals and civil servants did little to stem the tide. (See Adepoju, 2005, for more details.) Today, as Table 5.2 shows, 25 per cent or more of the highly skilled workers (as a percentage of the highly skilled population of the home country) from Guinea-Bissau, Mozambique, Mauritius, the Gambia, Sierra Leone, Ghana, Kenya, Congo Republic and Uganda reside in the OECD.

Twelve of the 30 OECD countries – Australia, Belgium, Canada, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, the United Kingdom and the United States – are all major recipients of the skilled professionals of sub-Saharan Africa, owing in most cases to former colonial ties. Although total immigration from sub-Saharan Africa to the United States is relatively small in comparison to the total inflow and stock of immigrants to that country, the sub-Saharan Africa immigrants consist primarily of highly educated people, especially those from Ghana, South Africa and Nigeria (Carrington and Detragiache, 1999).

A large proportion of Africa's highly skilled have emigrated to the OECD; Table 5.3 demonstrates moreover that a large proportion of African migrants are highly skilled (which contrasts with the experience of other regions, such as southeastern Europe, whose emigrants to the OECD have, on average, lower skill levels). For Nigerians and Zambians in particular, highly skilled professionals constitute about one half or more of the emigrant stock. Two in every five nationals of Benin, Tanzania, Zimbabwe, Cameroon, Lesotho, Malawi and South Africa are highly skilled professionals.

The emigration of professionals from West Africa was led by Ghanaians, and, more recently, Nigerians. Many Ghanaian professionals, both men and women, who had migrated to Nigeria in the early 1980s moved on to the homelands of South Africa under apartheid, as well as to Swaziland and Lesotho in the mid-1980s, following the collapse of Nigeria's oil-led economy. In trickles, brain circulation took place between Ghana, Gambia and Nigeria; Togo and Côte d'Ivoire; Burkina Faso and Senegal and Côte d'Ivoire – all countries with shared colonial legacies. Other professionals migrated to Canada, the United States, the United Kingdom, the Netherlands and Germany, some as students who stayed on at the end of their training, others in search of more fulfilling and better-remunerated jobs. France was and remains the dominant destination for both skilled professionals and unskilled emigrants from the former French colonies of the sub-region (Adepoju, 2005).

Among the transition economies of Central and Eastern Europe and of the new European states of the former USSR, only four had more than half of their tertiary-educated OECD expatriates in the EU-15 in 2000 (see Table 5.4). Despite the distance, the United States proved to be the most important destination. From Slovakia, Belarus, Lithuania, and to a lesser extent the Czech Republic, a brain drain had occurred to European OECD member states outside the EU-15.

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Table 5.1. **University-educated Adult Population in OECD Member Countries (2000)**
by region of origin and residence (percentage)

Region of origin	OECD countries of residence by region			
	America	Europe	Asia/Pacific	Total
OECD	24.86	11.93	5.71	42.49
Caribbean	5.44	0.34	0.01	5.79
Central America	2.04	0.03	0.02	2.10
South America	4.30	1.02	0.40	5.72
Europe	1.44	1.81	0.48	3.73
Former USSR	2.44	1.26	0.16	3.86
South Asia	5.60	1.51	0.65	7.76
East Asia	13.58	1.44	2.38	17.41
West Asia	2.57	0.98	0.26	3.81
North Africa	0.89	1.22	0.11	2.22
Sub-Saharan Africa	2.19	2.08	0.42	4.69
Oceania	0.16	0.01	0.25	0.43
Total	**65.52**	**23.62**	**10.86**	**100.00**

Source: OECD (2004).

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Table 5.2. **Emigration of Highly Educated Persons in OECD Member Countries:**
A Selection from the Top 40 Countries (2000)*

Guyana	76.9	Papua New Guinea	19.9
Jamaica	72.6	Senegal	18.4
Guinea-Bissau	70.4	Iceland	18.1
Haiti	68.0	United Republic of Tanzania	16.1
Trinidad and Tobago	66.1	Zambia	15.6
Mozambique	52.4	Malawi	15.4
Mauritius	50.3	Algeria	15.0
Barbados	47.1	El Salvador	14.1
Fiji	42.9	Mali	14.0
Gambia	42.4	Tunisia	14.0
Sierra Leone	32.5	Nicaragua	43.0
Ghana	31.7	Singapore	13.2
Kenya	27.8	Cameroon	12.6
Hong Kong	25.3	New Zealand	11.8
Congo	25.0	Togo	11.8
Uganda	24.9	Honduras	11.7
Liberia	24.4	Malaysia	11.7
Ireland	22.7	Panama	10.9
Sri Lanka	20.4	Guatemala	10.8
Rwanda	20.2	Benin	10.5

* The emigration rate is the percentage of highly educated nationals resident in OECD countries out of the total highly educated native born.

Source: OECD (2004).

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Table 5.3. **Number of Expatriates and Proportion of Highly Skilled Persons from Sub-Saharan African Countries Living in OECD Member Countries, 2000/2001**

Sub-region or country	Total number of expatriates	Percentage of expatriates who are highly skilled
West Africa		
Benin	13 669	43.8
Burkina Faso	6 237	38.4
Cape Verde	83 291	6.2
Cote d'Ivoire	58 843	27.5
Gambia	20 923	16.9
Ghana	150 665	34.0
Guinea	19 684	24.5
Guinea-Bissau	29 449	12.7
Liberia	41 756	33.0
Mali	45 034	12.6
Mauritania	14 813	18.5
Niger	4 948	38.0
Nigeria	247 497	55.1
Senegal	104 715	23.1
Sierra Leone	405 56	33.6
Togo	18 024	36.3
East Africa		
Burundi	10 095	38.6
Djibouti	5 359	29.7
Ethiopia	113 838	31.2
Kenya	197 445	37.4
Malawi	15 024	35.2
Mauritius	86 410	28.0
Mozambique	85 337	26.5
Rwanda	14 832	34.4
Tanzania	70 006	41.0
Uganda	82 232	39.2
Zambia	34 825	49.3
Zimbabwe	77 345	43.3
Central Africa		
Angola	195 674	19.6
Cameroon	57 050	42.3
Central African Rep.	9 855	32.7
Chad	5 836	42.1
Congo	100 052	36.6
Equatorial Guinea	12 149	22.7
Dem. Rep. of Congo	66 488	32.5
Southern Africa		
Botswana	4 298	37.4
Swaziland	2 103	41.7
South Africa	342 947	47.9
Lesotho	995	45.7
Namibia	3390	45.3

Source: OECD Countries (2004, 2005).

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Effects of the Brain Drain

The loss of highly educated individuals can impose at least three kinds of specific losses on those left at home. *First,* the loss of skilled and innovative people often means the loss of their ideas for productivity and governance and the benefits they would otherwise provide to their co-workers, students and fellow citizens.

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Table 5.4. **Regional Distribution of Tertiary-educated Expatriates in OECD Member Countries from Central and Eastern Europe and European States of the Former USSR (2000)**

	Tertiary-educated population in OECD (percentage in each region)			
	Americas	EU	Other OECD Europe	Asia/ Pacific OECD
Albania	44.8	52.2	1.4	1.7
Bosnia and Herzegovina	39.5	45.8	5.3	9.3
Bulgaria	30.8	26.4	5.2	37.5
Croatia	48.4	35.1	4.4	12.0
Czech Republic	47.7	27.7	20.8	3.9
Hungary	59.7	27.2	5.3	7.7
Macedonia, FYR	19.3	54.6	2.8	23.3
Poland	59.2	33.2	2.1	5.5
Romania	54.3	29.3	12.5	3.9
Serbia and Montenegro	28.3	49.1	11.3	11.2
Slovakia	30.6	15.1	52.4	1.8
Slovenia	40.0	50.8	3.8	5.4
Belarus	49.6	8.5	40.7	1.2
Estonia	39.6	54.5	1.1	4.8
Latvia	68.4	18.6	2.5	10.5
Lithuania	46.2	15.7	34.6	3.5
Moldova	67.0	28.8	2.3	2.0
Russia	69.2	19.3	6.4	5.1
Ukraine	62.8	13.0	21.9	2.3

Source: OECD Countries (2004, 2005).

StatLink http://dx.doi.org/10.1787/132181336847

Second, in many countries a significant portion of the cost of education is paid for out of fiscal revenues. The departure of highly educated emigrants then represents an export of human capital in which the nation has invested. In addition, there is a loss of potential tax revenue that might have been raised from the income of the emigrant, though this needs to be balanced against diminished public spending on the emigrant and his or her family as well as transfers to the home economy via remittances.

Beyond spillovers, the impact of the brain drain may also differ across professions owing to differences in fiscal impacts. Although a brain surgeon and a secretary may both possess a tertiary education, the social costs of training these two workers are very different. They can also be expected to make quite different net contributions to the fiscal balance, through payment of taxes and through demands on social spending.

Third, the loss of key personnel makes the delivery of critical social services, such as health care and education, more difficult.

A central issue regarding the brain drain is the question of how effectively highly skilled workers are employed in the home country. Where the higher education system has expanded to the point that it is effectively difficult to absorb graduates into the labour market – a situation that one researcher has dubbed "brain overflow"

(Hugo, 1996) – or where a mismatch occurs between fields of study and the demands of the economy, the costs imposed by emigration may be much smaller than is commonly supposed. In Egypt, as in other countries, the government has acted as the employer of last resort for university graduates, raising doubts about the productive contribution of many of the highly trained. In other countries, educational curricula are inappropriate for the actual market needs of the local economy. Under the assumption that it is the role of universities to prepare students for the job market, the brain overflow phenomenon calls into question the merits of public investment in higher education, either in general or in specific fields. Given such spending, any additional costs imposed by emigration of the highly skilled are negligible in this context.

Even where no overflow is apparent, and the labour market for the highly skilled remains tight, costs of emigration can be contained through various mechanisms. One such route is by replacement migration. It has become common in some countries for professional immigrants from a third country to fill places left open by departing nationals. The *South African Medical Journal* describes a "medical carousel" (Bundred and Levitt, 2000), in which doctors move continually to countries where they perceive a higher standard of living: as South African doctors move to OECD countries, other African doctors may move to South Africa to take their place.

Occupations at Risk

The occupational composition of the brain drain attracts most attention because of its potential effects on delivery of key social services: notably health care and education. The onset of the HIV/AIDS epidemic has raised special concerns about the simultaneous loss of medical personnel, often recruited by state health systems abroad. Moreover, demand for health-care workers in the OECD countries is projected to grow rapidly, as incomes rise and populations age. On the other hand, it is not always clear that the availability of health-care workers is the principal constraint upon low-income countries' capacity to deliver life-saving medical attention; other factors, including the scarcity of medical supplies and poor density of health infrastructure, contribute as well.

The exodus of African doctors has had a negative impact on the training of new doctors and on the quality of health services delivery in many countries, notably Nigeria (about 600 of whose medical specialists work in Saudi Arabia and Kuwait, and up to 12 000 in the United States), in Ghana (from which 60 per cent of doctors trained in the 1980s have emigrated), South Africa (from which many white doctors have emigrated to Canada, Australia, the United States and the United Kingdom) and Zimbabwe (from which about 60 per cent of doctors have moved to Botswana and South Africa as their country's economy collapsed). The driving force – though not the only one – is the wide differential in incomes (Adepoju, 2005).

Between 1995 and 2002, an estimated 69.4 per cent of medical officers trained in Ghana during that period emigrated abroad. High percentages are also reported for dentists (27.3 per cent), pharmacists (43.3 per cent), medical laboratory technologists (19.5 per cent), and nurses/midwives (19.7 per cent). Table 5.5 reports annual emigration flows for Ghanaian health workers between 1999 and 2004. Ghanaian health workers' choice of destination depends on the recruitment process and more particularly the

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ease of registration with professional bodies to work in their chosen profession. In the United States, nurses from Ghana must sit for examinations, which add to the cost of migrating and therefore make the United States a less attractive destination (Anarfi *et al.,* 2003).

The departure of scientists and engineers is often thought to impose particular losses on an economy, given their importance in generating new ideas and hence raising productivity. Yet most developing countries undertake relatively little research and development, and this is not just because they lack scientists and engineers. Indeed, given the growing importance of outsourcing and the international diffusion of new technologies, at least some developing countries may gain more from scientists and engineers abroad than from those at home (see Meyer and Brown, 1999 and Eaton and Kortum, 1996, 2002). Nonetheless, adaptation of technology created elsewhere may remain critical for developing country performance, and for this scientists and engineers (rather than technological innovation) are needed.

Emigration of Ghanaian nurses and doctors from Ghana is worrisome. The 2003 Ghana Demographic and Health Survey revealed that infant mortality and under-five mortality, maternal mortality ratios and nurse population ratios have all deteriorated between 1998 and 2003, a period characterised by a rapid emigration of health professionals from the country.

Since 2001, a new policy requires the United Kingdom National Health Service (NHS) not to recruit actively from developing countries (unless there is a government-to-government agreement). Subsequently, the number of immigrating nurses has declined continuously since then. Nevertheless, the stock of Ghanaian nurses verified by the United Kingdom health authorities (UK Nurses and Midwife Council) after the introduction of the policy far exceeds the 1998 levels[1].

A 2005 survey of Ghanaian nurses in the United Kingdom (London and Manchester) and in Ghana reveals substantially higher job satisfaction among the United Kingdom-based group (91 per cent versus 65 per cent). The United Kingdom-based nurses also report greater opportunities to upgrade existing skills and acquire new ones. Not surprisingly, the United Kingdom-based nurses also report substantially higher monthly earnings than their counterparts at home – roughly 2 300 euros versus 270 euros (Quartey, 2006).

In the transition economies, what initially appears to be brain drain is in part a process of de-skilling. Highly skilled workers – doctors, researchers, university professors, scientists – trained under the Soviet system responded to the shock of transition by leaving the sector in which they worked. Leaving the original sector, however, does not always imply leaving the country; conversely, many highly skilled emigrants from the region have not found work in their original field abroad. The significant loss of skilled Moldovan workers is a case in point: between 2000 and 2004, nearly 36 000 doctors left the health-care system and 28 000 teachers left the education system, with evident consequences for the quality of provision of these social services. Skilled Moldovans abroad experience difficulties finding work in the sector for which they have been trained: thus, even if they return to Moldova, their human capital has depreciated (Borodak, 2006).

1. Unfortunately, data on how many Ghanaian nurses are employed in the NHS and outside the NHS could not be obtained.

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Table 5.5. **Brain Drain of Health Workers, Ghana 1999-2004**

Main cadres	1999	2000	2001	2002	2003	2004	**Total**
Doctors	72	52	62	105	117	40	**448**
Pharmacists	49	24	58	84	95	30	**340**
Allied health workers	9	16	14	12	10	8	**69**
Nurses/midwives	215	207	235	246	252	82	**1 237**

Source: Quartey (2006).

StatLink http://dx.doi.org/10.1787/132232345825

Similarly, a large proportion of emigrants from Bulgaria are believed to be highly skilled, fuelling alarm in Bulgaria about the loss of development potential. However, much of the evidence in support of this view is impressionistic, indirect and piecemeal. Between 1989 and 1992, some 60 000 scientists and specialists left the country. Moreover, Bulgarian students are among the largest Southern and Eastern European student populations in many European countries. While employment in the Bulgarian science sector fell by almost 50 per cent between 1990 and 1992, only about 10 per cent of the scientists who left their jobs also left the country. Similarly, large losses of academic personnel during 1985-99 tell a mixed tale: while the number of academic employees without an advanced degree decreased, the number of academics with a masters or doctoral degree increased substantially; it is unclear how many of those who left the sector emigrated (versus seeking opportunities in another sector).

Indeed, World Bank data suggest that despite the reductions in staffing levels for scientists and researchers, there is no dearth of professionals and specialists in Bulgaria, at least compared to other Balkan countries. The number of scientists and researchers among Bulgaria's working-age population still remains high, especially given the country's level of economic development. The witnessed reductions in the number of these workers only serve to bring the numbers of technicians to a more realistic and sustainable level, in line with other, frequently much wealthier, countries in the area.

Nevertheless, brain drain has had particularly severe regional consequences. Emigration from ethnically mixed regions involved the most active and qualified segment of the population; i.e. those who had lost their privileged social status during the transition years of the 1990s. Turkish statistics show that the community of the Bulgarian Turks lost about 9 000 university graduates to emigration during the early 1990s (Markova, 2006).

Turning to Poland, high-skill emigration in the 1980s constituted approximately one-fourth of university graduates. This situation has changed during the transition period. In particular, the share of low-skilled emigrants in total emigration from Poland has been increasing. These trends vary importantly in different parts of the country. As is the case in many countries, high-skilled migration affects urban centres disproportionately. The quantitatively larger emigration from peripheral regions is dominated by individuals with at most a secondary education. As appears to have been the case for Bulgaria, the sizeable reduction in scientific employment in Poland was due more to an "internal brain drain" than to emigration. Scientists took up

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better career opportunities within Poland but outside the scientific sector. Moreover, even among scientists who emigrated, only 51 per cent continued working in the field when abroad. In some sense, then, it is more accurate to say that Polish scientific capacity has been lost rather than transferred abroad (Okólski, 2006). At the same time, the dynamic growth of employment prospects in the burgeoning private university sector has improved the material status and the prestige of scientists.

Arguably, the biggest threat comes from the de-skilling of highly skilled Poles in the labour markets of Western Europe. In the United Kingdom, one of the handful of EU countries that opened their labour markets to new EU members, a majority (80-90 per cent) of the approximately 200 000 Poles are hired in posts that require no professional qualifications. Other sources state that the share of Poles in the United Kingdom holding university degrees exceeds 25 per cent. The phenomenon of de-skilling has been frequently observed in transition countries whereas brain drain is a phenomenon which has affected sub-Saharan Africa in particular.

Social Effects of Emigration

The social effects of migration have received less attention than its economic effects. We focus on social, demographic and political effects of emigration, including the exacerbation of regional inequalities. Whether these social effects are good or bad for sending countries is ambiguous *a priori*, in particular because some regions or sectors of the home country – or indeed, some members of the migrant's household – benefit, while other regions or household members do not.

Regional Effects

Migrants tend to come from specific villages, towns or regions within a country. An important question is whether the effects of their emigration are diffused to the rest of the country. When regional markets are poorly integrated, internal migration may not fill the gaps created by the departure of labour abroad. Differences in dialect, language or ethnicity as well as differences in occupational structures between regions may further discourage internal mobility and raise barriers to job entry. The high costs of relocating one's home may also prove prohibitive.

Social and Political Effects

The social effects for different types of migration and for different stages of the migration cycle vary substantially. For instance, when family members leave their decision has important consequences for family roles. At later stages of the migration cycle, the impact changes: family reunification may take place in the destination country or new members of the family may have the chance to migrate independently. The social effects of migration consist of changes in family composition, in gender roles, child outcomes (in terms of labour force participation, health and education), cultural effects and issues related to crime.

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Effects on Children and Schooling

Two main effects on outcomes for children merit attention. First, migrants' remittances increase household income, which may encourage families to keep children in school and out of the labour force longer, thus raising educational attainment. Moreover, migration of family members can lead adolescents to consider migration as their ultimate goal: they may consequently pursue further education in order to increase their migration prospects. Migration also alters family composition and roles within the family, which may have adverse effects on educational success for children in migrants' households. Children in migrants' families often grow up in single-parent families – or with no parents – and are confronted with problems of family stress and disintegration.

The absence of migrant parents may mean that their children are supervised less systematically, leading to lower attendance and success at school. For example, in Bulgaria, the number of children in pre-schools decreased by 31.7 per cent between 1990/91 and 2005/2006; the number of children enrolled in primary, secondary and high-school institutions has dropped by 20.1 per cent, 53.4 per cent and 6.2 per cent respectively, in part because of high dropout rates among children of migrant parents. A study of access to education in Bulgaria found that joining family members working as seasonal short- or longer-term migrants abroad was the most frequently cited reason for dropping out of school. Teachers also report more discipline-related problems with children left in Bulgaria, often in the care of grandmothers or aunts (Markova, 2006). Similar negative effects on children's propensity to stay in school are observed in Moldova; there, the effects are reportedly worse when the migrant is the children's mother (Borodak, 2006).

Gender and Family Roles

See Katseli *et al.* (2006) for a full guide to the literature on which this section is based.

Gender matters in migration decision making, but it overlaps with other factors. The way the family operates after the initial departure of some of its members will have an impact on future migration moves and the allocation and use of remittances. Some studies suggest that it is not only gender that matters but also women's position within the household, and the household's position in the larger society. Thus poorer households are more likely to send young women to the city as seasonal migrants. Daughters are more likely to remit, according to some studies. Women may be less eager to return home than men because they fear that upon return they will lose new freedoms acquired in the destination country.

For women whose husbands migrate, outcomes are mixed and depend on cultural practices and informal institutions, the flexibility of gender roles and family organisation. If men's migration can empower women by increasing their physical and financial independence and by enhancing their status in the community, these positive effects are countered by difficulties in accessing the labour market and in earning a living. In successful cases, women can become drivers of change in family

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relations and structure. The empowering of women also influences the way remittances are spent back home. Moreover, by modifying the traditional gender roles in the family, migration may also have an impact on community activities and operations depending on women's role and participation.

Corruption and Crime

Migration can give rise to or exacerbate problems of corruption, crime and violence. Perhaps the most alarming form of migration-related crime is that of human trafficking, a topic essentially beyond the scope of this study's focus on economic migrants. The practices of human smugglers of economic migrants – known as "coyotes" along the US-Mexican border, for example — is not always dissimilar from other forms of trafficking, however.

Forms of private extortion and public corruption differ from the activities of the coyotes in degree, not in kind. For example, in Moldova, corruption is a legacy of the Soviet era, common at all administrative and institutional levels. Low income levels, combined with massive inflows of remittances, to aggravate corruption and fuel the demand for bribes. Fraud is common among migrants, who do not declare income earned abroad, thereby avoiding the payment of income tax and contributions to the social-security system (Borodak, 2006).

Migration corridors become the scene of a transnationalisation of violent crime, as the example of Central American migration in Mexico attests. Inhabitants of Mexico's southern border region are threatened by a series of crimes related to illegal migration: traffic of drugs and arms, gang activities and prostitution. The Mexico City newspaper *El Universal* wrote in 2004 that "in the Mexico-Guatemala border there are at least 200 gangs, with around 3 000 members from Mexico and Central America" with activities including theft, murder and traffic of drugs. The Mara Salvatrucha gangs have become the most notorious of these criminal organisations Freije (2006).

Box 5.1. **Transnational Crime: the Mara Salvatrucha Gangs**

The Mara Salvatrucha gangs arose in the 1970s in Los Angeles, California, founded by Central American immigrants, mainly from El Salvador. (The name "Mara Salvatrucha" is a portmanteau term that simultaneously refers to staying alert, being from El Salvador and being a sort of predatory pest.) The gangs' members range from 11 to 35 years of age and tend to come from dysfunctional families with a background of poverty, exclusion and violence. The gangs are known for different violent crimes such as robbery, rape, traffic of drugs, extortion, racketeering, satanic initiations, migrant smuggling and murder. Most notably, the Mara Salvatrucha gangs differ from neighbourhood gangs in that they have become truly transnational: police in major cities and border areas of the United States, Mexico, Guatemala, El Salvador, Honduras and Nicaragua are aware of the gangs' activities and struggling with greater or lesser effectiveness to combat them.

Source: Freije (2006).

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Chapter 6

Remittances and the Reduction of Vulnerability

Summary

Migrant remittances were estimated at $232 billion in 2005, 72 per cent going to developing countries. Although data are incomplete and not wholly reliable, these sums exceed official development assistance, foreign direct investment and private debt flows. Remittances affect household livelihoods and national economies alike. Evidence suggests that they can reduce the depth of poverty, although they can increase inequality. In practice, the low skilled remit more than their higher-skilled compatriots, although this is also a function of length of stay abroad and whether family accompanies the migrant. Remittances are often used for consumption purposes rather than investment, although such expenditures (e.g. for health care or schooling) should rightly be seen as productive in many settings. Remittances, both formal and informal, are of major benefit to non-migrants as well as migrants' families, as they can have a multiplier effect on the community.

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Much of the enthusiasm surrounding migration as a pro-development phenomenon derives not from the labour market issues emphasised in the preceding chapters, but rather from the impact of remittances, the transfer of money and savings by migrants back home. The growth of remittances is a striking feature of the consolidation stage of the migration cycle described in Chapter 3: migrants have established themselves in receiving country labour markets and begin to channel savings to their home country.

Indeed, remittance volumes are large, stable and growing over time. Money sent home by migrants worldwide increased from $102 billion in 1995 to an estimated $232 billion in 2005. The share of global remittances going to developing countries has also increased, from 57 per cent in 1995 ($58 billion) to 72 per cent in 2005 ($167 billion). While these figures should be interpreted with great caution because of the uneven quality of the data, the approximate magnitudes are in excess of other notable flows from OECD countries to the developing world such as official development assistance (ODA), foreign direct investment (FDI) and private debt flows[1].

These sizeable volumes have led analysts to attribute huge potential global income gains even to small increases in international migration. For example, simulations by the World Bank (Walmsley and Winters, 2003) indicate that a 3 per cent expansion in international migration could add more to world incomes than complete liberalisation of all trade. In this process, migrants are the big winners. The earnings gaps between countries are so large, even for comparable workers, that migrants can make very major income gains. While increasing commercialisation of both legal and irregular migration has meant that middlemen might now appropriate part of these rents from migration, the net gains to migrants nonetheless remain large.

Remittances are the key mechanism through which migrants transfer part of these net gains to those remaining at home. Indeed, this probably represents the dominant route through which non-migrants benefit from the migration process. In broad terms, remittances comprise money transfers from abroad, gifts in kind sent by migrants, and both money and gifts brought home by returning migrants. Most of the attention falls on the first of these, though the other components can be quite large too. The channels through which money is transferred from abroad are commonly divided into the formal and the informal. The formal mechanisms encompass such intermediaries as Western Union but also some commercial banks and other similar institutions. The informal channels refer to such networks as the *hawala* system in the Middle East and Asia or the *hundi* system on the Indian subcontinent. The informal channels are generally much cheaper than the formal channels and can deliver money quickly to rural and remote areas.

There are two dimensions of remittances to consider: the *micro* dimension, or what remittances mean to the households that receive them; and the macro dimension, which explores the consequences of remittance flows for national economies. What might be called the *meso* dimension, the impact of remittances on communities and regions will be addressed in the discussion of diaspora networks in Chapter 7.

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The Effects of Remittances on Poverty

Are poor families the beneficiaries of significant remittance receipts? This depends on whether members of poorer families migrate abroad and how much overseas migrants from poor families remit. Both components depend in turn upon the nature of the migration regime.

A handful of studies of migration experiences in low and middle-income countries provide some useful information about the poverty-alleviation impact of remittances. A Guatemalan study based on data from 2000 suggests that remittances reduce poverty, although the effect is small: the headcount poverty rate is reduced by at most 1.8 percentage points – the difference between 58.0 and 56.2 (Adams, 2005)[2]. Despite this small impact on poverty *incidence*, the reduction in the depth and severity of poverty is more substantial, because remittances represent a larger *share* of total income for poorer families. In other words, many remittance-receiving households remain below the poverty line, but their incomes are much closer to that threshold than they would be otherwise. A database compiled by the International Organization for Migration (IOM) in 2004 provides a more current description of remittances in Guatemala. The country received $2 604 million in 2004, distributed among 3.4 million individuals grouped into 774 000 families. These figures imply an average transfer of $280 per month per beneficiary family, well above the minimum wage (around $180). These transfers represent a substantial percentage of total family incomes (IOM, 2005). Consequently the poverty-alleviation effects of transfers are significant and increasing in Guatemala.

Evidence from Ghana demonstrates that remittances significantly increase household welfare; a 1 per cent increase in remittances leads to 0.26 per cent increase in household welfare (Quartey, 2006)[3]. The Ghanaian study also illustrates that remittances are one among several mechanisms for coping with economic shocks to household well-being.

A mid-1990s study of the migration-prone Kayes region of Mali (Gubert and Raffinot (2006) found that Malians working in France remitted on average 1 180 euros during 1996. Emigrants in other host countries remitted less: Malians in Gabon sent on average 175 euros, those residing in other Central African countries 102 euros and those residing in West Africa less than 46 euros. Transfers accounted for 51 per cent of the total income of families of which at least one member migrated abroad. Perhaps more interesting is the fact that remittances constituted 16 per cent of total income for families with no migrant abroad, thereby showing that remittances are not only sent to families but also to friends, neighbours or more distant relatives. The annual income per person in families with an international migrant or migrants was nearly 1.6 times higher than that of households without migrants.

Remittances to Albanian households represent some 13 per cent of total income: 14 per cent for non-poor and 8 per cent for poor households. Remittances constitute a larger share of income for urban residents (16 per cent) than for rural dwellers (11 per cent). The magnitude of remittances for Albanian households is sufficiently large that receiving households have above-average consumption levels and below-average poverty incidence, even though they tend to have lower education levels (which is otherwise associated with lower consumption and higher poverty) (Markova, 2006*a*).

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Certainly, the impact of remittances is heterogeneous across economies. While the evidence in favour of their poverty-reduction impact is reasonably robust, that impact is often highly localised in "migration corridors", sub-regions of a national economy, and may be difficult to detect at the national level. Furthermore, different modes of remittance behaviour give rise to different economic impacts. Individual-to-family transfers often function as part of traditional solidarity networks (see Sall in OECD, 2005); these may serve an insurance role. Individual-to-family transfers to finance investments (housing, trade, small enterprises or services) could have a more easily discerned effect on economic activity back home. Individual transfers for collective investments in local infrastructure are arguably highly efficient but substantially less common than other transfer modes.

Determinants of Remittances

How much a migrant remits depends in part on the duration of his or her absence, although the evidence is mixed on whether remittances rise or fall with a longer stay abroad. (See, for example, the review in Glytsos, 2001.) This ambiguity probably stems from the counteracting influence of two effects. The earnings of migrants generally rise with time spent in the host country, so that longer-term migrants can better afford to send more money home (in absolute terms, if not as a proportion of the migrant's income). On the other hand, over time absence may diminish commitment to those left behind.

One unambiguous finding is that migrants who have left their immediate family behind remit far more than when the family accompanies them. In this sense, migrants' intention to return to their family is a key factor in motivating high savings and remittances. This intention may be in turn correlated with the skill level of the migrant. Indeed, migration by lower-skill workers draws upon the poorer portions of the population. Where these migrants intend to return home, and particularly when their immediate families are left behind, remittances can be very high. Thus, remittances per migrant in the Persian Gulf – where migrants are low-skilled and unaccompanied by family members – are by far the highest from any part of the world (see Figure 6.1). Bulgarian seasonal migrants and those with undocumented status, that is, those with the most tenuous ties to the host country, remit larger amounts and more frequently. For example, Bulgarian immigrants in Spain with legal entitlement to stay and work remit almost 1 220 euros less per year than those without this entitlement (Markova, 2006*b*). In contrast, highly skilled workers who settle permanently abroad with their families commonly remit less to the home country. Whether the remittances of highly skilled migrants from the poorest countries – such as African nurses – adequately compensate for the brain drain is the subject of vigorous debate.

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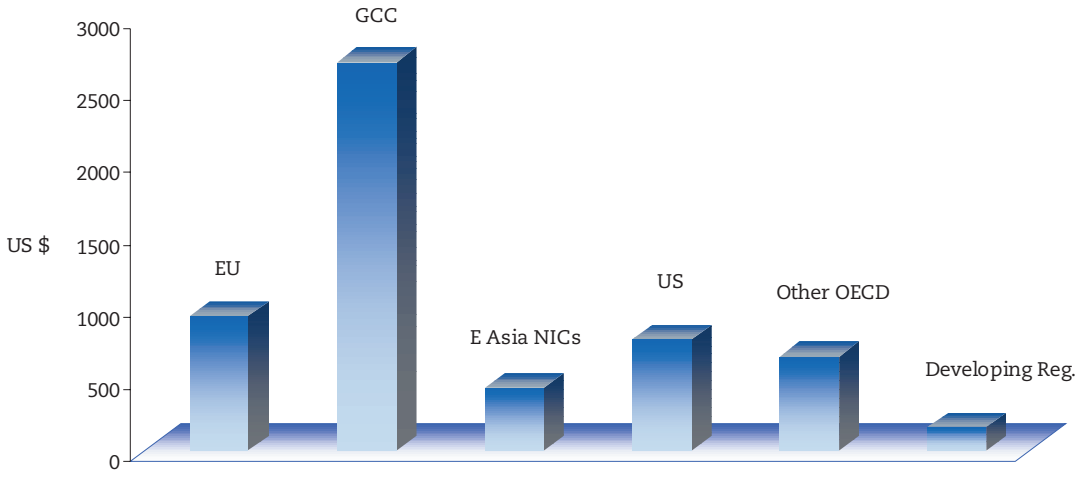
Figure 6.1. **Reported Remittances Sent Per Migrant by Region (2000)**



Note: GCC: Gulf Co-operation Council States.
Source: IMF (2005) and UN (2005).

StatLink http://dx.doi.org/10.1787/131727518037

Effects of Remittances on Inequality

Given the complicated interaction of skill levels, earnings and the incentive to remit, it is not surprising that the effects of remittances on income inequality can be positive or negative[4]. Despite different impacts on income inequality, there is broad agreement that remittances reduce absolute, if not relative, poverty. Although the poorest segments of society may not receive overseas remittances, at least some members of poor families are recipients of remittances in most contexts where emigration is substantial[5]. Indeed, since remittances are an addition to an economy's income levels, they could only deepen absolute poverty if inequality were sharply increased in the process.

Uses of Remittances

Remittances play a key role in supplementing incomes of migrants' families left at home, offering means to pay for the education of children, to afford better health care and to offer a safety net for the family in times of crisis. In the process, remittances fairly uniformly provide a key element in poverty alleviation.

A distinction that is not explored at length in this discussion is between the effect of remittances as extra income only and the effect of remittances *per se*. That is, much of the analysis reviewed in this chapter seeks to understand how migrants' families spend extra income. That income could come from migrants in the form of remittances, or it might come from other sources (the local labour market, the local market for crop output, social assistance programmes, etc.); the implicit assumption is that any extra income would be put to the same use. An interesting question is whether remittances might be used differently from other types of income. Reality might be even more complicated: research in Mexico by Boucher *et al.* (2005) for example, shows that remittances from different sources have different effects. When (mostly highly skilled) workers in Mexico City remit to their families, those resources are more likely to be used to finance education than when (mostly unskilled) workers in the United States remit. The authors interpret these different effects as "signals" sent along with remittances about the value of schooling.

Whether the income gains from remittances are consumed, invested or used to spend less time in the paid labour force at home, each of these is a benefit to the recipient family. Even if all of these uses constitute a welfare gain to recipients, there are good reasons to look closely at how families use remittances. One reason has to do with the distribution of benefits within the family. Are most of the benefits consumed by the men or by adults more generally at home, or do children benefit through spending on their education and health? Another reason has to do with the impacts beyond the family: is the additional income from remittances spent on items that have multiplier effects on spending by others in the local economy? If remittances finance investments they may benefit others by generating jobs. If remittance-receiving households withdraw from the labour force or work less, then wages might rise, hurting employers and benefiting other workers.

Evidence from Moldova shows that in three-quarters of remittance-receiving households, over 20 per cent of total remittances are devoted to everyday consumption. Nearly one quarter of households used a share of remittances to pay off debts. Studies on local development in Moldova provide indirect indications that Moldovans invest remittances locally (Borodak, 2006).

A survey of remittance-receiving households in Accra, Ghana, finds that 51.8 per cent used remittances for consumption purposes (including living expenses, but also high-cost ceremonial expenses such as funerals) while about 44 per cent of the sample indicated that the funds are for investment purposes (Quartey, 2006). This spending has spin-off effects on businesses involved in housing, funeral ceremonies and other social functions.

Albanian recipient households use remittances to purchase food and basic necessities (33 per cent), followed by investments and the purchase of durable goods (12 per cent) and for medical expenses (9 per cent). The average amount of remittances received is about $670 per year. This amount is higher for households in rural areas, and increases with the migrants' distance from home. Remittances are significantly higher when sent specifically to fund investment (e.g. small business or house renovation) or to purchase durable goods. While some remittance-receiving farming households tend to divert resources and efforts away from agriculture, evidence from the Korce region shows that in rural areas migrant transfers are also used for investment in agriculture, which may increase productivity in this sector (Markova, 2006*a*).

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A further potential benefit to the family is that these transfers act as a form of insurance. When the family left at home hits hard times for some reason beyond its control, a member who has migrated to a setting where his or her livelihood remains intact can transfer support home in the form of remittances. This arrangement may also offer the migrant some initial insurance in return, with support (remittances) going in the opposite direction to support the migrant's relocation and establishment abroad, for example.

If the volume of flows is a function of the average skill levels of migrants and of the duration of a migrant's stay then remittance volumes are partly determined by OECD-country migration policies, particularly policies governing admission. We will return to the consequences of these findings for policy makers in Chapter 10.

The Macro Dimension of Remittances: How Large?

As already noted, remittance flows to low- and middle-income countries rival those of official development assistance and foreign direct investment. Consider the example of a handful of remittance-receiving countries. The Bank of Albania estimated remittance flows to Albania of approximately $1 billion in 2004: 13.5 per cent of GDP, three times the amount of net foreign direct investment and twice that of official development assistance in the same year (Markova, 2006*a*). In Poland, remittances arising from seasonal employment abroad totalled some 300 to 400 million euros annually early in the new millennium, an amount comparable to FDI in Poland. According to the argument developed earlier in this chapter, one would expect Polish seasonal migrants to be model remitters – their migration spells are short and marked by intensive work, and families are left behind; migrants keep personal expenditure under 15 per cent of total spending (Okólski, 2006). In the West African context, data from the Central Bank of Ghana, for instance, show that private inward remittances through official channels amounted to about $1.4 billion in 2002 (up from $31 million in 1999) as compared to export earnings of just under $2 billion.

Such official figures may substantially understate the magnitude of these flows. It is common for central banks and national statistical offices to apply a rule of thumb – if only informally – that officially registered remittance flows capture half of the total amount. An analysis of remittances received in Mali suggests that this rule of thumb may err on the conservative side. Recent studies (Rouchy and Gourvez, 2004) suggest that 50 billion CFA francs are sent annually between France and Mali via Malian banks in France[6]. Moreover, an estimated 10 billion CFA francs (15.2 million euros) are sent via the post, Western Union and other French banks and fully 60 billion CFA francs – 91.5 million euros – are sent annually through informal channels. This amount is nearly five times higher than the amount of remittances reported by the regional central bank in 2004. Another study (Blion and Verrière, 1998) of 200 Malian and Senegalese migrants showed that the average amount of remittances sent home in 1996 was 1 400 euros. The two most popular channels of transmissions between France and Mali are informal intermediates and the post.

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Multiplier Effects

Remittance inflows benefit the wider community and not just those families directly receiving transfers. The spending of remittances may generate income for those providing the goods and services purchased (e.g. when remittance-financed house construction in a village increases income for local carpenters, builders, suppliers of materials, etc.), and they in turn spend this income, setting off a chain reaction: this is what economists call "multiplier effects".

For additional domestic spending to result in added domestic production requires either idle capacity or fresh inputs to enable this production. Where production is effectively constrained by production capacity, additional spending is more likely to result in either rising prices or spending on imports (see, for example, Handoussa, 1991, on imports and remittances to Egypt). Another complication arises because migrants tend to originate from specific places and regions and not others. Local spending in this area may not have much impact on other areas if the multiplier linkages remain largely local, which depends upon the extent of trade in goods and services beyond the specific community. Evidence from many countries (among them Bangladesh, Mexico, Egypt and Greece) suggests that multiplier effects triggered by remittance spending, particularly from housing construction, are large[7]. A detailed attempt to trace remittance spending chains within Ghana found paths of spending out of initial remittances from the Netherlands stretching across many Ghanaian regions, encompassing goods and services in both urban and rural settings (Mazzucato, 2005).

Education, improved health and construction are all forms of investment in their own right. In addition, however, there is evidence that in some contexts other forms of investment are financed or encouraged by remittances. These investments may also provide employment for others. A study of seven Mediterranean countries found that investment rises with remittances in six of the countries; in four, investment rises by more than the initial amount remitted (Glytsos, 2002).

A qualitative study on the effects of seasonal migration on Bulgaria confirms the use of remittances for consumption and the purchase of houses and flats. This pattern of spending has boosted the real estate market, pushing prices up; this is evidence that expansion capacity is constrained in the sector, at least in the short term. In a survey of Bulgarian households with migrant members, few respondents expressed any interest in buying land; the explanation offered is the underdeveloped land market, widespread informality and unclear property rights. It was also found that every fifth household receiving transfers from abroad was involved in some kind of entrepreneurial activities, while this was true for only one in ten households not receiving remittances (Markova, 2006*b*).

Inadequate physical and institutional infrastructure discourages families from using remittances to finance private investments (as in the case of the Bulgarian land market). The East Flores region in eastern Indonesia, for example, receives substantial remittances from migrants working with irregular status in Malaysia. The lack of physical infrastructure, and transport facilities in particular, limit private investment options in this peripheral region (Hugo, 2005). Typically, remittances are not directly invested in infrastructure. This is hardly surprising: the public return to infrastructure investments often exceeds the return to the private investor. Nonetheless there are exceptions, some of which will be explored in Chapter 7.

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"Dutch Disease"

Remittances bring not only additional income but also an infusion of foreign exchange (e.g. euros, dollars, pounds sterling) into the economy, which may prove a mixed blessing. On the one hand, where imports are high relative to foreign exchange reserves, or for heavily indebted nations, any addition to foreign exchange availability is valuable. In such instances, foreign exchange provided by remittances can finance needed imports and investments, thereby raising production. In a context of limited debt finance and (until very recently) declining aid, remittances have indeed become a key source of foreign exchange.

There is a downside to foreign exchange inflows, however. *First*, remittances may lead to inflationary pressures by increasing the money supply. To some extent this can be offset by the central bank of the receiving country; however, in practice, there appears to be little clear indication of instances in which remittances have led to rapid inflation although some authors (Looney, 1990) argue that remittances fuelled inflation in some Arab countries in the 1980s.

Second, remittances can keep the exchange rate high, discouraging exports and import-competing industries (and hence employment). This is the so-called "Dutch disease" effect of remittances. As with any inflow of foreign exchange, whether from oil earnings, capital inflow, aid or remittances, there is a potential to overvalue the exchange rate. The case of remittance inflows differs from the classic Dutch disease problem in which foreign exchange is generated by an activity that generates little employment. Emigration and remittances have resulted in foreign exchange inflows while providing an important source of employment – for migrants overseas even if not always in the home economy.

An IMF study argues that remittances do not adversely affect competitiveness in receiving countries (Rajan and Subramanian, 2005)[8]. Two explanations are offered. *First*, remittances are spent differently from other inflows, and may not increase the demand for scarce resources as much as aid or other inflows, and may concurrently contribute to their supply. *Second*, the IMF argues, migrants do not send remittances if the exchange rate is overvalued. Not only is the real value of the remittance diminished if the recipient country has an overvalued exchange rate, but migrants may find it better under these circumstances to send goods, especially if the overvalued exchange rate is accompanied by exchange restrictions.

Formal and Informal Channels: Consequences for Economic Performance

Remittance-receiving countries must create favourable conditions if an increasing share of migrant transfers is to be converted into productive investment. In part, this depends on channelling a greater share of remittances through formal means (such as the national banking system). This can present an opportunity for banks in the migrant-receiving country. For example, the rise in the number of Bulgarians legally residing in Greece following the Greek regularisation programme of 1998 may explain the growing presence of Greek bank branches in Bulgaria in recent years. The five Greek banks[9] currently have a market share of 25 to 30 per cent in Bulgaria. Since the

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beginning of the 1990s, increased transactions and rising demand for financial services, prompted to a large degree by the increased presence of immigrants, has facilitated remittances. Legal immigrants are the main users of the banking system for transferring their money home (Markova, 2006*b*).

Using the banking system would have the additional effect of contributing to financial deepening in remittance-receiving countries. Recipients of remittances are offered various other banking services to encourage them to invest and save. Legal migrants are more likely to use legal channels for remitting than irregular migrants, given that the latter face difficulties in opening bank accounts in most countries and may more generally fear being detected; therefore, reducing the share of the undocumented among migrants would contribute to greater use of formal banking channels for remittances.

In Ghana, prior to the liberalisation of the financial sector, the informal financial sector was the major means through which remittances were transferred. While transaction costs are still reported to be higher in the formal sector, financial sector liberalisation is bringing the costs of money transfer down, thus making the informal sector less attractive to migrants (Quartey, 2006).

Transfer Costs

The Ghanaian example illustrates the importance of relative costs in migrants' decision making about how to send money home. Competition among service providers has led to a dramatic reduction of these costs from the United States to Mexico and other Latin American countries; research by the Pew Hispanic Center shows that the cost of transferring $200 to Mexico has fallen from $26 in 2000 to $14.60 in 2004 (cited in Santiso, 2006). Nevertheless the cost of transferring money remains extremely high for migrants in many OECD countries, varying between 5 and 15 per cent of the amount transferred, and there are significant differences across countries. For example, the cost of remittances between Europe and West Africa is ten times higher than between the United States and the Philippines. Lowering the cost of transfers through formal channels should become a top policy priority for OECD and developing countries alike.

An additional element of the cost – and one where the informal sector still holds the advantage in many settings – has to do with the ability of receiving households to access the transfer. Where bank branches and other financial services are not available in the rural and remote areas where migrants want to send their money, no amount of fee reduction will encourage them to transfer their savings through official channels.

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Notes

1. World Bank (2005); Lucas (2005); UN Factsheet (2006). For a systematic overview of remittances in the sub-Saharan African context, refer to Gubert in OECD (2005). Perhaps the most exhaustive analysis of the impact of remittances is Fajnzylber and López (2007), a study of Latin America.
2. Adams's database may not be representative of households with a migrant family member in Guatemala; furthermore, remittances have grown more than fourfold since 2000 and thus the characteristics of beneficiaries may have changed. See the references to the IOM dataset that follow.
3. Results are based on a regression analysis of the two most recent waves of the Ghana Living Standards Survey (GLSS).
4. Some, but by no means all of the differences across such studies arise because of differences in defining income classes. Whether income is measured including or excluding the remittance incomes and whether estimates of pre-migration incomes of migrants are included in family incomes affect the findings. Even with this caveat in mind, it appears that whether a greater portion of remittance income is received by richer or poorer families genuinely varies from place to place.
5. See the review paper by Katseli *et al.* (2006) for references to the literature. Each of the studies cited concludes that remittances diminish the incidence of poverty, and in some cases by substantial amounts. Adams (2006) provides another significant overview.
6. Four such banks are considered: Banque Internationale du Mali, Banque de l'Habitat du Mali, Banque de Développement du Mali and Bank of Africa.
7. For further details on the literature, and particularly on the treatment of capacity constraints in various studies, refer to the critical literature review by Katseli *et al.* (2006).
8. This study seeks to contrast the effects of aid and remittance inflows, claiming that only the former causes a Dutch-disease problem, in part because migrant families spend more efficiently than aid-receiving governments. Cogneau and Lambert (2006) argue that the results should be interpreted in another way: namely, that countries that receive a lot of aid are also those that specialise in natural-resource exploitation rather than in labour-intensive sectors, while remittances tend to flow to countries that specialise in labour-intensive sectors. Moreover, they warn, the IMF results are based on a very small sample.
9. The National Bank of Greece (which owns 99.9 per cent of the United Bulgarian Bank), EFG-Eurobank (affiliated with Postbank), Alpha Bank, Piraeus Bank and Emporiki Bank.

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Chapter 7

Diaspora Networks

Summary

Diaspora networks consist of groups of individuals engaged in the economies and societies of both their destination and their source countries. They can be formal or informal in nature. Members of diaspora networks often have a comparative advantage in the provision of many goods and services over the native born in destination countries and their compatriots who have remained back home: diaspora networks, for example, can profitably forge trade and investment links between their home and host countries and can help new migrants adapt and use local services. Generally, the return of diaspora members to their home country – or their enhanced engagement, even if they remain abroad – is recognised as a source of human capital that can benefit a developing country. Hometown associations can contribute to the community by investing in the infrastructure of their community of origin. Co-development initiatives seek to integrate the specialised knowledge of diasporas, virtually or physically, back into the source country.

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The diaspora networks which characterise the networking stage of the migration life cycle include social networks ranging from formally constituted groups (such as hometown associations) to amorphous networks of co-ethnics in OECD countries. Such groups include migrants, whether they have retained their original citizenship or adopted the citizenship of their new country They can include second, third and subsequent generations as well[1].

A critical feature of this kind of network is that they are meaningfully represented among migrant communities in OECD countries but also meaningfully engaged in some way in their countries of origin. Links to the home country may be unorganised and sporadic (e.g.communication or travel), or may be commercial (trade and investment links running in either or both directions); they may also be formally organised to foster development (as in the case of many hometown networks). Sociologists refer to this phenomenon as "transnationalism"(de Haas, 2006; Rindoks *et al.*, 2006).

As many migrant-sending countries move solidly into the networking stage, policy makers in OECD and developing countries seek to understand better how such transnational communities can be encouraged to facilitate migration management and aid the development of their home countries. Among the recommendations of the Global Commission on International Migration is that "diasporas should be encouraged to promote development by saving and investing in their countries of origin and participating in transnational knowledge networks." (CGIM point 10, cited in de Haas, 2006). What are the issues associated with mobilising diasporas for such an undertaking? Diaspora networks have some distinctive social characteristics, notably their access to information. How do diaspora networks deploy these informational assets in international trade, investment and in social integration in OECD countries? Policy makers are attempting to mobilise these networks, first to encourage migrants to return home, and more recently to act jointly to implement development co-operation policies under the guise of "co-development".

What Can Diaspora Networks Offer?[2]

In general, diaspora networks can contribute the information advantages and social mechanisms at their disposal. The first information advantage is the flow of information among various parties. Network members know about the business opportunities in their host countries that might interest counterparts in their home countries, and vice versa. Two examples demonstrate how Koreans in the United States used their inside knowledge of US markets to improve the focus of Korean exports: first, Korean migrants apparently informed wig manufacturers in their home country about new trends so that the Korean wigs could be adapted to changing styles; later, Korean-Americans helped open markets in the United States for Korean automobile, electronics and other industries (cited in Rindoks *et al.*, 2006).

Diaspora networks also know things about host-country labour-market conditions or ways of accessing social services that can help newcomers to the network (that is, newly-arrived migrants). For example, 60 per cent of Moldovan migrants claim to have had a job lined up before they emigrated, based precisely on existing networks (Borodak, 2006). These information flows are not limited to transmitting labour-market information.

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Diasporas as Providers of Social and Economic Integration

Could intermediaries in diaspora networks better disseminate information between service providers and immigrants with genuine service needs? In the area of public health, researchers in the United Kingdom show that immigrants have low take-up rates of preventative measures such as screening and immunisation, and that uncertain immigration status is one of the main reasons why migrants do not access primary health care. Often immigrants' command of English is insufficient to navigate among service providers, and foreign-language competency of medical workers is too weak to meet them halfway. For their part, medical practitioners equally are unclear as to who is entitled to which service while those outside metropolitan areas may lack the cultural competency to provide appropriate care (Spencer and Cooper, 2006).

Diaspora networks can also have an asymmetric informational advantage over other actors. Network members know more about their members than outsiders, and this information would be genuinely valuable in a credit or insurance market. Diaspora networks can judge who among them is in need of material assistance, even if their members may not have easy access to formal insurance contracts (or publicly provided social assistance). Similarly, networks can assess whether a given immigrant is a good credit risk, though he or she may have no collateral of any value to present to a formal bank in the host economy. Indeed, a frequently cited benefit of ethnic (social) networks is access to the financial capital they provide. Rotating credit associations, for example, often perceived as divided along ethnic or national lines, allow members access to capital for businesses through informal channels; members pool their resources in order that each can raise money for small business operations (Rindoks *et al.*, 2006).

A third asset of diaspora networks, also related to asymmetric information, is their access to means of contract enforcement not usually available to those outside the network. These may range from social norms of co-operative behaviour within the network (there is shame attached to a breach of contract with a fellow network member, but not with an outsider) to social sanctions, costly actions taken by network members to punish rule-breakers in their midst (the most draconian of which is expulsion).

These characteristics of diaspora networks allow them, in principle, to provide services to their members that other members of society access directly from the public sector (e.g. information about the health-care system) or from markets (e.g. a business loan). The potential of diasporas as a policy lever is that they can bridge gaps not filled by the public sector or markets. It remains an open question whether a more efficient solution would be to address the market failures directly.

Trade and Investment Links

As the networking stage progresses and information flows through diaspora networks, migration increasingly promotes trade. Migrants may serve as trade intermediaries and facilitators because of their knowledge of opportunities and potential markets, their access to distribution channels and their contacts and language. Membership in networks (which may not be primarily economic in nature,

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as in the case of religious brotherhoods) may play an important part in contract enforcement, given the importance of reputation to network members. Access to information and knowledge not available outside the diaspora about market and trade opportunities, contract enforcement and intra-country trading networks[3] suggest that migration may actually have an impact both on exports and imports between migrants' home and host countries.

Immigrants also have a preference for home-produced goods, because of habit or homesickness. If the products they used to consume at home are not available in the host country, then imports from the home country may increase to serve this demand. Several studies have demonstrated a strong link between trade and migration, in part because of these factors (Xenogiani, 2006), even though such a channel is one-way and only affects imports, not exports.

For migrants to act as trade intermediaries, the intent to return home is critical: their knowledge of trade and investment opportunities at home, their ability to enforce contracts through personal contacts at home and their specific knowledge about conditions at home must be kept alive and current because they diminish the longer they are away.

Box 7.1 details a remarkable case of diaspora trade and investment networks, that of the Indian diaspora's role in the international diamond trade.

Box 7.1. **Diasporas and Diamonds: How India became the World's Leading Diamond Cutting and Polishing Centre**

The role of the Indian diaspora in the global diamond trade is an example of many of the themes of this chapter, notably the development of transnational trade and investment networks.

India has recently emerged as the leader in the world diamond industry. In 2005 India's $11.9 billion exports of cut and polished diamonds (about 12 per cent of the country's total exports) accounted for 55 per cent of world net exports of cut and polished diamonds in value terms, 90 per cent in terms of pieces and 80 per cent by caratage, making India the largest exporter of cut and polished diamonds (in terms of value, pieces and caratage) in the world[4]. Underlying this success is the role of the Indian diaspora as a critical market intermediary in the industry.

In the 1960s, the Gujarati Palanpuri Jain diamond community (cutters, polishers and traders) started to export cut and polished diamonds. In the aftermath of the war with China, diamond prices in India declined by about 20 per cent (while remaining stable globally). Beset by mounting foreign exchange woes, the Indian government facilitated the import of rough diamonds and more diamond cutting/polishing machines. The supply of rough diamonds increased, and so did exports. The devaluation of the rupee (36 per cent in nominal terms) further increased the competitiveness of Indian cutting and polishing operations (Hart, 2002).

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Following the initial modest success in India's export of diamonds, in the 1960s a few Jain traders moved to Antwerp, Belgium (the hub of the global diamond trade) to set up offices as selling outposts for cut and polished diamonds and to source rough diamonds for their Indian operations. These satellite offices soon became the locus of the Indian diamond traders' business.

Jain diamantaires in Antwerp began buying so-called "Antwerp rejects" (small and brown diamonds passed up by the Jewish traders) and sending them to India to be polished. A worldwide diamond crisis in 1981-82 prompted DeBeers to slash prices drastically on larger rough diamonds, driving many companies out of business. The Jain traders, specialising in smaller diamonds, capitalised on the opportunity to expand their market presence. Their expertise in small, less expensive diamonds was given a further boost with the opening of the giant Argyle mine in Australia in 1986 which produces chiefly small and brown diamonds. By the late 1990s Indian emigré diamantaires had emerged as a significant force in the global diamond trade, with their share of diamond revenues in Antwerp growing from 2 per cent in 1968 to 25 per cent in 1980, to 65 per cent in 2003[5]. With Antwerp's $29 billion-a-year diamond industry accounting for 80 per cent of the world's uncut and half of its polished diamond trade[6], the dominance of the Belgian Indian community has been critical. De Beers, still the dominant force in diamond mining, sells rough diamonds to an exclusive club of sightholders. De Beers has only 85 sightholders today, of which nearly 60 per cent are of Indian origin. And in May 2006, diamantaires from India gained a historic political victory when for the first time they won five of the 12 seats on the board of the industry's key body in Antwerp, the Diamond High Council. The diamond trade has also meant that Belgium is one of India's largest trading partners (India's imports from Belgium were $4.8 billion in 2005-06).

Two of the largest Jain family-owned diamond companies in Antwerp (Eurostar and Rosy Blue)[7] illustrate the general mechanism by which the Indian diaspora and India fed off one another in the diamond trade. As the Jain diamantaires have prospered and gradually moved up the value chain (cutting and polishing larger stones), they have expanded across the globe, but their manufacturing base remains in India, with its enormous, low-wage, skilled workforce. Other factors have also contributed. The Indian government helped establish the crucial infrastructure[8]. India's industrial base has meant that new technologies developed elsewhere to save on labour costs (such as laser diamond cutting machines), were adapted and are now made domestically in India[9].

Although India faces growing competition, the strong family ties that permeate and in many ways define the diamond world (among both Jewish and Indian Jain traders) have meant that there remain extremely close connections between India and the Indian émigrés. The Indian diaspora has been (and continues to be) a crucial intermediary between India and this global industry. After gaining a foothold in Antwerp, many of the Indian traders have expanded their businesses globally relying on the large, cheap, skilled workforce in India to cut diamonds, while they serve as critical market intermediaries to source rough diamonds and find markets. This interplay between India and its diaspora has been fundamental to the success of both parties in the global diamond trade.

Source: Kapur (2007).

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The Potential of Diaspora Networks

Can diaspora networks be "mobilised"? Juxtaposing the problems of a coherent migration policy and the potential of diaspora networks gives us reason to be guardedly optimistic about this novel policy instrument.

Diasporas and Return Migration

Perhaps the most striking example of mobilisation of networks is the sequence of attempts by OECD country governments and international organisations to encourage the return of migrants. In general, these initiatives have been only marginally related to development goals.

The Migration for Development in Africa (MIDA) initiative, managed by the International Organization for Migration (IOM) at the behest of the African Union, attempted to inject a greater quotient of development concerns into this kind of repatriation programme. The EU and other actors hope that diaspora networks can help with the reintegration of returning migrants in schemes (de Haas, 2006) such as "assisted voluntary return" (AVR).

In general, voluntary return programmes have been disappointing in terms of the number of migrants induced to go home. Moreover, the hope that better use of diaspora networks will reduce the cost or raise the efficiency of reintegration efforts is speculative. Some experts argue that the migrant-diaspora-return continuum and its linkages are both strong and pervasive in sub-Saharan Africa (Adepoju, 2005). In other countries, however, return migrants – and migrant networks – may be viewed circumspectly by society.

Social Investment of Remittances

The mixed success of AVR programmes has led many observers to promote the idea that, in place of encouraging voluntary return, diaspora networks could be instead mobilised to foster a kind of "virtual return". In this way, diaspora networks can reduce the cost of the brain drain to sending countries. Initiatives of this kind could focus on the temporary repatriation of migrants' expertise and resources, but not necessarily of the migrants themselves. The promise of networks is that they will allow people in sending and receiving countries to participate in transnational networks, not having to make a dichotomous choice between one locale or the other. Such a repatriation of resources could be powerfully catalysed by remittances.

Concrete examples include "hometown associations" formed by Latin Americans, and Mexicans especially, in the United States. Among their activities (in addition to affirmation of identity and other roles valuable to migrants), they pool remittances for social investments in their home towns. The French-based non-governmental organisation Migrations et Développement has similarly pooled remittances for social investments (rural electrification, hydraulic works, road construction, clinics) in the Moroccan province of Taroudannt (Daoud, 2004).

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Box 7.2 provides details about community investment of remittances in the Kayes region of Mali.

Box 7.2 **The Case of Kayes, Mali**

Mali, and particularly the high-emigration region of Kayes located in the western part of the country, has witnessed a growing participation of the Malian community resident in France in the economic and social development of Kayes. The region of Kayes provides a useful laboratory for studying the role of transnational diasporas, the social use of investments, and efforts by national and international policy makers to catalyse these processes.

The formation of migrants' associations was not legally authorised in France until 1981. Nevertheless, initiatives of the Malian diaspora began to arise haphazardly by the end of the 1960s, spearheaded by migrant villager associations (Associations Villageoises de Migrants, AVM). These activities began with mutual help and group savings efforts. In time, the AVMs began to finance projects in their home villages, particularly the construction of mosques.

These associations have progressively taken on every aspect of village economies. A 2004 evaluation (Gauvrit and Le Bahers, 2004) of the efforts of AVMs estimates that the migrants' associations have invested approximately 3.6 billion CFA francs per year in the Kayes region alone, equivalent to 5.5 million euros, or some 10 per cent of total French aid to Mali. This evaluation confirms that mosque-building is the leading investment (32 per cent of spending), followed by water infrastructure (25 per cent), health (19 per cent) and education (11 per cent).

In the meantime, these associations have grown increasingly formalised, and have given rise to inter-village associations that have undertaken larger-scale development efforts. Their legal status in France (under the so-called « *loi 1901* ») has allowed them to seek financing from other actors as well, in particular from "decentralised co-operation", that is, development assistance provided by sub-national governments in France. The process of decentralisation in Mali since the late 1990s has given the AVMs much greater prominence in local development.

The contribution of these social investments to economic growth is not immediately clear, in part because a large share of the investments are not (nor were they intended to be) directly productive. From a more long-term perspective, transfers, whether to individual households or through the offices of AVMs, may nevertheless have a strong impact on education and health, two pillars of development. In Kayes, as elsewhere in the world, remittances have allowed poor households to spend more on schooling and health care. Other types of transfers – notably the transfer of technology, skills and organisational skills – are less visible and impractical to quantify, but no less important to long-term development. In particular, the collective skills that communities have accumulated through starting up and executing local development projects in irrigation and infrastructure today constitute a considerable asset for the villages concerned.

Source: Gubert and Raffinot (2006).

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Moreover, these initiatives can be leveraged by public policy. In the *Tres por uno* (three for one) programme in Zacatecas state, Mexico, the federal, state and municipal governments match each peso remitted with three of their own, provided they are channelled into productive social investments such as schools and infrastructure (Iskander, 2005)[10]. In addition to endorsing the idea of government matching funds as in the Zacatecas example, the European Investment Bank (EIB) recommends that banking systems offer banking services specifically targeted at migrants — including mortgage products, remittance-tailored bank accounts and investments funds — in order to channel remittances into productive investments (de Haas, 2006).

For the highly skilled, several proposals have been floated as ways to repatriate skills. For example, the African Human Resources Programme (AHRP), promoted by the Global Commission on International Migration (GCIM), would create a database of Africans teaching in universities and high schools in Europe, the United States, Canada and elsewhere, to be placed at the disposal of African states and other actors active in education and teaching in Africa (de Haas, 2006). Given the success of university programmes that bring internationally acclaimed faculty together for short but intensive teaching semesters in far-flung locations, the AHRP and ideas like it could be productive. The UNDP's TOKTEN (Transfer of Knowledge Through Expatriate Networks) programme is another example of tapping on expatriates' knowledge and mobilising them to undertake short-term consultancies in their countries of origin, with support from the United Nations.

Skilled and wealthy expatriates will return in large numbers, if at all, when the institutional environment in their home countries improves. (Indeed, under such circumstances one would not be surprised if third-country nationals immigrate to those home countries to take advantage of opportunities, although the expatriates would probably return first.) If the objective is to induce definitive return migration, there is no substitute for the development and transformation of poorer countries. But this discussion suggests that definitive return is not necessarily the only objective that might be pursued.

The concept of co-development (see Box 7.3 for an example), pioneered by France, sees migrants as veritable partners in development co-operation. At its inception, co-development was more narrowly focused on encouraging migrants to return home; today, in principle, the rubric includes all aspects of development co-operation in which migrants living in OECD countries (business people, academics, health personnel, engineers) can be involved. Migrants are encouraged to promote commercial activities or implement social development projects in their home country (building schools or health centres) or to lend their unique expertise to their home country. Moreover, the concept of co-development also includes helping migrants to direct their savings better towards productive investment in their countries of origin. This concerns especially the transfer of monies as well as strengthening the capacities of micro-credit institutions. An increasing concern of co-development is how to catalyse and amplify the effects of social investments made with remittances.

Nevertheless, some cautionary notes are necessary. *First,* OECD country governments can explicitly engage only formally constituted organisations, but many of the strengths of networks lie in their informal relationships and social capital. *Second,* OECD country governments are not the only public actors that must play a role.

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Box 7.3 **Co-development in West Africa**

The French Government's *Programme Développement Local Migration* (PDLM) provides a useful illustration of the various components of the co-development concept. Launched in 1994/95 as a pilot project in three countries (Mali, Senegal and Mauritania), the PDLM finances micro-project start-ups developed by reintegrated migrants and ensures its follow-up on the ground. The PDLM and other such programmes are typically too small to have a discernable impact on aggregate economic development[11], but can have meaningful effects in particular migration corridors. Moreover, these integrate rather well with existing instruments of regional development such as sectoral programmes (health, education, rural development), and they also provide useful vehicles for development co-operation by sub-national governments in France (or, by extension, in other OECD countries).

Source: Gubert and Raffinot (2006).

There must be meaningful co-operation between OECD country governments and the governments of the developing countries the migrants call home. Businesses and the banking community also have an important role to play and should be more involved. A MIDA pilot project in Italy foundered on the lack of commitment of some of the actors, in this case the Ethiopian and Ghanaian governments (de Haas, 2006).

Moreover, experts voice some scepticism that the observed behaviour attributed to networks – loans, information-sharing, investment, cross-border trading, etc. – might often be more accurately ascribed to family contacts. Research on ethnic business networks in fact shows that much of the putatively network-based financing available to ethnic entrepreneurs is in fact intra-family lending; moreover, family-based businesses of this type are at a competitive disadvantage when family objectives compete with profit maximisation or other economic motives.

Other observers point out that there are risks that such organisations, which can effectively build social cohesion among migrants, can also create barriers to broader participation, "filtering them out of mainstream politics into marginal spheres of political activity" (Spencer and Cooper, 2006). Indeed, this concern mirrors the distinction made between "bridging social capital" – institutions that create links between communities – and "bonding social capital" – institutions that affirm fellow-feeling within communities. Some migrants' associations might be far more effective at bonding than at bridging. Additionally, the very fact that many migrant communities are marginalised reduces their capacity to be effective political or social intermediaries (Rindoks *et al.*, 2006).

The very effectiveness of diaspora networks derives from having a foot in both countries (and often more than two). Efforts to integrate migrants encourage them to put both feet in their new country. At the same time, public misgivings about immigrants are amplified by the sense that migrants have dual loyalties. The resolution to this dilemma may be an inter-temporal one: over time, some individual migrants will ultimately shift their allegiance to one or the other country, even as the organisations continue to be a bridge between them. Some organisations, too, may evolve over time from being concerned with the problems of newcomers to the problems of new citizens. Nevertheless, in many cases, a genuine tension will remain.

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Notes

1. This broad definition of "diasporas" is also that used by the European Commission in recent policy statements on immigration (EC, 2005).
2. This section draws heavily upon Dayton-Johnson and Xenogiani (2006) and Rindoks *et al.* (2006). While research on migrants' associations and other groups in the diaspora has addressed information-sharing and access to capital, it has not generally emphasised the same attributes we have identified here, namely, information-sharing, asymmetric information, and contract enforcement. Instead, they tend to highlight two other roles of such groups that make them valuable and important to their constituent members: affirmation of identity and a proxy for formal mechanisms of political participation (Spencer and Cooper, 2006).
3. This literature is reviewed in Xenogiani (2006).
4. Data from Gem and Jewellery Export Promotion Council (GJEPC), http://www.iijs.org/gjepc.com. Since India imports virtually all of its rough diamonds (raw diamond imports were $8.7 billion in 2005), value addition is about 40 per cent.
5. Wall Street Journal, Tuesday, 27 May 2003 -http://www.stefangeens.com/wsj.html
6. Antwerp World Diamond Center, http://www.hrd.be/index.php?id=20, accessed 24 November 2006.
7. The CEOs of these two companies were the first two Indians on Antwerp's Diamond High Council Board.
8. These include the Gem Testing Laboratory in Jaipur, the Indian Gemological Institute in Delhi and Jewellery Product Development Centres in Delhi and Mumbai.
9. Most of the roughly 1000 laser-cutting machines are run around the clock in three shifts.
10. A similar programme in Guanajuato state has not been as successful and the comparison provides important lessons for policy makers. In Guanajuato state, migrants were constrained to invest in isolated regions and even the added incentives were probably not sufficient to make these investments viable.
11. By way of example, the Malian component of this programme, financed by the *Fonds de solidarité prioritaire* (FSP), included an expenditure of 2.6 million euros for three years beginning in 2001, focused primarily on the Kayes region. This is more than a pittance, surely, but dwarfed by overall French aid to Mali. According to the OECD/DAC Creditor Reporting System, French aid to Mali averaged over $74 million annually during the three years 2001-03.

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Chapter 8

Return

Summary

Repatriation is more common than many observers recognise. Return can be voluntary, provoked by retirement, changes in migration law, the end of a contract, as a condition of entry or (in the case of many irregular migrants) the result of deportation. Involuntary return is difficult to sustain. More generally, reintegration of returnees in the source country depends on the intentions of the returning migrants, their level of skills and whether these have been maintained or whether new skills have been acquired abroad, and the institutional infrastructure migrants are returning to. Circular migration can benefit both the migrant and the source country, in part by encouraging the circulation of skills.

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Repatriation, the return home of migrants, is more common than is frequently recognised. Moreover, a migrant's entry status into the OECD is not always a good indicator of the propensity to return home. Some ostensibly temporary migrants come to settle for very long periods, if not permanently. Conversely, the return of permanent immigrants is not at all unusual.

Modes of Return

Four modes of return migration can be identified. *First*, return may have been planned at the outset. This is the case, for example, of students who have completed their studies, retired workers who return to their home countries, or "target savers", who return after reaching a target savings amount (Katseli and Glytsos, 1989).

Second, the circumstances that led to the initial migration may change, leading to voluntary return. Economic improvements at home or deterioration in the destination country may prompt a decision to return. The same is true for resolution of conflict at home or the outbreak of violence in the host region, as was the case of the exodus of workers from the Gulf region during the First Gulf War in 1991.

Third, return may not be voluntary but induced by policies: a change in migration regulations or policies may require some foreign migrants to depart; the conditions of initial entry may demand return as a condition of entry (as in the Gulf States); irregular migrants may be caught and deported (as are North African migrants in Ceuta and Melilla, Spain).

Involuntary return is often unsustainable, as was the case of the forced return of Albanians from Greece, particularly in the first half of the 1990s. Typically, the forced returnees would go back to Greece the same day. During the 1990s (and up until the first legalisation of undocumented migrants in Greece), Albanian migration to Greece had a predominantly circular character. Return to Albania continued to be mainly due to expulsion following irregular entry or stay in a European country, especially Italy and Greece. In recent years the number of readmitted nationals has increased owing to streamlined readmission procedures.

Fourth, the migration experiment may be a gamble for some migrants. Successful migrants stay on; those who are disappointed or fail to realise their ambitions in the host country leave.

Data on return migration are limited. The relative importance of these four modes of return is difficult to gauge. Scattered evidence suggests that wealthier migrants from home countries nearer to the destination country are more likely to return home (Borjas and Bratsberg, 1996)[1].

The immigration regimes of different OECD countries also influence the propensity to return. The European attitude to permanent settlement has always differed from that of the settlement countries of North America and Australasia:

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European countries have never had a programme intended to encourage permanent settlement. One would therefore expect higher rates of return from Europe than from other countries of the OECD. Nonetheless, by default, as well as because of active family reunification policies, permanent settlement has been significant. Certainly the early guest worker programmes led to substantial permanent migration as families followed the initial workers.

The costs, dangers, indignities and difficulties involved in crossing borders illegally discourage return among irregular migrants. Once the border has been breached successfully, many undocumented migrants are unwilling even to visit their home country for fear that they will be unable to re-emigrate.

Reintegration of Returning Migrants

The economic assimilation of returning migrants varies from case to case. Since many migrants are retired people, it is not surprising to find low employment rates in some contexts. However, a common goal among returning migrants is to start a small business of their own, in which they may work or simply provide the capital to employ family members or hired labour. Several studies show that return migrants often set up their own business with savings accumulated abroad[2]. A study of Egyptian migration finds that the longer a skilled migrant stays abroad, the more likely he or she will be to start a business upon return, while for unskilled workers there is no correlation. (This relationship holds even controlling for the amount of saving, so the finding is not driven by the greater capacity of highly skilled workers to save.) Researchers interpret this finding as an indication that, in addition to financial savings, skilled workers accumulate know-how that is useful for entrepreneurship, such as organisational and management skills, not only technological know-how. However, the work experience of unskilled workers abroad teaches them little that would be useful in business (McCormick and Wahba, 2001).

Although systematic data are lacking, scattered evidence suggests that return migrants tend to start businesses in urban areas and in the retail and service sectors, especially tourism, rather than manufacturing (Puri and Ritzema, 1999). Lack of entrepreneurial experience is commonly cited as a problem with these start-ups, though little is known about their failure rates. Certainly, given the scale and sectors in which these new enterprises are initiated, most of the employment generation is probably among family members of the migrants rather than providing substantial, fresh wage employment for non-relatives.

A contested issue related to return migration in Albania, for example, is precisely that of returnees' contribution to development at home. Some authors argue that there is little definitive return to Albania, and the few who have voluntarily returned often find the amount of money saved abroad does not generally enable them to invest in productive enterprises. Development of new enterprises occurs but on a small scale and is hampered by lack of basic services such as water, electricity, roads

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and public transport. Albanians' confidence in their country as a place for investment is further undermined by a lack of credit facilities, especially long-term credit, lack of security and political instability (Markova, 2006*a*). Bulgarian expatriates in turn are dissuaded from investing in their home country by shortcomings in the overall regulatory environment, notably poorly defined property rights that make purchasing land a risky investment (Markova, 2006*b*).

Return, Circularity and Virtual Return

The EU Communication on *Migration and Development* (European Commission, 2002) emphasises the importance of return migration for development of migrants' home countries. Perhaps a more immediately relevant model for many migrant-sending countries, however, is circularity.

Box 8.1 **Circular Migration: A Definition**

To define terms, seasonal migration corresponds to stays of less than a year's duration; all other types of agreement with stays exceeding one year are referred to as temporary. Both seasonal and temporary migration can be repetitive if the same individual crosses borders more than once over time. Repetitive migration, whether seasonal or temporary, is called circular.

In addition to the lukewarm enthusiasm of migrants from many high-emigration countries to return definitively at present, there are other reasons to recommend circular migration. As has already been emphasised, both seasonal and temporary workers tend to save more while working in OECD countries and transfer more of their earnings home in the form of remittances. Circularity allows for better circulation of acquired skills, knowledge and information acquired by migrants. Moreover, circularity might be the preferred option for many migrants. Indeed, given the chance and with sufficiently low transport costs, many workers might opt for seasonal and/or temporary migration over permanent relocation. This preference tends to be even more significant for migrants who are breadwinners with large families living in neighbouring countries (Stark *et al.,* 2006; Agesa and Kim, 2001) – see Box 8.2. Given the lower cost of living in the migrants' regions of origin, this option provides substantial gains in living standards and reduces the costs of migrants' separation from their families. In fact there is some evidence that workers will choose not to overstay their visas, provided they have reasonable options to engage in circular migration, that is, to be able to come and go across borders in an organised fashion under contracts of fixed duration. Examples do exist of successful bilateral management of such schemes (e.g. Germany-Poland, Japan-Philippines), involving a growing number of workers. In sum, circularity might be an important component of the "virtual return" of migrants.

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Box 8.2. **Polish Seasonal Migration to Germany**

Seasonal migration of Polish workers to Germany provides a good example of circular migration: the same workers cross borders year after year to work in a neighbouring country for a short period of time, on the basis of the bilateral seasonal work permit regime. (For more details see Okólski (2006).)

Overall, Germany is the main destination for Polish migrants. The number of work permits extended by Germany to Polish workers is on the rise. In 2004, approximately 307 000 work permits were issued for seasonal work in Germany, as compared to 292 000 in 2003 and 131 000 in 1992[3]. Recent evidence (Stark *et al.*, 2006) suggests that two-thirds of the seasonal migrants are males, many in their mid-thirties and usually married with children[4].

(The micro-level data used in this work are taken from a nationally-representative survey that was carried out between April and August 2002 by the Centre of Migration Research at Warsaw University, under the auspices of the Polish Committee for Scientific Research.

Source: Stark *et al.* (2006).

Notes

1. This analysis is based on data from the United States; they also show a higher return rate from the United States for Africans than for Europeans.
2. See for example the ILO survey of Pakistani migrants or studies by Arif and Irfan (1997), Ilahi (1999) and McCormick and Wahba (2001).
3. Kepinska (2004).
4. Stark *et al.* (2006).

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Part Three

Policy Coherence for Migration and Development

Chapter 9

Interlinkages between Migration, Trade and Aid[1]

Summary

Various policy instruments – migration and development-assistance policies, but also trade polices – are interrelated and the flows to which they give rise – migrants, remittances, aid spending, exports and imports – are likewise interlinked. Looking more closely at these policies, exploiting synergies and avoiding the emergence of "coherence orphans" (i.e. countries that receive aid but do not benefit from any of the other flows) can more effectively achieve global poverty-reduction goals. Trade benefits flow more to middle-income countries where most low-skill migrants originate and aid flows to lower-income countries which suffer most from brain drain. The relationships among these flows present a strong case for more coherent decision making among the corresponding policy communities.

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In this chapter we will focus our attention on policy options for decision makers in OECD and developing countries, arguing that coherent policies are necessary for effective development co-operation. In short, if migration policies can have an impact upon development – which is the basic message of this book – trade and aid policies also have the potential to influence migration flows. These policy interdependencies require dialogue between different ministries (and the constituencies they represent) as well as between different countries. Before turning to policy lessons, we will provide some basic information and concepts related to the interaction and interdependence of migration policy and other policy domains.

Looking More Closely at Flows

A first step is to look more closely at the various flows affected by policy decisions taken in OECD countries. These flows are measured in terms of aid spending, investment capital, export earnings, migrating workers and remittances. Are these flows mutually reinforcing or do they work at cross purposes? Analysis of the available data tells us the following about their allocation (Cogneau and Lambert, 2006).

1) *Aid favours poorer countries.* Aid flows disproportionately to the poorest developing countries. Countries that account for the poorest one fifth of the world's population receive more than a fifth of aid spending from the OECD. Moreover, this pro-poor bias has grown in recent decades, especially for aid from multilateral organisations such as the World Bank and United Nations agencies;

2) *Foreign direct investment is concentrated among middle-income and transition economies.* When companies from rich countries purchase assets – structures, equipment or whole companies – in the developing world, they favour a small number of countries: some 10 per cent of developing countries receive 60 per cent of all such foreign direct investment (FDI) in developing countries. In addition, FDI to poor countries tends to flow to the relatively better-off countries among them, the countries that receive proportionately less aid;

3) *The benefits of trade flow to more prosperous countries.* The poorest countries export very little to the OECD and consequently earn very little in export earnings. Those developing countries that export most are relatively better off; and

4) *Migrants to OECD countries come from the more prosperous developing countries.* Migration to the OECD – measured by the stock of migrants in the OECD in 2000 – is concentrated among the developing countries with higher per capita income. Given the multitude of benefits (described in preceding chapters) that emigration might confer on a developing country, the data suggest that the poorest countries benefit relatively little from these effects.

In sum, among developing countries, the flows related to trade, investment and migration are concentrated among the least poor countries. Aid, in contrast, flows disproportionately to the poorest countries.

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From Flows to Policies: Exploiting Synergies and Avoiding "Coherence Orphans"

Should one conclude that aid policy compensates those countries that reap the smallest gains from global economic integration? Perhaps. But if these OECD policies are mutually reinforcing – if, for example, foreign aid spending renders FDI more productive, or promotes exports – then this "compensatory approach" creates coherence orphans in the others: countries that receive substantial aid but not the other complementary flows that exploit the synergies with aid.

Given the urgency of reducing global poverty, policy makers cannot afford to underestimate these synergies and create or ignore coherence orphans. There is an emerging consensus that aid is more effective when acting as a catalyst to promote other flows (e.g. capital, trade) or diffuse the benefits that accrue from them (e.g. migration)[2]. While these flows must be fostered in their own right in the appropriate international forums such as the Doha Round of the World Trade Organization (WTO) negotiations, greater attention to the coherence of OECD country policies can help ensure a more inclusive globalisation.

Policy Interactions: Synergies and Joint Impact

At the heart of the conceptual analysis of policy coherence is the nature of the interaction between two policy vectors. There are two components to this: the first is the question of the direction of causality. Does aid, for example, influence trade flows or trade policy, or does causality run in the opposite direction, i.e. from trade to aid? Are the two policy vectors complementary or substitutable?

Two vectors are complements if increases in the first tend to lead to increases in the second: i.e. foreign investors might be more likely to invest in a country if policy makers liberalise trade between the investors' home country and the country that receives the investment. That is, more open trade could raise the return to foreign investment. Two policy vectors are substitutes if higher values of one can reduce the need for the second: i.e. migration might be considered a substitute for aid. If this logic is correct, policy makers in the OECD countries could restrict legal immigration from a poor country while expanding aid spending: higher transfers would obviate the need for emigration. (This is merely an illustration of the concept of substitution among policy vectors: targeted aid spending is in fact complementary to more open immigration, as aid helps better distribute the benefits of migration for the sending country.)

If two policies are complementary, then policy makers could achieve a given policy objective by engaging in both so as to enhance synergies and involve more stakeholders in the envisaged net gains. If they are substitutes, then policy makers can achieve a given objective by choosing the policy vector that reduces financial, economic, social or political costs of meeting that policy target.

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Trade and Migration Policies

Trade theory suggests that providing developing countries with greater opportunities for exporting their goods will eventually reduce out-migration pressures as a consequence of economic convergence. Indeed, at the time of ratification of the North American Free Trade Agreement (NAFTA), the US President suggested Mexicans who would otherwise have migrated to the United States would instead stay at home and work in new export industries.

Economists call this process of adjustment "factor price equalisation". How does this work? In the long run, global trade liberalisation leads poor countries (who have relatively larger populations of unskilled workers and relatively smaller capital stocks than large countries) to specialise in sectors that use unskilled labour relatively intensively. That is their comparative advantage. When developing countries specialise, this increases employment or wages, or both, so that fewer unskilled workers decide to migrate; they can earn a better livelihood at home than before the liberalisation. In sum, trade flows increase, economic restructuring occurs, wages rise and workers stay at home.

There are shortcomings in the application of this economic logic. First, the "long run" over which this adjustment occurs might last a long time indeed (35 years, according to a recent analysis[3]), during which time emigration flows might continue to be large. A second problem is that it does not address the reality of surplus labour in sending countries: even if trade links foster specialisation, substantial unemployment might continue in the developing country. A third and final problem is that the theory of factor price equalisation has nothing to say about the under-utilisation of skilled workers in developing countries or the lack of sufficient incentives for them to stay and work in their countries. For example, it was arguably an oversupply – relative to domestic demand – of software engineers in India that led to their dramatic emigration, even as India pursued more open trade.

Indeed, the empirical evidence suggests that trade and migration are complements – both tend to increase at the same time. One explanation is that many recent examples of trade integration and regional partnership (e.g. NAFTA or the Euro Mediterranean Partnership) have linked ageing, slow-growing populations with young, rapidly growing populations. Under such circumstances, this demographic "complementarity of needs" alone provides a powerful force for high rates of migration even in the presence of factor price equalisation through trade. Box 9.1 summarises the results of a study of trade and migration flows between Morocco and the EU, illustrating the complementary nature of these flows.

Furthermore, liberalisation of trade in services implies greater mobility of people. This may be a movement of highly skilled people in the service sector, as was the case in East Asia's development, or of lower-skilled workers, as is the case of Poland and other recent members of the European Union today.

Finally, an additional explanation is provided by the so-called "migration hump" hypothesis. The migration hump is discussed at length in Lucas (2005).

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Some would-be migrants are dissuaded from migrating by its high costs. These may be transport costs or other transaction costs, such as the costs of securing the services of migration specialists of dubious legality (such as the *coyotes*[5] of the US-Mexican border). If trade integration serves to raise the incomes of people who are potential migrants – say a household member is employed in a dynamic export industry – they may use increased incomes to finance their migration. Economic integration may also reduce information costs about employment opportunities, thus encouraging migration even as trade expands. It is only over time that the factor-price equalisation logic tends to take over and migration subsides. Thus the relationship between income and migration tends to be hump-shaped, first rising, then falling.

Of course, the discussion of diaspora networks above suggests another important complementarity between trade and migration flows: namely, migration might itself expand trade. Migrants serve as trade intermediaries and facilitators, exporting goods from the destination country back home and importing the home products they miss into the destination country. These mechanisms can lead to simultaneous increases in trade and migration volumes, counter to the predictions of standard trade theory.

Trade partnerships will not stem migration, at least not in the short and medium term. Therefore, current OECD-country migration policies must be carefully assessed because freer movement of goods and services will certainly lead to greater movement of people, at least in the short run.

Box 9.1 summarises the results of a study of the interlinkages between trade and migration between Morocco and the EU.

Box 9.1. **Migration-trade Interlinkages in Morocco**

Quantitative analysis of the interlinkages between trade and migration policies and flows carried out for the OECD Development Centre by Fontagné and Péridy shows that EU preferential trade policy toward Morocco has a positive trade impact, but that this impact is barely significant. The magnitude of EU "border effects" with Morocco – that is, the dissuasive effect of an international border on buying and selling between communities on opposite sides of the border – is slightly smaller than those with all EU partners. This indicates that the EU provides a slightly better market access to Moroccan exports than to exports coming from other countries. This may be at least partly explained by the preferential EU trade policy.

A similar analysis for migration policy shows that the destination country's migration policy plays a significant role in explaining migration flows. However, the nature of the data does not allow the researchers to isolate an effect on Morocco alone: "migration policy" is measured by the total number of residence permits granted by each destination country without distinguishing where the migrants come from.

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Although EU trade policy has a slightly positive impact on Moroccan exports and migration respectively, it has not increased the diversification of the Moroccan economy, which is essential in a rapidly changing international environment. With regard to the interactions between trade and migration policies, the authors' results demonstrate a positive relationship between trade policy and migration, as well as an additional positive relationship between migration policy and trade.

Accordingly, if a favorable EU trade policy increases Moroccan trade, this additional trade is likely to increase migration, which in turn leads to an additional rise in trade flows. Similarly, a favourable migration policy among EU member countries increases migration flows, which leads to a rise in trade. This trade-migration complementarity has important policy implications: the choice of a liberal trade policy combined with a restrictive migration policy would be incoherent if the objective is immigration control. Opening markets to foreign goods does not slow migration.

In this context, what would it mean for trade and migration policies to be "coherent"? EU trade and migration policy will remain coherent as long as a liberal trade policy is not combined with a too restrictive migration policy.

Source: Fontagné and Péridy (2006).

Aid and Migration Policies

As we have already noted, the brain drain of skilled workers (e.g. teachers, doctors, nurses) from their poorer home countries to OECD countries is one of the most salient effects of OECD-country migration policies. To the extent that OECD-country migration policies deliberately target skilled developing-country nationals, these policies are incoherent with foreign aid policies that seek to build capacity in the health and education sectors of the migrants' home countries.

Nevertheless, well targeted development assistance policy can help transform a brain drain into a brain gain: a situation in which emigration of skilled workers brings net benefits to the country of origin. Increased spending in the health and education sectors, supported by foreign aid, can promote more efficient service delivery systems, skill creation in those sectors and, more importantly, facilitate the replenishment of the supply of skilled people. Indeed, in some sending economies (e.g. Philippines), publicly and privately financed increases in training capacity have more than compensated for the emigration of trained local people.

Finally, whether migrants are skilled or unskilled, aid spending can complement migration policies to diffuse the benefits of migration more effectively. Consider the example of infrastructure development funded by external financing, including ODA. As a consequence of migration, labour shortages arise in some specific sectors or in some regions of the sending country; this is part of the adjustment stage analysed in Chapter 3. Improved transport and communications infrastructure, supported by foreign aid, can reduce the costs to these countries through labour market adjustment, most notably through internal or regional migration. Similarly, remittances have the

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potential to expand economic opportunities in migrants' home regions, but with bad roads or telephone services it might be difficult for workers elsewhere in the country to move to those regions and benefit from expanded opportunities.

Aid can more effectively guarantee and diffuse the gains from migration throughout an economy, but can aid actually slow, or stall, migration? This presupposes that aid will foster growth, which will in turn slow migration, but in practice the links from aid to growth to migration are weak at best. Even if aid spurs growth, migration might rise as a result through the migration-hump mechanism mentioned earlier.

A final dimension of the migration-development nexus is the question of remittances. As Chapter 6 demonstrated, remittances not only sustain incomes but can be used for investment, including health and education, and have multiplier effects on the local economies where they are received. Remittances, however, are private intra-household or inter-household transfers while ODA consists of official intergovernmental transfers; aid and remittances should not be seen as substitutes. Nevertheless, ODA can amplify the positive effects of private transfers, for example in the area of education or health where ODA can be channelled to improve local infrastructure and service delivery systems, while remittances can finance increased demand for these services.

Notes

1 . This chapter draws substantially from Dayton-Johnson and Katseli (2006).

2. An example is the rapid growth of "aid for trade", which seeks to build capacity in developing countries – capacity to negotiate trade agreements, but also infrastructure to transport and export goods. This capacity, in turn, increases developing countries' gains from integrating into the global trading system. See Dayton-Johnson and Katseli (2006).

3. Boeri and Brücker (2005) show that it takes about 35 years for factor price equalisation to occur which implies that in the short and medium run, migration and trade are more likely to be complements than substitutes.

4. *Coyote* is a term used to describe those who, for a large fee, will illegally smuggle people across the US-Mexican border.

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Chapter 10

What Role for OECD Country Migration Policies?

Summary

Improving the management of migration requires that sending and receiving countries enter into sustainable partnerships. For this to happen, migrant-receiving countries in the OECD need to look at their migration-related policies through a development lens and consider the consequences for development of migrants' home countries. The design and implementation of migration policy and of development co-operation must be interlinked better to achieve the aims of both. More coherent policies can help transform a brain drain into brain gain and increase the benefits for sending countries from the mobility of the low-skilled. These policies must exploit the potential of circular migration as well as address the challenges of irregular migration.

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The simple message of this study is that migration has profound economic consequences for migrants' home countries – many of them salutary, others more worrisome. It is therefore in the interest of OECD and developing countries alike to craft and implement policies that maximise the benefits and minimise the risks associated with the migration phenomenon. The OECD countries, it is worth recalling, have committed themselves to the ambitious Millennium Development Goals to reduce poverty along many dimensions. Can OECD country migration policy take into account its effects on development in low and middle income countries? Can OECD countries look at migration policies through a "development lens"?

The magnitude and composition of migration flows are only partially determined by the admission criteria of the host countries; the willingness of migrants to attempt irregular entry also contributes to observed outcomes. Nonetheless, the rules of legal entry, lawful residence and work, as well as past practices (e.g. strict enforcement versus amnesties, etc.) affect not only entry among applicants, but also the rates of application for legal visas, the frequency of irregular migration, the nature of migration (e.g. asylum seekers vs. seasonal workers etc.) as well as the skill level of immigrants.

In what follows, we will use the term "visa" as a useful shorthand to denote both access to an OECD member country's territory, and access to the labour market in that country. This is close to the usage of the term in North America and Oceania but is not quite exact in the European context, where visas largely concern the border-crossing, but not the labour-market access, components of our definition. The reader is reminded that both aspects are implied in what follows.

OECD country migration policies are monitored and analysed on an annual basis in the OECD's *International Migration Outlook*; see Box 10.1 for information on the most recent report.

Policies for the Highly Skilled: Transforming the Brain Drain into Brain Gain

Most OECD countries have programmes to facilitate the entry of highly skilled migrants. Indeed, the global competition to attract the best and the brightest is intensifying. As discussed in Chapter 4, the benefits of low-skilled migration to migrants' home countries are relatively clear. Chapter 5, however, argued that any comparable net benefits from emigration of professionals and highly educated nationals are far more controversial. The disruption from the loss of key personnel, such as health-care workers and educators, and the public costs invested in training potential emigrants can be very real. A highly educated diaspora could, in principle, provide benefits to the home economy, but the evidence remains weak and pertains more to upper-middle-income countries. Emerging economies are better placed to take advantage of technologies transferred from overseas and any fresh skills of a returning diaspora. They are also able to attract, if needed, foreign workers to fill job vacancies. Meanwhile, the poorer the country, the greater the proportion of highly educated persons migrating to the industrialised countries. Poorer countries tend to have less attractive employment opportunities for highly skilled workers. How can these trends be influenced to enhance the benefits – the brain gain – while mitigating the costs?

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Box 10.1. **The OECD *International Migration Outlook* 2006**

The OECD released its 2006 SOPEMI report (previously published annually under the title *Trends in International Migration*) as *International Migration Outlook* (IMO).

The 2006 IMO emphasises that immigration flows to OECD countries are concentrated at the extremes of the education ladder, among the highly skilled and the unskilled, and that the policies of industrial countries tend to welcome the skilled and attempt to rotate the unskilled. It describes developments in international co-operation, including the links between migration and development, co-operation in the field of foreign labour recruitment, and international co-ordination for better border control in the fight against irregular migration. It identifies policies aimed at improving the management of migration flows and combatting irregular migration, as well as reviewing integration policies, focusing on programmes for newcomers. Finally, the publication analyses the impact of the recent EU enlargement on labour migration flows to OECD countries.

For the first time the IMO includes harmonised statistics on long-term international migration inflows for a majority of OECD countries. This volume also contains a description of migration flows by category of entry and highlights the diversity of nationalities involved, as well as the size of the immigration population and its contribution to human capital in receiving countries. Special attention is paid to the rates and determinants of the employment of immigrants, with a focus on the access of immigrant women to the labour market.

The 2006 edition of the *International Migration Outlook* shows the difference between the OECD's usually published statistics of international migration (which are generally based on standard national sources) and the harmonised series based essentially on residence permits. There are only three countries for which the harmonised series show higher numbers than the nationally reported rates of immigration: Australia and New Zealand, because they take account of free movement between Australia and New Zealand, in contrast to the usually published statistics; and France, where the national series for 2004 no longer includes inflows from other EU countries. For the harmonised series, the latter are included[1]. The level of immigration in 2004 is about 1.1 million lower for the harmonised series than for the usually published one, but the change is only about 66 000 lower on a total change of 364 000 for 2003-04.

The data can be aggregated by either sending or receiving countries, thus permitting for statistics on expatriation, on the one hand, and on the size and composition of immigrant populations, on the other. The output also includes cumulative emigration rates of persons with tertiary attainment for about 100 countries.

Source: OECD (2006).

OECD countries' efforts to attract highly skilled migrants are unlikely to abate. However, a number of steps might be considered to manage better the flows of highly skilled migrants and limit any negative impacts on the countries of origin:

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a) Closer monitoring of migration of highly skilled persons from developing countries to OECD countries is sorely needed. Information on migration flows must be substantially improved through better collection of data, statistical capacity building and more effective harmonisation and data sharing across countries. In the European context, the European Commission's Policy Plan on Legal Migration (European Commission, 2005) proposes some useful first steps: that information contained in the European Job Mobility Portal and the network created to foster mobility of EU nationals (EURES) be expanded to support the management of economic immigration of third-country nationals and provide information on incoming as well as return migrants. But what is in fact needed is an integrated migration monitoring system (which does not yet exist) to collect and process relevant information based on data and metadata on member countries. In the Central American context, Mexican authorities, in conjunction with their neighbours to the south, have proposed a specific programme, the SIEMMES (Migratory Information System for Meso-America)[2]. Its function is to collect statistical information on migratory flows through the area and produce studies that help understanding and monitoring of the process. Countries such as Mexico that have only recently become countries of immigration need special support to put such tools in place.

b) Recruiting restraints, self-imposed by public-sector employers, have proved ineffective in limiting migration of health-care workers. However, general guidelines can be helpful in avoiding imminent crises in developing countries' health-care systems. For instance, the need for a comprehensive and coherent approach to the ethical recruitment of health-care workers, particularly from Africa, should be recognised.

c) Partnership arrangements between sending and receiving countries and regions (and between relevant institutions) could more effectively link recruitment with capacity building and replenishment in the countries of origin. The absorption of highly skilled professionals in developing countries, especially in the health and education sectors, can be substantially improved through investments in service delivery systems, continuous training of personnel and better working conditions. Temporary recruitment of personnel can thus be associated with on-the-job training programmes and skill-replenishment schemes. Such options could be explored further if recruiters want to address the costs imposed by their practices upon the countries of origin. Development assistance can play an important role in such partnership arrangements by providing resources to migrant-sending economies to strengthen their capacity to adjust.

Current proposals to subsidise replenishment training in developing countries, combined with temporary visa programmes to work and train for a limited period in OECD countries, should be encouraged. An inherent difficulty should however be recognised in such programmes; it is possible that the migrant may choose not to return home upon completion of the programme but instead move to a third (non-OECD) country. The Fulbright Program in the United States has shown that leakages are not in fact substantial. Nevertheless, consideration might be given to making return home for a specified period of time a prerequisite for granting a re-entry visa to an OECD country in the future. Whether such programmes should be focused

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upon countries that currently supply significant numbers of health-care workers or teachers to OECD countries, or upon those countries most in need of additional personnel in these fields, also warrants careful scrutiny.

The current lack of multiple-entry visas for highly skilled persons from developing countries discourages their timely participation in conferences, joint research and other professional activities in many OECD countries. This barrier not only harms the professional development of these visitors and hence their home countries, but may have an impact on learning and technology in OECD countries. Limited entry can also limit ability to attract such visitors to more permanent positions in OECD countries, where appropriate.

Training foreign students has long been a vehicle for attracting highly skilled persons to the United States. During the 1990s, enrolment in OECD-country universities of students from lower-income countries expanded rapidly. Such overseas training frequently opens important new avenues of opportunity to these students. The benefits of this training for the home country are almost certainly greater if students return home, but frequently a period of post-graduation training or work experience is a critical part of the overall learning process. Visas that require departure upon completion of training may not be in the best interest either of the OECD member countries, of the students, or of the home countries. Such practices may simply result, for example, in EU-trained students relocating in North America. For those students who wish to return home, information about opportunities at home might be provided systematically by university placement offices.

Some of these needs of OECD countries and highly skilled developing-country nationals might be met through programmes for remunerated trainees, though there is a critical need for safeguards to prevent abuses. In the global market, remunerated trainees are frequently underpaid and standard benefits denied.

Benefiting from Mobility of the Low-skilled

As Chapter 4 argued, migration of low-skill migrants creates large positive gains for sending countries and can confer important advantages to many receiving countries as well. Migration policies need to address low-skill migration in a more comprehensive, flexible and consistent manner, taking into account variations in demographic trends, present and future labour market needs and business characteristics across OECD countries.

Migration of low- and semi-skilled workers typically has a greater impact on poverty reduction in the countries of origin than the emigration of professionals. There are three reasons for this. First, such workers come from lower-income families and communities, who therefore benefit more directly from migration. Second, as argued in Chapter 3, their withdrawal from home-country labour markets opens more opportunities for other low- or semi-skilled replacement workers at home. Finally, as Chapter 4 demonstrated, these migrants tend to remit more per person than highly skilled professionals, especially if they have left their families behind.

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What may be less widely recognised is that migration of low- and semi-skilled migrants also confers important advantages upon many receiving countries. In many OECD countries, the agricultural, construction and household service sectors depend critically upon the labour supply of foreign-born nationals. In most cases, these immigrants do not compete with natives in labour markets so that high rates of unemployment among low-skilled natives are not usually related to high rates of immigration (Münz *et al.,* 2006). Immigrant and native workers are complementary in one of two ways: either they fill different vacancies, so that immigrants impose little pressure on wages or employment levels of natives; or immigrants actually favour employment of natives (as has been observed in many Southern European countries, where immigrant labour in household services has encouraged increases in female labour-force participation among natives.) Policies need to address low- and semi-skilled migration in a more comprehensive, flexible and consistent manner, taking into account not only demographic trends, but also diverse present and future labour market needs across member states. One policy will not fit all circumstances.

Promoting Circularity

As Chapter 6 showed, both seasonal and temporary workers tend to save more while working in OECD countries, and transfer more of their earnings home in the form of remittances. Chapter 8 provided some evidence that migrants might opt for seasonal or temporary migration rather than permanent relocation if these choices were among the options available. Given reasonable options to engage in circular migration – that is, to be able to come and go across borders in an organised fashion under contracts of fixed duration – workers will choose not to overstay their visas. The successful bilateral management of such schemes (e.g. Germany-Poland, Japan-Philippines) involves a growing number of workers[3].

Temporary employment schemes, with a variety of pre-admission and post-admission criteria, have proliferated in recent years even though the number of migrants involved is still relatively small. France, for example, has signed a number of bilateral agreements for trainees, seasonal workers, guest workers and apprentices with Morocco, Algeria, Senegal and Tunisia. Spain has negotiated similar agreements with Colombia, the Dominican Republic and Ecuador as well as with Senegal and some of its neighbouring countries. Similarly, Finland has signed agreements for project-based workers and trainees with Russia, while Greece has concluded agreements for reciprocal seasonal employment of three to six months with its neighbours (Albania, Romania and Bulgaria). Canada has a long-running seasonal labour migration programme with Mexico and some of its neighbours. The International Labour Organization (ILO) reports a plethora of temporary schemes in use by different OECD and developing countries (Abella, 2006). Joint management through bilateral agreements is provided by 57 out of 92 countries using temporary employment schemes. In EU countries such agreements have emerged as an alternative to long-term work contracts and permanent residence.

In order to be effective, the schemes need to provide adequate incentives to both employers and employees to respect them. For this reason they need to go beyond traditional guest worker programmes which stipulated a fixed duration of

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stay and tied workers to a specific employer. Such programmes often introduced distortions and made migration management more difficult over time: businesses initiated investments on the presumption of a continuous supply of immigrant labour while migrants had little incentive to change jobs or leave the country (Martin, 2006).

Instead, effective management of successful seasonal or temporary programmes needs to be associated with flexibility of working arrangements after extensive tripartite consultations, close supervision of recruitment procedures, clear admission criteria and protection of fundamental rights. In rethinking such schemes, "circular migration arrangements" associated with multi-annual visas for short-term work under flexible contracts for service provision should be taken into consideration.

Any temporary scheme will lead to some long-term settlement. Such programmes therefore require careful management to increase the incidence of return. Organised recruiting through intermediaries and contracting of projects involving migrant workers generally result in a higher return rate than does casual hiring of individual workers. However, reports of abusive and exploitative treatment of workers by intermediaries are common. Although such contracting schemes are likely to be an important feature of low-skill work arrangements from developing and emerging countries, they will require continuous and active monitoring. Supervision of recruiting agents will demand bilateral intervention. Repeat contracting with agents, conditioned upon a good record of transparency, reliability and treatment of workers, will provide incentives for agents to improve conditions. These discussions can also be advanced in a multilateral context under GATS Mode 4 movements of natural persons for service provision.

Mode 4 negotiations provide an opportunity for more effective management of service provision by directly implicating enterprises and by extending the set of options available for innovative risk-sharing. In the presence of intermediaries, the ultimate responsibility for ensuring both the return of workers to the country of origin and/or the continued employment of the imported worker can be borne credibly by the employer, the country of origin or a combination of host and home country employers. Working arrangements can specify appropriate remuneration, length of stay and working conditions. Appropriate insurance schemes can be designed and an orderly market for temporary service providers can be created.

Under present arrangements, uncertain prospects for re-entry to OECD countries discourage return; the feasibility of extending multiple-entry visas under contracts for service provision should be carefully studied. Such visas would, however, require appropriate protection to prevent their transfer to others. Any system or database on temporary workers who have left the country upon expiry of their permits would facilitate the management of temporary migration in OECD countries, provided that adequate care is given to the protection of basic civil rights. Mechanisms to transfer pension or social security contributions to the home country, to be collected by the migrant upon return or by specified members of his or her family, should also be encouraged as devices to encourage circular movement.

Although the fundamental right of family reunification is universally recognised among OECD countries, it poses a fundamental dilemma for coherent policy making. Migrants accompanied by family members are significantly less likely to return to their home countries. Given that the intention to return home is a powerful motivation for larger remittances and other positive impacts on the home country,

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there is a trade-off. On the one hand, conjugal separation and parental absence can engender serious tensions within the family; on the other hand, family separation may be in the wider interest of the home community because of the induced economic impact. Well designed circular migration schemes providing the incentives for migrants to return to their families and their home countries signal an easier way out of this dilemma.

Addressing the Challenge of Irregular Migration

There is little evidence to indicate that increasing resources for more aggressive patrolling of borders is effective in eliminating irregular migration. Co-ordination is particularly difficult in any federal entity in which states exhibit different levels of commitment to border controls. Other mechanisms are likewise problematic. Sanctions against employers for hiring undocumented workers are rarely enforced, perhaps because of a lack of political determination or administrative capacity. Such sanctions also raise the threat of discrimination against legal migrants and even nationals of similar ethnic profile to the irregular migrant population[4].

The commerce in smuggling migrants across borders appears to be rising globally. The pursuit of these smugglers requires at least bilateral and possibly multilateral co-operation between countries. Better control of smuggling activities would diminish the flow of irregular migrants. At the same time, the reduction in competition could drive up smuggling fees and the irregular migrants who successfully cross borders would be those with a greater ability to pay. Some portion of smuggling involves trafficking in involuntary migrants, often as sex workers. Strident efforts, on a bilateral or preferably multilateral basis, are called for to fight trafficking.

The more informal sector of the economy typically provides the major source of employment for irregular workers. This is taken as an argument to redouble efforts to reduce the informal economy in OECD countries, a recommendation which calls for a cautious interpretation. In the context of an ongoing debate regarding the need for greater flexibility in many OECD labour markets, it should be borne in mind that portions of the informal or quasi-informal economy might be a part of this flexibility. A crackdown on the extent of the informal economy – a highly desirable policy objective in itself – could also result in a loss in flexibility that might exacerbate the current state of unemployment. Any such limiting actions would require compensatory policy measures to reduce any potential burden for lower-income workers, including native and documented migrant workers.

More legal channels and more flexible options for migrant entry offer workable alternatives to more aggressive policing and formalisation of the informal economy. Employers' demands for workers can be met through organised recruitment rather than through irregular migration. In the past, such recruitment has often led to permanent settlement through amnesty or regularisation programmes, thereby often inducing new irregular migration flows as a result of the social networks established

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by settlers. In contrast, if recruitment can effectively be maintained on a circular basis, there are better chances that irregular migration might be diminished. Seasonal or temporary work arrangements under contracts for specific service provision, coupled with establishment of clear criteria for return and future re-entry, could significantly help in ensuring such initial circularity. Conditions for potential conversion, possibly allowing permanent residence following a positive history of contract fulfilment, can also be considered.

Box 10.2 explores the possibility of auctioning work visas as a mechanism for reducing irregular migration.

Box 10.2. **Auctioning Work Permits**

A policy that could be used to stem the tide of irregular or illegal immigration is the auctioning of work permits. Basically, a cost-effective policy for the receiving country could be one in which work permits are auctioned off to either those wishing to immigrate or, more practically, to firms in the host country wishing to employ immigrants[5]. The host country can determine the need for labour for a given period and then auction off work permits to fulfil that need. All those interested in a job in the host country can participate in such an auction[6].

Proceeds from the auction could be split between the host and sending countries (i.e. revenues generated could offset the administration costs associated with setting up an auction as well as contributing to the Treasury, thereby providing potential fiscal benefits to the host country, while the funds could be used by the sending country in the education sector and other development-related projects to reduce future emigration pressures).

The price of a work permit would set a ceiling on the earnings of the illegal immigration industry and potential migrants would opt for illegal immigration only if it were considerably cheaper than the legal alternative of acquiring a work permit. Therefore, as long as the auction price of acquiring a permit remains below the costs associated with illegal immigration, such a policy will be efficient not only in attracting "rightly" qualified people but also in alleviating problems of illegal immigration. In addition, illegal costs are sunk whereas the work permit fee can be made refundable if the immigrant repatriates to his or her home country. In this way, buying a work permit could be considered an investment, especially for the short-term immigrant.

Upon repatriation, the refund from the permit, in addition to the retained savings, could be used in the origin country to set up a business, build a home, etc., hence benefiting the local economy. For the employers, such a policy will be more efficient if permits are transferable across sectors and firms since this reduces the unnecessary administration costs that could result if migrants had to return to the home country before they could be hired by another firm. While there are problems associated with devising such a system, if carefully designed and properly implemented it could deliver benefits that outweigh the costs. Further "radically economic proposals" for allocating work visas are being considered.

Source: Piracha (2007).

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Summary of Policy Recommendations

The policy proposals made in this chapter can be summarised as follows:

1. Innovative circularity schemes (favoured by multi-use, multi-entry visas and work permits) can 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.
2. OECD countries should continue to develop guidelines for the recruitment of highly skilled workers from developing countries.
3. OECD countries should take concerted steps to lower the costs of transfers through formal channels while banks and financial institutions, in co-operation with financial institutions in developing countries, take the lead in expanding financial services to poor rural communities.
4. A partnership approach should link OECD countries' migration polices and non-OECD countries' human resource development policies as well as their labour market and social policies.

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Notes

1. The 2003 estimate for this group was simply carried over to 2004.
2. On 27 December 2005, the Mexican Secretary of the Interior, Instituto Nacional de Migración the, the National Institute of Statistics, Geography, and Informatics and the International Organization for Migration signed a Co-operation Agreement for Statistical Information System on Migrations in Mesoamerica—SIEMMES.
3. Amin and Mattoo (2007) consider how such partnerships between sending and receiving countries could promote circularity in the case of Zambia.
4. The largest flow of illegal migration in the OECD is that of Mexican migrants to the United States; the stock of illegal Mexican migrants is estimated to number 5.9 million (among a stock of 10.3 million irregular migrants in the country from all source countries). See Hanson (2006) for a comprehensive overview of illegal Mexican migration to the United States.
5. A variant of this policy has been in use in some Middle Eastern countries since 1974 and has been efficiently tackling the labour shortage problem without significant adverse effects related to immigration.
6. This includes people already present in the host country but who do not have a work permit. This will help discourage and reabsorb illegal immigration.

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Chapter 11

Integrating International Migration into Development Strategies

Summary

Migrant-sending countries are encouraged to look at their national development policies through a migration lens. Sending countries must address their regulatory frameworks and ask whether their macroeconomic policies, human resource management, higher education, infrastructure investment and "South-South" regional initiatives facilitate adjustment and the redeployment of their human resources in the face of increased mobility, as well as harnessing migrants' skills for development. Both migrants and returnees must be consulted in the formulation of co-development policy. Various initiatives exist such as ensuring that the highly trained return, that returnees benefit, that they are gainfully employed and that they participate in the social and economic development of their communities.

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What are the responsibilities and opportunities facing developing countries in which many migrants originate if these countries wish to maximise the gains from migration? The development impact of the migration phenomenon depends not only on migrants' choices but equally on the capacity of sending countries to adjust successfully to international migration. This capacity depends in turn on the active engagement of migrants themselves as well as on the incentives, institutions and policies of their home countries. These can be further strengthened with the support of OECD countries.

Integrating migration considerations into sending countries' national development strategies is a prerequisite for enhancing their capacity to adjust and to profit from international migration. In designing such strategies, governments need to involve and actively consult migrants and their associations. Engaging diaspora networks into the design of development strategies at home can bring about important political and economic benefits for the sending country as the experience of many one-time sending countries in the OECD (Ireland, Portugal, Greece) attests. In the medium term it may also enhance the transfer of ideas and technology to the home country from abroad and encourage the productive return of migrants, virtual or real. Several post-socialist countries have recognised the value of reaching out to these diaspora communities. Bulgaria, for example, has a special policy regarding ethnic Bulgarians abroad. Agreements have been signed with Ukraine, Moldova and other countries where Bulgarian minorities live to ensure that they are provided with educational and cultural support. Since Bulgarian law allows its citizens to maintain dual citizenship, many of those who live abroad keep their Bulgarian citizenship. Moreover, Bulgarians who were deprived of their Bulgarian citizenship during the Communist period for political reasons have been able to regain it. (In another geographic setting, Mexico's Ministry for Social Development has similarly made overtures to hometown associations formed by migrants in the United States.)

For countries where emigration is a prominent feature, national development strategies (in particular the so-called "second-generation poverty-reduction strategies") need to bear in mind the migration dimension. This dimension must be introduced into macroeconomic policies, human resource management, education policies, investment and regional (including "South-South") initiatives.

Macroeconomic Policies

The budgetary implications of large-scale emigration and remittances can be profound and consequently warrant explicit recognition in national poverty-reduction strategies. First, when migrants – particularly the highly skilled – leave, potential tax revenues decline: alternative mechanisms of generating tax revenues must be adequately addressed. Similarly, when remittances start flowing in, real exchange rate appreciation needs to be avoided by careful management of the exchange rate. Emigration may also shift expenditure priorities; expenditures might need to be shifted towards public and social service delivery systems hurt by loss of personnel (e.g. health care, education) or towards services to dependent children, spouses or elderly parents not effectively supported by absent migrant family members.

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Yet the design of any such schemes must be sensitive to the possibility of obviating the need for such support from the migrant. More generally, the design of transfer programmes should recognise that remittance receipts might be reduced in the case of publicly-funded alternatives. Some governments offer matching grants to encourage remittances. However, such grants tend to go to communities already relatively enriched by remittance receipts and may divert spending from communities left in poverty, partly because they are left out of the migration process.

Human Resource Management

Human resource management in source countries, including employment policies, should also take into consideration current and projected effects of migration on domestic labour markets. The design of sufficient incentives for public-sector posts (or for private-sector companies performing contract work for the public sector) is critical. Such incentives include not only acceptable pay but also appropriate facilities and working conditions. Where the concern is the loss of key personnel and the resultant lack of capacity to deliver basic services (such as health care or education), the effective deployment of available personnel becomes especially critical. Conscription of personnel to designated posts is rarely an effective or feasible option. Instead, incentives should be provided to ensure labour force participation of those with specific needed skills, employment in occupations that make use of these specific skills, and location in areas where the skills are most in demand. Examples exist of programmes that have been successful in placing students in rural communities, or incorporating poverty relief efforts as part of their training[1].

Human resource strategies must address the problems that beset skilled migrants who might wish to return home. Some developing countries have programmes to encourage the return of their highly skilled diaspora and overseas students. Offering premium salaries, tax breaks and attractive research facilities can prove very costly, generate resentment among those who stayed at home and increase the incentive to move abroad to take advantage of such packages upon return. Nevertheless, it is important to remove any disincentives for return. Disincentives may include the failure to consider seniority in public sector posts based on experience acquired abroad or the inability to transfer pension and social security benefits to the country of origin upon return. Some returning international migrants appropriately choose to enjoy their savings from overseas and take early retirement. Others choose to re-enter the labour market or to become self-employed. Excessive regulatory requirements or insufficient property rights in land entitlements can prove a significant obstacle to commercial activities. Providing lines of credit for start-up enterprises can lower barriers to employment opportunities for returning workers. Provision of information about the realities of such business ventures is also important; business failures among returned migrants with inadequate management experience are common. Not only can such actions render return a more attractive option, they can also – in the longer term – stimulate the home economy and, by providing employment opportunities, diminish the pressure to emigrate.

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Financing Higher Education

If a given developing country's principal concern is the loss of public resources invested in highly skilled emigrants, policy makers should consider restructuring the methods of financing higher education. This is preferable to what developing countries regard as continued subsidising of OECD countries. Programmes of student loans, rather than outright grants, offer greater potential to recover the costs of training specialised personnel. Such loan programmes could be combined with forgiveness of loan repayments for those undertaking predefined tasks in their home country, such as health-care work, teaching in rural areas or public service. Of course, grants cannot entirely be abandoned as a means of financial support. Bright children from lower-income families must not be discouraged from continuing their education and might require a means-tested grant element of their financial aid. In addition, mechanisms should be explored for repayment of interest and principal while the migrant is overseas. Possibilities include bilateral arrangements with the host countries and intermediation by the banking sectors of both countries. Policy makers must be attentive to the incentives provided by the mix of fields supported in public higher education and training. People trained in certain specialisations (e.g. medicine) have relatively easy access to the global market; those trained in fields more closely related to the needs of the poor in a developing country (e.g. agronomists) might have fewer opportunities to visit and work abroad. Specialisation and vocational training in areas of high demand in developing countries must be encouraged through the appropriate incentives, including (when appropriate) financial aid as outlined above and temporary programmes of work in OECD countries. Temporary stays abroad for additional training or work can prove to be important incentives for creating an increased supply of experts in these specialisations. Universities and training institutions in OECD countries can also support specialisation of overseas students in these areas through fellowships or training schemes.

In a number of developing countries with high emigration rates of highly skilled persons (e.g. the Philippines), private colleges and training facilities have expanded rapidly precisely to meet the demand from potential emigrants. Careful accreditation of these new establishments is important to maintain the quality of the services provided by graduates and to preserve the overseas reputation of all highly skilled workers from that country.

Infrastructure

Optimal infrastructure policy might well change when emigration occurs on a large scale. Plans for investment in public infrastructure must consider the demographic implications of migration flows. From which communities and regions are migrants leaving? Do these migration streams include families, or are children and others left behind? Where do returning migrants settle? The answers to these

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questions have implications for infrastructure development. If, for example, migrants leave rural areas on a large scale, but settle in urban locations upon return (perhaps with internal migration of family members to join the returning migrant) the balance of desired investments in rural versus urban contexts can readily be altered.

Since international migrants are normally drawn from specific regions of their home country furthered by their networking in the host country, higher internal replacement migration can help to spread the positive effects of diminished labour supply. Removing obstacles to internal migration can therefore help to spread the indirect benefits of emigration from specific areas. Improved infrastructure and abolition of barriers to internal migration, if adequately incorporated in domestic development strategies, can enhance the capacity of the sending country to adjust more smoothly to migration and benefit from positive ripple effects. Examples might include removing licensing requirements for entry to informal sector activities, or granting access to public-work schemes in other regions of the country.

Regional and "South-South" Initiatives

The idea of regional development strategies is gaining ground and much migration is regional. So the regional aspects of migration should play a key part in policy planning. Regions must adequately consider policies to facilitate cross-border regional market integration through improved infrastructure and appropriate visas, including the extension of regional passports.

For many developing countries, the dominant destination for their low- or semi-skilled migrant workers is often other developing countries. Much of this migration is irregular, offering little or no protection of rights to foreign workers. Many of these countries do not have the full institutional capacity required to manage migratory flows. Their policy formulation and implementation is weak and must be strengthened through capacity building of officials. At the national level, collaboration between and within agencies of government dealing with migration matters is essential. However it rarely exists at the moment. Encouraging bilateral and regional agreements among developing countries to exchange workers might include the establishment of regional passports with automatic entry rights as well as the extension of employment rights to nationals of all participating states.

Regional agreements to facilitate the movement of persons have been signed between some neighbouring countries. African initiatives are explored in Box 11.1.

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Box 11.1 **Regional Mobility Initiatives in Africa**

In Africa, notably, the protocol on the Movement of Persons and the Right of Residence and Establishment, of 1979 formalised the free movement of ECOWAS citizens within member countries. The African Economic Community and the New Economic Partnership for African Development (NEPAD) advocate programmes to foster labour mobility within and between the countries of the region, as part of their drive for sustained development of the region. However, the protocol on the free movement of persons in the Community of Eastern and Southern African States (COMESA) and the Southern African Development Community's (SADC's) lacklustre attempts to facilitate intra-Community movement of nationals are largely still on the drawing board. The East Africa Community Protocol on the Free Circulation of Labour, Free Establishment and Free Access to Labour Markets for nationals of the EAC member countries is part of the ILO's Labour Migration Project for Integration and Development and is supported by the European Union. This protocol was adopted at the end of 2006 and is now awaiting ratification by EAC member countries.

Two regional migration initiatives – the Migration Dialogue for Southern Africa (MIDSA) and the Migration Dialogue for West Africa (MIDWA) – provide informal, non-binding forums for the exchange of information, experience and perspectives, to facilitate co-operation among governments on migration policy. In addition to these two regional forums, there have been other, more widely based, initiatives: The Berne Initiative, a consultative, non-binding process for exchanging information and dialogue on migration issues among countries and other interested stakeholders; and The African Union's Draft Strategic Framework for a Policy on Migration – a tool for developing and presenting a co-ordinated migration policy based on common priorities – covers many issues related to migration.

Source: Adepoju (2005).

Summary of Policy Recommendations

1. Major emigration countries should adapt many aspects of macroeconomic policy making – including taxation, expenditure and exchange rate policies – to the outflow of workers.
2. 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.
3. 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.
4. Infrastructure investment decisions need to take into account mobility corridors; improved transport and communication capacity, meanwhile, can help labour markets adjust to emigration.
5. 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.

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Note

1. South Africa introduced compulsory community service in an attempt to address regional access to health workers (Lucas, 2006); programmes in Australia, Canada and the United States make it easier for foreign health workers who are willing to work in rural areas (Clemens, 2007); Mexico's Progresa programme has tapped into graduating doctors to man their rural health clinics (Levy, 2006).

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Chapter 12

Coherence of Policies for More Effective Management

Summary

Greater coherence – between ministries within a country and between countries – among migration policies, development co-operation policies, as well as employment, trade and security policies is required for all parties to gain more from migration. Existing institutional set-ups must be overhauled to increase policy coherence; countries must seek mechanisms to promote communication, negotiation and consensus building among policy communities and their constituencies. As argued in previous chapters, OECD countries must interlink migration and development policies; developing countries, for their part, must mainstream migration and remittances in their national development strategies. Enhanced partnerships between sending and receiving countries may be an effective mechanism for assuring that interlinked and coherent policies are put in place and properly implemented. In addition, migration, employment, trade, investment and development assistance considerations must also be jointly addressed at the national and global levels.

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Coherence is needed not only among policy domains, but among the various players in the migration system.

Of course, some of the key factors shaping employment creation, economic development and even security at home lie beyond the control of the migrants' home countries. OECD-country policies (e.g. in agriculture, trade, environment or security) have profound effects on developing countries. External factors, such as changing world terms of trade, climate swings, or even violence instigated by neighbouring states, impinge upon living conditions that alter pressures to migrate internationally. Nevertheless, the development strategies chosen by the home country can play a major role in mitigating risks and seizing opportunities for development. This can be facilitated if migration, trade, investment and development assistance considerations are jointly addressed at the national and global levels.

The Role of Development Assistance

In the context of second-generation Poverty Reduction Strategy Papers (PRSPs)[1], official development assistance (ODA) can be used as a catalyst to diffuse better the benefits of migration and facilitate adjustment. This is particularly needed in the framework of the OECD's dialogue and partnership with high-emigration, low-income countries. For these countries policy coherence between migration and development co-operation is crucial.

Development assistance has often been suggested as a policy device to be used by OECD countries to stop or control immigration. This is misplaced for a number of reasons. First, the links from aid to growth are weak and, even if aid spurs growth, there is no guarantee that migration will diminish as a result. Second, using development assistance as a bargaining device to extract co-operation in controlling irregular migration, as is sometimes suggested, would be fraught with difficulties. If immigration border controls are extremely difficult to enforce, emigration border controls pose particular difficulties in low-income countries with limited resources. Finally, the principal objective of development assistance should remain poverty eradication. ODA cannot easily serve the double goal of poverty reduction and migration control. Given that very little of low-skill migration to many OECD countries, notably in Europe, originates from the least developed countries, redirecting development assistance toward the high-migration, middle–income countries in order to influence migration patterns runs counter to the objective of eradicating the most severe poverty.

Aid can help, of course. Enhancing the sending countries' capacity to adjust to emigration successfully through support to infrastructure development, improvements of education and health systems, co-development projects or support for appropriately designed fellowships and training schemes can help diffuse gains from migration, turning the brain drain into a brain gain. For example, investments in infrastructure tend to facilitate domestic labour market adjustment across segmented markets, spreading the benefits from migration and remittances to a wider region. Similarly, appropriate capacity building in health and education sectors can enhance the capacity of low-income countries to retain skilled personnel, permit skill circularity and facilitate skill creation and replenishment.

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ODA channelled to the key sectors of education and health can offset the negative impact of the brain drain, provide incentives for return migration and promote human development. Further options include assistance toward redesigning service delivery systems, such as additional use of paramedics, or schemes to reintegrate returning professional emigrants. The UNDP Transfer of Knowledge Through Expatriate Nationals (TOKTEN) Programme[2], which seeks to bring the expertise, knowledge and experience of qualified expatriates back to their home country through short-term consultancy missions, is a good example of how well designed programmes may reverse the negative effects of the brain drain.

Being able to export products that make intensive use of low-skilled labour is a critical strategy for accelerated growth and the principal rationale for opening to trade. Expansion of such export industries will in some cases affect migration flows. However, such a growth strategy is complicated by the trade policies of OECD countries. The use of agricultural subsidies by many of the industrialised countries, for example, depresses world prices for agricultural products. Whether this hurts or harms living conditions in the home country of migrants depends upon whether the country is a net importer of food and whether it exports cash crops prices of which are depressed. Moreover, the impacts of such policies on potential migrants vary within and across developing countries. This example illustrates that the impacts of OECD country trade, migration and development policies on specific low- and middle-income developing countries need to be considered alongside migration policy making.

Strategies for risk prevention, risk mitigation and risk coping should be incorporated ex ante into the design of sending-countries' policies, and here, too, development assistance can help. Improving access to land and water assets, supporting agricultural extension programmes and irrigation infrastructure, promoting institutional capacity building as well as appropriate land titling and regulatory modernisation are only a few examples of policy priorities that could significantly enhance security in the countries of origin and stem the desire for relocation.

The Role of Trade Policies

Developing countries that can specialise in the production and export of products that make intensive use of low-skilled labour benefit from trade liberalisation. The trade policies of the EU and of other OECD countries, however, often stand as obstacles to such specialisation. Moreover, the impacts of such policies on potential migrants vary within and across developing countries. The impacts of OECD trade, migration and development policies on specific low- and middle-income developing countries need to be incorporated into migration policy making. For example, the United States has played an important role in the development of trade and migration issues in Mexico and Central America during the last 30 years (see Box 12.1).

Liberalisation of trade in services would create the possibility for greater and more organised mobility of people. This might take the form of intra-corporate transferees as has been the case in East Asia or of supply through the movement of natural persons

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(i.e. individuals, as opposed to "moral persons", meaning legally-constituted businesses). Given that demand for low-skilled and semi-skilled migration will continue to increase in the decades ahead, the EU may want to engage in an informal but inclusive policy dialogue with all relevant stakeholders on the GATS Mode 4 provision. This provision would allow countries to manage better temporary migration flows and would enable sending countries to profit from circularity. The proposal for a "GATS visa" merits serious consideration in this context. Prior to consideration, the optimal length of time that countries are willing to consider for contracts under Mode 4 provisions, the terms and conditions for such contracts, the structure of incentives that would ensure that workers and employers respect such contracts and the role and status of foreign employers must be carefully considered. Whether or not the labour laws of the worker's home country should govern contracts must also be re-evaluated. Without extension to permit trade in services provided by low-skilled workers, Mode 4 will continue to do little to serve the interests of developing countries. Including provisions for the movement of unskilled workers in the Doha Round under Mode 4 might in fact provide powerful incentives for progress in other areas of negotiation.

Box 12.1. **Trade and Migration in Central America**

The interrelations among domestic politics and international policies are illustrated by the experience of US trade and migration policies towards Central America and the Caribbean. Analysts claim that the evolution of trade and migration issues in the United States depends upon the political party in the White House, given that the US Congress, as representative of its constituents, is usually divided by conflicting interest groups, even within parties, a context in which presidential leadership can exert a powerful influence. The free trade agenda, initiated by the first President Bush and continued under the Clinton administration, has been sustained by the signing of the Central America–Dominican Republic Free Trade Agreement (CAFTA-DR) in August 2005, despite concerns of many legislators, largely to do with security issues.

The US Congress approved the CAFTA-DR in July 2005 and the President signed it into law on 2 August 2005. The CAFTA-DR has been approved by the legislatures in the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua while approval is pending in Costa Rica. The agreement will enter into force on a date to be agreed upon among the parties.

Source: http://www.ustr.gov

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The Role of Security Policies

The terrorist attacks of 2001 in the United States tinged the migration debate with security concerns; today migration issues in the United States are at the top of the policy agenda. A new EU agenda on security and development, meanwhile, could provide an opportunity to explore the many inter-linkages between development, migration and security (Katseli, 2006). EU policies and programmes could explicitly aim to address the various sources of insecurity in developing countries[2] which often cause people to emigrate and which hamper development.

Strategies for risk prevention, risk mitigation and risk coping should be incorporated *ex ante* into the design of OECD migration policies. Improving access to land and water assets, supporting agricultural extension programmes and irrigation infrastructure, promoting institutional capacity building as well as appropriate land titling and regulatory modernisation are only a few examples of policy priorities that could significantly enhance security in the countries of origin and stem the desire for relocation.

The Institutional Challenge

Policy reforms, including the reform of institutions, must be addressed at different levels. Internationally, there are significant institutional incoherencies among organisations such as the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and various agencies of the UN system. There is also room for closer co-operation between these multilaterals and bilateral donors (as represented by the OECD/DAC). Reforms must also be initiated at the regional level. Seeking greater policy coherence for migration and development is becoming increasingly important for the European Union. Article 130v of Title XVII of the Maastricht Treaty[3] is often referred to as the "coherence article for development co-operation" (Hoebink, 1999). In December 2004 the European Council called for the further strengthening of policy coherence for development, "making wider and more systematic use of existing mechanisms for consultation and impact assessment and procedures to screen all relevant policies for their impact on developing countries" (European Commission, 2005). Particularly noteworthy is the EU's "European Consensus on Development" of December 2005, which explicitly calls upon the Commission and member states to observe coherence among their policies that affect development.

A key priority for the European Commission is stronger systematic consultations across all relevant directorates of the EC, most notably those related to law enforcement and security, labour markets and social protection, and development co-operation, to strengthen the development input into the relevant structures responsible for migration policy. The present configuration of working parties engaged in the formulation of migration policies needs to be revisited if these are to encompass considerations of economic growth in Europe and economic development overseas. How might this come about? A Working Party on Migration, Trade and

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Finally, reforms must occur at the national level. Among OECD countries, Sweden's 2003 Government Bill 2002/03:122 is perhaps the most institutionally ambitious. The policy commits the various ministries to greater coherence in measures that affect development. Responsibility for annual reporting to Parliament is vested in a special unit that includes, but is not limited to, the aid agency. Other countries have tried less formalised approaches that have similar effects, given that they also encourage greater communication among ministries. In 2002 the Netherlands created a Policy Coherence for Development Unit (PCD) at the Ministry of Foreign Affairs, bringing together development and non-development related officials; members meet routinely to discuss the development impacts of various measures (e.g. changes in phyto-sanitary standards imposed on agricultural imports)[4].

In all cases, a key element of reform is finding ways to increase the flow of effective and relevant information and communication among various actors: multilateral institutions, aid agencies and foreign and economic ministries. This can be more or less formalised, depending upon the political circumstances at the country level, but this is only one part of the process. The next step is that of negotiation and consensus building among various social groups whose incentives are not perfectly aligned. Some constituencies (e.g. producers, consumers, migrants, employers, intergovernmental organisations) will gain and others will lose from changes in current incoherent policy combinations. Pro-development lobbies in OECD countries must mobilise themselves and compensation (political or economic) must be generated for those who stand to lose from changes. If, as we argue, the benefits outweigh the costs, then such reforms are possible; the challenge is to discover which reforms are practically and politically feasible.

Summary of Policy Recommendations

How to make migration and development policies more coherent? This chapter has made several recommendations:

1. At the national level, inter-ministerial and interdepartmental initiatives must be established to promote co-ordination of development and migration policies.
2. OECD countries and migrants' countries of origin alike must incorporate migrant organisations into the policy making process.
3. At the level of the supranational entities such as the European Commission or the African Union, stronger systematic consultations must be put in place across all relevant decision making bodies.
4. Development assistance 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.
5. OECD countries' trade policy should be crafted with attention to its impact upon labour mobility.
6. OECD countries' security policies must recognise the broad nature of "insecurity" and the relationship between human insecurity and labour mobility

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Development could be instituted to provide inputs to the Committee of Permanent Representatives of the Member States (Coreper II). Support by a permanent inter-directorate liaison network might provide a necessary forum for information exchange, policy consultation and stronger development inputs on migration policy making.

Regional reforms are increasingly promoted in developing countries, as is the case of several policy processes being prepared by NEPAD. A few pioneering African initiatives on migration and development, though mostly incipient at this stage, were introduced in Box 11.1.

Concluding Remarks

Migration is an important and necessary feature of globalisation. But its potential must be harnessed more effectively by the policies and actions of both developed and developing countries so as to contribute to development. OECD countries must look at migration policies through a "development lens", interlinking migration and development policies. Developing countries, for their part, must mainstream migration and remittances in their national development strategies. Attainment of such ambitious goals can only be initiated by looking more closely at national, regional and global policies that can possibly affect and be affected by migration. Partnerships between sending and receiving countries provide a mechanism that raises the benefits to all parties of undertaking the difficult policy reforms that lie ahead (while increasing the costs of failing to comply). Perhaps then all parties can gain more from international migration.

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Notes

1 . A Poverty Reduction Strategy Paper (PRSP), according to the World Bank website, is "a country-led, country-written document that provides the basis for assistance from the World Bank and the International Monetary Fund, as well as debt relief under the Heavily Indebted Poor Country (HIPC) Initiative. A Poverty Reduction Strategy Paper describes a country's macroeconomic, structural and social policies and programmes to promote growth. It summarises the country's objectives, policies and measures for poverty reduction. A Poverty Reduction Strategy Paper should be country-driven, comprehensive in scope, partnership-oriented and participatory."

2. The TOKTEN programme has been implemented in China, India, Nepal, Pakistan, Palestine Programme, Philippines, Turkey, and Viet Nam.

3. Four proximate sources of insecurity include inability to access strategic assets, access to food or other inputs, large market volatility or failed institutional setups.

4. Article 178 of the Amsterdam Treaty as from 1 May 1999.

5. This information is based on a presentation made by Jan Klugkist of the Netherlands Ministry of Foreign Affairs at a seminar of the European Association of Development Institutes in Vienna, March 2006. Also see Netherlands (2006).

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Policy Coherence for Development

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What are the costs and benefits of migration for developing countries? How can these flows be better organised to yield greater benefits for all parties concerned – migrant-sending countries, migrant-receiving countries, and the migrants themselves?

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Migrant-receiving countries are encouraged to look at their migration policies through a development lens; migrant-sending countries, conversely, should look at their national development policies through a migration lens. Interlinking migration and development policy making promises a more effective pursuit of the objectives of both sets of policies. This volume provides the basis for a productive debate surrounding the policy innovations that maximise the overall benefits of international migration.

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