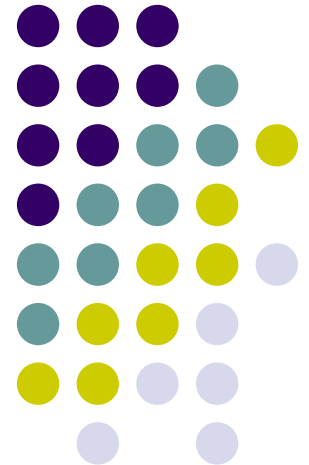


# Let Their People Come

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Center Global Development  
September 15, 2006



# Future of Migration



- Five irresistible forces in the global economy are producing increased pressures for labor mobility
- Immovable ideas of rich country voters are blocking these forces
- The goal is to accommodate forces and ideas to create “politically acceptable *and* development friendly” (which includes human rights respecting) policies for labor mobility



# Five Forces

- Increased global inequality—gaps in earnings of equivalent workers are huge
- Demographic changes—gains from trade depend on differences—and boy are there differences
- Globalization of everything but labor goods, capital, ideas and “beachhead” effects
- Limits of capital/labor substitution and labor saving innovation—hard core non-tradables are the future of employment
- Large changes in “optimal” populations

# Force 1: Location, location, location

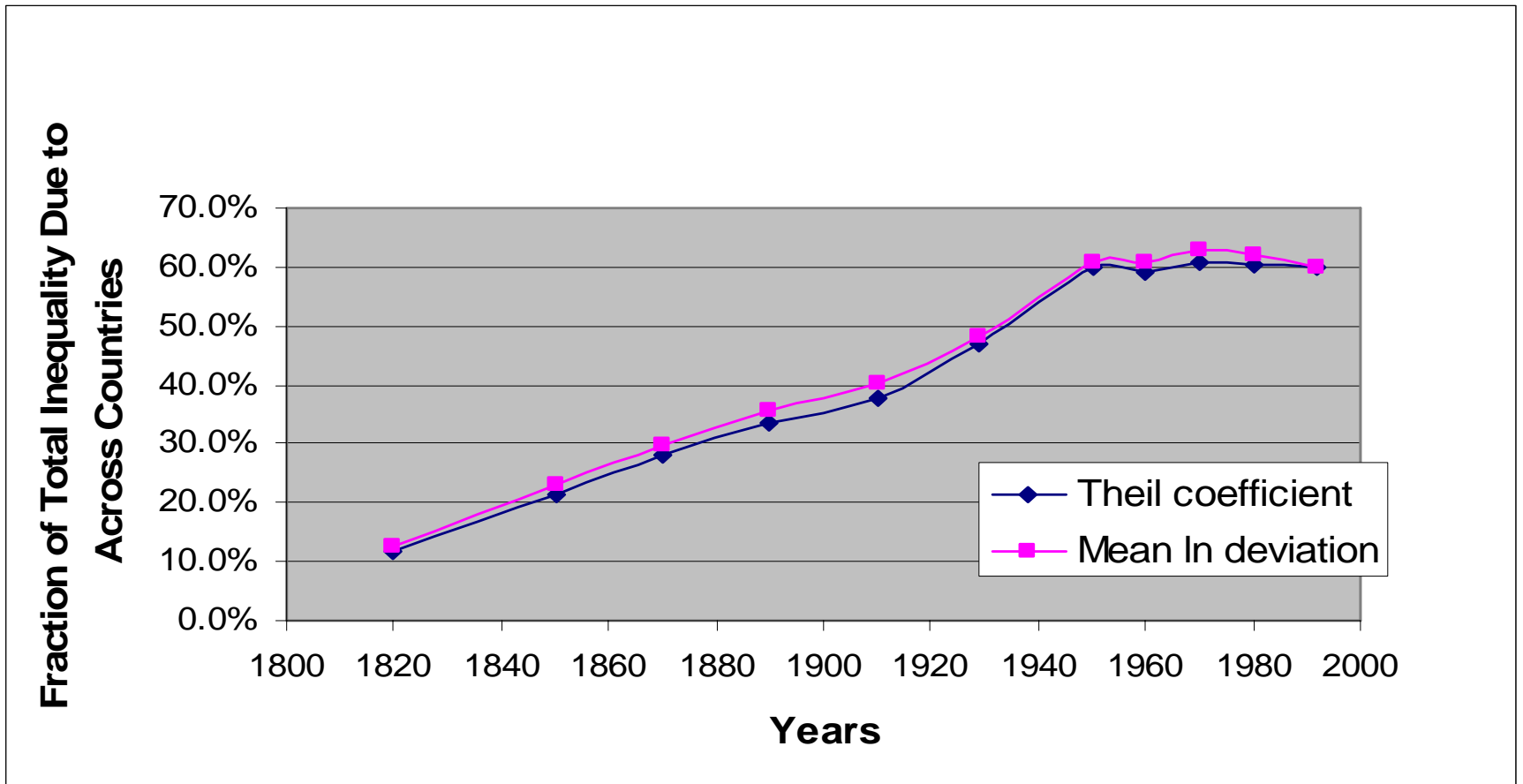
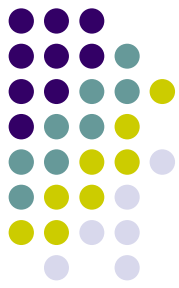
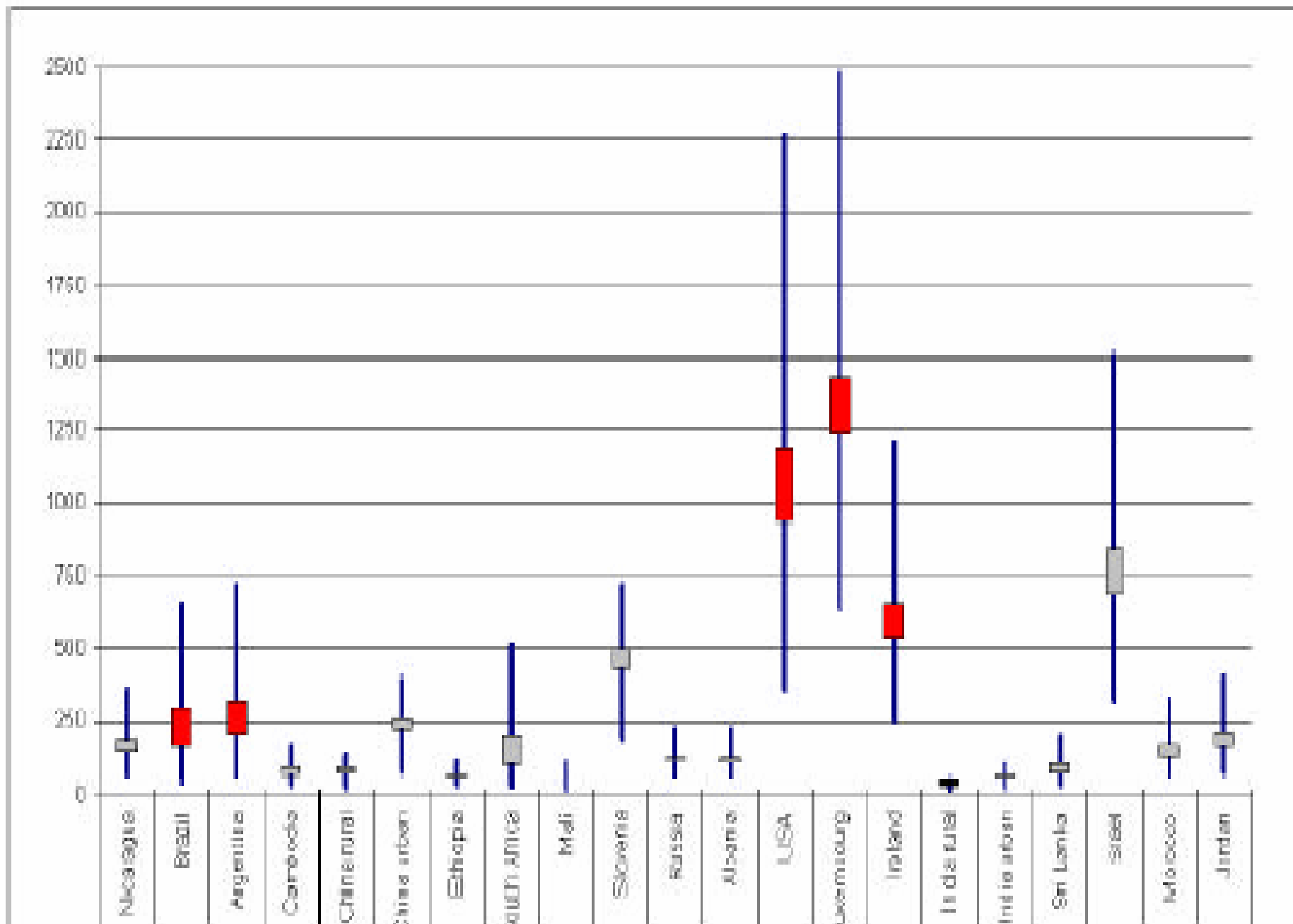
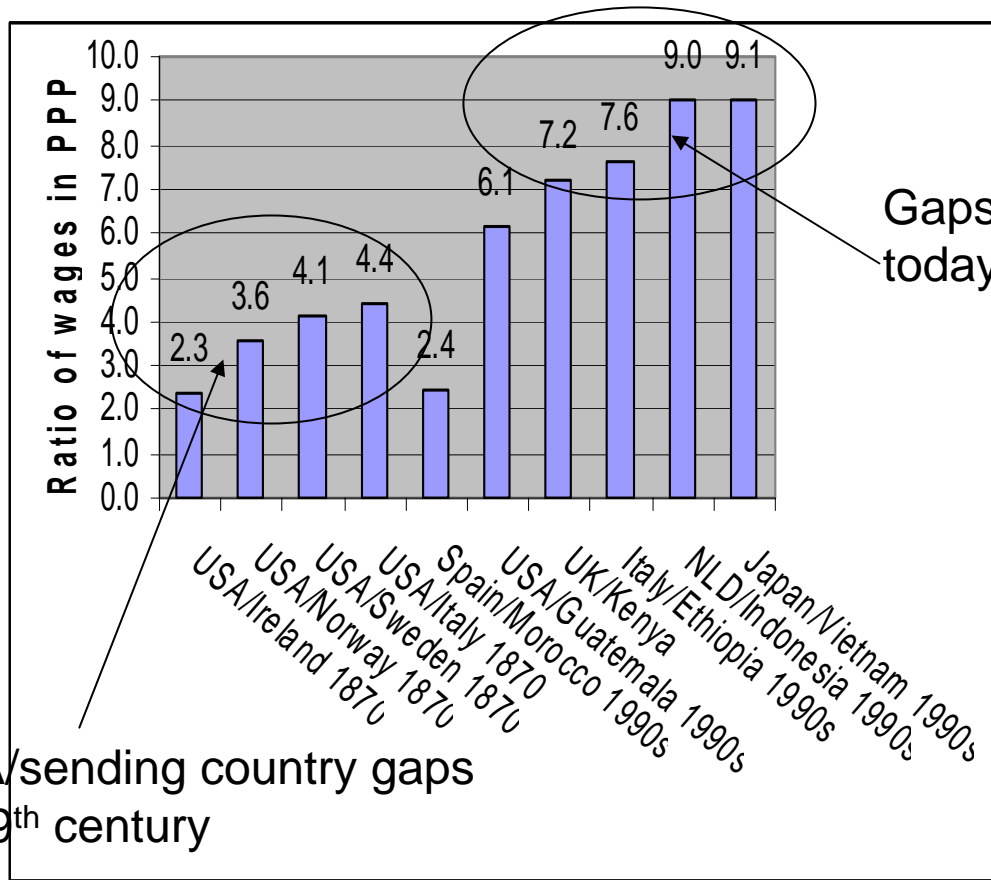


Figure 9.9 Between country comparison of income/consumption box-whisker plots for the 10<sup>th</sup> and 90<sup>th</sup> percentiles, mean and median

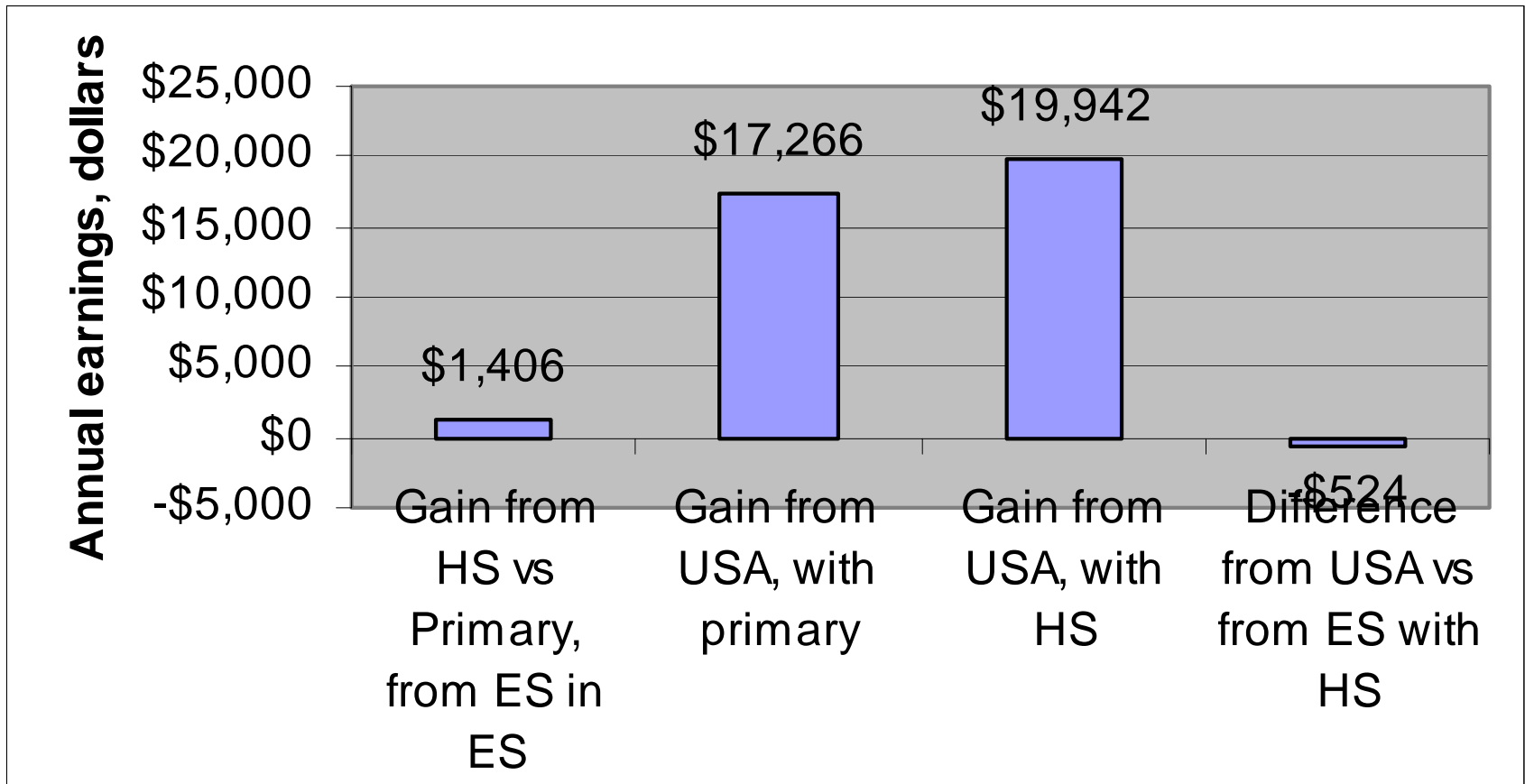


# Force 1: Wage gaps among industrial workers are larger than ever

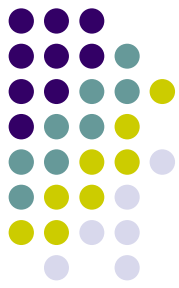


In the first globalization era the world was set in motion by wage gaps of between 2 to 1 and 4 to 1 between host and receiving countries—those are tiny by comparison today

# Force 1: Most of the gap appears to be where not who...



# Force 1: Over foreseeable horizon reductions in wage gaps make migration pressures higher, not lower



- Pretty good evidence of “threshold” effects so that migration flows first *rise* and then fall as laggards gain on leaders.
- My guess is that most large countries are on the rising part so that wage gains increase migration pressure (even if they reduce gaps)
- This is bad news for the “aid to prevent migration” sell

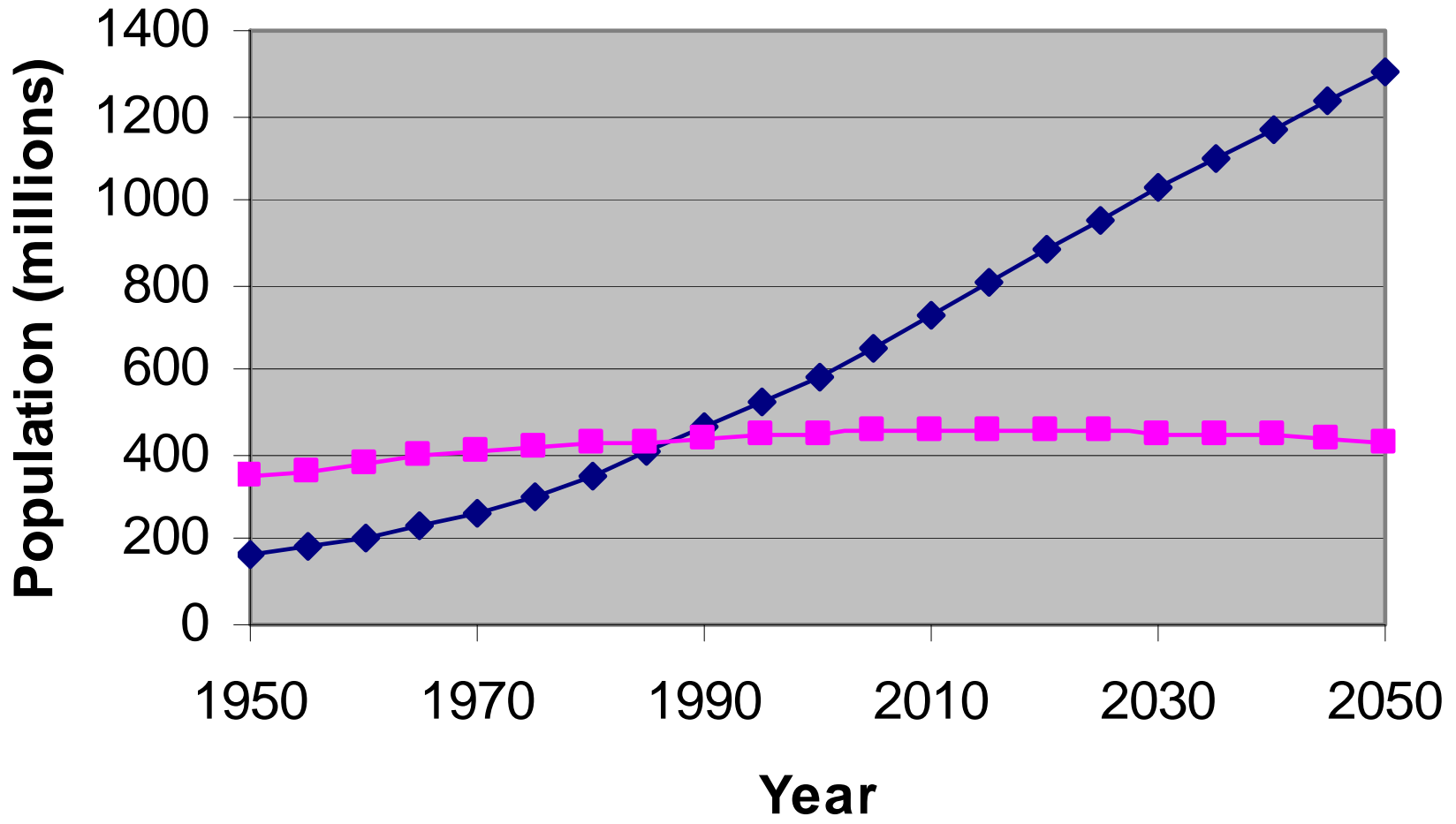




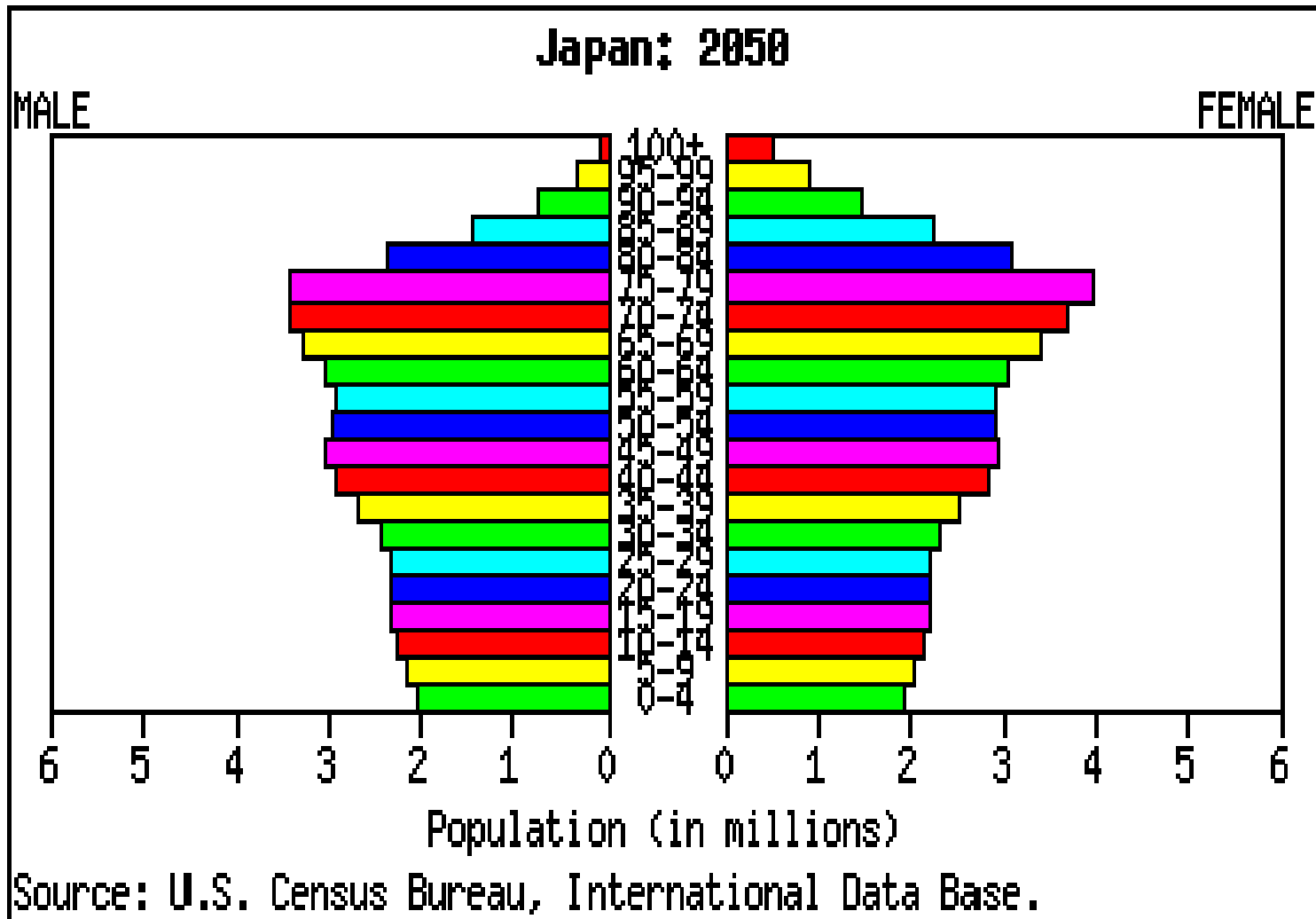
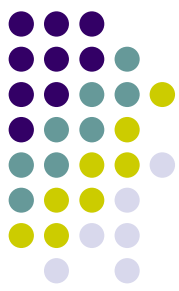
## Force 2: Demography

- Fertility has collapsed in Europe—slowly in some parts (e.g. Germany), rapidly in others (e.g. Italy)
- Projections are the “support ratio” in Europe (25) will fall from 4.25 to 1.82 (Demeny)
- Population of North Africa/West Asia increases to 3 times Europe

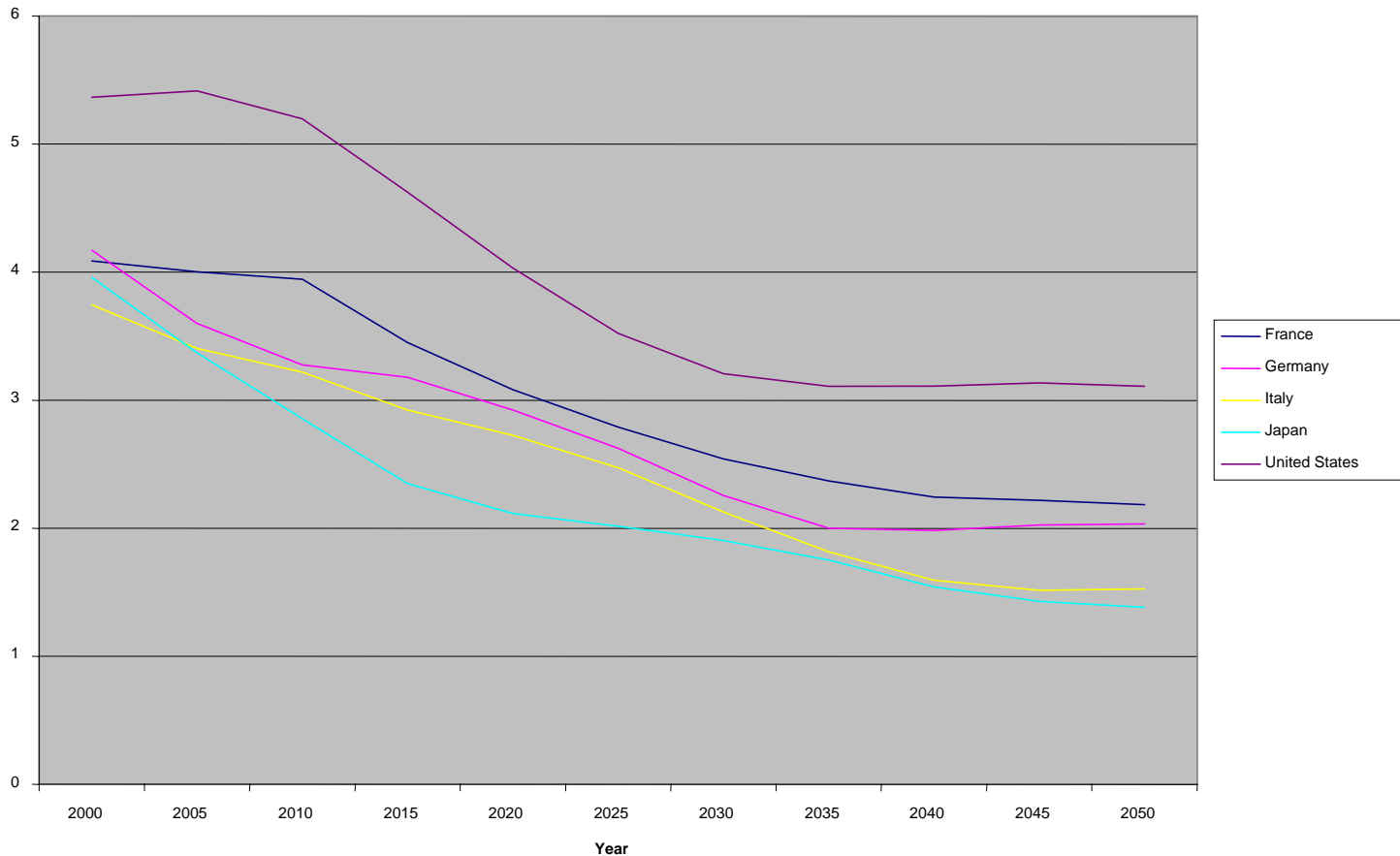
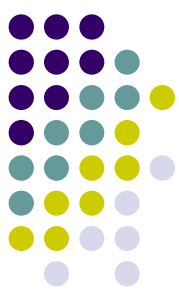
# Force 2: Europe's disappearing act— compared to the “Muslim tier” that surrounds it



# Force 2: Who takes care of granny?—twice as many over 85 (!) than under 5



# Force 2: Rule of thumb: what cannot happen won't happen—but what will happen?

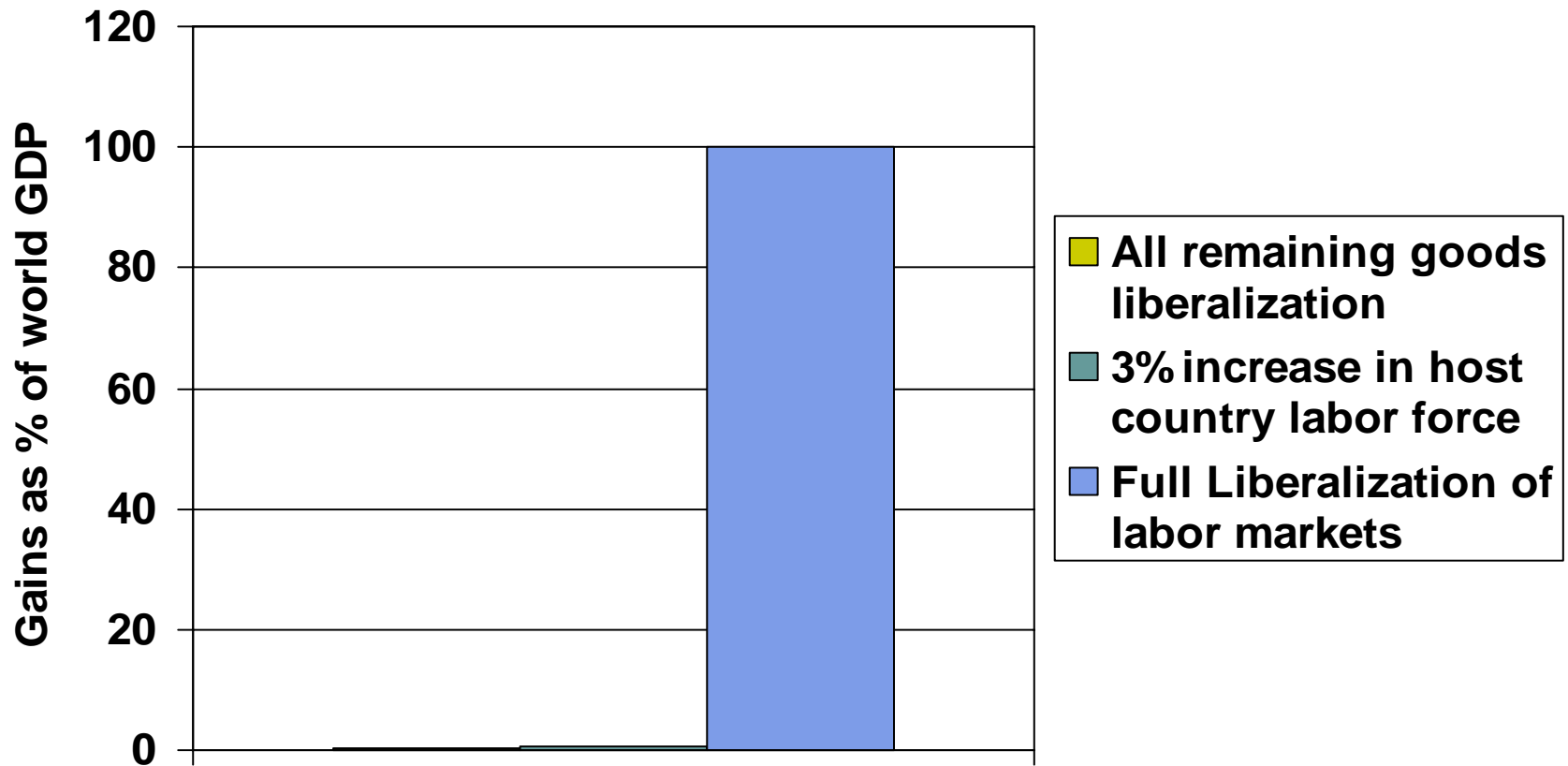


# Force 3: “Everything but labor” globalization

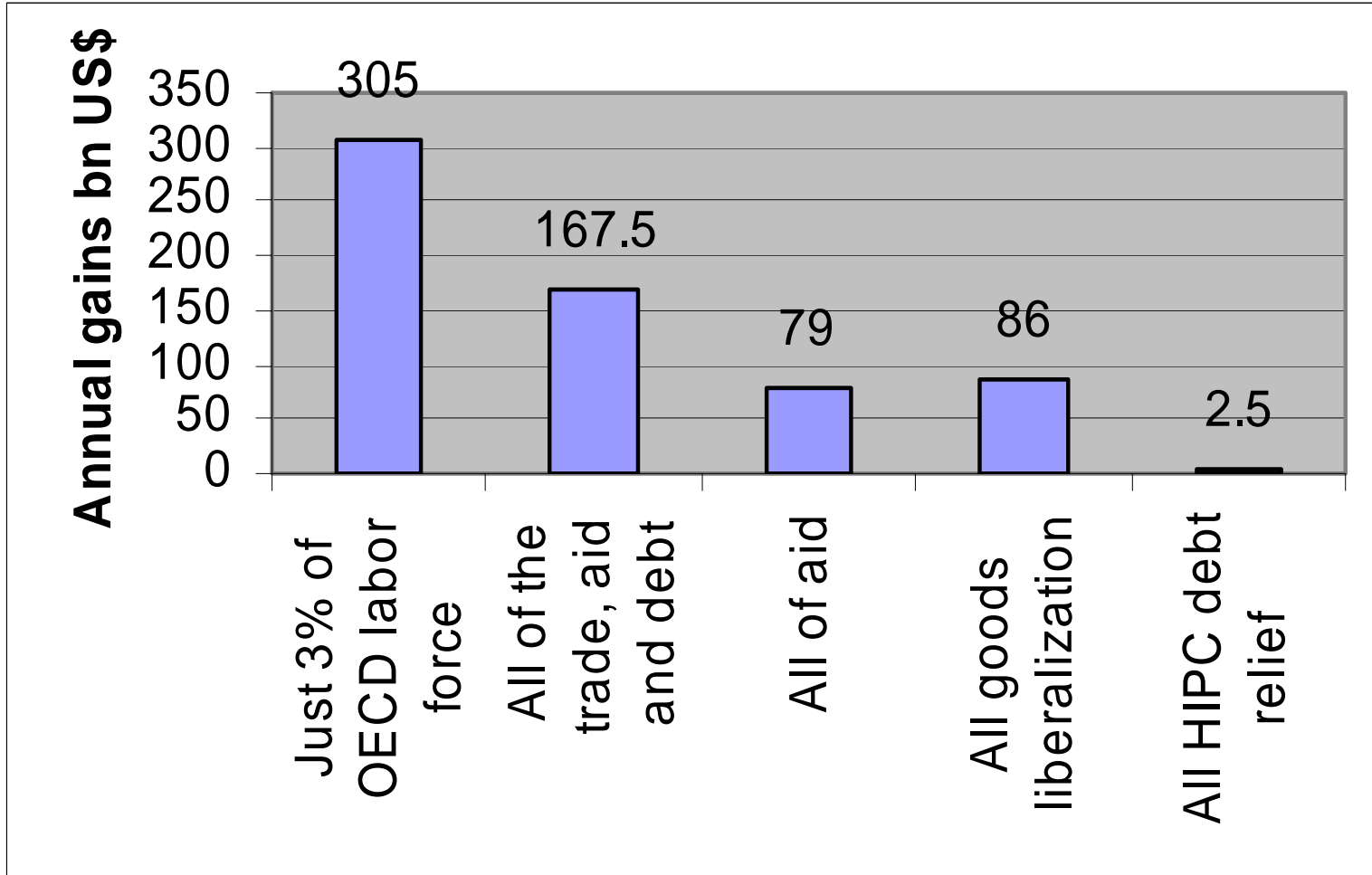


- Trade is substantially liberalized
- Movement of capital has been substantially liberalized
- Movement of ideas is more rapid (instantaneous)
- Movement of people is cheaper and cheaper

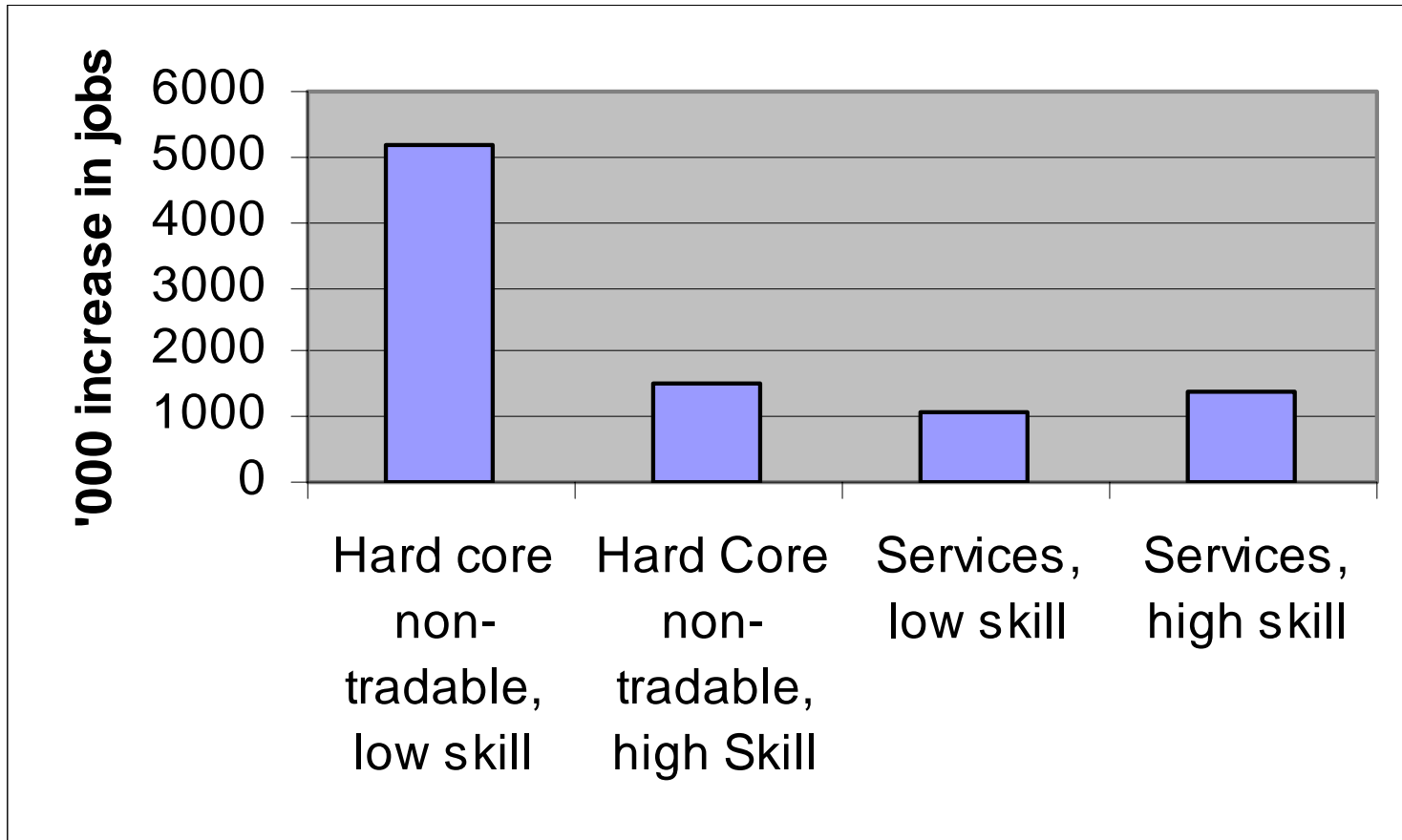
# Force 3: Why is this graph so facetious?



# Force 3: Slight less facetious?



# Force 4: Future labor creation—top 25 occupations, no tradables, mostly low skills





# Force 4: Capital/labor substitution and home for marketed



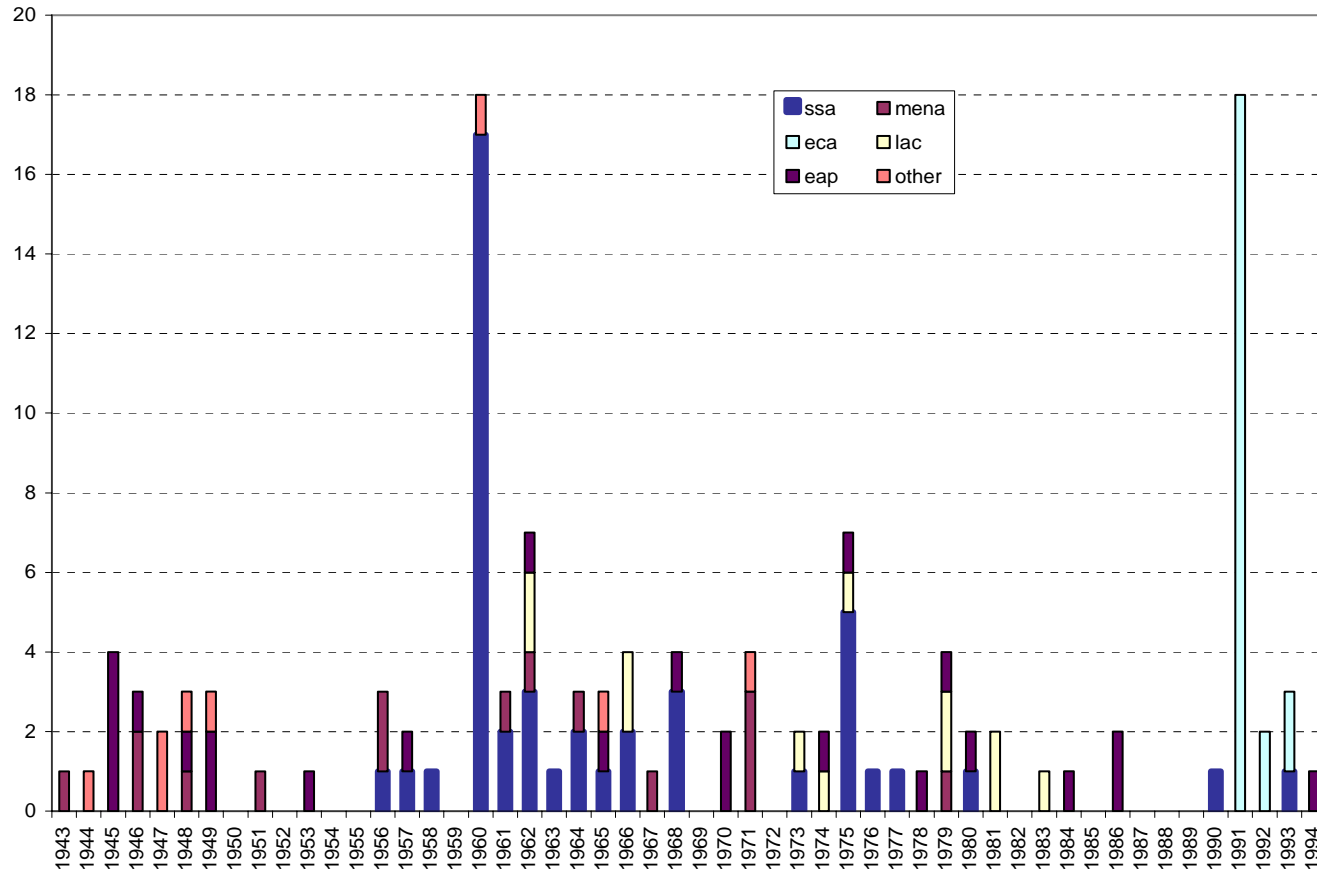
- Huge induced innovation to displace low to medium skill labor—automated check-out at Home Depot
- Home production displacing marketed production—you at Home Depot
- Home appliances/value added in preparation versus labor

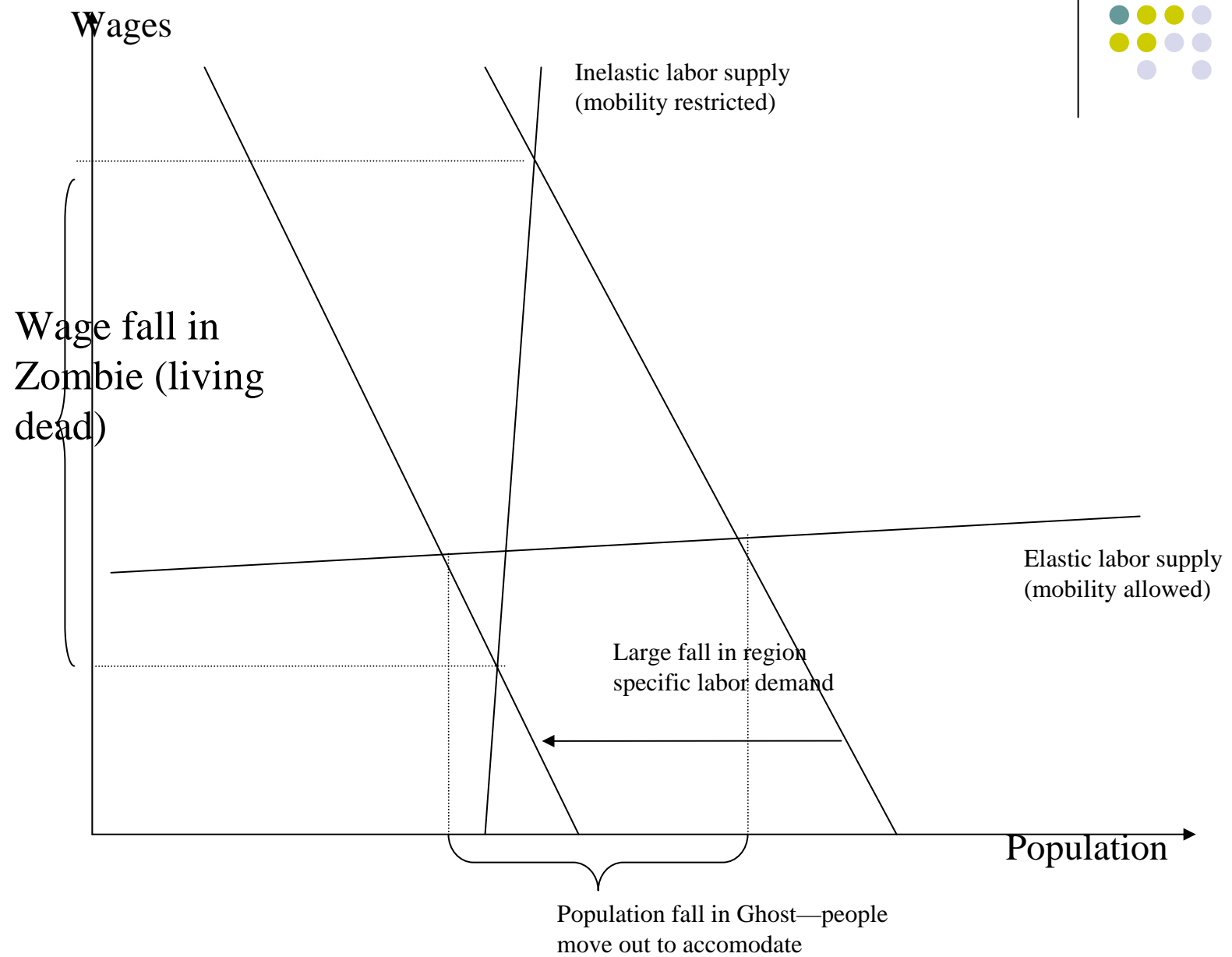


## Force 5: Ghosts and Zombies

- Post WW II world has run a huge natural experiment—(a) expand dramatically number of sovereign states (borders, flags, currencies), (b) encourage mobility of capital and labor but freeze labor in place.
- How will this turn out? Hinges on views of the role of region specific labor demand:
  - Small shocks—all good
  - Big shocks, flows accommodate—all good in long run
  - Big shocks, policy and ‘institutional’—not so good, can be fixed
  - Big shocks, really geographic: lets not think about it

# Expansion in #'s of countries





## Force 5: Evidence that, even with optimal policies and even with globalization of all else labor demand shocks are huge

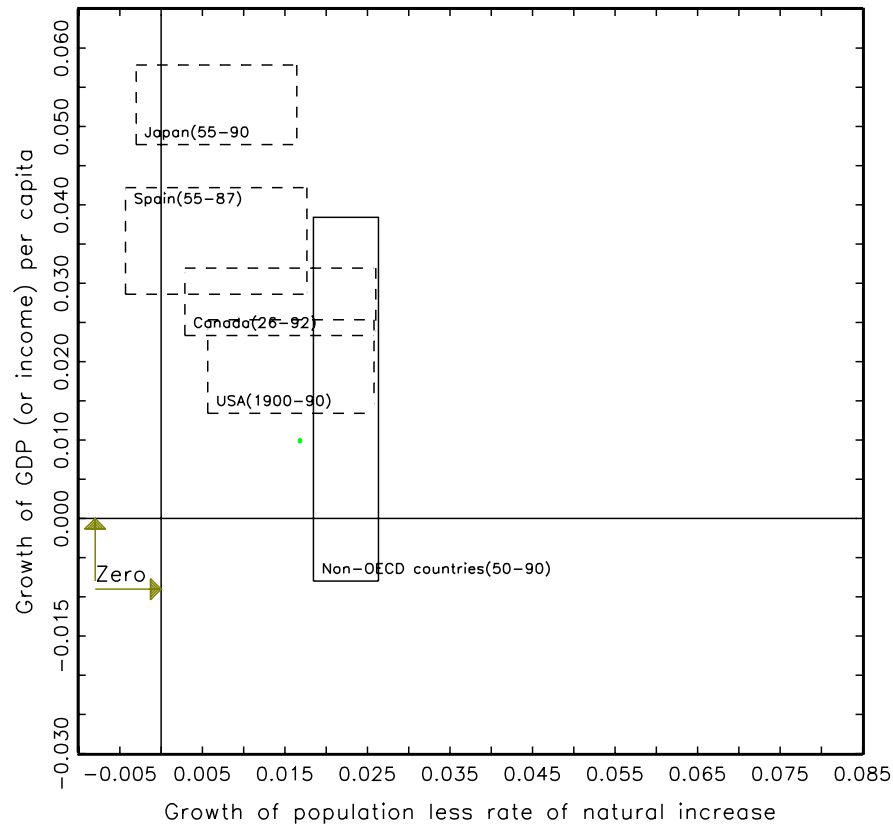


- Regions within countries vs. across countries
- Regions within US (contiguous counties)
- Countries in first era of globalization (e.g. Ireland)

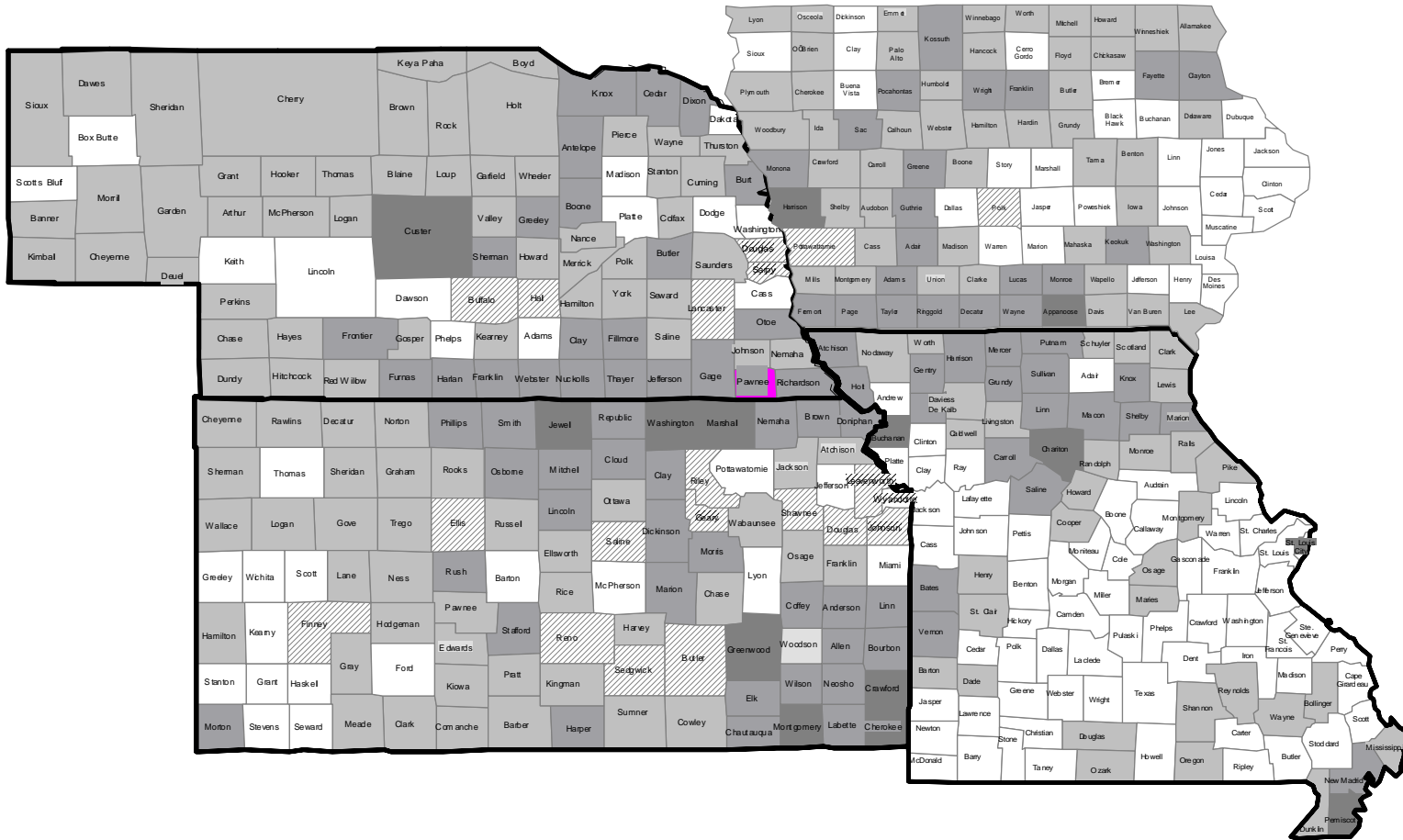
# Force 5: Tall thin boxes (boom towns and zombie countries) versus long short boxes (boom versus ghost)



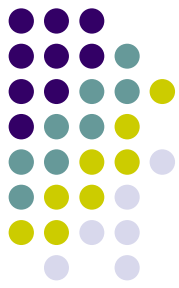
(Boxes at 90th/10th percentiles of each variable)



# Force 5: Last one out turn out the lights



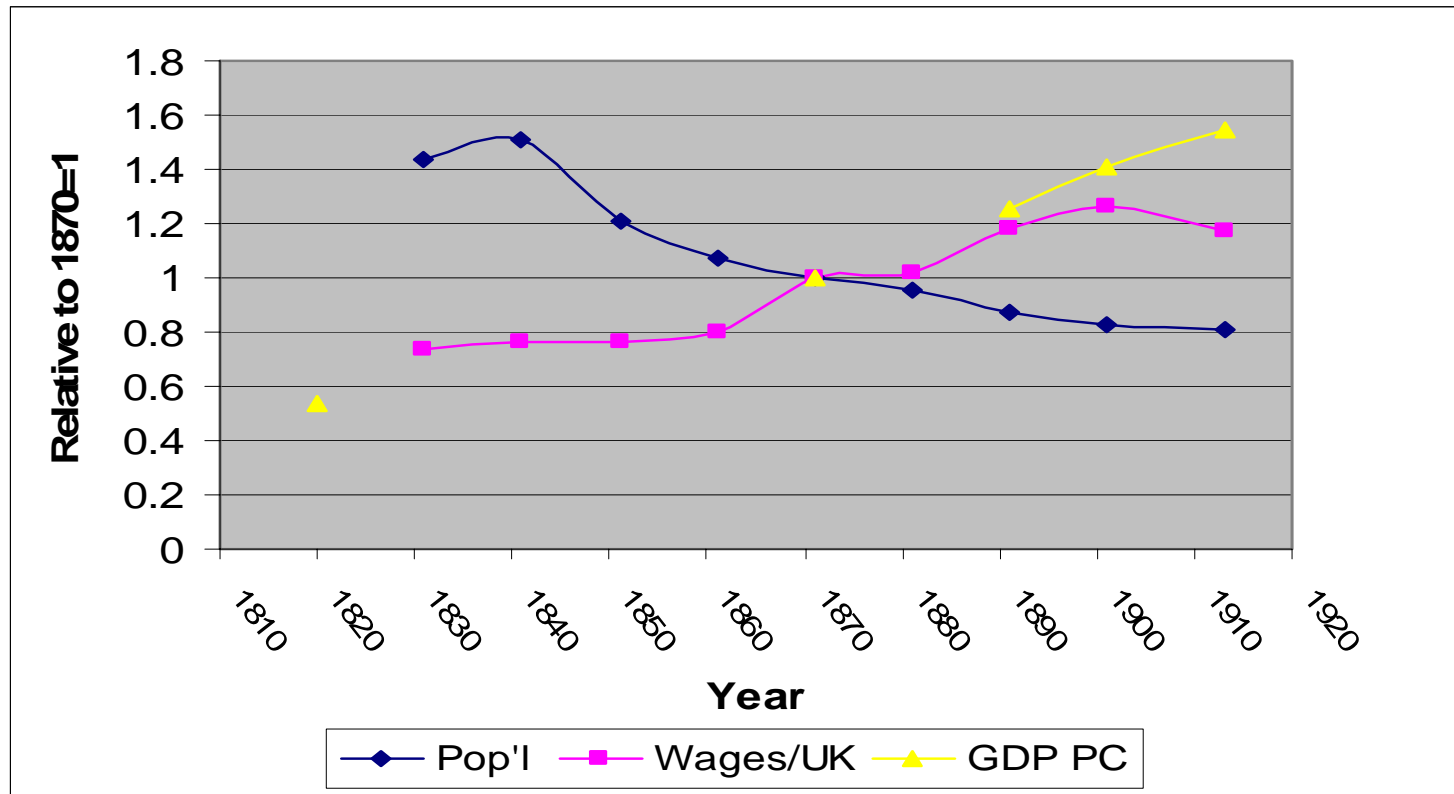
# Force 5: Contiguous regions of the USA are a third their counter-factual size



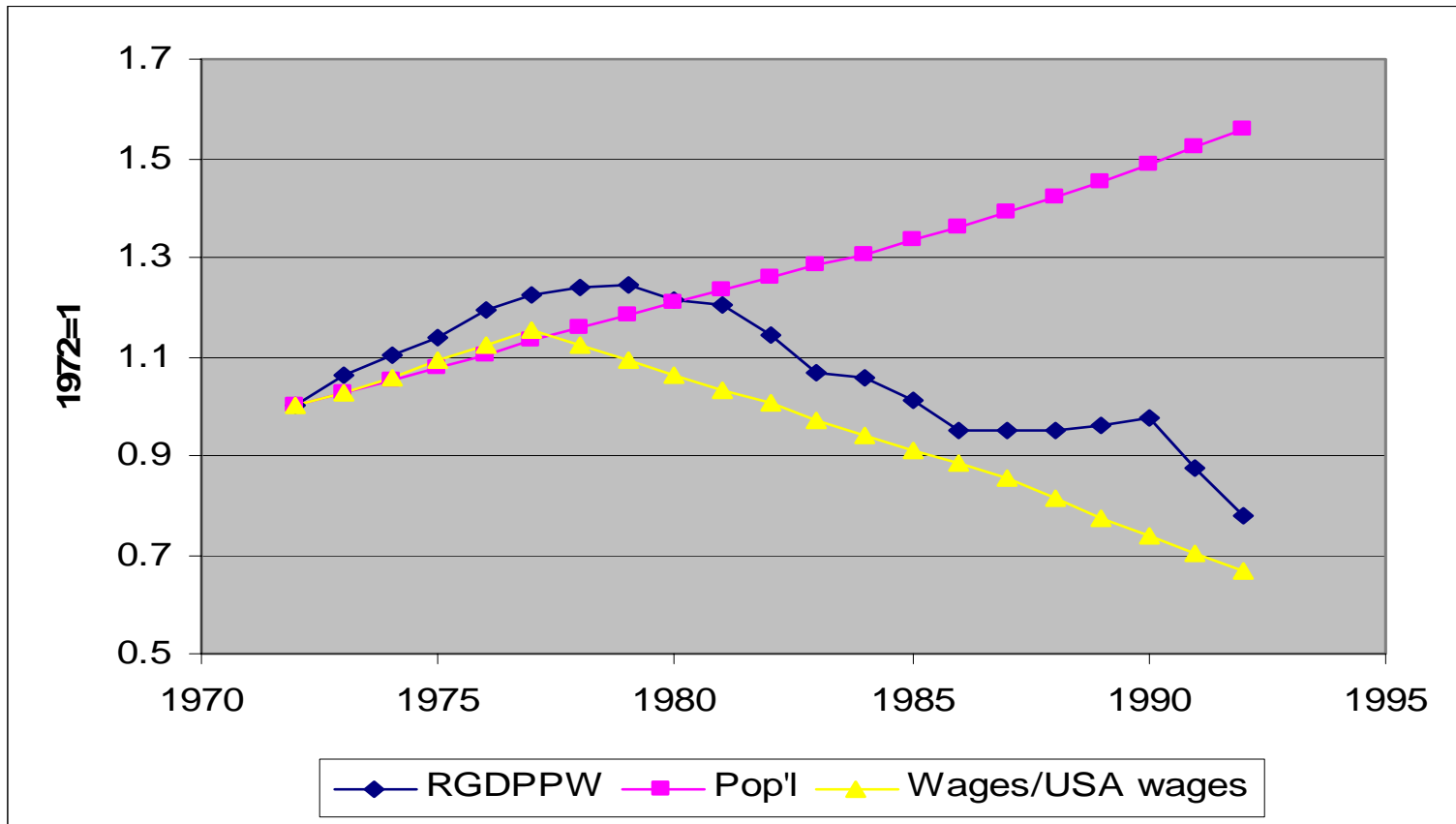
Region of the United States (contiguous counties)	% change in population 1930-1990	Ratio of current population to counter-factual at rate of natural increase	Number of countries (of 192) with smaller area (with examples)	Ratio of area per capita income to national average
Texlahoma	-36.8%	0.31	117/192 (Nicaragua, Bangladesh)	92.2%
Heartland	-34.0%	0.33	117/192	85.2%
Deep South	-27.9%	0.36	96/192 (Jordan, Austria, Sri Lanka)	62.6%



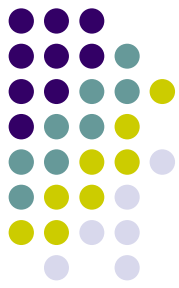
# Force 5: Ireland's wages relative to UK rose over entire crisis period— population fell



# Force 5: Bolivia's population rose—wages fell



# Immovable Ideas: People say they *Really* Hate Migration—ten times as many want it reduced as increased



	Reduced (either "a lot" or "a little")	"Remain the same"	Increased (either "a lot" or "a little")
Receiving Western Europe			
Germany West	77.58	19.62	2.82
Italy	75.60	20.84	3.55
Austria	56.14	39.92	3.96
Great Britain	68.22	27.65	4.12
Netherlands	61.51	33.02	5.47
Sweden	69.77	23.52	6.71
Norway	63.20	29.37	7.43
Spain	40.07	51.48	8.44

# Eight immovable ideas against the five forces



- **Nationality is a morally legitimate basis for discrimination**
- **Moral perfectionism based on “proximity”**
- **“Development” is exclusively about nation-states, not nationals.**
- **Labor movements are not “necessary” (or desirable) to raise living standards**
- **Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries**
- **Movers are a fiscal cost as they use more services than they pay in taxes**
- **Allowing movement across borders creates risks of crime and terrorism**
- **“They” are not like “us”—cultural clash**

# Why bother?



- Ideas are like dams—abolitionists were nuts—the crying chief
- Anti-globalization—bassackwards
- Trivialization of real concern—entirely symbolic
- TRIPs—why can only evil succeed?
- Animal rights—will your grandchildren be shocked you ate meat or blocked migration?

# Three possibilities for political acceptability



- Increase migrant “skill”—points based systems (for the same? Or more?)
- WTO—GATS mode 4 as political device
- Temporary, occupation specific quotas for unskilled labor

	Increased emphasis on high skill/wealth	Summary
<i>Five forces for increased labor mobility</i>		
High and rising wage gaps	-	Equalizes wages only at the upper end (if at all)
Differing demographic destinies	+	Limited impact <i>if</i> allows more migration
Everything but labor globalization	-	Detracts from globalization of unskilled labor
Employment growth in hard core non-tradable services	+/-	Doesn't necessarily focus on "hard core" non-tradables
Ghost/zombie countries	-	"Brain drain" effects possibly large (e.g. health care workers from Africa)
<i>Eight ideas limiting migration in industrial countries</i>		
Nationality is a morally legitimate basis for discrimination	+++	Points systems can be nationality adjusted
Moral perfectionism based on "proximity"	++	Those who are allowed are expected to become citizens
"Development" is exclusively about nation-states, not nationals.	--	Detracts from "development" to the extent it exacerbates "brain drain"
Labor movements are not "necessary" (or desirable) to raise living standards	--	Does not help with labor
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	+++	Does address inequality problems in receiving countries
Movers are a fiscal cost as they use more services than they pay in taxes	+++	By attracting higher wage migrants reduces fiscal cost.
Allowing movement across borders creates risks of crime and terrorism	+++	Points systems allow careful screening of applicants.
"They" are not like "us"—cultural clash	+++	Language and education screening can be used to increase "compatibility"

# Can WTO/GATS mode 4 be the answer?



What are the principles of success behind GATT/WTO as a negotiating mechanism?

- National origin is irrelevant (a ton of steel is a ton of steel)—doesn't work for people
- MFN—doesn't work for people
- Prices not quantities—doesn't work for people



High and rising wage gaps	+	Would allow movement in unskilled services
Differing demographic destinies		Could be used to fill gaps
Everything but labor globalization	+++	Brings labor mobility into the globalization framework
Employment growth in hard core non-tradable services	+++	Focuses on services trade, including those that require physical presence to deliver
Ghost/zombie countries		No special emphasis

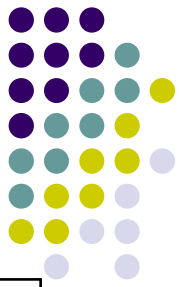
***Eight ideas limiting migration in industrial countries***

Nationality is a morally legitimate basis for discrimination	---	MFN would extend “market access” to all countries
Moral perfectionism based on “proximity”		
“Development” is exclusively about nation-states, not nationals.	+++	Nation-states negotiate agreements via WTO
Labor movements are not “necessary” (or desirable) to raise living standards	-	
Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries	---	Allows opening of markets in unskilled labor
Movers are a fiscal cost as they use more services than they pay in taxes	+/-	Since presence would be temporary not a major concern
Allowing movement across borders creates risks of crime and terrorism	----	“Market access” and MFN is very difficult to reconcile with security concerns
“They” are not like “us”—cultural clash	---	MFN implies countries cannot control nationality of service providers

## Six elements of a viable mechanisms for increasing labor mobility



- 1) *bilateral* agreements between host and sending countries
- 2) allow for *temporary* movement of persons in a regime *separate* from immigration,
- 3) have numerical quotas for specific occupational categories (and internal regions in the host country?),
- 4) enhance the *development* impact of the labor movement through agreements with the sending country government.
- 5) impose automatic penalties on the sending country (and host country employer) for laborers who overstay,
- 6) protect the fundamental human rights of laborers



*Five forces for increased labor mobility*

<i>Five forces for increased labor mobility</i>		
<b>High and rising wage gaps</b>	<b>+</b>	<b>Allows workers some access to high wages</b>
<b>Differing demographic destinies</b>	<b>+</b>	<b>Limited impact as magnitude of problem is too large</b>
<b>Everything but labor globalization</b>	<b>+</b>	<b>Brings labor at last into bilateral relations</b>
<b>Employment growth in hard core non-tradable services</b>	<b>+</b>	<b>Singles out this industries/occupations for quotas</b>
<b>Ghost/zombie countries</b>	<b>+</b>	<b>Employment quotas can be allocated to poorest countries</b>

## *Eight ideas limiting migration in industrial countries*

<p style="text-align: center;"><b>Nationality is a morally legitimate basis for discrimination</b></p>	+	<p style="text-align: center;"><b>Accommodation 1—unilateral control of agreements with receiving country</b></p>
<p style="text-align: center;"><b>Moral perfectionism based on “proximity”</b></p>	+	<p style="text-align: center;"><b>Accommodation 6—protect human rights of workers</b></p>
<p style="text-align: center;"><b>“Development” is exclusively about nation-states, not nationals.</b></p>	+	<p style="text-align: center;"><b>Accommodation 4—making schemes as “development friendly” as possible</b></p>
<p style="text-align: center;"><b>Labor movements are not “necessary” (or desirable) to raise living standards</b></p>	+	
<p style="text-align: center;"><b>Increased migration of unskilled labor will lower wages and worsen the distribution of income in the receiving countries</b></p>	+	<p style="text-align: center;"><b>Accommodation 3—occupation (and region) specific quotas to reduce job displacement</b></p>
<p style="text-align: center;"><b>Movers are a fiscal cost as they use more services than they pay in taxes</b></p>	+	<p style="text-align: center;"><b>Accommodation 2—temporary workers only</b></p>
<p style="text-align: center;"><b>Allowing movement across borders creates risks of crime and terrorism</b></p>	+	<p style="text-align: center;"><b>Accommodation 1—unilateral agreements can specify nationality and conditions for entry</b></p>
<p style="text-align: center;"><b>“They” are not like “us”—cultural clash</b></p>	-/+	<p style="text-align: center;"><b>Accommodation 2—temporary means less cultural/political influence—but migrants are not “incorporated” risks backlash</b></p>



# Labor mobility as MDGs “plan B”



- Reconciling the irresistible forces with immovable ideas is an enormous challenge
- The existing mechanisms for international agreements are inadequate for labor mobility
- Bringing migration onto the agenda—when the “MDGs” fail—then what?
- Start now to think, design, produce evidence to be ready for the next big wave