CHAIR

EDMOND DE ROTHSCHILD

pse — PARIS SCHOOL OF ECONOMICS — ÉCOLE D'ÉCONOMIE DE PARIS

International migration economics

Policy brief
5 | June 2023

By
Çağlar Özden

A World Bank Group Flagship Report

WORLD DEVELOPMENT REPORT 2023

World Development Report 2023: Main messages Migrants, refugees and societies

As part of the last PSE Annual Conference on Global Issues held in May 2023, the International Migration Economics Chair organized a session of presentation of the World Development Report 2023 dedicated to "Migrants, Refugees and Societies" by one of its three main authors, lead economist Cagler Ozden. A summary of the report is reproduced below.

About 2.3 percent of the world's population – 184 million people, including 37 million refugees – live out- side their country of nationality. Cross-border movements are characterized by their diversity – reasons to move, skills and demographic characteristics, legal statuses, circumstances, and prospects. Some 43 percent of migrants and refugees live in low- and middle-income countries; 40 percent in high-income Organisation for Economic Cooperation and Development (OECD) countries; and the remaining 17 percent in Gulf Cooperation Council (GCC) countries. There are countries of origin and countries of destination at all levels of income, and, in fact, many countries are simultaneously both an origin and a destination, such as Mexico, Nigeria, and the United Kingdom.

Worldwide, migration has proven to be a powerful force for development, improving the lives of hundreds of millions of migrants, their families, and the societies in which they live. If managed well, migration can continue to increase prosperity and help to achieve the United Nations' Sustainable Development Goals.

Migration will become increasingly necessary for countries at all income levels

People leave their country in response to global imbalances, such as large welfare differences, and to shocks, such as conflict and violence. But the migration landscape is changing. Over the next decade, all countries, whatever their income level, will find migration increasingly necessary.

Demographic changes are sparking a global competition for workers and talent be- cause the population of both high- and middle-income countries is aging rapidly. The share of people over age 65 in high-income countries was already at a historic high of 19 percent in 2022 and is expected to increase further. This rise is placing pressure on the global economy, fiscal balances, and the broader social contract.

In the Republic of Korea - the most rapidly aging country - one person out of six will be over age 80 by 2050, or four times more than today. Most middle-income coun-tries are also well into their demographic transition while their fertility rates are plummeting. Bangladesh, China, India, Mauritius, Mexico, Thailand, Tunisia, and Türkiye are below replacement level, raising the risk that many middle-income countries will grow old before they become rich. By contrast, the popu-lation in low-income countries will continue to grow rapidly. Whether countries allow mig-ration to help reduce some of the emerging mismatches in the global labor market will largely determine economic and social trajectories at all income levels.

Climate change is com-pounding other drivers of movement. About 40 percent of the world's population - 3.5 billion people - live in places highly exposed to the impacts of climate change: water shortages, drought, heat stresses, sea level rise, and extreme events such as floods and tropical cyclones. Their economic opportunities are dwindling, amplifying vulnerabilities and fueling pressures for migration. In addition, climate impacts are threatening the habitability of entire regions in areas as diverse as the Sahel, low-lying Bangladesh, and the Mekong Delta. In some Small

Island Developing States, these impacts are forcing leaders to contemplate planned relocations. Most of the movements attributed to climate change have so far been over short distances, mainly within a country. But this may change. Whether and how much climate change will fuel international movements in the coming decades will depend on the global and national policies for mitigation and adaptation adopted and implemented now.

In the face of such forces, migration needs to be mana-ged so that its development benefits fully materialize. Current approaches often fail both migrants and nationals. They create large inefficiencies and missed opportunities in both destination and origin countries. At times, they lead to human suffering. In many countries at all income levels, sizable groups, and sometimes broader segments of society, are challenging migration as part of a broader argument against globalization.

## Not all migrants are the same: The Match and Motive Matrix

Migration entails both benefits and costs - for migrants, origin countries, and destination countries. For all, favorable outcomes depend on migrants' individual characteristics, on the motivations for their move, and on the policies they face. However, it is largely

the destination countries that influence policy because they define and regulate who crosses their borders, who is legally allowed to stay, and with what rights.

Labor economics and inter-national law provide the two main lenses to understand migration patterns and to design the appropriate migration policies. Labor economics focuses on the "match" between migrants' skills and related attributes with destination countries' needs to determine whether receiving migrants generates economic gains - or not. International law obligates destination countries to provide international pro-tection to people who flee their country of origin because of a "well-founded fear" of persecution, conflict, or violence, and who cannot return without risking harm - the definition of refugees.

This Report offers an analytical framework that incorporates both dimensions - match and motive. It distinguishes between four types of movements, and it identifies policy priorities for each situation. It aims to enable policy makers to make better decisions on how to manage migration *(Figure 1)*.

Figure 1.
The Match and Motive Matrix
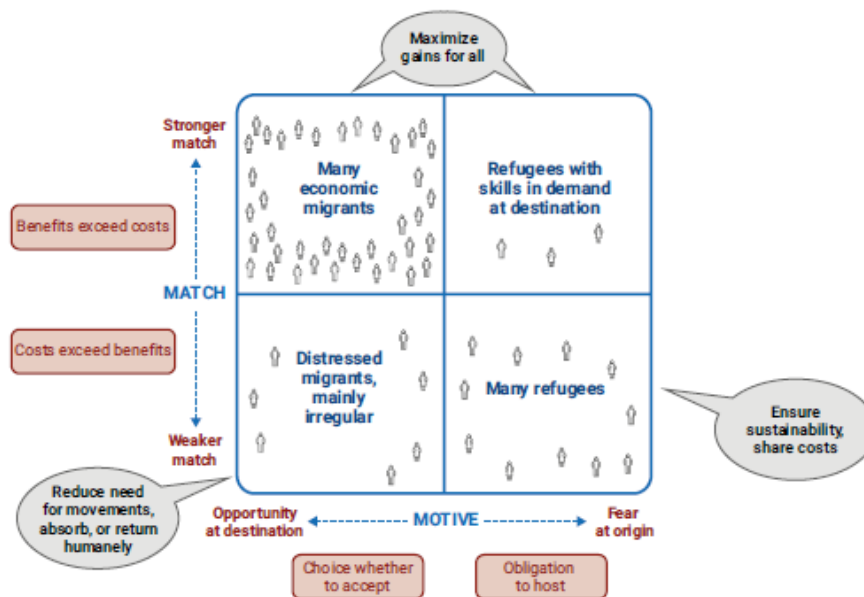
Note: *Match* refers to the degree to which a migrant's skills and related attributes meet the demand in the destination country. *Motive* refers to the circumstances under which a person moves – whether in search or opportunity or because of a "well-founded fear" of persecution, armed conflict, or violence in their origine country.

Making cross-border movements work for prosperity and development

Both origin and destination countries should manage migration strategically. For origin countries, the challenge is to maximize the development impacts of labor migration on their own societies. For destination countries, the challenge is to recognize and harness the potential of migration to meet their long-term labor needs, while treating all migrants humanely and addressing social impacts that raise concerns among their citizens. International cooperation is critical in this endeavor. Policy responses need to be adjusted to each of the four categories of movements (see *Table 1* for further details):

• **Economic migrants whose skills and attributes strongly match the needs of the destination country** (upper-left quadrant of *Figure 1*). Most migrants move in search of better opportunities and bring skills and attributes that are in demand at their destination. Whether they are high- or low-skilled, documented or not, their movement generates substantial development benefits for the migrants, the destination country, as well as the country of origin. There are costs as well - economic, social, human - but they typically are smaller than the benefits. For such movements, the interests of all parties are generally aligned.

Policy goal: Further increase the benefits and reduce the costs of migration through a combination of policy actions in countries of origin (for example, to facilitate remittances and knowledge transfers, mitigate "brain drain" effects, and protect nationals abroad) and in countries of destination (for example, to provide rights and access to labor markets, facilitate social integration, and support affected nationals).

• **Refugees whose skills and attributes strongly match the needs of the destination country** (upper- right quadrant of *Figure 1*). Some refugees have skills and attributes that match the destination country's needs, even though they are moving out offear and not to seek opportunities. Their movement brings to the destination society the same development benefits as those brought by voluntary migrants.

Policy goal: Further increase the net gains of migration and reduce the costs in host countries by providing rights and access to labor markets, facilitating social intergration and supporting affected nationals.

• **Refugees whose skills and attributes are a weaker match with the needs of the destination country** (lower-right quadrant of *Figure 1*). Many refugees choose their destination based on their immediate need for safety, not labor market considerations, and their skillsmay not be in demand in the host communities. Others are not allowed to engage in the labor market and apply skills that would otherwise make them able to contribute. In all cases, under international law refugees must be hosted, regardless of the costs.

Policy goal: For the destination country, reduce the costs associated with refugee-hosting and share them internationally. This often requires adopting a medium-term approach aimed at ensuring the financial and social sustainability of refugee-hosting through internal mobility, access to the labor market, and inclusion in national services, as well as enhancing responsibility-sharing through both global and regional efforts.

• **Distressed migrants whose skills and attributes are a weaker match for the needs of the destination country and who are not refugees** (lower-left quadrant of *Figure 1*). The aggregate numbers of such migrants are comparatively limited, but their movements are often irregular and unsafe,

raising significant challenges for destination countries. The term distressed migrants, as they are called in this Report, is an acknowledgment of the circumstances under which they move, not a normative category.

Policy goal: For the destination country, respect migrants' dignity to provide complementary forms of international protection for those who need it and manage involuntary returns in a humane manner, while reducing the need for such movements by shifting migrants' incentives toward movement that better meet labor market needs and by supporting inclusive development in countries of origin to enhance potential migrants' skills and resilience.

Table 1.
Main policy recommendations

WHEN MIGRANTS' AND REFUGEES' SKILLS ARE IN DEMAND (STRONG MATCH)		
COUNTRY OF ORIGIN Manage migration for poverty reduction	COUNTRY OF DESTINATION Maximize benefits, reduce costs	BILATERAL COOPERATION Strengthen match
Strategy. Make emigration part of development strategies. *Remittances.* Leverage remittances for poverty reduction and reduce their costs. *Knowledge.* Work with the diaspora and returnees to spur knowledge transfers and to strengthen integration in the global economy. *Skills development and brain drain mitigation.* Expand education and training in skills that are in demand in both the national and global labor markets. *Protection.* Provide citizens abroad with protection. Support vulnerable family members left behind.	*Strategy.* Acknowledge labor needs. Build a consensus on the role of migration. Ensure policy coherence. *Entry and status.* Incentivize stronger match immigration. Ensure migrants have a formal status and rights. *Economic inclusion.* Facilitate labor market inclusion. Enhance recognition of migrants' qualifications. Combat exploitation and promote decent work. *Social inclusion.* Prevent segregation and facilitate access to services. Combat discrimination. *Support to nationals.* Support citizens who are negatively affected in terms of employment outcomes and public services through social protection and public investments.	*Bilateral labor agreements.* Structure and facilitate win-win movements. Reduce recruitment costs. *Skills development.* Partner to finance the development of skills that are in demand in both the national and global labor markets.

WHEN REFUGEES' SKILLS ARE NOT IN DEMAND (WEAK MATCH, FEAR MOTIVE)	
HOST COUNTRY Manage with a medium-term perspective and enhance the match	INTERNATIONAL COMMUNITY Share the costs with hosting countries
Institutions and instruments. Mainstream refugee support through line ministries. Develop sustainable financing frameworks. *Internal mobility.* Facilitate and encourage refugees' movements toward opportunities. *Self-reliance.* Enable refugees to access jobs in the formal labor market. *Inclusion in national services.* Deliver education, health, and social services to refugees through national systems.	*Responsibility-sharing.* Prevent or resolve situations that cause refugees to flee. Provide adequate amounts of medium-term financing. Increase resettlement options. Broaden the base of support beyond current main contributors. Develop regional approaches. *Solutions.* Further work toward "durable solutions" (voluntary return, local integration or resettlement). Develop innovative statuses that provide state protection and access to opportunities over the medium term.

WHEN MIGRANTS' SKILLS ARE NOT IN DEMAND (WEAK MATCH, NO FEAR MOTIVE)		
COUNTRY OF ORIGIN Reduce the need for distressed movements	COUNTRY OF TRANSIT Coordinate with countries of destination	COUNTRY OF DESTINATION Respect migrants' dignity
Resilience. Enhance social protection. Create domestic alternatives to international migration. *Education.* Build skills that allow people to have more options. *Inclusion.* Promote inclusive and green development. Foster adaptation to climate change.	*Cooperation.* Work with the destination country to absorb migrants or return them humanely (for last transit country).	*Respect.* Treat all migrants humanely. *Complementary protection.* Strengthen the coherence of the current system to pro-tect people at risk who are not refugees. *Legal pathways.* Shift migrants' incentives by establishing legal pathways for workers in demand, including lower-skilled workers. *Enforcement.* Manage necessary returns humanely. Clamp down on smugglers and exploitative employers. Strengthen institutional capacity to process entries.

MAKING MIGRATION POLICY DIFFERENTLY		
DATA AND EVIDENCE	FINANCIAL INSTRUMENTS	NEW VOICES
Harmonization. Harmonize data collection methods. *Evidence-building.* Invest in new types of surveys to inform policy making. *Open data.* Encourage research by making data widely available, while respecting migrants' and refugees' privacy.	*New or expanded instruments.* Develop medium - term instruments to support refugee-hosting countries. Provide external support to low- and middle-income countries receiving weaker match migrants. *Enhanced use of existing instruments.* Incentivize private sector engagement. Support origin countries in leveraging migration for development. Incentivize bilateral and regional cooperation.	*Affected nations.* Build coalitions among countries facing common challenges. *Domestic stakeholders.* Ensure participation of a broad range of stakeholders in decision-making processes. *Migrants' and refugees' voices.* Develop representation and accountability systems to organize migrants' and refugees' voices.

Source: WDR 2023 team.

✦ **Çaglar Özden** is a Lead Economist in the Development Research Group of the World Bank and co-director of the 2023 World Development Report on International Migration.