Five Questions on International Migration and Development

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The movement of people in search of better economic conditions and a more secure environment is as old as human history. Such movements not only profoundly affect the lives of the migrants, but also lead to significant economic and social transformations in migrants’ countries of origin and destination.1 In recent years, a significant increase in the growth of international migration and remittance flows and in awareness of their development impact has led to a resurgence of interest by academics, policymakers, and analysts in what has been referred to as the third leg of globalization (the other two being international trade and international capital flows).

The renewed interest in international migration led the World Bank Development Research Group to initiate the Research Program on

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1. Studies have generally shown that international migration has a positive impact on poverty reduction and human capital investments and outcomes—including on children’s short- and long-term physical development, education (especially for girls), and use of birth-related healthcare services. Studies have also shown a positive impact on investments in physical capital (such as land and agricultural implements); entrepreneurship, including the establishment of small and microenterprises; housing; and reduction in child labor (see studies in Özden and Schiff 2006, 2007 and references therein). Migration has also been found to have a positive impact on trade (Rauch and Trinidade 2002; Iranzo and Peri 2009) and foreign direct investment (Kugler and Rapoport 2007; Javorcik and others 2011); to reduce home-country fertility in the case of migration to low-fertility countries and raise it in the case of migration to high-fertility countries (Beine, Docquier, and Schiff 2008); and the brain drain has been found to promote technology diffusion in some studies (Kerr 2008; Agrawal and others 2011) though not in others (Schiff and Wang 2009).
International Migration and Development in 2003. More recently, the Research Department of the Agence française de Développement (AFD) and the World Bank Development Research Group have collaborated on several research projects and conferences. This symposium issue gathers some of the papers presented at the Second International Migration and Development Conference, held at the World Bank in Washington, DC, on September 10–11, 2009. The success of the conference series and the commitment of the World Bank and AFD to sponsoring the conferences reflect the recognition by international development agencies and the academic community of the importance of international migration to the development agenda.

The five articles in this symposium issue fall into two groups. A first group of three articles deal with the measurement, determinants, and political effects of international migration. A new global bilateral migration database for 1960–2000 (Özden and others 2011) updates and extends the Parsons and others (2007) database back to 1960. The second article takes advantage of existing surveys and matches Ecuadorian migrants in the United States and Spain with migrant households in Ecuador to investigate determinants of the size, selection, and sorting across destinations of the recent migration wave out of that country (Bertoli, Fernández-Huertas Moraga, and Ortega 2011). The third article designs an experiment to examine the impact of Cape Verde’s migrants on the demand for good governance in that country (Batista and Vicente 2011). Two articles on international remittances constitute the second set of contributions. They examine the determinants of remittance costs (Beck and Martínez Pería 2011) and the relationship between migrants’ education and their propensity to remit (Bollard and others 2011). Both articles use original microdata collected from a large number of countries.

2. The research program was initiated under the guidance of François Bourguignon, then Senior Vice President of Development Economics, and Alan Winters, then Director of the Development Economics Research Group, at the World Bank.

3. The first conference was held at the University of Lille in June 2008, the third at the Paris School of Economics in September 2010, and the fourth is planned for June 2011 at Harvard.

4. These studies are the latest to come out of the World Bank Research Program on International Migration and Development. Previous studies have been collected in three volumes. (Many papers were also published as World Bank Policy Research Working Papers, and most have appeared in refereed journals.) The first volume (Özden and Schiff 2006) examined the determinants and development impact of migration and remittance on such issues as poverty, health, education, entrepreneurship, and child labor, as well as aspects of brain drain, brain gain, and brain waste. A major contribution was a new database on international migration to countries of the Organisation for Economic Co-operation and Development by Docquier and Marfouk. The second volume (Özden and Schiff 2007) also examined the impact of migration and remittances on schooling and labor markets, host countries’ immigration policies, and returning migrants’ gains from overseas work experience, as well as a new global bilateral migration database for 2000 by Parsons and others (2007). A third volume (Morrison, Schiff, and Sjoblom 2008) focused on the determinants and impact of the migration of women and the difference between male and female migrants and between no-migrant male and female heads of household.
I. INTERNATIONAL MIGRATION

This section discusses the three articles on international migration dealing with the new database, the determinants of destination choices, and migration’s governance impact.

What Are the Regional Specifics and Dynamics of International Migration?

Evidence on international migration is far sparser than that on trade and capital flows. Bilateral international trade data are classified by a large and detailed set of characteristics and are reported monthly. Some capital flow data are even available daily. And trade and financial flow data are generally available from both importing and exporting countries, so the two sources can be compared for accuracy. Bilateral aggregate (country-level) migration data come mostly from censuses conducted every 10 years, and only from destination countries that choose to collect and disseminate these data. In short, migration data are among the scarcest international flow data.

Thus, collecting comprehensive and reliable data on international migration patterns and migrant characteristics at aggregate and household levels became an overarching objective of the World Bank international migration research program. A major effort was launched to assemble global migration databases. Docquier and Marfouk (2004, 2006) constructed a global bilateral database of South–North and North–North migration (from 165 developing countries to 30 Organisation for Economic Co-operation and Development (OECD) countries and between OECD countries for three levels of education for 1990 and 2000. Several extensions followed, including a disaggregation of skilled migrants by age of entry in the host country (Beine, Docquier, and Rapoport 2007) and gender (Docquier, Lowell, and Marfouk 2009). In a parallel effort, Parsons and others (2007) constructed the most comprehensive global bilateral migration database at the time, consisting of a 226x226 matrix of bilateral migrant stocks for all country pairs in the world for the 2000 census round.

The article by Özden and others (2011) in this issue updates Parsons and others’ (2007) database on bilateral migrant stocks and extends it back from 2000 to 1960 and disaggregates it by gender. The global bilateral matrices

5. The collection effort also included microdata gathered through household surveys, which contained detailed international migration modules in various countries, including Brazil, India, Ghana, Pakistan, and Tonga.

6. The data were disaggregated to identify skilled emigrants who obtained their last degree in their home country and those who obtained it elsewhere. That evidence is not directly available but can be approximated through information on the age at which skilled immigrants entered the host country.

7. The OECD also assembled a database on migration to the OECD (Dumont and Lemaître 2004), which was then disaggregated by migrants’ age, gender, educational attainment, and place of birth (OECD 2008). A global bilateral database of the medical brain drain was also put together by Docquier and Bhargava (2006).
were assembled by combining more than one thousand censuses and population register records. The matrices provide for the first time a complete set of bilateral migration stocks for the second half of the twentieth century. The article describes in detail the key assumptions made in constructing the bilateral migration matrices and in handling missing observations and the emergence of new countries. The clear and detailed explanations of the methodology used to construct these matrices are among the database’s key strengths, enhancing its usefulness and enabling anyone to improve and extend it as new data become available.

The new evidence enables the authors to identify migrants’ main source and destination countries, characterize the bilateral structure of migration patterns around the world, and identify the most important migration corridors, as well as the evolution of migration at the bilateral, country, and regional levels for 1960–2000. The authors note several important changes in these patterns. South–North migration grew rapidly over the period, while the shares of North–North, North–South, and South–South migration declined. The United States remained the world’s main migration destination in 2000, home to one in five migrants. But the composition of migrant stocks in the United States and across the world underwent major changes. In 1960, most migrants in the United States originated in Europe; by 2000, most came from Latin America and the Caribbean. Worldwide, migrants from Europe and South Asia were important in 1960; by 2000, migrants from Latin America, North Africa and the Middle East had gained prominence.

This database constitutes an important extension of the information available on international migration. If the previous global bilateral migration databases are any indication, the new data are likely to be a rich source for academics, policy analysts, and others interested in bilateral and overall migration stocks at the country, region, or global level and on their evolution over the second half of the twentieth century.

How Do Policy and Incentives Affect the Size, Destination, and Composition of Migration Flows?

Ecuador experienced massive emigration following a deep economic crisis in the late 1990s. Bertoli, Fernández-Huertas Moraga, and Ortega (2011) use micro-level data on Ecuador and its main destination countries, Spain and the United States, to examine the impact of wage gaps and immigration policies on the size and composition of migration flows. Detailed data from the two destinations enable the authors to focus more precisely on differences across destinations. Other studies have combined micro-level data from various countries in their analysis, including Bollard and others’ (2011) article on the relationship between migrants’ skill levels and their propensity to remit, and Clemens, Montenegro, and Pritchett’s (2008) paper comparing real wages in migrants’ home and host countries. The determinants of the level and distribution of
skilled and unskilled labor migration for different destination countries have also been examined, for example, by Grogger and Hanson (2011) and Beine, Docquier, and Özden (2011), though they do so on the basis of aggregate bilateral macrodata and do not consider the impact of specific immigration policies.

Migration policies are typically complex collections of laws, rules, and implementation measures. Their components do not always constitute a cohesive whole, possibly because they often originate in different ministries (justice, interior, foreign affairs, and others) and because they may be influenced by groups with different and even contradictory interests. Thus, identifying changes over time or their impact is likely to be difficult. Bertoli, Fernández-Huertas Moraga, and Ortega use data on the large emigration flows from Ecuador in the late 1990s to estimate the impact of a sudden change in Spain’s policy in August 2003 (the mid-point of their sample period) with the introduction of a visa requirement for nonimmigrant admission of Ecuadorians.

Using the microdata to estimate Mincer-type wage equations, the authors find that the income gains associated with migration are larger for the United States than for Spain, with the difference increasing with migrants’ level of education. This finding is consistent with the higher share of Ecuadorian college graduates residing in the United States but not with the finding that Spain was the main destination for Ecuadorian emigrants. This seeming anomaly is explained by the fact that Ecuadorians visiting Spain did not need a visa, so they could simply remain in the country to work in the parallel labor market. Entering the United States illegally was substantially more difficult, which, together with the higher skill premium in the U.S. labor market, explains why both the number of Ecuadorians and the share of unskilled Ecuadorian migrants were larger in Spain than in the United States. This situation changed in 2003 with the elimination of the visa waiver program, a policy change that is estimated to have led to a two-thirds reduction in the flow of Ecuadorians to Spain.

The authors’ findings seem to indicate that some changes in immigration policy can have a dramatic impact on immigration. In contrast, McKenzie and Rapoport (2010) and Beine, Docquier, and Özden (2011) have shown the importance of diaspora networks for immigration, concluding that changes in immigration policy may have a limited impact on future immigration flows because of the strength of the network effects. The findings in the Bertoli, Fernández-Huertas Moraga, and Ortega article suggest that the impact of a change in immigration policy may depend on the policy reform itself and on the conditions under which the reform takes place.

Do Migrants Improve Governance at Home?

Migrants are affected by their experiences in their country of destination and, in turn, they affect their home country in a variety of ways. Batista and Vicente
(2011) examine the extent to which migrants from Cape Verde, both current and those that return home, contribute to political change in their home country. This is an important issue because of the centrality of institutions to economic development (Acemoglu, Johnson, and Robinson 2005; Rodrik 2007) and because the literature on the relationship between migration and institutions is limited.

Assuming institutions are positively affected by the average level of human capital in migrants’ home country and the size of their diaspora, unskilled migration should improve the quality of institutions. Skilled migration, for its part, would have two opposite effects: a positive impact through the increased size of the diaspora and a negative one associated with a decrease in human capital in the home country. These hypotheses are confirmed in a paper on migration and democracy by Docquier and others (2011).\(^8\) An earlier study based on data for one point in time finds that emigration has a positive impact on political institutions and a negative one on economic institutions (Li and McHale 2009). Another study (Spilimbergo, 2009) finds that foreign students returning to their home country have a positive impact on democracy, but only if they studied in a democratic country. These studies are based on country-level data.

The article by Batista and Vicente uses microdata to examine whether migration in general and skilled migration in particular contributes to political change in Cape Verde, a nine-island tropical country off the coast of West Africa with half a million inhabitants, good institutional scores by African standards, and a long tradition of migration. Current migrants represent a fifth of the population, and skilled migrants constituted 67 percent of migrants in 2000 (Docquier and Marfouk 2006), a share that remained high (60 percent) even after excluding people who acquired their tertiary education abroad (Beine, Docquier, and Rapoport 2007).

Batista and Vicente set up a "voting experiment" along the following lines: after taking a survey on perceived corruption in public services, respondents were asked to mail a prestamped postcard if they wanted the survey results to be published in the national media. Controlling for individual, household, and locality characteristics, the authors regressed participation in the voting experiment, which they interpret as demand for accountability, on migration prevalence at the locality level. They show that both current and return migrants from the United States, but not from Portugal, the other main destination country, significantly raise participation rates; the effect is stronger for return migrants. They do not find evidence of additional effects for skilled migrants.

8. They find, based on a panel of cross-country data, that migration has a positive impact on political institutions while skilled migration has an ambiguous impact. In a simple model, Schiff and Docquier (2010) also find an ambiguous U-shaped impact of skilled migration on institutions.
Thus, the study provides microeconometric evidence supporting the country-
level findings on the positive effects of foreign students (Spilimbergo 2009) and
emigration (Docquier and others 2011) on democracy at home.

II. INTERNATIONAL REMITTANCES

Another migration dividend for developing countries, probably the most
obvious, is remittances. The rapid rise in South–North migration, as documen-
ted in Özden and others (2011), has been accompanied by a dramatic rise in
migrants’ remittances. Recorded remittance flows to developing countries rose
nearly sixfold from 1995 ($57 billion) to 2008 (more than $328 billion). The
recent economic crisis resulted in a 5 percent decline in remittances, though
2010 saw a rebound of about the same amount (World Bank 2010). On
average and over the last few years, remittances have approximately equaled
the amount of foreign direct investments (a more volatile source of foreign
exchange for developing countries) and were about triple the size of official
development assistance.

There have been two recent structural changes in remittances: in the indus-
trial organization of the remittance business, with the entry of new operators
(including many banks), and in the skill composition of migration flows,
induced largely by increasingly quality-selective immigration policies in rich
countries. The common wisdom is that the entry of new operators should lead
to more competition, lower remittance costs, and ultimately, higher remittance
volumes thanks to income and substitution (from informal to formal channels)
effects. The change in skill composition, in contrast, should lead to lower
remittance volumes or, at least, to lower remittances per migrant (as educated
migrants, presumably, have lower incentives to remit). As the two contributions
described here show, however, the reality is more nuanced and complex.

What Explains the Price of Remittances?

Reducing the cost (or price) of remittances would seem to be the most obvious
way to increase the volume of remittances reaching developing countries.
International organizations such as the World Bank and various development
forums have long called for policy intervention to increase competition in the
remittance business. Recently, as Beck and Martinez (2011) recall, world
leaders at the L’Aquila 2009 G-8 summit called for cutting the price of remit-
tances by half in five years (from a current average of 10 percent).

The presumption is that more competition (including more transparency)
will lead to lower remittance prices. This presumption would seem to be sup-
ported by the Mexican experience. In 2008, when the World Bank dataset on
remittance costs was launched, Ratha (2008) noted that Mexico’s earlier
release of remittance cost data from about a dozen U.S. cities to several
Mexican cities had been accompanied by a 56 percent decline in remittance
costs between 1999 and 2004. “The hope is,” Ratha wrote, “that the new database will have a similar cost reduction effect.” Publicizing remittance prices would better inform consumers and elicit further competition in remittance corridors. That would reduce the drain on poor migrants’ incomes, increase their ability to send more money home, and prevent incumbent firms from using their market power to extract a large part of the global surplus from international migration in transfer, exchange rate conversion, and other remittance fees. The database also makes remittance data available to researchers investigating remittance markets.

Beck and Martinez Peira (2011) analyze the bilateral costs of sending remittances and find enormous heterogeneity in the magnitude of these costs and in their determinants across country pairs. Quite surprisingly, they find that financial development and competition in the banking sector are poor predictors of the bilateral costs of remittances. A closer look reveals that these costs are instead driven by competition in the remittance business itself. That segment of the market is dominated by one firm, Western Union, whose prices seem to be set independently of competitive pressures. The authors suggest that this may be due to Western Union’s better network coverage and to more years in operation than other firms in a number of corridors.

Western Union’s price-setting behavior is consistent with the price leadership model in which a dominant firm may be the sole operator in a contestable market and yet charge less than the monopoly price to keep potential competitors out. Or when its competitive advantage is not too large, it may charge a price equal to its competitors’ marginal cost (minus epsilon) in order to secure market share. In either case, observed competition—as measured by standard concentration indices—is unlikely to accurately predict market prices.

How Does Migrants’ Education Level Affect Their Propensity to Remit?

As noted, international migration from developing to developed countries is increasingly of the “brain drain” type. This has given rise to questions about whether the increasingly high-skilled nature of emigration from developing countries will slow the rise in remittances. The literature on migrant remittances shows that the two main motivations to remit are altruism and exchange. Altruism is directed primarily toward one’s immediate family and decreases with social distance. The exchange motive posits that remittances simply “buy” various services, such as care of the migrant’s assets (land and cattle, for example) or relatives (children, elderly parents) at home; such transfers are typically observed in cases of temporary migration and signal

9. In Organisation for Economic Co-operation and Development (OECD) countries, the number of migrants with a tertiary education and originating from developing countries doubled between 1990 and 2000, while the number for those with a primary school education rose only 20 percent.
10. See Rapoport and Docquier (2006) for a comprehensive survey of the theoretical and empirical literature on migrants’ remittances.
intentions to return. A particular type of exchange takes place when remittances are de facto repayments of loans used to finance the migrant’s investments in education or migration. Thus, it is theoretically unclear whether educated migrants remit more than less educated ones. Educated migrants’ income is a priori higher, providing them with a greater capacity to remit; they may remit more to meet implicit commitments to reimburse the family for funding education investments. On the other hand, educated migrants tend to emigrate with their family and to do so on a permanent or longer term basis and are therefore less likely to remit (or are likely to remit less) than someone moving alone on a temporary basis.

The question of whether educated migrants remit more or less than do less educated migrants has been surprisingly understudied, especially at a micro level. Most of the previous literature (Faini 2007; Niimi, Özden, and Schiff 2010) used aggregate data and found a negative effect of migrants’ education on total remittances received. Bollard and others (2011) question the findings of that literature, positing that the many differences across countries could result in a spurious negative relationship between remittances and migrants’ skill levels in cross-country studies. The authors examine this issue by combining household survey data on immigrants in 11 destination countries. They find a mixed pattern for the relationship between education and the likelihood of remitting, and a strong positive relationship between education and the amount remitted (intensive margin) conditional on remitting (extensive margin). Combining these intensive and extensive margins gives an overall positive effect of education on the amount remitted, with an expected amount of $1,000 annually for a migrant with a university degree and $750 for someone without one. Data from the surveys containing information on income show, however, that the less educated tend to remit a larger share of their income.

The microdata used in this study also allow investigation of why the more educated remit more. Bollard and others (2011) find that it is the higher income earned by migrants that explains much of the higher remittances rather than characteristics of their family situations or their intentions to return. Indeed, and in contrast to common wisdom, declared intentions to return do not differ significantly across education groups. And while it is confirmed that educated migrants do migrate more with their spouse and children, less educated migrants tend to have larger extended families at destination, suggesting compensating effects of family closeness and size on remittance behavior across education categories.

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The articles in this symposium issue provide original contributions on five important questions on the economics of international migration and development—questions on the measurement, policy determinants and political impact of international migration, and on the determinants of the price of
international remittances and their relationship with migrants’ education levels. These articles are expected to elicit wide interest, stimulate additional research and further our knowledge in these areas. The articles are part of an ongoing collaborative research effort between the World Bank Development Research Group and the Research Department of the Agence française de Développement, a collaboration of demonstrated value that the two institutions are committed to pursue.

REFERENCES


