



Introduction: Breaking the Gridlock on Labor Mobility

Some years ago, Nancy Birdsall was putting together a new think tank to support work in global development. The group was to be focused on promoting development, not by giving advice to poor-country governments—heaven knows, they get enough of that—but by examining the ways in which the rich countries of the world could do more (or at the least do less harm). Then as now, the standard mantra was “Fairer trade, better aid, and debt relief.”

At the time, I said that another issue had to join this troika—labor mobility. The principal way rich countries disadvantage the poor world is not through unfair trade, or through intrusive and ineffective aid, or by forcing repayments of debts. The primary policy pursued by every rich country is to prevent unskilled labor from moving into their countries. And because unskilled labor is the primary asset of the poor world, it is hard to even imagine a policy more directly inimical to a poverty reduction agenda or to “pro-poor growth” than one limiting the demand for unskilled labor (and inducing labor-saving innovations). I asked this question: Why, when influential policymakers and advocates speak about “development,” could we not hear a quartet, not just a trio; to fairer trade, better aid, and debt relief, add more access to rich countries for unskilled labor.

Little did I know just how right and how wrong I could be. I was absolutely right that immigration issues would come onto the

policy agenda. I have been absolutely wrong that (so far) that this could be a positive thing. As I finish this monograph, the United States is in the throes of a deep and contentious debate about immigration policy—and a recent Zogby Poll has “immigration” ranking right after terrorism and the war in Iraq as a concern among U.S. voters. The United Kingdom has recently announced policies that, except for EU workers, make access to it much more difficult for unskilled workers. In the wake of the spring 2006 riots in France, the interior minister was floating ideas about “toughening” up on immigration. The “development round” of World Trade Organization talks has almost no content concerned with increasing labor mobility. The only “pro-immigration” moves are those that expand the welcome mat for the very highly skilled—computer programmers, Ph.D. scientists, medical personnel. Labor mobility is in a policy deadlock—it has been growing, but in ways that are leading to more controversy and conflict.

The rich countries of the world should actively look for ways to increase the mobility of unskilled labor across their national boundaries. They should do this primarily because it is the right thing to do, because of the enormous potential benefits to people who are allowed to move. The rich countries can allow labor mobility that is both consistent with their own economic interests and “development friendly”—that is, labor mobility benefiting not only the nationals but nations. The economics of labor mobility are simple: Because gains from exchange depend on differences and, in today’s economy, the same worker can make enormously higher wages in one location than in another, the gains from moving are obvious. The difficult part is political: How can development-friendly labor mobility policies that are politically acceptable to voters in rich countries be devised? The *ideas* of rich-country citizens—for instance, the idea that immigration will harm the poor in rich countries—are *the* obstacle to larger mutually beneficial flows of labor between rich and poor countries. Increased labor mobility will have winners and losers in rich countries—which is true of nearly every economic policy—and the key is to minimize the perceived losses to the poor citizens of rich countries.

Normatively, I am primarily concerned with raising the well-being of the world’s least well off—not just the “poorest of the poor” but all people whose standard of living (which includes monetary and nonmonetary dimensions) is below that of those below the poverty thresholds of the world’s rich countries, which is the large bulk of the world’s population (Pritchett 2006). Most analysis and recommendations about the policies of the rich countries presume that policies should be informed exclusively by the interests of the current citizens of those countries (for example, Borjas 1999). But it is perfectly possible, indeed plausible, that the “best” policy determined by

the interests of rich-country citizens makes the poor of the world worse off. I am interested in a different question: What are the policies toward labor mobility that would be most beneficial to the world's currently poor (who nearly all reside in poor countries) and yet are still politically acceptable in rich countries?¹ This is presuming at least some small degree of concern for the rest of the world in the making of rich-country policy—which clearly exists in humanitarian relief, in support of foreign aid (through both bilateral and multilateral agencies), in the movement for debt relief, in the granting of trade preferences, and in some aspects of international peacekeeping. Put another way, in the range of policies that rich countries are willing to implement at least putatively to benefit the world's poor, what is the scope for development-friendly policies toward labor mobility?²

Some simple numbers make the politics of the policy predicament clear. The industrial world currently transfers something on the order of \$70 billion a year in overseas development assistance.³ The magnitude of the beneficial impact of this aid in immigrant-receiving countries is hotly debated, but let us assume that the voluntary and mainly altruistic transfer of the \$70 billion leads to roughly \$70 billion in benefits for poor-country citizens. A recent World Bank study (2005a) has estimated the benefits of the rich countries allowing just a 3 percent rise in their labor force through relaxing restrictions. The gains from even this modest increase to poor-country citizens are \$300 billion—roughly four and a half times that magnitude of foreign aid. What does

1. Note that in discussing “labor mobility,” I am consciously distinguishing labor mobility, which may or may not even grant access to the recipient country's labor market, from “immigration” policy, which addresses claims on political rights or citizenship. Though these are often thought to be bundled together so that the ability to provide labor services and full political citizenship are thought of as a single decision, I will argue that policies toward “labor mobility” and “migration” can, and should, be separated *because* it will be good for the poor. Unfortunately, it becomes pedantic to always use “labor mobility” or variants (for instance, what is the “labor mobility” equivalent of calling an arriving person a “migrant?”). So, unless otherwise noted, “migrant” and “migration” are used in the broadest possible sense to include all cross-border movement, whereas “immigration” policy refers to those that may involve eventual citizenship or permanent residency.

2. There are enormous issues surrounding migration within regions in the developing world that make many countries both senders and recipients of migrants, but I will not deal with “South–South” flows at all.

3. The World Bank's World Development Indicators 2005 put the total world flow of “net official development assistance or official aid” at \$58 billion in 1998 and \$77 billion in 2003. The Development Assistance Committee put “official development assistance” from members to part I countries at \$69 billion. I say “on the order of” because combining grants and concessional loans into the net present value of transfer terms is complicated, and not really necessary for the purposes of this book.

it cost the rich countries to achieve these massive gains? Actually, according to these same estimates, the current rich-country residents *benefit* from this relaxation on distortions to labor markets—so the net cost is in reality a net *benefit* of \$51 billion. It would seem that the choice between spending \$70 billion on foreign aid for an uncertain magnitude of gains versus a policy change with a net benefit to rich-country residents of \$51 billion for gains to the world's poor of \$300 billion would, naively, be an easy one.⁴ The crude “cost-effectiveness” of gains to the poor per aggregate cost to the rich country is *infinitely* larger. But rather than increasing commitments to expanding labor mobility as a complement to assistance, one estimate is that the total spent by just five industrial countries on *preventing* these labor flows is \$17 billion (Martin 2004)—a substantial fraction of what they spend to help others.

It is not puzzling that there is little policy advocacy for increased labor mobility as a means of benefiting the rich countries. Those who would oppose relaxing restrictions can easily point out that the purely economic gains to the rich countries are small—even \$51 billion is indeed a tiny fraction of the industrial countries' aggregate gross domestic product of \$32 trillion—and the social and distributional consequences are mixed. But what *is* puzzling is the traditionally deafening silence about rich-country policies from those who are concerned about the world's poor compared with the literatures on aid and trade. The potential gains to poor-country citizens from even small increases in labor flows are much bigger than anything else on the international agenda—either aid or trade. Yet institutional, academic, and popular advocacy from the “development community” has been almost exclusively about improving financial flows (either more or better) or about reducing the trade barriers of rich countries.

Of course, pretending this is a puzzle is itself naive; it is really not so puzzling: National and international politics keep some things on the agenda and other things off it. But there is nothing unique about the politics of labor mobility, and nearly all the objections that “explain” why labor mobility is not on the agenda could be applied to liberalizing trade in goods—but in other cases do not preclude policy. When the topic of labor movement arises, some object that some people in rich countries are hurt by allowing in more labor. That same is true of free trade. The recent campaign to emphasize the harm done to African cotton growers by cotton subsidies to American farmers acknowledges that American farmers would be harmed by a reduction in their subsidies—but this is a political obstacle to be overcome,

4. Other estimates, which make different assumptions about rich-country labor markets, find benefits of \$156 billion for a gain of \$7 billion to permanent residents of rich countries.

not a reason to not advocate the reduction in subsidies. Many point out that increased labor mobility is unpopular with voters—but again, often so is free trade, yet that is seen as an obstacle to be overcome in the interests of a desirable policy rather than as a reason to not discuss liberalizing trade. Many point out that there are “social” consequences of labor mobility—but just ask anyone from Detroit or Pittsburgh if there are social consequences of free trade. But again, the consistent response in the case of free trade is for the advocates of free trade to find ways to address the political objections—through “safeguards,” through the mitigation of the social consequences, through international mechanisms that harness national political interests, through tireless documentation of the potential gains—in the pursuit of what the advocates believe are policies that lead to overall gains. The economics is easy—the gains are there; the politics of policy is hard.

From opening thesis sentence to the conclusion, this brief monograph is primarily policy advocacy.⁵ The structure is simple. First, I argue that there are five *irresistible forces* creating growing pressures for the greater mobility of persons across national boundaries in search of economic opportunities in the twenty-first century. Second, these irresistible forces are being held in check by eight *immovable ideas* of rich-country citizens, who use coercion to block cross-national labor mobility. Third, I propose six *accommodations*, elements of rich-country policy toward unskilled labor mobility that might break the policy deadlock and reconcile the irresistible forces and immovable ideas while still producing policies that are development friendly.

Five Irresistible Forces

The five large and growing forces that make the pressure for mobility across national boundaries greater than ever before in human history are:

—*Gaps in unskilled wages.* Wage gaps of between 2 to 1 and 4 to 1 between immigrant-sending and -receiving countries were sufficient to cause massive migration flows, even with the conditions of transportation and com-

5. This is not primarily a review of the academic literature about the effects of migration. Hatton and Williamson (2006) provide an excellent summary of what is known about the effects of migration in the “first globalization” period before the closing of borders in the 1920s and 1930s. The World Bank’s regular *Global Economic Prospects* report for 2006 was devoted to migration, with new estimates of gains, an excellent review of the literature, and a focus on remittances. The International Organization for Migration (2005) published *World Migration 2005: Costs and Benefits of International Migration*, which also has excellent reviews of the literature on effects and on remittances. For a much broader view of the economic and social effects of migration, see Massey and others, *Worlds in Motion: Understanding International Migration at the End of the Millennium* (1999).

munication in the nineteenth century. The real wage gaps between potential sending and receiving countries are much larger today than a hundred years ago—often as high as 10 to 1. These wage gaps create pressure for migration because they are *not* primarily explained by differences in the characteristics of *people*. Wage rates are predominantly characteristics of *places*: People who move tend to have earnings much nearer the average wage of the country they move to than they are from, even in the short run.

—*Differing demographic futures*. The now-rich countries of Europe and North America, as well as Japan, have demographic futures that are very different from other countries near them. This is starkest comparing Europe and its periphery. The labor-force-age population of Italy is forecasted to shrink from 39 million to 26 million from 2000 to 2050, while the labor-force-age population of Egypt will expand from 40 million to 83 million—a change from one Egyptian worker for every Italian worker to *three* Egyptian workers for every Italian worker. Because it is a fundamental principle for economists that differences create trade, these increasing differences will create ever greater pressures for labor flows—both pressures in Europe to accept greater labor flows and pressures for outward flows in sending countries.

—*The globalization of everything but labor*. Though migration has increased, particularly migration to rich industrial countries, the increase in the mobility of labor has been small compared with the greatly increased flows of goods, capital, and ideas and communication across national boundaries. Globalization has now reached the stage where the economic gains from the further liberalization in goods or capital markets are impressively tiny compared with the gains from the increased mobility of labor.

—*The rise of employment in “low-skill, hard-core nontradables.”* The results of increased productivity, rising incomes, aging populations, and the globalization of manufacturing imply that much of the incremental growth in the labor force will be in what I call “hard-core nontradables”—that is, services (nontradables) that cannot be outsourced and that do not require a high skill level. According to the projections of growth in demand for specific occupations made by the U.S. Department of Labor, more than half the labor demand growth in the top twenty-five occupations (5 million jobs) will occur in this category. Though modern economies will need more computer engineers and postsecondary teachers, they will also need more home health aides, janitors, cashiers, and fast food workers.

—*Lagging growth in “ghost” countries*. Chapter 2 presents an important fifth force for greater labor flows, and it is a chapter all its own because, though chapter 1 mainly synthesizes existing information, chapter 2 presents new research. The fifth force for greater labor flows is that there are large

negative and positive changes in the economic prospects of specific geographic regions, and these create pressures for migration. Large and persistent declines in labor demand in a region, perhaps because of technical changes in agriculture or changes in resources, create two possibilities, which I call “ghosts” or “zombies.” If labor is geographically mobile and hence labor supply is elastic, then large declines in labor demand will lead to large outward migration—the process that created “ghost towns” in the United States. However, if labor demand falls in a region and labor is trapped in that region, by national boundaries for instance, the labor supply is inelastic and all the accommodation has to come out of falling wages. A region that cannot become a ghost (losing population) becomes a zombie economy—the economy might be dead, but people are forced to live there.

Chapter 2 presents evidence from comparisons of countries of the world, from regions of the United States, and from historical experiences that there are in fact large, region-specific changes over time in labor demand and that, when migration is possible, this creates massive migration flows. The chapter then also illustrates how large the pressures for outward migration due to the actual population exceeding the “desired” population might be. One concrete example illustrates the point. There is a contiguous collection of counties in the Great Plains region of the United States that had more than a million people in 1930 and whose *absolute* population in 1990 had both fallen by 27 percent and was also only 36 percent of what it would have been without outward migration. But with this outward migration, per capita income has grown at roughly the rate of the rest of the United States. In contrast, Zambia’s per capita income peaked in 1964, and in 2000 was only 60 percent of its peak. But during that same period, its population has grown from 3.5 million to 10 million. It is not really difficult to believe that the negative shocks to Zambia’s economy have been as large as those of the U.S. Great Plains region and that if labor were mobile, the population dynamics would have been similar. Even if Zambia were to adopt policies that resume growth, the pressures for outward migration would still be enormous—the population of Zambia would be only *a fourth* its current level if its outward migration matched that of the Great Plains.

Eight Immovable Ideas

These five powerful forces for the greater movement of people have created some increases in migration, but only a small fraction of the potential, and the mobility of people across national boundaries is held in check by ideas. Let us not be squeamish: The real barrier to the movement of people across national boundaries is *coercion*—people with guns stop them. The fact that the

coercion is civilized, legal, and even polite should not prevent us from naming it coercion. This exercise of nation-state coercion to prevent labor flows is under the complete and total control of the democratic processes in rich countries. Hence the real barriers to increased labor mobility are the *ideas* of these rich countries' citizens. There is no question that in nearly all rich countries migration is *very* unpopular—in a number of opinion surveys, fewer than one in ten people in many countries belonging to the Organization for Economic Cooperation and Development favor increased migration.

Chapter 3 reviews the eight ideas that underpin resistance to increased labor flows. These ideas appear immovable because they are difficult and painful to address head-on, and nearly everyone would prefer to not explicitly confront them because they often go to very fundamental notions of justice and equity. I argue that many of these ideas are *myths*, in that they are symbolic narratives that rationalize actions often taken for very different reasons. The eight ideas are:

—*Nationality is a morally legitimate basis for discrimination.* Nearly every modern polity is now built around the notions of fairness and equity. Now, after centuries of struggle, it is widely regarded as morally illegitimate to limit people's life chances because they were born a woman, are of a minority race or ethnicity, were raised in a certain religion, or have a physical disability. And yet, as chapter 3 documents, the single largest factor affecting a person's life chances is the country in which he or she is born—this dwarfs gender or race or parents' socioeconomic status as a determinant of well-being. The notion that the differences in life chances resulting from being born in Mali or Nepal are morally legitimate is central to limiting migration.

—*There is a moral perfectionism based on proximity.* The second idea that underpins resistance to labor mobility is that proximity or physical presence in the same political jurisdiction is all that matters for moral obligations. As long as a specific Haitian is suffering while physically in Haiti, the moral obligation of the United States is nothing, or next to nothing. If that same Haitian manages to arrive on the soil of the United States, the moral obligation to that specific person increases almost infinitely. At the same time, it is perceived as moral to deploy violence to prevent that Haitian from setting foot on American soil by, for instance, interdicting his or her boat in international waters. All the countries with the highest ratio of foreign-born population legally (and in every other way) treat their guest workers as "second-class citizens." The uncomfortable fact is that this lack of a moral concern that depends on physical location—particularly the fact that the moral concern is always low—makes the workers better off. The oil-rich Gulf states have a ratio of foreign-born to domestic population larger than most European countries by an order of magnitude;

and while in these countries, the guest workers do not acquire any citizenship claims at all. So the fact that the typical Gulf state citizen feels no moral obligation to a Bangladeshi if they are in Bangladesh and no moral obligation to the Bangladeshis even if they are physically in the Gulf state makes the Bangladeshis much better off because they are allowed access to the Gulf state's labor market in quantities that would be unthinkable if they had to be treated politically as equals. Though free immigration that includes the acquisition of citizenship rights and the modern welfare state might be incompatible, greater labor mobility and the modern welfare state are not.

—“*Development*” is exclusively about nation-states, not nationals. The third idea is that “development” must be only about the fate of those who remain within the borders of their nation-state. Not surprisingly, given that international organizations are precisely that, the interests of nation-states dominate global forums. Because the primary benefit of labor movement accrues to the person who moves rather than to the sending or receiving nation-state, if “development” is about the living standards of nationals, then labor mobility is obviously a desirable policy for development. However, if one construes “development” to be only about the interests of nation-states, then “migration” is often perceived as something to be minimized or eliminated. The governments of nation-states have, for a variety of reasons, much more interest in what happens to the incomes of the people (and firms) that reside within the geographic space they control than in the well-being of all “nationals.” This leaves the international system and all its agencies (whose members are typically nation-states) almost exclusively concerned with what happens within *national* boundaries. It is easy to find out from a stream of data sets emanating from international organizations about the well-being of individuals who now live in Jamaica, El Salvador, Armenia, or Ukraine. But what is the average income or well-being of *Jamaicans*, *Salvadorans*, *Armenians*, or *Ukrainians* (defined as either those born in those countries or those that self-identify with them)? No one knows.

—*Labor movements are not “necessary” (or desirable) to raise living standards.* The fourth idea that underpins restrictions on labor mobility is the notion that it is not really necessary for development. In particular, two ideas take labor mobility off of the table. One is that the movement of people is unnecessary because trade in goods can lead to the equalization of wages—factor price equalization—without it. The second is that movements of capital—either as aid or private capital flows—can substitute for the movement of people in equalizing wages across countries.

In addition to the ideas about what is normatively “right,” there are also the politically much more important ideas about how migration affects the

self-interest of rich-country voters. Four important notions underpin the resistance to increased labor mobility based on self-interest:

—*Increased migration of unskilled labor will lower wages (or take jobs away from natives) and worsen the distribution of income in the receiving countries.* One influential idea that limits migration is that increased flows of unskilled labor will be bad for the unskilled labor already in the country. Unlike many of the other ideas, this idea—grounded in simple demand and supply—is almost certainly true. But though this is an enormous concern and needs to be addressed directly, it does not preclude well-designed, development-friendly labor mobility policies. The economists’ usual response to distributional arguments against efficient policies is “instruments to targets,” and for economists to resist migration on this ground while advocating free trade is intellectually inconsistent. Second, this is only true if the impact is not mitigated—any serious proposal for increased migration needs to address the distributional effects head-on.

—*Movers are a fiscal cost because they use more services than they pay in taxes.* A common fear is that newly arrived immigrants will use more public services than they will pay for in taxes and hence constitute a fiscal burden. Whether this is true or not is a complex question, but it does inspire anti-migrant policies, such as those aimed at limiting access to services for migrants or their children.

—*Allowing movement across borders creates risks of crime and terrorism.* Obviously, in the wake of not just the tragic events of September 11, 2001, in the United States but also the train bombings in Madrid of March 11, 2004, and the July 7, 2005, subway and bus bombings in London, the terrorism implications of cross-border movements of people are a first-order issue. No proposal that does not take into account these security concerns (as well as concerns about street crime) is going to be politically viable in the near future.

—*“They” are not like “us”—culture clash.* Perhaps the main political driving force against increased migration is the cultural argument that allowing the physical presence of others who do not share the same value systems would undermine the “cultural cohesion” of the existing society.

Six Accommodations for Politically Acceptable, Development-Friendly Migration

Because the main forces blocking increased labor mobility are ideas, the most important agenda is to develop ideas—proposals for the national and international agendas that create development-friendly policies toward migration and create sustained pressures for the adoption of these proposals. Chapter 4 proposes six “accommodations”—aspects of proposals for greater labor

mobility that are both *politically acceptable* to voters in rich countries and also *development friendly*. I argue that these six accommodations are necessary because the two major existing trends in migration policy are either not development friendly or are not likely to be politically acceptable.

As documented in Kapur and McHale's *Give Us Your Best and Brightest* (2005), one trend in migration policy in countries belonging to the Organization for Economic Cooperation and Development is a move toward restricting migration or, if continued or increased levels of migration are contemplated, adopting policies that lead to "higher-quality" immigrants by placing more emphasis on skills. Though this emphasis on the contributions of potential migrants can lead to greater political acceptability (in part because it avoids downward pressure on unskilled wages), it is almost certainly less "development friendly" than allowing greater numbers of less-skilled migrants. There are obvious benefits to "brain circulation" that might offset the traditional fears of "brain drain," but it is almost certainly the case that if rich countries choose exclusively those migrants of higher productivity and grant them permanent status, this pattern of the "three Rs" (recruitment, remittance, and return) is less favorable for the migrant-sending countries than policies emphasizing remittances and return.

The other potential trend is toward bringing labor mobility under the World Trade Organization (WTO). I argue that the existing WTO is unlikely to be the focal point for substantially increased flows of unskilled labor. The principles that make the WTO (and its predecessor, the General Agreement on Tariffs and Trade) a good forum for negotiating reductions in trade barriers—most-favored-nation policies, price-based interventions in trade, and reciprocity—lead to politically unacceptable outcomes when applied to labor mobility.

A politically acceptable and development-friendly scheme for labor mobility should include six features:

—*Bilateral, not general multilateral, agreements.* These agreements will be between pairs or small sets of countries. There is little or no prospect for binding multilateral commitments or open arrangements. For security as well as historical and "culture clash" reasons, most host countries will engage in agreements that include only selected nationalities (and ration among those).

—*Temporary status for labor mobility.* The tide has turned toward using skills as a criterion for immigration policy (those admitted permanently)—with many countries adopting policies intended to decrease the number of unskilled or low-skilled migrants (by reducing "family reunification" and asylum as modes of immigration). Hence the best hope for the increased admission of unskilled labor is labor mobility through temporary agreements—in spite of the risks this entails for political backlash.

—*Rationing, using specific quotas (by job and perhaps region).* Although economists would nearly always prefer prices over quantities as a means of regulation, politically only carefully controlled numerical allocations that use deliberative mechanisms to address fears of “taking away jobs” are likely to succeed.

—*Enhance the development impact on the sending country.* Because migration in the first instance benefits nationals while many conceive of development as about nation-states, development-motivated labor mobility policies should include ways of enhancing the perceived development impact. One objection must be addressed: In bringing labor mobility onto the development agenda, the maximum additional labor that would be accommodated is so small that the benefits would be concentrated on only a few citizens of poor countries, like a labor lottery.

—*Involvement of the sending country in enforcement.* One major concern of any scheme for temporary migration is that liberal democracies are incapable of adequately enforcing such agreements unilaterally. Sending-country cooperation can greatly assist in making temporary schemes feasible.

—*Protection of the fundamental human rights of migrants.* This is not an “accommodation” but also a fundamentally desirable feature of any program for labor mobility. No one is more vulnerable than a person far from home who does not understand the language and the legal system, and who is often outside any social support network (because migrants often work alone) and is seen as ripe for exploitation by employers and traffickers. To be politically acceptable in rich countries, programs need to emphasize that people coming to perform unskilled labor are not making “tragic choices” from economic desperation (as they at times are when migration is made illegal) but are making positive choices in which their dignity and rights are maintained.

In discussing how the wealthy countries of the world can assist in the development of the rest of the world, the policy agenda has often been dominated by aid and trade. In fact, there is a sense that some hope more generous aid and freer trade could make migration—which is politically a much more highly charged issue—completely unnecessary. Migration policies in some instances are even perceived to be working against development goals. But after half a century of aid-centered development policies and programs combined with a gradual but now nearly complete “globalization of everything but labor,” the global system should now be ready to bring labor mobility fully onto the agenda. For this to produce positive outcomes, there must be sustained attention to the design and implementation of schemes that can accommodate the mounting irresistible forces against the immovable opposition of rich-country citizens’ ideas.