

# The Economic Impact of Migration on the Destination and Sending Country

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*Migration and Demographic Challenges  
in the Nordic-Baltic Region*



# Presentation

- Classifications, some general trends
- Impact on country of destination
- Impact on country of origin
- Lessons for the Baltic countries?

# Different classifications

- Economic migrants
  - Political migrants
  - Social migrants
- 
- Permanent migration
  - Temporary migration



# Classifications (2)

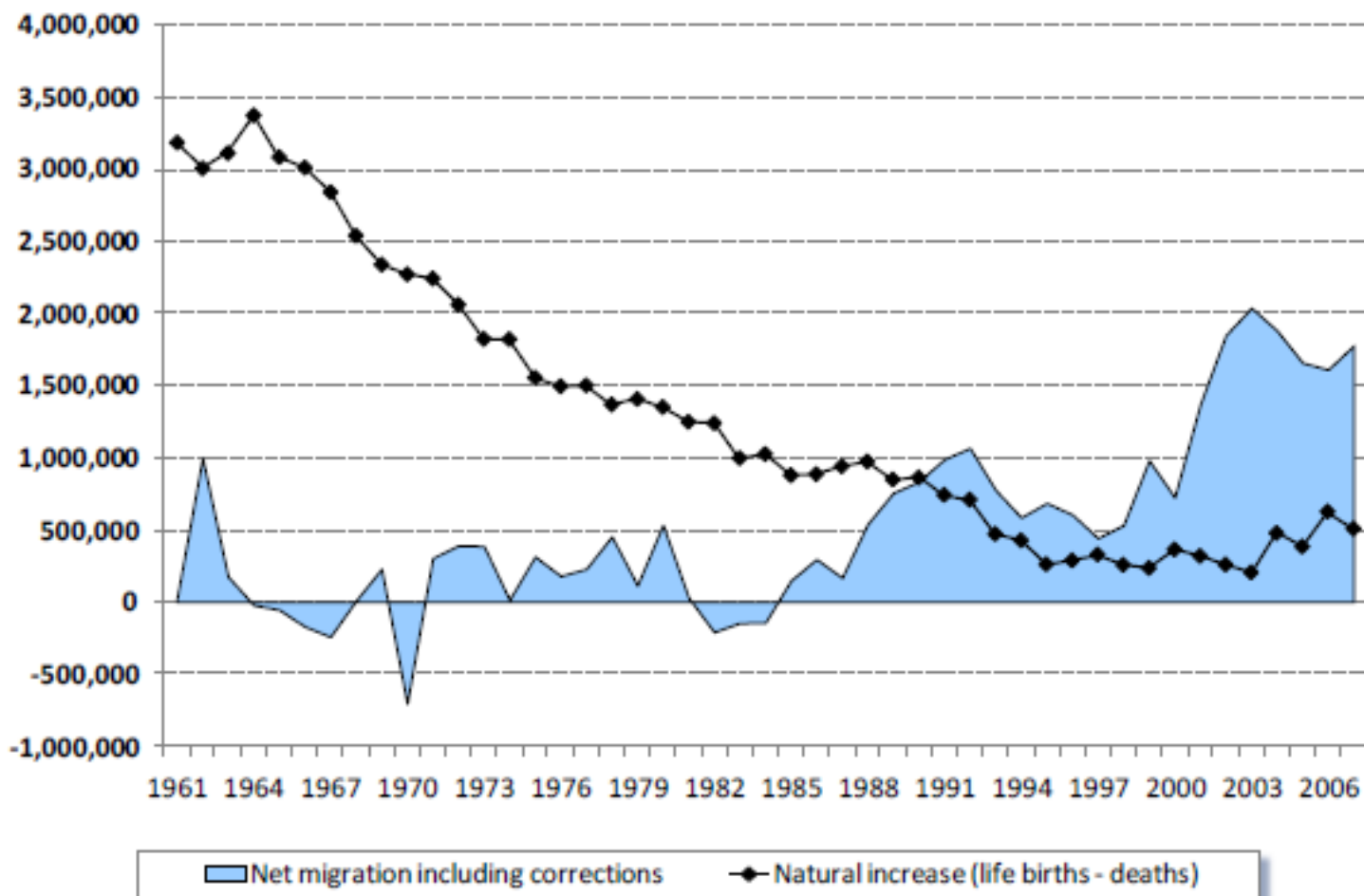
- **Educational migrants (student migration)**
- **Environmental migrants (environmental refugees, climate refugees)**
- **Return migrants**
- **Seasonal migration**
- **Voluntary migration**
- **Involuntary migration**

# Classifications (3)

- Receiving country, country of destination
- Sending country, country of origin
  
- Emigration, outward migration
- Immigration, inward migration

# Population changes in EU-25

Fig. 1: Components of EU-25's Population Change



Source: Eurostat (2006).

## INTEGRATING MIGRANTS: OFFICIAL ATTITUDES ACROSS EUROPE

Note: Researchers assessed laws in each country against a theoretical "ideal" based on best practice across the EU.



Attitude is very different...

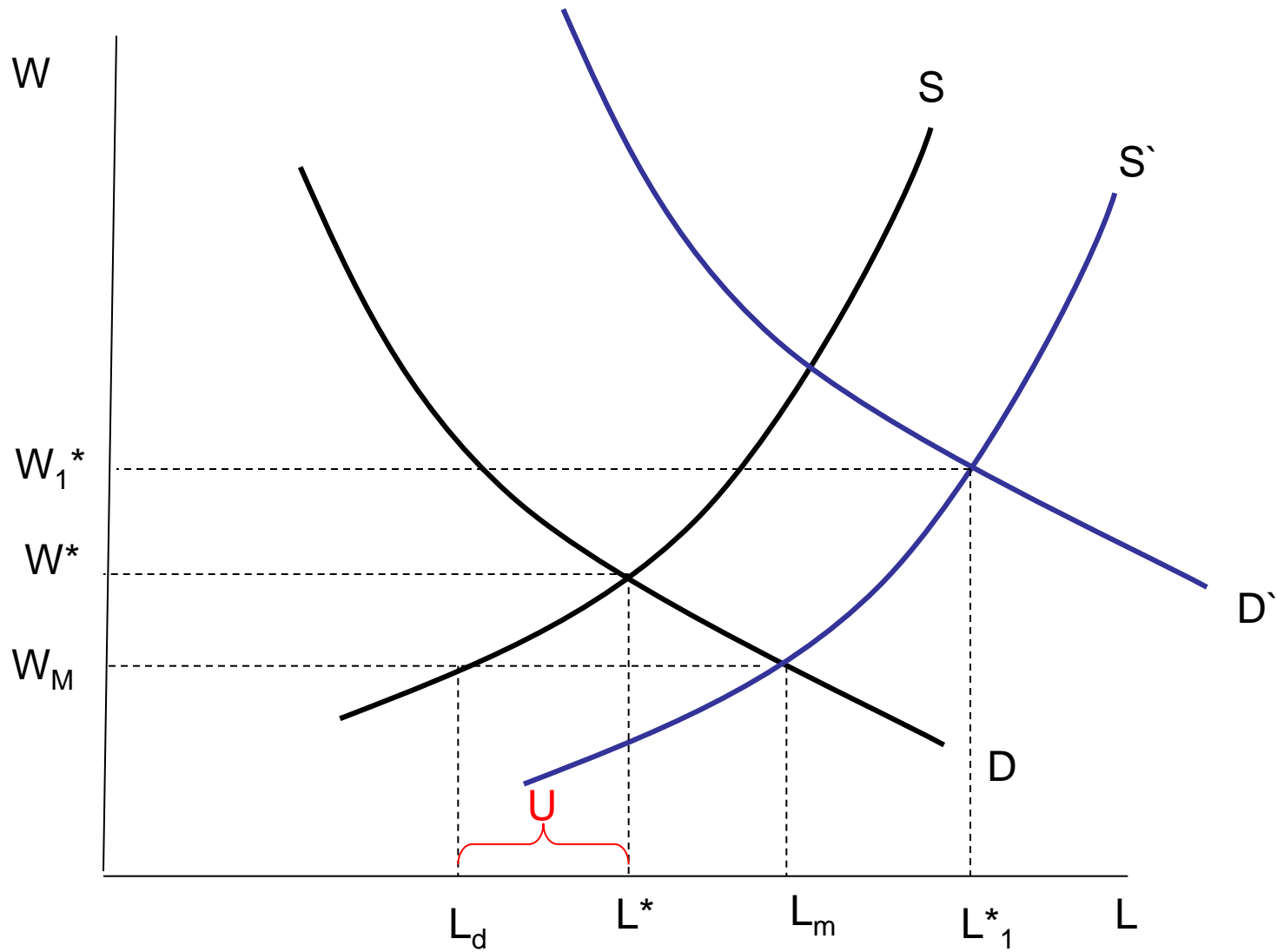
# Migration impact on receiving country (1)

## Positive aspects

- + Increasing domestic demand
- + More opportunities for consumers: increasing variety of goods and services
- + Job creation, new talents
- + 3D (dirty, dangerous, difficult) jobs
- + More flexible labour force
- +/- Low skill versus high skill workers: effects on employment and wages



# Low skill and high skill effects



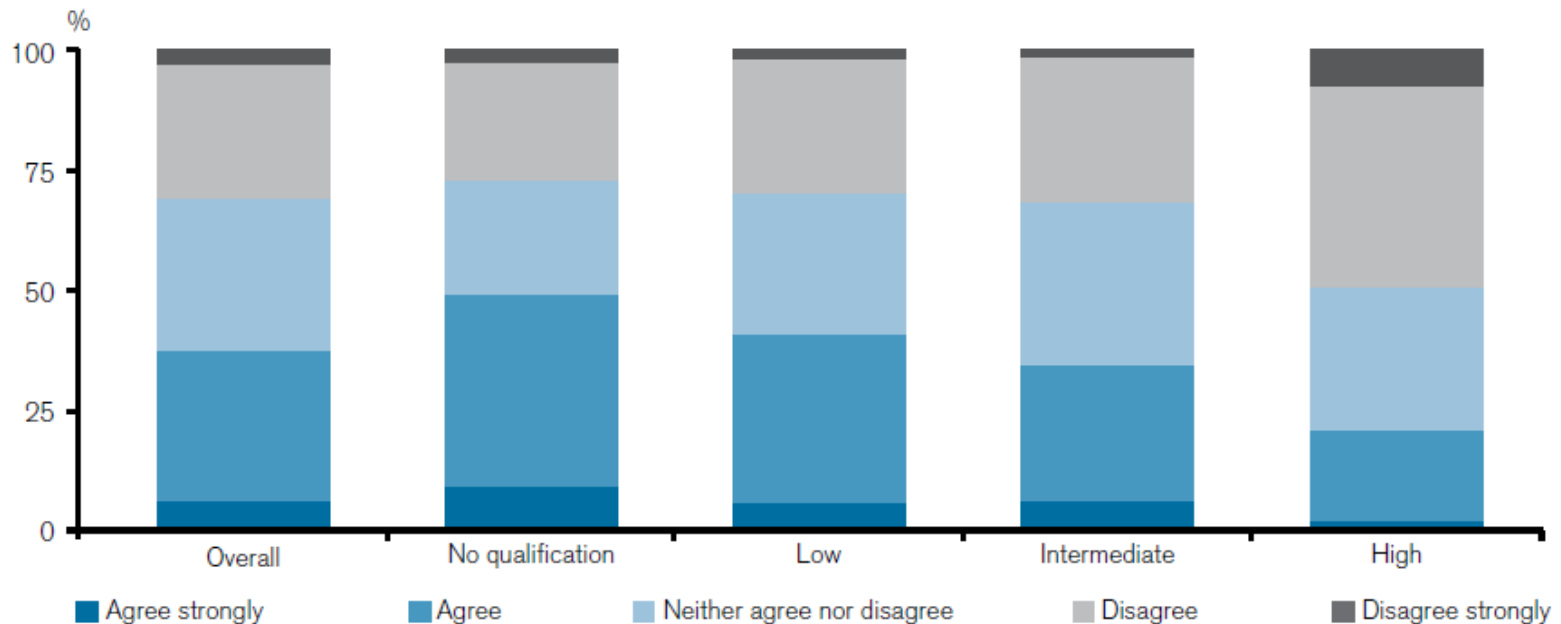
# Migration impact to receiving country (2)

## Negative aspects

- Cheap and flexible labour: gain in short run, loss in long run, competitiveness issues
- Social dumping and hidden labour market
- Social problems, high unemployment among immigrants, slums in big cities
- No incentives to improve working conditions
- Negative effect on native wages??

# Do immigrants lower the wages

Figure 3: Impact of Immigration: do immigrants lower wages?



Notes: The figure shows the distribution of answers of UK residents to the question whether immigrants lower wages. The first column reports answers for the whole population, while columns 2–5 report distribution of answers by education group. High education: university degree or equivalent or postgraduate qualification. Intermediate education: A-level, national vocational qualifications level 3/5, or equivalent. Low education: GCSE, O-level, CSE, national vocational qualification level 1/2, or equivalent.

Source: Dustmann et al., 2008.

# Migration and wages

## US

- David Card finds that 10% increase in the immigrant share of city increases the average wages by 6% and wage gap between low- and high-skilled workers by 4 to 5 % (Card, 2007, Card Lewis, 2005)
- Borjas found that the same increase of migration share reduced natives' average wages by 3 to 4 %. Borjas estimates that immigration between 1980 and 2000 reduced the lowest skilled workers' wage by almost 9% (Borjas, 2003).

## Europe

- Most studies found that in whole estimated reductions in wages are insignificant or very low. (Pischke & Velling, 1997; New & Zimmermann, 1994, Dustmann, Frattini, Preston, 2007; Blanchflower, Shadforth, 2007 among the others )

# Impact of migration to country of origin (1)

- + Increasing internal mobility
- + Increasing human capital (commuting, temporary migration)
- + Remittances
- + Brain circulation
- + Diaspora (FDI, aid, political influence etc.)
- + Opportunity to reduce unemployment and alleviate the negative effects of sharply restructuring economic process

# Impact of migration to country of origin (2)

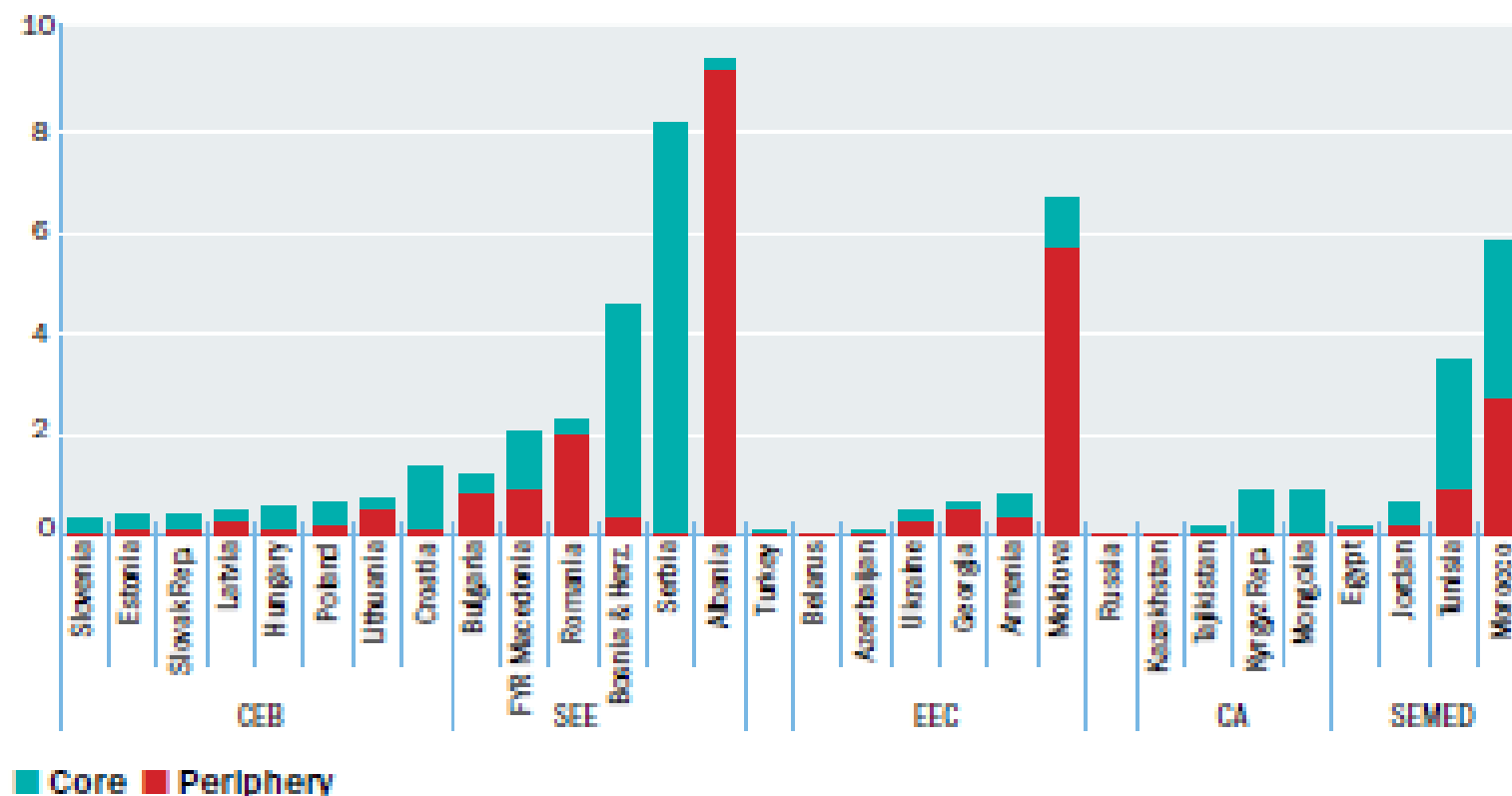
- +/- labour shortage can cause the wage increase
- Brain drain, declining productivity
- Negative net migration will accelerate demographic problems, like ageing, low birth rate etc.
- Depopulated areas, deepening of regional discrepancies;
- Social problems with dependants remained at home (especially children);
- Inflationary pressure (due to remittances).

# Remittances

- According to the World Bank (2011), remittances worldwide were estimated at \$483 billion in 2011. This figure takes into account funds sent by formal channels, so the number is much larger. The World Bank notes that remittances sent through informal channels could add at least 50 percent to the globally recorded flows (UNCTAD, 2011).
- World Bank study has concluded that a one per cent increase in the share of remittances in a country's GDP leads to a 0.4 per cent decline in poverty (UNFPA State of the World, 2008).

## Few transition countries depend on remittances from the eurozone periphery

Estimated remittances from the eurozone as a share of GDP, 2010, per cent



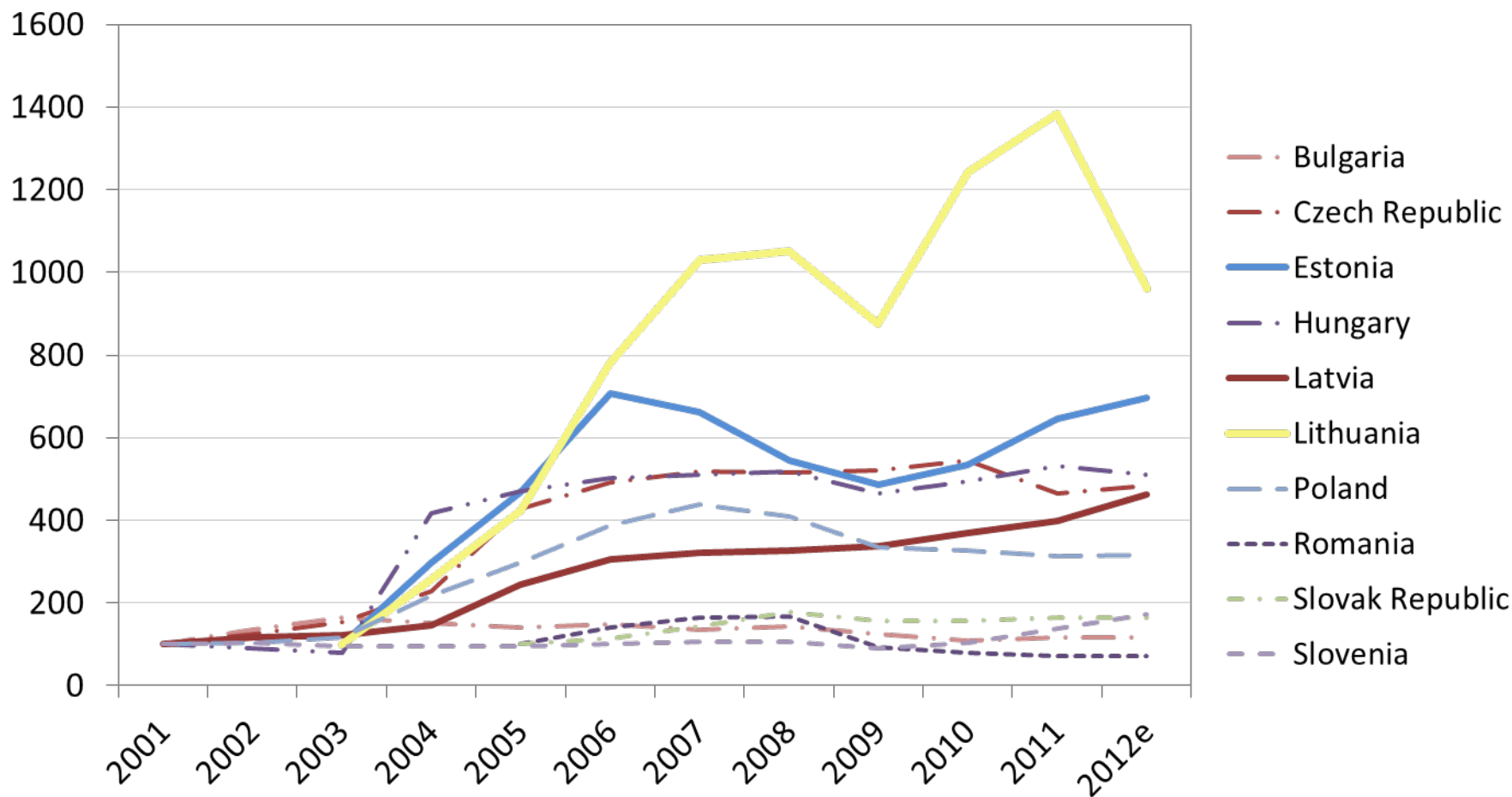
Source: World Bank data.

Note: This chart shows remittance inflows from the eurozone in 2010 as a share of 2010 GDP. The World Bank's estimates of bilateral remittance flows are based on migrant stocks, host country incomes and origin country incomes. Periphery includes Greece, Ireland, Italy, Portugal and Spain.



# Baltic countries have recorded fastest growth in remittances among EU-10 countries

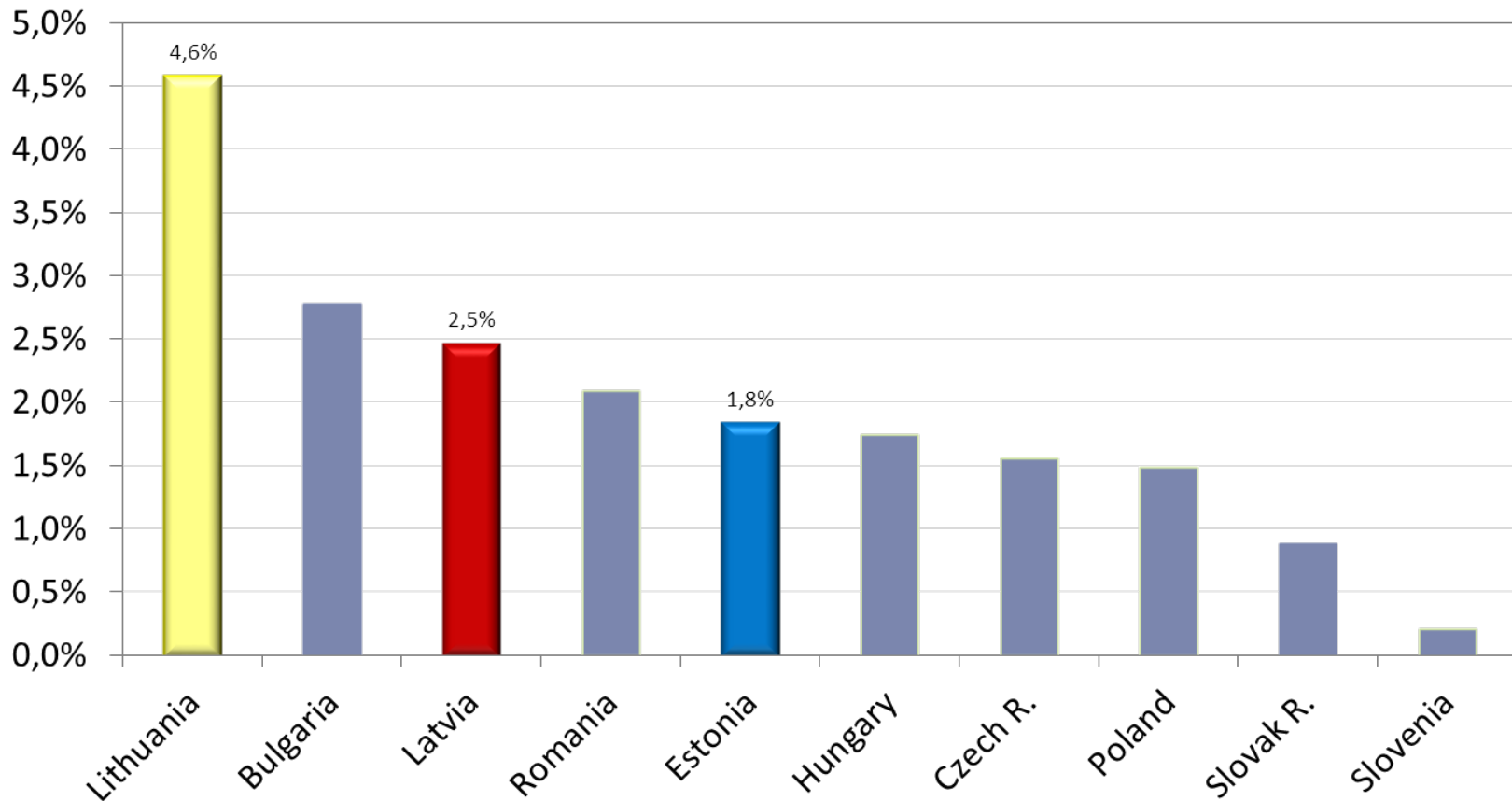
Remittance trends, 2001 = 100



Borko Handjiski, Senior Economist World Bank  
Remittance Trends, Diaspora Bonds and Remittance-Backed Securities

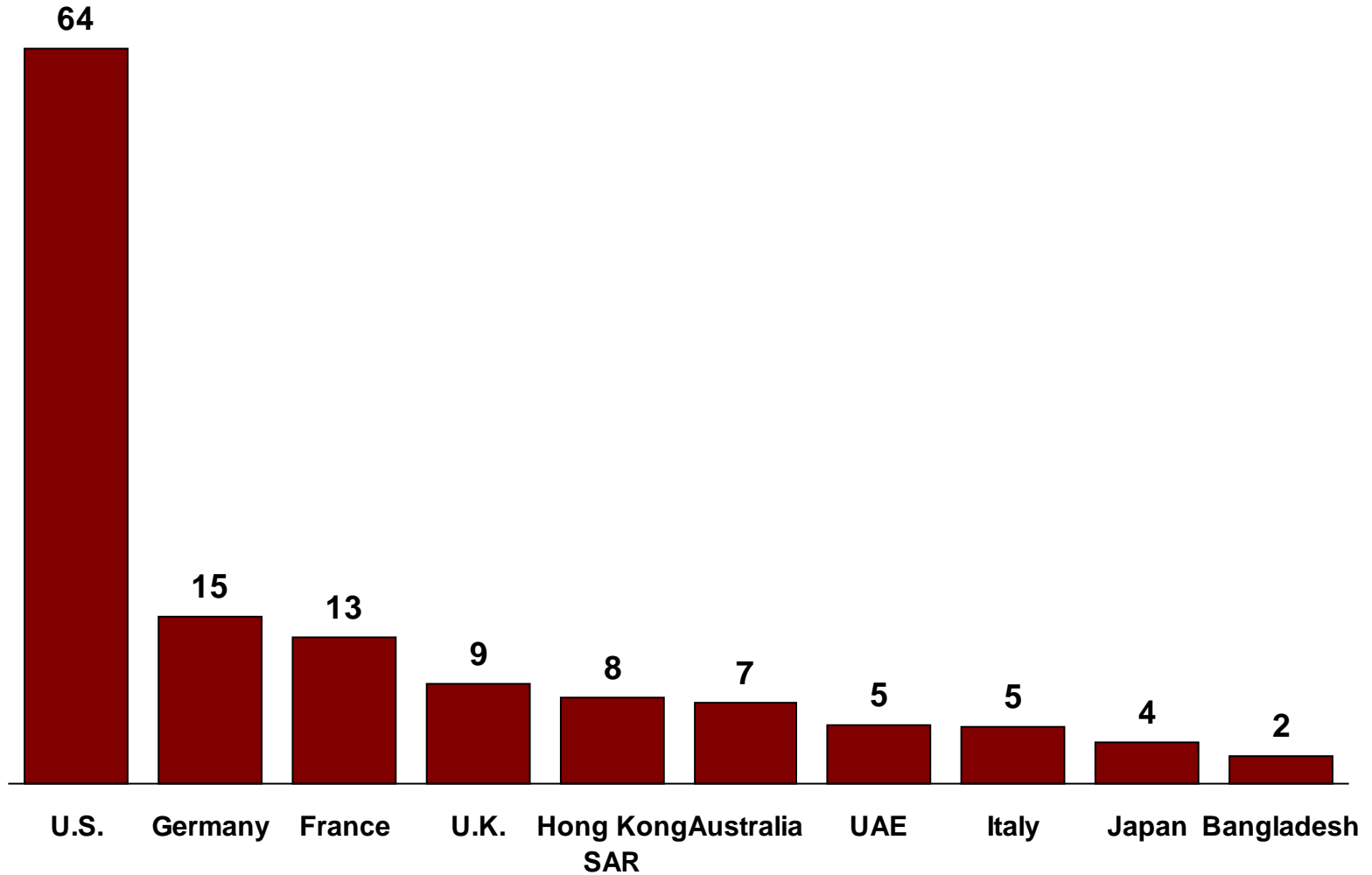
# Consequently, Baltics have among the highest remittance-to-GDP ratios among EU-10 and in the EU as a whole

Remittances as a share of GDP, 2011 (%)



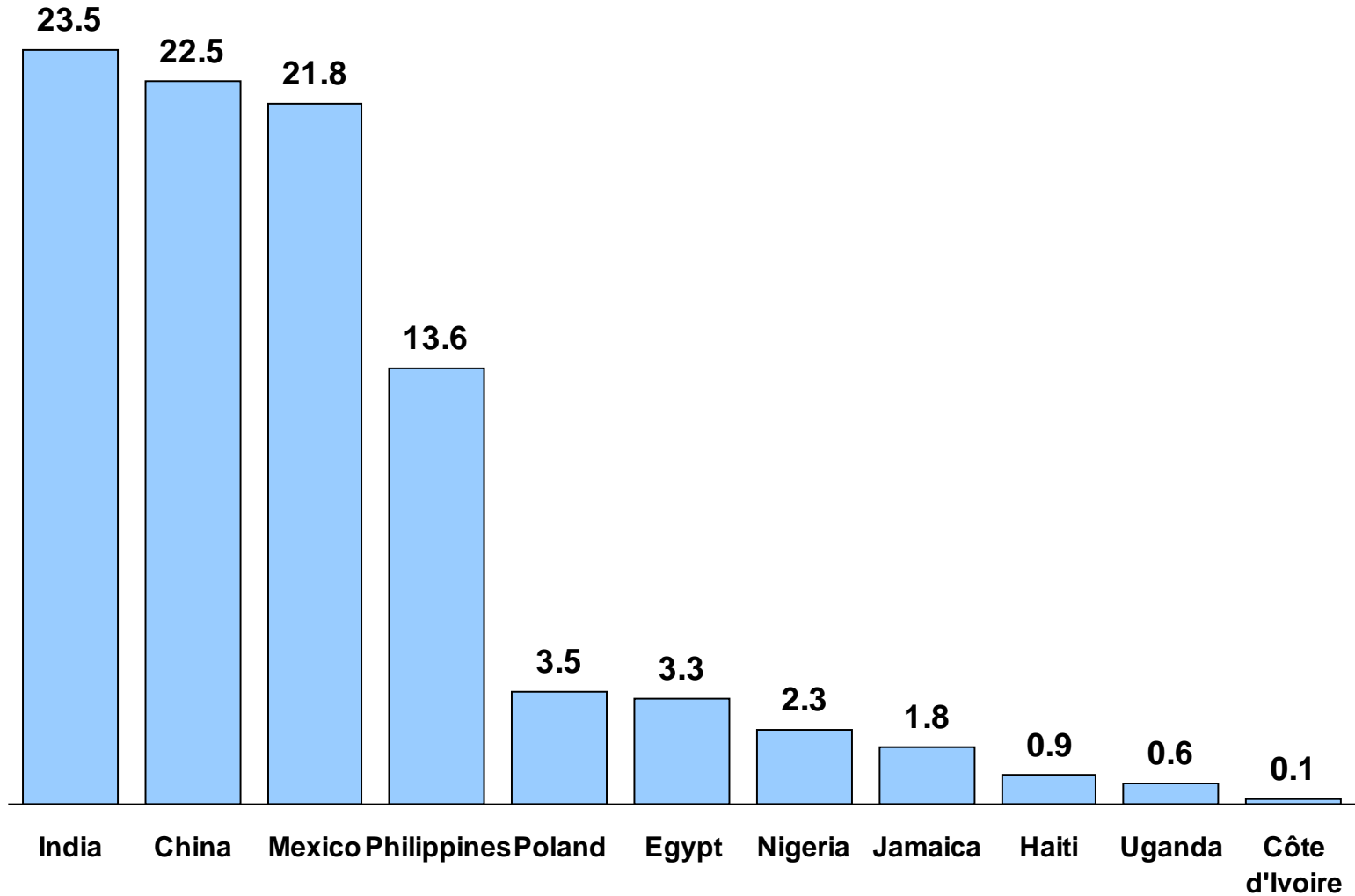
# Migrant Remittances by Sending Country, ca. 2006

Billions of \$US



# Migrant Remittances by Receiving Country, ca. 2006

Billions of \$US



# Remittances in receiving countries (2004)

Countries	Net transfers as share of GDP
Bosnia Hertsegovina	24%
Albania	15,6%
Israel	18,3%
Maroco	9,4
Moldavia	28%
Armenia	14%
Etiopia	14,5%

# Brain drain

- According to the International Organization for Migration (IOM) in Zambia, emigration has reduced the number of practicing doctors from 1,600 a few years ago, to a mere 400 today.
- The IOM estimates Africa's brain drain has cost nearly \$9 billion in lost human capital and growth potential since 1997.
- Survey evidence on the share of foreign PhD graduates in science and technology who stay abroad show that 79% of 1990-1991 doctoral recipients from India and 88% of those from China were still working in the United States in 1995. 11% of Koreans and 15% of Japanese who earned science and engineering (S&E) doctorates from US universities in 1990-1991 were working in the United States in 1995 (OECD, 2002 ).

# Lessons for Baltics (1)

In short run → Sending country

In long run → Country of destination

We have

- negative birth rate,
- negative net migration,
- ageing population,
- increasing cost of social welfare system

What is next?

# Lessons for Baltics

What is next? How to solve the problems?

- Productivity increase
- Reduction of inactivity
- Reduction of unemployment
- Increasing birth rate??

and

- **Immigration**



Thank You!