# Migration policy for Development Economists

**BREAD-IGC Virtual PhD Course, Spring 2022**

David McKenzie, *World Bank*

# 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 and Yang (2015) [Evidence on Policies to Increase the Development Impacts of International Migration](#). World Bank Research Observer 30(2): 155-92

- McKenzie and Yang (2022) [Field and Natural Experiments in Economics](#). Handbook of Methods in Migration Studies, forthcoming.

- 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.



Catherine Rampell
@crampell

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.

forbes.com
The H-1B Visa Lottery And America's Bad Immigration Law
U.S. immigration law has become so inadequate USCIS will reject up to 82% of the H-1B registrations in the recent H-1B lottery.



By **Sarah Todd**
Senior reporter, Quartz and Quartz at Work
Published April 12, 2022

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

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

| 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

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

- 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.
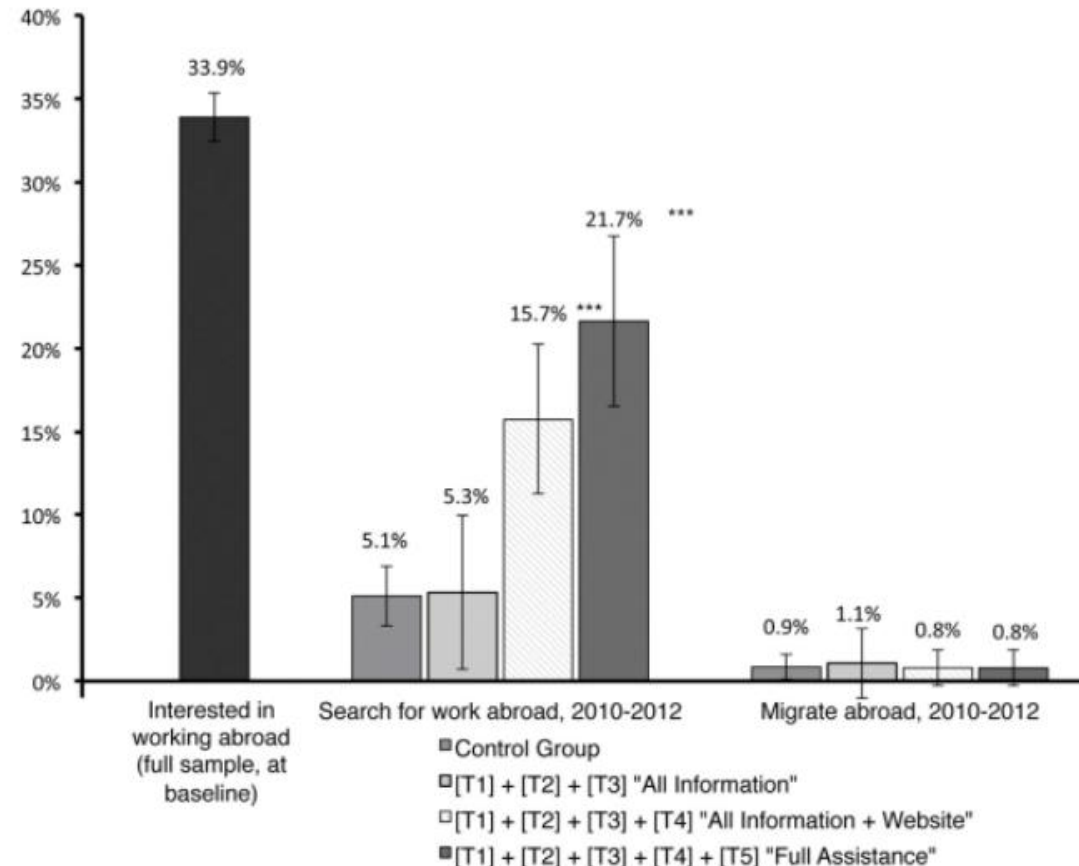
# E.g. 2 [Gaikwad et al. (2022)](#)

- 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

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

- 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)

TABLE 5—EFFECT OF A CHANGE IN DOMESTIC HELPER MINIMUM WAGE ON DOMESTIC HELPER HIRING

| | Full sample | | Balanced panel | |
| --- | --- | --- | --- | --- |
| | log count | log wages | log count | log wage |
| *Panel A. Nonminimum wage countries as control* | | | | |
| Binding increase in minimum wage | −0.605* | 0.238*** | −0.642 | 0.289*** |
| | (0.341) | (0.073) | (0.392) | (0.074) |
| Observations | 327 | 324 | 279 | 276 |
| $R^2$ | 0.918 | 0.907 | 0.910 | 0.942 |
| | | | | |
| *Panel B. Other industries as control* | | | | |
| Binding increase in minimum wage | −0.565** | 0.377*** | −0.641** | 0.413*** |
| | (0.225) | (0.057) | (0.240) | (0.058) |
| Domestic helper | 2.172*** | −0.711*** | 2.717*** | −0.710*** |
| | (0.521) | (0.068) | (0.510) | (0.068) |
| Observations | 1,828 | 1,814 | 1,487 | 1,481 |
| $R^2$ | 0.648 | 0.377 | 0.649 | 0.370 |

# Policy options to facilitate (or reduce) migration

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

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

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:

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

- 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

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

- 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.