Economic Effects of Migration

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The economic effects of migration vary widely. Sending countries may experience both gains and losses in the short term but may stand to gain over the longer term. For receiving countries temporary worker programs help to address skills shortages but may decrease domestic wages and add to public welfare burden. The economic effects of migration for both sending and receiving countries may also vary depending on who is moving, specifically with respect to migrant workers' skill levels. A Swedish Professor notes, "the problem is not immigration; it is integration, especially in the labour market. If there are no jobs, the consequences are segregation, housing problems and divided cities" (Traynor, 2010).

For sending countries, the short-term economic benefit of emigration is found in remittances. Remittances are funds that emigrants earn abroad and send back to their home countries, mainly in order to support families left behind. According to the World Bank, remittances totaled $529 billion worldwide in 2012, with $401 billion of that money flowing into developing nations (2013). Significantly, these figures only account for funds sent through formal channels, so the amount of remittances is likely much larger than these numbers suggest. The World Bank notes that remittances sent through informal channels could add at least 50 percent to the globally recorded flows (UNCTAD, 2011).

A recent UNCTAD report notes:

> Remittances are more stable and predictable as compared to other financial flows and, more importantly, they are counter-cyclical providing buffer against economic shocks. In conflict or post-conflict situations, remittances can be crucial to survival, sustenance, rehabilitation, and reconstruction. In providing primarily for household livelihoods, remittances are spent on general consumption items in local communities that contribute to local economies by supporting small businesses. A fair share of these expenditures is directed to the construction of homes, health care and education, alongside savings in financial institutions, thereby generating employment in these critical services sectors. Moreover, in contributing to foreign exchange earnings, remittances can spur economic growth by improving sending countries' creditworthiness and expanding their access to international capital markets (UNCTAD, 2011).

In Tajikistan, remittances from its cheap, unskilled labor force working abroad in countries like Russia, Kazakhstan, and Uzbekistan have helped the country rebound from the failures of a planned economy and government instability; remittances have accounted for around 50 percent of Tajikistan's GDP in recent years (IMF Working Paper, 2006). Although the impact of remittances on developing countries is difficult to measure, one World Bank study has concluded that a one per cent increase in the share of remittances in a country's GDP leads to a 0.4 per cent decline in poverty (UNFPA State of the World, 2008).

At the same time, developing countries can suffer from "brain drain"—the loss of trained and educated individuals to emigration. For example, there are currently more African scientists and engineers working in the U.S. than there are in all of Africa, according to the International Organization for Migration (IOM). In Zambia, emigration has reduced the number of practicing doctors from 1,600 a few years ago, to a mere 400 today. The IOM estimates Africa's brain drain has cost nearly $9 billion in lost human capital and growth potential since 1997. According to the United Nations Population Fund, 2006 State of the World Population report, Africa only retains 1.3 percent of the world's health care practitioners. Thus, despite having over a quarter of the world's tuberculosis cases and 64 percent of the total numbers of people infected with HIV, Africa only has, on average, a mere one nurse per 1,000 people (Shiner, 2008).

In recent years, Kenya has been working hard to combat this trend. The Kenyan government, in partnership with international aid organizations, created the Emergency Hiring Plan to increase nursing staff in public health facilities. International donors helped cover the cost of workforce recruitment, employment contracts, salary subsidies and staff deployment. The plan used public–private partnerships to fund and increase health-care worker deployment. The WHO found that EHP nurses were absorbed into civil society and accounted for a 12 percent increase in nursing staff. This model increased Kenya's health service capacity in rural and underserved areas over the short -term (WHO, 2010). Recent strikes by Kenyan doctors and nurses show that the country still has a long way to go to improving pay and other incentives that encourage health practitioners to stay and work in the country (Dogbey, 2012). Because of severe shortages, Kenyan doctors, who work for little to no pay and have limited experience, are often performing the same amount of surgical procedures that doctors in developed nations perform in one year, in just two months (Luesby 2013).

Meanwhile, for developed countries, which are often on the receiving end of migration streams, the positive economic gains from immigration are largely the result of the infusion of inexpensive and eager laborers into the economy. In the U.S. and Canada, for example, migrant workers often fill low-wage jobs for which there is not enough local supply of labor, such as in the agricultural and service sectors. Just as cheap imports of industrial goods benefit the American economy, so too does the import of low-cost labor. Economists who support the notion of these positive gains claim that immigration has little impact on wages or job availability for domestic workers and that there is no correlation between immigration and U.S. income distribution and unemployment rates (Davies, 2011).

However, the effects of immigration have also been the cause for much debate – especially in the U.S. – and not all people believe that high levels of immigration are economically beneficial. For example, the Center for

Immigration Studies (CIS), a controversial non-profit founded by famed anti-immigration activist John Tanton, discounts the positive gains of immigration. Using U.S. census data from 2010 and 2011, one CIS study concluded that, “immigration has dramatically increased the size of the nation’s low-income population… Moreover, many immigrants make significant progress the longer they live in the country. But even with this progress, immigrants who have been in the U.S. for 20 years are much more likely to live in poverty, lack health insurance, and access the welfare system than are native-born Americans” (2012).

Click here, to watch an interview with Dr. Papademetriou, President of the Migration Policy Institute. He discusses the economic implications of international migration.

Next: Migration and the Economic Crisis