Migration and the Global Economy:
Some Stylised Facts

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Abstract:
This article looks at the links between international migration and globalisation, providing an analysis of historical and current trends in migration. It contains data on past and present migration flows, with a focus on the countries of the Organisation for Economic Co-operation and Development, as well as the gender dimension of the so-called "brain drain." The article is based on a contribution to "Crossing Borders," a special insert to *The Age* (8 October 2007), as well as a presentation at the 12th International Metropolis Conference. Permission to reproduce is acknowledged. The article was revised to appear in this issue of *Canadian Diversity / Diversité canadienne*, as well as on the website of the Organisation for Economic Co-operation and Development (www.oecd.org/migration). A shortened version is forthcoming in the *OECD Observer*.

At a time when the subject of "globalisation" is on everyone's lips, it is timely to reflect on the contribution of international migration to the ongoing wave of globalisation. Just how significant an engine of globalisation is international migration? What have been some of the main trends in international migration over the past half-century and how do they compare with the first great wave of international migration from the 1820s to the beginning of World War I?

This article seeks to provide answers to these questions drawing on data from the Organisation for Economic Co-operation and Development (OECD) and other sources. Section 1 presents some data on the current scale of migration and compares it with the other major drivers of globalisation. Section 2 delves into the great wave of migration in the 19th and early 20th century when it played a key role in the first globalisation episode. Section 3 updates the story during the second, on-going globalisation surge. Some data on the composition of current migration flows to OECD countries is presented in Section 4, with a special focus on a neglected element – the gender dimension of the so-called "brain drain".

The current scale of international migration

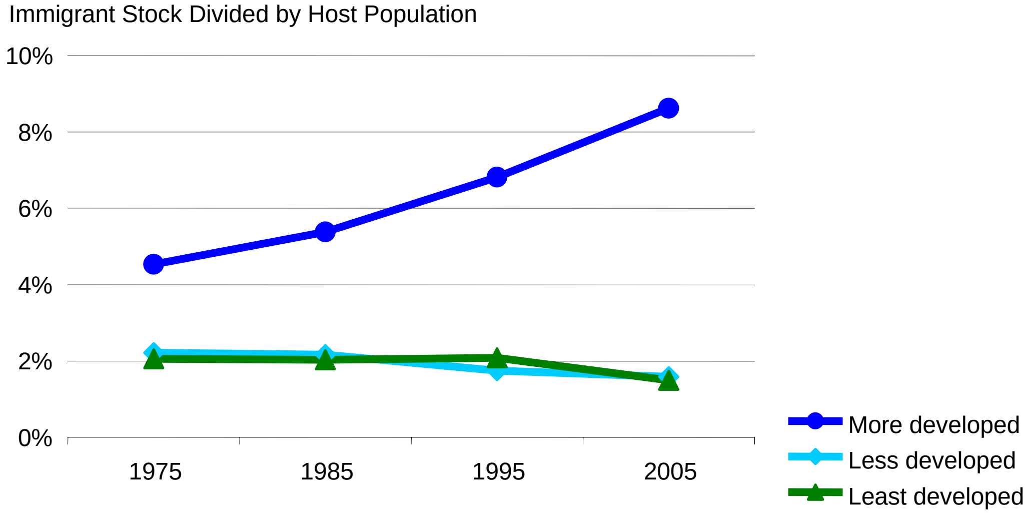
One obvious starting point for answering the question of how significant migration is a driver of the current wave of globalisation is to ask how many of the current world population of 6.7 billion people are international migrants, defined as persons living outside their country of birth[1]. The latest estimates from the United Nations put this at close to 185 million in 2005, or 2.9% of the global population. This can be compared with an equivalent share of 2.2% in 1970. At first sight, these seem rather 'small' numbers, suggesting that international migration is only a bit player in the globalisation saga compared to the much larger roles played by growing world trade in goods and services and international capital flows. For example, the unweighted average of the trade-to-GDP ratios for all OECD countries in 2005 was 45%, while the equivalent ratios for inward and outward foreign direct investment (FDI) stocks to GDP were around 20% or more in 2004.[2] But there is an issue of comparing apples and oranges when one compares the immigrant population stock data with data on trade and GDP which measure imports, exports, annual output and FDI flows. If we were to put the immigrant data on a similar footing, say by relating inflows of working-age immigrants to new additions to the working-age population, the resulting measure would average 30-40% for the OECD area, very close to the trade-to-GDP ratio.

[1] The preferred definition of a migrant used here is based on the concept of foreign-born as opposed to foreign nationality. While the former concept is less than ideal, particularly for countries with large repatriate populations, it is much more suitable for the purposes of international comparisons of migration than the latter. See OECD (2005) for a thorough discussion of the pros and cons of these definitions.

[2] See OECD (2007b) for the data and further details on the definitions and sources.

It is also important to disaggregate the global migration stock in order to understand better the international migration process. One obvious disaggregation is by level of economic development. Chart A shows the stocks of migrants as a percentage of the host country's population for (a) the most developed countries (essentially the OECD countries); (b) the less developed countries; and (c) the least developed countries. It reveals that all of the growth over the past three decades in the migration propensity among the world's population has been concentrated on the OECD countries: the share of immigrants in the OECD population almost doubled from just over 4.5% in 1975 to 8.3% in 2005. At the same time, the share of immigrants in the populations of both the less developed and least developed countries are much lower, and even dropped slightly over the past decade to under 2%. In 2005, about 60% of the world's stock of migrants lived in Europe and North America, followed by 26% in Asia, leaving only 15% in the other major regions of Africa, Oceania and Latin America. It is also noteworthy that 45% of immigrants living in OECD countries in 2008 came from other OECD countries.[3]

Chart A. **Immigrants Share of Host Population by Level of Development, 1975-2005**



Source Lindsay Lowell (2007), "Trends in International Migration Flows and Stocks, 1975-2005", Working paper prepared for the OECD.

In sum, while migrants account for only a tiny fraction of the global population, when the contribution of immigrants to globalisation is measured in an equivalent way to that of trade in goods or FDI flows, it appears to be an important driver. At the same time, there has been a very significant increase in the attractiveness of the OECD countries as a destination for immigrants over the past half-century, including from other OECD countries.

Mass migration during the first wave of globalisation

It is very helpful to remind ourselves that there is nothing unique about the current increase in international migration. The 19th and early 20th century witnessed the first great wave of globalisation, and this was partly fostered by mass migration in a world of unrestricted migratory movements and rapidly declining costs of transportation between Europe and the New World.

3 See OECD (2008).

Table 1, which is drawn from the seminal book by Hatton and Williamson (2005), illustrates this nicely. It shows that there was a dominant trend for people to emigrate from Europe to the New World in the period from 1820 to just before the first World War. Immigration into the main European countries was a minor phenomenon during that period.

Table 1. Percentages of foreign-born in European and New World populations, 1870-1910 and 2000

	1870-1871	**1890-1891**	**1910-1911**	**2000-2001**
Europe				
Germany	0.5	0.9	1.9	8.9b
France	2.0	3.0	3.0	10.0
United Kingdom	0.5	0.7	0.9	4.3
Denmark	3.0	3.3	3.1	5.8
Norway	1.6	2.4	2.3	6.3
Sweden	0.3	0.5	0.9	11.3
New World				
Australia	46.5	31.8	17.1	23.6
New Zealand	63.5	41.5	30.3	19.5
Canada	16.5	13.3	22.0	17.4
United States	14.4	14.7	14.7	11.1
Argentina	12.1	25.5	29.9	5.0
Brazil	3.9	2.5	7.3a	

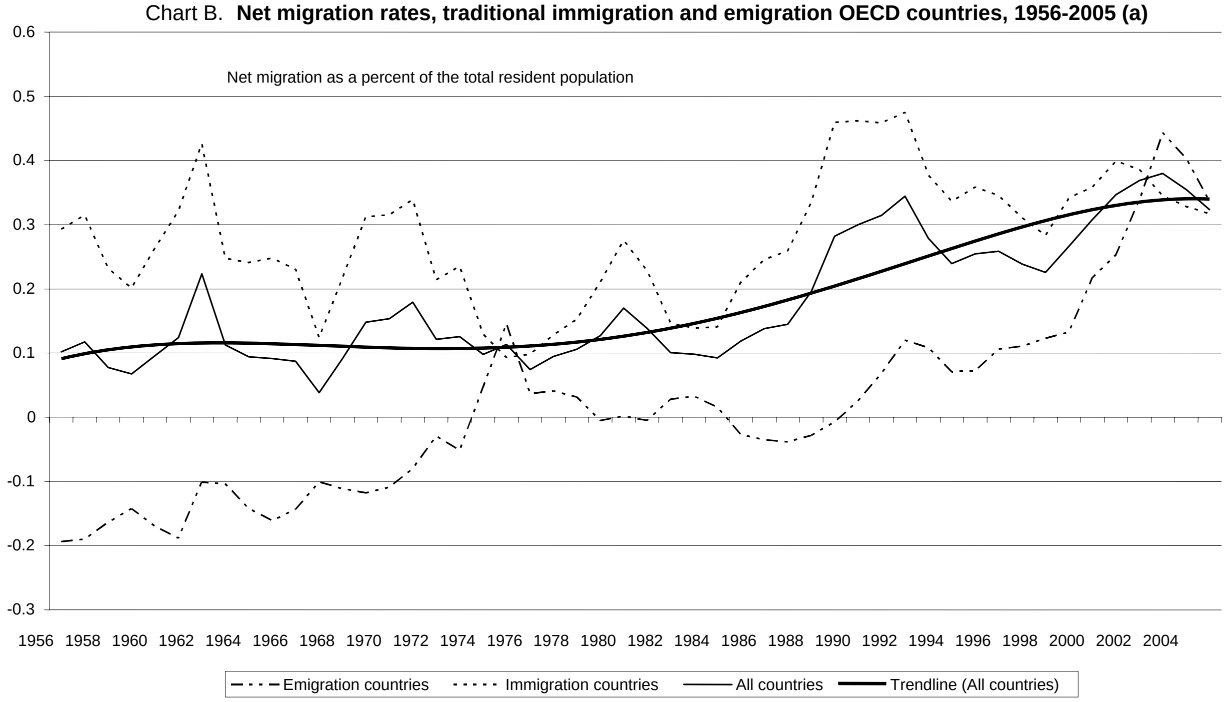
a. 1990
b. Foreign nationals
n.a. = not available
Source: Hatton and Williamson (2005), Table 2.2

However, this pattern of migratory movements and the preferred destinations of migrants shifted significantly in the half-century after World War II. While some of the main settlement countries (Canada, United States, Australia) continued to attract large inflows of immigrants, Europe became a major destination for migrants, many of whom come from Africa, Latin America and Asia. As a result, while the largest immigrant-to-population stocks in the New World countries were recorded in the late 19th and early 20th century, the highest stocks in Europe are those currently recorded. That being the case, it is useful to examine the trends in OECD migration over the past half-century or so in more detail.

<u>A half-century of international migration to the OECD countries</u>

Given the growing importance of international migration for the OECD countries, it is important to disaggregate the trend over the past half-century and see how it has been affected by specific factors such as the end of the colonial era, the oil shocks of the 1970s, the collapse of the Iron Curtain, and so on. Chart B does this using an OECD data set on <u>net</u> international migration rates from the mid-1950s onwards.

Chart B. **Net migration rates, traditional immigration and emigration OECD countries, 1956-2005 (a)**



a; This group includes the countries of Southern and Central Europe, Ireland, Japan and the Nordic countries except for Sweden. Not included are Korea, Mexico and Turkey because net migration data for these countries are sparse or non-existent. All other OECD countries are classified as immigration countries.
Source: OECD (2007a) and Labour Force Statistics.

In the chart, OECD countries have been divided into two groups, "traditional immigration countries," on the one hand, and countries that were largely "emigration countries" or that saw limited movements of any kind in the first half of the period considered here. The latter include the countries of southern and central Europe, Ireland, Japan and the Nordics except for Sweden. Not included among these are Korea, Mexico and Turkey, all of which would qualify as former or current emigration countries but for which long time-series data on net migration do not exist. By definition, net migration within each country group is in principle zero, essentially because in-migration from any country in the group to any other country of the same group is cancelled out by the corresponding out-migration observed in the origin country. Thus, the net migration rates shown for each group represent the net effect of movements between the group and the rest of the world.

The trend net migration rate for OECD countries with respect to non-OECD countries was approximately 1 person per 1 000 population from 1956 until the early 1970s when the first oil shock arrived. This was the period of the so-called "guest-workers," but the OECD net migration rate was relatively stable over this period, although with a number of peaks and troughs due to particular well-defined historical events or developments (see below).

Since the first oil crisis, however, the net migration rate within the OECD has been increasing, with international migration contributing more and more to population growth, compared to natural increase (the excess of births over deaths) with each passing year. The increases in international migration during the nineties, therefore, would appear to be part of an underlying trend that dates back to the late seventies and early eighties.

Over the period considered, net migration from outside the OECD to OECD countries averaged 790 000 persons per year from 1956 to 1976, 1.24 million per year from 1977 to 1990 and 2.73 million per year thereafter up to 2005.

The net migration movements shown in Chart B are also characterised by a number of peaks and troughs, which generally correspond to well-defined historical events or developments. The 1962 peak in the immigration countries series corresponds to the end of the Algerian War and the massive return of French citizens from Algeria; the 1969-1971 hump to the height of the "guest workers" era; the late 70s and early 80s increase to the migration of the boat-people; the late 80s and early 90s upswell to the appearance for the first time in United States statistics of large unauthorised movements from Mexico as well as the general increase in movements following the fall of the Iron Curtain.

Emigration countries show a more or less steady increase over the period in the net migration rate which was perturbed in the mid-1970s, mainly by the returns to Portugal from its former colonies in Africa. It is striking that the trend increase in net immigration to the emigration countries over the 1956-2003 period has accelerated since the turn of the century, to the point where the net migration rate of former emigration countries now equals that of traditional immigration countries.

<u>Families and educated women on the move</u>

Currently, <u>family migration</u> is the dominant motive among inflows of permanent immigrants to OECD countries, accounting an average for around 60% of inflows. Labour migration has been on the rise in recent years, but it is still in the minority accounting for almost one in three of permanent immigrants. Humanitarian migration accounts for the rest, and it has been declining in recent years.

Two other trends in migration have attracted much attention recently: (i) the growing feminisation of migration flows; and (ii) the increased selectivity of migration towards the highly skilled.

Firstly, for the world as a whole, the share of women among immigrants has risen slowly from 47% in the early 1960s to almost 50% in 2005. Overall, the gender mix was not significantly unbalanced even in the 60s, but it now almost exactly mirrors that of the native-born population.

Secondly, a more surprising result, given that women still face an unequal access to tertiary education in many less developed countries, is that the brain drain is stronger for highly educated women. This latter finding gives a new twist to long-standing concerns about the brain drain given the key role played by women in human capital development. Estimates in a recent paper which I have co-authored with two OECD colleagues, Jean-Christophe Dumont and Gilles Spielvogel, show a negative impact of emigration of highly skilled women on three key education and health indicators in developing countries: infant mortality, under-5 mortality and secondary school enrolment rates.[4]

These results raise concerns about the potential impact of the female brain drain on the poorest countries. This is heightened by the fact that highly skilled immigrant women are more and more targeted in labour migration, especially in the health, domestic and caring sectors. Development and aid policies need to offer women better opportunities to use their human capital in their home countries, if they are to contribute to the social and economic development of the latter.

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[4] See Dumont *et al*. (2007) for more details.

Conclusions

OECD countries have seen a large increase in immigrants from the rest of the world over the past two decades and this seems unlikely to stop. While it may be imprudent to speculate about the future, it is very likely that population ageing in the OECD area will increase the pressures to allow in more immigrants to help alleviate growing labour shortages in the coming decades and to ease funding pressures on OECD social protection systems.

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