

Economic theories of international migration and the role of immigration policy *[extended provisional abstract]*

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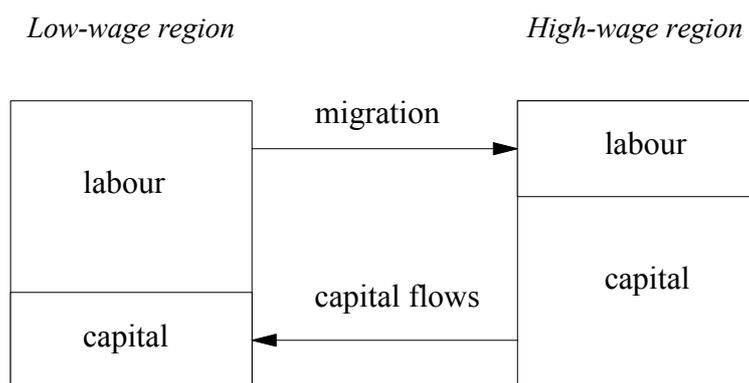
Research Issue

This paper aims to create a new viewpoint on the economic determinants of migration distinguishing migration types which are sensitive and insensitive for immigration policies. It seeks to show that the equilibrium recovering approaches of international migration provide the most adequate explanation of international migration types which are insensitive to immigration policies, while (an extended) dual labour market approach provides the most adequate explanation of international migration types which are sensitive to immigration policies.

Equilibrium recovering approaches

According to neo-classical economic theory, real wage differences between countries give rise to two flows whereby a new international equilibrium is created in which real wages are of the same level in all countries. The first is a flow of low-skilled labour from low-wage countries to high-wage countries. The second is a capital flow from high-wage countries to low-wage countries. This capital flow comprises mainly labour-intensive industrial capital and will be accompanied by high-skilled labour migration. This mechanism leading to equilibrium is well presented by Öberg (1997, p. 24, see *Figure 1*).

Figure 1. Neo-classical mechanisms leading to equilibrium



Both net labour migration and net capital flows will be equal to zero when a new equilibrium is achieved. Thus in this view, net international labour migration is a temporal phenomenon.

Although neo-classical economic theory is used to explain migration flows between countries, it is particularly appropriate with regard to internal migration. In contrast to international migration, internal migration is often less curbed by policies. Currently neo-classical

economic theory can be used to explain international migration flows within the European Union as these flows are also less encumbered by restrictions.

Keynesian economic theory is critical of the neo-classical view on (international) migration. In Keynesian theory, labour supply also depends on the nominal wage, not only on the real wage. This distinction stems from the different views on the role of money in the economy. In the neo-classical point of view money is solely a medium of exchange. The Keynesian point of view is different, because here money is not only a medium of exchange but also a medium of saving. Because of this latter function of money, potential migrants are also attracted to high nominal wage regions. In addition, intentions to re-migrate or to send remittances further increase the importance of the nominal wage level compared to the real wage level. As a result, there may not be a new international equilibrium, as hypothesised by neo-classical economic theory. Nevertheless, in Keynesian theory migration is an equilibrium recovering mechanism too. However, in this theory international migration removes unemployment differences rather than real wage differences.

The dual labour market approach

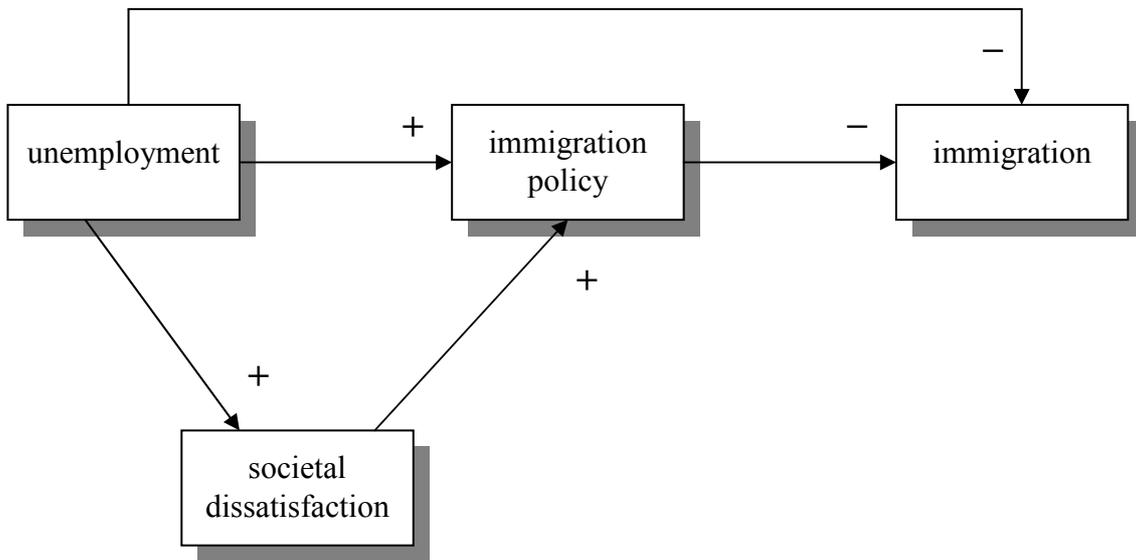
The dual labour market approach divides the labour market into a primary and a secondary segment. The primary segment is characterised by a capital-intensive method of production; the secondary segment is characterised by a labour-intensive method of production. Skilled workers in the primary segment, who are (on the job) trained to work with advanced capital goods, have more social status, a higher income and better employment conditions than unskilled workers in the secondary segment. Jobs at the bottom of the labour market are almost always found in the secondary segment.

Piore (1979) gives three possible explanations for the demand for foreign workers in modern industrial societies: general labour shortages, the need to fill the bottom positions in the job hierarchy, and labour shortages in the secondary segment of a dual labour market. The last explanation is also covered by the first two explanations. General labour shortages lead to vacancies at the bottom positions in the job hierarchy. In addition to general labour shortages, there may be specific shortages at the bottom of the job hierarchy arising from motivational problems and demographic and social changes in modern industrial societies. Motivational problems come about because jobs at the bottom of the hierarchy are often associated with low social status and because the opportunities for upward mobility are generally low. Demographic and social changes in modern societies (i.e. the decline in birth rates and educational expansion) may lead to a relatively small inflow of teenagers who are willing to take jobs at the bottom of the hierarchy in order to earn some money and to gain some work experience. Emancipation of women and the rise in divorce rates too, may be of importance here. In modern societies the aim of working women changed from supplementing family income (which can be earned as part-timer at the bottom of the job hierarchy) into earning primary income. As a result of labour shortages at the bottom of the job hierarchy, employers are compelled to recruit foreign workers.

International migration types which are sensitive and insensitive to immigration policies

There are two reasons why the migration types which are insensitive to immigration policies are not or only rarely affected by immigration policies. Firstly, in many cases the people involved in these migration types are nationals of the receiving country (e.g. in the case of return migration or in some cases of ethnic migration). Secondly, the government of the receiving country assumes that this migration is advantageous to the country (e.g. in the case of high-skilled labour migration). GDP per capita differences and unemployment differences have appeared to be the most important economic determinants of international migration types which are insensitive to immigration policies. On the other hand, migration types may be largely affected by immigration policies. The equilibrium recovering function of international migration, which removes, according to neo-classical and Keynesian economic thinking, differences in real wages and unemployment levels respectively, does not exist for migration types which are sensitive to immigration policies. I argue that unemployment in the receiving country is the most important determinant of international migration flows which are sensitive to immigration policies. International migration between a particular sending country and a particular receiving country may increase even if the difference in economic prosperity between these countries decreases, as, in spite of this decreasing difference, unemployment in the receiving country may lessen. Mostly the economic differences between receiving and sending countries and receiving countries in the case of international migration which is sensitive to immigration policies are very large. Therefore, the number of potential migrants is only modestly affected by slight economic improvement in sending countries in these cases. Actually, there is sound reason why the dual labour market theory is relevant. The dual labour market states that international migration is determined by pull factors in receiving countries. In my opinion, pull factors (especially the labour market situation in receiving countries) still dominate the volume and direction of international migration flows from poorer to richer areas of the world. However, in addition to low-skilled labour migration, this may also apply to other migration types which are sensitive to immigration policies. The labour market situation has not only a direct effect on immigration policies as the dual labour market theory advocates, but may also indirectly affect immigration policies through public opinion. *Figure 2* presents the pull factors that determine the volume of immigration which is sensitive to immigration policies in a potential receiving country.

Figure 2. An explanatory model for immigration which is sensitive to immigration policies



The three upper rectangles and their assumed causalities represent the dual labour market theory, which seeks to describe the pull factors of low-skilled labour migration. This explanatory model also applies to other migration types which are sensitive to immigration policies, hence the inclusion of a ‘societal dissatisfaction’ component. The direct effect of unemployment on immigration policies is probably relatively larger for low-skilled labour migration than for, for instance, family migration or ethnic migration from Eastern to Western Europe.

Methodology

Review of the existing literature on the economic determinants of international migration.

Outcomes

The review of the existing literature which studied the economic determinants of international migration showed that different economic variables had quite different impacts on the different migration types. Nevertheless, we may draw one general conclusion from these quite diffuse results. Unemployment in the receiving country appeared to be the most important economic determinant of migration types which are sensitive to immigration policies (e.g. low-skilled labour migration, family migration and ethnic migration from former communist states to the West), while differences in GDP per capita or differences in unemployment appeared to be important economic determinants of migration types which are insensitive to immigration policies (e.g. high-skilled labour migration, return migration and ethnic migration between former Soviet states).