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# Population mobility and migration in the OSCE area and OSCE neighbourhood and their economic implications

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*Organization for Security and Co-operation in Europe (OSCE)*  
*First Preparatory Seminar: Demographic Prospects in the OSCE Area - Economic and Security Implications*  
*Trieste, Italy, 8-9 November 2004*



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## Outline of the presentation

- Preliminary remarks
- Migration trends and geographies of migration in OSCE area
- Transformation of migration scene
- Economic consequences of migration – sending and receiving countries perspective
- Some additional considerations
- Conclusions

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## Definitions: Migration and mobility

- **Mobility: either short term or short distance**
  - Residential mobility
  - Petty traders
  - Commuters
  - Pendulum labour migrants
- **Migration: UN definition requires 3 months for short term, 12 months for long term migration**
  - Labour migration
  - Family reunification
  - Asylum
  - Retirement migration

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## A word of warning: data quality

**With the existing reliability of data we can speak on trends but not on numbers**

- Incomparable definitions
- Underregistration of legal migrants
- Significant illegal migration

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# Setting the scene: socio-economic data (latest available)

	GDP per capita PPP 000'UDS	Population below poverty line (national definitions)	Unemployment
Luxembourg	55.1		3.6
<b>United States</b>	<b>37.8</b>	<b>12.0</b>	<b>6.0</b>
Austria	30.0	3.9	4.4
<b>Canada</b>	<b>29.8</b>		<b>7.8</b>
Germany	27.6		10.5
Slovenia	19.0		11.2
Czech Rep.	15.7		9.9
Hungary	13.9	8.6	5.9
Slovakia	13.3		15.2
Estonia	12.3		10.1
Lithuania	11.4		10.3
Poland	11.1	18.4	20.0
Croatia	10.6		19.5
Latvia	10.2		8.6
<b>Russia</b>	<b>8.9</b>	<b>25.0</b>	<b>8.5</b>
Romania	7.0	44.5	7.2
Bulgaria	7.6	13.4	14.3
<b>Ukraine</b>	<b>5.4</b>	<b>29.0</b>	<b>3.7</b>
<b>Armenia</b>	<b>3.5</b>	<b>50.0</b>	<b>20.0</b>
<b>Kyrgyzstan</b>	<b>1.8</b>	<b>50.0</b>	<b>7.2</b>
<b>Tajikistan</b>	<b>1.0</b>	<b>60.0</b>	<b>40.0</b>

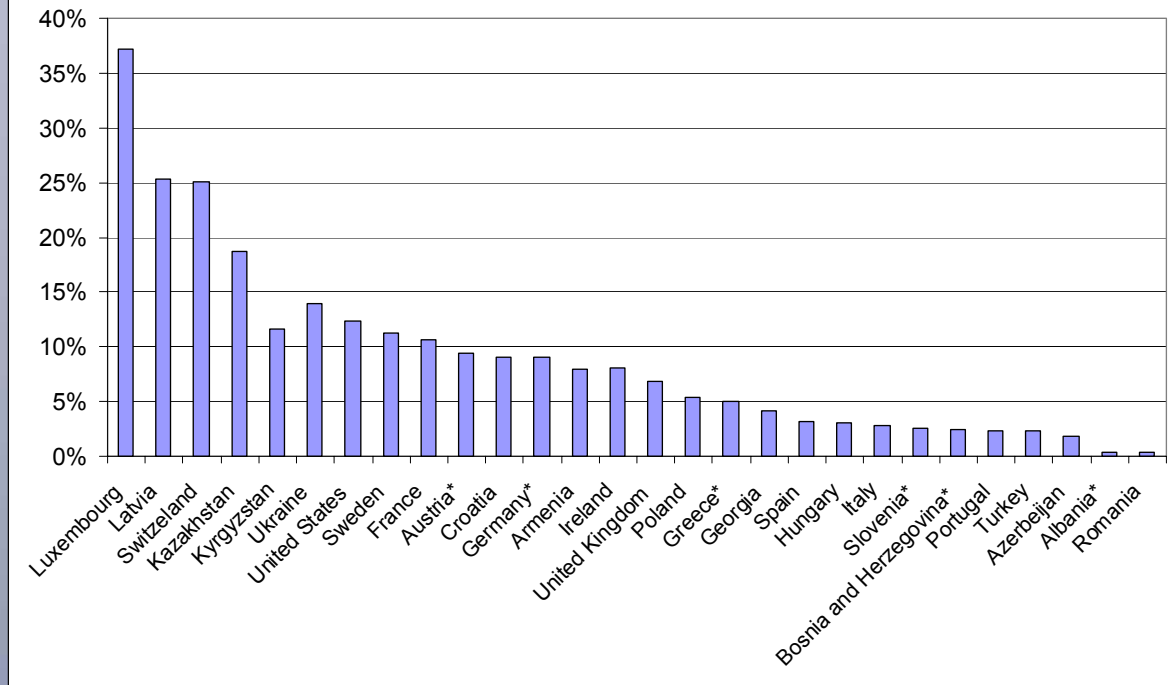
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**Share of foreign born population in selected countries  
(\*share of migrants)**



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## Geographies of flows

- Migration patterns follow historical (postcolonial) and ethnic patterns and in Europe are dominated by Germany as the principal destination
- USA and Canada are global players attracting migrants from all over the world. Inflow of Mexicans to the USA among the largest flows in the World
- Migration patterns in the Post Soviet region are dominated by ethnic migration, short term labour mobility and outflow of refugees from Chechnya.
- Short term flows are also controlled by distance

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## Transformation of migration scene in Central Europe and former Soviet Union area

- From emigration to emigration and immigration countries
- From permanent emigration to various forms of migration and mobility

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## From permanent emigration under communism...

- **Controlled by political police and used as a mean of influence**
- **Severely restricted travel (passport control, reporting, members of family retained in the country of origin)**
- **Sometime used as bargaining tool in negotiations with Western governments (ethnic migration)**

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## ...to various forms of migration and mobility

- Trade tourism and petty trade
- Irregular short term labour migration with complex strategies of survival (Okólski: Unfinished migration)
- Legal short term migration controlled by bilateral agreements
- Migration of highly skilled
- Settlement migration
- Smuggling of migrants and trafficking in persons

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## Hypothesis: various forms of short term international migration replace internal migration and commuting in the countries of origin

- Historical tradition
- Forced industrialization and its sad demise
- Unskilled/semiskilled labour surplus in the source and deficit in the destination

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## Economic theories of migration

- Factor balancing labour demand/supply (neoclassical macroeconomic theory of migration; Lewis)
- Individualised gain/loss (neoclassical microeconomic theory of migration; Sjaastad)
- Migration as a family insurance policy (new theory of migration; Stark)
- Migrants operate to large extent in 3d (dangerous, dirty, difficult) labour market (dual labour market theory; Piore)

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**Sending and receiving countries gain and  
lose in consequence of migration.**

**It is very difficult to quantify net gain as many  
of economic factors are not measurable.**

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# Some considerations from the point of view of sending and receiving countries

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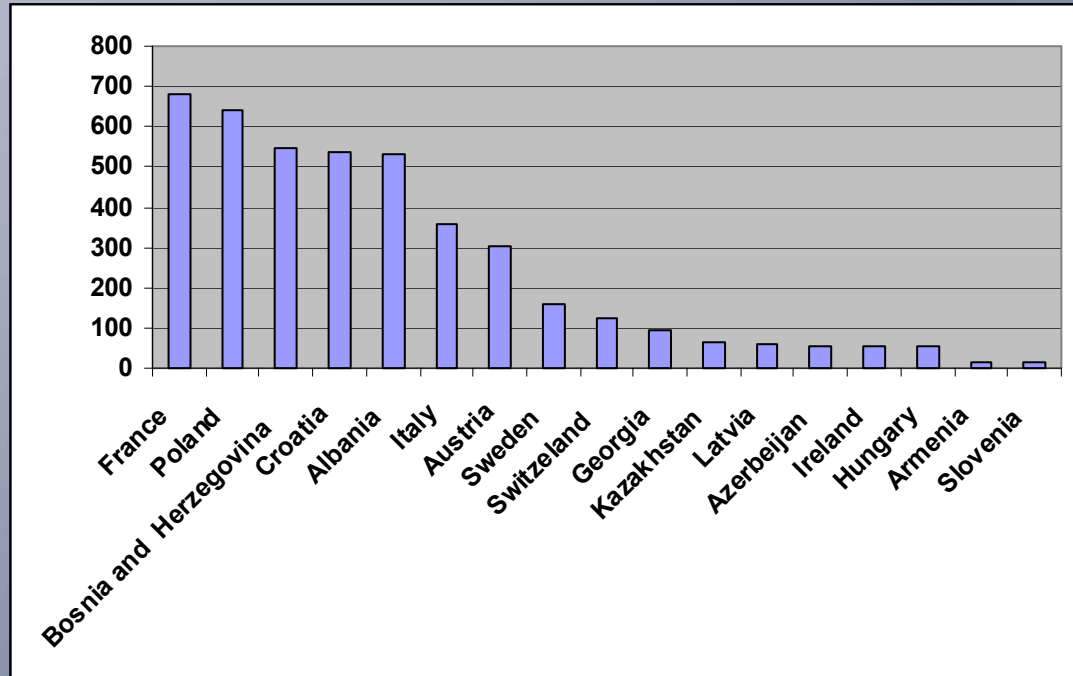
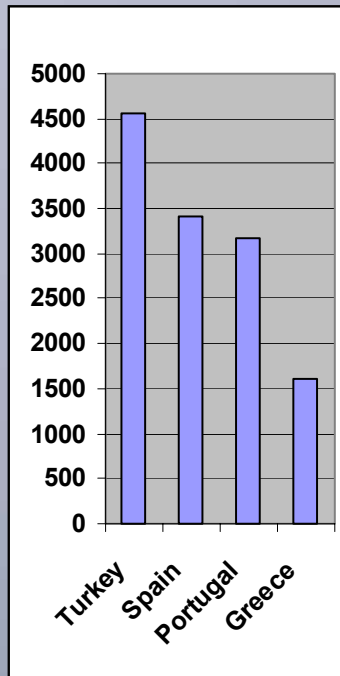
## Benefits of sending countries

- Remittances (est. 100 bln in 2003)
- Reduction of unemployment
- Possible investment in SME on return
- Possibly brain gain effect (return migrants bring back knowledge gain in the country of destination)

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# Remittances in selected countries around 2000 (in millions of USD)



Source: UN 2002 after IMF





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## Loss to sending countries

- **Damage of families**
- **Brain drain (lost potential and cost of educating emigrants in the country of origin)**
- **Migration is selective: Loss of entrepreneurship**
- **Migration is selective: Loss of people in the best age for the labour market**
- **Social security payments (potential future burden because illegal migrants are going to return old and live on social security benefits)**

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## Benefits of receiving countries (1)

- Labour demand is met especially in certain professions and for unskilled and seasonal workers
- Migrants are used as flexible labour force
- Social security and budget boost (legal migrants can help social security systems – they pay taxes and contributions)
- Increased demand for local products and services
- GDP gain (they increase GDP of the country of destination)

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## Benefits of receiving countries (2)

- **Illegal migrants benefit the economy sustaining otherwise uncompetitive sectors or enterprises and transferring the social costs to sending countries**
- **Technological progress (highly skilled migrants can push forward technologies in good research centers – this potential might be lost in their home countries)**

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## Loss to receiving countries

- **Slow down of innovation: cheap labour can lead to the postponement of the necessary investment in the new technologies**
- **Social and political tensions which may destabilize the economy**
- **Marginalization of migrants may boost crime and shadow economy**

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## Some additional considerations: macroeconomic point of view, capital vs. migration, labour markets

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## Is migration good for economic development - macro perspective

- Kaczmarczyk (2004) reviewed some dozen of studies and noted that migration has limited impact on unemployment (counted in pro mille), level of salaries (around 1%) and GDP (counted in pro mille)
- He also noted that this was confirmed in „social experiments” (migration of Cubans to Florida; return of pied noire from Algeria to France)
- World Bank: 10% increase in migration reduces the number of people living on less than 1 USD a day by 2%

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## Migration of people vs. migration of jobs and capital

- **Export of simple (call centres, accounting) or well defined (programming) jobs replaces emigration**
- **Concentration of well paid highly skilled jobs in rich countries and less qualified jobs in poor countries resulting in a strong push factor for highly skilled specialists in poor countries**
- **Migration of capital and relocation of enterprises instead of migration of people**

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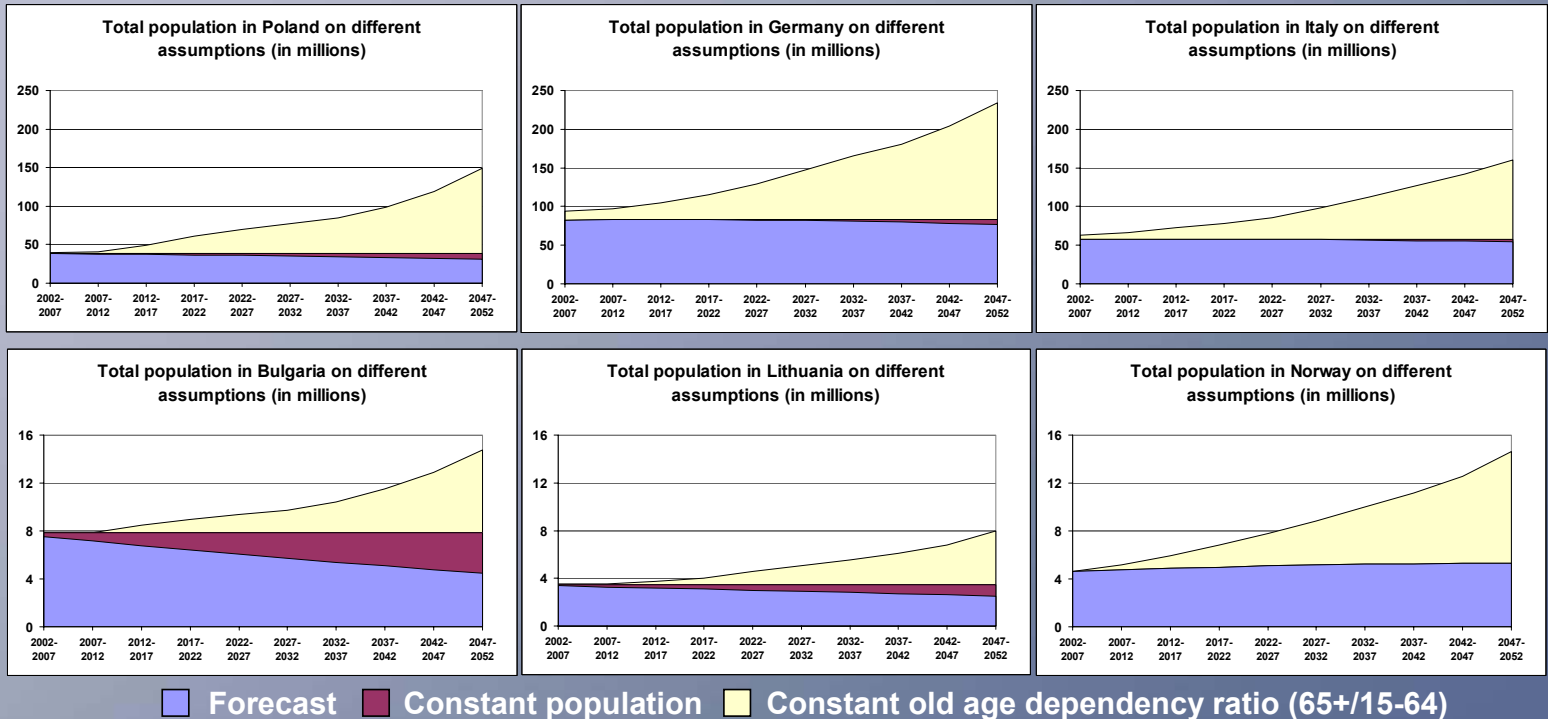


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# Demographic discrepancies and replacement migration



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## Conclusions (1)

- **Research into migration is tricky due to unreliable and incomparable data**
- **In the last two decades migration in the OSCE region underwent fundamental change, due to political, social and economic (r)evolution**
- **The character of the labour migration has evolved from the dominance of long term and stable migration to dominance of short term and pendular mobility**
- **Migration of capital competes/replaces migration of labour**

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## Conclusions (2)

- Economic effect of migration is difficult to quantify, but most studies prove that it generates net gains
- The economic results are different for sending and receiving countries and depend on the educational and demographic structure of flows
- Illegal migration brings short term relief to sending countries, but is detrimental in the long run
- Most likely long term legal migration benefits all participants

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