Can the 'weight of evidence' on impacts shape the future of international migration?

Professor Jacques Poot

University of Waikato

National Institute of Demographic and Economic Analysis
Te Rūnanga Tātari Tatauranga
THE UNIVERSITY OF WAIKATO

NZUK LINK FOUNDATION

SCHOOL of ADVANCED STUDY
UNIVERSITY OF LONDON

LSE
THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

International migration is a global issue

Major international migration flows, 2005-2010
www.global-migration.info

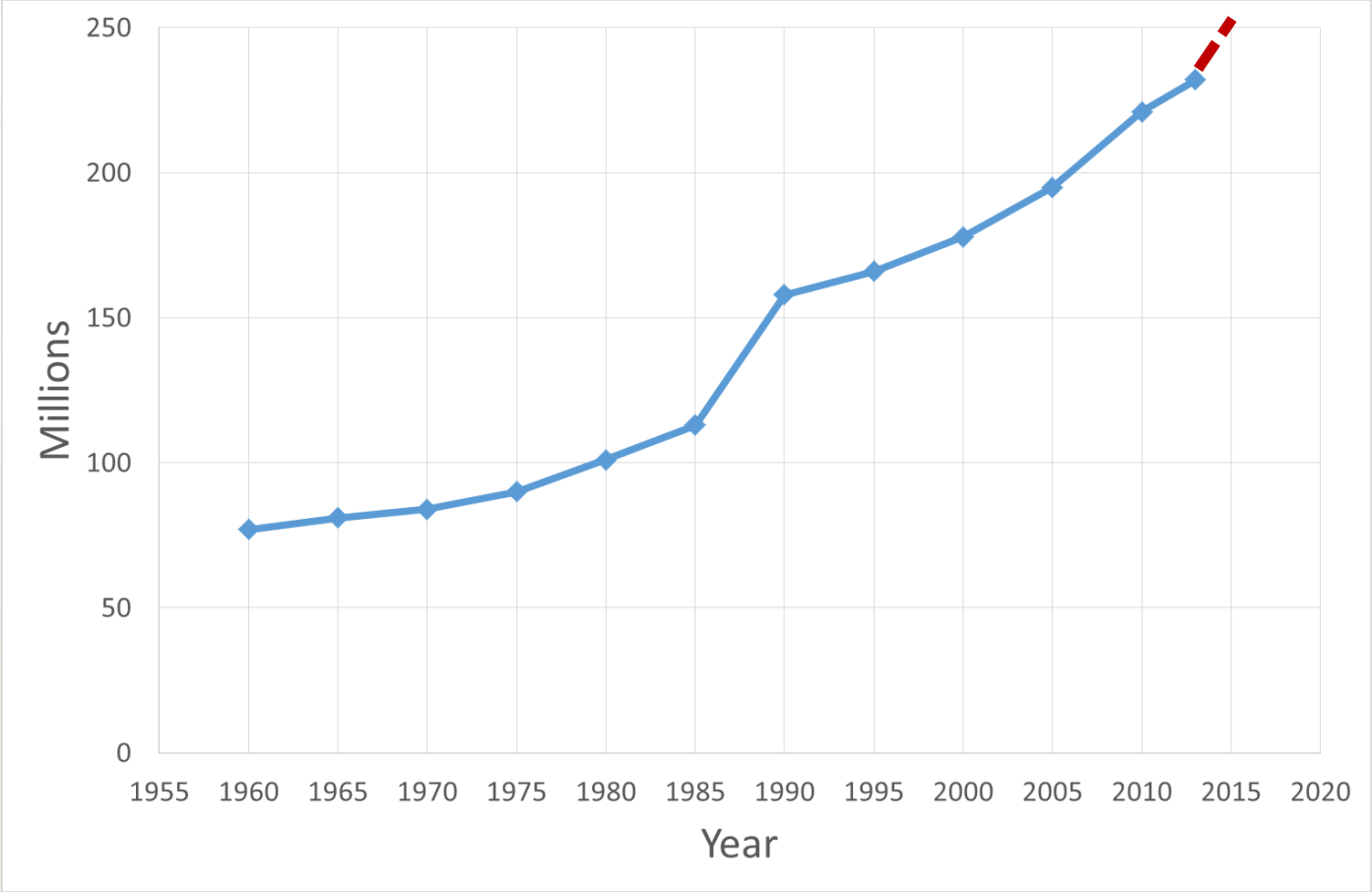
- Cross-border movement: mostly free to leave, less free to arrive, least free to stay
- Similar to other global challenges
  - National sovereignty, but cross-border spillovers
  - The weight of the evidence versus 7 billion opinions
  - The distribution of impacts matters more than the global 'average'

Outline

- International migration policy: big challenge today, even bigger in the future
- What is the “weight of the evidence” regarding socio-economic impacts?
- Using the evidence: the New Zealand experience
- Public attitudes, politics and policies
- The future of immigration policy

The total number of international migrants in the world, 1960-2015

Source: Updated from United Nations Population Division Department of Economic and Social Affairs 2008 & 2013



Growth in the migrant stock, 1980-2013

	1980 (million)	2013 (million)	2013/1980
Africa	13,832	18,644	1.35
Asia	31,957	70,847	2.22
Europe	26,320	72,450	2.75
North America	20,199	53,095	2.63
Latin America & Caribbean	6,111	8,548	1.40
Oceania	3,565	7,938	2.23
WORLD	**101,984**	**231,522**	**2.27**
	1980 (thousand)	2013 (thousand)	2013/1980
United Kingdom	3,357	7,824	2.33
New Zealand	470	1,133	2.41
Percentage foreign born		Around 2012	
London		37%	
Auckland		39%	

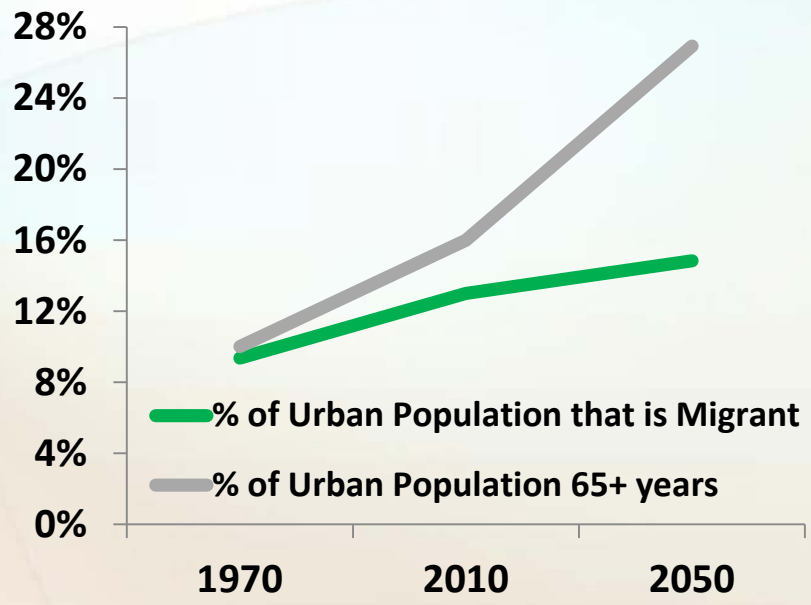
Source:
United Nations Population Division Department of Economic and Social Affairs
2008 & 2013;
Census 2011, UK
Census 2013, NZ

Drivers of future international migration

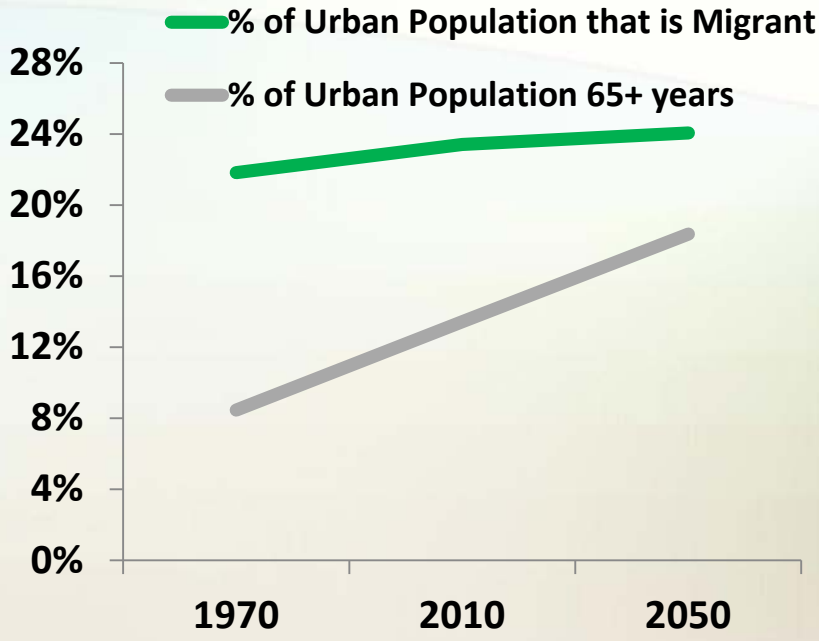
- Huge demographic differences between developed and developing countries
- Persistent cross-country per capita income differences
- Urbanisation and agglomeration
- Further declining costs of mobility and communication
- Further economic integration and footloose capital
- Diminishing attachment to place
- Political instability
- Climate change

Cities of the future

EUROPE

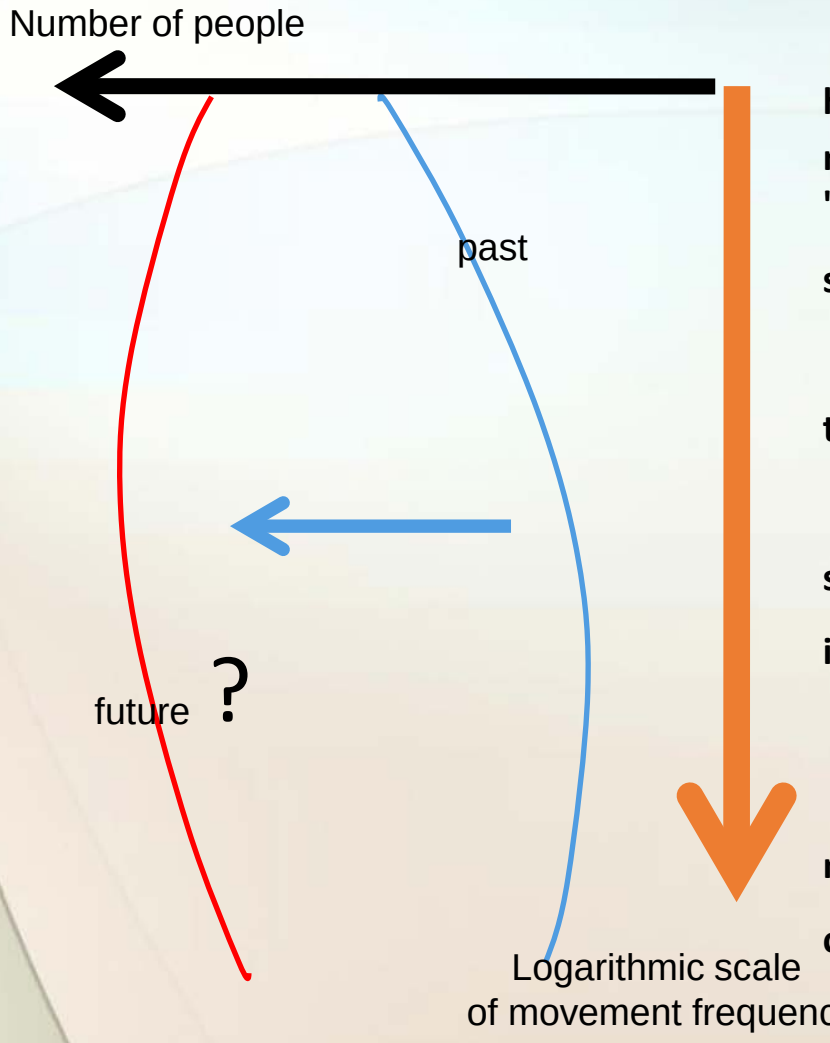


OCEANIA



Poot J and Pawar S (2013) Is Demography Destiny? Urban Population Change and Economic Vitality of Future Cities. *Journal of Urban Management*, 2(1): 5-23. www.jurbanman.com

The migration continuum in terms of the frequency of border crossings



historical migration

return migration; repeat migration (including 'stepping stone' migration)

student migration

temporary migration

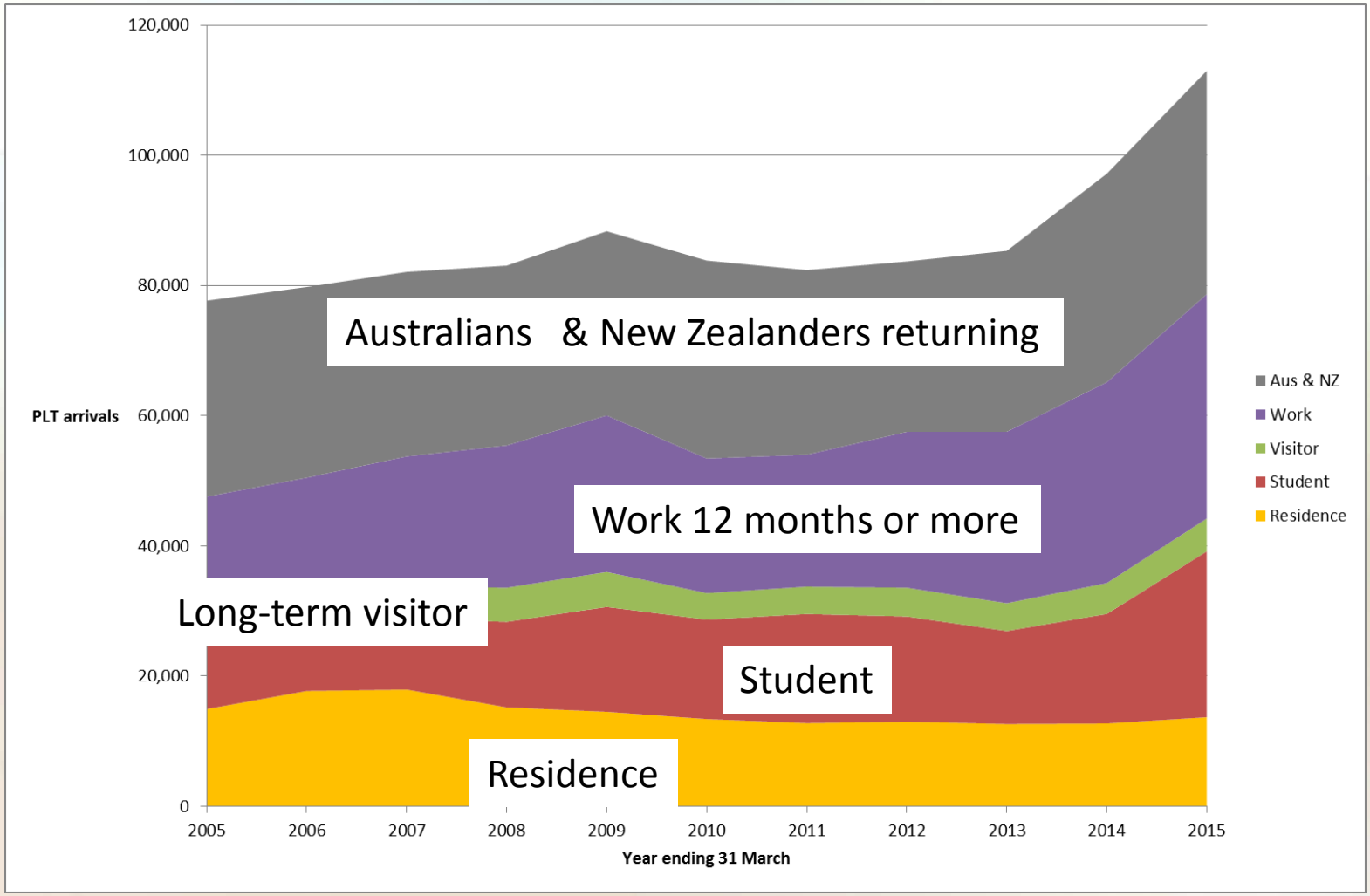
seasonal migration

international job assignments

multi-country residency (e.g. lifestyle or retirement)

cross-border commuting, incl. FIFO

New Zealand's recent experience: the composition of immigration by visa type, 2005 - 2015



Consequences of immigration for the destination countries

- **Migration Impact Assessment (MIA)** provides a scientific quantification of the effects of migration on:
  - Demographic trends (short run, long run)
  - Labour market & income distribution
  - Fiscal revenue & public expenditure
  - Housing
  - International trade and travel
  - GDP, the national account and the sectoral structure of the economy
- but much harder to estimate are impacts on:
  - Technological change and economic growth
  - Social cohesion and attitudes
  - Environment & infrastructure

MIA has a long history in New Zealand

Early contributors:

- Belshaw, H. (1952) *Immigration, Problems and Policies*
- Gould, J.D. (1964) *Some Economic Consequences of Rapid Population Growth in New Zealand*
- Holmes, F. (1966) *Some Thoughts on Immigration*
- Monetary and Economic Council (1966) *Increased Immigration and the New Zealand Economy*

MIA: major advances 1979-90

- North America: a predominant focus on labour markets

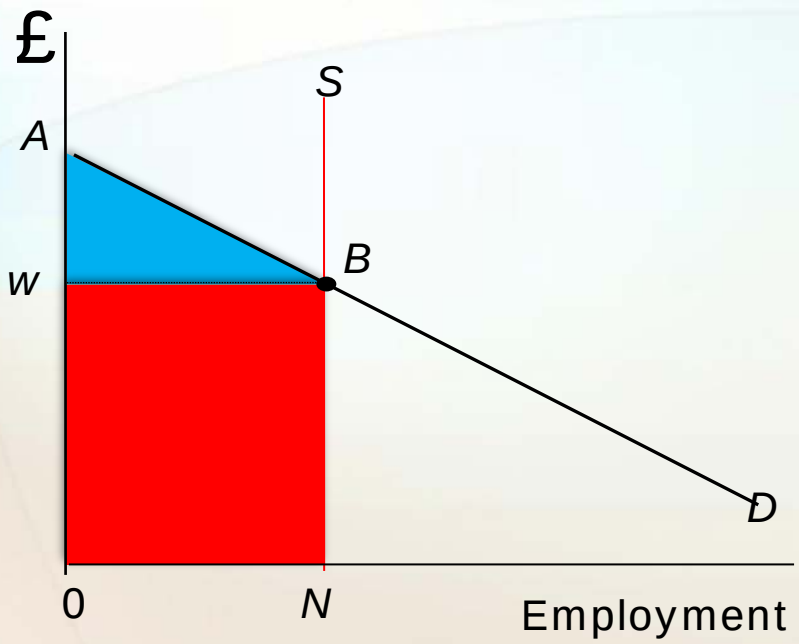
  Key examples:

  - George Borjas, e.g. *Friends or Strangers: the Impact of Immigration on the US Economy* (Basic Books, 1990)
  - Barry Chiswick, e.g. The Effect of Americanization on the Earnings of Foreign-Born Men (*Journal of Political Economy*, 1978)
- Australasia: the first to do comprehensive country-wide MIA with large computer models

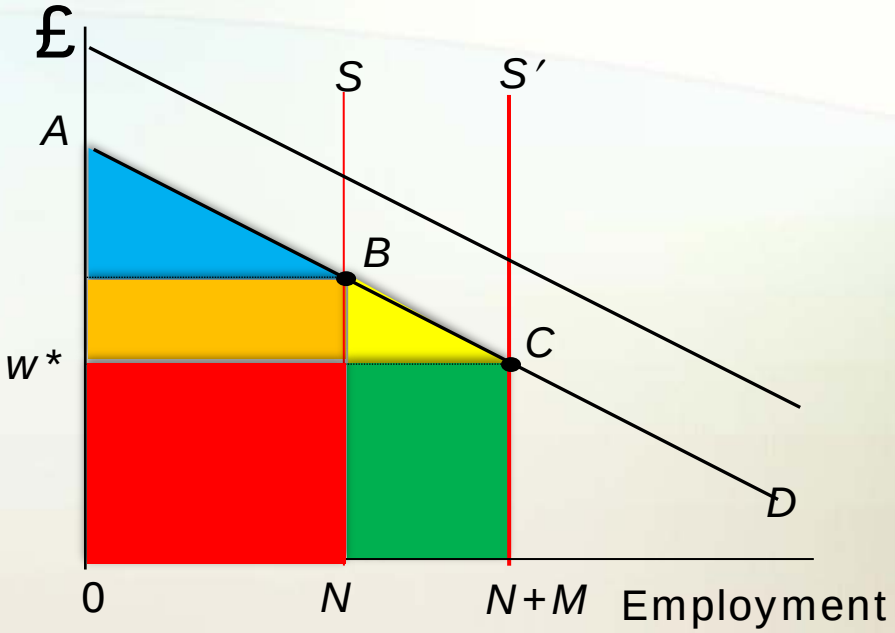
  Key examples:

  - NR Norman and KF Meikle, *The Economic Effects of Immigration on Australia*. (Committee for Economic Development of Australia, 1985)
  - J Poot, G Nana and B Philpott, *International Migration and the New Zealand Economy: A Long-Run Perspective* (Institute of Policy Studies, 1988)
- Europe: immigration research took off later, but caught up quickly

Supply, demand and the simplest MIA



Before additional immigrants



After additional immigrants

Labour market impacts in neoclassical economic theory

- When immigrants and natives in destination countries are **close substitutes** in the labour market and there is no additional capital, the destination country may expect:
  - A decrease in wages
  - An increase in employment overall, but a decrease in employment of the native born
  - A decrease in labour force participation
  - An increase in unemployment
- The impacts on the sending country would be “the opposite”
- If migrants and natives are NOT close substitutes, wages and employment of the natives in destination countries may in fact INCREASE

Classic static welfare analysis: distributional effects

	Group	Loss/gain in aggregate income
Migrant-sending country	Owners of capital	loss
	Workers	gain
	Residents (incl. non-citizens)	loss
	Citizens (incl. diasporas)	gain
Migrant-receiving country	Owners of capital	gain
	Workers	loss
	Migrants	gain
	Residents (incl. non-citizens)	gain
	Citizens	gain
World		gain

Source: Brunow, S., Nijkamp, P. and Poot, J. (2015) "The impact of international migration on economic growth in the global economy". In: Chiswick, B.R. and Miller, P.W. (eds.) *Handbook on the Economics of International Migration*. Amsterdam: Elsevier.

Meta-analysis can provide the 'weight' of the empirical evidence

"Meta-analysis refers to the **statistical analysis** of a large collection of results from individual studies for the purpose of **integrating** the findings."

Gene V Glass (1976) "Primary, secondary, and meta-analysis of research", *Educational Researcher* 5: 3-8.

The number of meta-analyses applications in Web of Science/Economics

Meta-analysis of wage and employment impacts

Study Feature	Wages Magnitude	Employment of the Native-Born Magnitude	Wages Statistical Significance *t* values	Employment Statistical Significance *t* values
Number of studies	18	9	36	20
Number of estimates	344	165	853	495
Average	-0.12%	-0.24%	-0.39	-0.45
Minimum, Maximum	-5.4%, 4.5%	-3.9%, 6.2%	-76.7, 14.7	-9.4, 42.0
Meta-analytic average	-0.21%	0.03%	insignificant	insignificant

Source: Longhi S, Nijkamp P and Poot J (2010) Meta-analyses of Labour Market Impacts of Immigration: Key Conclusions and Policy Implications. *Environment and Planning C: Government and Policy*, 28: 819-833.

Yet more evidence of a zero wage impact: 'natural experiments'

See: D. Card (1990) The impact of the Mariel Boatlift of the Miami Labor Market. *Industrial and Labor Relations Review*, 43: 247-257.

What would that mean for Europe at present?

- Example: Germany 2015
  - Perhaps 2 million immigrants plus refugees, but also 800,000 emigrants
  - Net immigration is then 1.5% of the population
  - That's a quarter of the Miami "labour supply shock"
  - If the impact on big German cities is FOUR times as large as the national impact, it's still quantitatively just like the Miami case
  - But care is needed in 'transferring' research findings

What can explain the 'zero wage impact' puzzle?

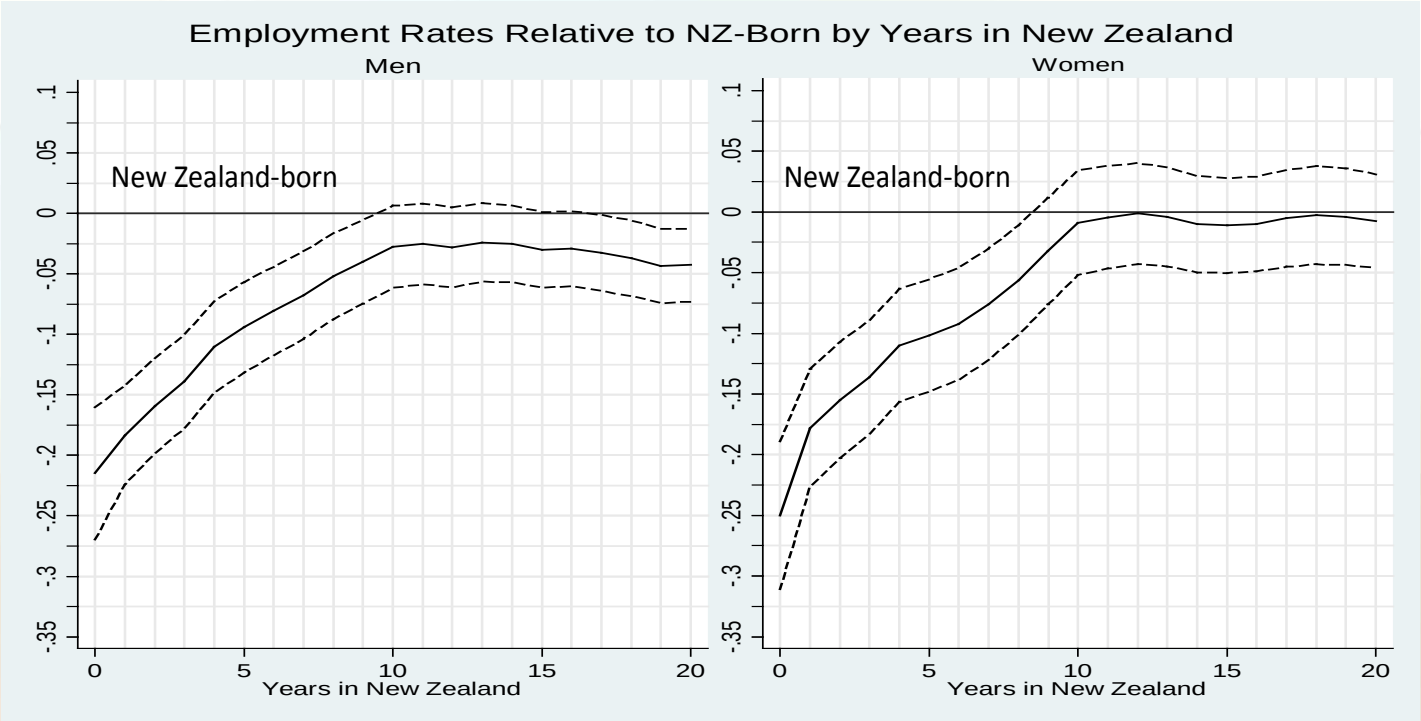
- A larger population does attract more business and capital
- A larger population increases the demand for local services
- Some of the native born move to other areas
- Immigrants and natives often work in different sectors and occupations
- Firms change the output mix: sectors that use relatively more immigrants expand most
- Firms change their production technologies in ways that benefit from the greater availability of immigrants
- Earlier immigrants and locals with similar backgrounds and skills bear the brunt of the impact

The impact on the housing market

- The impact is very localised, affecting only some cities and some parts of cities
- The two biggest determinants of the impact
  - Will locals move out?
  - Will additional housing be built when demand goes up?
- Lessons from the literature (including the Mariel boat lift)
  - 1 percentage point increase in immigrant share of population increases rents and house prices by at most 1%, but a small decrease is also possible
- Reverse causation: immigrants are attracted to booming cities with rapidly increasing rents and house prices

How long does it take for immigrants to catch up to the native born?

Figure 1 Employment rate relative to New Zealand-born by years in New Zealand



Dotted lines indicate 95% confidence intervals

Source: Stillman, S. & Maré, D.C. (2009) *The Labour Market Adjustment of Immigrants in New Zealand*. Economic Impacts of Immigration Working Paper. Wellington: Department of Labour.

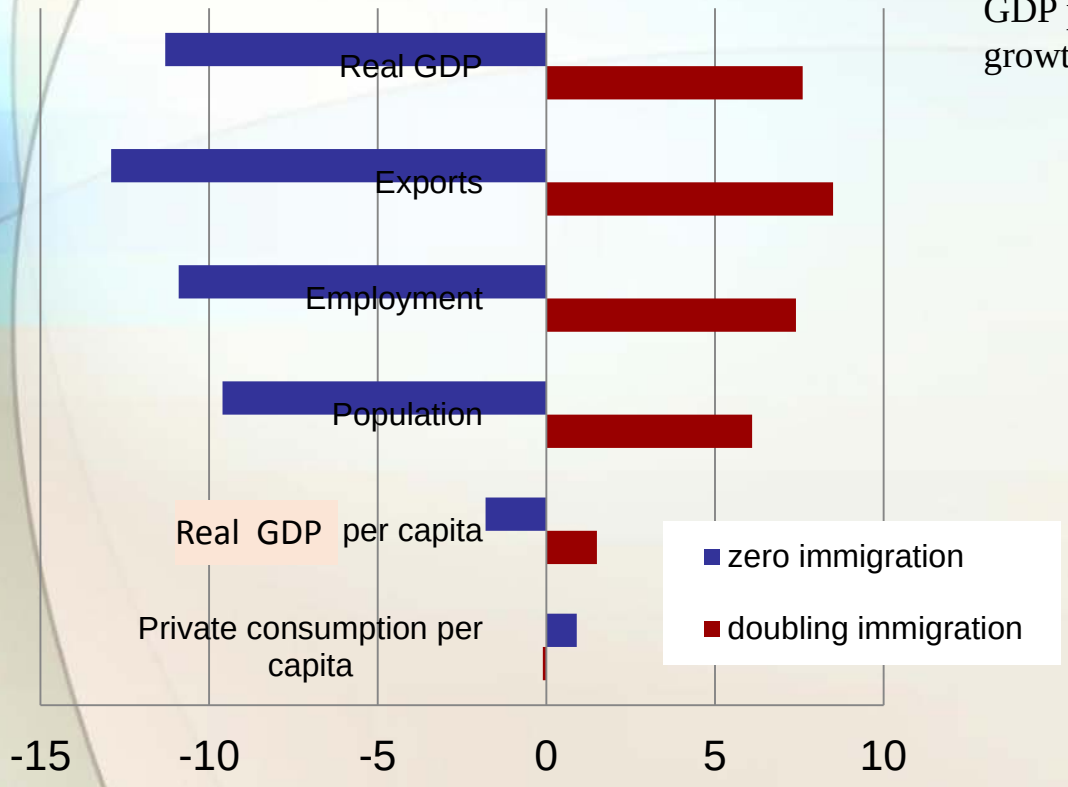
Impacts covered in earlier lectures

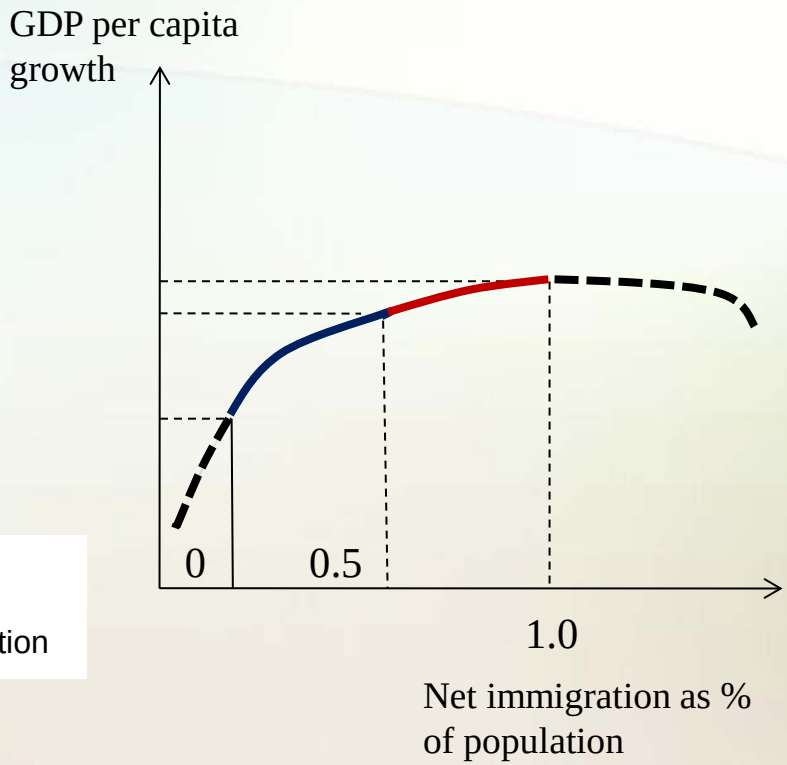
- Fiscal impact (Southampton)
  - Generally, impact on tax revenue is larger than on public expenditure
  - The net impact is more positive for those with higher skills and income
  - The net impact is more positive with increasing years in host country and longer social security waiting periods
- Economic growth and innovation (Oxford)
  - Net immigration “scales up” open economies, but leaves income per capita rather unaffected. Growth effects may take decades.
  - Greater cultural diversity of cities and firms boosts innovation
- Trade, tourism and networks (Leeds)
  - Immigration increases both exports, imports, inbound travel and outbound travel
  - The net impact on the current account balance can be positive or negative and varies across countries

Is it possible to incorporate all effects in one large computer simulation?

- Yes, Central Banks, Treasuries and other agencies have a long tradition of using such models
- For a “large supply shock” analysis, Australia and New Zealand have favoured Computable General Equilibrium (CGE) models
- CGE models are particularly suitable for “what if” policy analysis
- They provide very detailed distributional (micro) effects
- But they also have several weaknesses:
  - Macro outcomes are very sensitive to assumptions
  - More informative for industries than services
  - Cumbersome or impossible to deal with technological change, non-market activities, expectations and monetary factors

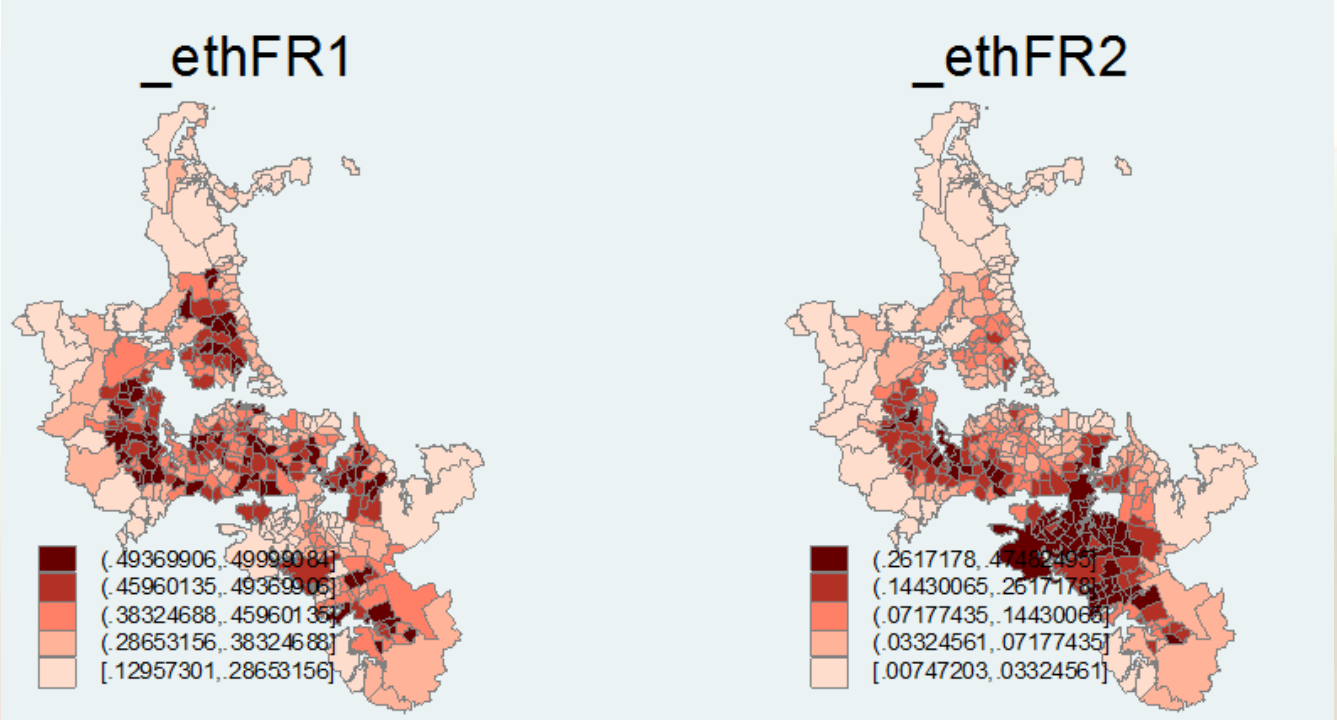
Results of CGE modelling of migration scenarios in New Zealand





Source: Nana, G, Sanderson, K, and Hodgson, R. 2009. *The Economic Impacts of Immigration: Scenarios using a computable general equilibrium model of the New Zealand economy*. Wellington: Department of Labour.

What about social capital and social cohesion?



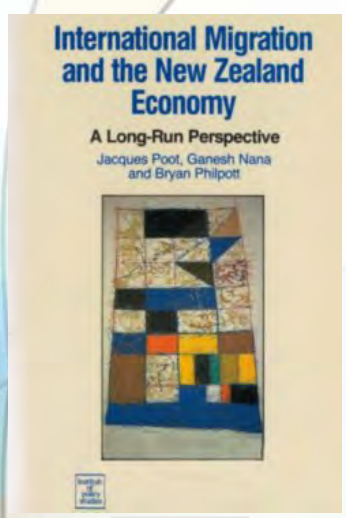
CaDDANZ
Capturing the Diversity Dividend of Aotearoa/New Zealand

Source: Dave Maré (motu.org.nz)

Consequences of international migration for the *sending* country

- Diaspora networks
- Families (income, wealth, health etc.)
- Regions
- Remittances
- Trade and Foreign Direct Investment
- Brain drain versus brain gain (greater school/university enrolments)

Using the evidence for policy: the New Zealand experience



1988

2010

- Research
  - http://integrationofimmigrants.massey.ac.nz/
  - http://www.ngatangata.ac.nz/
  - http://www.caddanz.org.nz/
- Data
  - http://www.stats.govt.nz/browse_for_stats/population/Migration/lisnz.aspx
  - http://www.stats.govt.nz/browse_for_stats/snapshots-of-nz/integrated-data-infrastructure.aspx
- Dissemination
  - http://www.immigration.govt.nz/employers/retain/settlementactionz/sept2015/pathwaysconference.htm

The politics of immigration policy

e.g.

T.J. Hatton (2014) The economics of international migration: A short history of the debate. *Labour Economics* 30(Oct): 43-50

H. de Haas and K. Natter (2015) The determinants of migration policies. IMI Working Paper 117, University of Oxford.

- Voting preferences are influenced by the perceived distributional impacts
  - Businesses versus employees
  - High-skilled immigration
  - Visible vacancies
- Support for immigration is bipartisan in the political 'middle'
  - Benefits to business
  - Globalisation and social justice

Science, information and attitudes

- Misunderstandings regarding impacts continue to shape attitudes to immigration
- There is a disconnect between the weight of the evidence, which has been mainly macro or meso, and the actual experiences, which are mainly micro and local
- Researchers are increasingly moving from a macro to a micro focus
  - e.g. Migrant Diversity and Regional Disparity in Europe

    http://www.norface-migration.org/currentprojectdetail.php?proj=5

The way forward - 1

- Better recognition of intersecting responsibilities and policy domains
- Align social security and other policies with the growing complexity of (temporary) migration
- Don’t set a net migration target and resist large pro-cyclical adjustments in controlled immigration

The way forward - 2

- Better evaluation of settlement and diversity policies at the local level
  - Using mixed methods
  - Improved design
- Better bridging of academic research and policy design
  - Accessibility of the evidence base
  - Secondments
  - Cross-departmental approaches and dissemination

Acknowledgements

National Institute of Demographic and Economic Analysis
Te Rūnanga Tātari Tatauranga
THE UNIVERSITY OF WAIKATO

NZUK LINK FOUNDATION

SCHOOL of ADVANCED STUDY
UNIVERSITY OF LONDON

LSE
THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE