

Immigration and Its Economical Impacts

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Abstract: *The author delves into the complex dynamics of immigration, offering an insightful analysis of its causes, consequences, and the intricate interplay between migrants and their chosen destinations. This comprehensive study examines the dual perspective of sending and receiving countries, shedding light on the economic motivations driving individuals to migrate, such as the quest for better job opportunities, escaping adverse conditions, and seeking higher education. The article meticulously explores the economic benefits and challenges posed by immigration, highlighting how remittances significantly support economies of sending countries but also how the phenomenon of brain drain can deplete their skilled labor force. Conversely, for receiving countries, while immigrants contribute to filling labor shortages and enhancing economic growth, they also present fiscal challenges and integration issues. The research emphasizes the importance of understanding the multifaceted nature of immigration's economic impacts, advocating for policies that harness its benefits while mitigating its downsides. Feng's work ultimately argues that, despite the challenges, the economic implications of immigration are nuanced, with potential positive outcomes outweighing the negatives, thereby supporting the continued openness towards immigration globally.*

Keywords: *Migration; Fiscal Burden; Illegal Migrants; Remittances; Back-flows*

1. Introduction

One of the facts of life is that most of the people are trying to or have tried to persuade a higher standard of living, for example, trying to get a better education, trying to buy a better car or house etc. Immigration is one of the ways of getting a better life for some people. Vast numbers of people in low-income countries want to emigrate from those countries but cannot. The Gallup World Poll finds more than 40 percent of adults in the poorest quartile of countries “would like to move permanently to another country” if they had the opportunity, including 60 percent or more of adults in Guyana and Leone.^[1]

Actually, China, as the country which has the most population in the world, in 2019, 11,000,000 Chinese immigrated overseas for multiple reasons, this number ranked 3rd overall as there are 272,000,000 people in total have changed their nationalities in 2019. Needless to say, this enormous number has a huge impact on the world economy. Migration can be challenging for people. It needs immigrants take a long time to become adapted to the new environments. From time to time, after migration took places, immigrants find themselves in a foreign, and some times hostile environment. And more importantly, immigration costs a lot of money. The economic impact of migration flows through into every aspect of the economy. It has a profound positive impact not just on population growth, but also on labor participation and employment, on wages and incomes, on our national skills base and on net productivity.

Therefore, why would immigrants have the desire to leave their motherland and go to a totally new state? Yet immigration has long been a matter of controversy. Some immigration issues are political; others are economical. What is their motivation and what economic impact do they make?

My focus of this essay will be on economic issues of migration. And this essay will review the theoretical framework and empirical evidence provided by the economics literature on these questions: (1)What economical pulling and pushing factors determine immigrants' decisions to any particular host country(what is attracting immigrants?; (2)how do the immigrants affecting the sending country economically; and(3)what is the economical impact of immigrants on the receiving country's economy?

2. Why Migrate: pull and push factors

According to Economics(20th edition by McConnell, Brue, Flynn),people immigrate to the U.S.

mainly because: 1) Take advantage of superior economic opportunities. 2) To escape political or religious oppression in their home countries. 3) To reunite with family. Members or other loved ones, usually prior immigrants. Actually, this revealed the main driver of economic immigration is the opportunity to improve the immigrants' earnings and therefore standard of living, most people migrate for economic reasons such as moving costs, wages, opportunities, and investments and so on. It seems that the biggest group of migration in the US —Mexicans are migrating to the US for jobs. For a long time, migration from Mexico to the United States has been largely driven by low-skilled, unauthorized workers seeking economic opportunity.

It sounds reasonable, that people choose to migrate from places which have fewer job opportunities, to countries where have plenty of occupations. This is especially correct in highly-developed countries, for example: Canada, the united States and some European countries such as France and Denmark. These countries have advanced and completed Industrial structure, migrant workers in these countries often fill in low-wage jobs for which there is not enough local supply of labor. Therefore plenty of jobs were offered, and usually, although these jobs are low-paid in the developed countries, however, immigrants from less-developed countries are willing to to take these jobs, because comparing with the wages and working condition between rich and poor countries the choice is very easy to make for immigrant workers. See Table 1

Table 1: Minimum wage in different countries.

Minimum wage in different countries(2020)	Canada	United States	Indonesia
Minimum wage	12.65USD/hour	7.25USD/hour	1.29USD/hour

However, do immigrants migrate just because they want a job for a living?

Actually, besides desire to apply for a job immediately (Work immigration), other immigrants choose for a more potential and long-term investment—Education immigration. Education immigration is more and more popular in China nowadays, according to Chinese immigration report (2017),every 6 International students in the world there is one happens to be Chinese.

According to 2018 world migration report by International Organization for Migration, the main part of of immigrants in north America are Chinese, especially Chinese students, between 2018-2019, 369,548 Chinese students went to north America for educational purposes ,take 33.7% of total international students in north America. Not only for a degree, 30% of Chinese international students decided to take internships in north America, 85% of the Chinese students who received a master/PH.D degree are willing to stay in north America for long-term occupations or have a tendency to immigrate. And what is more important is that these students are not only founded by their family, a huge amount of them have a founding from the universities they are in this shows that the potential receiving country are trying to attract these well educated elites as well.

Thus, we can draw a conclusion that besides low-paid jobs, high -level ,educated foreigners are also seeking opportunities of immigrate for the reason that these decent jobs in developed countries are also more attractive than in their native countries. Surprisingly, these Chinese international students in America are already much richer than most of their peers, they still want a higher quality of education, and education is just one of the pulling factors. It is not like low-skilled workers who migrated just for a living, they persuade a higher standard quality of life.

Therefore, we will be wondering, will these immigrants be harmful for sending countries? What economical consequences will be taken by sending countries?

3. Remittances and Back-flows VS. Labor loss

The economic effects of migration vary widely. Sending countries may experience both gains and losses in the short term but may stand to gain over the longer term. For receiving countries temporary worker programs help to address skills shortages but may decrease domestic wages and add to public welfare burden. The economic effects of migration for both sending and receiving countries may also vary depending on who is moving, specifically with respect to migrant workers' skill levels. A Swedish Professor notes, “the problem is not immigration; it is integration, especially in the labor market. If there are no jobs, the consequences are segregation, housing problems and divided cities” (Traynor, 2010).

For sending countries, the short-term economic benefit of emigration is found in remittances. Remittances are funds that emigrants earn abroad and send back to their home countries, mainly in order to support families left behind. Global flows of remittances are rising toward \$400 billion per year.^[2] According to the World Bank, remittances totaled \$529 billion worldwide in 2012, with \$401 billion of that money flowing into developing nations. Significantly, these figures only account for funds sent through formal channels, so the amount of remittances is likely much larger than these numbers suggest. The World Bank notes that remittances sent through informal channels could add at least 50 percent to the globally recorded flows

At the same time, developing countries can suffer from “Brain drain”—the loss of trained and educated people to emigration. For example, there are currently more African scientists and engineers working in the U.S. than there are in all of Africa, according to the International Organization for Migration (IOM). In Zambia, emigration has reduced the number of practicing doctors from 1,600 a few years ago, to a mere 400 today. The IOM estimates Africa’s brain drain has cost nearly \$9 billion in lost human capital and growth potential since 1997. According to the United Nations Population Fund, 2006 State of the World Population report, Africa only retains 1.3 percent of the world’s health care practitioners. Thus, despite having over a quarter of the world’s tuberculosis cases and 64 percent of the total numbers of people infected with HIV, Africa only has, on average, a mere one nurse per 1,000 people.^[3]

This “Brain drain” aftermath is also happening in China and only more seriously. The immigration from China to the United States has distinguished from Mexico and Africa for its losses of well-educated elites. The United States has become China's largest brain drain country. Data from a 2010 US community survey report showed that Chinese immigrants in the United States have a very high proportion of technical immigrants and legal immigrants. According to a Chinese survey, 40.8% of the Chinese immigrants have a high education level. Some studies predict that by 2022, the number of skilled immigrants to the United States will triple, reaching 500,000, of which 35% -41% are based on scientific skills and higher education. While this number is keep growing, it is more painful for Chinese economy.

The country is concerned with this serious situation and making adjustments to its policies. In 1992, in order to encourage overseas students to return to China after graduation, seven national ministries and commissions formulated a preferential policy for attracting overseas Chinese students. Overseas Chinese students can apply for purchasing a tax-free car within one year after graduation. e (calculation method of tax amount: market retail price ÷ 11.7).

So, do all the sending countries only get damages and receiving countries all get benefits? In the following part I am going to talk about the pros and cons of receiving countries can get from immigrants.

4. Economical impact on receiving countries

Migration into the U.S. and other developed countries has increased sharply in the post WWII period, for instance, in America legal immigration more than quintupled from roughly 200,000 per year in the 1950s to over a million per year during the last decade. Labor market competition from immigrants is most intense for natives with the lowest levels of education as I have already discussed on the last part of the essay. For example, while immigrants in the U. S. only take 13 percent of the working-class population in 2000, they made up 28 percent of the population with less than a high school diploma, and over half of all those with less than 8 years of education. According to the OECD (2010), the advanced countries are home to 88 million migrants who have no formal working educations, accounting for 76percent of their total foreign-born population. In developed countries such as the U.S. and Canada, undocumented migrants from countries such as Mexico, Central America and the Philippines account for a large part of the unskilled immigration flow (Goldinetal, 2011).

Just as cheap imports of industrial goods benefit the economy, so does the import of low-cost labor. Economists who support the notion of positive result from immigrants claim that immigration has little impact on wages or job availability for domestic workers and that there is no link between immigration and U.S. income distribution and unemployment rates.^[4] According to 12 studies conducted between 2003 and 2018, MAC (2018) concluded that immigration had had little impact on average wages. Some studies (e.g. Nickell and Saleheen, 2015) had found a small negative impact on average wages.

If native workers and immigrants are perfect substitutes, the labor market is very flexible, and the investment climate is supportive, theory predicts that the influx of migrants will have the same effect on the economy as a one-time increase of the domestic labor force (Solow 1956)^[5]. The in coming of migrants temporarily lowers the wages of incumbents as it reduces the capital-labor ratio.^[6] It must also, in the short run, reduce the numbers of employed natives as lower wages will lead some of them to prefer not to work.

However, if the influence of immigrant worker are so tiny why are some receiving countries so panicked? One of the main reasons is Fiscal burdens. In the fiscal burden of illegal immigration on united states taxpayers by jack Martin, he stated that “although credits available to tax return filers offset income taxes received from illegal alien workers, other with-holdings from illegal alien workers are not similarly offset, and the result is a net fiscal contribution of about \$9.5 billion per year. the federal outlays attributable to illegal aliens, however, more than offset those net tax collections from the illegal alien population. AS shown below, the net fiscal cost to the u.s. taxpayer is about \$19.2 billion annually.” see Table 2

Table 2: Net federal fiscal cost of illegal immigrants.

Net federal fiscal cost of illegal immigrants	
Total federal outlays	\$28,795,400,000
Net tax collections.	-\$9,456,600,000
Total	\$19,338,800,000

*Source: the fiscal burden of illegal immigration on united states taxpayers by jack Martin

Thus, in the U.S. not all people believe that high levels of immigration are economically beneficial. For example, the Center for Immigration Studies (CIS), do not believe in the positive gains of immigration. Using U.S. census data from 2017 and 2018, one CIS study concluded that, “immigration has dramatically increased the size of the nation’s low-income population...Moreover, many immigrants make significant progress the longer they live in the country. But even with this progress, immigrants who have been in the U.S. for 20 years are much more likely to live in poverty, lack health insurance, and access the welfare system than are native-born Americans” (2016).

However, according to The Economics and Policy of Illegal Immigration in the United States by Gordon H. Hanson, the overall impact of illegal immigration on the US economy is small. Low-skilled native workers who compete with illegal immigrants are the clearest losers. US employers, on the other hand, gain from lower labor costs and the ability to use their land, capital, and technology more productively. “The stakes are highest for the unauthorized immigrants themselves, who see very substantial income gains after migrating. If we exclude these immigrants from the calculus, however (as domestic policymakers are naturally inclined to do), the small net gain that remains after subtracting US workers’ losses from US employers’ gains is tiny. And if we account for the small fiscal burden that unauthorized immigrants impose, the overall economic benefit is close enough to zero. “in the article he wrote.

Meanwhile, according to the same article, In 2008, unauthorized immigrants accounted for 5.4 percent of the US civilian labor force.¹⁸ Applying standard economic methods, the surplus from illegal immigration, or the net gain to US workers and employers exclusive of any labor income paid to the unauthorized immigrants themselves, is approximately “0.03 percent of US GDP.¹⁹ The arriving labor does contribute to a significantly larger expansion in overall US GDP, as unauthorized workers increase the total amount of output the US economy generates. “But the vast majority of this additional wealth goes to unauthorized immigrants themselves, leaving only a small gain in US native income.^[7]

Thus, we can draw a conclusion that immigrants can have both positive and negative impacts on receiving countries’ economy. For positive impacts, immigrants are cheap labors, they helps developed country with upgrading Industrial Structure and lower the costs of labor force, meanwhile, it also have negative impacts such as causing fiscal burdens and so on, however according to researches, its negative influence is not enormous, and that is part of the reason why the way of immigration is always open.

5. Conclusion

The article delves into the complexities of immigration, identifying key motivations such as the pursuit of better economic prospects, the need to escape adverse political or religious environments, and the desire for family reunification as primary drivers behind migration flows from low- to

high-income nations. It explores the dichotomous economic impact on sending countries, where the benefits of remittances clash with the detriments of brain drain, and on receiving countries, highlighting the role of immigrants in filling labor shortages and driving economic growth, juxtaposed against challenges like fiscal strains and labor market integration issues. The phenomenon of "education immigration," particularly among Chinese students seeking higher education abroad, underscores a trend towards acquiring quality education and the strategic attraction of skilled individuals by developed countries. The article encapsulates the nuanced economic implications of immigration, suggesting that, despite its challenges, the overall benefits contribute to the sustained global openness towards immigration, balancing the scales between opportunities and hurdles in the host countries' economies.

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