



**Migrations Internationales,  
Commerce et Développement**  
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**Session 3:**

**The Determinants of Migration**

# Outline of the Presentation

1. The Issues
2. Economic Determinants of Migration
3. Non-Economic Determinants
4. The role of migration policies
5. The Bottom Line

# 1. The Key Issues

- This session focuses on 3 main questions:
  - What are the principal economic determinants of migration?
  - What are the main non-economic determinants of migration?
  - What does the empirical evidence tell us about the determinants of migration?

## 2. Economic Determinants of Migration

- Standard economic-theoretic model of migration is based on static consumer demand theory:
  - Individual is assumed to be (i) faced with a set of alternative locations in which to live and work; (ii) evaluate the opportunities available in these locations in a rational manner; and (iii) to select the region which maximises utility.
  
- Standard arguments in the utility function are consumption of goods and services and leisure.
  - Real income (earnings) are used as a proxy for consumption
  - Individual chooses between combinations of real income, leisure available in different locations subject to a budget constraint:
    - Equates MRS of income for leisure with location-specific wage rate.
  
- With zero cost of migration and no barriers to migration flows, utility-maximising individual will seek to locate in the region with the highest real income (earnings).

# Economic Determinants (cont.)

- But the static consumer demand approach is not ideal since:
  - Migration involves costs and benefits over time
  - Hence, best viewed through the lens of human capital theory - see the classic 1962 article by Larry Sjaastad.
- Human capital perspective stresses that, in deciding whether to migrate or not, the individual incurs costs for the sake of future monetary and non-monetary gains
  - The implied time horizon in the migration decision means that a present value (PV) measure is more appropriate than a current real income (earnings) measure.
- PV of investment in migration from country i to country j is:

$$pv_{ij} = \sum_{t=1}^n \frac{(Y_{jt} - Y_{it})}{(1+d)^t} - \sum_{t=1}^n \frac{C_{jit}}{(1+d)^t}$$

where  $Y$  = real income;  $c$  = costs of migration from country i to j;  $d$  = discount rate

- Simple decision rule:
  - i) individual migrates if  $PV_{ij} > 0$  ; (ii) if  $PV_{ij} > 0$ , he/she moves to the country which maximises  $PV_{ij}$ .

## Economic Determinants (cont.)

- An important complication to the PV/HC approach to migration is how to allow for risk and uncertainty:
  - The decision to migrate involves judgements about the expected future.
  - Time paths of a wide range of determinants of migration (earnings, employment probabilities, welfare benefits, prices, housing costs, etc.) vary across regions.
- Theoretical literature incorporates elements of risk/uncertainty in several ways:
  - Risk of unemployment
  - The "option value" of waiting
  - Risk diversification strategies within the source family group/household when credit constraints are binding.
- But the empirical literature does not assign a large role to risk/uncertainty aside from employment risks. Instead, it focuses on so-called "push" vs. "pull" factors influencing the decision to migrate.

# Economic Determinants (cont.)

- Typical economic determinants included in the theoretical and empirical literature:

- Real incomes (earnings) in the country of origin and destination - sometimes entered separately if the dependent variable is gross flows or as an income gap if the dependent variable is a net flow.

- Empirical evidence assigns a strong role to the effects of real income on migration flows:

Krugman and Bhagwati, in their 1976 survey, concluded:

"there is complete unanimity on the effect of income on migration to a region. No study here (or anywhere, as far as we can tell) has ever found a perverse effect of destination income on migration. There is also near unanimity on the effect of origin region income, which deters migration". (1976, p. 32)

- Unemployment rates in the origin and destination countries

- Act as a proxy for job opportunities for the potential migrant at home and in the chosen destination.

- Empirical evidence on the significance of unemployment rates as a determinant of migration is contradictory.

## Economic Determinants (cont.)

### Unemployment and other welfare benefits

- the "welfare tourism" hypothesis: migrants tend to move to those countries with the most generous welfare benefits:
- in this case the PV concept can be expanded to include the expected value of benefit entitlements acquired in the destination country

e.g. in the case of unemployment benefits, the expected income measure =  $w(1-u) + b(u)$

where  $u$  = the unemployment rate and  $b$  = the expected unemployment benefit.

- Despite much public concern about "welfare tourism" (e.g. in U.S. states close to the Mexican border, or as a side-effect of the recent EU enlargement), there is little direct evidence on the empirical significance of this phenomenon.
  - But it may be more prominent for certain types of migrants, e.g. asylum seekers and family reunification flows.
  - Some evidence that it has played a role in Irish-UK migration.



# Economic Determinants (cont.)

- The costs (pecuniary and non-pecuniary) of migration
  - PV concept also includes the costs of migration. Covers direct costs of moving and installing oneself (and family sometimes) in the country of destination plus so-called “psychic costs” (loss of family and friends network, culture, etc.)
  
- In most empirical studies on the determinants of migration, distance between the home country and the destination country is used as a proxy for the expected costs of migration.
  - The empirical evidence shows conclusively that distance has a significant negative effect on gross migration flows.

# Economic Determinants (cont.)

- Stock of migrants from the home country living in the country of destination is also a potentially important determinant of further flows:
  - Serves to reduce the pecuniary costs of migration for new arrivals in a variety of ways
  - Serves also to reduce the “psychic costs” (e.g. by providing a supportive environment, social capital)
  - Provides information about job opportunities in the destination country/assists with job-placement.
  
- But migrant stock could also have a deterrent effect on flows of new migrants:
  - There may be negative externalities associated with the size of the existing stock.
  - This could lead to barriers against new inflows and/or more discrimination in the destination country.
  
- The limited empirical evidence on the stock of migrants suggests that it does have a positive impact on migration flows.

### 3. Non-Economic Determinants of Migration

- Personal characteristics play a significant role in determining whether an individual migrates to a new location or not. Much discussion in the theoretical/empirical literature on “positive selection” vs “negative selection” and links to costs and benefits of migration.
- A vast literature demonstrates that migration is very selective:
  - Age: the young have a much higher propensity to migrate
  - Education: there is some tendency for the migration rate to increase with educational attainment
  - Gender: typically males tended to migrate more than females but there has been a small shift towards more “feminisation” of migrant flows in some countries in recent years.
- History matters in terms of establishing links between countries which serve to attract migrants:
  - Colonial links (e.g. North African migration to France, Indian sub-continent migration to the UK, emigration from the Caribbean to France and the UK, etc.)
- Geography (in terms of proximity to a more prosperous neighbour) also matters: e.g. Irish migration to the UK; Mexican migration to the United States, Italian migration to Switzerland and Germany, etc.

# Non-Economic Determinants (cont.)

■ Wars and civil conflicts can serve as a major “push” factor for emigration.

Many recent examples:

- Outflows from the former Yugoslavia to EU countries in the early 1990s;
  - Outflows from Albania to Italy and Greece;
  - Outflows from Rwanda, the Democratic Republic of the Congo to Europe in the 1990s;
  - Outflows from the various republics in the Caucasus to Russia, EU and the US;
  - Outflows of Kurds from Turkey, Iraq in the 1990s.
- Often manifests itself via inflows of asylum-seekers and refugees. This, in turn, gives rise to political and social concerns, often centered around the difficulties of integrating such migrants into the host-country economy and society
- We shall return to this topic at Session 5 (6th February 2006)

## 4. The role of migration policies

- Immigration policies can have a significant influence on the size of the flows of immigrants, where they go to and what kinds of immigrants come.
  - Note most countries do not have emigration policies - closed, autarkic societies are the few exceptions (e.g. North Korea today, the former USSR in the past).
- Impacts on the size of flows:  
Many examples from recent and past history:
  - US restrictions on immigration in the early 20th centuries;
  - Halts to guestworker immigration in Continental Europe after the first oil price shock
- Impact on destination choices
  - example with the EU enlargement in 2004

## The role of migration policies (cont.)

- Immigration policies can also influence the type of migration (employment/family/humanitarian; legal/illegal) and the individual characteristics of immigrants
- Some OECD countries seek to select immigrants in terms of their perceived capacities to contribute to the economy (e.g. fill skill shortages, generate positive externalities for growth via R&D, innovation and entrepreneurship).

Many examples:

- Australia, New Zealand and Canada (to a lesser extent) operate selection processes which put a premium on highly-skilled immigrants, with a strong eye on labour market needs.

Note employers play a major role in this selection, as do other criteria in addition to educational attainment and skills, e.g. age (younger immigrants are more favoured).

- Ireland, UK, Canada, US seek to attract doctors and nurses from other OECD countries and from non-OECD countries such as the Philippines, Thailand, South Africa.

■ But do skill-based selection programmes really “work”?

## The Bottomline

- The decision to migrate to another country is a very complex and selective one. Not surprising that only 3% of world's population have migrated permanently to another country faced with all the risks and uncertainties, the costs of migration and a preference for living among one's own green hills!
- A wide range of both economic and non-economic factors have been shown to influence the size of migration stocks and flows, who migrates and where they go to.
- Immigration policies can also play an important role in the decision to migrate.

## Two additional references:

- P. Krugman and J. Bhagwati (1976), "The decision to migration: a Survey", in Bhagwati (ed.), The Brain Drain and Taxation: Theory and Empirical Analysis, Amsterdam: North-Holland.
- L.A. Sjaastad (1962), "The Costs and Returns of Human Migration", Journal of Political Economy, Vol. 70, pp. 80-44.