

International
migration promotes
economic
development



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This paper discusses the extent to which international migration is likely to promote economic development. International migration may be both outward and inward. The loss of nationals is sometimes referred to as the 'brain drain' and suggests the loss of younger, talented professionals who will not be contributing to domestic development, and who, in addition, have taken money out of the developing economy through investment in their education and training. These individuals may send remittances back to their home country, which may provide more income (and foreign currency) than lower paid domestic employment or unemployment, and they may also learn skills that they bring back to their country of origin. Generally, however, 'brain drain' is thought to be detrimental to the home economy. Developing economies may experience a temporary inflow of employees of multi-national corporations (MNCs) and workers with aid organizations, which will raise productivity by introducing skills and knowledge to the benefit of the host economy. The outcomes of international migration are presented as viewed from the standpoint of a developed country.

International migration is an integral part of income growth for all countries, and is an important part of migration in many less developed countries, with the numbers of people involved in international migration moving from around 80 million in 1965, to upwards of 185 million in 2005 (Taylor, 2006). As international migration is now widely understood to have the potential to contribute to development, most governments and policymakers are looking for ways through which its benefits can be maximized. Migration is shaped by both economic development and economic underdevelopment, with migration, in turn, shaping economic development. For less developed

countries, this interdependence is of interest, as policies could be developed to enhance the potential for migration to contribute to economic development i. e., to use migration as a development tool, by, for example, reducing the costs of remittance transactions or by leveraging remittances so that more of the remittances can be used for improving welfare and stimulating investment in migration-source areas (Taylor, 2006).

This use of remittances as a development tool is of particular importance, as remittances (i. e., the transnational flow of money earned by migrants abroad) are a major global economic resource, with the value of remittances having doubled during the 1990s to well over \$105 billion annually, which is twice the total level of international aid (Vertovec, 2007). Nowadays, with the realization that remittances are a major global economic resource, policymakers have come to realize that transnational ties condition migration, and so migrant transnationalism has been a subject of much research interest, with a recognition that circular migration (i. e., the movement of migrants to-and-fro between their homelands and their foreign places of work) could be a win-win situation for both sending and receiving countries, with receiving countries being able to deal with labour shortages, by using immigrant labour, and sending countries guaranteeing remittances to help with economic development (Vertovec, 2007).

The United Nations (2006) recognizes that the understanding of international migration and its connection to economic development might be best understood in terms of circular migration, stating, “ the old paradigm of permanent migrant settlement is progressively giving way to temporary and circular migration”, with obvious potential for development in the sending <https://assignbuster.com/international-migration-promotes-economic-development/>

and receiving countries that this type of migration offers, with the International Organisation for Migration (IOM) suggesting that circular migration is a development opportunity for those developing countries which send migrants, and that, as such, as part of a program for development, migrant receiving countries should allow repeat, temporary migrations and should also give incentives to migrants, such as allowing them to return to the same job (Vertovec, 2007).

A case study from Morocco illustrates this idea. Available evidence from Morocco shows that migration and remittances have improved living conditions and income levels in migrant-sending areas, which has transformed these areas into prosperous areas that now attract internal 'reverse' migrants (de Haas, 2007). However, the idea of remittances as a panacea for development has not played out in Morocco, as there are several structural constraints to the development potential of these remittances, namely that the impacts of migration change with time and depend on the socio-ethnic origin of the migrants, some of which use the remittances to retreat from, rather than to invest in, economic activities at a local level, such that development in migrant-sending regions seems to be, at least in the Moroccan case, a pre-requisite for return to an area, and investment in that area, rather than a reason for migrating in the first place (de Haas, 2007).

Thus, international migration cannot be seen as a panacea for development, especially as the link between international, and internal, migration is not yet well understood : for example, whilst it is expected that stimulating

remittances and promoting temporary and circular migration will enhance
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home country development, it is also recognised that economic - and human - development increases peoples capabilities, and their aspirations, and that, as such, circular migration can increase, rather than decrease, migration, at least in the short term, with remittances being complementary to migration in the long term (de Haas, 2006), especially as demand for both skilled and unskilled migrants is expected to be constant.

There are, therefore, no short-cut solutions to migration, and, as such, sustained immigration to developed countries, from less developed countries, seems likely. From the developed countries point of view, this is often welcome, as unskilled labour is necessary, hence the flow of such migrants, and because there is a large amount of brain drain that occurs in these countries, and thus a concomitant need for skilled migrants , leading to the suggestion that selective immigration policies should be put in place in order to attract the highly qualified workers that are needed in innovative industries (Straubhaar and Zimmerman, 1993), especially as the amount of immigrants employed in export-oriented, research-intensive is generally weak across the developed world (Zimmerman, 1996).

Certain economic models have led to the suggestion that migration leads to an overall decrease in wages, and thus that migration leads not to economic development, in the host developed country, but rather to economic downturn. The new economic geography (see Fujita, Krugman and Venables, 1999) looks at the relative performance of regions in the presence of imperfect competition (i. e., scale economies and costs to trade and transport), and by incorporating these models in to classical models, such as the labour-flow approach, has shown that there is no consistent evidence
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that immigration causes a decline in wages and increasing unemployment in the receiving country, especially as unskilled labour by immigrant workers can provide complements to home labour, moderating unemployment problems, often independently of trade union wage flexibility conditions (Bauer and Zimmerman, 1997b). Thus, it is currently hypothesized that international migration, to developed host countries, is a beneficial process that can provide necessary labour to cover labour shortages.

Looking at international migration through the neo-classical/labour-flow approach, under which migration is viewed from the perspective of labour market disequilibrium, from a demand perspective, small firms are proliferating in developed countries, due to the increase in entrepreneurial activity, and, as such, there is an increasing demand for skilled workers to fill sub-contracting arrangements, for example, although issues of citizenship can complicate the ability of immigrants to obtain, and to keep, such positions. Looking at migration from the perspective of human capital modeling, however, under which individuals calculate their present discounted value of expected returns in every potential location (see Sjaastad, 1962), the net gains to a migrant are the increase in salary minus the costs of migration, with the ultimate decision to migrate being based on this calculation and individual characteristics, with younger, single, individuals more likely to migrate than older individuals. Decisions to migrate are thus based on individual characteristics, and skills, and on the prevailing economic forces, both in the sending and receiving countries, as well as there being a strong evidence of networks of migration, as migrants follow other migrants, for potential support networks, for example, which leads to self-

perpetuation of migration as migration becomes easier for subsequent migrants, leading to a higher net return to mobility and an increasing probability of migration (Bauer and Zimmermann, 1997a).

Thus, international migration is a many-faceted process, affecting both receiving and sending countries in ways that are not yet fully understood. What is understood is that, in some way, the gains from international migration can be used as a development tool for benefiting the less developed sending countries economies, in terms of the remittances that are sent home and the positive ways in which these remittances can be put to use by the families of the migrants still at home. This, in turn, can lead to local economic upturns, which can cause internal migration to these areas, which, in turn, can lead to less international migration from these areas. The actual effects of remittances on internal migration are complicated, and have been little studied (although see de Haas, 2007).

The concrete effects of international migration on the receiving countries depends on the economic situation of the receiving country and the type of labour that is being offered i. e., skilled or unskilled, and, in some respects on the type of model that is used to describe the situation. In some cases, migration of unskilled workers is seen as beneficial, by causing an overall increase in wages and by decreasing unemployment. In addition, the replacement of skilled workers who have left the country by skilled migrant workers can offer direct and indirect economic benefits: a concrete example of this would be the NHS setting in the UK, in which a large percentage of nurses and doctors are now skilled migrant workers, who, it is argued, keep the NHS running and therefore keep the workforce of the UK in work, and at <https://assignbuster.com/international-migration-promotes-economic-development/>

work. Thus, the effects of international migration on the receiving country are many-faceted, depending on the economic situation of the country, the skills possessed by the presenting immigrants, and to a great extent on the policies regarding citizenship and immigration that are present in the receiving country.

Thus, on the issue of international migration and economic development, the only statements that can be made with certainty are that remittances are a huge global economic resource and that immigration is here to stay, as individual citizens of all types of countries (developed or less developed) assess their personal situations and decide, for themselves, that migration to a different country offers them, and their families, better economic prospects.

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