

What is labour migration and where does it occur



Labour Migration – Why? Whence? Where?

1. Introduction

Since time immemorial, people wandered from place to place, in order to survive. Migrations have occurred throughout human history, beginning with the movements of Homo erectus out of South-Africa due to climate change or insufficient food supply. Today's motives for migration have not changed much from the past. Large-scale movement of people from country to country in search of work is the latest phase of the streams of migration in human history. It began with reshaping of the world economy after the Second World War, attaining massive proportions over the last few decades. [1]According to OECD, about 190 million people are living outside their birth country driven by the hope, to enhance the living standards. Particularly good educated workers take migration into account. Furthermore, a growing significance in technology and innovation implies the need of flexible and qualified personnel with the ability to adjust to rapid changes. Hence, the demand for human capital grows, especially in 'knowledge based' economies.[2]Especially traditional destination countries such as America, Canada and Australia receive large immigration flows. Thus, impacts of migration, for example as the opportunity of reducing inequality and the leverage for productivity and growth, are highly debated in many countries. And so migration has moved to the top of policy agendas of many countries. [3]The purpose of this paper is to analyze the impacts of labour migration drawing from frameworks developed by Gerd Kerkhoff, Ronan McIvor and Marc J. Schniederjans. This paper deals with leading questions regarding immigration, concentrating on migration influences on the European labour

market. First, it will describe the motives and patterns of migration. After that, identifying potential pros and cons will open discussion about potential risks associated with migration. Finally, it will take a look at how immigrants perform in the host country and at EU policies, which attempt to help host countries to deal with immigration.

2. What is Human Migration?

Migration, also known as the human face of globalization, is the movement of people from place to place, in order to attain better living standards.

People can either choose to move voluntarily or be forced to move due to climatic or political implications for instance. In addition, there are a variety of migration types, such as:

Intercontinental (migration between different continents)

Intracontinental (migration within one continent)

Interregional (migration between countries)

Seasonal migration (mainly related to agriculture)

Most frequently is the rural to urban or urban to rural migration. The rural to urban migration implies the movement of people from the countryside to larger cities in search of job opportunities, whereas in the urban-to-rural migration people from the city move to the rural areas, because they cannot afford high cost of urban living anymore.

To understand the reasons why people are leaving their home country, we need to know the migration incentives.

2. 2. Motives of Labour Migration

When it comes to the decision to migrate and start a new life abroad, many people have numerous conflicting emotions towards what living in a new environment might bring. Traditionally, there are a variety of aspects contributing towards and against emigration which you can divide into two categories of 'push-' and 'pull-' factors. Incentives that may attract people away from their home country are an example of pull factors and circumstances that may encourage an individual decide to leave their country are an example for push factors (Emigration Expert 2010). Besides financial gain, people may relocate to reunite with family, to study or to retire. They may also wish to escape war, civil unrest, or lack of personal freedom. With global climate changes we may also see people forced to leave areas stricken by environmental problems such as drought, flooding just to name a few.[4]

Push Factors

Pull Factors

Not enough jobs

Job opportunities

Few opportunities

Education

Lack of political or religious freedom

Political and/or religious freedom

Primitive conditions

Better living conditions

Poor medical care

Better medical care

Discrimination

Attractive climates

Loss of wealth

Security

Natural disasters

Family links

Death threats

Industry

The most important economical factors are:

Salary difference

Difference of the unemployment rate between the host and home countries

Not the wages in the receiving countries are deciding, but the additional salary migrants expect to get, when migrating in another country. One example is Germany and Poland. Wages in Germany are normally four times higher than in Poland, which would be a great aspect and motivation to migrate.

But it is important to mention, that workers will migrate only, if the country they will move to, has higher chances and possibilities in getting employment. The reason is, if unemployment is on the rise, especially migrant workers are vulnerable, since in case of doubt natives will be preferred compared to migrants. They often do not enjoy the same rights and protection as natives, which can lead to the result, that illegal employment will arise aligned with low wages.

More important than the migration decision is the employment situation in the home country.

The worse the employment situation in the country is, the higher the possibility that workers decide to migrate. Expected income differentials and cultural factors will become essential criteria, when it comes to the decision where to migrate to. Besides economic incentives; social, cultural and political motives e. g. the lack of political and religious freedom, the persecution of ethnic minorities or military conflicts, play a big role as well. Other important factors to regard are social and cultural factors, which can influence the decision against migration. Those can be language barriers, loss of social relationships and social capital, geography, expected discrimination towards foreigners or information deficiency to name but a few.[5]

From that follows, that only significant income differences can lead to a serious and often not revisable migration decision. Thus, it can be assumed that commuting activities would be a more attractive solution than migration. The advantages are information costs are low and incorrect

decisions can be revised more easily. Particularly no costs for resident changes occur, which in some cases are much higher than the costs for commuting. However, there are no current reliable estimates for commuting activities between borders. According to Ribhegge, commuter activities between Germany to Poland and Czech's border regions for example have not been proven strong. He assumed that the border regions are unattractive for commuting, since the work and economical situation is equal. Therefore dynamic regions with a low unemployment rate such as Baden-Württemberg and Bavaria, but also Berlin are first migration choices in regards to Germany.[6]

3. Destination and source countries of migration in the EU

Compared to the increasing international migration, the labour mobility within the EU15 is still low. Approximately 0, 2 % of the labour force are commuter. Even though Europe expanded by few eastern countries, dramatic migration effects did not arise, but has remained low.[7]The DIW in Berlin estimates, approximately 2 to 3 million people from Middle and Eastern Europe such as the EU8, Bulgaria and Romania will migrate to Western Europe and Germany in the next 20 years.[8]

The global financial and economic crisis has had severe consequences for the employment environment. The global economy slowed down and contraction was announced in a number of national economies. More and more people are forced to migrate, since they are dissatisfied with the economic situation in their home country. They seek for countries which can offer them not only job opportunities and better living conditions, but also in some cases more security and freedom.

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Countries with the highest immigration rate and arrivals are Germany, France and the UK, and recently increased migration rates include Spain, Italy and Ireland.

During the period 1990 to 1996, Germany was major destination for half of the net migration stream in the EU. Over the period 1997 to 2003 the share of Germany as a receiving country dropped to 14%, while Spain's share increased to 30% of net increase, with the United Kingdom's and Italy's increase close to 15%. Since 2000 Spain replaced Germany as a recipient with the highest net inflows in the EU. On the contrary, several countries such as the Netherlands, Austria and Germany experienced a decline in immigration. However, after a rapid growth in 2003, the rise of migration flows slowed down again in the last few years.

In 2006, more than 3.5 Mio people decided to migrate to the EU 27. A vast majority of immigrants in the EU settled in the big member states including Spain, Germany and the UK. These three countries received more than half of all immigrants in the EU-27. Nevertheless, among the three countries relative to the population size, only Spain had a high immigration rate. The highest immigration rate was recorded in Luxembourg though, followed by Cyprus, Ireland and then Spain, while the immigration rate for Germany and the United Kingdom was close to the EU-27 average. The lowest immigration rate was reported in Poland, Romania, Lithuania and Latvia (Herm 2008).

Of estimated 3.5 Mio immigrants, more than 1.8 Mio are from third party countries including non-EU countries, Asia, America, Africa or Oceania. It can be seen, that about 60% of immigrants were citizens of countries outside the

EU and 40% were citizens from the EU. Collected data for all countries that received immigrants indicates that the main source countries of immigration in the EU are Poland and Romania, while amongst non-EU countries Morocco is ranked first. In 2006, it was estimated, that more than 290 000 Polish people migrated within the EU, followed by the Romanians with approximately 230 000. Morocco reported 140 000 emigrants, while the UK, Ukraine and China reported 100 000 emigrants in each case.

Germany indicated 90 000 registered immigrants. It is important to differentiate between foreigners (86% were not citizens of the country to which they migrated) and nationals (14%). From the 1.7 Mio EU citizens, who migrated, nearly half a million were nationals returning to their own home country. Every Member State has its own citizenship profile for immigrants. Especially migration flows from neighbor countries have grown in the past few years. While Germany, the UK and Denmark have appeared to be main destination countries of Polish immigrants, Spain and Italy are main destination for Romanians. On the contrary, nationals from Morocco first arrived in France, then Belgium followed by the Netherlands, and recently also Spain and Italy.

Germany

Spain

United Kingdom

Italy

Poland

152733

Romania

131457

Poland

59771

Romania

74463

Turkey

30720

Morocco

78512

India

56850

Albania

46587

Romania

23743

Bolivia

77755

Australia

26004

Ukraine

41263

Hungary

18654

UK

42535

China

25927

Morocco

32369

Netherlands

Austria

Czech Republic

Sweden

Germany

7150

Germany

16223

Ukraine

30150

Iraq

74463

Poland

6772

Serbia & Montenegro

7423

Slovakia

6781

Poland

46587

UK

3583

Poland

6035

Vietnam

6433

Denmark

41263

USA

3121

Turkey

4897

Russia

4675

Somalia

32369

Source: European Communities, 2008

From 2002-03, the largest foreigner group (excluding foreign citizens from other EU Member States) in Germany originated from Turkey and in the United Kingdom from South East Asia, particularly India. The biggest groups of foreigners in Spain and Italy originated from Latin America and Africa. Basically we can see that geography, language and culture play an important role in regards to the choice of where to migrate. The smaller the differences between home and host countries are, the bigger the possibility that

migration flow between these countries will increase (Guardia and Pichelmann 2006).

Figure 1 illustrates the net migration rate of Europe, which is the difference of immigrants and emigrants. A positive value represents more people entering the country than leaving it; a negative value represents the contrary. Nevertheless, it should be taken into account, that the comparability of migration data is restricted for several reasons. Thus, the definition and approval criteria for the characteristic migrants are not internationally uniform. In some states, for example, a stay of at least one year in the destination country is required, so temporary forms of migration (eg seasonal workers) are not recorded in migration statistics of these countries. In Germany, however, only the change of residence beyond the borders is required.[9]

4. Potential economic gains & losses from migration

It should be noted, that labour movements lead to many economic implications. According to Walmsley and Winters (2003) a 3 percent expansion of global migration would generate a larger increase in the world incomes than a complete liberalization of all trade flows. They justify their theory with the gaps in earnings between rich and poor nations. Since they believe that if the gap in earnings of unskilled workers between poor and rich nations exceeds twentyfold, transfer from the low to high earnings settings potentially offers huge gains. However, the relationship between migration and labour market in the receiving and sending country is far more complex. The general perception of migration is that it enhances the welfare and offers better living conditions for people who consider leaving their home

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countries. It is an obvious fact that due to migration from less developed countries (LDC) the unemployment rate will be lowered by reducing the supply of labour. Nonetheless, net impacts mask the fact that some groups gain while others lose.[10]

4. 1 IMPACT OF MIGRATION ON RECEIVING COUNTRIES

On the one hand, migration from a less to a more developed country affects the natives by influencing employer decisions to offer new job opportunities, which would lead to an introduction of more competition and it is not unlikely that many natives have a negative attitude towards migration, since those in direct competition with the new migrant workers are typically hurt most.

Furthermore, by the added supply of labour in countries such as the United States where wages are relatively flexible, wages of workers within the same education level will get depressed (Borjas 2003). Whereas in countries (e. g. in European countries) with less flexible wages, migration lead to higher unemployment. Generally employers gain from the larger pool of potential employees. However, since employability and productivity of migrants depends upon their skill profiles to match the demands of employers, impacts seem to be small. Well known for their point scheme to filter acceptable immigrants are Australia and Canada amongst other countries. This could cause a migration fairly driven by employer's demands, which explains sudden mass influx of refugees in developed countries. The initial impacts of migration upon the host country are thus quite mixed.[11]

First, in EU countries or the US, more labour-intensive forms of agriculture would probably cease to exist, if the host country won't start adapting and

offering migrants by offering access to that kind of industrial activities.

Especially Germany coined the term ' Gastarbeiter' or Guest workers. From 1991 to 2004, the number of polish seasonal workers, for example as strawberry pickers or harvesters, increased from 78600 to 286000. A reason is the growing demand for polish seasonal workers in the agriculture, forestry or gastronomy industries. Temporary migration to be protected by law is the first attempt to stop illegal employment or moonlighting.[12]

In Germany the largest groups for seasonal work are from: Poland 87%, Romania 4, 4%, Slovakia 2, 8%, Croatia 2, 1%, Hungary 1, 7%, Slovenia 0, 3% and Bulgaria 0, 2%. In regional aspect, seasonal work is focused on only a few regions. In 2004, over 50% of seasonal workers were referred in 19 out of 177 employment centers only. Moreover, due to low wages, most natives are not interested in working in the field in contrast to migrants from less-developed countries, who can earn up to ten times more than in their country of origin.[13]

Another aspect of migration is its impact on the fiscal balance of the host state. The balance depends upon whether they are employed legally and whether taxes are collected from their incomes. High-income nations with low or negative population growth rates can benefit from the potential of migration to resolve the dynamic problem of supporting an ageing population. In addition, it depends whether they are eligible for and need state support. Thereby it is to be considered that welfare determined migration has a negative impact on the host country. However, it is more likely that high-skilled migrants, as well as migrants in working age and

those who only stay temporarily, are large net contributors, rather than becoming dependent of state support.[14]

Brücker (2001) shows that over the period 1980 to 1996 in Denmark, Sweden and Germany, the share of foreign welfare recipients rose from 8.3% to 23.5% whilst the share of the foreigners' population increased from 7.2% to 8.9% in total. It is assumed, that unskilled workers would select more generous countries, whilst skilled workers would select less generous countries, in which skills are better rewarded. But according to Brücker the high dependency can be explained by the characteristics of immigrants - mainly their age, education level and number of children. It is more likely that temporary immigrants leave their family in the source country than permanent immigrants, which means a lower demand on a number of social welfare, whereas refugees have a significantly higher welfare use than other immigrants (Guardia and Pichelmann 2006).

4. 2 IMPACT ON SENDING COUNTRIES

Besides the economic impacts of emigrants, we need to consider those who are left behind in the countries of origin. On the one hand they are negatively affected by the 'brain drain', but on the other hand migration can affect the labour prospects of the origin country by influencing migration opportunities on education decisions of migrants and home country stayers. [15]Migrants, who remit part of their earnings to their families, can balancing the loss through 'brain drain' by affecting consumption, investment and employment decisions of stayers through encouraging their families to withdrawal from work participation or reduced work effort. Particularly, the pool of low-wage workers will diminish, since wages in less-developed

country labour markets characterized by unemployment remain almost unaffected and neither increase nor decrease. As a result from withdrawal, the labour market can tighten and offer higher wages or more job opportunities. Furthermore, migrants leaving the home country offer more opportunities to those remaining at home. Yet not all developing country labor markets exhibit inflexible wages.[16]

Another important point, which should not be neglected is the fact that sending countries depend on whether the migration is temporary or permanent, because temporary settlers, which left their families most likely in the home country, are much likely to remit than permanent migrants. When returning home, temporary migrants might have acquired new skills in the host country even if those skills do not match demands of employers' in their home country. Many governments see remittances from labour migration as a great opportunity and benefit for the country of origin. In many sending countries international remittances are after direct foreign investment the largest source of financial inflow More and more remittances were reported in developing regions, even though it is unsure, whether remittances or only reporting remittances increased.[17] However, there is the opportunity that Guest worker's remain longer in the host country as their frame of reference shifted, instead of returning home. Also, Bartram believes that apparently guest worker programs have any real positive effects in reducing this inequality. A limited number of individuals, with persistence and luck have improved their circumstances, but the relative poverty of most sending countries has remained.[18]

5. Types of Labour Migration

5.1 Migration of high-skilled workers

Labour migration reflects problems of labour shortages and mismatch of talents in many countries. Regarding migration, the labour market can be divided in high-skilled and less-skilled workers. With that, migration of high-skilled and less-skilled workers can have different impacts on sending and hosting countries. Of all migrants, highly skilled migrants are the most mobile and constitute of the majority of legal migrants. Since complementarities exist between skilled and less skilled employees, spill-over effects will be caused, which will be explained later.[19]

Especially amongst high-educated workers, a high migration affinity can be seen. An increasingly common trend among developed countries is the recruiting of global talents, a selection of immigrants on the basis of their skills. Many countries have 'skill & business migration' programs such as the 'green card' to encourage certain types of immigration. In short, those states permit some forms of immigration and disallow others.[20] But not only the trend towards greater demand for highly qualified workers grows, as the employment rate of highly qualified workers increased by 180% [21], triggered by an intense competition to attract the highly skilled. Also the number of high-skilled migrants from OECD countries expanded in the last decades by more than 8 million people, which is a growth of 70% [22]

While approximately 42 % of the high-skilled migrants from OECD countries migrated to other OECD countries, more than the half high-skilled migrants were from non-OECD countries, which lead recently to discussion regarding a growing 'Brain Drain' in developing countries. Going abroad to wealthier

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countries with higher wages, instead of contributing to their home countries, thereby is a contribution to the ever-increasing gap between rich and poor countries.[23]The brain drain rate is notably in Central America, East Europe, parts of the Middle East, Indochina and Africa very high.[24]

Highly skilled migrants include people with qualification, such as engineers, managers, executives, professionals, skilled workers particularly in the healthcare sector, as well as students, just to name a few. A significant source of brain drain is the stay of high-skilled workers abroad. For example, many students, especially from India or China, remain in the host country after their studies to work, since in the host country offers better living conditions, increased education, broader access to information or simply more job opportunities to enhance their living standards, are given.

Obviously, individual factors and preferences play an important role as well.

Many high-income countries offer special programs for foreign tertiary-educated workers to attract the best and the brightest from overseas.

[25]Brain drain is a serious matter as it widens disparities between rich and poor countries. In addition, migration of high-educated workers can cause many kinds of specific spill-over effects.

First, the loss of skilled people means a loss of productivity and innovation. It lowers the attractiveness of the home country and thus the interest of other potential immigrants, which lead to a constraint of further ' brain inflows'.

Other potential cost from brain drain is the loss of key personnel from particular departures including healthcare workers and educators, and therefore a shortage in social services.[26]Second, the human capital flight impacts the fiscal balance, for sending country and tax payers bear the cost

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and invest in the education of potential emigrants, and sustain the receiving countries, unless the migrants return home. In addition, there is a loss of potential tax revenue that might have been raised from the income of the emigrant.[27] Third, according to Bhagwati and Hamada, migration induces a rise of wages, for those who are left in the home country, since there are less high potentials. Due to a higher income, labour supply decreases and causes income inequality and unemployment.[28]

Despite the fact, that brain drain in developing countries causes negative social welfare effects; it is by no means that migration necessarily has to be a disadvantage for the home country. It also can be seen as a chance, since skill migration is optional and a result of a lack in job opportunities, because countries fail to employ their workers effectively. This has clearly contributed to the rise in labour migration. However, labour migration reduces the labour supply of skilled workers and hence prevents a 'brain overflow' or 'brain waste' as it enables optimal allocation of unused human capital.

[29] Furthermore, migration can serve as a motivator for those left home, as it is widely known that education is aligned with prosperity and better job opportunities.[30]

5.2 Migration of less-skilled workers

Similar to the high-skilled migrant case, migration of less-skilled workers tends to reduce poverty amongst those left home. The reduction in labor supply has two effects on the domestic labour market. It either puts upward pressure on, in case that the sending country will suffer from underemployment, or it scales the unemployment amongst low-skilled workers down.[31]

As argued earlier, migration of low-skilled workers can help the home country due to remittances. Remittances from low-skilled workers are usually higher than from high-skilled workers. The reason behind this is that low-skilled migrants tend to stay temporary in the host country and therefore are required to leave their families in the home country. These potential poverty-reducing effects of low-skilled emigration can, nonetheless, be offset when a family's major income earner leaves then neglects to remit for their support. Furthermore, geography and distance play a massive role for low-skilled workers. Long distances discourage low-skilled workers from migrating to far countries, so they rather limit themselves to neighbor countries or other nearby countries. Another point is, while high-skilled workers often stay in the host country permanently, it is more likely, that temporary workers may return. Thus, temporary workers might return with new skills to transfer know-how, which enhance the economy and productivity of the home country.[32]

As table 6 shows, a great portion of low-skilled workers migrated to Europe, while in North America the migration rate of low and high-skilled migrants are relatively alike. This is not due to the fact only that low-skilled workers have