

The Economic Impact of Migration on the Destination and Sending Country

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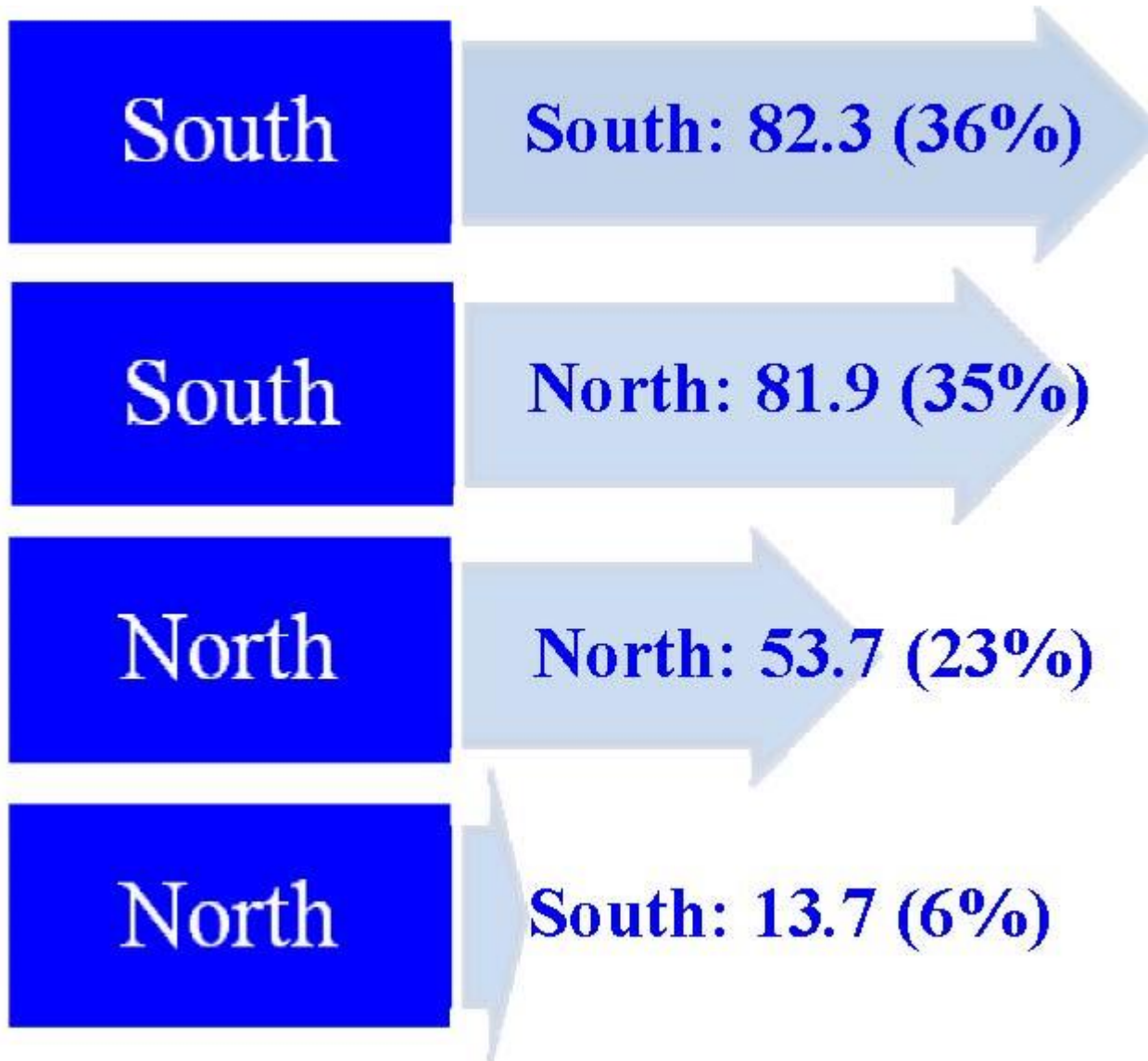
Ministry of Foreign Affairs of the Republic of Latvia

**“How to Improve Intra-European Mobility and Circular Migration? Fostering Diaspora
Engagement”**,

Riga, 11th and 12th of May.

Distribution of international migrants by origin and destination, 2013 (millions and percent-age)

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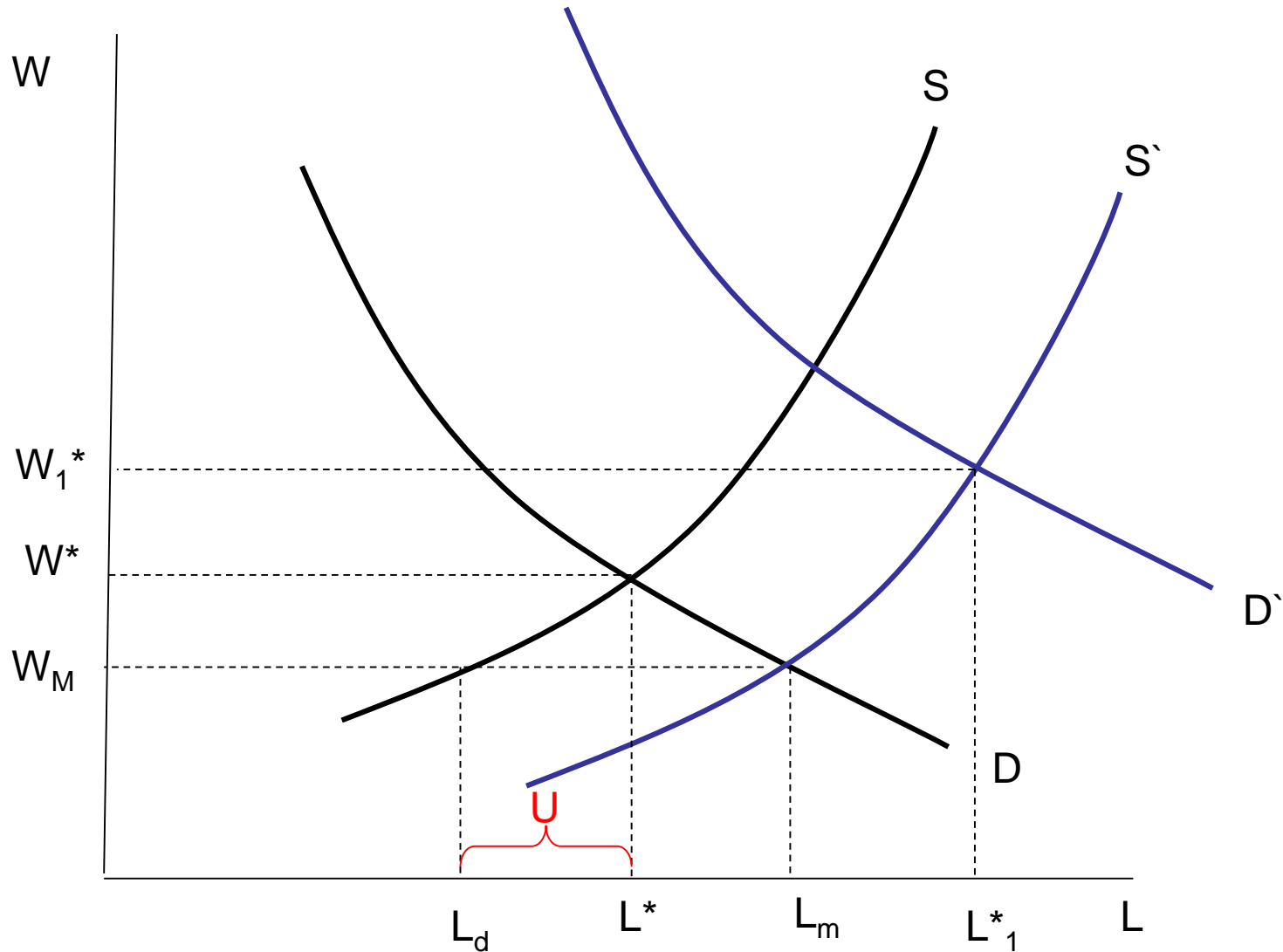


Migration impact to destination country (1)

Positive aspects

- + Increasing domestic demand
- + More opportunities for consumers: increasing variety of goods and services
- + Job creation, new talents
- + 3D (dirty, dangerous, difficult) jobs
- + More flexible labour force
- +/- Low skill versus high skill workers: effects on employment and wages

Low skill and high skill effects



Migration impact to destination country (2)

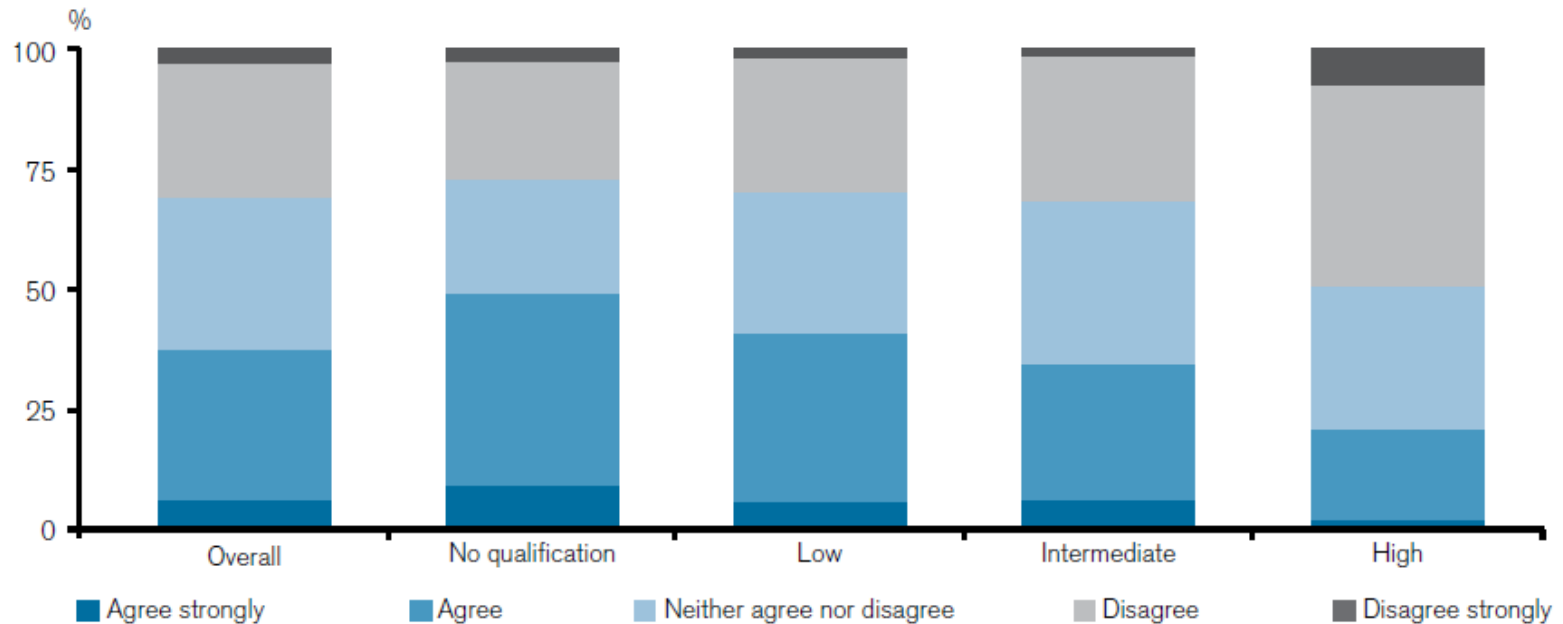
Negative aspects

- Cheap and flexible labour: gain in short run, loss in long run, competitiveness issues
- Social dumping and hidden labour market
- Social problems, high unemployment among immigrants, slums in big cities
- No incentives to improve working conditions
- Negative effect on native wages??

Source: Human Migration , Issue 7, January 2009

Do immigrants lower the wages

Figure 3: Impact of Immigration: do immigrants lower wages?



Notes: The figure shows the distribution of answers of UK residents to the question whether immigrants lower wages. The first column reports answers for the whole population, while columns 2–5 report distribution of answers by education group. High education: university degree or equivalent or postgraduate qualification. Intermediate education: A-level, national vocational qualifications level 3/5, or equivalent. Low education: GCSE, O-level, CSE, national vocational qualification level 1/2, or equivalent.

Source: Dustmann et al., 2008.

Migration and wages

US

- David Card finds that 10% increase in the immigrant share of city increases the average wages by 6% and wage gap between low- and high-skilled workers by 4 to 5 % (Card, 2007, Card Lewis, 2005)
- Borjas found that the same increase of migration share reduced natives' s average wages by 3 to 4 %. Borjas estimates that immigration between 1980 and 2000 reduced the lowest skilled workers' wage by almost 9% (Borjas, 2003).

Europe

- Most studies found that in whole estimated reductions in wages are insignificant or very low. (Pischke & Velling, 1997; New & Zimmermann, 1994, Dustmann, Frattini, Preston, 2007; Blanchflower, Shadforth, 2007 among the others)

Impact of migration to sending country (1)

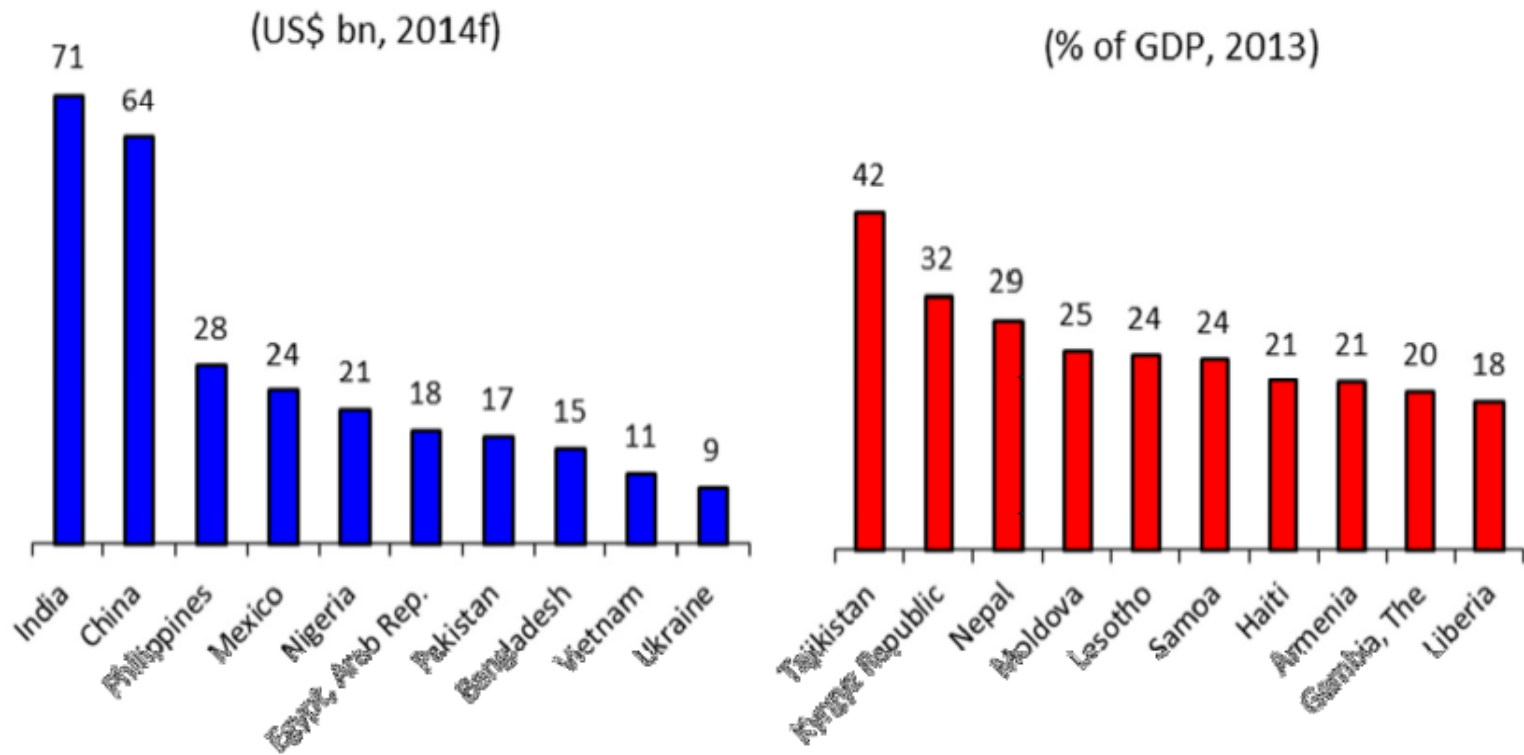
- + Increasing internal mobility
- + Increasing human capital (commuting, temporary migration)
- + Remittances
- + Brain circulation
- + Opportunity to reduce unemployment and alleviate the negative effects of sharply restructuring economic process;

Impact of migration to sending country (2)

- +/- labour shortage can cause the wage increase
- Brain drain, declining productivity
- Negative net migration will accelerate demographic problems, like ageing, low birth rate etc.
- Depopulated areas, deepening of regional discrepancies;
- Social problems with dependants remained at home (especially children);
- Inflationary pressure (due to remittances).

Remittances

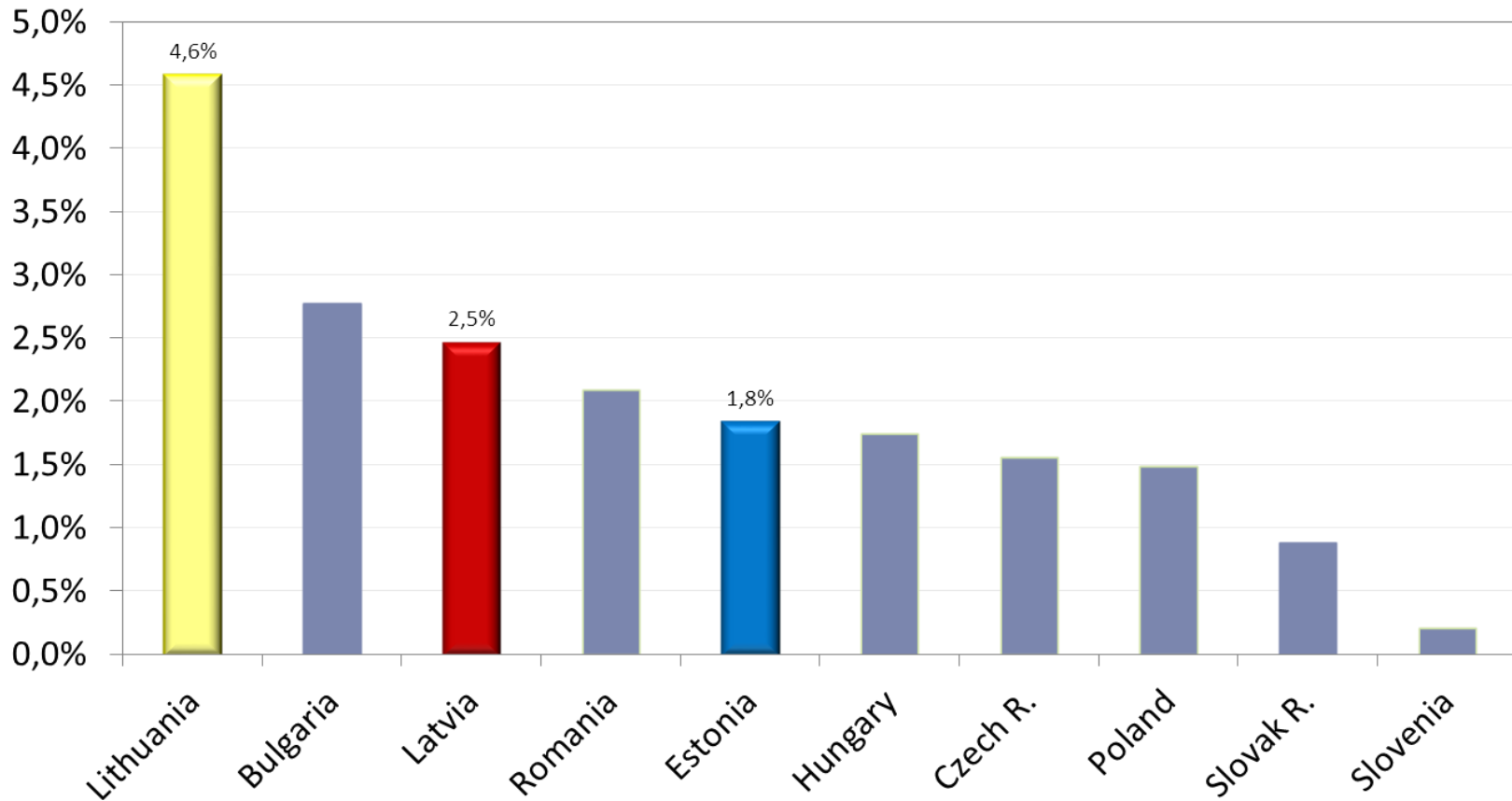
Figure 1.3: Large countries receive more remittances, but small countries are often more dependent



Sources: IMF, World Bank World Development Indicators, and staff estimates

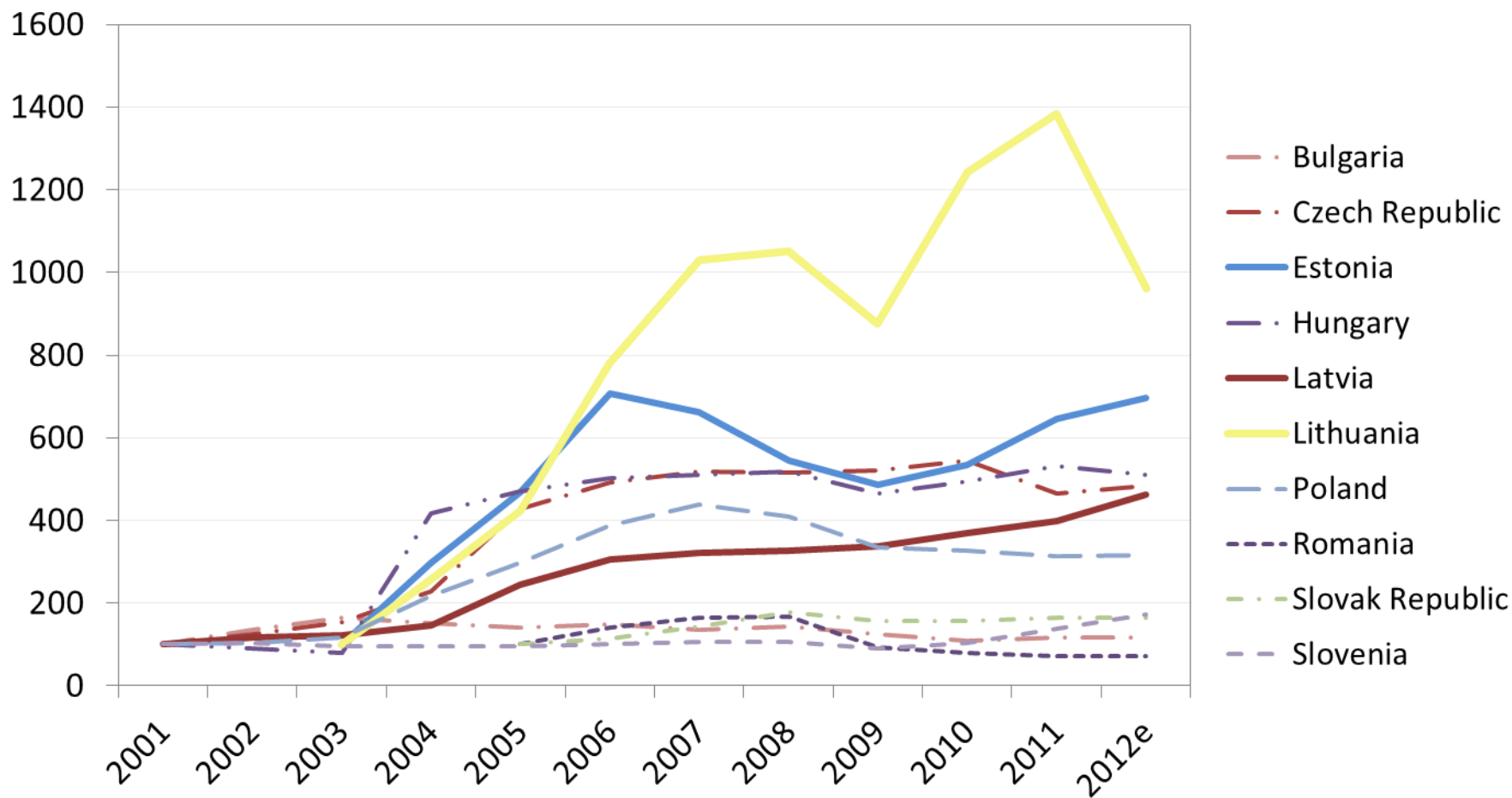
Consequently, Baltics have among the highest remittance-to-GDP ratios among EU-10 and in the EU as a whole

Remittances as a share of GDP, 2011 (%)



Baltic countries have recorded fastest growth in remittances among EU-10 countries

Remittance trends, 2001 = 100



Borko Handjiski, Senior Economist World Bank
Remittance Trends, Diaspora Bonds and Remittance-Backed Securities

Lessons for Baltics (1)

- Lets face the facts

We have

- negative birth rate,
- negative net migration,
- ageing population,
- increasing cost of social welfare system

What is next?

Lessons for Baltics (2)

What is next? How to solve the problems?

- Productivity increase
- Reduction of inactivity
- Reduction of unemployment
- Increasing birth rate??

and

- Immigration

Thank You!