Transcript of IMF podcast:

**Migration Part and Parcel of Healthy Global Economy**

Margaux MacDonald:

So, in 2019, there was 270 million people in the world who are migrants, who are defined as people not living in the country of their birth. And that's an increase of about 120 million people since 1990.

Bruce Edwards:

About 3% of the world's population are migrants, and it's been pretty much like that for the past 60 years. But within that aggregate 3% number, there's another story.

Margaux MacDonald:

The share of immigrants in the total population of advanced economies has risen from 7% to 12% during that time, while the share of immigrants in emerging market and developing economies has remained around 2%.

Margaux MacDonald:

My name is Margaux MacDonald, and I'm an economist in the Research Department at the International Monetary Fund.

Bruce Edwards:

And I'm Bruce Edwards. Migration has been the focus of heated political debate in recent years, surfacing misconceptions of the impact of immigration on economies. But a new study in the World Economic Outlook shows migration improves economic growth and productivity in host countries. In a blog about the study, Margaux MacDonald and her co-authors, Roberto Piazza, Philipp Engler and Galen Sher say supporting migrants now and ensuring migration trends continue beyond the pandemic will help the global economy recover.

Bruce Edwards:
So what has been the impact of the so called Great Lockdown on those trends? I mean, are there fewer people on the move?

Margaux MacDonald:

So we don't have real time migration statistics, but the pandemic has certainly led to an abrupt stop in most migration, as countries have closed their borders to non-citizens. And one concern kind of lurking in the background of all of this is that while the Great Lockdown itself is temporary, this pandemic may add to a general sentiment of reticence and disbelief in openness, which could have longer term effects on the country's willingness to receive migrants. But, at the same time, there's still very strong underlying trends that the current pandemic doesn't seem like it's going to reverse. For instance, there's a lot of low income countries with very fast growing populations that are going to face challenges in the coming decades to create enough well paying jobs for a young and growing workforce. And, at the same time, in advanced economies that have aging and shrinking populations are facing labor shortages. So those trends are unlikely to reverse anytime soon and are going to create migration pressures.

Bruce Edwards:

So the argument has been for many years, and especially in recent years, at least for those who oppose immigration into their country, that they steal jobs, so do more immigrants mean more unemployed citizens?

Margaux MacDonald:

Our research has shown that at the macro economic levels, so for a country as a whole, more immigrants do not mean more unemployed citizens. Of course, there's more nuance to that story when you look more deeply at individuals, but on aggregate, migrants increase output, and about one third of that increase in output is attributed to employment growth. The employment growth itself we find comes mainly from migrants themselves finding jobs, because we don't detect any effect on the aggregate growth rate of native employment. But, for those gains, there could also be negative impacts for some people, at least in the short term. In particular workers who have similar skillsets to migrants may face stiffer competition in the labor market.

Bruce Edwards:

You did touch upon this earlier, but do you think that there will be a lingering effect in that there'll be less migration overall once this pandemic is behind us?

Margaux MacDonald:

I think at this stage it's very hard to say one way or the other. Certainly, before the pandemic hit, there was widespread misconceptions about immigration. For instance, there's been research surveys that have shown in certain advanced countries people believe that the immigrant population is twice as high as it is in reality. There's often also widespread concern about higher competition for jobs, higher demand for public services, strains on public finance, or perceived threats to native cultural identity. So those forces may be pushing against migration. The other impact we might see, but again at this stage is still too hard to know which
other impact we might see, but again at this stage is still too hard to know which direction it will push migration, is the impact on incomes.

Margaux MacDonald:

So if advanced economies recover very quickly and see their income bounce back, that has a tendency to attract immigrants. However, in low income countries, our research finds that there's a so called poverty trap in migration. So in countries where per capita income is below, about $7000 U.S. dollars, individuals are on average too poor to migrate towards advanced economies. So, if as a result of the pandemic, incomes fall substantially, it could be the case that on average people become unable to afford to migrate.

Bruce Edwards:

Overall, the net economic benefit of hosting immigrants, is it equal across the board for advanced economies as well as emerging markets and low income countries?

Margaux MacDonald:

We find some differences. So, in advanced economies, we see about five years, which we call the medium to short term, after a large inflow of migrants, there's an increase in output. As I mentioned, some of that comes from employment growth. The other two-thirds of that increase in output comes from an increase in productivity. So what we see and what other researchers have also found is that as immigrants enter the labor market, natives tend to move towards new occupations, which in many cases require communication abilities, proficient linguistic skills, the performance of more complex tasks, and that increases output. So you can think, as an example, something some of our colleagues have found is that labor market participation of highly skilled native women tends to be greater when there are low skilled, typically female migrants. This availability of low cost workers in childcare or healthcare services allow high skilled native women to enter the labor force or work longer hours. So it works through those channels.

Bruce Edwards:

So essentially productivity increases in those advanced economies that benefit from hosting immigrants. And what about, is it the same scenario in emerging markets?

Margaux MacDonald:

So we looked at emerging markets from a slightly different perspective. We focused on refugee inflows because they tend to be very important in emerging market and low income countries, and we find the impacts are very different than those of migrants in advanced countries. Part of that is, given the circumstances, refugees typically leave on very short notice and are less likely to be able to target their destination country on the basis of their skills or knowledge of the language. They may also generally face substantial legal, and in the case of refugee camps, physical barriers to entering the labor market. And because of that, the host country typically does not see the same positive macroeconomic impacts of migration.

Bruce Edwards:
So what happens when migrants lose their jobs in their host country like we're seeing today? I mean, especially in the advanced economies, people losing their jobs, what happens when they're out of work and they face having to leave their host countries and go home?

Margaux MacDonald:

So this depends a lot on the extent to which the migrants were integrated into their host countries to begin with. For instance, are they given access to formal labor markets? Were they given a path to permanent residency or citizenship? And really how deep their ties are. One thing that we found in our research is that an important aspect of migrants is that they often help their home country by sending remittances back to family and friends. So migrants increase income in their home country by sending remittances and also increase income in their host country by increasing productivity. With the global lockdown, the World Bank is currently projecting a 20% fall in remittances exactly due to migrant workers losing their jobs. And that's going to have potentially detrimental effects on the home countries of these migrants because remittances have been shown to improve nutritional outcomes, tend to be associated with higher spending on education, and reduced child labor. So a fall in remittances will affect families' abilities to spend on these areas as more of their finances will be directed to immediate livelihood needs.

Bruce Edwards:

So a direct impact on development, essentially, in emerging markets and developing economies. And this analysis or this research is part of the World Economic Outlook that was published a few weeks ago. How do you see immigration playing into the world economic outlook in the coming months?

Margaux MacDonald:

At this point, it's hard to predict how migration trends are going to change post Great Lockdown as countries start to open up but it's certainly the case that migrants make up an important share of the workforce in many countries, particularly in many advanced economies, and that many advanced economies with aging populations are going to need those workers in the years to come. They typically also make up a large share of the lower skilled workforce giving opportunities to native workers to work in higher productivity jobs and increasing overall productivity and output of the host countries. At the same time, migrants are very important for incomes in their home countries, through sending remittances. So if migration trends were to reverse in a post pandemic world that could potentially have important negative consequences both for their host and their home countries.

Bruce Edwards:

Margaux MacDonald. Thank you so much.

Margaux MacDonald:

Thank you very much.

Bruce Edwards:
Margaux MacDonald is an economist in the Research Department at the International Monetary Fund. She's also a coauthor of a new study on the economic impact of immigration in the World Economic Outlook. Look for it at imf.org. You can subscribe to IMF Podcasts on Spotify or Apple Podcasts or wherever you get your podcasts. And follow us on Twitter @IMF_Podcast. Thanks for listening.