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IMMIGRATION GROWTH TENDENCIES IN OECD COUNTRIES

Research paper

Keywords

Immigration,
OECD,
Population,
Employment,
Unemployment

JEL Classification

C23, E32, E24

Abstract

Immigration became one of the relevant economic topics in recent years. Over the centuries millions of people have migrated, despite the physical, cultural etc. obstacles, to other lands in search of better lives for themselves and their children. In the context of development, globalization and labor market mobility, it is necessary to further analyze the determinants and consequences of migration not only on the host country, but also on the sending country. The increased interest and availability of data keeps this subject in the attention of economists all over the world. In this case an increase in immigration became very significant issue for policymakers. The aims of this study are to describe immigration growth tendencies and to answer how much is the average growth rate of foreign born population. Thus, in order to measure the native and foreign-born unemployed migrants, twenty-seven OECD countries were used in this research paper.

INTRODUCTION

International migration is a mighty force globally. Over 175 million people, account for 3% of the world's population, live permanently outside their countries of birth. At the start of the new millennium, European migration patterns are very different than those from even 50 years ago. Europeans emigrated heavily in the 19th and early 20th centuries, but today the reception and assimilation of immigrants is a significant economic and social phenomenon in many previous emigration countries. Altogether 27 million foreign nationals lived in European Union (EU-15) countries in 2007, account for about 7% of the population (Kerr and Kerr, 2011).

Also, since the end of the 1990s, issues related to international migration have received increasing attention from policymakers. This reflects, among other reasons, the increasing international movements that have taken place following the fall of the Iron Curtain and the growing globalization of economic activity (Lemaitre, 2005).

On the other hand, immigration into OECD countries has risen in the last decade. According to the United Nation's (2006) data the average proportions of immigrants in total population rise from 4% to 10% in 2005. Understanding the consequences of this inflow of workers is a matter of concern for governments and economists (Lull, 2008). Moreover, human mobility plays a central role in global and local processes of social, economic and political change. It supports to mould these global transformations (De Hass, 2009). In nearly all OECD countries the majority of new arrivals is due to family reunification, but the volume of asylum seekers has increased in many OECD countries over the past decade (Neamtu, 2011). The third main category of immigrants is those who come primarily in order to work. As to the skill characteristics of the foreign population, educational attainment levels of immigrants have been below those of natives in many OECD countries in the past, possibly also due to active immigration policies aiming for the attraction of low-skilled labor. Increasing inflows of skilled workers could lead to a reversal of this trend (Coppel, 2001).

Meanwhile foreign born population, the foreign born unemployment and native born unemployment varied in OECD countries. Moreover, this study represents the average growth rates for foreign born population, unemployment and native born unemployment rates. Twenty seven countries were used in this study. The research time interval is between 2000 and 2013.

THEORETICAL BACKGROUND

It is clear that international migration has major consequences for both source and host countries. Coppel et al. (2001) identify four main types of economic effects. First, migration has an effect on the host country's labor market. It can reduce the wages and employment levels of natives; on the other hand it can reduce skill shortages. Secondly, it can have fiscal consequences, since the amount immigrants pay in taxes may not exactly offset the costs of health and education that they receive. Thirdly, migration can affect the demographic composition of host and source countries. It has been argued that immigration could be a solution to the problem of population ageing in many OECD countries. Finally, migration may contribute directly to economic growth in both countries. Remittances by emigrants can be a major source of capital that drives development in the source country. On the other hand, the emigration of skilled workers can reduce productivity and economic growth (Moody, 2006).

The impact of immigration on the level of unemployment in the host country can be identified through two perspectives. Feridun (2005) also contend that the employment of immigrants decreases the employment of domestic workers on one-for-one basis. They argue that a given number of jobs exists in the economy and if one of these positions is taken by an immigrant, then job is no longer available for a legal resident. If the high ratio of foreign-born to native-born worker is associated with a lower wage rate of natives to foreign-born workers would affect the earnings and job opportunities of native workers adversely.

Forty years ago, there was no single, unified theory of reasoning why people migrate. Today there is no such convergence to a single model of immigration (see Bodvarsson and Berg, 2009). Massey et al. (1993, 1998) and Schoorl (1995) distinguish theoretical approaches of international immigration into two categories: Theoretical approaches explaining the initiation of migration and persistence of migration. The neo-classical economic theory, the dual labor market theory, the new economics of labor migration (NELM), and the world systems theory try to explain the initiation of migration (Jennissen, 2006).

1. The Neo-Classic Economic Theory

Labor migration has been the focus of attention in economic and regional science. This is largely due to the fact that it has traditionally played an important role in regional development and spatial economy as a whole. While there are many approaches of labor migration modeling contemporary migration analysis and based upon neoclassical economic theory. Specifically, the nations of utility and resource allocation which are

crucial to the neoclassical scheme are often key assumptions in the analysis of labor migration (Olligschlaeger, 1986). Meanwhile, there are many theories aiming to explain, why certain people migrate and others do not. However, the neoclassical model remains still the standard specification to analyze internal and external migration rates at regional and national level. The model puts special emphasis on the labor market dimension of migration and basically relates migration-induced population changes to the relative income (or wage) and employment in the origin and destination region (Mitze, 2012). The neo-classic economic theory can be used to explain international migration flows within the European Union as these flows are also less encumbered by restriction (Jennisen, 2006).

The neoclassical discussion of immigration has generally focused on the behavior of a single worker as he or she compares employment opportunities across regions and chooses the location that maximizes their present value of expected lifetime earnings. Most migration decisions, however, are not made by single workers, but by families. The migration decision, therefore, should not be based on whether a particular member of the household is better off at the destination than at the origin, rather whether the family as a whole will benefit (Kubursi, 2006).

2. The Dual Labor Market Theory

Dual labor market theory was developed by economists such as Bluestone and Piore, to address problems of underemployment and urban poverty not captured in models of neoclassical economics. Essentially, it is argued that the economy can be divided into two sectors, primary and secondary based on job characteristics. The primary sector contains good jobs with high wages, good work conditions, and job stability. Chances for advancement exist and governed by administrative and due process rules through internal labor markets within organizational units, rather than solely by free market forces through external markets. The stability of primary sector jobs fosters strong social relationships with others in the workforce (Crutchfield and Matsueda, 2006). Thus, the dual labor market theory highlighted that international migration is the result of a permanent demand for foreign labor which is inherent to the economic structure of developed countries. In accordance with this theory, wages not only reflect conditions of supply and demand, but they also confer status and prestige (Maresová, 1999)

3. The New Economics of Labor Migration

The new economics of labor migration (NELM) defines migration as a tool that households use to overcome market failures (Stark, 1991). By sending a family member away from home to

work, a household makes an investment that will be recovered if the migrant's remit some income later (Sindi and Kirimi, 2006). Theory also offers reasons for the migrant and the family to ender voluntarily into mutually beneficial contractual arrangement with each other rather than with a third party and identifies conditions under which the contract is self-enforcing (Stark and Bloom, 1985). Moreover, the so-called NELM theory, based on the rationality of individual actors and considers the households as the most appropriate decision-making units (Aslan, 2008).

As a result NELM goes one step further. According to this approach decisions are often made by household members together and for the wellbeing of the family as a whole. Households also do not migrate together (as in Mincer, for example), but rather send of one or more household members off as migrants (Zanker, 2008)

4. The World Systems Theory

According to the World Systems theory, developed by Wallerstein (1987), the modern nation state exists within a broad economic, political, and legal framework which called as a "world system." Just as individual behavior cannot be understood without reference to the sociocultural system in which they are members, individual societies or nation states cannot be understood without reference to the world-system in which they are embedded. It's first major articulation and classic example of this approach (Martinez, 2001). According to this theory migration is more likely to occur between past colonial powers and their former colonies, and it is particularly useful for explaining the existence for linkages between countries, which are located over large geographical distance (Olejárová, 2007).

DATA AND METHODOLOGY

The aim of this study find what is the average growth rate of foreign born population, unemployment and native born unemployment of OECD countries. In this study 27 OECD countries are used. First of all, databases are gathered from an original website of OECD (2016) Data. Time periods is chosen between 2000 and 2013. According to the OECD definition of the foreign-born population covers all people who have ever migrated from their country of birth to their country of residence. The foreign-born population data shown here include people born abroad as nationals of their current country of residence. The difference across countries between the size of the foreign-born population and the foreign population depends on the rules governing the acquisition of citizenship in each country. This migration

indicator is measured as a percentage of population.

Unemployed people consist of those persons who report that they are without work during the reference week, are available for work and have taken active steps to find work during the four weeks preceding the interview. Immigrant workers are affected to a greater extent by unemployment than native-born workers in European countries that have traditionally received migrants. This indicator is measured as a percentage of foreign-born labor force. Unemployed persons consist of those who report that they are without work during the reference week, are available for work and have taken active steps to find work during the four weeks preceding the interview. Immigrant workers are affected to a greater extent by unemployment than native-born workers in European countries that have traditionally received migrants.

RESULTS

Foreign born people are those born outside of their country of residence. These people are often non-citizens, but many are naturalized citizens of the country that they live in and others are citizens by descent, typically through a parent.

Figure 1 shows that foreign born population increased in the examined period by 15.8 percent. Moreover, the rate is the highest in Spain by (110.98%) growth rate. This figure also represents that Finland (77.75% growth rate) and Chile (77.32% growth rate) have a very close growth rates. Moreover, according to this figure, Estonia has the lowest foreign born population growth by rate (-51%). Thus, in Israel (-34.8%), and in Italy (-3.52%) the foreign-born population is decreased as well. Figure 2 shows the average growth rate of foreign-born unemployed migrants. The picture that based on this measurement shows that in some countries higher unemployment growth rates can be found than the OECD (32.5%) average. Greece is the leader with (603.43%) growth rate, and Poland is the follower with (433.01%) increase. But, at the same period, in Austria (-123.32%) and in New Zealand (-104.32%) there are negative tendencies. Figure 3 demonstrates that the average growth rate of native-born unemployment was 43.9 percentages in the OECD countries. Germany has the lowest (negative) growth rate (-94.63%) and Spain has the highest growth rate (324.48%).

CONCLUSIONS

Immigration is significant research topic for the researchers. Especially with the increasing amount of immigration in recent years make this phenomenon important for OECD countries.

Various countries have different rules of governing immigration and the proportion of individuals who come specifically in order to work differs widely from one country to another (Nickell, 2009). Economic theory opposes that the movement of labor across borders has the potential to produce significant economic gains. This is partly exact since migration enables people to specialize and benefit from their relative strengths. While an important share of these gains will accrue for immigrants themselves, residents in source and destination countries are also likely to benefit from greater labor mobility (Lucci and Martins, 2013).

This study aims to find out what are the immigration tendencies of OECD countries. In our findings are the foreign-born population is going to increasing in most OECD countries only except in Israel, Italy and Spain. Also, foreign population can be a social and economic asset for both countries of origin and destination. The second part of our analyses focused on the foreign- and native-born unemployment tendencies. The foreign-born unemployment growth rate was the highest in Greece. The unemployment ratios in OECD countries is also increased (32.5%) and (43.9%) for foreign and native immigrants. Nevertheless, native-born workers apply for different kinds of jobs that require altered labor skills.

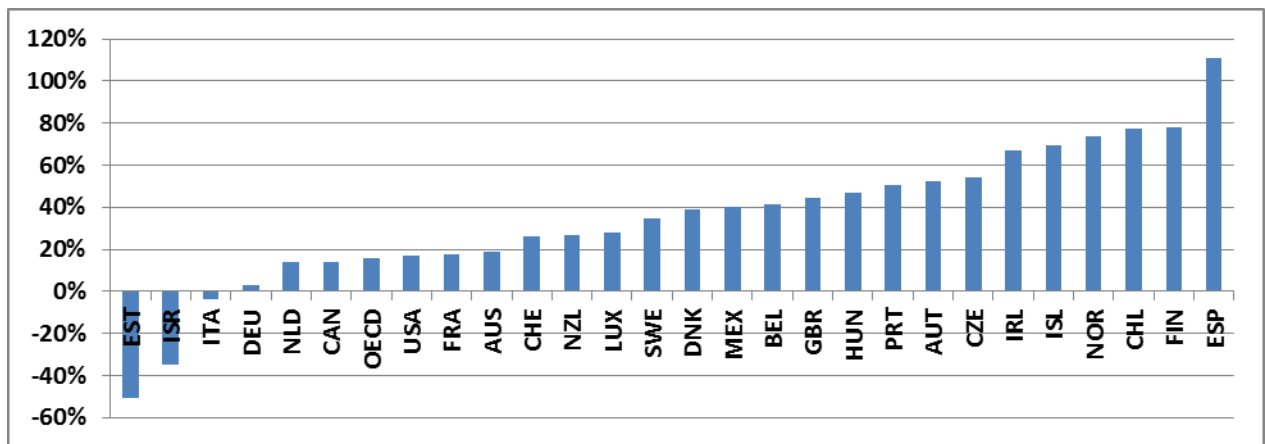
Thus, the foreign- and native-born migrants effect to the economies of OECD countries in several ways. The limitation of this study is that only the immigration growth tendencies are emphasized here. Meanwhile, some of the researchers also claimed that the foreign population can be a useful tool for host countries especially to develop their economy. In this case the role of labor market institutions are important (Máté, 2014). Even though, among the less educated workers, immigrants and native-born workers tend to work in different industries.

Consequently, immigrants can help to develop middle- and high-income countries in many direct ways, such as economic growth. In our opinion, only if these countries take educated migrants to enhance their economic growth. Also these migrant workers are usually better accepted from host countries. Máté (2015) also emphasized the role of educational skills in labor productivity. Thus, educated immigrants can be better adapted to the local culture and seemed to contribute economic benefits in host countries. But, the immigrants need to be high-skilled. Otherwise, the unemployment effects cannot be reduced in the receiving countries. This appeared to be the most considerable economic determinants of immigration policies. Therefore, governments of OECD countries, which have high number of unemployed migrants, have to be careful for their level of education.

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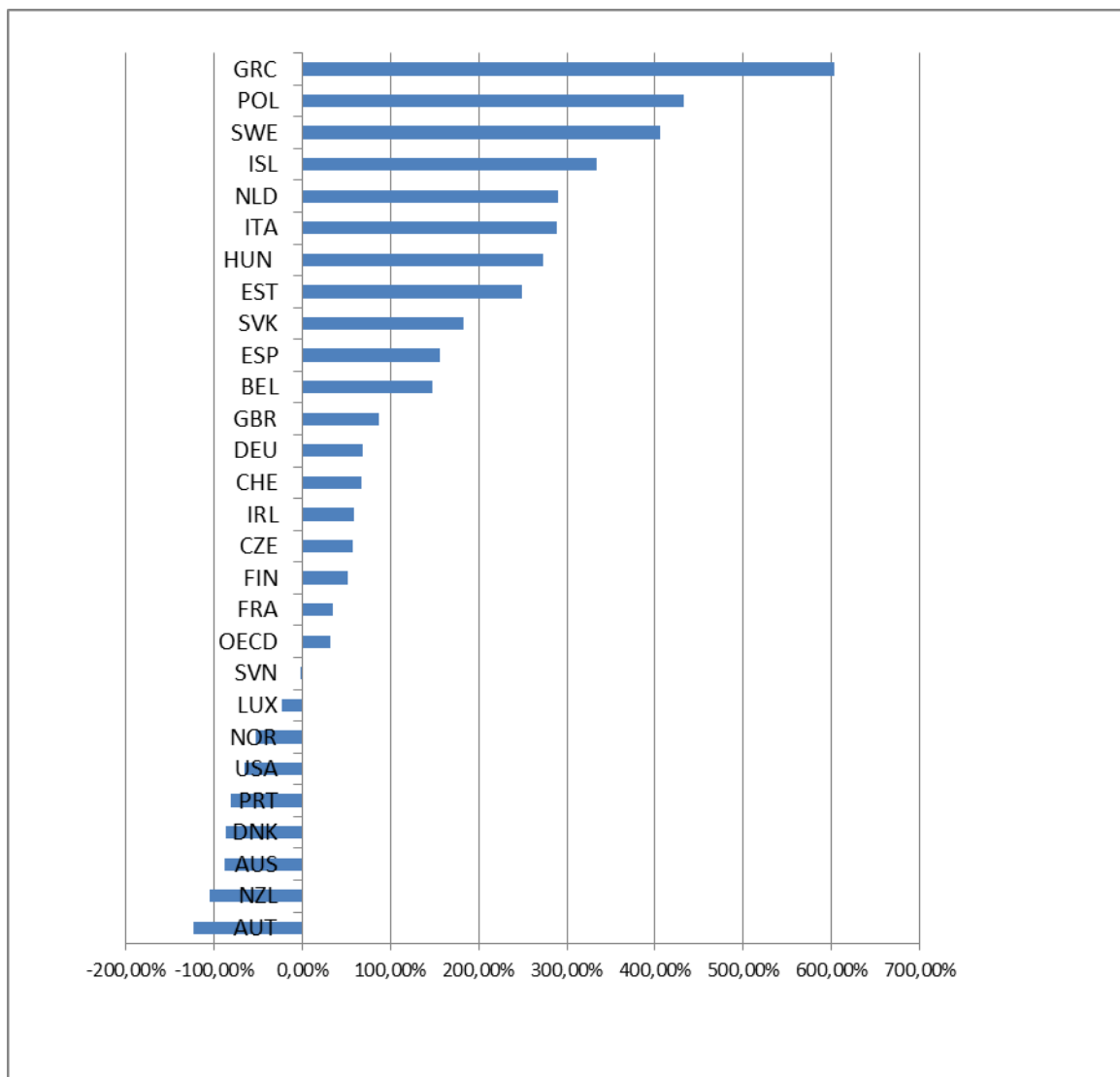
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Figure 1: The average growth rate of foreign born population for OECD countries.



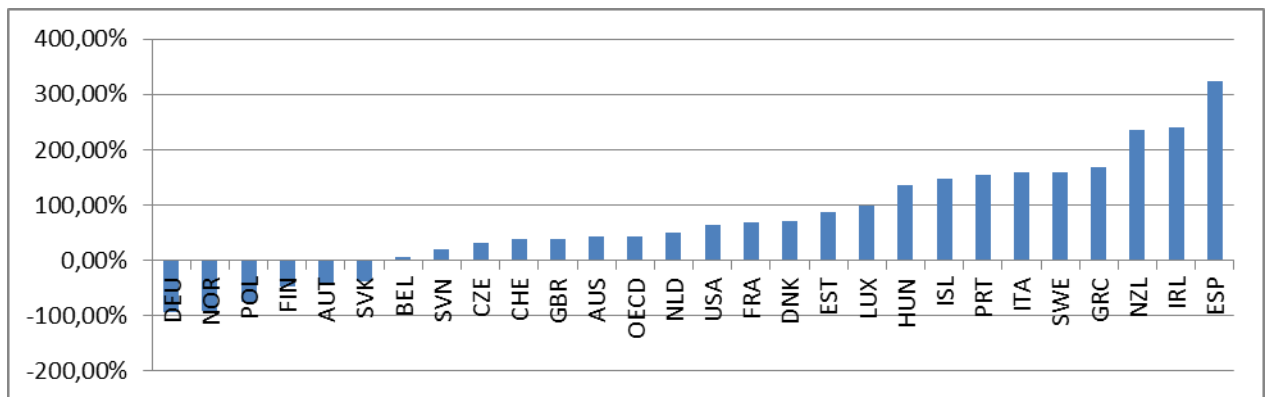
Source: based on own calculations and OECD (2016a)

Figure 2: The average growth rate of foreign-born unemployment



Source: based on own calculations and OECD (2016b)

Figure 3: The average growth rate of native born unemployment



Source: based on own calculations and OECD (2016c)