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Jeff Dayton-Johnson
Senior Economist
OECD Development Centre, Paris

Deutscher Bundestag
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Distinguished members of this committee: good morning.

On behalf of the OECD Development Centre, I am honoured by the invitation to participate in this important discussion, and delighted by the opportunity to share some of the key results of an ambitious project of the OECD Development Centre regarding the relationship between **international migration** on the one hand – and particularly migration from low- and middle-income countries to OECD countries – and **economic development** on the other – poverty reduction, economic growth, structural change.[1]

I'd like to underscore, briefly, three basic messages of our work on migration and development, which I hope will be useful for your deliberations this morning.

I. International migration can contribute to poverty reduction.

FIRST, the good news: international migration can contribute to economic development. How can migration have an impact? We identify three channels, which could, it must be emphasised, have positive or negative effects, in principle.

1. The first channel is through effects on the labour market in the migrant-sending country, which may have to do with high-skilled workers and the so-called brain drain, or low skilled workers.

2. The second channel is the effect of remittances inflows.

3. The third is induced effects on productivity. What do I mean by that? An example is the exodus of rural workers which led – in many European countries' history, for example – to the mechanisation of agricultural production.

The impact of migration on development at any point in time is the sum of these three effects and varies over time and across countries. In this connection, I might point out that the mobility of low-skilled workers has a greater impact on poverty reduction than the mobility of their high-skilled compatriots. In the first instance, this is because of the labour market effects of low skilled migration: it reduces unemployment and underemployment, and may raise wages, among low skilled workers who remain behind – that's a poverty reduction impact. In addition, low skilled workers remit more than high skilled workers, largely because of the conditions of their mobility (shorter duration, not accompanied by their family members, closer to home).

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[1] These results are summarised in two recent (2007) publications of the OECD Development Centre: *Gaining from Migration: Towards a New Mobility System*, and *Policy Coherence for Development: Migration and Developing Countries*.

Migration on its own will not eradicate global poverty, nor should it be viewed as a development strategy. But it can contribute. Our expectations about the contribution it will make should be put into context.

In 2000 there were about 57 million people born outside the OECD, living in OECD countries. That's about 5 percent of the total population of OECD countries and less than 1.1 percent of the population of their countries of origin. Even if immigration into the OECD were to reach Canadian levels, say, in every country, it would still be a small flow relative to the population of developing countries.

Indeed, fully half of the foreign born in OECD countries come from other OECD countries (about 10 percent from Mexico, 4 percent from Turkey). So migration to the OECD has a limited impact on the lowest income countries, or the poorest people.

I think it's more useful to think of **migration corridors**, linking communities, regions and labour markets in sending, transit and destination countries. For communities, families, households and individuals in these corridors, migration's impact is potentially quite important, even if its effects are hard to discern in macroeconomic statistics.

II. Economic development – and development assistance in particular – will not slow emigration for a long, long time.

So migration can have a development impact. The **SECOND** (of three) messages I want to impart has to do with causation in the other direction: namely, does development have some impact upon migration? Many people want to know, will economic development slow or moderate emigration pressures in developing countries? Can foreign aid accelerate this process? The answer is no, at least not for a long, long time.

Economic logic in this respect, of course, suggests otherwise. As a developing country receives aid, makes investments, liberalises trade and capital movements, integrates into the world economy and undergoes structural transformation, that country will specialise in the production of goods that use labour intensively. That's their comparative advantage, after all. Concretely, potential migrants will now opt to work in new export industries rather than seeking their fortunes abroad. In sum, with economic development, emigration declines.

If we look at the empirical evidence, however, we find little support for this economic logic. Across countries, as I said a few minutes ago, immigrants to the OECD come by and large from middle- and high-income economies, not low-income economies. That cross-country evidence suggests that as a country's income rises, we will witness more, not less, emigration. Moreover, the migration history of many countries demonstrates the same pattern over time: emigration rising with national income. Is the economic logic wrong? Not exactly, but the kind of structural transformation that may lead to a decline in emigration takes decades, many decades. Moreover, in the medium term, emigration is facilitated by growth as more people are able to afford international mobility.

This conclusion points to a particular danger of using foreign aid as a tool to influence migration movements. If we sell development co-operation to our citizens as a means to reduce immigration, we – and they – will likely be disappointed, for the reasons I've just outlined. It won't work. Moreover, we risk weakening support for development assistance if it cannot meet the promises made on its behalf. Also, as we've seen immigrants don't necessarily come from the countries targeted by our foreign aid, and a diversion of aid to control migration flows would also weaken the poverty-reduction potential of aid.

Now some cynical observers might see a win-win opportunity here: reduce aid spending, and get less immigration. That's not what I mean to suggest. Development co-operation is as critical as ever, but it should not be looked to for an effect on immigration flows. Indeed, development co-operation can help some countries of origin to gain more from the emerging international migration system.

That brings me to my third message.

III. All of us – policy makers in countries of destination, countries of origin, businesses, civil society – have work to do to increase the gains from migration.

Our basic point regarding public policy is simple – but as the French say, ce qui est simple, n'est pas nécessairement facile. **Because migration and development are interrelated, coherent policies are needed to ensure greater development gains from international migration.**

Policy makers in migrant receiving countries, particularly in the OECD, must ask themselves, What are the development impacts of migration policies and what kind of reforms would more development-friendly policies imply? Generally, the answer is more flexible instruments to allow a broader menu of options to migrants and employers. For example, labour market access could be linked to multi-year, multi-entry visas to facilitate circular mobility. Circular mobility has greater benefits for sending countries, both in terms of encouraging remittances and perhaps the circulation of skills, thus reducing the negative effects of the brain drain.

What is the role of policy makers in migrant sending countries? I've already said that emigration itself should not be a development strategy. But emigration nevertheless has consequences for optimal policy choices in many domains:

- Macroeconomic policies (including tax revenues, exchange rate policies)
- Human resource development and higher education policies
- Infrastructure investments (transport, communication).

And this implies donors as well, because aid can help to build capacity in all these arenas. Development co-operation could link recruitment of skilled people (teachers, nurses, doctors, engineers) in OECD countries with capacity building in the affected sectors (health, education, technology).

And finally, this is not just a job for governments.

- Businesses, notably banks and other firms in the financial sector, have a role to play in reducing the cost of money transfers, and extending the reach of the sector to migrants' families in rural and remote parts of sending countries.
- Civil society organisations, notably migrants' associations and diaspora networks can be privileged partners both for migration policies (for example, social integration) and development policies (by means of co-development initiatives).

It's not straightforward to work with banks, say, or migrants' networks, but we need to start – and there are illustrative examples of success in many countries.

Let me close by thanking you again for your invitation, your attention, and your patience with my inability to speak German!