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Migration, Poverty and Equality

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Key Points

- The number of international migrants in the world has increased from 2.9% in 1990 to 3.3% in 2015, but is severely constrained by restrictive immigration policies in almost all countries.
- Reducing barriers to migration would not just reduce global inequality, but could also bring about trillion dollar benefits to the world economy and help overcome projected labor supply-and-demand mismatches caused by the rapidly ageing populations in rich countries.

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The scale of inequality around the world is almost unfathomable. The average inhabitant of Norway, Qatar and Switzerland earns more in *one day* than what the average inhabitant of Malawi and Burundi earns in an *entire year*[1]. If you get pregnant in Sierra Leone, you are 300 times more likely to die from pregnancy related causes than if you get pregnant in Sweden[2]. If you are born in Angola or the Central African Republic, you are 50 times more likely to die within your first year of life than if you are born in Singapore.[3]

Currently, about 60% of the variation in income across the globe is explained by country citizenship alone, while parental income class within the country where you were born explains another 20% (Milanovic, 2011). This means that at least 80% of the variation in income (and other income related factors) is already determined by birth, leaving less than 20% to be determined by a person's own effort, ingenuity, planning, determination, risk-taking and passion. Thus, the world is not just a place of huge inequality of outcomes, but also of huge inequality of opportunity.

Inequality is becoming an increasingly concerning issue and recently 176 countries agreed that one of the Sustainable Development Goals for the next 15 years should be to "reduce inequality within and among countries." One of the specific targets associated with this goal is to "facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies."

Patterns of international migration

According to the United Nations, there are currently about 244 million international migrants in the world, corresponding to about 3.3% of the world population, up from 2.9% in 1990 (UN-DESA, 2015). More than 80% of these have voluntarily moved in search of better opportunities, while less than 20% are refugees fleeing from war or other atrocities in their countries of origin.

Migration flows go predominantly from middle income countries to high income countries, although there are also minor flows in the opposite direction. Net migrant stocks for each country can be calculated as the number of people who have migrated to the country minus the number of people who have emigrated from the country. This means that countries with negative net migrant stocks are losing people to migration. In order to judge the relative importance of migration in a country, net migration rates can be calculated as the net migrant stock divided by the total population of the country.

Figure 1 shows net migration rates (height of bars) and net migration stocks (widths of bars) for all countries in the world that had a net migrant stock of more than 3 million people in 2015, inside or outside the country. Data from all other countries have been summed together by income group (as per the World Bank classification for 2015 into low income – LI; lower-middle income – LMI; upper-middle income – UMI; and high income - HI). Countries are ordered from left to right by level of Gross National Income (Atlas Method) in 2015.

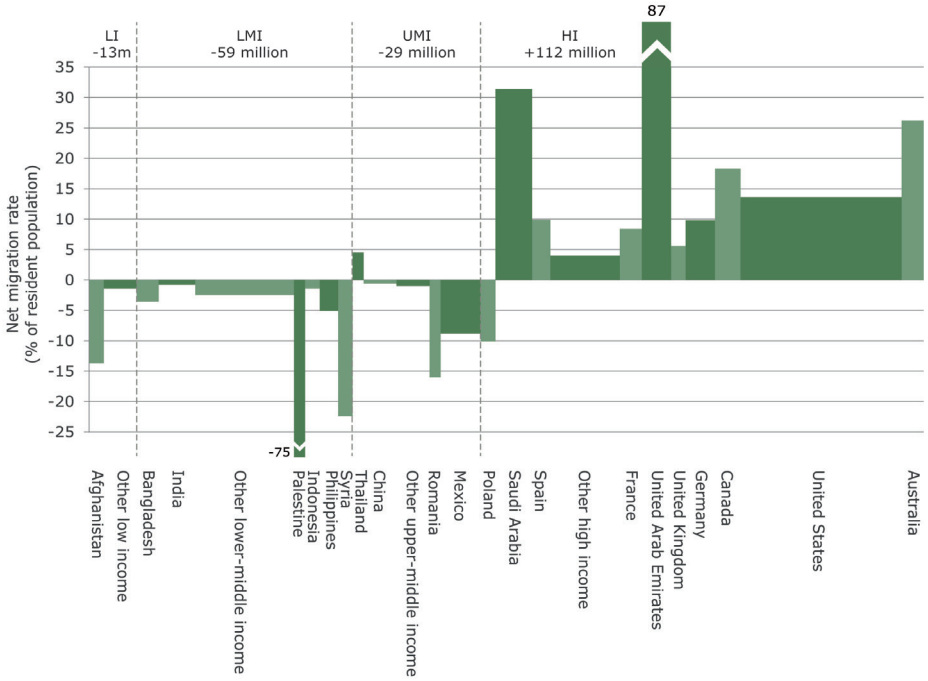
From the figure we can see the most important countries involved in international migration. For example, in absolute values, United States is by far the biggest recipient

1 According to the World Bank's World Development Indicators. GNI per capita, Atlas Method, 2014. http://data.worldbank.org/indicator/NY.GNP.PCAP.CD.

2 According to the World Bank's World Development Indicators. Maternal Mortality Ratio, 2014. http://data.worldbank.org/indicator/SH.STA.MMRT.

3 Accoding to the World Bank's World Development Indicators. Infant Mortality Rate, 2015: http://data.worldbank.org/indicator/SP.DYN.IMRT.IN

Figure 1: Relative and absolute net migrant stocks in the World, 2015



Source: Author's elaboration based on data from UN-DESA (2015).

Notes: The width of each bar reflects the size of the net migrant stock outside the country (negative values) or inside the country (positive values). The sums by income group indicates the net migrant stock by income group, with negative values reflecting emigrant stocks and positive values immigrant stocks. The net migration stocks do not sum to zero, as there are about 10 million immigrants of unknown origin in the data base.

of migrants in the world, with a net migrant stock of 44 million persons, corresponding to 14% of the total population in the United States. In relative terms, United Arab Emirates is the biggest migrant recipient, as 87% of the resident population are immigrants. The absolute number of net immigrants there is only 8 million people, though.

Table 1: Emigrant and immigrant stocks, by country income group, 2015

	Millions of persons				% of population		
	Emigrants	Immigrants	Net migrants	Population	Emigrants	Immigrants	Net migrants
Low income countries	23	9	-13	633	3,6%	1,5%	-2,1%
Lower-middle income countries	86	27	-59	2.926	3,0%	0,9%	-2,0%
Upper-middle income countries	76	47	-29	2.550	3,0%	1,8%	-1,1%
High income countries	48	160	112	1.207	4,0%	13,2%	9,3%

Source: Author's elaboration based on data from UN-DESA (2015).

The biggest individual sending countries are Mexico (11 million net migrants), India (10 million), and China (9 million), but only in Mexico do the emigrants constitute a substantial share compared to the local population (9%). Afghanistan is the only low income sending country with substantial out-migration in both absolute terms (-4 million net migrants) and relative terms (14% of the resident population).

In total, all low income countries together have contributed only 13 million net migrants to the global pool of migrants. The inhabitants from these countries are often too poor to be able to use the migration strategy. Lower-middle income countries have contributed by far the biggest number of net migrants (59 million), while upper-middle income countries have contributed 29 million. All high-income countries together have received 112 million net migrants (see **Figure 1**).

The gross number of immigrants living in high income countries in 2015 was 160 million, but this number was partly off-set by the 48 million migrants that had left a high income country. Indeed, high income countries have the highest propensity to emigrate of any income group. Emigrants from high income countries constituted 4.0% of the total population in high income countries, while emigrants from lower-middle income countries constituted only 3.0% of the total population in these countries (see **Table 1**). Richer populations are simply more mobile.

While it is not apparent from **Figure 1**, there are several high income countries that have very negative net migration stocks (e.g. Saint Kitts and Nevis -57%; Puerto Rico -43%; Antigua and Barbuda -41%; and Trinidad and Tobago -23%), but they are all tiny island states, so in absolute terms the migrant flows from these countries are trivial.

Virtuous and vicious circles of migration

Many of the richest countries in the world have both a large number and a large share of immigrants within their borders (e.g. Australia, United States, Canada, Germany, United Arab Emirates, and United Kingdom). This is not just because immigrants are attracted by the high levels of income there, but also because immigrants contribute greatly to these economies. These countries (a group which also includes several small, very rich countries like Qatar, Macao, Luxembourg and Singapore) have managed to create virtuous circles in which both migrants and receiving countries benefit greatly from the arrangement. The main way they create these virtuous circles is simply by making it easy for immigrants to come and work there legally.

In contrast, countries that are systematically hemorrhaging human capital are likely to be in trouble. Migrants are often more dynamic, creative and resourceful than non-migrants, and they tend to be motors of innovation, growth and job creation (see **box** for some extreme examples of productive migrants). If a country is systematically losing such

Box 1: Examples of migrants who have vastly improved the world:

- Russian born migrant Sergey Brin, by founding Google Inc., has arguably "saved more time for more people than anything else in the world."
- Scottish born Alexander Graham Bell first migrated to Canada and then to United States, where he invented the telephone to the benefit of almost every person on the planet.
- German born migrant Albert Einstein, one of the greatest scientists and intellects of all time, renounced his German citizenship at age 17 to avoid military service and became Swiss instead. In 1933, when Hitler became Chancellor of Germany, Einstein again renounced his German citizenship and became citizen of United States.
- Of the last 25 Nobel Peace Prize winners, more than half were migrants.

Source: Andersen (2007)

people due to emigration, their economic development can grind to a halt, making them highly dependent on foreign aid, remittances, or natural resource rents (Andersen, 2007).

However, some countries manage to use the labor export strategy to their benefit. This is particularly the case for countries where migrants are encouraged to maintain strong ties to their countries of origin. For example, migrants may receive help both to go abroad and to return home with savings, education, experience and ideas they would not otherwise have obtained. Even people who emigrate permanently will often send remittances back home, and sometimes they form diaspora groups that support their countries of origin through the transfer of political, economic and social ideas and initiatives. In any case, with the technological advances of recent decades, it has become much easier for migrants to maintain close ties and transfer "social remittances" back home.

Strong migration restrictions harm the world economy

Even the biggest recipient of migrants in the world, the United States, puts strong restrictions on immigration. The size of these constraints is apparent in the annual U.S. Diversity Visa Lottery, which allocates permanent emigration slots mainly to developing countries. In fiscal year 2010, this lottery had 13.6 million applications for 50,000 visas, implying that less than 0.4% of the applicants obtained the American visa they desired (Clemens, 2011).

Clemens (2011) argues that the tightly binding restrictions on migration across national borders constitute the single biggest class of distortions in the global economy. He estimates that the global efficiency gains from freer migration would amount to a substantial part of world GDP, that is, tens of trillions of dollars per year. The main reason for these huge potential efficiency gains from migration is that labor productivity is more about where you are than about who you are. Even though there tends to be positive self-selection on unobservable characteristics among migrants, a series of studies using data from visa-lotteries show that self-selection explains less than half of the wage difference between migrants at their destination and similar non-migrants in their countries of origin.

Migration can help overcome labor market supply-and-demand mismatches

While countries ought to ease immigration restrictions in order to help reduce global poverty and inequality, most studies suggest that it is also beneficial for their economies to do so (Pritchett, 2006). Furthermore, the benefits are likely to rise since global demographics are at an important turning point: The world's population is growing more slowly and ageing at an unprecedented rate. The working-age share of the global population peaked in 2012 and the global count of children has plateaued at 2 billion (World Bank Group, 2016).

Due to these demographic changes, most rich countries, and many upper-middle income countries, will face significant labor shortages within a decade or two, unless they start importing workers to fill the gaps. Strack et al. (2014) has calculated that Germany, for example, is going to lack 10 million workers by 2030, if it wants to maintain economic growth at the level of the last 20 years. Similarly, Brazil is going to lack 41 million workers and China 25 million. The same study estimated that if these labor shortages are not filled, it would cost about $10 trillion in lost GDP annually.

Fortunately, other countries are still in the early phases of the demographic transition and still generate labor surpluses. Easing migration restrictions is one of the most obvious policies for addressing the labor market supply-and-demand mismatches (World Bank Group, 2016).

Is the world ready for more migrants?

Despite the potentially huge benefits from freer migration, immigration tends to be very unpopular among voters and politicians in rich countries. While the economic case for freer migration is very clear, the political and social obstacles are daunting, and few policy makers are willing to take on such an unpopular agenda, with many pushing for even greater restrictions to immigration.

While there are both costs and benefits accruing from immigrants, as well as winners

> "Patriotism is your conviction that your country is superior to all other countries because you were born in it."
> *George Bernard Shaw (1856 – 1950)*

and losers, much of the resistance to immigration arises from ignorance and a general fear of the unknown, rather than well-founded evidence or experience of adverse impacts. For example, a survey in the UK shows that, somewhat paradoxically, the vast majority of respondents view migration as harmful to Britain, while few claim that their own neighborhood is having problems due to migrants. Likewise, residents of London, where migrants are most heavily concentrated by far, have more positive attitudes towards migrants than residents of other regions (Blinder, 2015).

A survey by Transatlantic Trends (2014) also highlights the difference that basic knowledge makes in the attitudes towards migrants. Those respondents who heard an official estimate of the share of migrants in their country before answering the question were less likely to say there were "too many" immigrants in their country. Overall, in both Europe and the United States, more than one-third of those who did not receive the official statistics thought there were too many immigrants in their country (32% in Europe, 38% in the United States). The corresponding number was 21% in both regions for those who did receive the official statistics beforehand.

While it looks like an uphill battle to promote freer migration at the moment, history has shown that attitudes towards labor mobility can change over several decades. Today, slavery is illegal everywhere in the world, but a century or two ago, it was considered completely natural to severely restrict the mobility of slaves and serfs. As recently as the 1980s, a Polish national attempting to migrate to West Germany could be shot by soldiers at the border, while today Polish jobseekers may move freely throughout Germany.

It is a promising sign that well-managed migration is now one of the explicit targets of the Sustainable Development Goals. In order to reach this target, however, a lot of hard work needs to be done by researchers, policy makers and concerned citizens to promote sensible, development friendly migration policies.

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