

Migration and its economic effects on  
the receiving countries – is there an  
optimal migration policy?

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# Important economic roles of migration

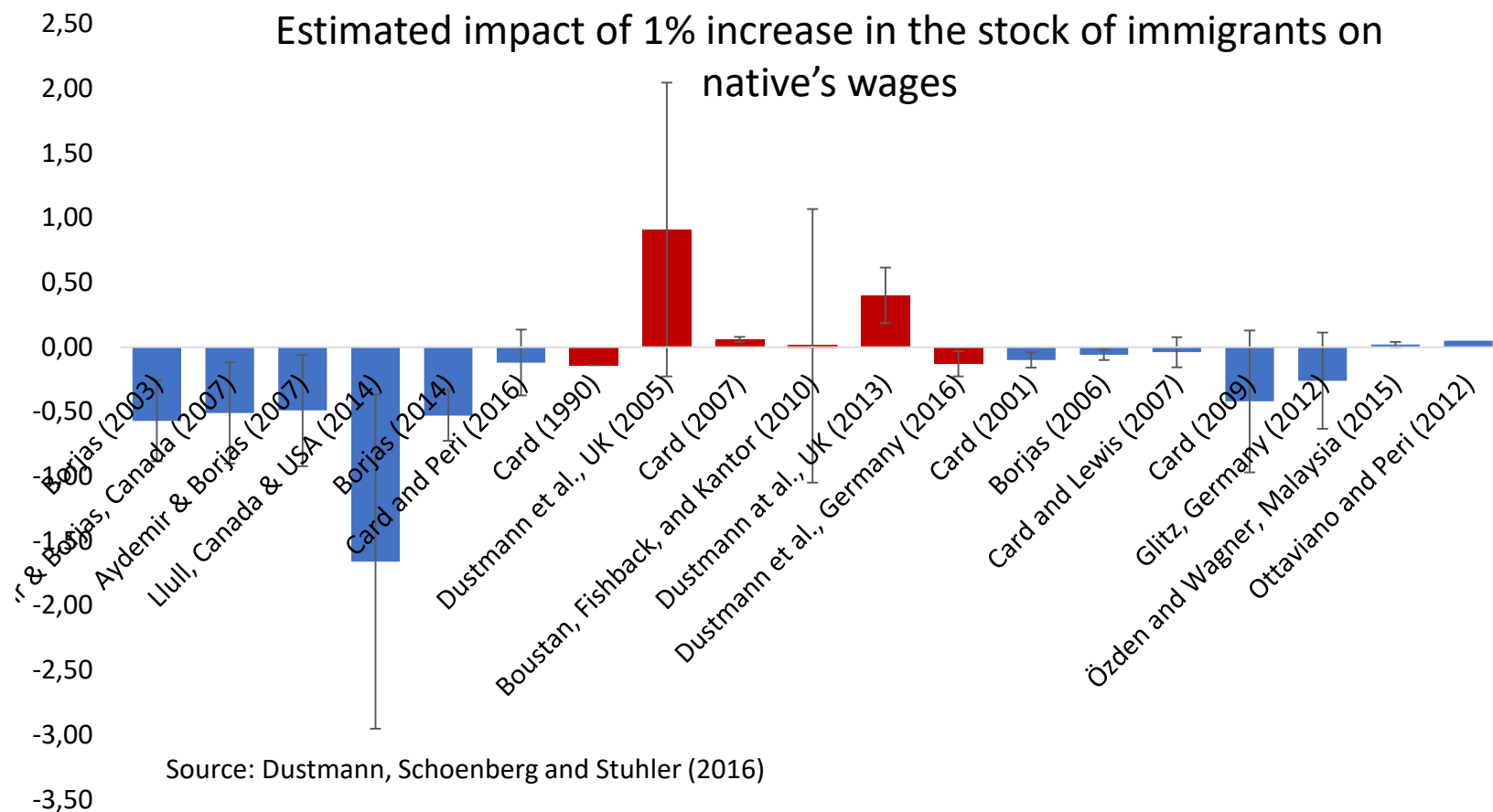
- Efficient allocation of labor in the production process
  - Just like the trade in goods and services, the migration of labor has the potential to make both partners better off
  - According to M. Clemens, the restrictions on emigration from less developed economies equates to a leaving a “trillion-dollar bill on the sidewalk”
- Important role of knowhow transfer between countries (based on work by R. Hausmann and coauthors)
- But, many are reluctant to allow more immigration. Are they right to be worried?

# The impact of immigration on the receiving economies – the impact on firms

- Capital owners are the absolute winners
  - More workers, more scope for capital expansion
  - More workers, (maybe) lower wages in the short run
- More labor, less automation/mechanization (Dustmann and Glitz, 2016)
- New firms absorb the relatively abundant labor factor (Dustmann and Glitz, 2016)

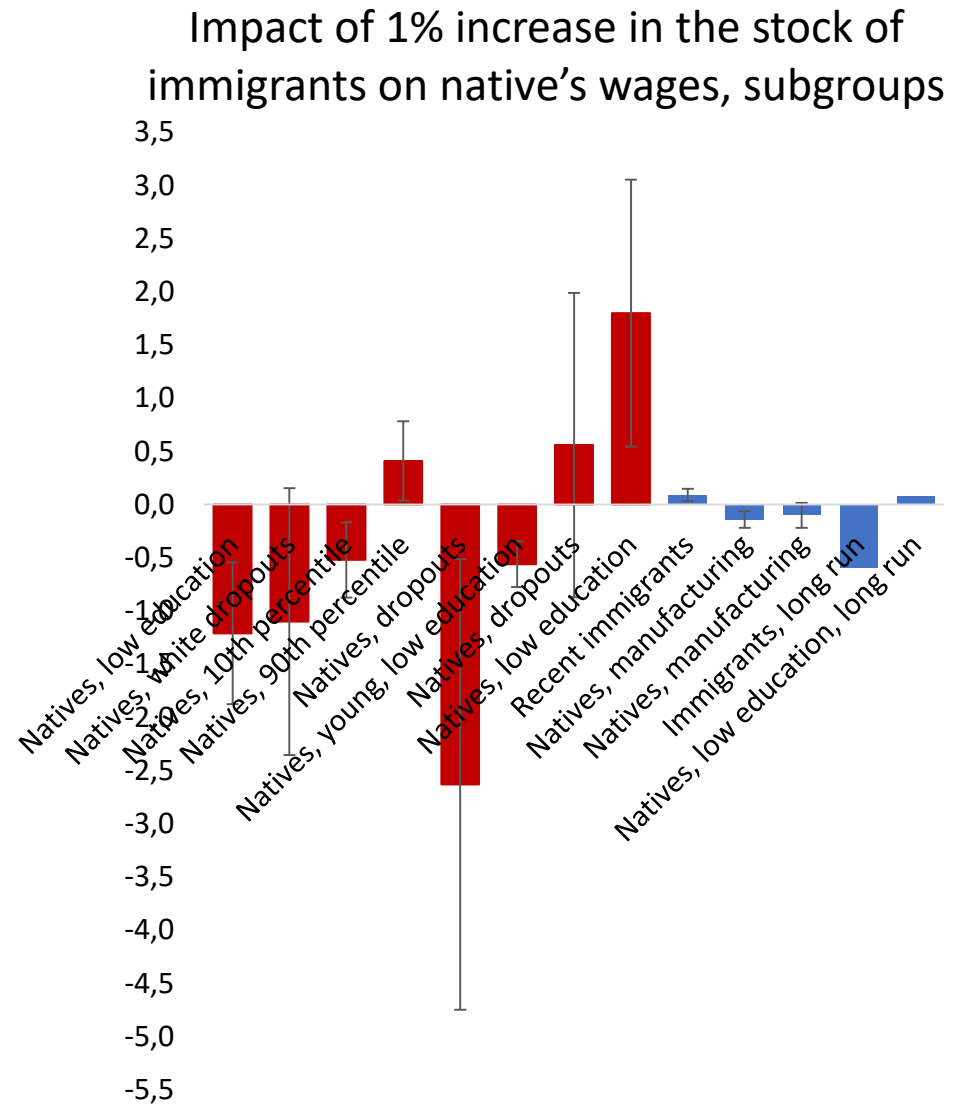
# The impact of immigration on the receiving economies – the wages of natives

The discussion has been driven by the search for negative effects on the wages of natives, but in reality, with the right specification, the effects are close to zero, even positive on average.



# Winners and losers – important effect heterogeneity

- More positive for the better educated natives
- More negative for the less educated natives
- Negative for other immigrants that arrived earlier.



Source: Dustmann, Schoenberg and Stuhler (2016)

# The impact of immigration on the receiving economies – the employment of natives

- Complements, rather than substitutes
- Specializing away from the occupations/educations that immigrants are taking:
  - **Educational upgrading.** In areas with a large inflow of noncollege immigrants, natives tend to complete high school at higher rates (Hunt, 2012)
  - **Occupational re-specialization**
    - From manual intense to communication intense for the low skilled (Peri and Sparber 2009)
    - From math-analytical to managerial-organizational careers for the high skilled (Peri and Sparber 2011)
  - **Geographical mobility**
    - Move in if skills are complementary
    - Move out if skills are substitutes
    - Little evidence for this adjustment channel (Peri 2012; Peri and Sparber 2009)

# The impact of immigration on the receiving economies – cultural tensions

- Ethnic tensions can reduce team productivity through direct between-group discrimination (Hjort, 2014)
- Ethnically homogenous teams collaborate more effectively (Lang 1986; Lazear 1999)
- Ethnically fragmented societies have lower provision of public goods and lower quality of macroeconomic policies (Easterly and Levine 1997; Alesina and Spolaore 1997; La Ferrara 2003; Miguel 2004)

# Opportunities and challenges from immigration

- Labor supply for business
- Growth-inducing in the long run (new business creation)
- No significant negative effects on wages and employment at home
- Access to knowhow
- Importing education and skills you didn't pay for
- For a country like Lithuania
  - Preventing businesses from leaving together with the youth
- Ethnic tensions (justified or not) → Cultural (and political) backlash
- There might be some losers (those with skills most similar to the immigrant)
- The numbers of those seeking to immigrate to the EU are far greater than what EU may be willing to host
  - M. Clemens (2017) estimates that by 2015, 800 million new young Sub-Saharan Africans will be entering the labor market.



# Impact of emigration on the home countries

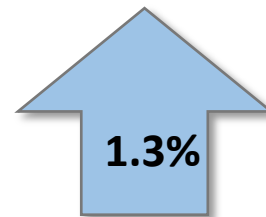
- Reduces the pressure on wages and unemployment
  - short-run at least, Bouton et al. (2011)
- Remittances
  - US\$441 billion a year, 3 times the volume of official aid
- Brain drain, but ...
  - With some positive feedback to home innovation (Agrawal et al. 2011)
- Brain circulation through diaspora networks
  - Access to foreign markets, financial, and production networks
  - Knowhow gain through return migration (Hausmann and Nedelkoska, 2018; Diodato and Neffke, 2019; Bahar et al. 2019)
  - Many stars need to be aligned for this to work: economic opportunity at home; critical size and experience of the diaspora, among others

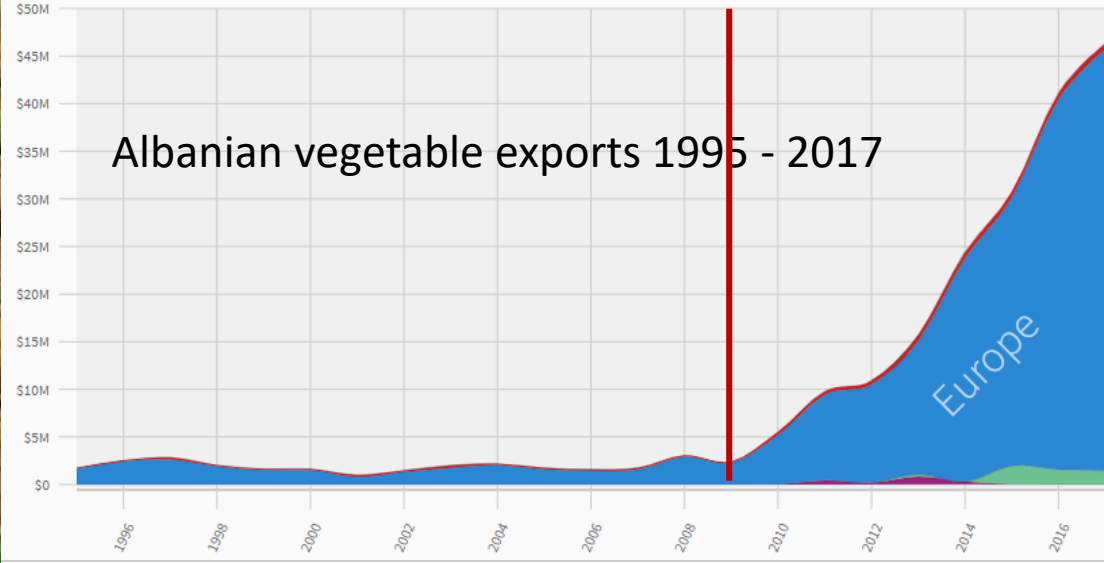
# Does return migration cause growth?



Nedelkoska and Hausmann (2018): Albanian return migration in the Greek crisis

# Findings at odds with standard economic theory: unemployment down, wages up





## Back in Lithuania ...

- Lithuania is relevant both as a receiving country, and as a country of origin:
  - 7.5% of the population are immigrants (WB, 2015)
  - 20% the Lithuanians live outside Lithuania (WB, 2015)
- Gallup 2015-2017 estimates that, if all those who want to emigrate from Lithuania would in fact emigrate, Lithuania would lose:
  - 23% of its total population;
  - 18% of its highly educated people; and
  - 38% of the youth (age 15-29)
- The same poll, however, does not find Lithuanians to be very fond of the idea of immigration:



# Migrant acceptance index across European countries

## Top countries

## Bottom countries

Sweden	7.92	Cyprus	5.41
Ireland	7.74	Malta	4.95
Luxembourg	7.54	Slovenia	4.42
Netherlands	7.46	Greece	3.34
Spain	7.44	Poland	3.31
Albania*	7.22	Romania	2.93
Denmark	7.09	Lithuania	2.72
Germany	7.09	Bulgaria	2.42
Portugal	6.65	Croatia	2.39
United Kingdom	6.61	Estonia	2.37
Finland	6.58	Czech Republic	2.26
Italy	6.49	Latvia	2.04
France	6.46	Slovakia	1.83
Belgium	6.16	Hungary	1.69
Austria	6.06	Macedonia*	1.47

<https://news.gallup.com/poll/240938/balkan-neighbors-hopefuls-worlds-apart-migrants.aspx> From a survey of 152 countries.

# Dos and don'ts in migration policy

- **View immigration policy as a vehicle to attract business, talent and knowhow**
- Countries that are successful at this (e.g., Singapore, Hong Kong, USA) have sophisticated immigration policies and visa regimes
  - Variety to visas: business, investor, innovator, entrepreneur, talent visa, by skill level, by the intended purpose of stay
  - Path to permanent residency and citizenship
  - Possibility for spouses to work, and children to go to (international) schools
- Make it legal – don't turn a blind eye on low skilled immigration (from Sri Lanka to the USA)
- Simplify visa procedures
- **But, align immigration policy with the nation's identity and with the country's needs (these may be in conflict)**
  - Melting pot with a huge appetite for labor (USA, Singapore, Canada, Australia, Germany)
  - Ethnic homogeneity sourcing labor from ethnically similar countries (Denmark, Hong Kong)

# Dos and don'ts in migration policy

- **Link immigration policy with emigration policy**
  - Who is leaving and who is coming? What are their intentions of stay and return? Ask the people and ask the firms.
  - Survey of migrants and firm survey of skill demands; who is missing from the national high-frequency surveys?
  - Know how the flows affect the public finance: pensions and the welfare state
- **Emigration as a long-run growth opportunity**
  - For the better of the country or for the better of its people?
  - Brain drain or investment for the future?
    - Life-cycle of migration
    - Return to start a business
    - Return to retire
    - Return to raise a family



Thank you!