

Assessing the economic contribution of labour migration in developing countries as countries of destination

Main objectives of the project

- ✓ The project assesses the **economic importance of labour immigration** in a significant number of developing countries where immigrants represent a large share of the workforce in key economic sectors.
- ✓ It addresses the economic contribution of labour migration in **South-South contexts**. This aspect has scarcely been examined and has been poorly considered in policy making up until now.
- ✓ It fosters **strong synergies and co-operation** with public institutions, including national statistical and data collection offices, as well as with workers' and employers' organisations, academia and civil society actors in participating partner countries, particularly those involved in economic, labour and employment affairs.

What is the project about?

The project *Assessing the economic contribution of labour migration in developing countries as countries of destination* is co-funded and jointly implemented by the European Commission, the OECD Development Centre and the International Labour Organization.

The overall objective of the project is to arrive at a reliable and evidence-based understanding of the economic impact of immigration in low and middle-income countries. The project will in particular:

- Look closely at the contribution of immigration to GDP and growth;
- Study its impact on the labour market and the productive sector;
- Review the implications of immigration for public finances and public services.

Why is it relevant?

The debate over the migration and development nexus gained momentum at global level since the UN High level dialogue on migration and development in 2006. It has already contributed to reducing the lack of knowledge and increase awareness, in particular by documenting how certain aspects of migration – such as remittances, the impact and potential of brain circulation and the role of diasporas – affect developing countries.

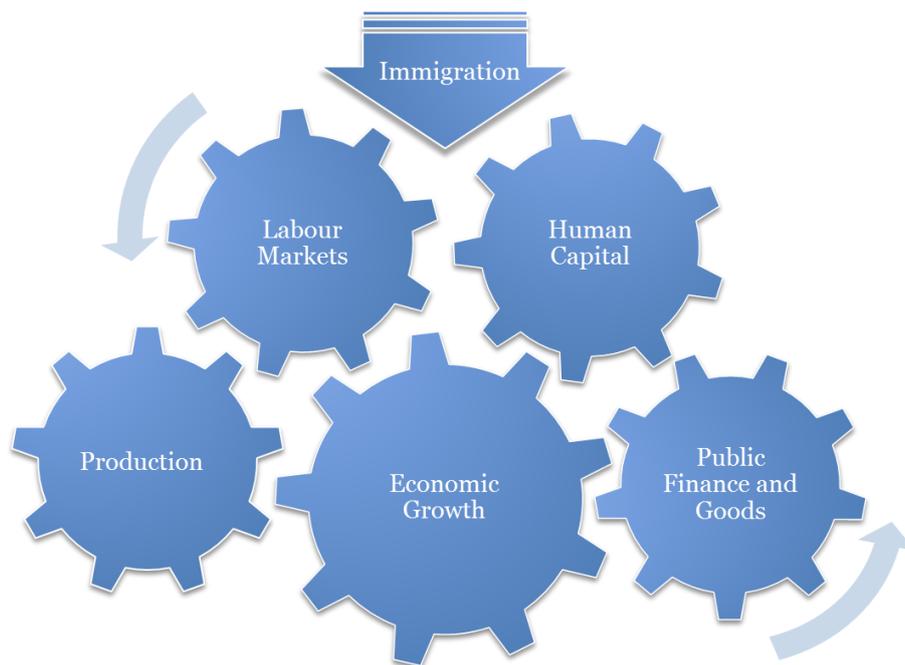
While producing valuable knowledge on the impact of emigration in origin countries, the debate tends to overlook the effects of immigration in developing countries as destination countries. Despite its importance for economies and a significant number of low and middle-income countries where labour immigrants represent a large share of the workforce, the contribution of labour immigration in developing countries has rarely been studied or taken into account in economic and employment policy-making.

There is therefore a need to better understand immigration's contribution to support the design of evidence-based labour and migration policies, improve labour management to make it work for growth and development, and secure migrants' equal treatment and the protection of their human and labour rights.

In which ways may immigration affect economic outcomes?

Immigrants influence their host country's economy in multiple ways:

- As *workers*, immigrants contribute to gross domestic product (GDP). Their presence may also affect the wages and employment opportunities of native workers, alter the country's income distribution, and change the incentives to invest in schooling and in companies.
- As *entrepreneurs* and *investors*, immigrants create jobs and promote innovation. This has implications for the demand for labour and hence for wages and employment opportunities. In addition, it may change productivity levels and the rate at which the destination country's economy grows.
- As *consumers*, immigrants demand goods produced both domestically and abroad. This demand may alter GDP, productivity and inflation, as well as the country's balance of trade and its exchange rate.
- As *tax payers* and *public benefit* users, immigrants may either help or hurt the government's budget, and change the quality of public services that are delivered.



What are the challenges in developing countries?

Unlike policy makers in OECD countries, who can draw on a large number of studies on immigration's economic effects in their policy-making decisions, policy makers in developing countries have access to very few studies.

The evidence that exists on immigration's impact in developed countries cannot be easily translated to developing countries. Not only may the composition of migration inflows be different in developed and developing countries, but the structure of low and middle-income economies is also different from that of high-income economies. Thus, the informal sector tends to be larger, self-employment plays a more important role, difficulties in obtaining access to credit is more common, and workers' and employers' organisations might play different roles in developing countries. The incorporation of immigrants into the economy and the adaption to the inflows will therefore be different as well.

Since the project is carried out in ten countries, it will go beyond evaluating the impact in a single country. The goal is rather to understand how the characteristics of immigration flows and destination countries shape the economic effects of migration. The project results will therefore be relevant not only to policy makers, employers' and workers' organisations in the partner countries, but also to those low and middle-income countries that experience similar migration inflows.

What will be the main actions of the project?

The project will:

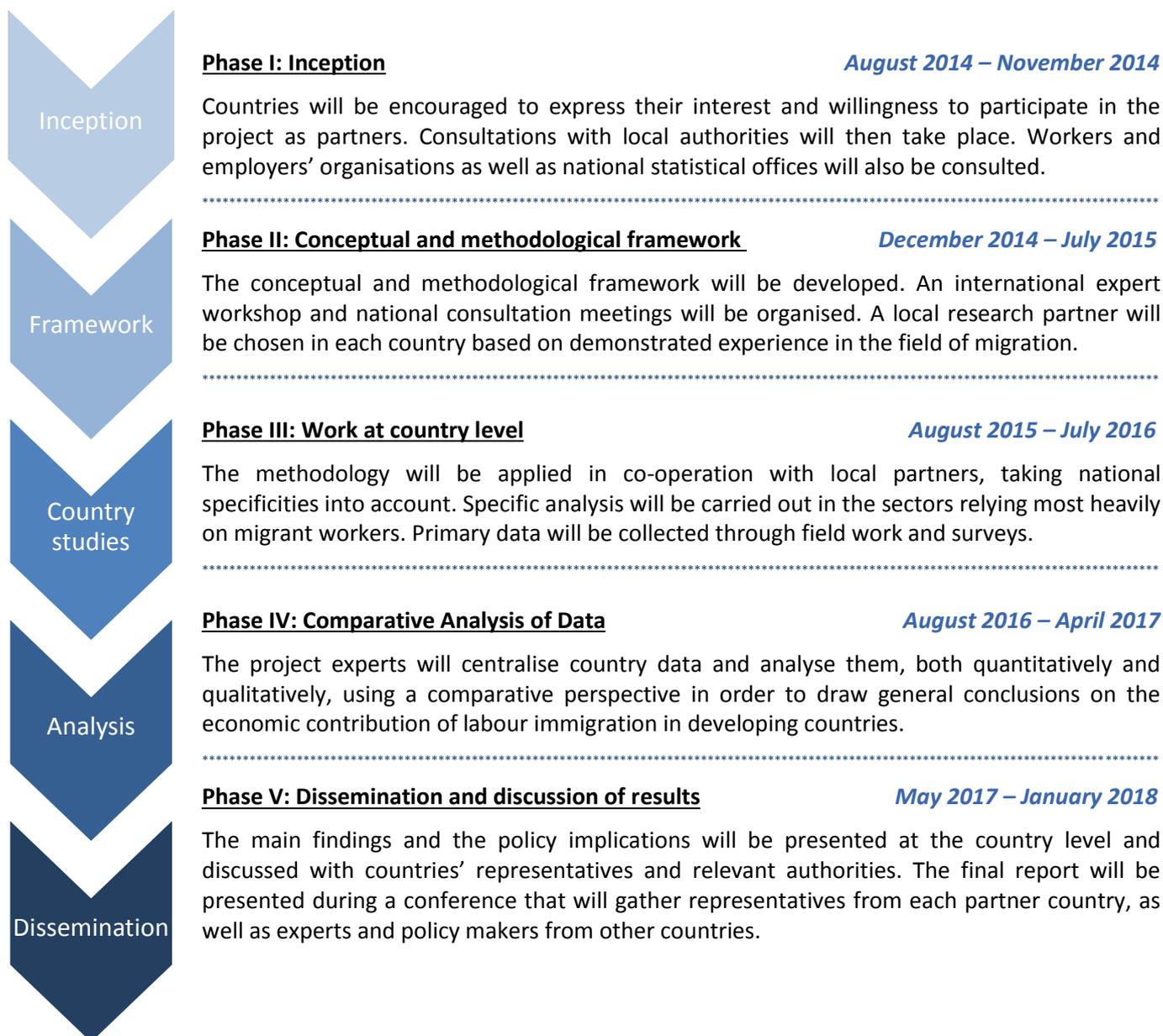
- **Develop a methodology** for assessing the economic impact of immigration in developing countries as countries of destination, in close co-operation with national authorities and social partners;
- **Apply the methodology in co-operation with ten partner countries** to measure the contribution of labour migration to their economies;
- **Gather primary and secondary data** obtained in all partner countries and draw conclusions about the economic contribution of labour immigration in developing countries as countries of destination;
- **Provide recommendations** for policy development and disseminate the results.

Potential partner countries



The project concentrates on low and middle-income countries where labour immigrants represent a substantial share of the population and where, preferably, the annual number of immigrant inflows exceeds the number of emigrant outflows. To allow a focused analysis, countries in which refugees represent a large share of the immigrant population are not considered. Furthermore, the participation of countries in the project is conditional on an expressed interest of national authorities and the availability of data relevant for the proposed analysis.

Roadmap of the project



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