An Economic Lens on International Migration

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It has become indisputable that the current volume of international migration is unprecedented, increasing, and with profound, global humanitarian impact. The numbers for 2015 indicated that there were 244 million people living outside of their birth country. Broadly referred to under the umbrella of mixed international migrants, this includes those both forced and willing, as well as those either seeking or who have obtained asylum or refugee status. The economic implications of mixed migration are often overlooked in comparison to the humanitarian lens. Studying these patterns through an economic lens can provide stakeholders with a useful framework for identifying an actionable and pragmatic response to the growing problem. Passing inclusive legislation that supports the integration of mixed migrants into host economies, while maintaining social and financial ties to home countries, can help manage movements and mitigate negative regional economic effects. This involves host countries ensuring that the tools and resources necessary to integrate—language training, subsidized education, skills training, and job opportunity—are readily available upon arrival. This also requires host countries to provide supporting infrastructure to allow migrants to easily engage with their home countries through cash transfers and free mobility, without fear of being denied reentry. The study of mixed international migration is interdisciplinary; the economic lens cannot be omitted from the discussion.

To better understand the breadth of the situation, consider that as of 2017, 65.6 million people are classified as having been forcibly displaced; growing at a rate of 20 people per minute. Of this number, 41 million people have been displaced within their birth countries due to internal conflict. More than 21 million people currently hold refugee status. Overall, mixed international migrants make up 3.3 percent of the world’s population today, up from 2.8 percent in 2000. As evidenced, reasons for migrating are onset by different catalysts that sometimes resemble one another, culminating into confusing terminology. Migration onset by natural disasters, war, persecution, and conflict are often classified as forced migration. It is important to note that while it may seem logical that refugees fall under the forced migrant category, there is a distinct legal difference between what constitutes a refugee and a forced migrant. Broadly speaking, refugees are differentiated by their international legal protection, established in the 1951 Geneva Convention. Driven by the fear that remaining in their home country poses a threat to their livelihood or freedom, refugees are guaranteed nonpersecution, nondiscrimination, and nonrefoulement in host countries under the Convention. Nonrefoulement is a principle of international law that prohibits host countries from returning refugees to a country in
which they will be endangered by persecution. The number of refugees globally has now reached 22.5 million people and is increasing at a rate of 28,300 people per day.

Economic migrants, frequently excluded from many studies on mixed migration, often leave home in search of a better quality of life and more job opportunities. Albeit deemed as voluntary, recent history has shown that external factors such as poverty, famine, and starvation blur the lines between these descriptions. For purposes of this report, language on mixed migration will be inclusive of economic migrants.

Mixed migration tends to disproportionately impact the economies of the developing world due to the proximity to many conflicts. Africa hosts more than a third of the world’s forcibly displaced population, and the largest number of Internally Displaced People (IDPs)—leaving the financial burden on governments that are often unable to provide adequate support. At this moment, more than 20 million people face famine across four critically threatened nations—Yemen, South Sudan, Somalia, and Nigeria. In the case of Yemen, it is estimated that 18.8 million people need humanitarian assistance, up 3 million from January 2017. Yemen’s crisis results from a proxy war between Saudi Arabia and Iran, and has forced nearly 50,000 people from the country in the last two months alone. Ongoing and worsening conflicts in Syria and Iraq have significantly impacted neighboring countries. These conflicts have taken a toll on Lebanon’s social and economic growth, caused deepening poverty and humanitarian needs, and exacerbated previous development constraints in the country. With the highest share of refugees per capita in the world—an estimated 1.5 million, of nearly a quarter of its population—a recent World Bank report on Lebanon estimates that the government has incurred losses of over $13 billion since 2012.

Outside of the developing world, many Western nations have experienced increases in mixed migrants as well. An estimated 1.3 million people sought refugee status in the European Union in 2015 alone, surpassing the past record of 670,000 following the fall of the Berlin Wall and the 1990s Yugoslavia conflict. A small nation of 9.5 million, Sweden is expected to have taken in a number of refugees totaling nearly 2 percent of its population, more acceptances per capita than any other European nation. As indicated in a 2016 International Monetary Fund (IMF) report, The Refugee Surge in Europe, Economic Challenges, the fiscal cost of those seeking asylum reached 1 percent of Sweden’s gross domestic product (GDP) in 2016. In the same year, Denmark spent 0.57 percent of its GDP, and Germany spent 0.35 percent of its GDP on this. Support includes housing, education, health care, and other forms of livelihood necessary during the asylum application process.

While these percentages may seem low, consider the United Nations target that the 28 Organization for Economic Cooperation and Development (OECD) countries should allocate at least 0.7 percent of their gross national income (GNI) to all of their official development assistance (ODA). Aid flows from OECD donors in 2015 totaled $131.4 billion, of which $12.1 billion, or 9.2 percent of ODA, went to supporting the inflows of those seeking refugee status within donor borders. In 1961, the Development Assistance Committee (DAC) was established as a member-driven entity committed to promoting development cooperation and policies that contribute to sustainable growth. A 1988 DAC rule allows donor host countries to count certain costs associated with the first year of supporting a refugee as ODA. This shifts funds away from general development cooperation and minimizes the amount of assistance being sent to the world’s poorest nations. Changes in spending fluctuate with the volume of refugees that host countries are receiving and processing. In 2016, the biggest
increases in spending on refugee support services as a percentage of ODA were seen in the following donor countries: Finland (3 percent to 12.3 percent), Germany (16.8 percent to 25.2 percent), Italy (24.6 percent to 34.3 percent), and Norway (10.8 percent to 18.4 percent). Some of these increases were drastic, and happened over the span of only one year. Reallocation of foreign aid to in-country support service funds may be troublesome. If the world’s largest development donors strip assistance to the world’s most impoverished recipients, conditions could deteriorate.

The prevailing narrative of mixed migration hinges on the economic burden faced by host countries. If host countries shift funds around to finance this burden, they are doing the developing world an injustice. If they finance the support of refugees in addition to their general development assistance, many argue that they are doing their tax payers an injustice. In fact, those host countries that have been more liberal on the front end in their support of mixed migrants—financial and otherwise—have seen significant growth in their economies. The tricky part is sustaining that momentum and turning it into long-term gain.

Many EU host countries have laws prohibiting those seeking asylum or refugee status from legal means of employment while undergoing the review process. Since this process can take several years to complete, many go without work, live off federal resources, or resort to the informal economy in the interim. In the United Kingdom, those seeking asylum or refugee status are only allowed to apply for a work permit if 12 months have passed since the date of their application submission. Even following this wait time, migrants are prohibited from starting their own business and cannot be self-employed. They have only 28 days to establish a private residence, which is generally not enough time to gather necessary funds and an understanding of how the local real estate market operates to secure housing. Preventing this population from entering the workforce creates an environment that encourages dependence on the government, rather than self-sufficiency. Not only does this hurt their skills attainment and employment marketability, but it costs the host government a great deal, without investing in a potential future return.

Sweden has historically prided itself on offering sanctuary to those in need, taking in significant numbers of Danish Jews during World War II. Sweden was one of only three EU members that did not restrict the labor market or welfare system to new EU member states after the 2004 expansion. In 2016, the economy of Sweden had its biggest boom in five years, with 4.5 percent expansion. The government offers incentives to certain employers to hire mixed migrants—spurring job availability for the newcomers. It established a scheme called “step-in jobs,” subsidized employment in both the private and public sector, combined with language training. The idea is that migrants will fill these step-in jobs in the interim while looking for more permanent work. The government has also encouraged the latter through “new start jobs,” which are meant to act as the next step for migrants after completing step-in jobs. The new start job initiative offers social security and tax benefits to employers who participate. Studies by Sweden’s National Audit Office have shown a correlation between these programs and a migrant’s eventual participation in the regular labor market.

Canada, much like Sweden, has been largely successful with handling its recent influx of refugees. In 2016, Canada accepted 46,700 refugees, the largest number in a single year since its 1976 Immigration Act. Shortly after being processed, Canada places the accepted refugees through language training. By August 2016, 67 percent of accepted refugees in Canada—apart from those in Quebec—were enrolled in a language program either sponsored by government-assisted refugees
(GARs) or privately sponsored refugees (PSRs) programs. Refugees originating from Syria are given permanent legal residence immediately, bypassing the traditional legal application process, allowing them the same access to employment as that of Canadians. One of Canada’s most successful initiatives has been its encouragement and support for private sponsors of refugee families and individuals. The Canadian government provides the initial funds for arrival, transportation, and necessary medical procedures. It also organizes information fairs across the country—aiming to convene potential sponsors with refugee families, and educate them on the process of sponsorship. Private sponsors agree to fund an individual or family for one year, after which families are expected to have achieved financial independence. This allows refugees the support they need to feed and house their families while seeking employment and self-sufficiency. This also lessens the financial burden on the government, and disseminates it across several actors.

As evidenced above, a Sweden- or Canada-like system requires heavy federal investment, one that costs a significant percentage of a host country’s federal budget. However, as evidenced in the case of Sweden, the integration of migrants into Swedish society through economic access and language education allows the government to later regain those funds through tax collection and formal financial contribution. Recent literature on the factors impacting the likelihood of a migrant’s integration suggests that employment is the key determinant. Understanding the local language correlates to a migrant’s success in the labor market. However, full-time employment can help a migrant acquire the language much quicker. Frequently referred to as “the Swedish experiment,” this proves that a surge in mixed migrant movement can trigger growth if approached with resource allocation on the front end that supports basic human needs to free up migrants to focus on attaining a more secure financial status.

While efforts undertaken by Canada and Sweden have proven fruitful, host countries in the developing world do not always have the capacity to support similar programs. There are other ways in which developing host nations can manage increases in mixed migration inflows. It is important for host countries to enable migrants to maintain ties with home countries. When discussing migration flows in the developing world, keeping strong ties back home plays an important role in a migrant’s eventual return given the geographic proximity of their relocation. A study by the International Organization for Migration (IOM) shows linkages between a country’s promise of economic resurgence and a maintaining involvement of diaspora groups. This interest can be magnified if migrants have a role in the restoration of their homeland post-conflict or disaster. Per a 2010 United Nations High Commissioner for Refugees (UNHCR) report, “the most critical resource for development is people connected by transnational networks.”

The remittance process is one example of this concept operationalized. In 2015, the World Bank estimated that remittances sent to developing countries had totaled $431.6 billion, an increase of 0.4 percent from 2014, and was double the size of ODA. After foreign direct investment (FDI), remittances are the second most significant source of foreign capital in the developing world.
Graph 1: Indicator trends in the developing world (billion US$)

Data source: World Bank Indicators.

A 10 percent increase in the share of remittances received in a developing country correlates with a 1.6 percent decrease in the same country’s poverty levels. In one study across Egyptian households, those whose income was supplemented by any international remittances saw a 9.8 percent decline in their household poverty—thus making it less likely for future flows of economic migration. Ria Financial, a multinational money transfer organization (MTO), found that between 2 and 15 percent of remittance flows to developing countries intended to either help fund the launch of a new business or help an existing business grow. The impact of remittances to countries with the largest diaspora communities across Europe—Morocco, Jordan, Turkey, Senegal, Egypt, and India—produced results showing a significant impact in the early stages of launching a business. Without this help, these nations generally lack capital access, which inhibits the growth of small and medium enterprises (SMEs).

In the case of the Syrian crisis, hawala brokers (“hawaladars”) provide courier services to transfer money to Syria from abroad. Often these hawala services are unregistered and unchecked by the formal banking economy, to ensure the funds are directly received by the intended household with no federal intervention—a type of informal remittance process. Due to this, the actual value of moving funds from refugee to Syrian household is often a much higher number than what is recorded. The hawala—which translates to “transfer” in Arabic—design is an intricate system that has had real impact on the income per capita in Syria. In many remote and rural areas without much federal intervention, unregistered hawalas go beyond transporting funds to families—delivering funding to humanitarian
organizations managing development projects on the ground. These funds allow development assistance to continue operating long after some entities have lost traditional finance resources. Albeit informal, unregulated, and often with higher fees than in the formal financial sector, this process allows Syrian refugees to send cash to their loved ones, and invest in projects that will directly impact their home communities.

Formal cash transfers complement the hawala process in Syria. Between 2006 and 2010, remittances increased from $800 million to $1.6 billion—93 percent coming from the Middle East-North Africa (MENA) region.

Graph 2: Remittance-sending countries to Syria (percent)

India has built on the success of remittances and established an operation for encouraging and managing more complex financial contributions from citizens living abroad. In 2004, India set up a Ministry of Overseas Affairs to encourage Indian migrants to stay engaged in their country’s growth and prosperity. The India Diaspora Investment Initiative was established through this ministry, with the help of the private sector and the U.S. Agency for International Development (USAID). This entity facilitates investment from Indian diaspora communities in critical welfare sectors such as education and health care. The Calvert Foundation facilitates private-sector involvement in this initiative by providing financing through the “note,” which Indian diaspora members can purchase online for as little as $20. Purchasing notes generates short-term capital for Indian financial institutions that they can then use to invest back into communities.

It is in the economic interest of both home and host countries to pursue public-private partnerships (PPPs) such as this to encourage financial engagement from international migrants. Allowing the private sector to play a role in the financing and creation of initiatives that encourage investment takes some of the burden away from federal resources, which can instead be used toward integration support. As demonstrated, if mixed migrants have adequate support from the onset, they have a better chance at assimilating into the labor force later. If they integrate into the labor forces in their host countries, they will be in a better financial position to engage in remittance sending and investment in their home countries. Presenting mixed migrants with an opportunity to engage in the growth of their home countries through financial investments can potentially strengthen their interest in returning home to see the benefits of their investment.

In addition to encouraging financial involvement by international migrants in home countries, it is important for host countries to support migrants’ flexible mobility as a means of maintaining ties. Allowing migrants flexible mobility (i.e., to move back and forth between countries without obstacle) is one way to promote post-conflict repatriation. Returning home while maintaining legal residency in host countries can enable migrants to transfer business and financial activity between the two. Per a UNHCR report on the linkages between mobility and durable solutions to migration, “human mobility can add to the economic, social, political, and cultural life of both the individual and wider communities affected by displacement.” Repatriation plays an important role in the broader economic impact of mixed migration on both home and host countries. Many home countries experience an overwhelming “brain drain” in their post-conflict state if citizens do not return home either to split their time or permanently move back. “Brain drains” diminish local capacity to rebuild institutions after conflict subsides, result in continued reliance on foreign assistance, and increase the chances of regressing back into conflict.

In the case of the Syrian crisis, it is noted that refugees enjoying protected status abroad keep close contact with their home communities and even return periodically. The main reasons for such transits are to visit family members, transfer money, and check on property. Increasing restrictions discourages refugees from taking these visits, thus weakening the binds to their home that could encourage their eventual repatriation. Between 2008 and 2009, there was a wide-scale repatriation movement of Liberian migrants living in Ghana. Those who returned were studied and interviewed on their ease of repatriation by Naohiko Omata of the School of Oriental and African Studies at the University of London. Omata learned that migrants who had kept close social ties within home countries had little issue reintegrating. On the other hand, those who lacked access to those ties returned to tension and uncertainty. It was also discovered that returnees who were not greeted by
close friends and family were unlikely to return to the specific village or region from where they came originally. Instead, the majority remained in the capital city of Monrovia in search of job opportunities. This created an urbanization issue for Liberia with new levels of congestion and a growing need for resources. Allowing migrants flexibility in movement enables them to maintain ties at home and can act as a precursor to the sustainable reconstruction of home countries.

As evidenced, migrants have an increasing role to play in the economic promise of both home and host nations. Host governments must acknowledge that mixed migration trends are not on a decreasing trajectory; it is critical to adapt policies and resource allocation to meet this growing challenge. Policies that support economic integration, while costly at the onset, have the potential to return the investment down the line. Complementing policies that enable mobility, remittances, and voluntary repatriation will help host governments capitalize on the circumstances with which they are presented and will give post-conflict countries a better shot at enticing their population and talent to return to help rebuild. All of this requires the recognition that there is an alternate economics-based way to view migration—one that does not fixate solely on the security or humanitarian view, but is complementary in its efforts and objectives.

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