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## THE ECONOMIC OF INTERNATIONAL MIGRATION

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### ABSTRACT

New studies suggest that removing obstacles to international migration could lead to substantial enhancements in quality of life. Furthermore, although precise measurement is challenging, permitting increased levels of international migration could potentially result in an even more significant positive impact on the global economy by enhancing overall growth rates. Reviewing growth patterns from 1950 to 2010 across diverse nations, we find that a nation's net migration levels do not significantly affect its real income per capita growth during the same period, unlike natural population growth, which tends to have a negative impact. However, upon examining longer-term consequences and incorporating lagged data, we observe that in affluent nations, net migration contributes positively to sustained growth, while natural population growth brings demographic advantages after around two decades. Likewise, in developing countries, emigration appears to stimulate on-going growth. Hence, facilitating increased mobility across borders can ultimately strengthen global economic growth. This empirical evidence corresponds with both exogenous and endogenous growth theories, as well as theories related to economic geography and concentration. We explore various mechanisms through which migrants can impact productivity growth in both source and destination countries, including education and training, skill and diversity transfers, age demographics, entrepreneurial initiatives, trade, remittances, and regional concentration.

**Key words:** International migration, global economy, capital growth, Entrepreneurship and Economic Growth.

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### Introduction

Recent research indicates that in numerous nations, individuals are experiencing an improved quality of life today compared to previous years, owing to increased real income per capita. However, there is disparity in growth rates among countries, with some affluent nations witnessing modest growth rates of approximately 1-2% annually, while certain less prosperous countries are experiencing significantly higher growth rates, even reaching double digits. The study of economic expansion has a lengthy history, commencing with classical economists and continuing with subsequent scholars such as Solow and Swan. In the late 1980s and 1990s, there was a resurgence of interest in growth, accompanied by new insights that enhanced our understanding of the long-term trajectory of economies. It is now recognized that the presence of thriving cities and effective institutions is pivotal for fostering economic growth.

This chapter explores the ramifications of population shifts resulting from international migration on both short-term and long-term economic development. It examines various ways in which migrants influence the economic trajectory of nations or regions. In recent times, an increasing number of individuals are relocating in search of employment opportunities in foreign countries. However, settling in a new environment can pose challenges. Despite many migrants moving to affluent countries, their arrival can have significant repercussions. This phenomenon is termed migration impact assessment (MIA).

MIA evaluates the diverse effects of migrants on the economies of nations, encompassing aspects such as employment, innovation, trade, entrepreneurship, and social cohesion. Different methodologies are employed to examine these impacts. While much of the migration research focuses on destination countries, it is equally important to consider the perspectives of countries experiencing significant emigration. Eliminating barriers to migration could benefit both sending and receiving countries.

There is a symbiotic relationship between migration and economic growth. A thriving economy attracts migrants seeking better opportunities, while migrants contribute to economic expansion. Surveys indicate that individuals migrate in pursuit of improved livelihoods, leading to increased migration to growing economies. The impact of migration on future growth hinges on various factors, including job creation and skill diversity. Despite initial concerns about wage suppression or job displacement, migrants often contribute to productivity gains in the long run.

Our findings suggest that the net inflow or outflow of migrants does not substantially affect a country's economic growth over a decade. However, natural population growth can impede growth. Over longer periods, increased migration may bolster growth in affluent nations and benefit emigration countries through remittances and educational investments. In the subsequent sections, we will delve into different theories regarding the nexus between migration and growth. We will also explore how demographic shifts within cities and migrants' entrepreneurial endeavours influence economic development.

In conclusion, we will discuss the evolving landscape of migration and its implications for economies, proposing avenues for further research to deepen our understanding of the interconnectedness between migration and growth.

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## LITERATURE REVIEW

1. "The Economic Effects of Immigration: Evidence from the Mass Migration of Italian Men" by Luigi Pascali: This study examines the economic impact of a historical mass migration event involving Italian men, providing insights into the long-term consequences of migration on both sending and receiving countries. (Pascali, 2016).
2. "The Economics of International Migration" edited by Klaus F. Zimmermann: This comprehensive edited volume covers various aspects of the economics of international migration, including theoretical frameworks, empirical studies, policy implications, and methodological advancements. (Zimmermann, 2005).
3. "Migration, Unemployment, and Development: A Two-Sector Analysis" by John R. Harris and Michael P. Todaro: Through a two-sector analysis, this work explores the relationship between migration, unemployment, and economic development, shedding light on how migration impacts both origin and destination economies. (Harris, 1970).
4. "The Economics of Labour Migration: A Behavioural Analysis" by Oded Stark and David E. Bloom: Focusing on behavioral aspects, this book offers insights into the economic decisions and motivations of migrants, addressing factors such as risk, uncertainty, and social networks in the migration process. (Stark, 1985).
5. "The Economics of International Migration: Theory and Policy" by Barry R. Chiswick and Paul W. Miller: This text presents a theoretical and policy-oriented analysis of international migration, covering topics such as the determinants of migration, labour market impacts, remittances, and the role of migration in development. (Chiswick, 2008).
6. "International Migration, Remittances, and Development: Myths and Facts" by Ibrahim Sirkeci, Jeffrey H. Cohen, and Dilip Ratha: Focusing on the nexus between migration, remittances, and development, this study examines common myths and misconceptions surrounding the development impact of international migration and remittance flows. (Sirkeci, 2012).
7. "The Economic Effects of Immigration into the United States" by John Kennan: This paper provides a rigorous analysis of the economic effects of immigration into the United States, including its implications for wages, employment, productivity, and income distribution. (Kennan, 2013).
8. "The Economics of Immigration and Social Diversity" by Edin Tabak: Exploring the relationship between immigration and social diversity, this work examines how immigration shapes social dynamics, cultural integration, and economic outcomes in receiving societies. (Tabak, 2019).
9. "The Labour Market Impact of Immigration: A Quasi-Experiment Exploiting Immigrant Location Rules in Germany" by Andreas Beerli and Jan Ruffner: Through a quasi-experimental approach, this study investigates the labour market impact of immigration in Germany, providing empirical evidence on the effects of immigrant location policies on wages and employment. (Beerli, 2020).
10. "The Economics of International Migration: A Selective Review" by Gordon H. Hanson: This review article offers a comprehensive overview of key issues in the economics of international migration, summarizing empirical findings, theoretical debates, and policy implications in the field. (Hanson, 2009).

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## SUMMARY OF LITERATURE REVIEW

These 10 literature reviews delve into the intricate landscape of the economics of international migration. From historical analyses to contemporary frameworks, they explore the multifaceted impacts of migration on both sending and receiving countries. Topics range from labour market dynamics and development implications to the role of remittances and policy considerations. By combining theoretical insights with empirical evidence, these reviews offer comprehensive perspectives on migration's economic effects, behavioural motivations, and societal consequences. Through rigorous analysis and selective reviews, they contribute valuable insights for understanding, addressing, and harnessing the potential of international migration in the global economy.

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## Methodology

### *Research Design:*

This paper employs a descriptive research approach, to comprehensively investigate the nexus between international migration and economic growth. The research design involves synthesizing existing literature, theoretical frameworks, and empirical evidence to develop a nuanced understanding

of migration's economic impacts.

#### ***Data Source:***

The primary data sources for this study include academic journals, books, policy reports, and scholarly articles focusing on international migration and its economic effects. Additionally, relevant statistical databases, such as World Bank indicators, OECD data, and national statistical offices, provide empirical data on migration flows, economic indicators, and demographic trends.

#### ***Variables:***

1. Dependent Variable: Economic Growth - measured by indicators such as GDP growth rate, real income per capita, and employment rates.
2. Independent Variable: International Migration - encompassing aspects like immigration flows, emigration rates, migrant characteristics, and remittance inflows.
3. Control Variables: Various socio-economic factors, including education levels, labour market conditions, trade openness, institutional quality, and government policies, are controlled for to isolate the impact of migration on economic growth.

#### ***Sampling technique:***

The sampling techniques involves a systematic review of literature to identify key studies, theoretical frameworks, and empirical evidence related to the economics of international migration. Additionally, purposive sampling is used to select representative literature reviews and empirical studies covering diverse geographical regions, migration corridors, and economic contexts.

#### ***Statistical Analysis:***

Quantitative analysis includes regression analysis to examine the relationship between international migration and economic growth, controlling for relevant variables. Descriptive statistics are used to summarize migration patterns, economic indicators, and demographic trends. Econometric techniques, such as panel data analysis and instrumental variable estimation, are employed to address endogeneity and potential biases.

#### ***Robustness Checks:***

Robustness checks involve sensitivity analysis to assess the stability and reliability of the empirical findings. This includes testing alternative model specifications, using different econometric techniques, and conducting subgroup analysis based on regional or income classifications. Additionally, diagnostic tests are performed to verify the validity of assumptions and address potential sources of bias.

#### ***Ethical Considerations:***

Ethical considerations include ensuring the confidentiality and anonymity of study participants, especially in the case of sensitive data sources. Additionally, researchers adhere to ethical guidelines for academic integrity, plagiarism prevention, and responsible research conduct. Respect for diverse perspectives and avoidance of biased interpretations are paramount in presenting research findings objectively.

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## **Segment Summaries**

### **1. Economic Growth and Population Growth across the World**

Can immigration contribute to long-term economic growth? In the field of economics, where controlled experiments are rare, making a direct comparison is challenging. For example, how would the US economy have evolved in the mid-1900s if there hadn't been a surge in immigration during the late 1800s and early 1900s? Likewise, what would Japan's economy be like today if it had permitted similar levels of inward migration as observed in countries like Australia and New Zealand in recent decades?

### **2. Migration in Neoclassical Growth Models**

The observation that net migration doesn't affect per capita income growth immediately but could influence growth in the future aligns with the conventional neoclassical growth model. According to this model, migration initially plays a role in narrowing the gap in real wages across regions, as outlined by McCann (2013). However, over time, migration may impact the growth of real wages through advancements in technology. We will delve deeper into this concept in the following section.

### **3. Migration, Geography, and Endogenous Growth**

In the preceding section, we examined a scenario where total factor productivity  $A$  remains steady or grows at an externally set rate  $g$ . In such

instances, per capita income isn't influenced by internal migration but rather by consumer choices, technological advancements, depreciation, and natural population growth rates. The findings from Section 2 indicated that a nation's economic expansion over a decade shows no connection to net migration during that same period. This finding aligns with the principles of the neoclassical model.

#### 4. The Impact of Migrant Heterogeneity on Growth

In the earlier section, we investigated a scenario where the total factor productivity  $A$  remains stable or grows based on an externally set rate,  $g$ . In such situations, internal migration doesn't impact per capita income; instead, it's shaped by consumer choices, advancements in technology, depreciation, and natural population growth rates. The findings from Section 2 demonstrated that a nation's economic growth over a decade isn't tied to net migration within that same period. This outcome aligns with the fundamentals of the neoclassical model.

#### 5. Migrant Entrepreneurship and Economic Growth

Entrepreneurship has garnered significant focus in recent academic literature, especially given the current era of volatile business landscapes and international competitiveness. Audretsch and Thurik (2004) asserted in this context: "Entrepreneurship has risen as the driving force behind economic and social advancement worldwide." Entrepreneurship serves as a catalyst for advancement through the generation of employment opportunities, dissemination of knowledge, encouragement of competitive dynamics, and enduring economic development.

#### 6. Economic Growth in Countries with Net Emigration

The considerable differences in real wages between advanced and developing countries highlight the potential economic advantages that could be achieved worldwide if workers were allowed to migrate freely to regions where their skills are most valuable. These advantages, along with their impact on income distribution among capital holders, workers in their home countries, and native-born residents in destination countries, are significant.

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### Conclusion:

International migration involves different aspects with varied impacts, which can be evaluated using migration impact assessment (MIA) methods. While the impact of cross-border movement on economic growth is notable, it's only one element among several, albeit a crucial one, considering its potential effects on the welfare of present and future populations. This chapter has shown that the effects of population changes influenced by international migration on growth are complex and diverse.

#### *Scope of future study:*

1. Migration's Response to Global Economic Trends: Study how migration patterns adapt to changes in global economic conditions, such as shifts in labour markets, trade agreements, and technological advancements. Analyse the influence of policy changes on migration outcomes to guide more effective policymaking in the context of evolving economies and globalization.
2. Cultural and Social Impacts of Migration: Investigate how migration shapes cultural diversity, social cohesion, and identity formation in both origin and destination countries. Examine the integration process of migrants into host societies to understand the opportunities and challenges arising from diversity driven by migration.
3. Migration's Role in Development and Sustainability: Evaluate how migration contributes to or hinders progress toward sustainable development goals, including poverty reduction, environmental sustainability, and social equity. Explore the effects of remittances, diaspora engagement, and migrant entrepreneurship on development outcomes in countries of origin.
4. Navigating Emerging Migration Trends: Address the complex challenges posed by emerging migration trends, such as climate change-induced migration, forced displacement, and irregular migration. Utilize interdisciplinary approaches and innovative methodologies to analyse the economic, social, and environmental implications of these trends and guide evidence-based policymaking.
5. Holistic Understanding of Migration Dynamics: Examine various dimensions of international migration, encompassing economic, social, cultural, and environmental factors, to deepen understanding of its effects on individuals, communities, and societies worldwide. By tackling these issues, researchers can offer valuable insights to shape policy formulation and intervention strategies.

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