

## THE IMPACT OF MIGRATION ON EMPLOYMENT: CAUSES, EFFECTS AND PERSPECTIVES

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### **Abstract**

*Migration has become a defining feature of global labor markets, influencing employment patterns in both origin and destination countries. This paper examines the drivers of migration (economic disparities, demographic shifts, political instability), its multifaceted effects on employment in both origin and destination countries, and future labor-market trajectories. Key drivers include economic disparities, demographic shifts, and political instability, which push and pull workers across borders. The effects are multifaceted: while migration can alleviate labor shortages and foster economic growth in host countries, it may also lead to job competition, wage pressures, and social integration challenges. Conversely, origin countries experience both benefits, such as remittances, and drawbacks, including brain drain and workforce depletion. Looking ahead, technological advancements, climate change, and evolving migration policies will shape employment dynamics, requiring adaptive strategies for inclusive labor markets. Understanding these interconnections is crucial for policymakers to balance economic needs with social cohesion. This study argues for stronger integration strategies, skills recognition, and equitable labor practices to realize migration's full economic potential while safeguarding social cohesion.*

***Keywords:** labor migration, labor market dynamics, economic disparities, social integration, migration policy*

***Classification JEL:** J61; F22*

### **1. Introduction**

Migration has been a constant in human history, but in the modern era, its scale and complexity have intensified. The literature converges on the idea that migration is driven by a mix of economic, social, political, and environmental factors, and its consequences ripple across sending and receiving countries. While motivations range from voluntary pursuit of better opportunities to forced displacement due to conflict or disasters, the economic dimension dominates contemporary debates.

Migration has emerged as one of the most influential forces shaping contemporary labor markets and economic structures. In an increasingly interconnected world, the movement of people across borders is driven by a combination of economic disparities, demographic imbalances, political instability, and globalization. These dynamics have significant implications for employment, affecting both the countries that receive migrants and those that experience outflows of labor.

The impact of migration on employment is multifaceted. For receiving countries, migration often addresses labor shortages, particularly in sectors requiring low-skilled or specialized workers, while also raising debates about job competition and wage pressures. Conversely, sending countries may benefit from reduced unemployment and remittance inflows, yet face challenges such as brain drain and workforce depletion. Understanding these effects requires a nuanced analysis that considers short-term labor market adjustments and long-term structural changes.

This paper explores the causes of migration, its effects on employment in both origin and destination countries, and the perspectives for future labor market developments. By examining economic, social, and policy dimensions, the study aims to provide insights into how migration can be managed to maximize benefits and minimize adverse consequences for employment.

## 2. Literature review

In the post-World War II era, migration was widely perceived as a catalyst for modernization and economic growth. Kindleberger (1965) and Beijer (1970) argued that labor migration could accelerate development by transferring capital, technology, and skills to origin countries. This perspective aligned with neo-classical equilibrium theory (Todaro, 1969; Harris & Todaro, 1970), which posited that migration reduces wage disparities through factor price equalization. Migration was seen as a mechanism for balanced growth, with remittances expected to finance productive investments and return migrants envisioned as agents of innovation (Papademetriou, 1985).

The Harris-Todaro model (1970) refined this view by introducing the concept of expected income differentials, explaining rural-to-urban migration despite urban unemployment. Migration was considered an integral part of modernization, facilitating structural transformation from agrarian to industrial economies (Lewis, 1954). Developmentalist optimism dominated policy discourse, with governments encouraging emigration to secure foreign exchange and alleviate labor market pressures (Adler, 1981).

By the 1970s and 1980s, optimism gave way to structuralist critiques rooted in dependency theory (Frank, 1966; Wallerstein, 1974). Scholars such as Lipton (1980) and Reichert (1981) argued that migration perpetuates underdevelopment through brain drain, dependency on remittances and rising inequality. Myrdal's (1957) cumulative causation theory reinforced this view, suggesting migration triggers self-reinforcing cycles of regional inequality. The “migrant syndrome” (Reichert, 1981) described how migration undermines local economies, fosters consumerism, and erodes community cohesion.

Empirical studies from Mediterranean and Latin American contexts (Almeida, 1973; Rhoades, 1979) supported these claims, highlighting non-productive remittance use and social fragmentation. Migration was portrayed as a “flight from misery” that drained rural areas of their most dynamic labor force (Penninx, 1982), exacerbating dependency and reinforcing global inequalities (Papademetriou, 1985).

From the 1990s onward, migration theory shifted toward pluralist frameworks integrating structure and agency. Zelinsky (1971) introduced the *mobility transition hypothesis*, linking migration patterns to stages of demographic and economic development. Later, Martin and Taylor (1996) conceptualized the *migration hump*, showing that emigration initially rises with development before declining as countries become net immigration destinations.

## 3. Migration and employment dynamics

Migration continues to shape global labor markets in profound and multifaceted ways. According to the International Migration Outlook 2024 report, permanent migration to OECD countries reached a new record in 2023: 6.5 million new permanent migrants. In terms of labor market integration, the average employment rate among migrants in OECD countries was 71.8% and the unemployment rate was 7.3% in 2023 (OECD, 2024). In many developed economies, it helps mitigate demographic challenges such as aging populations and declining birth rates. Its impact on employment is neither uniformly positive nor negative but depends on economic structures, policy environments, the skill profile of migrants and the balance between labor supply and demand. Destination countries benefit from the alleviation of labor shortages and the stimulation of economic growth, though they must address challenges related to labor market

competition and migrant integration, which can be hindered by language barriers, credential recognition issues, and discrimination. According to the OECD (2020), migration boosts GDP growth in advanced economies by enhancing labor market flexibility and innovation. Moreover, diversity brought by migration can stimulate creativity and entrepreneurship (Kerr & Kerr, 2016). Also, migrants tend to contribute more in taxes and social security contributions than they receive in benefits, particularly when employed in formal sectors. This positive fiscal impact strengthens public budgets and supports welfare state sustainability, especially in countries with significant labor shortages.

The migrants often occupy jobs at both ends of the skill spectrum: highly skilled professionals fill gaps in technology, healthcare, and research, while low-skilled workers are absorbed into sectors such as agriculture, construction, and domestic services. This dual pattern underscores the segmented nature of labor markets (Piore, 1979), where native workers avoid certain low-wage or demanding jobs, leaving space for migrant labor. But, concerns around job competition and wage suppression persist. The substitution effect suggests that migrants with similar skill levels may displace native workers or depress wages, particularly in low-skilled sectors (Borjas, 2003). Nevertheless, evidence shows that such effects are generally small and concentrated in specific labor market segments (Dustmann et al., 2013). Complementarity between migrant and native labor—especially when migrants fill roles that locals avoid—can lead to positive overall employment effects (Peri, 2012). In origin countries, migration reduces labor market pressure by absorbing excess labor, especially among young workers. However, the loss of skilled labor (brain drain) can undermine key sectors such as healthcare and education (Docquier & Rapoport, 2012). To mitigate this, some countries have developed policies to encourage circular migration and knowledge transfer through diaspora networks (Agunias & Newland, 2012).

Overall, migration affects employment through a dynamic interplay of supply and demand factors, shaped by institutional frameworks, demographic trends, and macroeconomic conditions.

As global trends evolve, technological change, climate pressures, geopolitical instability, the interplay between migration and employment will become increasingly dynamic. Policymakers must adopt comprehensive strategies that recognize migration as a structural component of labor markets, not a temporary phenomenon. Effective governance should aim to harness the economic benefits of migration while ensuring social cohesion and protecting the rights of all workers. Only through balanced and forward-looking policies can societies transform migration into an engine of inclusive and sustainable labor market development.

#### **4. Future prospects and challenges**

Looking ahead, technological advances, including automation and artificial intelligence, will reshape global labor markets. While some fear that automation will reduce the need for migrant labor, evidence suggests that technology will transform, rather than eliminate, the demand for labor. In sectors that require physical presence – care work, agriculture, construction – migrant labor will remain essential.

Climate change is expected to become a major driver of migration, influencing employment through displacement and changes in agricultural productivity. In addition, evolving policy frameworks, from selective migration programs to regional labor mobility agreements, will determine how effectively countries can match labor supply with economic needs.

In this context, managing migration requires adaptive policy strategies that promote skills recognition, vocational training, and fair labor standards. Strengthening social integration and reducing structural barriers can maximize the positive effects of migration on employment, while preventing social tensions.

## 5. Conclusions

Migration is a key and dynamic phenomenon, with profound implications for global labour markets and national economies. Recent data show that permanent migration levels in OECD countries are at historic levels and that migrants have high employment rates, contributing significantly to economic growth, filling labour shortages and fiscal sustainability.

On the other hand, migration poses real challenges: competition for jobs, lower starting wages, long-term unemployment, underutilisation of skills, and risks for countries of origin, such as talent loss and dependence on remittances. To fully exploit the economic and social potential of migration, an integrated approach is needed: policies that support skills recognition, vocational training, migrant entrepreneurship, as well as legal channels for migration and integration.

Looking ahead, the duality of challenges and opportunities requires the adoption of flexible and long-term strategies. Governments and international organizations must collaborate to build more inclusive and resilient labor markets, capable of managing the effects of migration and maximizing its benefits for all parties involved.

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