Policy Coherence
for
Migration and Development

Prof. Louka T. Katseli,
Director OECD Development Centre

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1. **Challenges for policy making and the need for policy coherence**

2. Putting policy coherence into practice

3. Migration and development policies: Which way forward?

Common Policy Challenges for OECD and Developing Countries

- **Cope and adjust effectively to demographic pressures**

- **Secure sustainable growth, increase employment and reduce poverty and inequality**

- **Mitigate risks and illegality; promote human security**

- **Improve management of increased labour mobility and migrants integration**

- **Promote innovation through brain gain and cope with brain drain**

Policy Coherence for Migration and Development
What is the Rationale?

- **Economic development in countries of origin influence the extent and patterns of migration**

- **Migration impacts on economic development**

- **Migrants are important stakeholders for growth and development**

- **Partnerships with sending countries needed to manage migration flows more effectively**

Policy coherence for migration and development: A Definition

The pursuit of win-win opportunities for both host and sending countries through the systematic promotion of mutually-reinforcing policy actions

Policy Coherence for Migration and Development: What is needed?

- **Better understanding of migration patterns**
- **Careful consideration of the interlinkages of migration and development processes and policies**
- **Improved coordination of migration, trade and development cooperation policies**
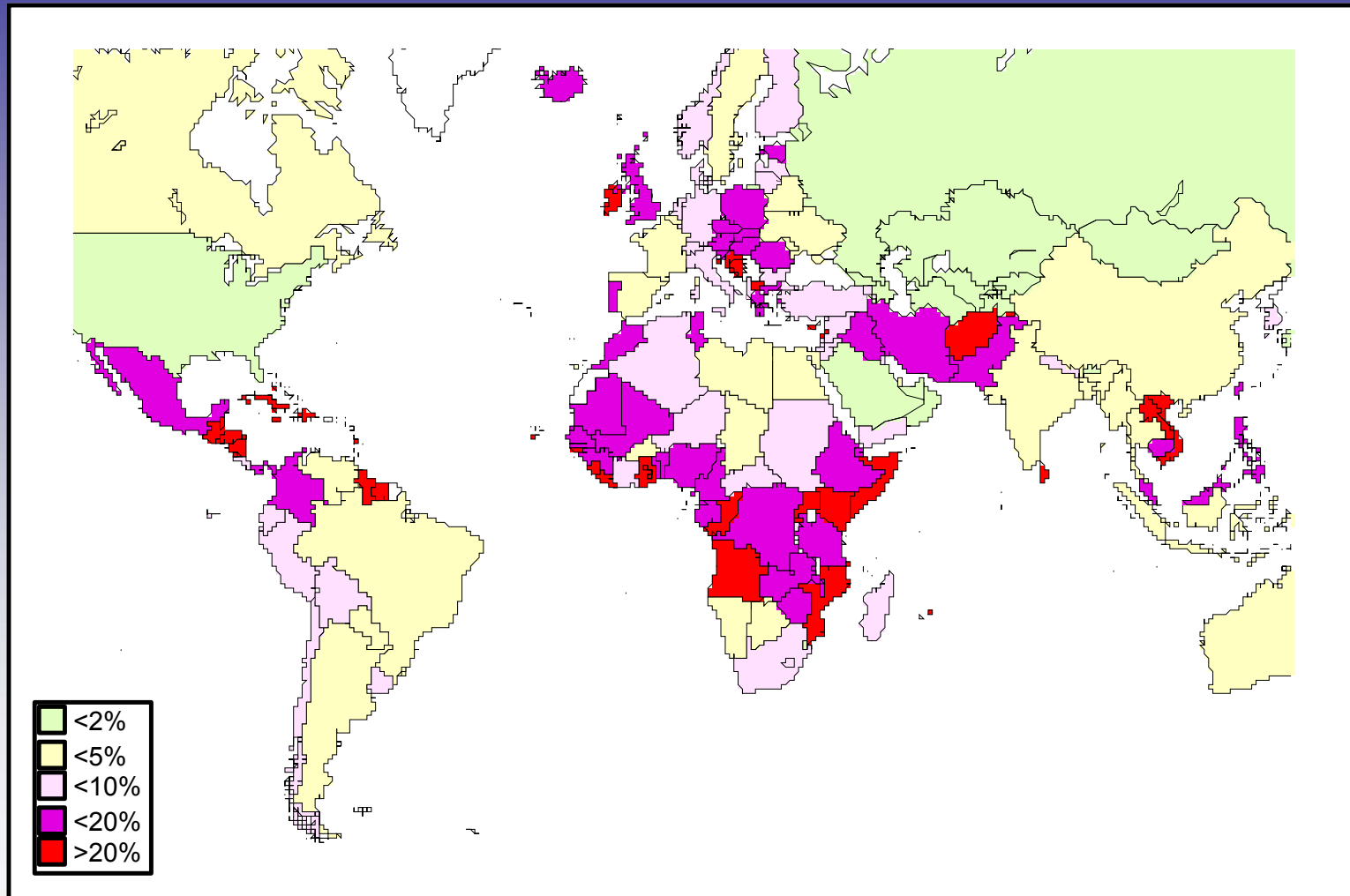
How can Policy Coherence for Migration and Development be put into practice?

An EU Perspective

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Europe lags behind the US in attracting highly skilled migrants….
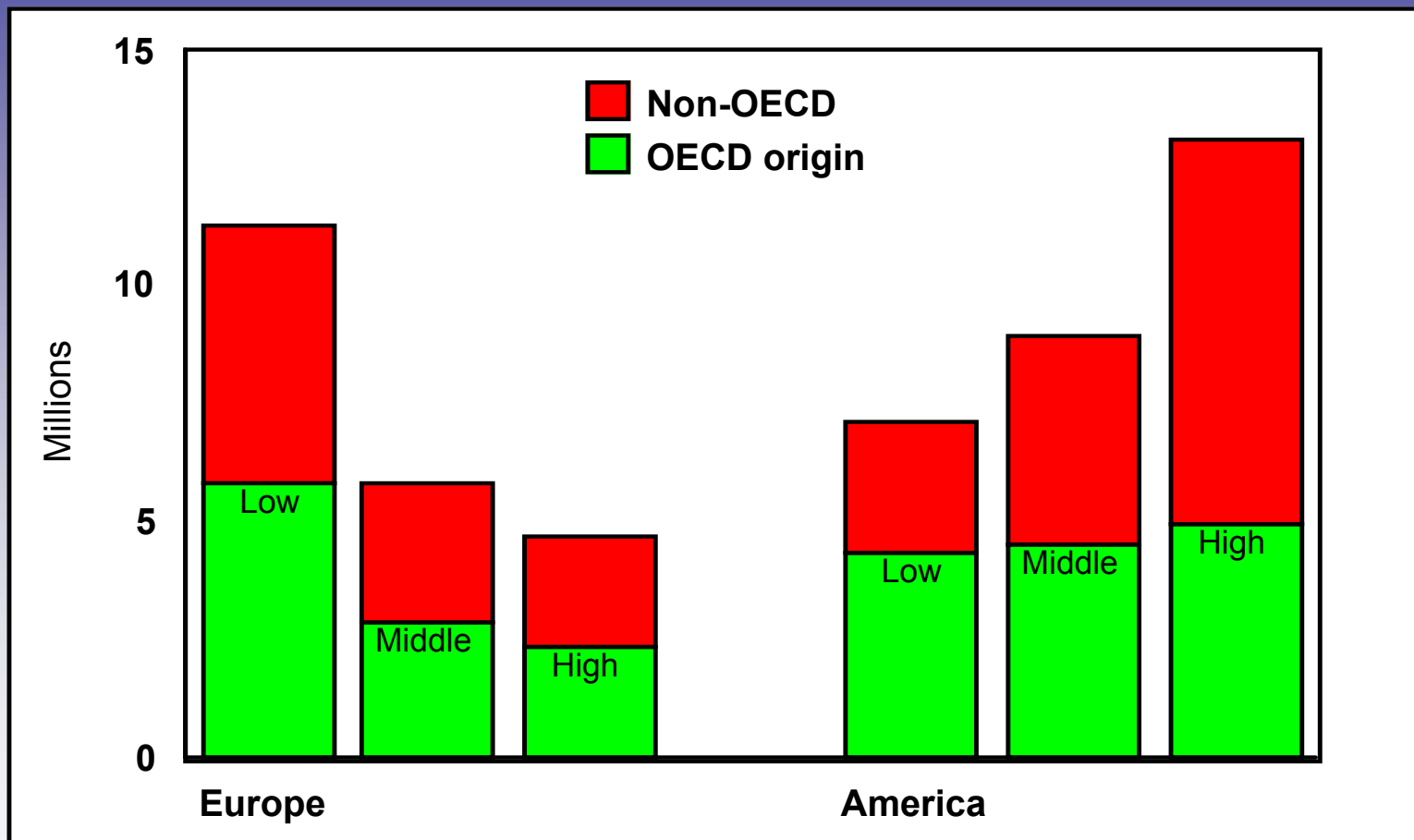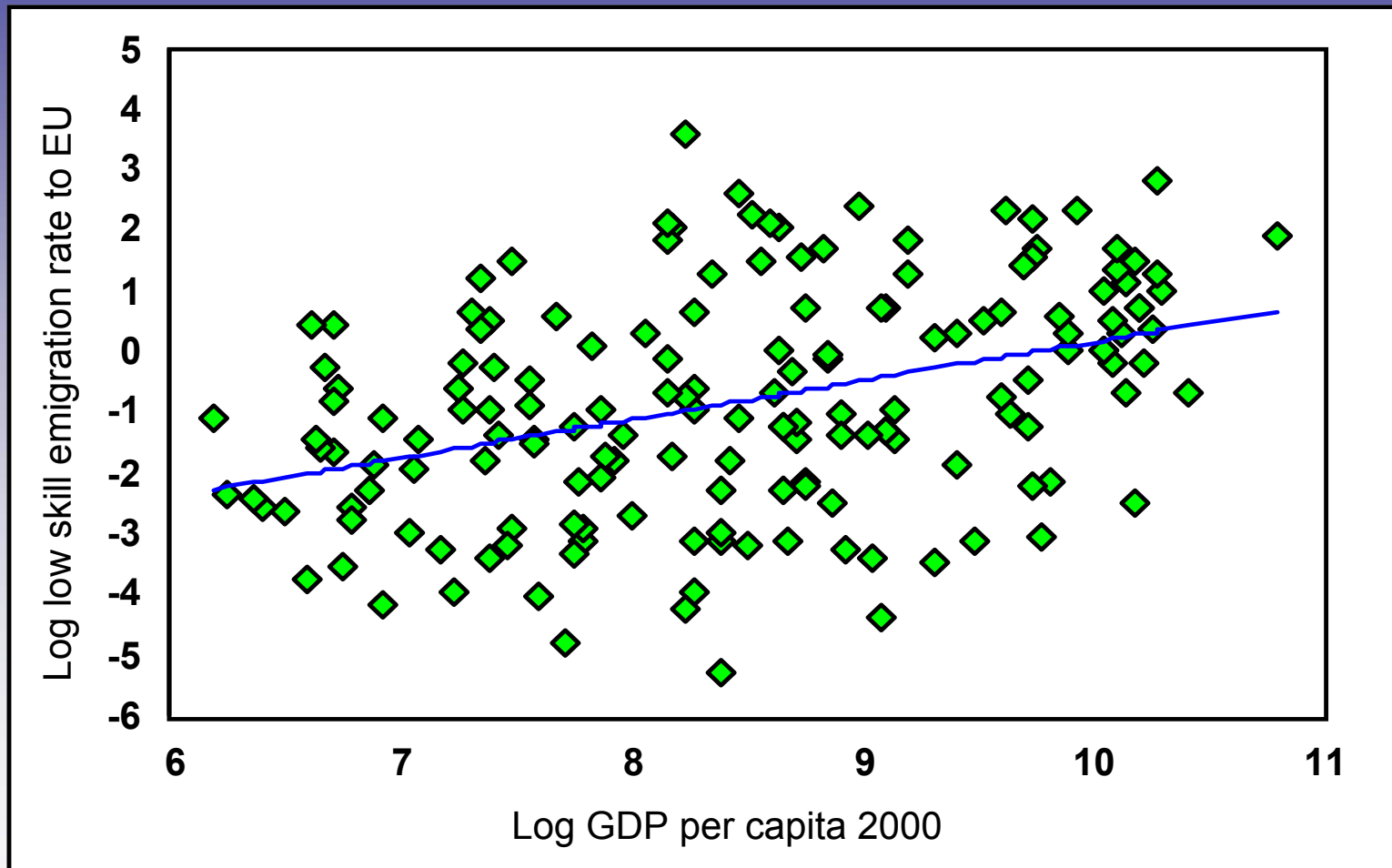

Data Source: OECD Database on Expatriates and Immigrants, 2004

Europe's highly skilled migrants come mainly from Africa…

Legend:
- <2%
- <5%
- <10%
- <20%
- >20%

Data Source: OECD Database on Expatriates and Immigrants, 2004

Low skilled migrants to Europe are drawn from higher income countries...

Data Source: OECD Database on Expatriates and Immigrants, 2004

Geography, history and politics matter:

- **Geographic proximity, cultural and colonial ties explain 20%-30% of variation in the share of total migrant stocks depending on skill.**

- **Three migration models coexist within the EU 15 driven by:**

  - ➤ **Historical/language ties: Benelux, France, Ireland, Portugal, Spain, ,UK**

  - ➤ **Geographic proximity: Austria , Germany, Greece, Italy**

  - ➤ **Political Attitudes: Denmark, Finland, Sweden**

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Analysis of migration-development interlinkages needed

- **The "migration-cycle" : a stage-based experience**
- **Migrants and sending countries go through stages**
  - ➢**Exit stage**
  - ➢**Adjustment stage**
  - ➢**Consolidation stage**
  - ➢**Networking stage**
  - ➢**Repatriation Stage**
- **Stages might be skipped and length of each stage varies**

Impact effects of migration on development vary…

- **By stage of the migration cycle**
- **Between short-run and long run**
- **Depending on migrant characteristics and local conditions, especially in labor and credit markets**
- **Depending on policies of both host and sending countries and behavioural responses driven by incentives**

Changes in Labour supply, remittances and productivity determine impact effects

$$\overset{\&}{Y} = \overset{\&}{L} + \overset{\cdot}{Y}/N + \overset{\&}{R}$$

Growth = labour supply changes + productivity effects + transfer effects

	Labour: $\overset{\&}{L}$	Productivity: $\overset{\cdot}{Y}/N$	Transfers: $\overset{\&}{R}$	Growth: $\overset{\&}{Y}$	Poverty	Inequality
Exit Stage	< 0	< 0	0	? 0	> 0	> 0
Adjustment Stage	? 0	?	? 0	? 0	? 0	? 0
Consolidation Stage	? 0	> 0	> 0	> 0	< 0	< 0
Networking Stage	= 0	> 0	? 0	> 0	< 0	< 0 ?
Repatriation/ Immigration/ Circulation Stage	> 0	?	< 0	?	?	> 0 ?

Low-skilled migration has typically positive impact effects on poverty reduction

Without surplus labour:

- **Employment and income gains to low skilled natives**
- **Output declines**
- **Long run restructuring**

With surplus labour:

- **Employment and income gains to low skilled natives**
- **Small/no effect on output**

In both cases:

- **Strong regional effects**
- **Ripple effects depend on domestic labour market integration/internal migration**
- **Positive impact on poverty**

Brain drain: is this a loss?

What is lost?

- **Spillover benefits**
- **Potential tax revenue**
- **Invested fiscal revenues for education/training**
- **Delivery of key services(Health-care, education, agricultural extension, administration)**

Losses however depend on:

- **Quality of service delivery systems**
- **Rate of utilisation of skilled personnel**
- **Replacement options**

Remittances : who benefits?

- **The poor if:**
  - ➤ **Poorer families migrate**
  - ➤ **Poor overseas migrants remit**
- **Both components depend on nature of migration regime (migration policies of host countries), duration of absence , family separation, intention to return**
- **Migration of highly skilled who settle permanently abroad with their families bring little by way of remittances to the home country**

Where migrants intend to return home, remittances per migrant can be very high….
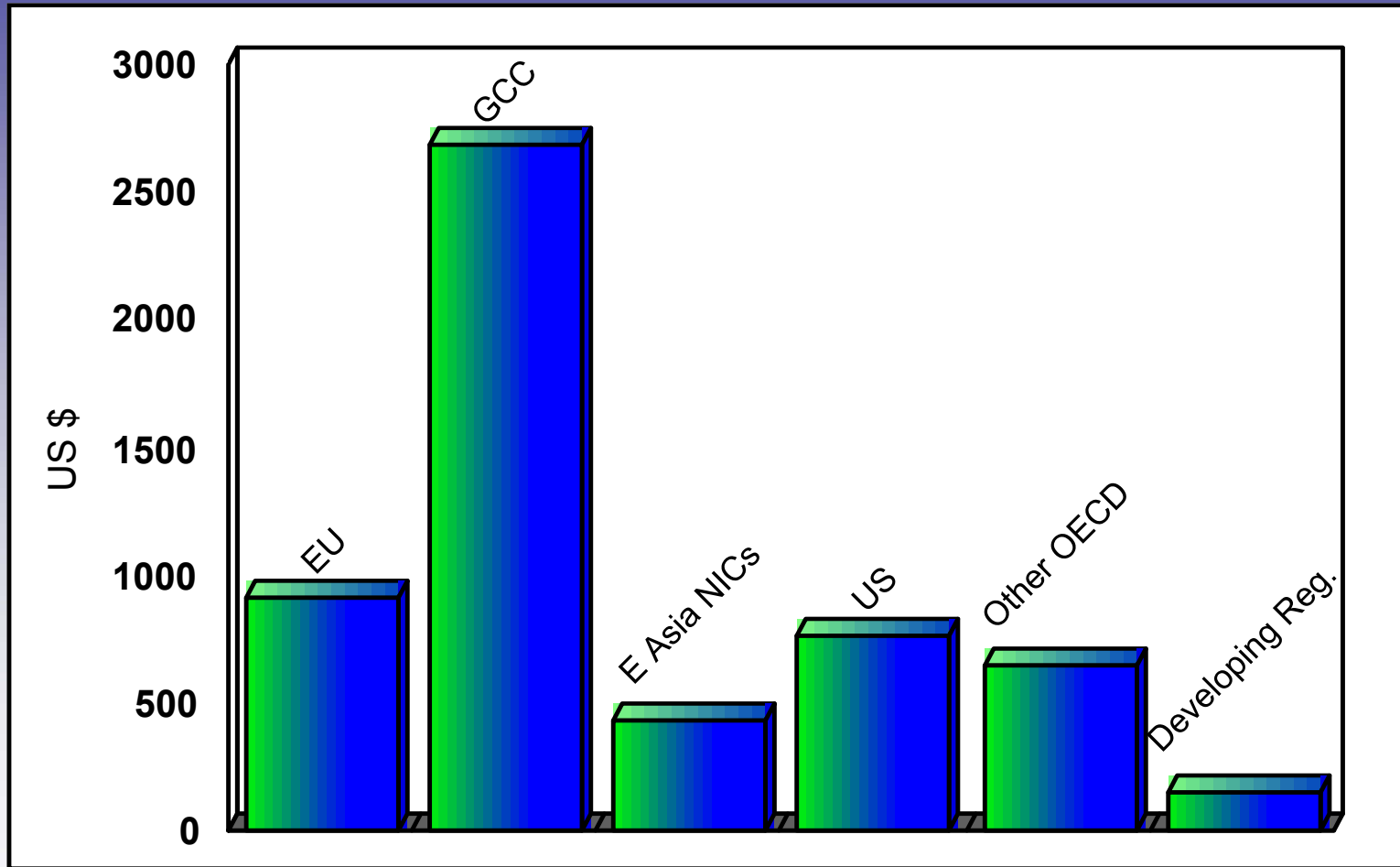
Source: IMF Balance of Payments Statistics and UN Trends in Migrant Stock ;2000 data

Remittances: a positive driver for development

- **Effects depend on migration regime**
- **Poverty reduction (e.g. Botswana, Lesotho, Greece, Malawi, Mexico, Mozambique,)**
- **Insurance against risk (e.g. Senegal, Mali)**
- **Finance additional education (El Salvador)**
- **Multiplier effects quite large (Mexico and other LDCs)**
- **Small deterioration of price competitiveness (real exchange appreciation)**
- **Risk : "transfer economies"**

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Analysis of EU Migration-Development Interlinkages : What Implications?

- **Effects of migration on development depend critically on migration patterns and capacity of sending country to adjust**

- **Magnitude and composition of migration are determined by admission criteria of host countries and economic conditions and security at home**

- **Win-win opportunities remain uneploited if migration and development policies are not jointly considered**

Migration, trade, investment, development cooperation policies :Coordination Needed

	AID: Growth and poverty reduction	INVESTMENT: Expands Productive Capabilities	MIGRATION: Enhances Income Opportunities	TRADE: Expands Consumption Possibilities
AID POLICY...	---	… promotes infrastructure and human-capital investment, reduces investment costs	… capacity building, market integration in home country	… promotes trade capacity building in LDCs and demand for rich- country goods and services
FOREIGN INVESTMENT POLICY...	… raises human and physical capital stock in LDC; promotes local enterprise development	---	… expands employment opportunities in LDCs	… enhances linkages to foreign markets; creates business networks; increases export capacity; upgrades quality standards
MIGRATION POLICY...	… induces remittances, lowers unemployment, can contribute to skill formation, productivity increases	… encourages brain circulation and technology transfers; expands savings	---	…encourages trading opportunities and networks
TRADE POLICY...	… promotes growth	… enhances market access	…increases wages	---

Migration and development policies: which way forward?

- **Can aid slow migration? Not really**

- **The links from aid to growth to migration are weak at best**

- **Even if aid spurs growth, migration might rise as a result (migration hump)**

OECD policies need to be revisited:

- **Information on migration flows and patterns : integrated migration monitoring systems can be developed**

- **Legislative bottlenecks and disincentives for seasonal and temporary workers should be removed**

- **"Circular" migration arrangements associated with multi-annual visas should be encouraged and properly managed**

- **Diaspora networks need to be effectively engaged**

Also….

- **Training foreign students and extending short-term remunerated training and work arrangements**

- **Partnership arrangements to link recruitment of personnel with capacity building and replenishment;**

- **Guidelines for recruitment of highly skilled professionals needed**

- **OECD trade policies have substantial impact on living standards in low income countries**

Migration needs to be integrated into PRSPs:

- **Migrants are major stakeholders for development**
- **Macroeconomic Management**
  - Changes in tax revenue
  - Changes in expenditures
  - Transfer systems vs remittances
- **Human Resource Management**
  - Incentives for temporary stay abroad (e.g. advanced seniority in public sector post)
  - Deployment of skills
  - Replenishment
- **Education Policies**
  - Financing higher education (loans vs grants)
  - Adapting curricula to local needs
  - Accreditation of private colleges and training facilities

Moreover:

- **Facilitate labour-market integration through:**
  - ➢ Improved infrastructure
  - ➢ Remove barriers to internal migration
  - ➢ Regional agreements (e.g regional passports)
  - ➢ Remove barriers to labour-market entry of returning workers
- **ODA can be used as a catalyst to diffuse benefits of migration and facilitate adjustment through:**
  - ➢ Promotion of infrastructure
  - ➢ Improvements of education and health systems
  - ➢ Capacity building
  - ➢ Co-development projects
  - ➢ Fellowships and training arrangements

Private sector needs to be engaged :

- **Remittances are large, stable and growing**
  - ➢ ODA, 2004: $ 79.5bn
  - ➢ Remittances, 2004: $126bn
- **Cost of transferring money is still high**
- **Partnerships between OECD and local banks to improve access to banking services**
- **Innovative financial instruments can enhance impact of remittances on local development** (PPPs , municipality bonds, securitization etc)

Last but not least:

- **The international community needs to consider the scope of GATS Mode 4 to encompass low-skilled workers**

THANK YOU

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