International Migration and Economic Development in Low-Income Countries: Lessons from Recent Data

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Chapter 2 (pp. 11-32) in:
Immigrants and Their International Money Flows
Susan Pozo, ed.
Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2007
DOI: 10.17848/9781429492072.ch2
The links between international migration and economic development of the low-income countries have recently come to attract a good deal of attention: in 2005 the Global Commission on International Migration (2005) came out with its report, much of which focused on development implications for the low-income countries; the World Bank’s *Global Economic Prospects 2006* was subtitled “Economic Implications of Remittances and Migration” (World Bank 2005); and in September 2006 the High-Level Dialogue on International Migration and Development took place at the General Assembly of the United Nations (UN).

Why is the migration-development nexus attracting so much attention now? Two key factors go a long way toward explaining the increased interest. First, international migration continues to grow. According to UN estimates, the stock of persons living in a country in which they were not born expanded by 14 percent from 1990 to 2000. The breakup of the former Soviet Union and of Yugoslavia accounted for some of this absolute increase, as internal migrants were suddenly now counted as international migrants. Most of the rest of the growth in migration simply reflects world population growth. In fact, migrants in 2000 remained close to their 1970 portion of world population, at about 3 percent. But what has really attracted attention is the absolute expansion in levels of migration to the higher-income countries. By 2000, almost 1 person in 10 in the developed regions was an international migrant. The foreign-born population of the United States grew
by about 13 million during the 1990s, and the number of immigrant visas issued by the United States in that decade was similar to the number issued during the mass migrations from Europe in the first decades of the twentieth century. Indeed, immigration to both the United States and Canada has been on a long-term upward trend since the 1930s. But the national origins of those migrants are now quite different from those of earlier migrations to North America; European migrants have given way to new waves of Asian immigrants, and in the United States, Latin American migrants have also increased in importance. Meanwhile, Europe faced a flood of asylum seekers arriving during the 1990s. Some were fleeing from violence on Europe’s edges, such as in the former Yugoslavia, but others came from much farther afield. Recognition rates of these asylum seekers were low to begin with and fell as more came. Yet the mass influx, coupled with the fact that the migrants’ countries of origin had not been common sources of earlier migrants, provoked considerable attention among the European Union (EU) countries, which had never seen themselves as countries of immigration. Indeed, the EU member states still do not possess any coherent or mutually consistent immigration policies.

Besides the increasing numbers of international migrants, the second component that has attracted so much attention among researchers is the flow of remittances that is now being reported. The World Bank’s Global Economic Prospects 2006 reports that by 2004 remittances to the developing regions had grown to nearly US$160 billion (World Bank 2005). This was about 50 percent greater than all Official Development Assistance.

The link between, on the one hand, this growing interest among researchers, international agencies, and governments in international migration and, on the other, economic development in the lower-income countries of origin runs both ways: development at home shapes outward migration, while the process of migration simultaneously affects development in a number of ways. The next section of this chapter turns first to the former link: the effects of development on outward migration. Most of the rest of the chapter then addresses various aspects of the latter link: the effect of migration upon development at home.
THE CAUSES OF MIGRATION, AND THE EFFECTS OF DEVELOPMENT UPON MIGRATION PRESSURES

Migration outcomes (i.e., whether individuals are able to migrate) are a combination of the desire to emigrate and of constraints upon realizing those desires. Various forms of entry controls in the destination countries represent one obvious form of constraint. Yet these controls are far from being the only determinant of migration outcomes. The desire to migrate from a particular country shapes the application rate for legal entry. Moreover, no country has controls that are absolutely effective. Despite the militarization of the U.S. borders, the former Immigration and Naturalization Service (INS) estimated that the number of irregular migrants in the United States doubled between 1990 and 2000. Estimates of the number of irregular migrants in the EU range as high as 10 million. Similarly, even such countries as Saudi Arabia and Japan, which have much tighter controls, have significant numbers of foreigners who have overstayed their visas.

Virtually all of the assembled evidence indicates that the gap in earnings opportunities for migrants between their home country and their overseas destination is a significant and important factor in driving migration flows. Thus, economic development at home—provided that job creation and a tighter labor market accompany this economic expansion—serves to diminish emigration pressures.

A counterargument has become widely accepted and is featured in a number of major reports on international migration, namely the concept of a migration hump. The idea is that at low income levels a rise in incomes serves to exacerbate emigration pressures, while at higher incomes a drop in income exacerbates emigration pressures. At least five hypotheses have been put forward as underlying the lower arm of a migration hump. They are enumerated as follows:

1) Rising incomes result in more rapid population growth, and the resultant population pressures are the root cause of additional emigration. Using this hypothesis, Hatton and Williamson (2002) posit that it was lagged population growth from about two decades earlier that drove the mass emigrations from Europe in the last century rather than rising incomes per se. On the other hand, very few countries are now in a phase in which
population growth is still increasing with development, so this hypothesis is of less relevance today.

2) Trade liberalization, undertaken in an attempt to accelerate development, can result in temporary job loss, and some of those displaced may emigrate.

3) A similar claim has been made with respect to the broader structural transformations (especially the shift from agriculture to industry) that generally accompany economic expansion. Note, however, that both of these latter arguments maintain that it is labor market slack that drives emigration pressures, which is consistent with the view that gaps in earning opportunities are a major causal factor in migration.

4) Rising incomes at home may ease credit constraints that previously prevented would-be migrants from financing costly migration abroad.

5) It has been suggested that the returns on remittances are higher in middle-income countries, making emigration and remittance to these states financially more attractive.

Although these hypotheses are all eminently reasonable, and although the notion of a migration hump is now fairly universally accepted, there appears to be little or no systematic evidence to support this pattern; rather, evidence supports the contrary, that at lower income levels a rise in incomes serves to relieve emigration pressures, while at higher incomes a drop in income relieves emigration pressures.

This is illustrated in Figure 2.1, which shows net annual migration per thousand of population from 1995 to 2000 for 164 countries. (Negative outcomes reflect net out-migration.) The horizontal axis displays the natural logarithm of gross domestic product (GDP) per capita, measured in purchasing power parity U.S. dollar prices. The two superimposed lines are a simple linear regression line and a spline regression. The simple linear regression line indicates a significant positive association: lower-income countries tend to have higher rates of net emigration, and higher-income countries exhibit more net immigration. More importantly, the spline variant clearly shows that the lowest-income countries do not have very low rates of net out-migration, contrary to what a migration hump would suggest.
Although most existing studies support the notion that emigration diminishes as income levels and earning opportunities at home improve, there is considerable noise around this association, as is clear in Figure 2.1. Development is by no means the only factor affecting migration outcomes: geography is important, too. This is brought out in Figure 2.2, which shows the percentages of each of the non-OECD countries’ populations present in the OECD member states as of 2000. First, it is apparent that there is a great deal of movement among the OECD member countries themselves, very often to neighboring members. Beyond that, the high emigrations from the Caribbean and Central America to the United States are evident, as are the large migrations from the Maghreb, Eastern Europe, and parts of the Middle East to the EU. The countries with high migrations to the OECD nations from further away tend to be countries that have spawned large numbers of refugees, such
Figure 2.2 Non-OECD Country Populations Present in OECD Member States, 2000 (%)

as Somalia, Angola, and parts of Indochina, though there are exceptions (such as the Philippines).

In fact, geography seems to be even more important than income levels and earning opportunities in shaping the migration of low-skilled workers. Figure 2.3 is similar to Figure 2.2 but shows only the percentages from each country of the adult populations in the OECD with nine years of education or less. Two aspects of the data in Figure 2.3 are of particular note. First, some of the OECD member countries are themselves major sources of low-skilled migrants in the OECD. Not surprisingly, large numbers of low-skilled workers are present from Mexico and Turkey, both of which are OECD members. But other countries, such as those of southern Europe, are also key sources of low-skilled workers within the OECD. In fact, 32 percent of the low-skilled migrants in OECD countries are from OECD members other than Mexico and Turkey. The second aspect to note is that very few low-skilled workers gain access to OECD countries from countries that are distant from the OECD regions.

Yet this does not mean that countries whose populations are largely unskilled do not have significant out-migration. Indeed, as the map in Figure 2.4 shows, a number of countries in low-income regions exhibit fairly high rates of net out-migration even though their stock of migrants in the OECD is not particularly large. This is a reflection of the importance of south-south migrations, which often form the dominant option for low-skilled workers from the low-income countries. For instance, Figure 2.4 shows quite high rates of net emigration from Indonesia, Burkina Faso, and Kazakhstan, though emigration rates from these countries to the OECD regions are relatively low. Meanwhile, some of the better-off countries within the developing regions, such as Malaysia and Gabon, underwent significant net immigration.

A major example of south-south movement has been the mass migrations to the Persian Gulf from South and Southeast Asia as well as from some of the lower-income countries in the Middle East. Many observers thought this process was coming to an end with the decline in oil prices in the early 1980s, but in fact there was a resurgence during the 1990s, involving a wider spectrum of source countries. But other, less well-known movements are important too: from Indonesia to Malaysia; from large parts of sub-Saharan Africa to South Africa, to Gabon, and to
Figure 2.3 Non-OECD Country Adult Populations Present in OECD Member States with Nine Years of Education or Less, 2000 (%)
Figure 2.4 Rates of Net Out-Migration, 1995–2000 (%)
other higher-income countries within the region; from Burma to Thailand; from Bangladesh to India; and many more.

Economic development, geography, the incidence of violence, and many other factors help to shape these complex patterns of migration. But what are the effects of the migrations upon economic development at the migrants’ place of origin? What underlies the other half of the migration-development link?

THE EFFECTS OF MIGRATION UPON ECONOMIC DEVELOPMENT

Simulations suggest that there are huge global income gains to be had even from a small expansion in international migration (Walmsley and Winters 2003; World Bank 2005). The key to these large gains is the increases in earnings available to migrants upon moving. Accordingly, the migrants themselves are the big winners. In practice, part of the gains to migrants are siphoned off by various middlemen. In particular, both legal and irregular migrations have become increasingly commercialized, so that recruiters and smugglers now command a significant fraction of the rents to be had from migration. Indeed, the limited available evidence suggests that the lower the income of the migrant’s country of origin, the higher this rent extraction becomes (Lucas 2005, pp. 275–288). Because the migrants have almost nothing to begin with, the large gains to be realized in these lower-income contexts give greater leverage to the middlemen.

It should be emphasized that the net gains to the migrants themselves are a form of economic development for the nationals of the country of origin, even if these income gains are not drawn from domestic production. The effect of migration upon the incomes of those left at home is an important one, but the answer to the question of what kind of an effect it has is generally ambiguous. Although such elements as tighter labor markets at home and the gains resulting from remittances sent by departed migrants may relieve the economic situation at home, the potential for effects such as brain drain to act in the opposite direction is very real. One should not expect a uniform answer to whether emigration helps or hurts those left behind.
Remittances

Transfers of remittances from migrants may be divided into two types: those that pass through formal sector intermediaries, versus those that are transmitted through myriad money dealers in the informal banking network. The latter generally prove cheaper and faster. The official data on remittances, as reported by the International Monetary Fund (IMF), refer largely to formal remittances, though even these data are subject to substantial measurement error. Little systematic information exists on informal transfers, though for some low-income countries informal receipts appear to be relatively large.

The effect of remittances upon people left at home has been the subject of considerable controversy and some confusion. Other things being equal, receipt of such transfers must raise the standard of living. But whether the combined effect of departure of the migrants and receipt of their remittances raises standards of living for those remaining at home is far less clear. Moreover, whether remittances are spent in such a way as to accelerate the rate of growth of home-country production is also unclear. Indeed, it is common for researchers to complain that too little investment occurs out of remittances and even for officials to direct policy to encourage such investments. Such efforts are largely misdirected. Officials of the home country may well feel that too little is being invested in their nation’s economy, yet why the recipients of remittances should be singled out to undertake the additional investments remains unjustified. Remittances are a private form of income and should be subject to the same rights and privileges as other forms of private income. To be sure, artificial barriers to private investments should be dismantled, but this is true no matter whether these investments are financed out of remittances or otherwise.

The extent to which remittances serve to alleviate poverty in the home area depends upon the propensity of poor people to migrate, and, once they have migrated, upon their propensity to remit. In addition, the indirect effects on poverty alleviation are influenced by the multiplier effects of remittance spending and by any job creation that occurs as a result of additional investment coming from the inflow of remittances. Researchers have devoted most of their attention to remittances’ direct effect on alleviating poverty. The extent to which current remittances alleviate poverty through this direct effect seems to be sensitive to how
one defines the poverty level of families—whether by asset possession or current earnings—and to whether earnings are defined at the level they were at before or after the migrant left. Nonetheless there appears to be relatively uniform agreement that remittance inflows indeed do alleviate poverty, and in some instances this effect is estimated to be large. The poor do migrate, even internationally, though perhaps more so internally. The poor also do remit. However, in a number of regions the very poorest are left out of this cycle of international migration and remittance receipt.

There is also growing evidence that remittances serve as a key element to ensure smoother consumption patterns for families in low-income countries. Given the vagaries of farming, many families in developing regions see their incomes fluctuate substantially between good and bad years. Add to this such risks as the family’s main wage-earner getting ill or a natural disaster occurring, and prospects can be quite uncertain. A plausible response to these threats is to have some family members migrate to places where they will be unlikely to meet with the same misfortune. Then, if disaster does strike back home, the migrant can support those family members in trouble by remitting. Research has brought to light several examples of situations where helping to stem a crisis appears to be reflected in observed remittance patterns.4

Azam and Gubert (2002) note that one can generally expect moral hazard responses to the insurance provided by remittances. Specifically, families that receive remittances may well react by reducing their labor effort at home. This argument is supported by findings in the Kayes area in western Mali, where household survey data indicate that although families of migrants have greater agricultural assets, their crop production is actually lower than that of nonmigrant families. Moreover, Azam and Gubert’s results illustrate that this pattern is not simply a result of a smaller number of family workers available at home following the departure of migrants, nor a reflection of families with lower productivity tending to have members that migrate more. Certainly these findings are consistent with a growing body of literature demonstrating that, upon receipt of remittances, families enjoy part of the rise in living standards in the form of additional leisure.5

A second impact of remittances upon the labor market at home may also be noted. To the extent that remittances provide a sufficient amount of foreign exchange to support the exchange rate, they also make ex-
porting more difficult. This effect, which is sometimes referred to as the “Dutch disease” effect of remittances, can serve to limit employment creation in the export sector, potentially leading to greater pressures to emigrate.6

**Labor Market Impacts at Home**

Apart from the effects of remittances through moral hazard in labor supply and through the exchange rate upon employment creation, the departure of migrant workers can readily affect the labor markets at home more directly. The withdrawal of migrants typically will either put pressure on home country wages to rise or will at least shorten the queue for jobs, depending upon whether or not the market has a labor surplus. More generally, migration’s overall impact on the home country’s labor market will also depend upon the extent of internal migration induced to replace departing workers and upon the skill mix of those migrating. A key element is whether the skills possessed by emigrants are complements or substitutes for the skills of those who remain at home. For example, the departure of highly skilled workers could raise the earnings of their direct competitors at home yet lower the demand for less-skilled workers who would have worked alongside those departing migrants in ancillary positions (Davies and Wooton 1992).

Rather surprisingly, although the issue of immigration’s impacts on the labor market has been the subject of extensive research, the issue of emigration’s impacts upon labor markets in countries of origin remains largely neglected. Certainly no generalizations appear possible at this juncture.7 Nonetheless, how the home country’s labor market performs for highly skilled persons proves central to determining how much damage is done by the brain drain.

**Brain Drain, Brain Gain, and Brain Overhang**

Figure 2.5 shows the percentage of each country’s tertiary educated population residing abroad in an OECD country in 2000.8 Although this percentage omits emigration of the highly skilled to non-OECD countries, on which no systematic data exist, Figure 2.5 nonetheless offers a good picture of the incidence of the brain drain flowing from developing to industrialized regions. Particularly high rates of brain drain
Figure 2.5  Tertiary Educated Population of a Country Residing Abroad in an OECD Country, 2000 (%)
are observed from Central America and the Caribbean, Eastern Europe, parts of the Middle East and Indochina, and across almost the whole of Africa.

North America, and the United States in particular, is the principal destination for these highly skilled migrants. European firms have only recently joined the race to attract the highly skilled, and Europe’s foreign population is dominated by lower-skilled workers. Even the exodus of highly skilled professionals from Eastern Europe and the Commonwealth of Independent States (consisting of 11 former Soviet republics) occurred mostly to the United States during the 1990s, not to neighboring Western Europe.

Do the low-income countries lose from this departure of their most talented and highly educated? Chief among the potential sources of harm commonly cited are the following three types of loss: 1) the loss of economic growth, since such growth generally correlates with the presence of educated persons; 2) the loss of external benefits (such as better governance) that come with the presence of highly skilled compatriots; and 3) the loss of public funds invested in the highly skilled, as well as the loss of funds that would be taxed from their incomes at home. Each of these losses is controversial. Although the presence of highly skilled people is correlated with faster growth and with various beneficial outcomes such as the aforementioned better governance, whether this presence is the causal factor remains in dispute. Moreover, if there are any benefits, the question of whether the highly educated themselves reap the lion’s share of these benefits in the form of higher incomes remains untested. And whether the highly educated make a net contribution to the fiscal balance is also contentious, since public spending on the highly educated and their families is often greater. On the other hand, the loss of public funds invested in the highly educated is much clearer in countries that heavily subsidize higher education of even the children of elite families.

A separate but closely related aspect of these potential losses is countries’ inability to deliver key social services, such as health care and education, without trained personnel. The mass recruiting of health care workers from Africa has attracted particular criticism in the face of the HIV/AIDS epidemic there, not to mention malaria and other diseases that ravage the continent. Yet it is not clear that the emigration of doctors and nurses from Africa is the main constraint on the ability
of African states to offer better health care (Clemens 2006). Indeed, across the spectrum of professions and in all developing regions, the inefficient use and allocation of the highly skilled classes raise serious doubts about the real costs imposed by their departure—a feature that might be called “brain overhang.”

But many observers go even further, claiming that emigration of the highly skilled can confer benefits on their country of origin through the activities of a professional diaspora, which has become known as “brain gain.” The best documented of these arguments is that a diaspora may have a beneficial effect on promoting trade with the home country; it does this by its members improving the flow of information between the home and the destination countries and by their ability to enforce contracts (Rauch 2001). For example, it seems the presence of Indian IT professionals in this country was critical to expanding India’s software exports to the United States (Saxenian 2004). Other routes that can lead to beneficial effects and are commonly cited, but far less well documented, involve the transfer of technology and the promotion of direct investments in the home country.

However, the aspect of brain gain that has perhaps attracted the most attention recently is the inducement to expand education at home. The idea is that the emigration opportunity afforded by higher education induces greater college enrollments, and that only a fraction of those thus attracted to continue their education will actually manage to leave the country. If the stock of the highly educated population left at home thus expands, domestic production may then be improved (Mountford 1997; Stark and Wang 2002). Some observers may express reservations about this: the expansion of home education is hardly costless, and the freshly attracted students may be less competent, for instance (Schiff 2005). But perhaps more importantly, the evidence across countries does not seem to support this hypothesis, though certainly in some specific countries (such as the Philippines) enrollment in higher education indeed appears to be quite sensitive to overseas opportunities (Lucas 2005, Box 4.1).
SUMMING UP: POLICIES AND PROSPECTS

The effects of emigration upon economic development for those remaining at home are mixed. The effects are typically more poverty-alleviating, and possibly more positive for development in general, in cases where migrants are drawn from the lower-skilled parts of the labor force. It also tends to be true that the effects upon incomes of those remaining at home are more positive when the return rate (or at least the intended return rate) of migrants is higher. For instance, the massive remittances resulting from migration to the Persian Gulf are largely a reflection of the enforced family separation and the temporary nature of these movements.

Virtually none of the high-income countries really think of their migration policies as part of a more coherent development policy for the lower-income regions. Indeed, the competition among firms in the high-income countries to attract the best and the brightest from the developing regions is heating up: an ever-increasing number of industrialized countries are actively recruiting foreign students, often with the express intent of keeping the most successful. Meanwhile, almost all of the high-income countries have in place massive agricultural subsidies and protect low-skilled manufacturing activities. Both agriculture and manufacturing employ irregular migrants from the developing regions.

However, the low-skilled workers thus brought to the OECD countries tend to come from nearby nations that are not among the lowest-income countries. In fact, the force of geography is such that the propensity of countries to send their low-skilled workers to the OECD regions rises significantly with the income level of the originating country.

Temporary migrations of low-skilled workers probably have the biggest impact on poverty reduction in the developing regions of any type of migration. Most high-income countries seem to prefer temporary migrants to permanent ones and have expanded several of their temporary migration schemes. Yet such schemes face a fundamental dilemma: attempts to integrate migrants, to promote their rights, and to enable family reunification all tend to discourage return migration. On the other hand, the family and social costs can be high from government approaches to temporary migration that prevent legal family accommodation.
What we probably need to seek are better ways of managing such temporary migrations. Certainly a number of steps seem eminently feasible to encourage greater return rates. Extending Mode 4 of the General Agreement on Trade in Services (GATS) to encompass low-skilled services may be one such critical step. Establishing transferability of pension schemes to the home country is another. The use of intermediary contracting of projects appears to be particularly effective in ensuring that migrants return home, though such schemes need closer regulation to prevent abuse of the contract workers. Ironically, irregular migrants are discouraged from returning home when the prospect of recrossing the border becomes more formidable.

In practice, only a few developing countries actually have very high emigration rates to the industrialized nations. Distance deters migration, both internally and internationally (Lucas 2001). Social networks help to amplify migration streams, once initiated. The combined effect is that remote countries, and remote villages within countries, are left out of the migration process. Where migration is never initiated, the community becomes increasingly isolated from a growing migration flow, both internally and globally, and pockets of poverty remain there. Yet south-south migrations often present migration opportunities of shorter distance, and consequently in today’s setting they may represent the most important vehicles of poverty relief through migration from the lowest-income countries.

This picture could change. Communications, transportation, and commercialization of movement are all increasing. Moreover, the demographic map will shift dramatically over the coming decades. Most migrants are young adults, typically ages 15–30. By far the fastest growing populations in this age range are in sub-Saharan Africa (Lucas 2006). The world may well witness a rapid Africanization of international migration in the next half century—not just within the African continent, which is the dominant pattern at present, but out of Africa too.

Notes

1. On March 1, 2003, the INS was relocated from the Department of Justice to the Department of Homeland Security and split into three agencies: the Bureau of Citizenship and Immigration Services, the Bureau of Customs and Border Pro-
tection, and the Bureau of Immigration and Customs Enforcement. “Irregular” migrants are undocumented or illegal migrants.

2. The OECD, or Organisation for Economic Co-operation and Development, is composed of 30 market democracies and is dedicated to helping governments tackle the economic, social, and governance challenges of a globalized economy.


6. For an early discussion of this point, see Quibria (1997). The Economist coined the term “Dutch disease” in 1977 to describe the manufacturing sector’s decline in the Netherlands after natural gas was discovered in the North Sea in the 1960s. Deindustrialization followed because the discovery of this natural resource raised the value of the Dutch guilder, making manufactured goods less competitive with those of other nations, thus increasing imports and decreasing exports.

7. For a review, see Lucas (2005, pp. 85–102).

8. See also Dumont and Lemaitre (2004).

9. In GATS, a treaty of the World Trade Organization, Mode 4 deals with the international movement of people in the process of delivering international trade in services.

10. “Contracting” here refers to a firm taking on a project abroad and bringing workers from abroad to execute this project.

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Editor

2007

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Kalamazoo, Michigan