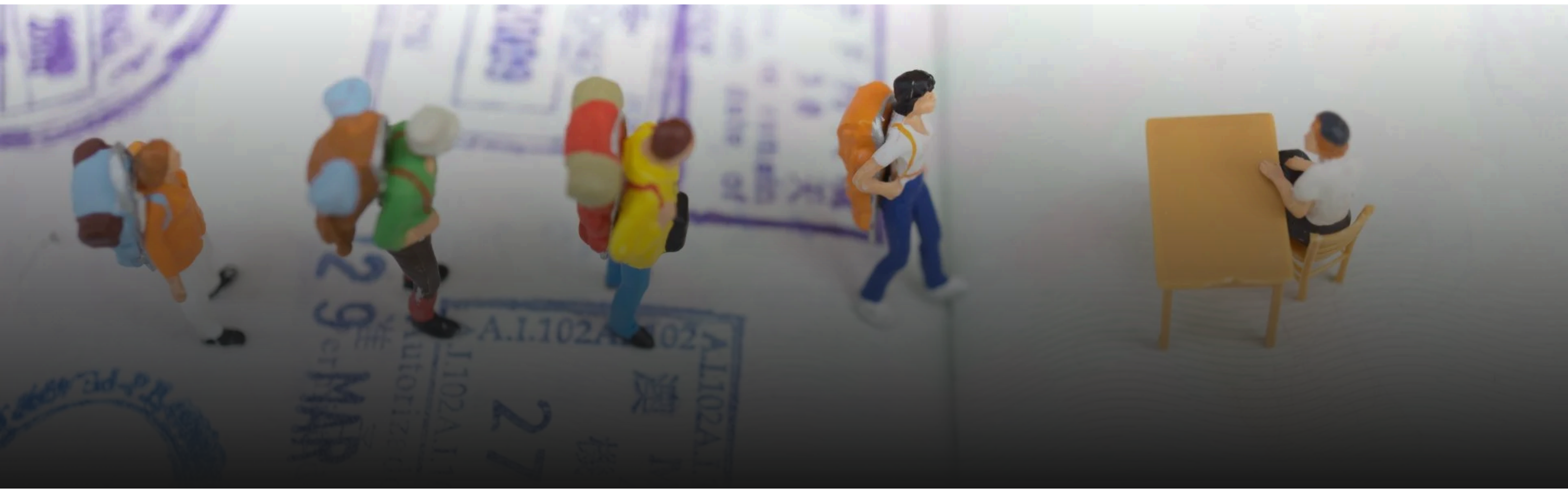

Lucinda Platt July 2nd, 2024

Does migration reduce inequality?

*Migration affects levels of inequality between economies as well as measures of inequality within "origin" and "destination" countries. How can we make sense of the overall impact? From individuals' higher wages and remittances through to "brain drains" and situations where migrants become trapped in low-income sectors, **Lucinda Platt** takes stock of the multifaceted relationship between migration and inequality.*

The impact of migration on destination countries is a highly politicised discussion. The UK's Rwanda policy, for example, is intended to deter migrants arriving via small boats, who are seen as seeking economic opportunities, from applying for asylum in the UK, while Donald Trump's plans for mass deportations should he win the US presidency are being pitched as good for Americans' wages. But what is the relationship between migration and economic outcomes, and how does it link to economic inequality?

There are some strong claims made about the potential of international migration to reduce inequality. For example, Branko Milanovic has argued that greater freedom of movement would reduce inequality by allowing migrants to obtain better wages. A chapter of the UN DESA World Migration Report 2020, meanwhile, focused on migration as a "force for equality", noting that "international migration is part of the development process". Both claims came with the caveat, however, that it depends on the conditions at origin and destination and under which migration takes place. Since these conditions vary a great deal, both in the aggregate and for individual migrants, it is hard to draw general conclusions that hold up across settings and migration flows, but on current trends, it would be hard to defend individual migration as being a major contributor to global equality.

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Nevertheless, it is possible to set out the different ways in which migration and inequality may be related. To better understand how far migration enhances or undermines equality, we need to consider: what impact does movement between countries have on levels of global inequality (ie, inequality between countries)? What is the impact on inequality in the origin country? And how about in the destination country? Finally, how far is migration associated with inequalities among international migrants themselves?

Wages and remittances: Assessing the main channels used in support of the "equalisation" thesis

Arguments for the equalising impact of international migrants tend to either focus on the benefits for individual migrants or on the ways in which migration provides resources for the country of origin.

In the case of the former, individually, labour migrants do gain economic benefits from migration – and it is this which sustains patterns of migration and the ongoing desire to migrate. That said, with under 4% of the global population currently living outside their country of birth, of whom 57% are labour migrants, the scale of migration would need to increase substantially if this were to have a more general equalising effect.

Neoclassical economic theory would predict that such a generalised equalisation in wages would occur over time, since large numbers of migrants moving from lower-wage to higher-wage settings should lead to wages falling at the destination (where the labour supply expands) and increasing (at least for jobs suited to the skills of those leaving) at origin. However, this theory depends very much on the valuation of different skills at origin and destination, and the relative costs of movement to different destinations with different returns. Moreover, it does not align with the evidence on immigrant wage effects, which tends to suggest that there is little or no downward pressure on wages. While this may be good news for destination countries, it casts some doubt on the equalising power of migration.

In the case of remittances, there are large transfers between countries as a result of emigrants sending funds "back home" – estimated at $831 billion in 2022. For some smaller countries such as Tajikistan, Tonga or Lebanon, remittances make up over a third of their GDP. For other migrant-sending countries, meanwhile, the value of remittances is large in absolute terms – for example India received around $111 billion in 2022.

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Remittances can be an important way of enhancing national incomes at the macro level and enhancing migrants' families' incomes at the micro level, reducing insecurity or supporting their development. But the patterns are complicated. At the country level, for instance, some rich countries also have high levels of remittances; in other words, the flows are not all in one direction. For example, Germany ranks in the top 10 of both remittance-receiving *and* remittance-sending countries. At the migrant level, while those with higher incomes send more in remittances, the amount spent tends to decrease over time, with the result that larger shares tend to come from "circular" migrants who typically have more limited earnings expectations, such as South Asian migrants to the Arab States, rather than high-skilled and successful migrants who have settled permanently elsewhere.

Dubai, UAE, where many construction workers are immigrants from South Asian countries.

The cross-border movement of skills: brain drains, brain gains and other dynamics

One reason why migration can exacerbate inequalities between countries stems from the fact that migrants tend to be selected. That is, it is those who are more educated, better resourced, healthier and with characteristics that make them more "productive" who tend to migrate in the first place. In parallel, destination countries are on the lookout for migrants with the most positive economic characteristics – there is a global marketplace for talent. Popular destination countries can thus pick the brightest and best from around the globe and incentivise them with the higher wages on offer, leading to the much discussed "brain drain" as seen, for instance, in the exodus of IT specialists from India to the USA. Such a brain drain can contribute to greater inequality *between* countries, since origin countries lose skilled workers. But it can also fuel inequalities *within* the origin countries, since the departing migrants are typically neither the most affluent members of their society (who tend to capitalise on their resources within the country) nor are they the poorest, who are too resource-constrained to move.

> *Several counterparts to the brain drain – "brain gain", "brain bank" and "brain circulation" – are posited to benefit origin countries and bring about certain kinds of equalising effects*

There are several counterparts to the "brain drain", however, which are posited to benefit origin countries and bring about certain kinds of equalising effects. First, there is the idea of a "brain gain": workers in origin countries have incentives to acquire skills that will facilitate high-skilled migration yet not all of those acquiring those skills will, in fact, migrate. Second, for those who do migrate, there is the "brain bank" – the remittances that help with income diversification and inward investment into struggling families or communities. Finally, researchers talk about "brain circulation": the skills, knowledge and networks, as well as economic resources, that migrants acquire and can use in their origin country on return. While these benefits of return migration imply a "win-win" for both origin and destination countries, the evidence suggests the gains for the country of return may be ambiguous. One of the key questions surrounds which migrants end up coming back: is it the most or the least successful who tend to return? Research has provided different answers to this question, depending on the context.

Migrant destinations and inequality

As we've seen, the relationship between migration and inequality is far from straight-forward. The consequences of migration for inequality also depend on where and in what occupations migrants end up.

Migrants may contribute to inequality in the destination country by clustering both at the top and the bottom of the income distribution. Those who face downward occupational mobility upon migration, or who are pulled into low-reward niche employment sectors and secondary labour markets, serve to increase the numbers of lower wage workers. Those who are most highly selected and most in demand in the global marketplace opt for those contexts where they can get the best returns for their skills – which will tend to be those with greater wage dispersion, swelling the ranks of top earners. Between these two effects, migration tends to increase wage dispersion and hence contributes to destination country inequality, although estimates for the UK have suggested minimal overall effects. What is certainly the case is that inequalities among migrants are greater than those among the non-migrant populations of the countries they move to.

It is also worth noting that mobility is itself a characteristic of the global elite – the wealthiest can move with ease and consort with other globally mobile populations. Via "golden passports" and similar schemes, they can also use their wealth to establish residence in countries of their choosing. We should remember, then, that migration is not only a potential cause of greater equality or inequality but is also a demonstration of such unevenly distributed opportunities for mobility.

> *Mobility is itself a characteristic of the global elite… the wealthiest can move with ease and consort with other globally mobile populations*

In sum, migration brings economic benefits to migrants and resources to their countries of origin. As such, migration has some potential to reduce global inequalities. But migrants also bring economic benefits to destination countries and can somewhat increase inequality in those settings. There may be many reasons for welcoming the greater circulation of people and the ideas and talent they carry around the globe but, based on current economic trends relating to migration, reducing inequality per se is not a persuasive one.

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