Migration policy for Development Economists

BREAD-IGC Virtual PhD Course, Spring 2022

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Migration policy through a development lens

• International migration offers the potential for transformative gains in income that far exceed that from any other development intervention

• Gains typically shared with accompanying household members, and through remittances, with relatives remaining in home country

• Also lots of other potential development benefits for sending country – trade facilitation, technology and knowledge transfer, incentives for investment in globally marketable skills, etc.

• But many who would like to migrate “can’t”, and also multiple concerns:
  • About human trafficking/abuse and risky irregular migration
  • Concerns about abilities of households to optimally use large, temporary flows of remittances
  • Concerns about developing countries losing positive externalities of skilled workers who leave

=> Role for policies that can enhance the development benefits of migration and mitigate some of these costs.
Outline for today

• A framework for thinking through where policy can influence migration, and then migration policies at different stages
  • Pre-departure
  • While the migrant is abroad (including policies for those left behind)
  • Preparing for and after possible return

• Case studies:
  • Caroline Theoharides – researching the impacts of a U.S. visa policy change on medical worker outcomes in the Philippines
  • Tijan Bah – testing alternatives to risky irregular migration from the Gambia
Main references for my part today

- McKenzie (2022) **Fears and Tears: Should more people be moving within and from developing countries, and what stops this movement?**
Migration policy is much more than immigration rules

- Common public perception is to think of migration policy only as the immigration policy rules set up by migrant receiving countries
  - E.g.

  US caps annual number of H-1B skilled worker visas at 85K (65K + 20K-exemption for advanced degree holders from US universities). If more apply, goes to lottery
  FY 2023, there were 483,927 applications. So, ~82% will get automatically rejected due to cap.

  In the aftermath of Brexit, the UK is grappling with a dwindling talent pool. A new visa program, aimed at recent graduates from the world’s top universities, aims to give British businesses access to an influx of skilled young workers.

  What is the High Potential Individual visa?

  The UK’s High Potential Individual (HPI) visa will be open to applicants beginning May 30. Introduced as part of a broader post-Brexit government strategy to make the country more globally competitive, the program offers visas to people who completed a degree from a qualifying university outside the UK within the last five years. It’s available to people of any nationality who are at least 18 years of age.
These destination country policies are hugely important, but many other avenues for policy

• Migration decision problem, migrate to destination $m$ if:

$$\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s.t. \ C \leq \lambda B$$
These destination country policies are hugely important, but many other avenues for policy

- Migration decision problem, migrate to decision $m$ if

$$\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad \text{s.t. } C \leq \lambda B$$

- Wages when migrate
- Amenities when migrate
- Wages at home
- Amenities at home
- Cost of migrating
- Tightness of borrowing constraint
Policy options to facilitate (or reduce) migration

• Sending country policies and bilateral agreements – change the choice set $M$

$$\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s.t. \quad C \leq \lambda B$$

• E.g.1. the Philippines has at least 49 bilateral agreements with 25 countries; but also puts in bans (e.g. to Saudi Arabia).
• E.g.2. New Zealand RSE program with the Pacific

Note: also feedback mechanism – existence of $M$ can affect human capital acquisition, and thus $W$ (see Caroline Theoharides talk)
Policy options to facilitate (or reduce) migration

• But even when agreements in place, can be costly in terms of monetary and logistical costs – policies can work to reduce C or make it easier for potential migrants to finance this cost

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s. t. \ C \leq \lambda B
\]

E.g. reduce cost of passports, facilitate matching between employers & migrants, help with paperwork, migration loans, etc.
E.g. 1 Beam et al. (2016)

- Unilateral facilitation with random sample of 4,153 20-40 year olds in Sorsogon province, the Philippines
- Randomized to receive information, job-matching website, passport assistance

Figure 2: Reported interest in overseas migration, compared to search effort and realized migration across selected treatment conditions.
E.g. 2 Gaikwad et al. (2022)

• experiment that connected members of Scheduled Tribe (ST) groups in the Northeast Indian state of Mizoram with employment opportunities in the Persian Gulf region’s hospitality sector

• Targeting: geographic + self-selection (people interested in migration apply) + screening (on English and education) – gives 392 young, well-educated individuals who want to migrate but can’t

• Intervention:
  • Basic training and interview skills
  • Worked with vetted employers looking for workers
  • Logistical help getting visas, medical certificates, checking paperwork

=> 20 percentage point increase in migration over 2 years (23 percent in treatment group vs 3 percent in control).
Where evidence is slim

• Scope for loan and flexible loan solutions for international migration
  • Work on role of networks in financing irregular migration
  • Revolving loan programs set up by governments to pay for plane tickets etc. under some seasonal migration programs
  • Bryan et al. (2014) – small loans facilitate internal migration in Bangladesh

• E.g. income-share model of Malengo – costs 12,000 euros for first year getting migrants to go to Germany for education- graduates then meant to pay 20% of income for 12 years (up to a limit)

• Lots of questions on optimal design of financial instruments, how to ensure collection across borders, what types of migration this can facilitate etc.
Where evidence is slim

• Improving employer-worker matching
  • Costly for foreign employer and developing country worker to find each other and learn whether a good match
  • Private sector approach – middlemen provide this service – but concerns about quality, recent work on regulation and reputation mechanisms
  • Government/community as kick-starter - e.g. work-ready pools, community screening
    • May be particularly important in trying to encourage employers to take a chance on workers from a new origin – Vanuatu, Guatemala cases
Policy options to facilitate (or reduce) migration

• Improving wages earned if they migrate

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s.t. \quad C \leq \lambda B
\]

- Pre-migration: skills training, better matching
- Rights policies – minimum wages for migrants, citizenship, etc.
- While abroad: language training, jobs counselling etc.
Note: potential trade-off between wage gains possible and opportunities to migrate

- McKenzie, Theoharides, Yang (2014)
Policy options to facilitate (or reduce) migration

• Information: Revealed preference may not be optimal if migrants misinformed; expectations may not be correct

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad \text{s.t.} \quad C \leq \lambda B
\]

E.g. Travis Baseler & Mahesh Shrestha talks; Information campaigns to reduce irregular migration also based on this idea (see Tijan Bah talk)
Policy options to facilitate (or reduce) migration

- Pre-departure orientation training:

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad \text{s.t. } C \leq \lambda B
\]

- E.g. PDOS program in Philippines
  - Information/training on legal rights, customs abroad, remittance costs, escaping abuse
  - Barsbai et al. (2021) - a 2.5-hour pre-departure orientation seminar and an accompanying paper handbook, has no effect on employment, settlement, and subjective wellbeing, but leads immigrants to acquire fewer new social network connections
  - Targeting?
Policy options to facilitate (or reduce) migration

• Migration is really risky and uncertain:

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s.t. C \leq \lambda B
\]

• Risk and risk preferences embedded in decision – not many policies out there which provide insurance against decision not working out

• **Batista and McKenzie (2021)** – in lab experiments uncertainty big impact on migration.

• Insurance bundled with loan in Bryan et al – don’t need to repay if lots of rainfall at destination that limits jobs.
Fears

- Knightian uncertainty – unquantifiable uncertainty about migration important
  - Will I fit in at destination, like living there, make friends, what will the job conditions be like, etc?
  - Hard to insure against/verify

- Also hard to visualize what you are giving up by not migrating – psychological biases

- Policy implications:
  - Visualization approaches/VR?
  - Come-and-see/short-term programs? (some used for returning migrants)

- See Fears and Tears
Policy options to facilitate (or reduce) migration

• Not just about wages – amenities matter too, but less researched

\[
\max_{m \in M} E[U(W_m, A_m) - U(W_H, A_H)] - C \quad s.t. \quad C \leq \lambda B
\]

• E.g. Qiu et al. (2021) – uses housing lottery in China that provided poor households with new house in same county with better amenities (electricity, water, sanitation etc.) & better access to public schooling
  • Finds this improved housing reduces rural-urban migration, especially for households with children

• “Rootedness” policies – increase attachment to home community?
Other types of migration policies – at destination

• Financial access & literacy for migrants and their families
  • Savings accounts, and savings for different purposes – e.g. to overcome information asymmetries
  • Financial education for migrants, remaining family members, or both
  • Improved remittance products

• Improving linkages with home communities
  • Home-town associations and diaspora groups
  • Communal remittances programs like 3x1
  • Diaspora investment programs

• Integration programs
Other types of migration policies – preparing for potential return/upon return

• Removing regulatory barriers
  • Dual citizenship
  • Pension portability

• Making it easier to find jobs at home
  • Jobs databases/Jobs fairs
  • Go-and-see visits

• Financially incentivizing return
  • Assisted voluntary return
  • Pay-to-go programs
  • Temporary return of qualified migrant programs
  • Tax incentives

• Reintegration programs
  • Start-up funding/loans for setting up businesses
  • Skills recognition programs
Challenges for researching migration policy

• Migration is a rare event
  • In random sample of population, most people unaffected – need to target
  • Focus also on measuring intermediate steps – a lot has to happen to see migration

• Measurement of outcomes challenging when people moving
  • Tracking protocols crucial/admin data not always there

• Importance of measuring beliefs
  • Migration depends on expectations/information people have

• Measuring welfare improvements more challenging with big changes in location
  • Not just increase in income, but change in amenities (closeness to family, culture, public institutions like schooling, weather, etc.)
  • Reference groups may change
  • Measure multiple dimensions of well-being, including mental health

• What treatment effect is being estimated/for whom?
  • Compliers will differ according to treatment context
  • Borjas/Roy model suggests those who self-select into moving have biggest gains
  • But if liquidity constraints/information issues/fear is issue, those who have biggest potential gains may be the least likely to move.