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Macro-economic determinants of international migration in Europe

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Chapter 3 A THEORETICAL FRAMEWORK OF INTERNATIONAL MIGRATION

3.1 Introduction

This chapter attempts to show that the economic point of view accounts for a considerable part of the theoretical background of international migration. So far, several theoretical models have been proposed to explain (part of) the international migration puzzle. Massey *et al.* (1993) give an overview and evaluation of the most important theories. Rather than focusing on a particular theory, the international migration systems approach discussed by, among others, Kritz and Zlotnik (1992) tries to integrate the key aspects of the different migration theories. The central idea of the systems approach is that the exchange of capital and people between certain countries takes place within a particular economic, social, political and demographic context. A disadvantage of this approach is that hardly any causalities are distinguished. In this chapter I present a theoretical framework, in which four groups of factors acting on international migration are distinguished: economic, social, political and 'linkages'. This framework can be seen as an attempt to incorporate causalities¹⁷ in the systems approach. The causalities are derived from the following theories of international migration: the neo-classical economic theory, the dual labour market theory, the new economics of labour migration, the relative deprivation theory, the world systems theory, network theory, and institutional theory. By showing the various positions of the whole aforementioned theories within the framework it will become clear that the economic point of view accounts for a considerable part of the theoretical background of international migration. In addition to justifying the economic point of view engaged in this study, this chapter also aims to provide an introduction of the migration theories which will be used to formulate hypotheses about the impact of socio-economic determinants on international migration in the following analytical chapters.

First, a brief description of the theories of international migration will be provided, from which the causalities are derived. The theoretical framework is presented in section 3.3. In section 3.4 the direct effects on international migration within the framework are described in more detail. Section 3.5 shows how the migration theories can be fitted into the framework presented. Finally, in section 3.6 some concluding remarks are made and an overview is given of the determinants of international migration.

¹⁷ The use of individual data is a prerequisite to test alleged causalities. Therefore, I only speak about causalities in this theoretical chapter. The analytical chapters of this dissertation are a search for associations between determinants at the macro level and international migration.

3.2 Theories of international migration

Massey *et al.* (1993, 1998) and School (1995) distinguish theoretical approaches of international migration into two categories: theoretical approaches explaining the initiation of migration and theoretical approaches explaining the continuation of migration. In this theoretical overview a similar distinction is also made. The neo-classical economic theory, the dual labour market theory, the new economics of labour migration, and the world systems theory try to explain the initiation of migration. An example of an indicator that causes an international migration flow between two countries is wage difference between these two countries. It is a mistake to assume that the initiation of international migration flows (e.g. a wage difference) only acts in a short space of time. Wage differences between countries may persist for decades. This initiation of migration may instigate international labour flows that persist as long as these wage differences continue. International migration itself may even exacerbate the initiation. Income inequality, for instance, may be the initiation of migration from a country. Subsequently, if remittances or return migration cause increased inequality in the sending society, emigration leads to more emigration. Network theory and institutional theory attempt to explain the course of international migration flows over time. These theories try to clarify, for instance, why international migration flows may increase if the initial incentive to migrate has diminished. However, international migration flows on a large scale and in a disproportionate direction cannot persist, at least not on a long term, solely on the basis of mechanisms identified in the theoretical explanations for the course of international migration flows over time. At least one of the mechanisms described in the theoretical approaches that try to explain the initiation of migration or physical danger in the sending country, which will be described in section 3.4.4, have to be involved too. The comparison between Turkish and Italian chain and return migration after labour migration to and from Germany is illustrative. Economic prosperity in Germany was considerably higher than in Turkey and Italy. This induced many Turkish and Italian workers to migrate to Germany. The *Anwerbestopp* of 1974 ended the labour migration from Turkey and Italy to Germany. After 1974 migration flows between Turkey and Germany have been much more disproportionate (more migration from Turkey to Germany than the other way round) than migration flows between Italy and Germany. This difference cannot be explained by employing theories explaining the course of international migration over time. The main reason lies in the extent to which the initial cause of (labour) migration to Germany prevailed in Italy and Turkey after 1974. Italy largely reduced its economic backwardness vis-à-vis Germany in the 1970s and 1980s, while Turkey's economic backwardness in relation to the German economy even increased. In addition, Turkey has been, contrary to Italy, a politically unstable country.

3.2.1 Theories explaining the initiation of international migration

The oldest theory of migration is neo-classical economic theory. According to this theory, wage differences between regions are the main reason for labour migration. Such wage differences are due to geographic differences in labour demand and labour supply, although other factors might play an important role as well, e.g. labour productivity, or the degree of organisation of workers. Applying neo-classical economics to international migration it can be said that countries with a shortage of labour relative to capital have a high equilibrium wage, whereas countries with a relatively high labour supply have a low equilibrium wage. Due to these wage differences labour flows take place from low-wage to high-wage countries (Borjas, 1989; Massey *et al.*, 1993, 1998; Bauer and Zimmermann, 1995).

The dual labour market theory argues that international migration is mainly caused by pull factors in the developed migrant-receiving countries. According to this theory, segments in the labour markets in these countries may be distinguished as being primary or secondary in nature. The primary segment is characterised by capital-intensive production methods and predominantly high-skilled labour, while the secondary segment is characterised by labour-intensive methods of production and predominantly low-skilled labour. The dual labour market theory assumes that international labour migration stems from labour demands in the labour-intensive segment of modern industrial societies (receiving countries) (Piore, 1979; Massey *et al.*, 1993).

Stark and Bloom (1985) argue that the decision to become a labour migrant cannot only be explained at the level of individual workers; wider social entities have to be taken into account as well. Their approach is called the new economics of labour migration. One of the social entities to which they refer is the household. Households tend to be risk avoiding when the household income is involved. One way of reducing the risk of insufficient household income is labour migration of a family member. Family members abroad may send remittances. According to the new economics of labour migration, these remittances have a positive impact on the economy in poor sending countries as households with a family member abroad lose production and investment restrictions (Taylor, 1999).

The relative deprivation theory argues that awareness of other members (or households) in the sending society about income differences is an important factor with regard to migration. Therefore, the incentive to emigrate will be higher in societies which experience much economic inequality (Stark and Taylor, 1989).

The world systems theory considers international migration from a global perspective. This approach emphasises that the interaction between societies is an important determinant of social change within societies (Chase-Dunn and Hall, 1994). An example of interaction between societies is international trade. Trade between countries with a weaker economy and countries with a more advanced economy causes economic stagnation, resulting in lagging

living conditions in the former (Wallerstein, 1983; Amankwaa, 1995). This is an incentive for migration.

3.2.2 Theories explaining the course of international migration flows over time

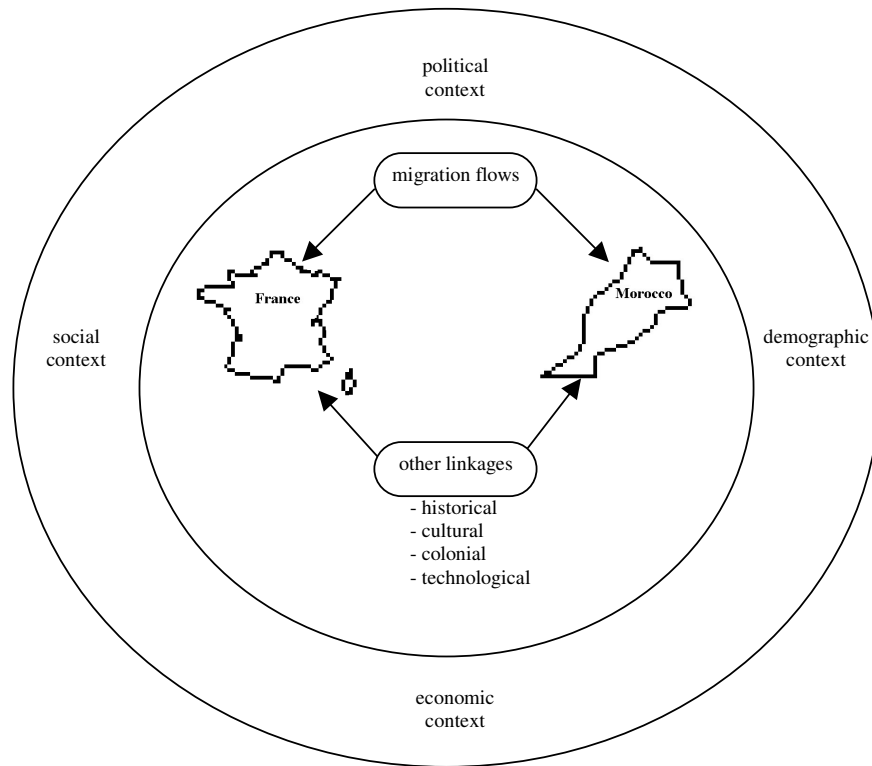
As a result of large inflows of international migrants, migrant networks may be formed, involving interpersonal linkages between (migrant) populations in origin and destination areas. Migrant networks may help potential migrants of the same ethnic origin, for instance, by contributing to financing the journey, helping to find a job or appropriate accommodation, or by giving information about education possibilities or access to social security (Esveldt *et al.*, 1995).

As international migration occurs on a large scale it can become institutionalised. According to institutional theory, a large inflow of international migrants induces profit and non-profit organisations, which can be legal or illegal, to provide, for instance, (clandestine) transport, labour contracts, (counterfeit) documents, dwellings or legal advice for migrants (Massey *et al.*, 1993).

3.3 A theoretical framework based on the international migration systems approach

An international migration system consists of a group of receiving (core) countries that are linked to a set of sending countries by relatively large flows and counterflows of migrants (Fawcett and Arnold, 1987; Massey *et al.*, 1993). Countries in a migration system are not only connected by people but also by other types of linkages (Fawcett, 1989). Kritz and Zlotnik (1992, p. 3, see *Figure 3.1*) distinguish the latter into historical, cultural, colonial and technological linkages. A migration system is situated within a particular context. Kritz and Zlotnik distinguish the social, political, demographic and economic context.

Figure 3.1. Two countries in a systems framework of international migration



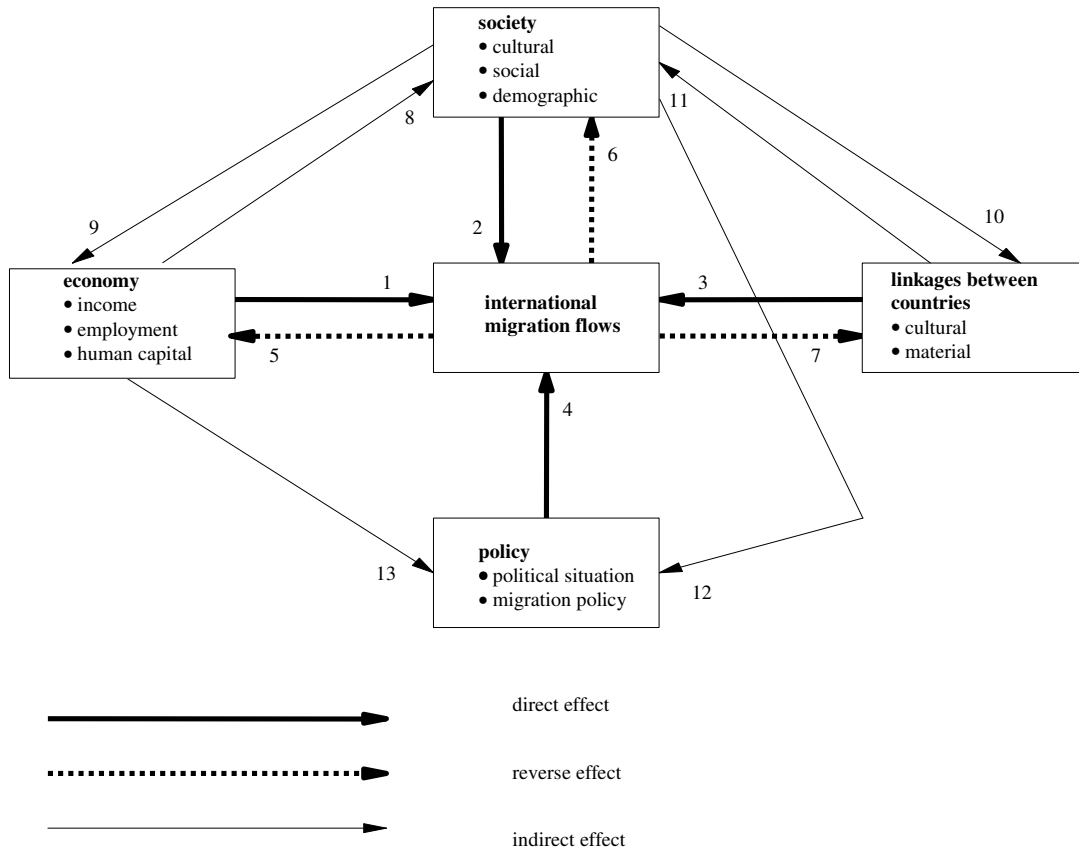
The difference between other linkages and the context of a migration system is rather vague. Mabogunje (1970), for instance, does not speak about technological linkages, but about the technological context. An international migration system has a spatial and a time dimension (Kritz and Zlotnik, 1992). The specific countries in the system form the spatial dimension. Countries in the same migration system need not to be geographically close, because historical and technological linkages play at least as significant a role as geographical distance. Countries may belong to more than one migration system (Massey *et al.*, 1993). Changes in the context of a migration system and changes in the linkages between countries form the time dimension of a migration system. This dimension is essential to flow and counterflow dynamics. In addition to external causes, changes in the context of a migration system and changes in the linkages between countries may also be caused by international migration itself. A large stock of international migrants may influence the social, political, demographic and economic context and the linkages between countries. As we saw in the previous section, network and institutional theory are theories that try to explain the course of international migration flows over time. According to the international systems approach, institutional and network theory are examples of how the context of an international migration

system or linkages in an international migration system change because of international migration flows itself.

The systems framework of international migration, which is presented in figure 3.1, does not depict causalities. In the theoretical framework, depicted in *Figure 3.2*, causalities are located between international migration and its determinants. These determinants have been divided into four categories: economy, society, policy and linkages between countries, which are derived from the systems approach to international migration presented by Kritz and Zlotnik (1992, p. 3)¹⁸. The categories may be further divided into components that act on international migration. In general, the economic, social and political factors have an impact in both sending and receiving countries. The causalities in the framework can be direct, reverse and indirect. The direct effects are straightforward effects of the determinants of international migration. The reverse effects are subsequent effects of international migration on the various determinants. The indirect effects are effects between the different categories that subsequently have an impact on international migration. The direct effects are described in detail in the next section. The reverse and indirect effects are considered in section 3.5, where the theories introduced earlier will be situated within the theoretical framework.

¹⁸ Contrary to Kritz and Zlotnik, I do not distinguish a separate demographic context (category): this context is classified under the society category.

Figure 3.2. Theoretical framework



Three components of the economy category can be identified: income, employment and the amount of human capital. Following Fielding (1993) society is comprised of cultural, social and demographic components. The cultural component is related to lifestyles and ethnicity. The social component concerns both inequality and cohesion in societies. The demographic component relates to the age and sex distribution of the population. Within the policy category two components may be distinguished: the political situation and migration policy. The ‘linkages between countries’ category consists of cultural and material linkages. Cultural linkages include, for instance, the colonial past or sharing the same language. Material linkages determine the distance between countries (also in time) or the costs of moving between countries. The different components of a particular category may have an opposite (positive or negative) effect on international migration or on (components of) the other categories. International migration may also exert opposite effects on the different components of the categories. Hence, the final direction of influence is determined by the relative strength of each of the components. Therefore, no positive or negative signs are displayed in figure 3.2.

3.4 Direct effects

In this section a detailed description is given of the direct effects on international migration. The arrows (1 through 4) in figure 3.2 represent these direct effects. Often the direct effects do not cover the full impact of a component within a category as certain components affect international migration indirectly by way of other components as well. Therefore, to account for the full impact of a component on international migration, one should take into account not only the direct effects, but also the indirect effects.

3.4.1 Economy → international migration [1]¹⁹

From an economic point of view, the amount of (human) capital determines the labour market position of individual workers, which in turn determines their employment status and income level. If, for instance, the supply of low-skilled labour is higher than the demand for low-skilled labour, the wages and opportunities for employment for low-skilled workers are relatively low. Neo-classical economics can be used at the microeconomic level of individual choice to explain the phenomenon of international migration. In this perspective Massey *et al.* state:

In this scheme, individual rational actors decide to migrate because a cost-benefit calculation leads them to expect a positive net return, usually monetary, from movement. International migration is conceptualised as a form of investment in human capital (Massey *et al.*, 1993, p. 434).

Traditional investments in human capital are schooling, on-the-job training, acquiring information about the economic, political or social system, and investments to improve emotional and physical health (Becker, 1962). Sjaastad (1962) states that migration may also be viewed as an investment in human capital. Borjas (1989, p. 463) defined a function that reflects when migration is a sufficient investment in human capital to induce employees to migrate:

¹⁹ The numbers between square brackets (1 through 4) correspond with the numbers accompanying the arrows in figure 3.2.

$$I = \log \left[\frac{w_1}{w_0 + C} \right]$$

- w_0 : accumulated wage in the area of origin.
 w_1 : accumulated wage in the area of destination.
 C : mobility costs from area of origin to area of destination.

If the index variable I is positive, individuals tend to migrate. If the index variable is negative individuals tend to stay. Massey *et al.* (1993, p. 435) included the probability of avoiding deportation from the area of destination, the probability of employment in both area of destination and area of origin and a time component to a similar model:

$$ER(0) = \int_0^T [P_1(t)P_2(t)Y_d(t) - P_3(t)Y_0(t)] e^{-rt} dt - C(0)$$

- $ER(0)$: expected net return to migration just before departure at time 0
 $P_1(t)$: probability of avoiding deportation from the area of destination
 $P_2(t)$: probability of employment at the destination
 $P_3(t)$: probability of employment in the area of origin
 $Y_d(t)$: earnings if employed in the region of destination
 $Y_0(t)$: earnings if employed in the region of origin
 r : discount factor
 $C(0)$: sum total of the costs of movement (including psychological costs)

If the expected net return to migration has a positive value, the rational actor migrates, if it is negative, the actor stays. If the expected net return to migration has a positive value for several destinations, the actor migrates to where the expected net return is the highest. Adding psychological costs to the equation is an improvement over using only economic variables. However, these costs are not only limited to the one-off costs of moving, but apply to the whole period of migration. Furthermore, international migration can involve psychological gains. Some people experience the tension and adventure entailing migration as pleasant. Richmond (1993) argues that there is no evidence that people are more inclined to 'natural inertia' than to a 'natural wanderlust'.

An important economic incentive for migration is the threat of insufficient family income. This uncertainty is determined by private insurance markets, governmental programs and by the possibility for a household to get a loan (Massey *et al.*, 1993). In most developing countries the majority of the population is dependent on a farm income. Farm income is often highly fluctuating due to natural or human hazards. There is also a risk that the price of the crop drops below expected level. Therefore, in developing countries the most important component of private insurance markets is the availability of crop insurance. The most

important governmental program is installing and maintaining a social security system. If both crop insurance and social security are available, the risk of an insufficient household income is low. In this case the incentive to migrate is also low.

Not only labour migration but also migration for other motives, such as family reunification and formation, return migration, as well as retirement and asylum migration, are partly determined by economic indicators. Family migration is most likely to be relatively larger when the differences in the economic conditions (e.g. level of wages or certainty of family income) between the country of destination and the country of origin are larger. The higher the income in a receiving country, the more dependants may come over to live on one salary. Retirement migration (of natives) is relatively higher when the economic circumstances in the country of origin are favourable. The relationship between economic determinants and return migration is rather complex. Shrinking economic differences between destination and origin countries can be an incentive for return migration. On the other hand, a high income in a receiving country provides the possibility for older (labour) migrants to return to their country of origin. In the latter case return migration can be seen as a form of retirement migration. Asylum migration, finally, seems to be less determined by economic factors –a sincere asylum migrant has no economic motives underlying his decision to migrate. Nevertheless, the choice of a certain country of destination can be affected by economic factors. Moreover, it would be very naïve to assume that no asylum request is a cover for economic gain.

3.4.2 Society → international migration [2]

The society category consists of three components: culture, social structure and demography. The impact of these three components is largely different.

The cultural component entails ethnic and lifestyle influences in both sending and receiving countries. The effect of the ethnic composition of host countries on the level of return migration as well as family migration is obvious. In more general terms, the ethnic composition of a potential receiving country may affect international migration because of the existence of migrant networks. Ethnic groups in a certain country can form migrant networks, which can be seen as a form of social capital. As these networks may lower the costs of migration and the risks of unemployment²⁰ and expulsion, the expected net returns of migration to a country in which a relative large migrant network is present, are relatively higher (Boyd, 1989; Massey *et al.*, 1993, 1998; Bauer and Zimmermann, 1995). Lifestyles in potential receiving countries too, may have an effect on the volume of immigration. In some societies the native population may be less open towards foreigners than in other societies.

²⁰ Here the society category affects the volume of international migration actually indirectly via the economy category.

Therefore, apart from the positive effect of a large stock of migrants in the form of social capital, a large inflow of migrants from a certain ethnic origin can have a negative effect on the expected net returns of migration as well. After all, a large influx of strangers can increase xenophobic reactions against foreigners (Jandl, 1994). Another negative effect of a large stock of immigrants of a particular ethnic origin is that these immigrants have more difficulties learning the language in the receiving country because they usually live in linguistic enclaves, and as such they are less exposed to the language in the receiving country (Chiswick and Miller, 1996).

The social component concerns the degree of inequality and cohesion in sending and receiving countries. The relative deprivation of an individual or household has a positive effect on the incentive to migrate. Hence, we may expect that a society with large income differences experiences larger emigration than a society with small income differences. Cohesion in the sending country is also an important determinant of migration. Social unrest is a characteristic of little cohesion in a society, which may lead to emigration (i.e. asylum migration). In addition, the amount of cohesion in both the sending and receiving country may affect return migration. Often, return migration is the reverse move undertaken by a former labour migrant. Waldorf (1994, 1996) states that the extent of assimilation of a migrant in the host society (the original receiving country) has a negative effect on his or her intentions to return. This assimilation (which is positively influenced by duration and negatively by age) can be seen as a form of cohesion. According to Waldorf, 'ties to home', a form of social capital, is an important determinant of return migration as well. These 'ties to home' can be seen as cohesion in the country of origin (the original sending country).

The demographic component pertains to the age and sex distribution of the population in sending and receiving countries. Obviously, the age distribution in sending countries has an impact on retirement migration. Moreover, the age distribution of the migrant population is important too: it may determine the level of return migration. Finally, the sex distribution of the (migrant) population in both sending and receiving countries may have an impact on the incidence of family formation and reunification migration.

3.4.3 Linkages between countries → international migration [3]

With regard to linkages between countries, a distinction may be drawn between cultural and material linkages. Regional amenities (the mildness of the climate and the scenic value of the landscape) will be discussed here as well, although literally these factors do not relate to linkages between countries.

Cultural linkages between countries can exist by virtue of a common colonial past through which the same culture is spread in these countries (e.g. Commonwealth of Nations). These linkages facilitate migration decisions. For instance, (psychological) costs due to the assimilation in the receiving society will be lower than when a common culture is missing.

Moreover, cultural linkages often ensure that human capital is not lost in the event of international migration. Comparable educational systems for example enable mutual recognition of certificates. In general, the less human capital is lost, the higher the net expected returns of migration. A special form of a cultural linkage between countries that preserves human capital is common language. The labour participation of Moroccans and Turks in the Netherlands in 1982, for instance, was about half of the labour participation of the French speaking Maghreb immigrants in France (Lakeman, 1999). English, French, Spanish, Russian, Chinese, Arabic, Hindi and Malay respectively are spoken by more than one hundred million people. In addition, all these languages are used by speakers of many other languages, i.e. they are used as a medium of international communication. Portuguese, German and Japanese respectively are also spoken by more than one hundred million people but they are less employed as medium of international communication. Swahili, on the contrary, is less spoken but it does serve a connecting function. Finally, the English language has increasingly become the global *lingua franca* (De Swaan, 1995). In general, countries in which widespread languages are spoken are more attractive to international migrants. Especially international students are strongly influenced by linguistic factors (Baumgratz-Gangl, 1990).

The most obvious material link between countries is geographical proximity. The idea that the volume of migration is determined by distance comes from the 'spatial gravitation' tradition (Öberg, 1997). In a spatial gravitation model the volume of migration between two regions (countries) is determined by the population in both regions and by the squared distance between these two regions. In the spatial gravitation tradition, a special type of migration is border migration. In border regions intra-regional migration, e.g. from large cities to surrounding rural towns, can cross international borders. Geographical distances are fixed, but costs of moving and travel time may vary between countries and over the years. In general, the costs and time of travelling between two countries have decreased over time. Especially after the Second World War material links have increased dramatically due to increased transport technology (Nierop, 1995). One can think here, for instance, of frequent or cheap flight connections between countries. A third material link between countries is realised through international telecommunication. In particular psychological costs of international migration are being reduced by advanced facilities for international telecommunication.

Other factors having an impact on international migration with a strong regional element are climate and the landscape. Generally, countries with a pleasant climate and a scenic landscape are attractive destination areas in the case of retirement migration.

3.4.4 Policy → international migration [4]

Two components are important in the policy category. We may distinguish the general political situation in a country and migration policies.

The political situation in sending countries has an impact on the amount of emigration. First of all, political tension can result in outbursts of violence and civil war. Through violence between groups of citizens (e.g. ethnic conflicts), violence between the state and its citizens (e.g. oppression of a certain population group or uprisings against the ruling authorities), or violence between states (wars), the safety of individuals may feel endangered and they may have to seek refuge. This physical danger can come about by persecution, arbitrary violence, but also by starvation. Often, migration is the only possible escape from this situation. In addition, the government of a sending country can influence the extent of emigration explicitly by policy measures. Within international political relations, sending countries can use the migration issue to achieve other goals. In exchange for attempts to limit emigration, for instance, they may be able to extort increasing or continuing aid or better trade conditions from receiving countries (Hamilton, 1997).

Another important determinant of international migration is the immigration policy of potential receiving countries (ICMPD, 1994; Martin, 1994). Due to the introduction of more restrictive immigration policies, like the tightening of border checks, immigration flows often drop, at least temporarily. Immigration levels, however, are not only influenced by policy measures of the receiving country itself, but also by policy measures of other potential receiving countries. Stricter entry requirements of one particular country can lead to increasing immigration levels in other potential receiving countries. In addition, the search and eviction policy of illegal foreigners can determine the amount of (illegal) migration. Finally, receiving countries may try to influence international migration by resorting to policies like international aid or the promotion of international trade and investments in sending countries (Muus and Van Dam, 1998).

The immigration policy of potential receiving countries and the political situation in sending countries are for a considerable part determined by society (arrow 12 in figure 3.2). Although this is actually not part of the direct effect of policy on international migration, it is briefly discussed here. As far as the indirect effect of society on political factors is concerned, lifestyles and the ethnic composition may influence both the political situation (e.g. the extent of violence to which inhabitants are exposed) in sending countries as well as the entry requirements in potential receiving countries. The social component of society is of importance for the political situation in sending countries. As mentioned before, the degree of cohesion in a society is indicated by the extent of violence in a society. A society with relatively high cohesion has relatively little violence. According to Wallerstein (1983), the degree of inequality also has a bearing on the level of violence. He states that a high level of income inequality in a country correlates to a high level of violence within that country. Furthermore, the extent of violence in sending countries has an impact on the entry requirements in receiving countries with regard to asylum migration. If the political situation in a particular sending country deteriorates, potential receiving countries will relax the entry restrictions for immigrants from that particular country.

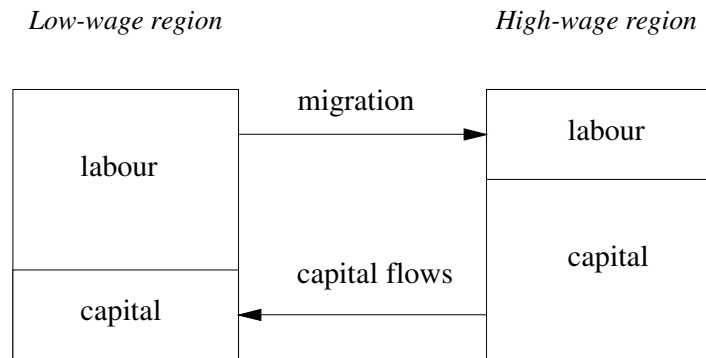
3.5 Synthesis

In section 3.4 the direct effects of the theoretical framework depicted in figure 3.2 were described. These effects are based on some key aspects of several theories. The current section shows how the full theories of international migration, from which various effects have been identified, can be fitted into the theoretical framework. Combinations of the arrows in figure 3.2 depict the causality chains of the neo-classical economic theory, the dual labour market theory, the new economics of labour migration, the relative deprivation theory, the world systems theory, network theory and institutional theory in the framework. In a way, these combinations of arrows form the time dimension of an international migration system. The combinations of arrows that indicate the position of the theoretical approaches to explain the initiation of migration have one of the four categories (economy, society, policy or linkages between countries) as the starting point. The combinations that indicate network and institutional theory have international migration itself as the starting point.

3.5.1 Neo-classical economic theory

According to neo-classical economic theory, real wage differences between countries give rise to two flows which will exist whereby a new international equilibrium is created in which real wages are of the same level in all countries. The first is a flow of low-skilled labour from low-wage countries to high-wage countries. The second is a capital flow from high-wage countries to low-wage countries. This capital flow comprises mainly labour-intensive industrial capital and will be accompanied by high-skilled labour migration. This mechanism leading to equilibrium is well presented by Öberg (1997, p. 24, see *Figure 3.3*).

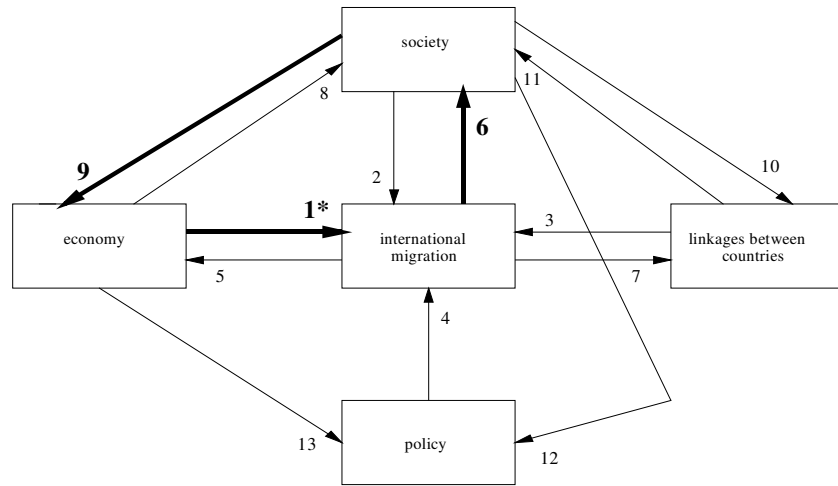
Figure 3.3. Neo-classical mechanisms leading to equilibrium



Both net labour migration and net capital flows will be equal to zero when a new equilibrium is achieved. Thus in this view, net international labour migration is a temporal phenomenon.

Within the theoretical framework, the causality chain [1-6-9-1] (see Figure 3.4) reflects the process as postulated by neo-classical economic theory.

Figure 3.4. Neo-classical economic theory [1-6-9-1]



* starting point

Here, wage differences between countries are the point of departure. Due to these differences labour flows arise from low-wage countries to high-wage countries (arrow 1). In general labour migrants are relatively young. Therefore, it is most likely that labour migration will have an ageing impact on the sending society and a rejuvenating impact upon the receiving society (arrow 6). Furthermore, in the long run international migrants may have a rejuvenating

impact on the demographic composition of receiving societies due to their higher fertility rate (Hjarnø, 1996). In the Netherlands for example, the total fertility rate among Moroccan and Turkish women is much higher than among Dutch women. The relative high fertility rate among these migrant groups gives rise to a (slightly) higher fertility rate for the total population of the Netherlands (Penninx *et al.*, 1994). According to Coleman (1999), long-term high emigration may retard the modernisation (decline) of fertility in sending societies. Mass emigration may be a partial alternative to the reduction of fertility. This may be one of the reasons why traditional emigration countries like the Irish Republic and Portugal had a less sharp decline in fertility than other Western and Southern European countries in the twentieth century. Thus, the changing demographic composition reduces the difference in the amount of human capital between sending and receiving countries (arrow 9).

Although neo-classical economic theory is used to explain migration flows between countries, it is particularly appropriate with regard to internal migration. In contrast to international migration, internal migration is often less curbed by policies. Currently neo-classical economic theory can be used to explain international migration flows within the European Union as these flows are also less encumbered by restrictions.

Keynesian economic theory is critical of the neo-classical view on (international) migration. In Keynesian theory, labour supply also depends on the nominal wage, not only on the real wage. This distinction stems from the different views on the role of money in the economy. In the neo-classical point of view money is solely a medium of exchange. The Keynesian point of view is different, because here money is not only a medium of exchange but also a medium of saving. Because of this latter function of money, potential migrants are also attracted to high nominal wage regions. In addition, intentions to re-migrate or to send remittances further increase the importance of the nominal wage level compared to the real wage level. As a result, there may not be a new international equilibrium, as hypothesised by neo-classical economic theory. Nevertheless, in Keynesian theory migration is an equilibrium recovering mechanism too. However, in this theory international migration removes unemployment differences rather than real wage differences (Hart, 1975; Van Dijk, 1986).

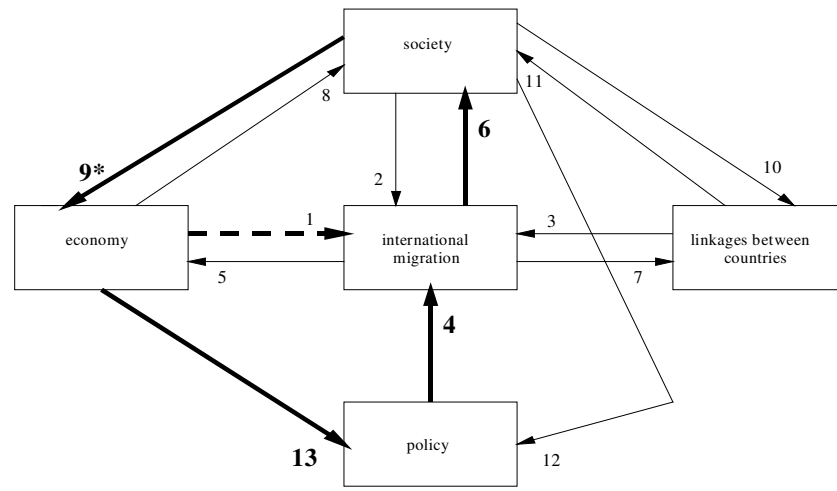
3.5.2 The dual labour market theory

The dual labour market approach divides the labour market into a primary and a secondary segment (Piore, 1979). The primary segment is characterised by a capital-intensive method of production; the secondary segment is characterised by a labour-intensive method of production. Skilled workers in the primary segment, who are (on the job) trained to work with advanced capital goods, have more social status, a higher income and better employment conditions than unskilled workers in the secondary segment. Jobs at the bottom of the labour market are almost always found in the secondary segment.

Piore (1979) gives three possible explanations for the demand for foreign workers in modern industrial societies: general labour shortages, the need to fill the bottom positions in the job hierarchy, and labour shortages in the secondary segment of a dual labour market. The last explanation is also covered by the first two explanations. General labour shortages lead to vacancies at the bottom positions in the job hierarchy. In addition to general labour shortages, there may be specific shortages at the bottom of the job hierarchy arising from motivational problems and demographic and social changes in modern industrial societies (Massey *et al.*, 1993). Motivational problems come about because jobs at the bottom of the hierarchy are often associated with low social status and because the opportunities for upward mobility are generally low. Demographic and social changes in modern societies (i.e. the decline in birth rates and educational expansion) may lead to a relatively small inflow of teenagers who are willing to take jobs at the bottom of the hierarchy in order to earn some money and to gain some work experience. Emancipation of women and the rise in divorce rates too, may be of importance here. In modern societies the aim of working women changed from supplementing family income (which can be earned as part-timer at the bottom of the job hierarchy) into earning primary income. As a result of labour shortages at the bottom of the job hierarchy, employers are compelled to recruit foreign workers. International migrants that eliminate labour shortages in certain branches can contribute to economic growth in receiving countries (Gieseck *et al.*, 1995). Furthermore, international migration can have an impact on economic development in receiving countries because of changing saving and consumer habits or changing forms of investment (Frey and Mammey, 1996; MaCurdy *et al.*, 1998).

In theory the causality chain [9-1-6-9] may reflect the dual labour market theory. Demographic and social changes in receiving societies may cause a decrease in low-skilled labour supply (arrow 9). Subsequently, the wages for low-skilled labour increase, which may result in rising immigration flows (arrow 1). Increasing immigration, then, may act on demographic and social developments (arrow 6), which again may cause changes in the labour supply (arrow 9). This way of thinking, however, is not very realistic. Where salary and employment conditions are concerned, Öberg (1996) states that the gap between developing (sending) and developed (receiving) countries is so large that minor changes in salary and employment conditions only have an indirect influence on international migration through policy measures. Demand for skilled and unskilled labour in receiving countries often determines the entry requirements of these countries (Böhning, 1998). Policies concerning search and eviction of illegal immigrants can also be determined by supply and demand of labour. In times of labour shortages, receiving countries lower their entry criteria (arrow 13), which enables more potential immigrants to enter these countries (arrow 4). These migrants cause an increase in low-skilled labour supply (arrows 6 and 9). Thus, the causality chain [9-13-4-6-9] rather than [9-1-6-9] is the best reflection of the dual labour market theory (see *Figure 3.5*).

Figure 3.5. The dual labour market theory [9-13-4-6-9]



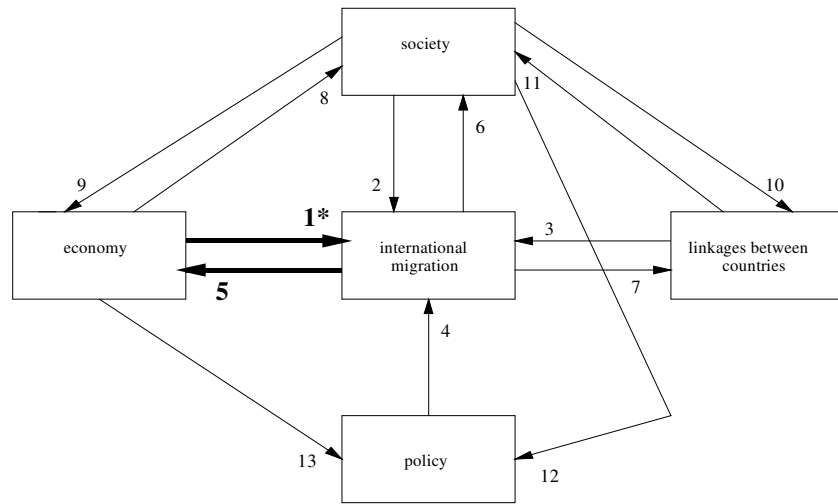
* starting point

3.5.3 The new economics of labour migration

According to the theory of the new economics of labour migration, labour migration has to be studied within wider social entities: i.e. households. Within the entity of the household, the (un)certainly of the household income is the main determinant of labour migration. Migration of a household member is a way to spread the risk of insufficient household income²¹. Within the theoretical framework this relation is indicated by arrow 1, which acts as the trigger of the process (see *Figure 3.6*). Subsequently, the household member abroad may send remittances, which may increase (the certainty of) the household income (arrow 5). Moreover, the theory of the new economics of labour migration states that remittances have a positive effect on macro-economic development in sending countries. This perspective on the impact of remittances upon sending economies is called the ‘developmentalist’ perspective (Taylor, 1999). International labour migration, then, is, according to the new economics of labour migration, a transient phenomenon.

²¹ Splitting up the household for labour migration is, of course, only temporary. After migration of a household member, often family or return migration follows.

Figure 3.6. The new economics of labour migration [1-5-1]



* starting point

In the literature, however, there is no consensus whether remittances have a positive or a negative influence on the sending economy. In addition to the ‘developmentalist’ perspective, Taylor (1999) also distinguishes the ‘migrant syndrome’ perspective on the impact of remittances upon sending economies. If labour outflow and consequently remittances experience great ups and downs, the economy of sending countries faces considerable adaptation difficulties like inflation or ‘Dutch disease’ (Knerr, 1993). The term ‘Dutch disease’ is used when a country's apparent good economic fortune ultimately proves to exert a net detrimental effect (O’Toole, 1998). Because of the (possibly) disturbing effect of remittances on the economy of sending countries, the certainty of sufficient income of more households in the sending region may be reduced, leading to more labour migration.

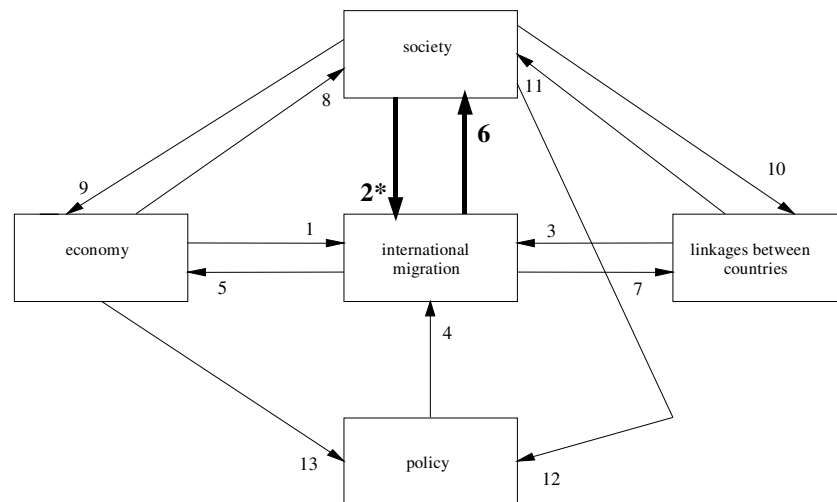
Migration in the context of the relative position of a household in the sending society may be seen as a second aspect of the new economics of labour migration (Massey *et al.*, 1993). Here, the sending society is the wider social entity in which international migration is studied. The relative deprivation theory, which is the subject of the next section, is the theoretical linchpin of this aspect of the new economics of labour migration.

3.5.4 The relative deprivation theory

The relative deprivation theory states that the relative income position of a household or an individual is an important determinant of international migration. In this section two causality chains are described, which both have the degree of inequality in a society as the starting point.

The causality chain [2-6-2] reflects the relative deprivation theory and the impact of remittances within the theoretical framework (see *Figure 3.7*). Similar to the literature on the effect of remittances on economic growth, the literature on the effect of remittances on inequality in the sending society (arrow 6) offers no consensus as to whether this effect is positive or negative. Some studies (e.g. Stark *et al.*, 1988; Docquier and Rapoport, 2003) suggest that the effect of remittances on the degree of inequality is not monotonic. They suggest that the inequality in a society in which many people receive remittances from family members abroad follows an inverse U-shaped curve. In the short run remittances may increase inequality, while they may decrease inequality in the long run.

Figure 3.7. The relative deprivation theory and the role of remittances [2-6-2]



* starting point

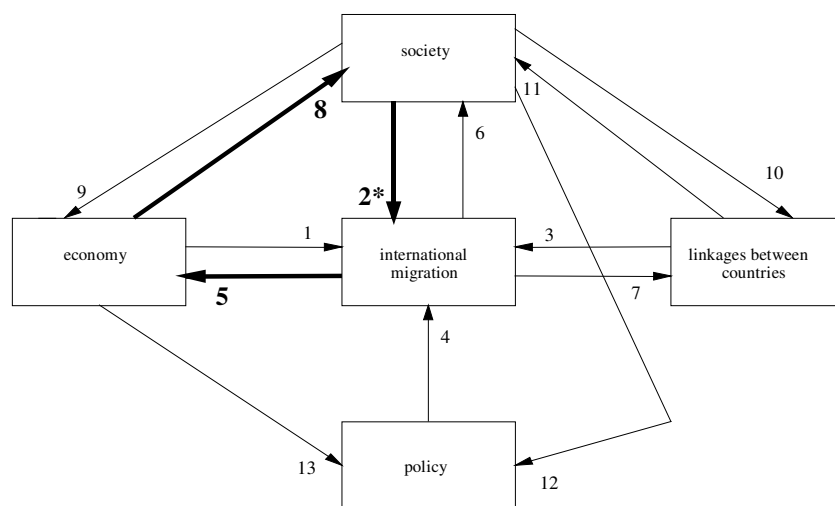
Another consequence of migration which may have, in turn, an impact on inequality is human capital formation. Within the theoretical framework, the causality chain [2-5-8] reflects the relative deprivation theory and the role of human capital formation (see *Figure 3.8*).

Being high-skilled is an incentive to emigrate from a less developed country. An outflow of relatively high-skilled workers is called a 'brain drain'. Until recently the dominant view on the outflow of high-skilled workers was that it reduces the production in a sending area as the loss of human capital has a negative effect on the total production. This view ignores the positive effect of emigration of high-skilled workers on incentives for human capital formation in sending areas. An overlapping generations approach does not ignore this effect of a brain drain (Mountford, 1997; Vidal, 1998).

The life cycle of individual workers can be divided into two periods. In the first period they invest in human capital formation and in the second period they try to capitalise on their

investments (Vidal, 1998). A large number of successful high-skilled emigrants may serve as an example for potential migrants who are still in the first human capital accumulating period of their life cycle. The surplus value of education on the labour market in receiving countries is higher than the surplus value of education on the labour market of sending countries if differences in wages for skilled labour between receiving and sending countries are higher than differences for unskilled labour. The possibility for emigration may increase the incentive to amass more education (human capital) in this case (arrow 5). However, we must take into account that the opportunity cost incurred in pursuing education in the first stage is loss of income from wage labour. Further, we must take into account that both education and migration involve costs. Educational expansion may result in more equal opportunities where the final achieved educational level is concerned, as school choices and performances at older ages are less determined by (the socio-economic status of) parents than at younger ages (Mare, 1981 in SCP, 1994)²². More educational equality leads to more income and status equality (arrow 8) as educational attainment has a positive impact upon occupational status and income (Blau and Duncan, 1967; Van Eijck, 1996). Subsequently, more equality (less relative deprivation) in a country may have a mitigating effect on international emigration (arrow 2).

Figure 3.8. The relative deprivation theory and the role of human capital formation [2-5-8-2]



* starting point

²² Educational expansion, however, only leads to less inequality if the educational system is organised as an open school system with ample transferring opportunities. If early school transitions are definitive (no detours via lower school types are possible, i.e. a closed school system), educational expansion may end in larger inequality of educational opportunities (Boudon, 1974).

Mountford analysed models in which the interaction between income distribution, human capital accumulation and migration was expressed. He concluded that

when human capital accumulation is endogenous and when successful emigration is not a certainty, the interaction between human capital accumulation decisions, growth and income distribution can lead to the result that a brain drain, either temporary or permanent, may increase the long run income level and income equality in a small open economy (Mountford, 1997, pp. 302-303).

3.5.5 The world systems theory

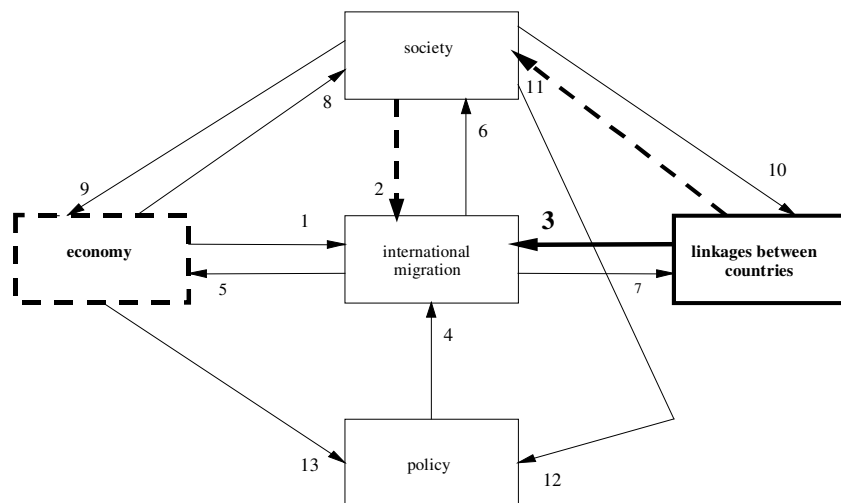
The world systems theory is based on the contention that capitalism is a historical social system. Wallerstein (1983, p.18) defines historical capitalism as the system in which the endless accumulation of capital has been the economic objective or 'law' that has governed or prevailed in fundamental economic activity. The drive behind capital accumulation forced capitalist countries to search for new natural resources, new low-cost labour and new outlets. It was within this context that capitalist countries also started to colonise overseas areas. In order to stimulate the economic exchange between colonies and the mother country, transport connections were created. Colonisation has also led to cultural exchanges between the overseas colonies and the mother country. However, these two types of exchanges were not equal. With respect to economic exchange a large net flow of capital from the colonies into the mother countries resulted. After decolonisation political dependencies disappeared but the economic dependencies of the former colonies, which are regarded as the peripheral countries in the world system, remained and were often even strengthened. These peripheral countries produce predominantly primary commodities and their export base is often dependent on only a few products. In this way peripheral countries suffer from the instability of world producer prices. Since the world producer prices are determined by the core countries, peripheral countries deal with unfavourable terms of trade which result in slow economic expansion and a growing economic dependence on core countries (Amankwaa, 1995).

This view of international trade is highly controversial, however. According to modern economic thinking, international (true) free trade can *reduce* migration between developing and developed countries (Gosh, 1992; Mouhoud, 1997). Free trade leads to an increase in the export of labour-intensive goods from low-wage to high-wage countries. This increase in the export of labour-intensive goods causes an increase in the employment of unskilled workers in low-wage countries. Further, this export increase results in a decrease in the income of unskilled workers in high-wage countries when there is wage flexibility or an increase in unemployment when there is wage rigidity. The export of capital-intensive goods from capital-rich to capital-poor countries also equalises income and employment conditions between countries. Decreasing income and employment differences between countries, in turn, decrease international migration.

The philosophy behind the current anti-globalisation movement is for a large part based on the tenets of the world systems theory. Thus, the ongoing debate about the pros and cons of globalisation is to some extent summarised in these two opposing views on the effects of free trade for developing countries.

The world systems theory may be seen as an explanation for the existence of differences in economic development that determine the volume of international migration directly (arrow 1) or indirectly (e.g. arrows 8 and 2). However, as the explanation of differences in economic development is rather controversial I use the world systems theory mainly as an explanation for the existence of linkages between countries, which are located over large geographical distance. In other words, the world systems theory can be used to explain the existence of migration flows that are determined by arrow 3 in the theoretical framework (see *Figure 3.9*). Linkages between countries may also have an indirect influence on international migration via the society cluster. Cultural linkages can influence lifestyles within countries. In addition to the direct impact of large groups of immigrants on the native population and *vice versa*, the exchange of culture can also occur “at a distance”. Television programs, for instance, provide information about other cultures, by which a local culture can be influenced. Culture may have an impact on the attitude towards migrants. In addition, it may have an impact on the supply of labour. In post-modern societies, for example, people often prefer to work part-time as spare time, next to income, is also considered important. This indirect influence of (cultural) linkages on international migration can be depicted by the arrows 11 and 2.

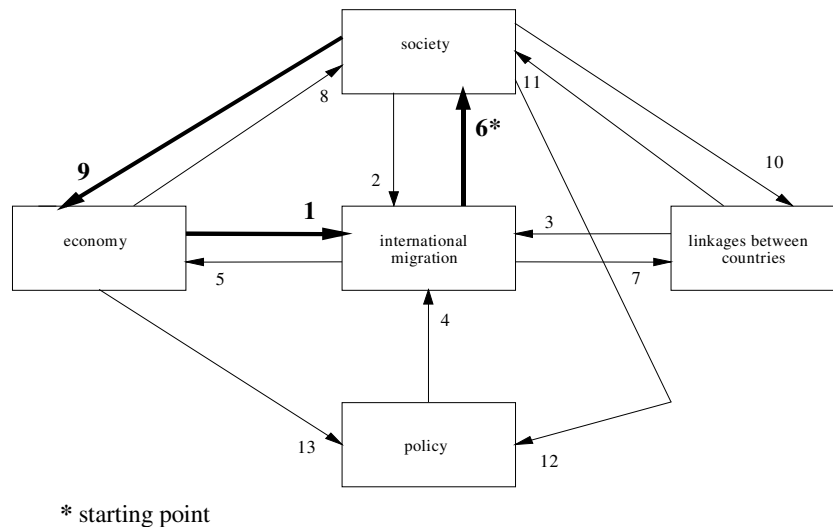
Figure 3.9. The world systems theory



3.5.6 Network theory

Migrant networks help potential migrants, for instance, by contributing to financing the journey, helping to find a job or appropriate accommodation, or by giving information about education possibilities or access to social security (Esveldt *et al.*, 1995). If we put network theory in the context of the microeconomic level of individual choice, we may say that networks lower the costs of migration and increase the probability of employment at the destination and decrease the probability of deportation. In other words, the presence of this form of social capital enlarges the expected net return to migration. This is reflected in the causality chain [6-9-1-6] (see *Figure 3.10*).

Figure 3.10. Network theory [6-9-1-6]



Network theory tries to explain why international migration is an ongoing phenomenon. International migrants change the ethnic composition in receiving countries (arrow 6). As a result of large inflows of international migrants, migrant networks may be formed. These networks enhance the probability of employment and a decent income (arrow 9). Together with lower costs of migration, the increased probability of employment and a decent income enlarge the expected net return to migration. This enlarged expected net return to migration increases the volume of international migration (arrow 1), thereby increasing the migrant population (arrow 6).

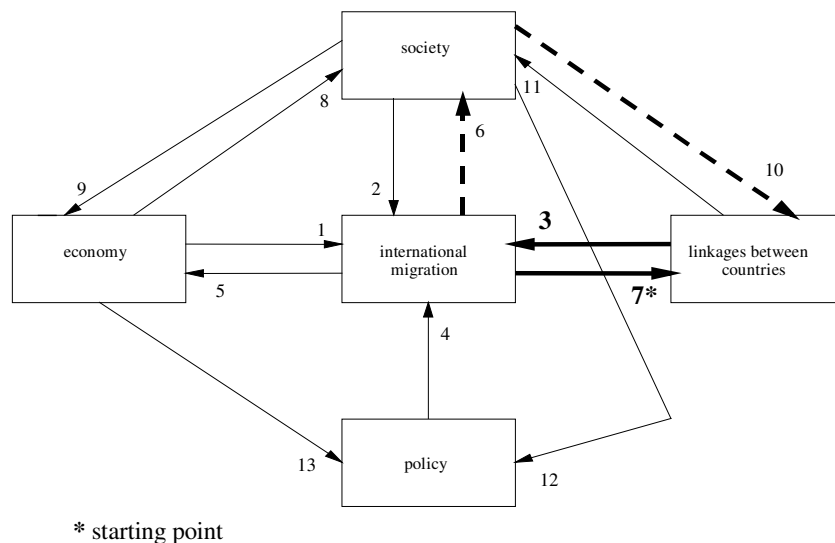
3.5.7 Institutional theory

In a wider sense the concept of institutions may be used to mirror the structure of the entire social environment, in which individuals have to make choices. De Bruijn, for instance, reserves the concept of institutions not only

for such contextual entities as universities, organisations and firms, which are generally –also in common language– perceived as institutions ... [but also for] more abstract social constructs such as democracy, religion, policy and gender systems or bodies of knowledge (science, ethnophysiological knowledge systems) (De Bruijn, 1999, p. 122).

Considering institutions in a wider sense, the entire systems approach to international migration may be seen as an institutional approach. Arrow 4, for instance, represents the political and legal constraints and opportunities of international migration. Following Massey *et al.* (1993) I use institutional theory with regard to profit and non-profit organisations, which can be legal as well as illegal. These organisations provide services and support in terms of (clandestine) transport, labour contracts, (counterfeit) documents, dwellings or legal advice for migrants. These organisations are often embedded in migrant networks. In the theoretical framework institutional theory is reflected by the cycle [7-3-7] (see *Figure 3.11*).

Figure 3.11. Institutional theory [7-3-7]



Similar to network theory, institutional theory tries to explain why international migration is ongoing. Large international migration flows strengthen material linkages between countries. If, for instance, travelling between the sending and receiving country increases, cheap and frequent flight connections will be established. In this way, moving costs

of future migrants will become lower (arrow 7). Subsequently such lowering costs of mobility may lower the threshold that deters potential migrants from migration (arrow 3). The cycle [7-3-7] reflects the mechanism initiated by institutions that are involved in the physical mobility of migrants. Institutions may also be working with already settled migrants (i.e. voluntary organisations that help migrants to settle down in the host society). These institutions strengthen cultural linkages between countries (arrow 10). They lower, for instance, the (psychological) costs because of the assimilation in the receiving society. So with respect to institutions that are engaged with already settled migrant populations, the arrows 6 and 10 may replace arrow 7 in the cycle [7-3-7].

3.6 Conclusion

The main purpose of this chapter was to show that the economic point of view, which is the focus of this study, accounts for a considerable part of the theoretical background of international migration. The synthesis section illustrates that economic factors are clearly involved in most of the theories mentioned in this chapter. The synthesis section also describes the position of two theories (network and institutional theory) which, at first glance, do not take economic features into account in the theoretical framework. We have seen, however, that important aspects of these theories can be rendered in economic determinants of migration. The presence of a large migrant network will increase the probability of employment and will lower the costs of accompanying migration. Institutions that come about because of by a large inflow of migrants lower the costs of migration too. So, a variable such as the migrant stock per capita can be seen as a socio-economic variable. Therefore, we may say that the economic point of view concerning the determinants of international migration indeed accounts for a large part of the theoretical background of international migration. That does not exclude other variables which have an impact upon international migration independently from economic variables (i.e. ethnicity, colonial past, language or the political situation). By treating the variables collectively, the influence of economic determinants on the size and direction of international migration flows can be quantified.

This chapter also aimed to provide an introduction to migration theories which will be used to formulate hypotheses about the impact of socio-economic determinants on international migration in the following analytical chapters. *Table 3.1* provides an overview of the theories discussed in this chapter. The migration flow to a fictitious receiving country A from a fictitious sending country B is used to highlight the key variables that, according to the theories, have a significant impact on international migration. Moreover, this table also shows which measurable socio-economic indicator may be used to estimate the effect of the key variables on international migration.

Table 3.1. Theories of international migration: Key variables, measurable indicators and claimed causalities or associations

Theory	Key variable	Measurable indicator	Claimed causality or association
Neo-classical economic theory	Real wage country A – real wage country B	Real GDP per capita in A – real GDP per capita in B	GDPpc in A – GDPpc in B has a positive effect on migration from B to A.
Keynesian economic theory	Unemployment country B – unemployment country A	Total unemployment as percentage of the total labour force in B – total unemployment as percentage of the total labour force in A	Unemployment in B – unemployment in A has a positive effect on migration from B to A.
Dual labour market theory	Shortages at the bottom of the labour market in country A	Average years of education of the labour force in A	Education in A has a positive effect on migration from B to A.
	Unemployment in country A	Total unemployment as percentage of the total labour force in A	Unemployment in A has a negative effect on migration from B to A.
New economics of labour migration	The certainty of sufficient household income in country B	Total unemployment as percentage of the total labour force in B ⁱ	Unemployment in B may have a positive effect on migration from B to A.
Relative deprivation theory	The degree of (income) inequality in country B	Average years of education in B	Education in B has a negative effect on migration from B to A.
World systems theory	Material and cultural linkages between country A and country B	The migrant population of country B in country A per capita	Migrant stock of B per capita in A has a positive effect on migration from B to A.
Network theory	The size and quality of the network of the migrant population of country B in country A	The migrant population of country B in country A per capita	Migrant stock of B per capita in A has a positive effect on migration from B to A.
Institutional theory	The number and quality of organisation that facilitate migration from country B to country A	The migrant population of country B in country A per capita	Migrant stock of B per capita in A has a positive effect on migration from B to A.

i In this case the relationship between the key variable and the measurable indicator is rather vague. Therefore, this indicator was excluded from the analytical part of this dissertation.

