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The Macroeconomic effects of Global Migration

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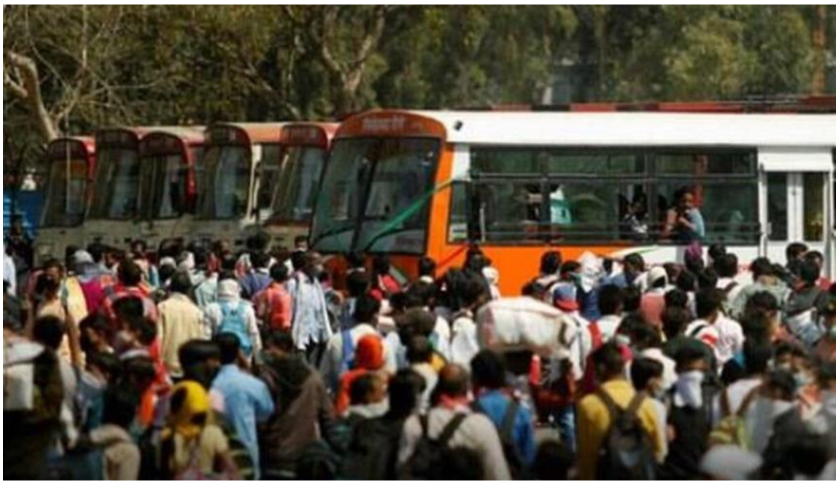

Introduction

Economic Outlook – The Great Lockdown's fourth chapter analyses the macroeconomic effects of migration. Since 1990, the number of migrants has increased by 120 million, however the percentage of migrants to world population is at a stable value around 3%. The report covers two major kinds of migration – economic migration in search of better opportunities to advanced economies and migration to emerging market and developing economies (EMDEs) by refugees. Individuals shifting to another country weigh the benefits and costs involved before deciding to migrate. On one hand the potential benefits could be better pay, lifestyle, escaping from a conflict, generous welfare system etc. On the other hand, migration is a costly process suffering from the expenses involved in overcoming cultural and linguistic barriers, travelling costs, visa requirements and policy restrictions. The report provides insights into how migration depends on income and demographical development, important driving forces of migration and the macroeconomic effects of migration on origin and destination countries.

Key Highlights

- Migrants make up 12 % of the population in advanced economies while it is only 2% in EMDEs. Research points out that migrants as a share of the global population will remain broadly stable under a baseline scenario. However, with increasing population growth in EMDEs will mean that migration toward advanced economies will keep rising relative to the size of the native populations.
- Migration flows are shaped by the evolution of demographics at the origin and by income levels at the origin and destination. Conflicts are important drivers of migration between EMDEs. There is little evidence to support how climate change can be a strong cause for long distance international migration to advanced economies.
- Immigration increases output and productivity in advanced economies. EMDEs do not receive similar gains with refugee inflows. Strong policy interventions like training programmes, adult education and labour market policies helps in strengthening the skills of migrant population in a way that compliments the native workers thereby rising productivity.
- Baseline drivers - If migration costs are same then more individuals migrate to advanced economies from EMDEs than internal migration between EMDEs. Countries with very low levels of per capita income, a marginal rise in income increases the emigration rate. This indicates the presence of "poverty traps" that prevent people who are very poor from being able to afford to emigrate. Higher income at origin countries not necessarily reduces emigration, it makes migration to rich countries affordable for many individuals.
- Three scenarios are provided for future migration pressure. The baseline scenario assumes a constant GDP growth rate in US and all other countries follow a convergence path to the US. In this scenario world share of immigrants remain stable, share of immigrants into advanced economies increases to about 16% of the countries' population. This is despite the negative effect of increase in income in EMDEs. This is caused due to the population growth in EMDEs, population aging and decline in native population (denominator effect).
- Higher growth in EMDEs scenario - Higher growth in EMDEs reduces migration overall as economic growth results in better job opportunities and they can choose to stay in their native countries. However, in Sub Saharan Africa emigration pressure increases marginally because the higher growth alleviates poverty traps.
- High temperature scenario - Climate change adds to emigration pressures for all typical emigration regions except sub-Saharan Africa. Effect of climate change on migration is conflicting. Owing to different research methods used, some studies suggest that climate change affects international migration while some studies suggest the opposite.
- Effect of migration on advanced economies – Migration stimulates the GDP and productivity of advanced nations positively owing to the complementarity between native and immigrant worker. As immigrants enter the labour market,

natives move to new occupations which involve complex tasks and increased communication skills and technical knowledge. Thus, as immigrants move into occupations that are in short supply, natives upgrade their skills, leading to economy-wide gains from specialization. These gains are achieved within a short period resulting in short term growth.

- Effect of migration into EMDEs- Refugees are vulnerable migrants who move in to EMDEs primarily escaping from war or persecution. Unlike economic migration they are non- working individuals and do not choose their destination based on income or skills. In short term refugee inflows only adds to fiscal costs of destination countries and have no effect on output. The outcomes are worse when the destination is already suffering from the effects of conflict in neighbouring countries. However, over a period of time large migration wave and labour market integration can increase GDP and employment.
- The report ignores distributional effects of migration like stiff competition among native and immigrant workers and struggles in provision of public services. Despite these effects effective policy initiatives in education, training and integration can amplify the gains of migration and increase the overall growth of global economy.

Read more: https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/World-Economic-Outlook-April-2020-The-Great-Lockdown-49306

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