

# **MIGRATION AND DEVELOPMENT: WHAT ARE THE PRIORITY POLICY ISSUES**

BY DANNY LEIPZIGER

## 1. FACING A HISTORICAL PHENOMENON: THE NEED FOR UNDERSTANDING

We are now in the midst of a new, massive wave of emigration that is comparable to other large and epic movements of people registered in human history and that led to the shaping of new nations and new economic realities. The facts speak for themselves. Today, at least two hundred million people are estimated to have left their countries and earn their livelihood elsewhere, in most cases away from their families and their communities of origin. The funds that these people send back as remittances to their relatives are MULTIPLES of the entire development assistance.

So, the scale of this phenomenon is impressive, as it was in the past, and we can easily comprehend its potential for social and economic change, often by looking at our own experiences. My own ancestors came from Europe, as did many of those present at this conference. This country, indeed, was populated by immigrants, and immigration provided the engine for its economic growth for many years. Similar movements of people occurred in all continents with equally important effects. The tales of suffering, opportunity, success and failure have been told many times, publicly and as part of family histories.

So there is a lot that the past can tell us about the challenges of migration. But with every episode that repeats itself in history, there are important differences that have immense bearing on economic and social outcomes, and that require careful consideration by those who are in charge of devising public policies. We now live in a globalizing world, with ease of transportation and communication that were unthinkable for our migrant ancestors. We live in a world that is clearly subject to demographic trends that tend to provide an engine to movements of people. We live in a world where ethnic and religious tensions have flared to exacerbate the issue. There is much that is new, and that we need to understand.

This is why we are here today, taking stock of what we know and don't know, and what we know we should and should not be doing about migration.

## 2. A CHANGING PERSPECTIVE

How far are we indeed in our understanding? This is clearly a fast-moving proposition:

- By and large, countries both at the sending and receiving ends of the migratory flows are moving from looking at migration largely as a security issue to looking at migration from a broader development perspective.
  - Witness the fact that the migration agenda in sending and receiving countries moved from Ministries of Interior or Security towards a shared responsibility with Ministries of Economy, social sectors and other development agencies.
  - But of course substantial fears and tensions continue to dominate the debate in the most important capitals of the world.
- We also now know better than in the past that migration can provide important opportunities for many individuals and countries, but that these come with substantive risks as well, and that the net balance of costs and benefits of migration are country-specific.
  - Migration can provide prospects of better jobs, a steady income and improved opportunities for both migrants and their families at home. But it also exposes countries and individuals' vulnerabilities as in the cases of brain drain or human trafficking.
  - While migration creates incentives for increased educational attainment in most countries, in rural Mexico it provides incentives to drop out of Secondary School. This is explained by the opportunity migration brings to find jobs in agriculture, where additional schooling provides little gains.
- However, the reality is that Governments and other organizations are beginning to adopt a range of interventions to better help manage migration related issues, often driven by economic pressures, political needs, and many times lacking a solid economic analysis.

The development potential of migration is thus yet to be firmly established, and to be translated into sensible public policies.

### 3. AN ECONOMIST'S PERSPECTIVE ABOUT POLICIES ON MIGRATION AND DEVELOPMENT

Given this panorama, how can we better gauge the balance of risks and benefits, and how do we approach public policies with regard to immigration? I would like to propose an economist's lens to begin accomplishing this task.

- In this Conference, we will analyze some of the most important issues associated with migration using an economic lens to clarify the rationale for specific interventions and help focus our actions. More specifically, we will see that policy interventions on migration issues can be justified on the basis of
  - (a) equity concerns,
  - (b) the presence of externalities, or
  - (c) market failures.

Now we will apply these concepts to migration and development policy areas.

#### 3.1. Equity concerns in migration

- Equity concerns are an important issue in migration when we observe that basic human rights are not ensured such as in cases of human trafficking.
- But most importantly, equity issues arise also when migrants and their families do not enjoy the same level or quality of basic services, such as health care or education, due to legal or other restrictions.

- While the discussion these days will not focus separately on human rights or legal entitlements, these issues will be raised across the thematic sessions and we should recognize the value of policies when addressing these core equity issues.

### 3.2. Externalities in migration

The movement of people from one country to another *generates important spillovers* in sending and receiving economies, and even in third countries.

- Brain Drain policies. In many poor and small sender countries migration of high skilled individuals might lead to underprovision of key public services such as healthcare and education.
  - How do we balance the interests of individuals and what is best for societies?
    - Policies must respect individuals' ability to choose or move, while changing the incentives to maintain essential social services.
  - Should sending countries implement compensation packages for public servants in key social sector to prevent them from departing?
  - What is the role of receiving countries such the U.S. or in Europe in managing brain drain?
    - The Commonwealth Health Ministers, for example, adopted a Code to limit the active recruitment from vulnerable Commonwealth countries.
  - A session on brain drain will examine some of the facts and policy options where we need a joint approach.
- Migration policies. There are also *externalities that span across countries* that could justify public interventions. In moving from one country to another, individuals may cross third countries, in what we call "transmigration."
  - Morocco, for example, is a sending country that is an important transit place between Sub-Saharan Africa and Europe. Morocco policy makers are now challenged by similar issues as immigration in receiving countries like the increased demand for social services and security concerns.
  - How can these externalities be jointly addressed by sending, receiving and transit countries? Should the Moroccan taxpayers fare the cost of being a transit country?

- How countries should coordinate migration and social policies to minimize the negative spillover effects?
  - Health strategies for ECA and other regions identified migrants as risk group regarding some communicable diseases like HIV/AIDS. Migration policies need to incorporate the potential impacts on other areas of living conditions.
- Tomorrow, we will have a deeper conversation on migration policies and the challenge of policy coordination and coherence, both within and across countries.

### 3.2 (Global) Public goods to address (global) market imperfections

Migration also exposes existing market failures, generating the need to identify and provide certain (global) public goods, such as information, or regulation.

- Labor migration. Migration links different domestic labor markets that are already in disequilibria. In some extreme cases, imperfect labor market structures - such as local monopsonies - may lead to exploitation of migrants. These may require regulatory actions that enhance the protection of migrants who were unaware of the working conditions in the receiving country.
  - How do we address imperfections of the global labor markets, stemming from information asymmetries and monopsony power?
  - How should social protection systems across countries be designed to enhance protection for migrants?
  - This morning, the labor markets session will bring evidence from the European Union to the Mekong Delta to the U.S. to illustrate the impact on labor markets and the potential role of social protection instruments.
- Remittances. Remittances provide an interesting test to our questions because they are seen as the most “private” of all. Remittances flows can create potential spillovers beyond the sender and receiver of cash, but these flows also represent a market where efficiency and competition could be further enhanced.

- The market of Money Transfers (MT) in some places still relies on “exclusivity contracts” between the branch of, say, a postal office and a private money transfer operator. The resulting local concentration of the MTO industry results in high costs for transfers reducing the benefits for recipients.
  - There seems to be role for regulations to address the potential market concentration at the local level.
  - Clearly, there are other important issues related to remittances, such as making financial markets more inclusive, especially among the poor.
  - The remittances discussion tomorrow will cover some of these issues where we could test policy initiatives against the arguments here.
- Diasporas and the gains from coordination. Diasporas usually facilitate technology and capital flows aimed at improving specific public services, such as improved health care, or encouraging a more dynamic business climate, among other objectives. The problem arises when the two players, diasporas and governments, have imperfect information about the other’s actions so the potential benefits from collaboration is lost. There is potential for public intervention by creating incentives to encourage complementarities and joint action between diasporas and government interventions.
    - Since Diaspora organizations are part of the private entrepreneurship, what are the policy instruments to break the coordination failures?
    - If diasporas show effectiveness and efficiency in delivering essential services how should Governments use their strength and capacity in a complementary fashion?
    - Is there a role for policy institutions to play in coordinating private and public sectors in seeking complementarities in public action and enhancing their development impact?

### 3. THE PLAN

- During these two days the World Bank, in partnership with the OECD Development Center and the Migration Policy Institute, offers the opportunity to discuss policy options with a broader range of development actors.

- This Conference will address policy issues in several thematic sessions where we think we can make progress. We don't aim to cover all migration related policies but focus on those with direct economic impact. For example, human rights are also important the economic implications are less explored.
- Each session brings a mix of academics, policy makers, migrant organizations, and development practitioners so we can explore our ideas from different perspectives. I hope we could jointly identify key policy directions for our development work based on this dialogue.
- At the end of the Conference a panel will help us summarize some of the core issues where we, as a development community, could invest our efforts to better manage the risks and exploit the opportunities to enhance the impact on development.

In sum:

This conference provides us with an opportunity for a much needed exchange of views that can lead to different perceptions and paradigms with respect to the role of public policies on migration. By marrying recent research with operational experience and sound economic principles, we will try to move our understanding and practices in a direction of greater development effectiveness.

I wish you a successful and productive time.