

# Discussing policy implications on migration and wellbeing

Migration is increasingly seen as a high-priority public policy topic for governments and we believe at Exploring Happiness, rightly so. Migration can have a direct impact on economic prosperity, human development and safety and security within a country. As a result of the importance of this topic, it tends to receive a lot of media attention. Unfortunately, it is our view that the coverage of this topic tends to have an over-representative negative bias. This may partly reflect the changing nature of migration in some parts of the world. But as is the case with most news coverage nowadays, a greater emphasis is focused towards bad outcomes over good outcomes – it sells better and captures more attention. Developing a better understanding of the impact of migration on wellbeing relating to both migrants and natives is a vital topic that should be debated and researched much more. This will allow policymakers to develop solutions to allow for greater human development through migration.

This article aims to provide a simple overview of our latest understanding of the relationship between migration and wellbeing from the research that has already been conducted. Section 1 starts by providing some background to migration across the world by looking at the data. Next, in section 2 we discuss at a high-level, since this is a very broad topic, some of the main benefits and drawbacks of migration that policy makers may be interested in. Section 3 focuses on the findings from a large sized study in 2013 looking at wellbeing and development and how different migration pathways across the globe each tell us something different about human development.

## Section 1: Migration Data

The data relating to global estimates is a little lagged due to the amount of time that it takes to collect the data. The latest estimate from 2017 shows that 3.4% of the global population, or 257.7 million people, are international migrants around the world. When taken as a percentage of the global population this doesn't sound too large – the overwhelming norm for most people is to stay where they were born. However, the proportion of migrants across the world has been increasing over time and even more than we tend to expect it to. Forecasts of future migration has been continuously revised upwards in recent years and it is likely to be driven by how we have become increasingly connected with one another. A trend that is expected to continue.

Furthermore, a rise in the number of civil wars and conflicts has led to an increased amount of people becoming displaced, both within and across borders. 40.3 million people are categorised as displaced worldwide and 22.5 million as refugees, based on data from 2016. It is highly likely that when the estimates are produced for the years after 2016, this number will continue to increase quite considerably. Within this context, policymakers should remember that migration corridors are not only shaped by economic and trade factors but also by conflict, smuggling, trafficking and insecurity. Nevertheless, policymakers should also consider the economic benefits of migration too. Migration can allow for a greater spread of wealth and the increase in migration over the past two decades has shown this. It was estimated that in 1997 \$77bn had been sent back to countries of origin in the form of remittances, whereas this figure has increased to \$529bn, just 15 years later in 2012.<sup>1</sup> The impacts of remittances on low income countries can be significant, the 2000 World Migration Report found that around 50% of Lesotho's GDP is accounted for by remittances.

*Table 1: Comparing migration statistics across the world with the UK<sup>2</sup>*

	No. of migrants	Migrant stock as a % of total pop.	Female/Male migrants	Difference in the proportion of migrants as a % of total pop. (1995-2017)	% of migrants <19 years old	% of migrants >65 years old
World	257.7 million	3.40%	48.4/51.6	0.6 percentage points	20.60%	11.70%
UK	8.8 million	13.40%	52.4/47.6	5.3 percentage points	19.10%	10.30%

<sup>1</sup> World Bank, 2013

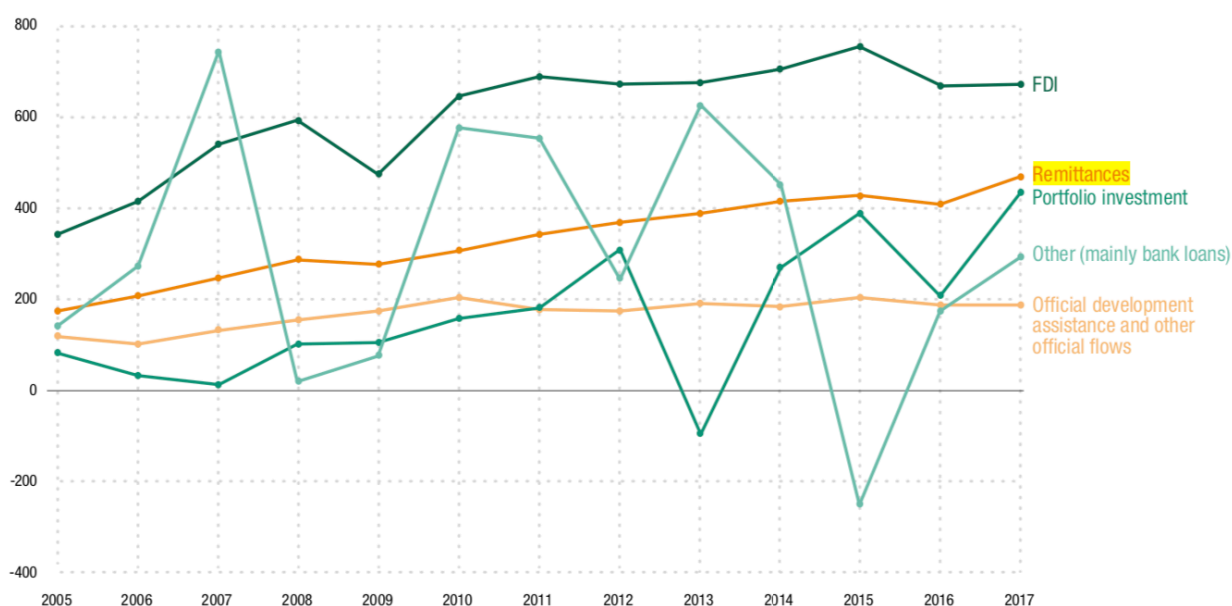
<sup>2</sup> Data obtained from the migration data portal

## Section 2: Discussing migrations benefits & drawbacks from the policymaker’s perspective

Since this is such a large topic, we have aimed to split this into five key areas that we think are most important. The first three are all broadly related to labour market and macroeconomic effects, whilst the final two discuss the impact on the government’s finances and on society:

- **Wages & remittances:** in most cases migrants benefit from moving abroad through earning a significantly higher wage than they would in their origin country for doing the same job. Of course, the cost of living should be considered in both cases to show the true benefit from the move. The relative income gains are largest for lower-skilled workers, whose international movements around the world are most restricted.<sup>3</sup> As we also discussed in the previous section, remittances can be seen as a benefit of migration by allowing for a greater spread of wealth across the globe and increasing the wellbeing of millions from low income countries. Typically, they are a relatively stable source of income, which is of course a positive. Remittance inflows to developing economies have been steadily increasing as one of the most important sources of external finance (Chart 1). The negative on the flip side of this is that countries tend to become overly dependent on this as a source of funding. Research has recently shown that remittances can cause countries to stagnate.<sup>4</sup> An important reason for this is that increases in FDI are often associated with boosting productivity, whilst increasing remittances often feed through to increased household consumption. Potentially, remittances can inhibit the motivation of workers and policymakers within their country to come up with innovative solutions that lead to progress.

Chart 1: Sources of external finance, developing economies, 2005-2017 (US\$, Billions)<sup>5</sup>



- **Labour market:** evidence is increasingly showing that migration can benefit the country of origins labour market by reducing both unemployment and underemployment (that is, those that would like to work full-time that are currently working part-time or those working in a job below their qualification level).<sup>6</sup> In terms of the benefits to the host country, this depends greatly on whether the skills of the migrant workers are *complementary* or *substitutes* to those of domestic workers. Migrants can have a positive impact on the labour market by increasing labour supply in sectors suffering from shortages of workers, allowing to address mismatches and structural issues in some sectors. This can be true for both low and high skilled sectors.<sup>7</sup> Migrants can have a positive effect on labour productivity or GDP PC if they are more skilled than national workers or if they have a positive effect on innovation and skills within the country (see below). Of course, the

<sup>3</sup> See Gibson and McKenzie (2011).

<sup>4</sup> See IMF paper by Ralph Chami et al (2018), titled "Is there a remittance trap?".

<sup>5</sup> Source: World Investment Report (2018).

<sup>6</sup> See World Bank paper (2017), titled "Migration and Mobility".

<sup>7</sup> See Ruhs and Anderson (2010)

opposite is also true for many of these benefits, if workers are substitutes, this can lead to higher unemployment and increased competition in the labour market – leading to lower wages in most cases.

- **Innovation and transfer of skills:** following on from what was discussed above, by either nature or necessity, studies have found that migrants are often more likely to be risk takers, and this can lead to large contributions to destination countries – through innovation. In addition, the following argument can be seen as consistent with many trade theories relating to comparative advantage. For example, if a country is more efficient in producing one good than other countries, it should scale up their production to benefit from this. Similarly, the transfer of skills should be looked at in the same way. If a country has a comparative advantage in producing, for example, yellow tennis ball fluff, they should find as many experts in this field from across the globe to allow for a more efficient upscale in production to take place. Although, maybe at some point too many experts on yellow tennis ball fluff in one room could start to cause an issue. Further research into this topic is necessary.
- **Fiscal impact:** Beyond primarily labour market issues, the migration of young workers can help to ease pressures on pension systems in high-income countries with ageing populations. And in contrast to popular opinions, a recent study found that the net fiscal effects of immigration for most OECD countries is positive.<sup>8</sup> This is measured as the taxes of migrants minus the government spending that migrants directly receive, and the relative size of these figures also tends to be quite small compared with overall net spending.
- **Social impact:** potentially this is the most important area for discussion if we are looking at this topic from a perspective of the impact of migration on wellbeing. We will discuss this further in the following section but as a pre-cursor to this there is a large research literature that states the wider beneficial effects of migration on human development. The main two areas are unsurprisingly: health and education. The findings from a World Bank study in 2016 are quite staggering in this aspect, “migrants from the poorest countries, on average, experienced a 15-fold increase in income, a doubling of school enrolment rates and a 16-fold reduction in child mortality after moving to a developed country”.<sup>9</sup>

### Section 3: Impact of Migration on Wellbeing and Development

The UN declaration on the Right to Development (1986) states the following: “States have the right and the duty to formulate appropriate national development policies that aim at the constant improvement of the well-being of the entire population and of all individuals, on the basis of their active, free and meaningful participation in development and in the fair distribution of the benefits resulting therefrom”. More recently, the UN has argued that the core of the global development framework should be focused towards wellbeing and sustainability. This is essentially why it’s important to also consider the wellbeing of migrants, on top of the economic effects from people moving around.

The World Migration Report from 2013 aimed to help us better understand the relationship between migration and wellbeing and development. The report uses data from the Gallup World Poll, between 2009-11, focussing on 25,000 first generation migrants and over 440,000 native born individuals in over 150 countries to assess the wellbeing of migrants worldwide. This report was one of the first to take an in-depth look into the wellbeing effect of migration on developing/low income economies, as well as advanced economies. The paper uses the following way to define different forms of migration: low to high income is “South to North migration”, high to low income is “South to South migration”, high to high income is “North to North migration” and (hopefully you’ve got it by now) low to low income is “South to South migration”. The report finds that all four migration pathways have an impact on development and that the full impact of each are not yet fully understood.

The data we have available backs up the more inclusive approach taken in this report. Only a minority of migrants move from South to North – approximately 40%, according to Gallup data. At least 33% of migration is South to South (although this could be higher if more reliable data were to come available), and 22% of migration is North to North. Consequently, only a very small proportion of migration is North to South (5%), but this percentage has been growing through time. Of course, these percentages will vary depending on both the source and the definition used

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<sup>8</sup> See OECD (2013), titled “the fiscal impact of immigration in OECD countries”.

<sup>9</sup> See World Bank (2016), titled “migration and development: a role for the World Bank”

for 'North' and 'South'. In the World Migration Report, broadly 'North' refers to high-income countries and 'South' refers to low- and middle-income countries. The report produces many interesting findings from a wellbeing perspective, which are summarised below.

Across a number of different areas, migrants in all four pathways report lower well-being on average than native-born individuals. South to South migrants tend to have the worst outcomes out of the four migration pathways by reporting they are less satisfied with their lives and that they are less well off, financially, than the native-born. North to North migrants are less likely than South to North migrants to be finding it difficult to meet their basic needs. The assumption here is that North to North migrants are less likely to be forced to move to another country and therefore can make a more informed and rational decision about where to go, with the presumed aim being to improve their wellbeing. Of course, the aim is the same for the South to North migrants, but they are more likely to be constrained by their current circumstances, misinformed and to be more time urgent (with more time you can make a better-informed decision, hopefully!).

Migrants often find it difficult to obtain work and this impacts their financial situation. Migrants in the North are more likely to be unemployed (13%) or underemployed (26%) than those than are native-born (8% and 18%, respectively). In the South the impact is smaller, migrants are less likely to be part of the official workforce but equally as likely to be either unemployed or underemployed as the natives. However, migrants in the South report feeling less safe than the native-born, whereas this is not the case in the North where they generally report the same in terms of safety. Some migrants report that high crime rates act as a barrier to full social and economic participation. But this situation does tend to improve, the longer they stay in this country, as you might expect.

The summary is that migrants moving between to high income countries report the best impact on their wellbeing, across a range of dimensions including life satisfaction, safety, community attachment and health. North to South migrants tend to enjoy greater economic prowess but their social connections are often limited, and they are less likely to report that they have someone they can count on for help. On the flip side, South to North migrants suffer from the economic differential and struggle to make the transition but on average they are better off for having migrated than those who stayed at home.

It is this final finding that interests us the most. At Exploring Happiness, we think that this is the area that still needs the most additional work, in order to uncover whether the decision to migrate, across all migration pathways, on average, benefits those that have migrated. And if yes, is it possible to quantify how large this benefit is? On the opposite side (and this is much more difficult to do), it would be interesting to try to determine what is the estimated effect on the wellbeing of the natives in response to migration. The evidence from the World Migration Report in 2013 is that migration tends to improve the lives of the migrants, suggesting the decision to move was justified, but these migrants often do struggle and are unlikely to be doing as well as the native-born. Some further work that we would like to do would be to look primarily at the impact of migration in the UK on wellbeing, given this has played such a large role in national elections in recent years. This will focus on both the wellbeing effect on migrants coming into the country, as well as natives within the UK too. As part of this to add a policy element, beyond the wellbeing impact, we will focus on trying to determine the fiscal effect (taxes and government spending) of migration in the UK.

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