Journal of Economic Behavior & Organization 112 (2015) 164–186

Contents lists available at ScienceDirect

Journal of Economic Behavior & Organization

journal homepage: www.elsevier.com/locate/jebo

In transit: The well-being of migrants from transition and post-transition countries

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ARTICLE INFO

Article history:
Received 27 September 2014
Received in revised form 20 January 2015
Accepted 1 February 2015
Available online 7 February 2015

JEL classification:
F22
I31
J61
O15

Keywords:
Migration
Transition economies
Well-being

ABSTRACT

The extant literature on migration and well-being has focused on migration's consequences for the receiving countries. In this paper, we ask a different but important question: how much do migrants gain from moving to another country? Using Gallup World Poll data and a methodology combining statistical matching and difference-in-differences, we assess migration's effects on the well-being of migrants from transition economies. We contribute to the literature by showing that in addition to increasing household income, migration enhances subjective well-being and satisfaction with freedom. The results are robust to sensitivity checks. Understanding the causal effects of migration on perceived and actual well-being is crucial for an informed public policy debate and has direct implications for social cohesion and integration policy.

1. Introduction

The recent economic crisis not only increased the demand for social protection but also revived the immigration debate by emphasizing the distributional consequences of immigration on natives in advanced economies.[1] In this study, we address a related but under-studied question: do migrants gain from moving to another country? About three percent of the world's population lives outside its country of birth, and most migrants move from developing to advanced societies, both to maximize their earnings and achieve a better quality of life (Hanson, 2010; Stillman et al., 2015). While migrants improve their material well-being in destination countries (Abramitzky et al., 2012; Clemens et al., 2008; McKenzie et al., 2010), the cross-sectional evidence on the effects of migration on subjective well-being (SWB) and quality of life is ambiguous. For example, while the majority of studies find that migration is associated with unhappiness (Simpson, 2013), immigrants

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[1] See De Haas (2010) for a historical perspective of the immigration debate and Grether et al. (2001) for a political economy view on immigration. Following the policy discourse, labor economists have investigated immigration's economic and fiscal consequences for the host countries (Blanchflower and Shadforth, 2009; Borjas, 1994, 2001; Card, 2005; Dustmann et al., 2010; Ottaviano and Peri, 2012), while development scholars have studied immigration's effects on development in sending countries (Bhagwati and Hamada, 1974; Stark and Wang, 2002).

http://dx.doi.org/10.1016/j.jebo.2015.02.003
0167-2681/

from Western Europe are happier than those from the former Soviet countries in Israel (Amit, 2010; Amit and Litwin, 2010). In another study, Bartram (2013a) finds that movers from Central and Eastern Europe have the same happiness levels as stayers, although migrants from Russia, Turkey, and Romania are happier, and Polish migrants are unhappier than stayers.

While existing studies have looked at the happiness consequences of migration, most of them rely on cross-sectional data and simple OLS frameworks, which fail to deal with endogeneity (Simpson, 2013). Ideally, we would like to have a dataset tracing international migrants before and after the move, thus allowing us to compare the very same migrants with similar individuals who did not emigrate before and after. In the absence of an experiment and panel data tracing international migrants and stayers before and after migration, we rely on statistical techniques in order to retrieve the causal effect of migration or at least mitigate biases coming from observational data. In particular, we employ an empirical approach combining statistical matching and difference-in-differences (DID) to explore the consequences of migration on movers' incomes, subjective well-being, and freedom satisfaction.

Our main results show that migration improves the incomes, subjective well-being, and the satisfaction with freedom of movers from transition economies. The average household earnings gain from migration is about 21,000 international dollars (ID), while the mean life satisfaction benefit is about 1.0–1.2 on a scale of 0–10. Migration also positively affects perceptions of freedom, implying that it presents new opportunities and choices for movers from transition economies. While our results can in principle be interpreted as causal, readers should exert caution when doing so. Being non-experimental, our empirical strategy is subject to several biases and limitations, which we discuss in Section 8.

We study migrants from transition and post-transition societies as they are quantitatively the most significant migration source for the European OECD countries (OECD, 2007) and are key sources of high-skilled migrants for advanced economies in general.[2,3] For example, Poland and Romania were among the top three sources of OECD migrants in 2012 (OECD, 2013). The ex-socialist countries are also geo-politically significant as they border China, Iran, and Turkey, and some are European Union members. Studying transition economies as a group is appropriate as many of them have similar economic conditions and face comparable migration regimes and restrictions.[4]

Studying the well-being consequences of migration is policy-pertinent for several reasons. From the destination governments' point of view, immigrant quality of life is instrumentally important for social outcomes such as public health and productivity (De Neve et al., 2013). For example, positive affect and life satisfaction have beneficial impacts on labor market productivity (Oswald et al., 2009), income (De Neve and Oswald, 2012; Graham et al., 2004), and health (Graham et al., 2004). Happier immigrants are therefore less likely to be dependent on the host nations' welfare and healthcare systems and may integrate more easily (Ivlevs, 2014). Immigrant life dissatisfaction may, however, be symptomatic of a lack of assimilation or social exclusion (Safi, 2010; Sen, 2000). From the sending countries' perspective, emigrant well-being is important not only for issues related to brain drain but also as migrants send remittances and contribute through investments, the spread of ideas, and technology.

This study makes several contributions to the extant literature. First, instead of focusing on a single quality of life dimension, it estimates migration's effects on three well-being metrics, namely income (PPP-adjusted), subjective well-being, as measured by the Cantril ladder of life question, and freedom satisfaction. As such, this paper recognizes that measuring the causes and consequences of migration relying on objective measures (such as income, wages, and employment) provides an incomplete perspective of the true socio-economic impacts of this phenomenon. Second, it studies migration from transition economies to advanced countries. Third, it employs a methodology combining propensity score matching (PSM) and difference-in-differences (DID) to discern, to the extent possible, well-being changes caused by migration. Our results imply that by voting with their feet, migrants from transition economies achieve higher perceived and actual well-being as well as quality of life.

Though not specific to transition economies, research suggests that migrants positively affect destination countries' fiscal outcomes (OECD, 2013) and natives' subjective well-being (Akay et al., 2014; Betz and Simpson, 2013). In addition, Dustmann et al. (2010) show that Central and Eastern European migrants from the 2004 EU enlargement are almost 60 percent less likely than natives to receive various forms of public assistance in the UK. In conjunction with our findings, these results

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[2] This paper uses the list of advanced economies from the International Monetary Fund (IMF) Appendix Table B (2014). This comprises the following 30 countries: Austria, Australia, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Hong Kong, Greece, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, and the United States. Gallup does not poll San Marino. While the IMF considers the Czech Republic, Estonia, Latvia, Slovakia, and Slovenia advanced economies, we include them in the source countries list.

[3] Over 10 million migrants from these post-socialist nations (about 14 percent of all migrants) live in the advanced OECD countries (OECD, 2008).

[4] Transition economies share a common socialist past, recently underwent or are still going through transitions to democracy and market economy, are geographically close, and culturally similar. While severely restricted during socialism, emigration from Central and Eastern Europe (CEE) and the Former Soviet Union (FSU) rose after 1989. Opening the borders, combined with political and economic instability, and ethnic conflict in some countries, induced many transition citizens to vote with their feet. While about 130,000 emigrants left these socialist states to live in advanced economies between 1980 and 1987, more than 1 million emigrated each year between 1990 and 1994 (UN, 2002). The transition countries are: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Latvia, Lithuania, Macedonia FYR, Moldova, Mongolia, Montenegro, Poland, Romania, Russian Federation, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Post transition-countries are the ten member states which joined the EU between 2004 and 2007 (EU-10): Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. Croatia joined the EU in July 2013.