



The economics of international migration: A short history of the debate[☆]



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ABSTRACT

This paper provides a view of progress over the last quarter century in the economics of international migration. I focus on two long established topics and two that have surged in the last decade. Interest in immigrant and assimilation and in the labour market effects of immigration has been kept going by methodological debates and by the diffusion of empirical work from the United States to the wider world. More recently, the difficult politics of immigration policy has fuelled the research agenda and has given rise to a new literature on the forces that drive immigration policy and on the assessment of its effects. Important also is the growth of interest in the causes and consequences of emigration from developing countries. Most notable has been the revival of interest in the brain drain and the wider consequences of the expanding migrant diaspora.

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1. Introduction

The last quarter of a century has seen a flowering of research on migration and immigration. A large empirical edifice has been constructed on a relatively slender theoretical base. And while some topics have faded in importance, others have more than made up for it. The original topics include immigrant assimilation and the impact of immigration on the earnings of non-immigrant workers. The debate on these topics has been kept alive by three things. First, although we have learned a lot, some of the key empirical issues are still unresolved and this had led to ongoing refinement of models, methods and data. Second, studies for the United States (and other settler countries) have been transposed to a widening range of other countries and settings. In Europe this has been fostered by the rapid growth of immigration itself. Third, immigration has been, and still is, a hot political topic. In some cases it has led to a polarization of academics into pro- and anti-immigration camps, and this has added heat, and occasionally light, to the academic debate.

From the late 1990s, it is possible to discern several new waves in the focus and direction of research. Economists have explored dimensions of migration that were previously neglected or that were the domain of other social sciences. Here I focus on two clusters of activity. The first is immigration policy, which includes the analysis of public opinion and the link with policy formation. It also includes the analysis of the effects of policy on the volume and direction of migration and the

characteristics of migrants. A second trend is the growing focus on emigration rather than immigration and on source countries rather than on the destination. This has seen a proliferation of studies on topics as diverse as remittances and refugee movements. But perhaps most prominent is the renewed focus on the brain drain and more generally the consequences of emigration for poor source countries. In choosing to focus on these areas I omit much of the ever widening scope of migration analysis and I make no attempt to be comprehensive.

2. The traditional issues: Assimilation and impact

2.1. The economic assimilation of immigrants

The first issue is immigrant assimilation—the speed and degree to which immigrants catch up with the native born in earnings employment and in other dimensions. The modern literature started with the seminal paper by Barry Chiswick (1978) showing strong wage assimilation for immigrants in the United States. Borjas (1985, 1995) pointed out that if successive cohorts differ in their labour market “quality” then a cross-sectional estimate would be a misleading guide to the experience of any given cohort. The specific focus was the apparent downward shift in the earnings functions of immigrants relative to natives in the United States from around 1970 until the 1990s. Its proximate cause was the shift in the sources of US immigration away from Western Europe and towards poorer countries in Latin America and Asia. Two key findings emerged from this debate. The first is that immigrants do assimilate even if they don't catch up with natives in a single generation. Studies of immigrants in a range of countries support this view, with one important caveat. For most destination countries immigrant assimilation is stronger in employment rates and weaker in wage rates than

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for the United States. Second, there are large differences in the labour market performance of immigrants by source country, even controlling for observables such as education; in general, the poorer the source country the poorer the performance.

The literature on assimilation has spawned two important strands. The first is to discover what initial disadvantages immigrants suffer and how these obstacles are overcome. The most important feature to emerge is proficiency in the host country language. Language proficiency has a sizeable effect on earnings (up to 40%), especially when account is taken of endogeneity and measurement error (Chiswick and Miller, 1995; Dustmann and van Soest, 2001). The acquisition of host country skills and education is highly contingent on language proficiency. Also important is access to immigrant networks (Munshi, 2003). A striking feature of the assimilation literature is that it gets away from an older tradition that consigned all unmeasured differences in immigrant and native earnings to 'discrimination'—a concept that Oaxaca decompositions cannot illuminate. But the cost is a lack of social context: immigrants are seen as assimilating as atomistic individuals in an anonymous soup called the host country labour market. While sociologists have embraced the idea that outcomes for immigrants depend in large part on the 'context of reception' in the host society, economists are yet to take this very seriously.

One thread of the literature that goes part of the way delves into the effects of ethnic concentration (or ghettos) on the assimilation process. If there is discrimination against immigrants in the wider community then individuals may gain by remaining within the ethnic community, something that may be enhanced by specialisation in ethnic goods. On the other hand ethnic communities may involve crowding externalities, negative peer group effects and reduced opportunities for profitable trade. Hence the effects of ethnic concentrations on immigrant outcomes could go either way and the results may differ across ethnic groups and with the characteristics of the individual immigrant.¹ Borjas (1992) finds that the income, education and occupational prestige of second-generation immigrants are inherited partly from their parents and partly, as an ethnic capital externality, from the ethnic group as a whole. The results suggest that there is considerable persistence in performance from one generation to the next, much of it arising from the transmission of ethnic capital (see also Card, 2005).

This strand of assimilation literature has increasingly moved into the territory long occupied by sociologists (see Alba and Nee, 1997). For example, one line of enquiry looks at ethnic identity and the degree to which ethnic minority immigrants choose to define themselves outside (or even in opposition to) the mainstream culture. Overall the evidence suggests that maintaining a distinct ethnic identity is not an impediment for education and employment among those who also embrace the mainstream culture (Casey and Dustmann, 2010; Constant and Zimmermann, 2008). The literature also extends to issues such as civic and political participation, intermarriage and fertility behaviour, health and life satisfaction. And it increasingly treats such variables as outcomes of interest in their own right, rather than as intermediate variables to explain wages or employment. Thus what was becoming a somewhat stale literature has been reinvigorated and broadened by shifting the focus into other disciplinary domains.

The second development stemming from the literature on assimilation is self-selection. Borjas (1987) developed a version of the Roy model to show that immigrants could be positively or negatively selected from the source country population depending on the conditions they face. If the return to skill is higher at home than at the destination, then immigrants will tend to be negatively self-selected on the skills that are rewarded by the labour market. Thus immigrants do not have to be positively selected as is (or was) routinely assumed. The

implication is that migrants from countries that are poor and unequal relative to the destination are more likely to be negatively selected. However this neglects the costs of immigration. If the costs vary less than in proportion to earnings then this will offset negative selection by making migration less attractive to the low skilled.

The Roy model has been at the heart of a large number of empirical studies. While it was originally invoked to explain the performance of immigrants in the host labour market, attention subsequently turned towards more direct assessments of self-selection into emigration from the origin country. Again the initial focus has been on immigration to the United States, especially from Mexico. Following Chiquiar and Hanson (2005) a number of studies have compared the characteristics of immigrants with non-immigrants in the source country. Broadly speaking the results suggest that immigrants are drawn disproportionately from the middle of the distribution of education and wages. That would be consistent with higher returns to education attenuating migration from the top of the distribution while higher fixed costs attenuate migration from the bottom. But this leaves aside many other influences on migrant selection, such as pre-existing migrant networks and differences in the incentive to emigrate from rural and urban areas. One of the most important costs is that imposed by immigration policy. Although illegal migration from Mexico to the US is feasible, it is still costly. In the case of Puerto Rico (which is poor and unequal) there are no such barriers and the evidence suggests that migrants to the US are negatively selected while return migrants are positively selected (Borjas, 2008).

Migrants from Mexico and Puerto Rico to the United States are unlikely to be typical; most international migrants face higher policy hurdles and greater costs of migration. Data on the migrant stock in OECD countries from a range of developing countries indicates that those migrants have much higher average levels of education than the source country populations from which they were drawn. Some of this reflects education acquired post-migration but the evidence from surveys of migrant intentions indicates that those with more education are more likely to plan to emigrate. Yet as most of the source countries are poor and unequal relative to the potential destinations that should mean strongly negative selection. One explanation is that potential migrants respond to absolute income gaps, which are larger for the more skilled, rather than relative gaps, which are larger for the unskilled (Grogger and Hanson, 2011). This can explain both the selection from a given source country and the sorting across destinations but it is inconsistent with concave utility. Alternatively positive selection from poor countries may reflect severe poverty constraints (Belot and Hatton, 2012), although their precise nature is hard to identify.² As noted further below, those constraints might be made tighter by skill selective policies, but looser by family reunification policies (for those fortunate enough to have relatives at the destination).

The literature on immigrant assimilation has endured by becoming broader and deeper. It has broadened as researchers have applied the methods developed in the United States to a wider array of countries and settings, and as the concept of what we mean by assimilation has expanded into the social sphere. Richer datasets have helped make this possible and allowed the assessments to include return and circular migration. At the same time the slender theoretical foundation upon which the original assimilation models were built has been elaborated and increasingly refocused on the migration decision and on conditions in countries of origin. These shifts in the research agenda have kept alive a literature that might otherwise have gone into decline.

2.2. The labour market impact of Immigration

In the standard partial equilibrium labour market model, with a downward sloping labour demand curve, an immigration-induced increase in labour supply should reduce the average wage and shift the

¹ A number of studies have addressed the endogeneity issue that arises from migration across localities. Those that choose to migrate away from the ghetto may have superior characteristics and hence the measured effect of ethnic concentration may be partly due to self-selection.

² One reason for thinking that capital market failure is important is the difficulty of providing collateral for a loan, the purpose of which is to leave the country.

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