Executive summary

With more than one-third of international migrants residing in developing countries, immigration has an increasing weight on the socioeconomic development of low- and middle-income countries. Yet, policy debate on how immigrants affect host countries often relies more on perception than evidence. A more systematic analysis on the economic impact of labour immigration in developing countries will better inform policy makers to formulate policies aiming to make the most of immigration in destination countries.

The project Assessing the Economic Contribution of Labour Migration in Developing Countries as Countries of Destination (ECLM) – carried out by the OECD Development Centre and the International Labour Organization and co-financed by the European Union – was conceived to provide such analysis. This report synthesises the findings of the project, conducted between 2014 and 2018 in ten partner countries – Argentina, Côte d'Ivoire, Costa Rica, the Dominican Republic, Ghana, Kyrgyzstan, Nepal, Rwanda, South Africa and Thailand –, puts them in the context of global analysis and provides evidence on the impact of labour immigration on the development of host countries, and presents the main policy recommendations.

The contribution of immigrants to developing countries' economies

Using both quantitative and qualitative methods, the analysis in this report focuses on three main dimensions of the economic contribution of immigrants in developing countries: labour markets, economic growth and public finance.

- **Labour markets**: How well immigrants are integrated into the host country's labour market is directly linked with their economic contribution to their destination countries. Immigrants in most partner countries have higher labour force participation and employment rates than native-born workers. However, the quality of jobs immigrants take remains a concern because they often face a lack of decent work.

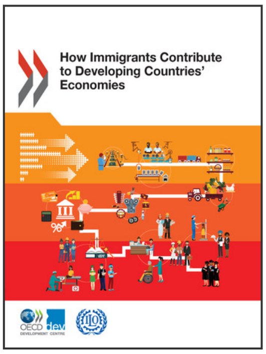
  Does immigration affect – either positively or negatively – the labour market outcomes of native-born workers? The analysis in the ten developing countries shows that the overall impact of immigration is negligible. The results, however, are diverse and highly contextual. This is in line with the majority of research on OECD countries which finds only a small effect.
- **Economic growth**: The estimated contribution of immigrants to gross domestic product (GDP) ranges from about 1% in Ghana to 19% in Côte d'Ivoire, with an average of 7%. The immigrants' contribution to value added exceeds their population share in employment in half of the partner countries. In countries where this is not the case, the differences were small. Overall, immigration is unlikely to depress GDP per capita. The analysis on how immigration affects productivity reveals less clear results. Various research methods were employed across the countries depending on data availability.
- **Public finance**: How do immigrants affect the fiscal balance and the quality of public services in developing countries? Immigrants help increase overall public revenues, but

the increase may not be always sufficient to offset the public expenditures they generate. This is the case for two countries, Kyrgyzstan and Nepal, where the deficit is less than 1% of GDP. In the other seven partner countries for which data are available, the net direct fiscal impact of immigrants is positive but below 1% of GDP. Overall, immigrants' net fiscal contribution is therefore generally positive but limited. This is in line with the available evidence for OECD countries.

How can destination countries enhance the contribution of immigration to development?

While immigration's impact on the ten partner countries' economies is limited, public policies can play a key role in enhancing its contribution to the development of destination countries. In many developing countries, disproportional attention has been paid to policies that maximise the positive impact of emigration rather than immigration. However, excluding immigration from development strategies can represent missed opportunities for host countries. Building on the research findings, the report illustrates five policy priorities for immigration countries to consider:

- **Adapt migration policies to labour market needs**. Developing countries can benefit from implementing migration regulation frameworks that are based on their labour market needs. Facilitating entries and providing more legal pathways to labour migrants will increase the share of immigrants with a regular status and formal employment. This, in turn, can significantly increase immigrants' contribution to a host country's economy. Closely monitoring labour market indicators coupled with developing consultation mechanisms, in particular with the private sector, can further support migration management systems.
- **Leverage the impact of immigration on the economy**. Destination countries should consider policy interventions aiming to i) foster the employability of immigrants, for example, through an extended network of public employment services or training and lifelong learning opportunities to upgrade their skills; ii) encourage their investment by removing the barriers to invest and create businesses; and iii) maximise the fiscal contribution of immigrants through supporting growth of the formal sector or expanding the tax base and contribution payments from the informal one.
- **Protect migrant rights and fight discrimination**. Immigrants' working and living conditions are closely linked with the way they contribute to their host countries' economies. Public authorities as well as employee and employer organisations in destination countries should therefore prioritise protecting the rights of immigrants and preventing all forms of discrimination and racism.
- **Invest in immigrants' integration**. Many developing countries lack comprehensive policies to facilitate the integration of immigrants. This can generate serious problems of social cohesion and reduce immigrants' ability to contribute to the development of their host countries. Various policy measures should be put into use from the moment immigrants arrive. Local authorities can also play an active role.
- **Better monitor the economic impact of immigration**. Adequate public policies and actions can come from better data and evidence. While most partner countries collect useful data to study immigration, these data are often insufficient for a comprehensive analysis. It is important that developing countries invest in improving migration-related data collection as well as analyses of immigration's potential impacts on the economy. The analytical framework employed in this report can provide useful indications in that respect.



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