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• Concerns of host and home countries in ECA
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Patterns of Migration: Rising share in ECA

• Migration has been on the rise, but the share of international migrants in the world has changed little over the last six decades at 2.5-3.5%.

• However, the share of immigrants going to Western Europe rose over the last four decades from 18% to 25% of total immigrant stock.

• Former Soviet republics in Eastern Europe account for another 10%; making Europe the destination for more than one in three emigrants in the world.
Patterns of Migration

- Both immigration and emigration are **concentrated**
- While main destination regions are the high income countries in Western, Northern, and Southern Europe; Western Balkans and South Caucasus have the highest emigration rates (25 and 18%), followed by Eastern Europe (15%) and Central Europe and Baltics (13%)
- Concentration in terms of host and home countries and within countries raises concerns about **migration** both in the destination and origin (**brain drain**) countries.
- On average a third of global migration is **intraregional** because of physical, cultural and linguistic proximity. In ECA this is 80%. Free mobility granted to residents of EU member countries contribute.

![Graph showing migration patterns](image-url)
Patterns of Migration: Skilled Labour

• Emigration rates of high-skilled workers are high, especially in some of the lower-income countries in the Western Balkans and Eastern Europe, leading to concerns over Brain Drain.

• Countries with fewer high-skilled workers experience higher rates of emigration.

• Among people with higher education, 55% in Bosnia and Herzegovina; over 40% in Armenia and Latvia; and close to 40% in Romania, Tajikistan, Albania, Moldova, North Macedonia, Kyrgyz Republic and Kazakhstan have emigrated.
Patterns of Migration: Gender

- High-skilled female migrants make up the fastest-growing group of migrants.
- Part of this rapid growth reflects increased enrollment of women in universities over the past three decades.
- Another reason is continuing discrimination against women in the labor market, especially in Eastern and Central Europe and Central Asia.
Determinants of Migration

• Like other flows across borders, migration responds to **push and pull** factors.
  - **Push factors:**
    • Weak governance in home country, lack of political/social freedoms, low quality/access to public services, lack of security
    • Lack of employment opportunities; low return to education, poverty
  - **Pull factors:**
    • Economic; move from low-wage to high-wage locations; to labor markets with better current and future employment opportunities
    • For high-skilled; educational opportunities, as an economy rewards education, the composition of migrant inflows responds by becoming more skilled. Highly skilled migrants also tend to be more sensitive to top tax rates.

• Potential migrants weigh the economic, social, and other personal **costs and benefits** in deciding whether and where to move.
  • Income gaps and differences in employment opportunities, costs associated with physical distances, social costs of adaptation and settlement, policy environment - e.g. preferential treatment of certain groups, access to health, welfare, education – all play an important role.
Determinants of Migration

- **Income gaps** are important determinants of bilateral migration flows.
- A $2000 increase in the mean GDP per capita in the destination country is associated with a 4 percent increase in the likelihood that an emigrant chooses that destination.
- **Differences in employment rates and opportunities** across labor markets are also important.
Impacts of Migration - Destination

- **Long-term aggregate benefits are many**: elimination of labor shortages, higher productivity, innovation, growth, poverty reduction
- **Type of labour migrating varies over time and between countries**: in terms of skills, gender, age
- **Demographic changes** are especially critical for ECA where almost all countries are aging rapidly and in some the labor force is starting to shrink. Migration from low-income countries with younger populations to higher-income countries with aging populations can slow this decline.

![Actual and projected shares of population 65 and older, 1950-2075](chart.png)
Impact of Migration

• To maximise benefits from cross-border movement:
  • Migrants, like other labour, should continue to invest in country- and firm-specific skills and human capital
  • For receiving countries, high-skilled immigrants boost productivity and growth – mainly through pursuing innovative work
  • Migrants need to have secure legal rights, employment contracts, and a clear pathway to permanence for proper economic and social integration to take place
  • The returns to investing in migrants’ children and integration are high. Immigrant families can help with demographic challenges if proper education and social policies are implemented
Impacts of Migration - Destination

• But there are also short-term labor costs.

• Immigration results in large displacement effects in destination countries for workers who directly compete with immigrant labor; often low-skilled and older workers who have few opportunities and are already struggling.

• Workers who do not compete with immigrants frequently experience gains.

• Average wage effects tend to be small compared with employment and displacement effects.
Impacts of Migration - Destination

- Example of the impact on wages and displacement of the post 1989 policy for Czech workers in German border municipalities.

Source: Dustmann, Schonberg and Stuhler, 2017

- Displacement effects larger than wage effects. Also, differential impact by skill and age; greater displacement of older, low-skilled Germans. Those outside of the workforce affected more.
Impacts of Migration - Destination

• Another example is the impact of Syrian refugees on Turkish labor market in the Southern provinces.

Refugees work in the informal sector where they compete with the most vulnerable; displacing women and less educated men from the informal sector. But generated opportunities for more skilled men in the formal sector.

Source: Del Carpio and Wagner, 2016
Policies for Low-Skilled Workers

The benefits of migration tend to be longer-term and diffused, yet the costs – displacement, wage declines, loss of employment – are immediate and concentrated.

- Policies should support affected workers in their adjustment and relocation – transitory welfare benefits; unemployment insurance payments; retraining programs

- Education programs for young people should be modified so that they can take new jobs as they are displaced

- Who should pay? Beneficiaries of immigration – migrants, employers, and consumers of the products and services they produce – should be at least partially responsible.

- Replacing quota regimes with tax regimes to regulate immigration flows can be achieved via several different methods, including an additional income tax, a visa fee, a visa auction system, market for work permits.
Impact on Source Countries

• For sending countries, skilled migration can also be beneficial through:
  • Diaspora engagement that includes investment/FDI, export demand, knowledge transfers and remittances;
  • Migration opportunities increase incentives for human capital acquisition (brain gain)
  • Return migration can generate spillovers and increase productivity and innovation at home

BUT

• A sustained outflow of high-skilled professionals can have long term negative effects for a small country with limited resources to fund public education. Being small open economies, proximity with EU and massive diaspora abroad make it even more difficult to retain skilled-labor
Policies to Retain High-Skilled Workers

Persistent brain drain is usually the symptom, not the cause, of underlying problems in the home country

• Sending countries cannot fight the pull factors, but can reduce the push factors

• “Carrots rather than Sticks” – it is better to increase benefits in the origin country rather than pursue policies that restrict benefits abroad

• Long-term policies to increase attractiveness of the home country include improving governance, strengthening institutions and freedoms, improving delivery of public services to address root causes
Policies to Retain High-Skilled Workers

- Increase competitiveness of wages and productivity in critical high-skilled occupations:
  - Improve meritocracy of the public sector, reduce cronyism
  - Private sector development/job creation needed to complement public sector reforms. Attracting FDI (also from migrants) would help. So need market to reward high skills

- Expand coverage of higher education and increase its quality: supports overall development; expect some leakage. Design education policies with specialization/agglomeration in mind, in coordination with the private sector

- Improve labor market opportunities for women/reduce discrimination

- Promote greater connectivity to maximize diaspora externalities

- Encourage return migration (tax incentives?)
Policies to Attract High-Skilled Workers

• Create a clear path to permanent residency/citizenship
  • Particularly important for high-skilled who have permanent jobs and make employment-specific human capital investments

• Access to education and other public services
  • Since many skilled migrants come with their families

• Existence and quality of universities
  • Since many arrive with raw talent and ambition

• Provide funding to educational institutions in origin countries
  • Pay for the implicit subsidy provided by the origin country
  • Since not all will emigrate, origin country will also benefit
Selected Current/Future Work in ECA

- Planned regional HD flagship on labor mobility
- ASA on migration of health care workers from the Western Balkans to the European Union
- ASA on Human Trafficking
- Creating markets for work permits
- Help for refugee host communities
- ...
Thank you!

Europe and Central Asia Chief Economist web page:  

ECA Economic Update: 