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Population Division

Technical Paper
No. 2017/8

Migration is a Form of Development: The Need for Innovation to Regulate Migration for Mutual Benefit

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The Need for Innovation to Regulate Migration for Mutual Benefit

Michael A. Clemens

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PREFACE

By reviewing evidence from recent economic research, this paper argues that migration is both a driver and a consequence of economic development. In undergoing economic transformation and demographic transition, most countries experience increased emigration rates. As such, migration is often a sign of successful, not failed, development. However, the beneficial effects of international migration for countries of destination and origin are far from automatic. To ensure that the potential benefits of migration are maximized and widely shared, governments need to develop appropriate regulations and innovative policies. One such innovation, the paper argues, are "global skills partnerships", which strengthen the workforce in developing countries for both migrants and non-migrants while offering legal pathways to migrants who fill gaps in labour markets in destination countries. Recognizing that migration pressures are as unstoppable as development itself, the paper offers three areas where specific pilot projects may be fruitful.

The paper was prepared by Michael A. Clemens, Center for Global Development and IZA Institute of Labor Economics. The paper serves as a contribution to the preparation of the Global Compact for Safe, Orderly and Regular Migration, as described in General Assembly resolution A/RES/71/280. The paper was revised based on feedback received from Bela Hovy and Julia Ferre.

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MIGRATION IS A FORM OF DEVELOPMENT: THE NEED FOR INNOVATION TO REGULATE MIGRATION FOR MUTUAL BENEFIT

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December 2017

International migration and economic development are woven together. Over the long term, each supports the other in a virtuous cycle. Migration is thus one of many forms of development. Without this fundamental understanding, policy to regulate migration can go badly astray.

The traditional economic view of migration is radically different, and widespread. This traditional view understands migration as something that arises from failed development in the countries that migrants leave, something that harms workers and societies in the countries where migrants arrive, and something that governments cause: More or less, *How many and what kind of workers should we import?*

A good first step beyond this traditional view is to consider the policies we might endorse by starting from a similar view of another important economic act, such as entrepreneurship. If we viewed entrepreneurs as people who started businesses because they failed as wage workers; if we saw entrepreneurs as harmful and degrading competition for existing business; if we saw entrepreneurship as something governments cause—then we would reach clear but odd recommendations. The political Left might advocate policies to help people find wage-work so they do not need to resort to starting businesses. The political Right would call for policy barriers to crack down on new business formation, to assist today's struggling shop-owners. Both factions would agree that the government should stop making so many entrepreneurs.

But we would be baffled at such conclusions. We understand that people do not start businesses simply because they failed as wage-workers; indeed, many people build on their labour-market success by investing in a business. We understand that successful new businesses do much more than compete with existing businesses; properly regulated, they contribute to the richness, complexity, specialization, formalization, and ultimate prosperity of the whole economy. And we understand that government policy can shape business formation, including to what degree businesses are informal, but that entrepreneurship itself is basically not a government decision. Entrepreneurship affects economic development, is affected by development, and is one channel by which economic actors reach their fullest potential. It is one of many *forms* of economic development. This conception might lead us to radically different policy proposals, in which governments seek ways to shape entrepreneurship in ways that maximize its shared benefits, exploiting formal-sector niches that complement existing business.

All of these traits of entrepreneurship are also traits of international migration. Migrants do not simply move to escape development failure; many use the opportunities that arise from development success to invest in migration. Migrants do not simply compete with others at their destination, but contribute to the complexity and division of labour that is the taproot of the wealth of nations. Economic migration is a decision made by individuals and families to invest in mobility—a decision shaped by government policy, but not an act of government. Migration shapes and is shaped by development, and migration is one channel by which economic actors reach their fullest potential.

In other words, migration is an aspect of development itself. Inquiring about the effect of migration on development is somewhat like inquiring about the effect of blood on the body. Blood obviously affects the body. It is also affected *by* the body, and is *part* of the body, growing as the body grows. The two cannot be separated in practice, and blood is more usefully considered as one of many ways that the body manifests itself. A haematologist who reasoned without this fundamental understanding could recommend treatments that are ineffective at best.

The fact that migration is a form of development certainly does not imply that migration is automatically beneficial to all groups of people, or necessarily beneficial to any given group. Those are not true of any form of development. Development in all its forms is an uneven, risky, occasionally brutal process. It inherently produces some degree of displacement, uncertainty, and fear. Entrepreneurship by one firm could be costly for other firms. Acquisition of new skills by an ethnic minority increases competition for other groups that already have those skills. There are winners and losers from *all* types of economic development—such as when new technologies push aside old, factories replace farms, and women enter the labour force to compete with men. The unfolding of economic prosperity always and everywhere has required upheaval and stressful change, with that change falling disproportionately on people with important grievances that must and can be addressed with policy. That has required innovation to meet their needs. Such innovation withers when nearly all resources directed toward migration-related policy are focused on the single goal of minimizing migration.

Such innovation is the missing piece in migration policy to support the global development agenda. It is already well understood that migration and development are linked: The *Addis Ababa Action Agenda* on development recognizes "that international migration is a multidimensional reality of major relevance for the development of origin, transit and destination countries". The UN *2030 Agenda for Development* commits countries to "facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies".[1] The next step is to understand migration not as something that may or may not support development, but as a form of development itself, requiring new kinds of regulation to maximize its benefits. Most of these forms of regulation do not now exist. They must be built: created, evaluated, and adapted.

This paper briefly reviews the evidence for the virtuous cycle that inextricably connects migration to development, and offers examples of some of fruitful policy innovations that can emerge from surpassing the traditional economic conception of migration.

PART ONE: DEVELOPMENT CAUSES MIGRATION

The first half of the virtuous cycle is that sustained advances in a country's overall economic development tend to cause *greater* emigration. This fact strikes the face of conventional wisdom in ministries and international agencies worldwide charged with making policy for migration and development. Several donor states and international organizations have explicitly stated that they intend their development assistance for poor countries to address the "root causes of migration". Billions of dollars in aid are now directed toward reducing the demand for international migration by creating economic opportunity in the countries that migrants currently depart.[2]

The historic record is nonetheless clear. Economic development for poor countries has almost universally been accompanied by much higher emigration rates. As the poorest countries' economies become larger and more complex, rates of emigration tend to *rise*, not fall.[3]

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[1] *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*, Addis Ababa, Ethiopia, 13–16 July 2015 and endorsed by the General Assembly in its resolution 69/313 of 27 July 2015. *Transforming our world: The 2030 Agenda for Sustainable Development*, Resolution adopted by the General Assembly on 25 September 2015, A/RES/70/1.

[2] Examples of aid programs with this explicit goal are in: Michael A. Clemens and Hannah M. Postel (2017), "Deterring Emigration with Foreign Aid: An Overview of Evidence from Low-Income Countries", Synthesis Paper 8, Growth and Labour Markets in Low Income Countries (GLM-LIC) Programme. Bonn: IZA Institute of Labor Economics.

[3] Hein de Haas (2007), "Turning the Tide? Why Development Will Not Stop Migration", *Development and Change*, 38 (5): 819–841. Clemens, Michael A (2014), "Does development reduce migration?" in Robert E B Lucas, ed., *International*

It is true that greater earning opportunities at home tend to deter migration somewhat—all else equal. But as development proceeds, all else is *not* equal. In poor countries the tendency for higher incomes at home to deter migration is overwhelmed by other forces. Poor countries begin from such low levels of income that even if their economies grow well, it can take generations to erode their differences in standard of living relative to richer countries. And economic growth is accompanied by several forces that tend to inspire and facilitate migration.

A starting point is to think through a young Malian man's decision about whether or not to invest in migration. If he stays home, each year he might expect to earn US$1,000. If he spends US$700 to migrate and is able to make it to Europe, each year he might earn US$15,000. His gain of US$14,000 a year is the return on investing in migration, a spectacular return for the cost and even substantial risk. Now suppose that through foreign aid and consistently favourable circumstance, the economy of Mali develops extremely well, so that average incomes double to US$2,000 a year—a tremendous development success by any measure. The young man's return to investing migration has barely changed: It has fallen from US$14,000 to $13,000 a year. But his ability to save up and borrow the US$700 he will need to pay for the trip is now double what it was. The rise in incomes at home raises the likelihood that he will make the investment.

A brilliant policy analyst, reacting to this evidence, once asked me: *Do you think the migrants are lying?* Migrants had told her unequivocally that they were migrating because there were insufficient good jobs at home, seeming to imply that more and better jobs at home would deter them. But the economic evidence is fully compatible with such migrants' accurate statements. Consider again the Malian youth portrayed above. Before incomes doubled in Mali, he would accurately say that he was migrating because Mali did not have good jobs for him. After incomes doubled in Mali, others would be able to join him in migrating, and they would say the same. All would be correctly describing their lived experience and their motives. Nevertheless, a large improvement in workers' earning power in Mali would encourage more migration for the foreseeable future.

And the ability to pay the direct costs of migration is just one of the many factors that change as poor countries develop. Many of these can, separately and moreover, encourage migration. Two of the most important of these forces are changing demographic structure and rising education, so that growing countries have more youths with higher economic aspirations entering the labour force. The connection between migration and demographic change is the principal reason that improvements in public health, as countries develop, broadly cause *more* emigration. It is obviously not that people prefer to live in conditions of poorer public health. Rather it is that child mortality tends to fall as countries develop, and fertility tends to fall later, leading to a concurrent surge of young job-seekers into the labour force. This rising emigration pressure is thus an echo of development *success.*[4]

Similarly, the fact that countries with rising education levels on average have *higher* emigration rates does not mean that potential migrants prefer to live in less-educated countries. Education can raise both the ability to migrate (for example, the U.S. Diversity Visa requires that applicants have a high school education) and the desire to migrate (imparting a broader outlook and higher aspirations). The key again is understanding that many poor families treat migration as an investment—like education itself. Consider the economic decision of a family investing in education. Higher wages for low-education workers mean that workers have less need to invest in education to achieve a certain level of earnings, but this is offset by the fact that higher wages for low-education workers also make it easier for them to invest in becoming high-education workers. One of these typically dominates: We can observe that across the world, poor families that raise their earning power typically invest more in education, not less. The opportunity to move for work in a richer country, like the opportunity to become

Handbook on Migration and Economic Development, Cheltenham: Edward Elgar Publishing, pp. 152–185. OECD (2017), *Perspectives on Global Development 2017: International Migration in a Shifting World*, Paris: OECD.

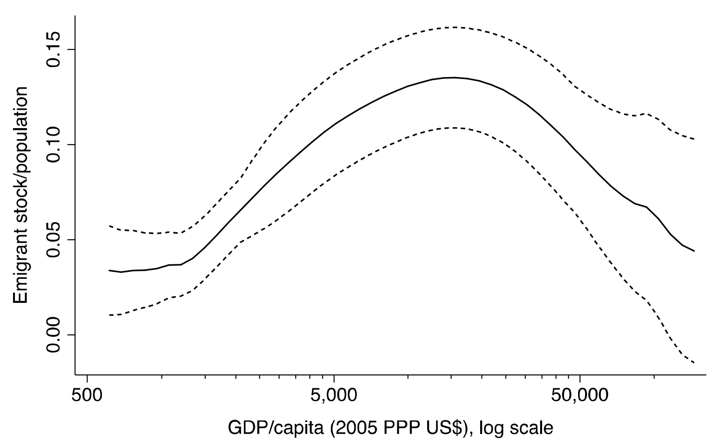
[4] Thu Hien Dao, Frédéric Docquier, Christopher Parsons, and Giovanni Peri (2016), "Migration and Development: Dissecting the Anatomy of the Mobility Transition" Discussion Paper 10272, Bonn: IZA Institute of Labor Economics.

educated to work as a university graduate, can only be acquired with large up-front costs but often bring large, ongoing, somewhat risky benefits. In this way they can be usefully considered as alternative forms of human capital in which a young worker might invest.[5]

For all of these reasons, emigration rates in middle-income countries (like Colombia or Algeria) are typically much *higher* than emigration rates in low-income countries (like Mali or Laos). This has been true across history: the times of greatest emigration from Sweden, Greece, or Korea were not the periods those countries plunged into development failure, but the periods when they began the ascent to relative development success. Mass emigration from Sweden, for instance, began as Sweden began its take off into modern economic growth around 1870. This not only brought workers greater tools and aspirations to migrate, but meant greater numbers of workers as Swedish child mortality plummeted. The massive flows of Swedish migrants into the New World were not a sign that Sweden was mired in poverty. They were the exact opposite: the departure of Swedes was a sign that economic development had taken off in once-poor Sweden.

These facts are counterintuitive to many, but the economic evidence is clear.[6] Figure 1 shows the average relationship, across all countries, between a country's real income per capita on the horizontal axis and its emigration rate, for all countries in the world today. Here a country's emigration rate is the fraction of all people born in that country who live in a different country.

Figure 1: Level of emigrant stock vs. level of real income, all countries 2013



The figure shows the cross-section relationship between real GDP per capita (on the horizontal axis) and the emigration rate (on the vertical axis). GDP per capita is adjusted for price differences between countries. The emigration rate is the fraction of people born in each country that live in any other country. The solid line is a moving average across countries at a similar income level, and the dotted lines show a 95 percent confidence interval for that average. All data for the year 2013, the most recent year in which both series are available for almost all countries.

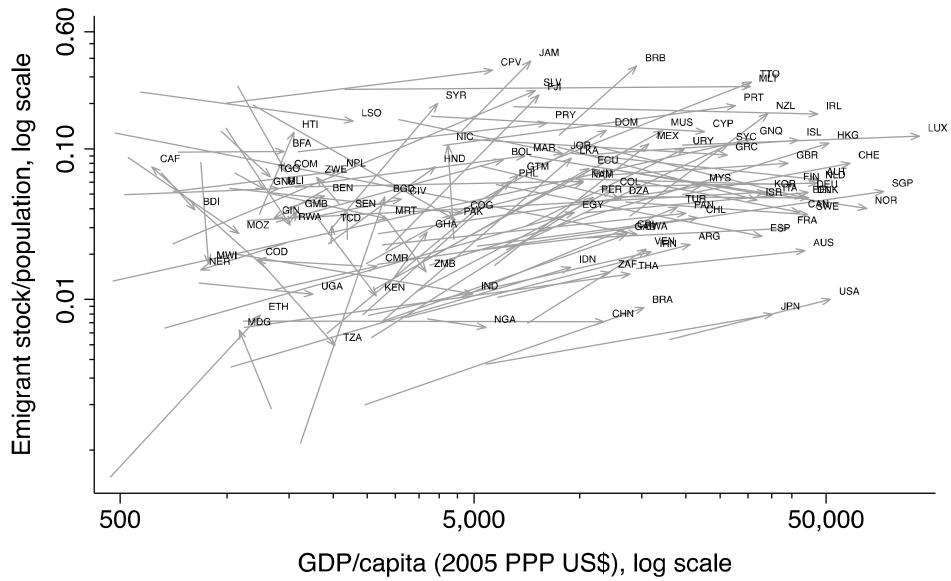
The figure shows that middle-income countries have about *triple* the emigrant rate, relative to their populations, of low-income countries. This is radically at odds with any conception of migration as arising from development failure in poor countries. That view, the basis of so much of today's policy intended to shape migration flows, would require that countries with more development success have lower emigration rates. But successfully developing middle-income countries do not have lower emigration rates than poor countries. They do not even have similar or somewhat higher emigration

[5] Theodore W. Schultz (1961). "Investment in human capital", *American Economic Review* 51 (1): 1–17.
[6] *Details of this data analysis in:* Clemens and Postel, *op. cit.*

rates. Middle-income countries have emigration rates that are *hundreds of percent higher*, on average, than emigration rates in the poorest countries.

In principle, any given country need not follow this path over time. But the historical record shows that almost all countries have, in fact, followed a similar path as they have developed. Figure 2 shows the change in emigration rate that each country experienced between 1960 and 2013, compared to the change in real income per capita during the same period. Each country's starting point in 1960 is the base of the arrow; it finished in 2013 at the pointed tip of the arrow. For countries that remained low-income by the end of the period, toward the left side of the figure, there is no clear trend. But for countries that successfully grew into and through the middle-income range during this period, in the middle of the figure, the predominance of upward-sloping arrows is obvious. In the 71 countries that grew to middle-income or higher between 1960 and 2013, 67 had a concurrent rise in the emigrant share. Successful, sustained economic development simply does not make people stay home. Economic development has, almost everywhere, gone hand in hand with *more* emigration.

Figure 2: Change in emigrant stock vs. change in real income, all countries 1960–2013



Figures 1 and 2 are descriptive statements about almost all countries that have experienced economic development. Development and emigration have gone hand in hand. This is not a normative statement. There is nothing automatically beneficial in this process; policy can shape the transition to higher migration rates either helpfully or detrimentally. For example, systems of higher education contribute best to development when they are designed around the reality of skill mobility. Systems designed as if skilled migration will not or should not expand with development can lead to fiscal drain as education subsidies depart along with emigrants. Within an adequate regulatory framework, expanded migration in turn creates more opportunities for migration to contribute to economic development, and the virtuous cycle proceeds.

This note began by claiming that policy can go far wrong without a factual understanding of the profound connection between migration and development. The above evidence instantiates that claim. This is not about academic abstractions. Conceiving of development as a substitute for migration leads to ineffective real-world policy effort and waste of real-world resources. If that understanding held the promise of effective policy, it would be *necessary* to observe that successful development is frequently accompanied by substantially lower rates of emigration. There simply is not a flicker of such evidence in the experience we have. At best, this means that current policy efforts would have to produce economic development of some unknown and entirely new form that somehow discourages emigration. At worst, it means that those efforts are likely to be ineffective and wasteful, if not harmful.

Development policy can be more successful when it rests on the fundamental understanding that migration manifests and constitutes development, and is designed to shape that process in ways that maximize its benefits to everyone affected. Later this note will offer examples of such policies. But first it turns to the other half of the cycle in which migration and development reinforce each other.

PART TWO: MIGRATION CAUSES DEVELOPMENT

The second half of the virtuous cycle is that international migration tends *on average,* and over long periods, to propel economic development. Economists have found that migration sharply raises the rewards to labour for the less skilled, and raises the rewards to education for the more skilled. Migration is the way that hundreds of millions of people have found their own opportunity, safety, and freedom.[7]

The principal reason that migration raises the economic returns to labour is that it raises the productivity of labour. The average migrant is much more economically productive in the country of destination than in the country of origin—*hundreds of percent* more productive. Cross-country gaps in productivity are so large that even modest movements of people have outsize impacts on the global economy. The world economy is about three trillion dollars per year more productive than it would be if today's migrants had not migrated. And even modest reductions in current migration barriers would raise global economic productivity by several trillion more. Even allowing one in twenty current residents of low- and middle-income countries to work in the richest countries would raise global economic production by more than the elimination of all remaining policy barriers to international trade and all remaining barriers to capital flows—combined.[8]

These massive global economic benefits are unevenly shared between migrant origin countries and migrant destination countries. But destination countries do not gain, on average, at the expense of harm to origin countries. Migration typically brings large, indirect, long-term benefits to origin countries as well. It builds networks that bring new technologies, skills, trade, investment, and modern social norms to countries of migrant origin. For example, when there is a 10 percent increase in the number of emigrants from a migrant-origin country to a migrant-destination country that produces and exports a given product, there is a 1.6 percent greater likelihood that the migrant-origin country will start producing and exporting that product from scratch during the following ten years. Migrants create human networks that give life to new *kinds* of business. Migration of people between countries is part and parcel of the complexification of their economies, without which economic development does not occur.[9]

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[7] *Economic gains to migrants*: Michael A. Clemens, Claudio Montenegro and Lant Pritchett (2018), "The Place Premium: Bounding the Price Equivalent of Migration Barriers", *Review of Economics and Statistics*, forthcoming. *Freedom*: Maryam Naghsh Nejad and Andrew T. Young (2016), "Want freedom, will travel: Emigrant self-selection according to institutional quality." *European Journal of Political Economy* 45: 71–84. Maryam Naghsh Nejad and Andrew T. Young (2014), "Female Brain Drains and Women's Rights Gaps: A Gravity Model Analysis of Bilateral Migration Flows", Discussion Paper 8067, Bonn: IZA Institute of Labor Economics.

[8] *On the global productivity effect of past migration*: Jonathan Woetzel et al. (2016), *People on the Move: Global Migration's Impact and Opportunity*, San Francisco: McKinsey Global Institute. *On future migration*: Michael A. Clemens (2011), "Economics and Emigration: Trillion Dollar Bills on the Sidewalk?" *Journal of Economic Perspectives*, 25 (3): 83–106.

[9] Trade and technology transfer: Dany Bahar and Hillel Rapoport (2018), "Migration, Knowledge Diffusion and the Comparative Advantage of Nations", *Economic Journal*, forthcoming. William R. Kerr (2008), "Ethnic scientific communities and international technology diffusion," *Review of Economics and Statistics*, 90 (3), 518–537. *Investment*: Beata S. Javorcik, Çağlar Özden, Mariana Spatareanu, and Cristina Neagu (2011), "Migrant networks and foreign direct investment." *Journal of Development Economics* 94 (2): 231–241. *Norms*: Michel Beine and Khalid Sekkat (2013), "Skilled migration and the transfer of institutional norms." *IZA Journal of Migration* 2 (1): 9. Michel Beine, Frédéric Docquier, and Maurice Schiff (2013), "International migration, transfer of norms and home country fertility." *Canadian Journal of Economics/Revue canadienne d'économique* 46 (4): 1406–1430.

In other words, the new ideas, technologies, partnerships, products, markets, and institutions that unfold within and between poor countries as they develop do not simply arrive there by disembodied signals. They often arrive through people. To take one of uncountable examples, the Sudanese engineer Mo Ibrahim who brought billions in mobile telephone investment to Africa could never have accomplished this if he had remained a functionary at Sudan Telecom rather than migrating to Great Britain. The opportunities that his work brought to Africa and Europe arose from his physical movement, without which the interactions that he had as a migrant never would have occurred. But this would have been invisible and perhaps unimaginable to someone observing Ibrahim's 1974 departure from Khartoum. That same event could have been narrowly described as 'brain drain' for Sudan, or the displacement of a British student from the University of Bradford. These aspects of Ibrahim's migration would have been easily visible, and in some very limited sense, correct. But they would have missed nearly everything that was economically important about his decision to move. That became visible only in hindsight.

There is frequent concern that high rates of emigration harm economic development at the origin. Economic history does not offer evidence in support of this claim. As mentioned above, in the decades before 1914 Sweden was relatively poor and experienced one of the largest emigrations on record: roughly one quarter of the population left permanently.[10] There is little sign that this eroded social capital, human capital, or any other resource that Sweden subsequently relied on to rise to the top of the United Nations' ranking of countries by their Human Development Index.

Concern nevertheless remains acute that skilled migration, in particular, often inflicts net economic harm on countries of migrant origin by sapping them of human capital. Some development economists have even called for restrictive "ceilings" on the migration of skilled people from the poorest countries, claiming that such restrictions would cause economic development in some measure.[11] Clearly sudden, large-scale movements of skilled workers can have short-term effects on service delivery such as by nurses and teachers.

But this does not imply that effective or appropriate policy is to obstruct or tax skilled migration. This is for the same reasons that the movement of skilled people out of poor neighbourhoods can affect service provision there, but restricting the ability to leave poor neighbourhoods need not be the most effective or appropriate policy response. To begin with, the magnitude of skilled migration is not a major determinant of skill stocks in developing countries globally: countries with more skilled emigrants typically have *more* skilled workers at home, not fewer. And even if every last skilled emigrant from the poorest countries were obliged to return home, including those who grew up and gained skills abroad, this would erase just one tenth of the skill gap between those countries and the richest countries. That gap is principally determined by forces of long-term development much larger than migration.

Beyond this, there is no evidence in the economic research literature that policy responses intended to restrict skilled migration, such as "ceilings" or taxes, have improved skill stocks, service delivery, or development outcomes *anywhere*—in any country, region, or city. There are many findings that high-skill emigration is associated with poor development outcomes, but it is very difficult empirically to separate this correlation from the fact that skilled workers tend to depart places that are poor, unstable, dangerous, and unhealthy. What the research literature does not contain is a single rigorous evaluation of a policy designed to restrict skilled migration for its ostensible development benefits, demonstrating that such benefits occurred. One important reason for this may be that the very conditions that produce high-skill emigration also reduce the productivity of skilled workers in the origin country: These could include poor governance, conflict, and structural poverty, which are at best little affected by restricting emigration.

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[10] Timothy J. Hatton and Jeffery G. Williamson (2005), *Global Migration and the World Economy: Two Centuries of Policy and Performance*. Cambridge, MA: The MIT Press.
[11] Paul Collier (2013), *Exodus: How Migration is Changing Our World*, Oxford: Oxford University Press.

Another reason may be that skilled migration has important offsetting positive effects on development, such as by opening new trade and investment markets for countries of origin, benefits that are lost when skilled migration is restricted. Yet another reason may be that the opportunity for skilled migration itself helps generate more human capital by motivating others, including non-migrants, to invest in education. Efforts to limit high-skill migration may also conflict with the United Nations Universal Declaration of Human Rights, whose Article 13 confers on all people the unqualified right to leave any country, at any time and for any reason. Below, this note will discuss alternatives to "ceilings" and taxes in the regulation of skilled migration that can help reduce stress on service delivery systems.[12]

For countries of migrant destination, migration typically brings economic growth, youth, trade, investment, and entrepreneurship, especially to stagnant economies and aging populations. It raises the economic productivity of regions that receive more migrants, as migrant workers on average tend to complement native workers and encourage business investment.[13] Immigration by low-skill workers tends to raise the productivity of higher-skill natives by more than it raises the productivity of low-skill natives. It thus causes native workers to invest in more education.[14]

Rising concern about inequality has led to calls for increased restrictions on immigration. Leading labour economists have directly tested whether changes in immigration or other economic changes, across time and space, can account for rising inequality. But the sum total of economic research across numerous countries has found that even large amounts of immigration barely affect the wages and employment of natives, including low-skill natives.[15]

Sudden inflows of low-skill migrants have been found to displace low-skill native workers in some settings, particularly in the short term and in countries with the most rigid labour-market institutions. But in countries where native workers are better able to respond to such inflows by changing jobs, acquiring skill, or moving house, on average they end up with superior jobs better suited to their comparative advantages, such as native language skill. Because gains to those who can adjust outweigh losses to those who cannot, policy responses to migration that facilitate this adjustment and assist immigrants and natives in doing complementary work are more economically beneficial in most settings than tight restrictions on immigration. For these reasons, economists have found factors other than immigration—particularly skill-biased technological change—to be responsible for recent rises in domestic inequality within many migrant-destination countries.[16] This is because, while immigration has raised earnings for skilled natives by relatively more than for unskilled natives (which would tend to raise inequality), it has also caused more natives to become skilled who otherwise would have

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[12] Michael A. Clemens (2016). "Losing our minds? New research directions on skilled emigration and development." *International Journal of Manpower* 37 (7): 1227–1248. Michael A. Clemens (2014), "A case against taxes and quotas on skilled emigration", *Journal of Globalization and Development*, 5 (1): 1–39.

[13] *National-level growth:* Ekrame Boubtane, Jean-Christophe Dumont, and Christophe Rault (2016), "Immigration and economic growth in the OECD countries 1986–2006." *Oxford Economic Papers* 68 (2): 340–360. *Trade:* Peri, Giovanni, and Francisco Requena-Silvente (2010), "The trade creation effect of immigrants: evidence from the remarkable case of Spain." *Canadian Journal of Economics/Revue canadienne d'économique* 43 (4): 1433–1459. *Local-level productivity*: Peri, Giovanni (2012), "The effect of immigration on productivity: Evidence from US states," *Review of Economics and Statistics* 94 (1): 348–358. Lewis, Ethan, and Giovanni Peri (2015), "Immigration and the Economy of Cities and Regions," *Handbook of Regional and Urban Economics* 5: 625–685.

[14] Jennifer Hunt (2017), "The impact of immigration on the educational attainment of natives." *Journal of Human Resources* 52 (4): 1060–1118.

[15] This large literature is reviewed by: Longhi, Simonetta, Peter Nijkamp, and Jacques Poot (2010), "Joint impacts of immigration on wages and employment: review and meta-analysis." *Journal of Geographical Systems* 12 (4): 355–387. Kerr, Sari Pekkala, and William R. Kerr (2011), "Economic Impacts of Immigration: A Survey." *Finnish Economic Papers* 24 (1): 1–32. Michael A. Clemens and Jennifer Hunt (2017), "The Labor Market Effects of Refugee Waves: Reconciling Conflicting Results", Working Paper 23433. Cambridge: National Bureau of Economic Research.

[16] Mette Foged and Giovanni Peri (2016), "Immigrants' Effect on Native Workers: New Analysis on Longitudinal Data." *American Economic Journal: Applied Economics*, 8(2): 1–34. Claudia Goldin and Lawrence Katz (2007), "Long Run Changes in the Wage Structure: Narrowing, Widening, Polarizing", *Brookings Papers on Economic Activity*, 2: 135–165. David Card (2009), "Immigration and Inequality", *American Economic Review* 99 (2): 1–21. Giovanni Peri (2017), "The Impact of Immigration on Wages of Unskilled Workers", *Cato Journal* 37 (3): 449–460.

remained unskilled (which would tend to reduce inequality). The net effect on domestic inequality is difficult to detect.

Beyond this, by far the greatest source of inequality in the world is not inequality within countries, but inequality between countries.[17] The majority of real income inequality across the world as a whole is determined *solely* by country of residence.[18] Thus the opportunity to change one's country of residence presents the largest and most reliable opportunity for any given family, at the margin, to make an economic decision that would reduce global inequality.

As a whole, economic research on global migration suggests that global migration is a powerful driver of economic development, inextricably linked to other forms of economic development like technological change and educational advancement. But for any given person or even any given country, such effects are far from automatic. Maximizing those benefits and sensibly sharing them require proper regulation. In this way, international migration is like urbanization. Urbanization has been a necessary and massive cause of economic development everywhere on earth; no sizeable country has developed without a large shift of population from farms to cities. But urbanization can bring numerous offsetting social ills if it is principally managed with barriers or neglect. International migration, too—when regulatory frameworks are inadequate—can be the setting for large black markets that undermine labour standards, strained social services, and national security threats. But safe, orderly, and regular migration is an engine of global economic development.

Migration and informal labour markets

Demographic realities mean that large-scale migration will doubtlessly occur. These realities include the net increase of 800 million workers in sub-Saharan Africa over the next three decades.[19] This is very likely to raise emigration from many parts of that region. Evidence suggests that policy barriers by themselves cannot fully or even largely restrict that movement, even if that were considered desirable.

Visa restrictions clearly reduce migrant inflows, but also tend to reduce outflows, blunting their effect on net migration. And the effects of sharp restrictions on cross-border mobility are typically offset by increases in irregular migration and ballooning black markets in informal labour.[20] Such black markets contribute to humanitarian disasters and mass violation of human rights. They do this most visibly in the more than 7,932 deaths and disappearances of migrants and asylum seekers in 2016. But these tragedies go much further, extending also to widespread extortion and sexual violence against informal migrants.[21] Such informal markets tend, in turn, to fuel political support for even more restrictions. This occurs in part through creating threats to national security, as small numbers of terrorist attackers and criminal gang members have entered destination countries unnoticed among large irregular migrant flows.

Lawful channels for regular migration can substitute directly for irregular flows. The 1954 creation of a full-scale program of lawful, temporary labour mobility for the world's largest bilateral migrant flow—the Mexico-United States border—essentially eliminated irregular migration for a

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[17] Branko Milanovic (2016), *Global Inequality: A New Approach for the Age of Globalization*. Cambridge: Harvard University Press, 2016.

[18] Branko Milanovic (2015), "Global inequality of opportunity: How much of our income is determined by where we live?" *Review of Economics and Statistics*, 97 (2): 452–460.

[19] Gordon Hanson and Craig McIntosh (2016), "Is the Mediterranean the New Rio Grande? US and EU Immigration Pressures in the Long Run," *Journal of Economic Perspectives*, 30 (4): 57–82. Some research suggests even larger demographic pressure on African emigration: Bertoli, Simone (2017), "Is the Mediterranean the New Rio Grande? A Comment," *Italian Economic Journal*, 3 (2): 255–259.

[20] Mathias Czaika and Hein Haas (2017), "The effect of visas on migration processes", *International Migration Review*, 51 (4): 893–926. Gathmann, Christina (2008), "Effects of enforcement on illegal markets: Evidence from migrant smuggling along the southwestern border," *Journal of Public Economics*, 92 (10): 1926–1941.

[21] International Organization for Migration, https://missingmigrants.iom.int

decade until the program was cancelled. It was then replaced within a few years by a massive black market across the border, creating an informal labour market in the United States of several million workers. The presence of lawful channels had temporarily crushed the trans-border black market in labour; the elimination of those channels made the black market grow exponentially. Furthermore, the last large-scale regularization of Mexican migrants in the United States in 1986 caused a reduction in irregular entry, possibly by allowing regularized migrants to sponsor their relatives for regular migration. New Zealand's creation of a model system of legal temporary and permanent mobility with low-income Pacific Island countries has cut informal migration there by half.[22]

But fostering regular migration to displace irregular migration takes much more than just visa policy. Policies behind the border are at least as important. Proper regulation of economic migration requires that the broader regulation of migrant-intensive sectors take account of its effects on migration. A key example is the eldercare industry, where policies that shape the extent of informal employment in the sector likewise shape the extent of irregular migration for work in the sector—because demand for irregular migrants' labour is much higher in informal jobs. Broadly speaking, in countries where public policy to support eldercare has emphasized unconditional cash transfers to subsidize care in private homes, informal care-work is extensive and is a major conduit of irregular labour migration. These include Italy and Spain, and to a lesser extent Austria and Germany. In countries where policy emphasizes public provision of eldercare, conditional cash transfers for formal eldercare, or public subsidies for eldercare by formal-sector private firms, labour in the sector is extensively formalized and generates much less demand for irregular migrant labour. These include the Netherlands, Sweden, and Norway, and to a lesser extent France and the United Kingdom.[23] Public policy behind the border clearly shapes the incentive for employers—whether families, firms, or governments—to demand irregular migrant labour. Demand for that labour is a first-order determinant of irregular migration.[24]

That said, policies behind the border *alone* are unlikely to deter irregular migration without harming consumers of the valuable goods and services produced by most irregular migrants. Economists have studied the effects of changing employers' incentives behind the border without any change in visa policy at the border, by comparing policies in different U.S. states. The U.S. federal government offers a system ('E-Verify') to check immigrants' work authorization, but its use has only been required by law in certain states. Comparing states with and without such deterrence to hiring irregular migrants shows that it does have the intended effect of making irregular migrants earn less and be less likely to migrate to the deterring states. Such deterrence does not, however, raise earnings or employment for native workers.[25]

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[22] Douglas S. Massey and Karen A. Pren (2012), "Unintended consequences of US immigration policy: Explaining the post-1965 surge from Latin America." *Population and Development Review* 38 (1): 1–29. Michael A. Clemens, Carlos Gutierrez, and Ernesto Zedillo (2016), *Shared Border, Shared Future: A Blueprint to Regulate US-Mexico Labor Mobility*, Washington, DC: Center for Global Development. Khulan Altangerel and Jan van Ours (2017), "U.S. Immigration Reform and the Dynamics of Mexican Migration", Discussion Paper 10771, Bonn: IZA Institute of Labor Economics. Bryan Roberts (2017), "Illegal Immigration Outcomes on the U.S. Southern Border", *Cato Journal*, 37 (3): 555–572. Radio New Zealand (2017), "Dramatic drop in overstayer numbers to NZ", October 16.

[23] A literature review as well as new analysis is presented by Barbara Da Roit, and Bernhard Weicht (2013), "Migrant care work and care, migration and employment regimes: A fuzzy-set analysis", *Journal of European Social Policy* 23 (5): 469–486. See also: Annamaria Simonazzi (2008), "Care regimes and national employment models", *Cambridge Journal of Economics* 33 (2): 211–232.

[24] Thanos Maroukis, Krystyna Iglicka, and Katarzyna Gmaj (2011), "Irregular Migration and Informal Economy in Southern and Central-Eastern Europe: Breaking the Vicious Cycle?" *International Migration* 49 (5): 129–156. All of this said, there is limited research demonstrating these relationships and there is certainly no established, mechanistic relationship between the extent of the informal sector and demand for the labor of irregular migrants. In Italy, for example, large numbers of informal jobs in agriculture, construction, and housekeeping are held by *regular* migrants. See e.g. Emilio Reyneri (1998), "The role of the underground economy in irregular migration to Italy: Cause or effect?" *Journal of Ethnic and Migration Studies* 24 (2): 313–331.

[25] Pia M. Orrenius and Madeline Zavodny (2015), "The impact of E-Verify mandates on labor market outcomes", *Southern Economic Journal* 81 (4): 947–959. Sarah Bohn, Magnus Lofstrom, and Steven Raphael (2014), "Did the 2007 Legal Arizona Workers Act reduce the state's unauthorized immigrant population?", *Review of Economics and Statistics* 96 (2); 258–269. Pia M. Orrenius and Madeline Zavodny (2016), "Do state work eligibility verification laws reduce unauthorized immigration?",

This evidence suggests that workplace enforcement in general, unless coupled with measures to increase opportunities for regular migration, can simply curtail economic activity rather than shift native workers into that activity.[26] This harms native consumers by obliging them to forego the economic benefits of labour that had been provided irregularly. For example, U.S. women with advanced degrees, in cities where the supply of immigrant labour is more restricted, are less likely to work outside the home, devoting more of their time to self-provision of childcare and eldercare.[27] This can reduce the productivity of the whole economy by obliging women to specialize in work that does not offer the highest return on their human capital—even if they would prefer otherwise in a setting of greater care-work labour supply.

In sum, the evidence in the literature—though limited—suggests that new lawful channels for labour mobility and workplace enforcement have been *jointly* necessary to reduce migrants' reliance on informal labor markets. Coercive restrictions alone have had limited effectiveness—whether at the border or behind it. Beyond this, continuing development in today's low-income countries will *raise* migration pressure. The policy question then becomes not whether migration will occur, but under what conditions. Will it occur on black markets of a scale not yet seen, with their accompanying threats to human rights and security? Or will it occur through new lawful channels for regular mobility that, unlike existing channels, have been designed to maximize the mutual economic benefits of migration?

The more economically beneficial outcome will require not simply greater numbers of migrants through existing channels, but much less irregular migration and new *forms* of regular migration that are visibly, tangibly beneficial to voters. This requires innovation—building new forms of migration regulation—the subject of the next and final section.

Recommendations: The need for massive and iterative innovation

Migration does not stand apart from the development process. Migration is one *aspect* of development. Domestically, the physical movement of people has been an inseparable *aspect* of historical development from the United States and Europe to China and Africa, as those countries have grown from isolated and primarily rural economies to interconnected, primarily urban ones.

Within countries, the physical movement of people has been a tremendous engine of trade, entrepreneurship, education, and the spread of ideas—one that performs poorly with poor regulation, and performs well with adequate regulation. That greater mobility within countries required generations of extensive policy innovation. In the United States, for example, states had to work together to figure out how to equitably share the education costs and the tax revenue of mobile workers. Interstate migration by ethnic minorities, such as the Great Migration of black Americans from Southern states to Northern cities, produced myriad local restrictions on the housing, schooling, and union membership of black people in the regions of destination. Conflicts over these policies took decades of battles in courts, legislatures, and civil society to create new forms of regulation that would harness the great benefits of that mobility while minimizing political and economic conflict between movers and non-movers. The policies to do that did not exist before the migration began. They needed to be invented.

IZA Journal of Migration 5 (1): 5. Sarah Bohn, Magnus Lofstrom, and Steven Raphael (2015), "Do E-verify mandates improve labor market outcomes of low-skilled native and legal immigrant workers?" *Southern Economic Journal* 81 (4): 960–979. Pia M. Orrenius, Madeline Zavodny, and Emily Gutierrez (2017), "Do state employment eligibility verification laws affect job turnover?" *Contemporary Economic Policy*, forthcoming.

[26] See for example: Franck Düvell (2011), "Paths into irregularity: The legal and political construction of irregular migration", *European Journal of Migration and Law* 13 (3): 275–295.

[27] Patricia Cortes and José Tessada (2011), "Low-skilled immigration and the labor supply of highly skilled women", *American Economic Journal: Applied Economics* 3 (3): 88–123. Guglielmo Barone and Sauro Mocetti (2011), "With a little help from abroad: the effect of low-skilled immigration on the female labour supply", *Labour Economics* 18 (5): 664–675. Patricia Cortes and Jessica Pan (2013), "Outsourcing household production: Foreign domestic workers and native labor supply in Hong Kong", *Journal of Labor Economics* 31 (2): 327–371.

Today, at the international level, we mostly lack the institutions and policies that countries have developed internally to harness the economic benefits of domestic mobility. Filling this gap between countries will require tremendous innovation, in both the public and private sectors. Innovation of this kind is necessary to create new lawful channels for migration that offer visible, mutual benefits, political feasibility, and a complement to enforcement efforts at and behind the border to reduce irregular migration.

One example of an innovation to play this role is the idea of a Global Skill Partnership, or GSP.[28] A GSP is an up-front agreement between employers and/or governments in destination countries and professional training centres in origin countries. These parties agree on a practical and equitable way for the benefits of migrants' professional service at the destination to finance training at the origin—training for both migrants and non-migrants.

An example of a Global Skill Partnership might be a nursing school in southern Turkey that trains Syrians for nurse-assistant work in German eldercare, with finance and technology from Germany to train both potential migrants *and non-migrants*, in exchange for some trainees' subsequent service in Germany. Such an agreement allows mutual gains by taking advantage of large international differences in both professional earnings and training costs. And it maximizes the mutual benefit of migration by ensuring that destination countries get precisely the skills they need, in migrants who can integrate quickly; origin countries strengthen their human capital with finance and technology for training non-migrants; and migrants get the professional opportunities migration can bring.

While several bilateral agreements relating to skilled migration exist, no such existing agreement is structured—as a GSP is structured—to maximize visible, tangible benefits to both parties. The distinguishing traits of a GSP include 1) training in the origin country, *prior* to migration, 2) for the precise needs of *specific* employers at the destination who are directly involved, and 3) cross-subsidization with finance and technology transfer for the training of non-migrants. GSPs are not a short-term palliative; it would be difficult for many of the least-skilled workers intending to migrate in the short term to first acquire skills needed at the destination. Rather they are a fundamental and long-term policy, constructing a way for people who will migrate years or decades in the future to prepare in the intervening years to migrate on mutually beneficial terms. This is deliberate: the pressures for international migration do not arise from a short-term "crisis" that will soon dissipate. They arise from long-term processes that require long-term answers.

A range of opportunities to create pilot GSPs exist today. The German government (through the Federal Foreign Office and GIZ) and the Australian government (through the Australia-Pacific Training Coalition) have created successful infrastructure for training potential skilled migrants within various developing countries of migrant origin, though these have not been directly linked to those governments' policies to address migration pressures. They and other important migrant-destination countries could seek partnership for technical expertise and possibly co-finance for GSP pilots in a range of initiatives at the World Bank and the European Commission's Directorate-General for International Cooperation and Development. The missing ingredient is partnership between domestic agencies and firms interested in filling domestic labour shortages and development agencies facing a new mandate to address rising migration pressure. The former often do not see their work as relevant to addressing migration pressure; the latter often see their task as deterring rather than shaping migration. Institutional innovations like a GSP allow both to work together toward shared interests.

Many other innovations of this kind, designed to shape migration for mutual gain rather than purely to reduce it, are an essential part of any serious policy agenda to regulate migration in this century. The Global Skill Partnership model would create a new *kind* of migration regulation. Currently, migration regulation focuses on the number and selection of migrants who are allowed to migrate.

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[28] Michael A. Clemens (2015), "Global Skill Partnerships: A proposal for technical training in a mobile world", *IZA Journal of Labor Policy* 4 (1): 2. Brief summary at: https://www.cgdev.org/publication/global-skill-partnerships-proposal-technical-training-in-mobile-world-brief.

Another way to say the same thing is to say that current migration regulation focuses on the number and type of migrants who are legally barred from migrating: *allowing* some migrants requires *not allowing* others, by force. Almost no policy dedicated to regulating migration seeks explicitly to shape the terms on which migration occurs, rather than picking 'who' and 'how many'. Many policies do shape migration as a side-effect, such as education or labour-market regulations, but are not conceived as ways to regulate migration and are enacted by ministries and officials with no mandate to regulate migration.

Partnerships to ensure that migrants' training is apt and its finance is sensibly shared are both a migration policy tool and a development policy tool. They are a migration policy tool in that they shape the kind of migrants a country receives. They are a development tool in that Global Skill Partnerships for health workers would be one specific way to enact a core commitment of the UN *2030 Agenda for Development*: to finance "the recruitment, development, training and retention of the health workforce in developing countries", by making migration a force for strengthening the health workforce rather than depleting it. One reason innovations of this kind are difficult is that ministries with the task of implementing migration policy do not see their mandate as including development work, and if ministries charged with development policy see migration as relevant to their work at all, they often see their task as deterring migration.

For lower-skill labour mobility, bilateral agreements on temporary migration can also harness the potential for mutual benefit. Such agreements are held in widespread suspicion due to experiences decades ago in which many temporary migrants became permanent migrants (Germany's *Gastarbeiter*) or migrants' rights were insufficiently protected (the United States' *Braceros*). But today there exist various Bilateral Labour Agreements for temporary mobility that offer a superior model—including New Zealand's Recognized Seasonal Employer program, the Republic of Korea's Employment Permit System, Canada's Seasonal Agricultural Worker Program, and Australia's Pacific Labour Scheme. All of these are truly temporary, provide meaningful safeguards for workers' rights, and are vastly superior for all involved than massive trans-border black markets in labour.

But such agreements have been hindered in part by a lack of incentives for any one pair of countries to invest in assisting others to learn about their successes. A new international organization is needed to facilitate negotiation of such agreements, serve as a repository for all agreements and associated documentation, facilitate learning by peer countries, settle disputes that arise, and iteratively evaluate new models—analogous to the International Air Transport Association or the International Chamber of Commerce. This approach—to globally facilitate bilateral agreements—is much more realistic than the unlikely scenario of countries signing binding commitments to a single global standard for the regulation of labour mobility. In other words, such an organization would be more practical and effective than a migration forum analogous to the World Trade Organization.[29] Such an organization could be spun off from the International Organization for Migration, which houses extensive expertise in this area but is not built for precisely this role, and housed at the World Bank—which likewise possesses extensive relevant expertise.

Such efforts to shape the kind of migration that occurs, while critical, are not enough. Demographic pressures mean that it may be difficult for traditional destinations to create sufficient lawful channels of *any* kind that are capable of absorbing the full measure of new flows in ways that are mutually beneficial. A further focus for policy must therefore be fostering *new* destinations, regional hubs where low-income workers can go to get many of the opportunities they now seek in longer-range migration. Current aid efforts, as they relate to the migrant crisis, focus on deterring emigration; extremely little focuses explicitly on assisting new destination countries to absorb and benefit from great migration flows.

[29] Lant Pritchett and Rebekah Smith (2016), "Is There a Goldilocks Solution? 'Just Right' Promotion of Labor Mobility." CGD Policy Paper 94. Washington, DC: Center for Global Development.

This would mean, for example, greatly expanded programs of technical and financial assistance to Mexico, Morocco, and Malaysia in managing and integrating migrants in as they continue their transition to becoming important migrant-destination countries. It would mean systems of fiscal assistance to non-traditional countries of refugee resettlement in bearing the up-front costs of assisting refugees, such as the proposed Humanitarian Investment Fund. This could often be a bargain for donor countries relative to the costs of either receiving refugees themselves or sustaining refugees indefinitely in camps, and superior for many refugees to an indefinite encamped existence.[30] Arrangements of this kind could range from bilateral partnerships, between one traditional destination country and one new destination country, or multilateral mechanisms. They might also draw in part on refugees' own resources earned after they establish themselves in new destination countries, through a revolving loan fund—as some destination countries already do.[31]

These three areas of innovation—bilateral agreements to share the costs and benefits of skilled migration, a new forum for bilateral agreements to displace irregular with regular labour mobility in targeted sectors, and explicit efforts to diversify the range of destination countries—are nothing like a toolbox. The tools to regulate migration for mutual benefit in all of these areas do not currently exist. Rather, they are areas where innovation is promising, areas that deserve multiple different pilot approaches to learn more about what could work, and that will differ widely in different countries.

They are built on the recognition that migration pressures are as vast and unstoppable as the development process itself, because they are a part of that process. They are built on the recognition that effective enforcement efforts, both at and behind the border, must be complemented by lawful channels for migration. They are built on the recognition that lawful channels for migration, to be politically feasible, must offer visible benefits to both migrant-destination countries and migrant-origin countries. Policy to address migration pressure in the 21st century, if it is to be fruitful, must rest on recognition of all of these realities.

All three of these specific areas for innovation can be piloted at small scale: pilot GSPs could involve only a handful of trainees at first; a new international forum for bilateral labour agreements could begin with a small group assisting just one agreement; and a Humanitarian Investment Fund could begin by supporting the settlement of small numbers of refugees. No one can know if these policies offer real solutions, only testing can reveal that. What is extraordinarily clear is that the need for such policies is enormous and urgent, the policies we have are inadequate, and the time to start innovating is now.

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[30] Theodore Talbot, Hannah Postel and Owen Barder (2016), "Humanitarian Investment Fund for Refugees: How to Turn Ordeal into Opportunity for All", Washington, DC: Center for Global Development.

[31] Such a revolving loan fund is described in Katy Long and Sarah Rosengaertner (2016), *Protection through Mobility: Opening Labor and Study Migration Channels to Refugees*, Washington, DC: Migration Policy Institute, p. 14. More information is available from the authors.