A GLOBAL VIEW OF CROSS-BORDER MIGRATION: Significant benefits for origin and destination countries

The main immigrant-receiving countries of the world have benefited significantly from migration because of an increased number of firms and greater product variety. More surprisingly, the countries with the largest emigration rates have also benefited from migration, but for a different reason: remittances compensate for the reduction in the number of firms and in product variety caused by emigration.

These are among the conclusions of research by **Julian di Giovanni**, **Andrei Levchenko** and **Francesc Ortega**, to be presented to the NORFACE migration conference at University College London this week. Their study estimates the effects of migration on the wellbeing of natives for a large number of countries, including the main origin and destination countries.

The results suggest that the welfare impact of the current levels of migration is substantial. In the long run, the average natives in practically every receiving country would have been worse off in the absence of migration, and this welfare loss increases in the observed population share of immigration.

Natives in the countries with the largest stocks of immigrants (relative to population) such as Australia, New Zealand, or Canada, have 5-10% higher welfare under the current levels of migration. This welfare effect is driven by the increase in the number of firms and the resulting greater product variety.

In the short run, the main welfare effects of immigration on receiving countries are distributional. For several countries, the short-run welfare effects of migration have different signs on the skilled and unskilled native populations with a negligible aggregate effect. In contrast, this distributional impact is dwarfed in the long run by the gains associated with the expansion in the number of firms and in product variety.

For the sending countries, the welfare impact on the staying natives depends on a trade-off. Symmetrically to the main migration-receiving countries, these source countries would, ceteris paribus, be better off without emigration because of a larger labour force.

On the other hand, in the absence of emigration there would be no remittances. For countries such as El Salvador or the Philippines, where remittances are about 10% of GDP, the latter effect dominates and the average native stayer is about 10% better off under the current levels of migration.

Underlying these results is the fact that the typical migrant moves from a low to a high labour productivity country, leading to an overall increase in the efficiency units of labour worldwide. Part of the welfare benefit of that reallocation is enjoyed by the native stayers through remittances.

But the remittance effect is not always larger than the general equilibrium variety effect. Some important emigration countries, such as Mexico and Turkey, would actually have been slightly better off in the absence of migration.

For the sending countries, the short-run impact tends to be similar to the long-run impact and distributional effects are small. This is because for these countries welfare changes are driven primarily by the loss of remittances, which is the first-order effect in both the short and the long run.

The researchers also compute the welfare changes for the migrants themselves. As expected, the magnitude of these changes is an order of magnitude larger than the welfare changes for stayers and likely to be well above the costs entailed by migration.

Researcher Andrei Levchenko says:

> ‘The finding that the receiving countries are better off with immigration may seem unappealing because it appears at odds with the widespread opposition to immigration in high-income countries. But observed opposition to migration is not evidence against our approach.
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> ‘Our results suggest substantial gains for the receiving countries only in the long run. The overall short-run effects of immigration are much smaller and in many cases dominated by important distributional effects for skilled and unskilled voters. It is likely that political opposition is driven by these short-run considerations.’

Co-author Francesc Ortega says:

> ‘Our approach to the economic analysis of migration is quite novel. It combines a state-of-the-art open-economy framework with heterogeneous firms with a careful modelling of migration, including remittances, native-immigrant skill differences and self-selection.’

ENDS

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A full version of the paper can be found at:
http://qcpages.qc.cuny.edu/~fortega/research/globalmig.pdf

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