

Population Migration and Its Economic Impact: A Review

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Abstract:

Migration has long been recognized as a significant force shaping economic structures across the world. This paper reviews major research conducted before 2018 to explore the economic impact of population migration. Drawing on empirical evidence from both internal and international migration studies, it examines how the movement of people affects labor markets, public finances, innovation, and development in both sending and receiving regions. The reviewed literature suggests that while migration can create short-term challenges, such as wage competition or fiscal pressure, its long-term economic effects are largely positive. This review also highlights the importance of policy frameworks in managing migration outcomes for sustainable growth.

Keywords: Migration, Economic Impact, Labor Market, Fiscal Effects, Growth, Integration.

Introduction:

Migration, the movement of people from one location to another, has played a central role in shaping demographic and economic patterns throughout human history. In modern times, migration is often categorized as either internal (within national borders) or international (across borders). It can be voluntary—driven by employment or education—or forced, due to conflict or climate change.

Before 2018, a significant body of research emerged focusing on how migration influences economic outcomes in both origin and destination regions. Economists and policymakers have debated its effects on employment, wages, productivity, public services, and innovation. While early literature raised concerns about competition for jobs and social resources, more recent research tends to emphasize the long-term benefits of migration for economic dynamism and demographic balance.

This paper offers a comprehensive review of these pre-2018 studies, drawing key insights into how migration interacts with core elements of economic performance. It aims to present a balanced view, acknowledging both the opportunities and challenges migration presents.

Methodology:

This study adopts a narrative literature review approach, focusing on research published before the year 2018 that analyzes the economic impact of population migration.

- **Selection Criteria:** Peer-reviewed journal articles, reports by international organizations (e.g., OECD, World Bank), and widely cited working papers were included. The selection emphasized empirical studies with economic analysis of migration effects.
- **Time Frame:** Only literature published before January 2018 was considered.
- **Scope:** The review encompasses both internal and international migration, covering impacts on both sending (origin) and receiving (destination) countries.
- **Analytical Focus:** Key themes extracted from the literature include labor market outcomes, innovation, public finance, remittances, and migration policy.

Discussion:

Internal vs. International Migration

Internal migration is particularly prevalent in large developing countries like India, China, Brazil, and Nigeria, where rural-urban mobility is a key driver of economic restructuring. The process is often triggered by rural unemployment, poverty, lack of access to education and healthcare, or environmental stressors like droughts.

A landmark case is China's hukou (household registration) system, which historically restricted labor mobility, but gradual reforms led to one of the largest internal migrations in human history. Between 1980 and 2010, over 260 million rural residents migrated to cities seeking better job prospects, significantly fueling China's industrial growth (Chen et al., 2014). Migrants contributed to construction, manufacturing, and service industries, supporting double-digit GDP growth rates in the 1990s and 2000s.

In India, internal migration is largely seasonal and short-term, especially among low-income groups. Migrants often move from poorer states like Bihar, Uttar Pradesh, and Odisha to urban hubs like Delhi, Mumbai, and Bangalore. While contributing labor to key sectors such as construction and domestic work, these migrants often lack social security and face challenges in accessing housing, health services, and education due to the absence of portable welfare benefits. Economically, internal migration helps in labor market efficiency by moving workers from low-productivity sectors (e.g., agriculture) to high-productivity sectors (e.g., manufacturing or services). It also contributes to urbanization, which is linked to innovation, infrastructure development, and higher wages. However, unmanaged urban growth can lead to informal housing, congestion, and inequality, undermining the potential benefits.

International migration, on the other hand, typically involves more formalized legal systems, higher costs, and broader geopolitical implications. It is often economically motivated, especially from developing to developed countries, where wage differentials and labor demand attract migrants.

For example, **Latin American migrants** to the U.S., **South Asian workers** to the Gulf States, and **North African migrants** to the European Union form significant transnational labor flows. These migrants contribute significantly to sectors such as agriculture, construction, hospitality, and healthcare in receiving countries. The **economic pull** of developed countries is often matched by **push factors** like political instability, low wages, or environmental crises in origin countries. International migrants can face complex legal and cultural barriers. In high-income countries, they are often subject to visa regulations, citizenship criteria, and integration policies. Nevertheless, studies show that international migration enhances **labor supply**, **fills demographic gaps**, and can **stimulate innovation**, especially when migrants are highly skilled (Kerr & Lincoln, 2010; Alesina et al., 2016).

Moreover, international migrants send **remittances** back to their home countries, which are critical for development financing. For many low- and middle-income countries, remittances exceed both foreign direct investment and official development assistance (World Bank, 2018).

Labor Market Effect:

Migration significantly influences labor markets in both receiving and sending countries. A central debate in economic literature concerns whether migrants negatively impact native employment and wages. Borjas (2003) argued that increased immigration lowers native wages, particularly among low-skilled workers, estimating a 3–4% wage reduction for a 10% rise in labor supply in a specific skill group.

However, subsequent studies challenge this view. Card (2005), analyzing U.S. cities, found little evidence of job loss or wage decline due to immigration. He highlighted that migrants and natives often work in different sectors or perform different tasks, reducing direct competition. Ottaviano and Peri (2012) further supported this by demonstrating that migrants frequently complement native labor, enhancing productivity and even increasing native wages in the long run.

Migrants are crucial in sectors facing labor shortages, such as agriculture, construction, and elder care (OECD, 2013). In high-income countries, younger, working-age migrants help offset aging populations, sustain pension systems, and improve labor market flexibility. High-skilled migrants fill talent gaps in healthcare, science, and technology, particularly in countries like the U.S. and Canada (Kerr & Lincoln, 2010).

At the same time, the impact of migration is not uniform. Certain low-skilled native workers may face increased competition and wage pressure, especially in local labor markets with high migrant concentration. Moreover, undocumented or informal employment may erode labor standards in specific sectors. Still, most evidence suggests these effects are localized and modest when compared to broader economic gains.

In sending countries, emigration can reduce unemployment and raise wages by easing labor surpluses. However, large-scale skilled migration may lead to brain drain, weakening essential sectors like healthcare and education (Docquier & Rapoport, 2012). Despite this, return migration and remittances can stimulate development, increase investment in human capital, and enhance long-term labor productivity.

Gender dynamics also shape labor market effects. Female migrants play a significant role in global domestic and care work. Meanwhile, male outmigration often leads to greater female labor participation in origin countries, altering traditional economic roles (Parreñas, 2001).

In summary, migration's labor market effects are complex and context-dependent. While localized wage competition may occur, the broader picture suggests migration contributes to labor market efficiency, productivity, and demographic sustainability. Policymakers can amplify these benefits through inclusive labor policies, skill recognition, and protections for vulnerable workers.

Fiscal Impact and Public Services

Migration's fiscal impact depends on the balance between taxes paid by migrants and the public services they consume. Research indicates that migrants, particularly those of working age and with higher education levels, tend to be net contributors to public finances. Dustmann and Frattini (2014) found that European migrants in the UK contributed significantly more in taxes than they received in benefits, especially those who arrived after 2000. Similarly, the OECD (2013) reported that in most developed countries, migrants pay more in taxes and social contributions than they consume in public spending.

However, short-term fiscal pressures may arise in regions with high concentrations of low-skilled or recently arrived migrants, particularly where integration is slow or employment rates are low. Access to healthcare, housing, and education can initially strain local budgets, especially in urban areas.

The long-term fiscal outcome is largely influenced by migrants' employment status, legal pathways, and host country policies. When migrants are integrated successfully into the labor force, they help support aging populations, strengthen tax bases, and sustain social security systems. Thus, sound migration and labor policies are essential to maximizing fiscal benefits while managing short-term service demands.

Innovation and Productivity

Migration has been positively linked to entrepreneurship, technological advancement, and innovation. High-skilled migrants often bring specialized knowledge and drive innovation. Kerr

and Lincoln (2010) showed that an increase in H-1B visas in the U.S. was associated with a rise in patent filings, indicating strong immigrant contributions to innovation ecosystems.

Alesina, Harnoss, and Rapoport (2016) found that countries with higher levels of birthplace diversity had higher GDP per capita and greater levels of innovation. Migrants contribute not only labor but also new ideas, skills, and cultural perspectives that improve economic adaptability and productivity.

Economic Effects on Origin Countries

While destination countries benefit from labor inflows, origin countries experience both opportunities and challenges. One major benefit is **remittances**. According to the World Bank (2018), global remittances reached \$613 billion in 2017, providing a crucial source of income for many developing nations.

However, skilled migration can also cause **brain drain**, where the loss of educated workers hampers domestic development. Still, Docquier and Rapoport (2012) argue that this effect can be balanced or even reversed if migrants return with new skills or if their success abroad inspires educational attainment in their home countries—a process termed “**brain gain**.”

Conclusion

The review of pre-2018 literature shows that migration has a substantial, often positive, impact on economic outcomes in both sending and receiving regions. While the short-term challenges—such as wage suppression or pressure on services—cannot be ignored, the long-term benefits in terms of labor market flexibility, innovation, and fiscal sustainability are well-documented.

Origin countries also benefit through remittances and the return of skilled migrants. To fully harness the economic potential of migration, governments must adopt evidence-based, inclusive policies that facilitate integration, protect worker rights, and encourage skill development. Migration, if well-managed, can be a powerful tool for global economic advancement.

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