Overseas Development Institute

Policy brief

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Restricting migration: a bad (development) idea

Key points

- Restricting migration is one of the developed world's most harmful policies in the fight against global poverty
- Migration does no harm and, at best, is positive for recipient countries
- Recipient countries should move towards piecemeal liberalisation of migration, such as the expansion of guest worker schemes and mode 4 imports
- Restricting migration is no answer to skills shortages in developing countries – recipient countries should instead strengthen higher education and training on the ground
- Recipient countries should reduce the cost of remitting funds to countries of origin

'The economic literature is fairly convincing: there is no evidence of any major negative effect on the domestic labour market as a result of immigation'

Raising restrictions to immigration has been a common policy response to the recent global financial crisis both in Europe and elsewhere. Recent measures that have been approved or discussed include the introduction of economic needs tests for employing migrants and the limitation of the right to family reunion for migrants already working in the country. This approach to migration is worrying as it potentially represents a 'lose-lose' strategy that may harm both receiving and sending countries.

There is convincing evidence that migration is a powerful pro-development tool as it directly increases the incomes of the migrants. For example, an individual who moves from Nigeria to the US increases her earnings seven- to fifteen-fold (Clemens et al., 2008). Such increases account for a large part of poverty reduction in many developing countries. Around seven out of ten Haitians who have risen out poverty in the last decade have done so by migrating.

EU countries, and Britain in particular, have been a favourite destination for migrants from half of the developing world in recent decades. While challenged by increasing anti-migration sentiments, these recipient countries should also realise that restricting migration is likely to have an important and negative impact in the fight against poverty in developing countries.

This policy brief draws on the work of ODI on migration issues:

http://www.odi.org.uk/themes/migration

Migration can also be a boon for the source country through remittances, enhanced access to capital and the development of powerful investment and trade networks through the intermediary role of the migrant. As ODI research has shown, even in a time of global crisis such as the recent one, remittances linked to migration represent the most stable source of external capital for developing countries (Calì and Dell'Erba, 2009). They are estimated to have fallen only by a relatively modest 6% in 2009. In this respect reducing the costs of remitting (which is often as high as 15% of the sum remitted) is still a valid strategy to maximise the developmental benefits of migration.

There are also potential costs for source countries entailed by migration, the most important of which is the reduction of the available skills supply (so-called 'brain drain'). This has pushed some receiving countries, such as the UK, to introduce restrictions to the recruitment of health professionals from most developing countries (which often suffer from scarcity of such human resources). These restrictions, however, appear inappropriate and inadequate as migration is rarely the root cause of skills shortages in source countries, which is more related to their inability to produce large supplies of skilled workers. Growing evidence suggests that migration can stimulate the skills base (Calì, 2008). Recipient countries could fight skills shortages in source countries more effectively by providing funds to expand tertiary training capacity in areas of high out-migration, and technical assistance to improve the regulatory and oversight capacity of the training systems – vital for poorer countries where training capacity is weak.

Importantly, migration restrictions are not likely to help raise welfare in recipient countries either, even in times of crisis (Calì, 2009). The economic literature is fairly convincing: there is no evidence of any major negative effect on the domestic labour market as a result of immigration. Recent evidence suggests that, overall, immigration has led to a slight increase in average real wages in the UK (Dustmann et al., 2007). This is not surprising as migrants tend to self-select, with the brightest and more educated people the most likely to migrate. That is why immigrants are usually an important source of innovation and long-term growth for the receiving economy.

This reality clashes with rising anti-migration sentiments in many recipient countries. This makes the liberalisation of labour flows politically infeasible (at least compared to the liberalisation of capital and goods flows). However more piecemeal liberalisation types could still be useful and worth exploring. One option could be to increase the coverage and the number of guest worker schemes with developing countries, through which migrants provide temporarily a specific service in the host economy and return to the home country at the end of the service. Similarly, recipient countries could also facilitate (or at least not obstruct) another form of temporary migration, i.e. the import of services from developing countries via the temporary movement of labour (Mode 4). This could be done by relaxing (some of) the current restrictions to this form of trade, such as poor recognition of qualifications and barriers to the concession of temporary visas.

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