




Labour Mobility



Labor Economics
VSE
April 2010

Labour Mobility

- ▶ **Geographic labour mobility**
 - ▶ Movement of labour force from one geographic area to another.
 - ▶ Alternative name is migration.

- ▶ Differs from tourism (or asylum)
 - ▶ Purpose, aim
 - ▶ Time spent



Labour Migration: Direction

- ▶ **Immigration**

- ▶ an inward labour mobility
- ▶ alternative name is in-migration

- ▶ **Emigration**

- ▶ outward labour mobility
- ▶ alternative name is out-migration



Labour Migration: Geography

- ▶ Home economy (country)
 - ▶ source economy of the migration
 - ▶ place where labour migrated from
- ▶ Host economy (country)
 - ▶ the destination of migration
 - ▶ place where labour migrated to

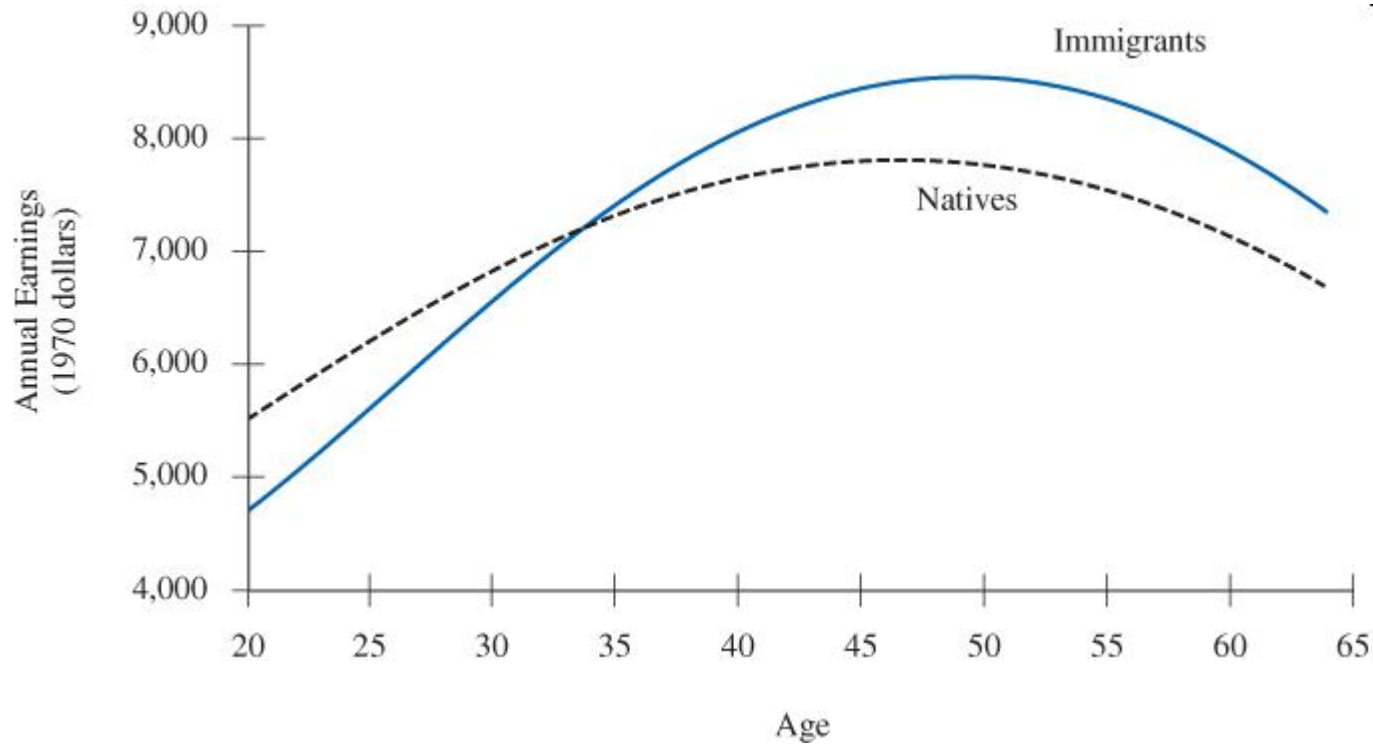


Labour Mobility: Geography

- ▶ Permanent
- ▶ Temporary
 - ▶ Return migrant
- ▶ Continuous
 - ▶ Repeat migration
- ▶ Circular
 - ▶ e.g. Seasonal



Migration: Explaining wage differences

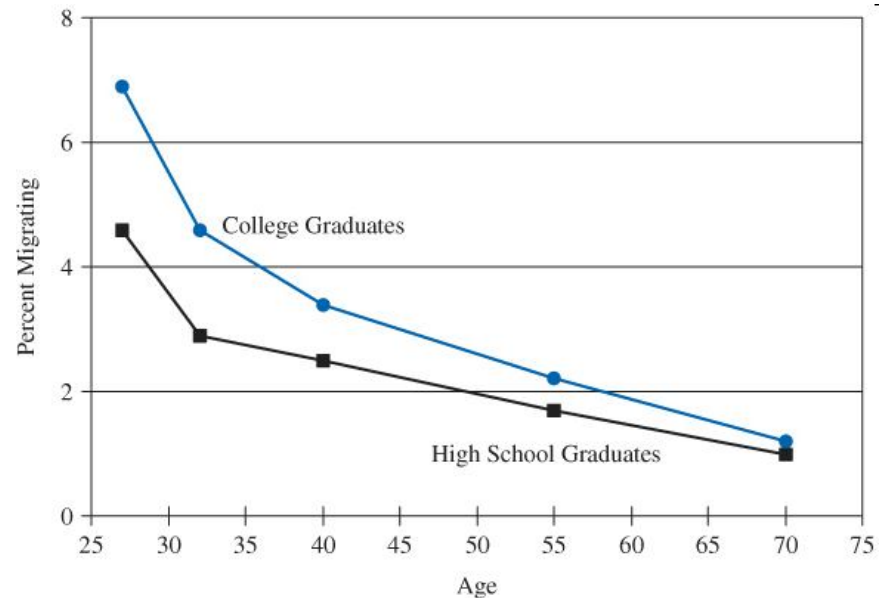


- ▶ Lack of region specific skills
- ▶ Assimilation and human capital accumulation
- ▶ Neophyte Syndrome, and Selection



Labour Mobility: Selection

- ▶ Self selection
 - ▶ Education, age, gender *et cetera*



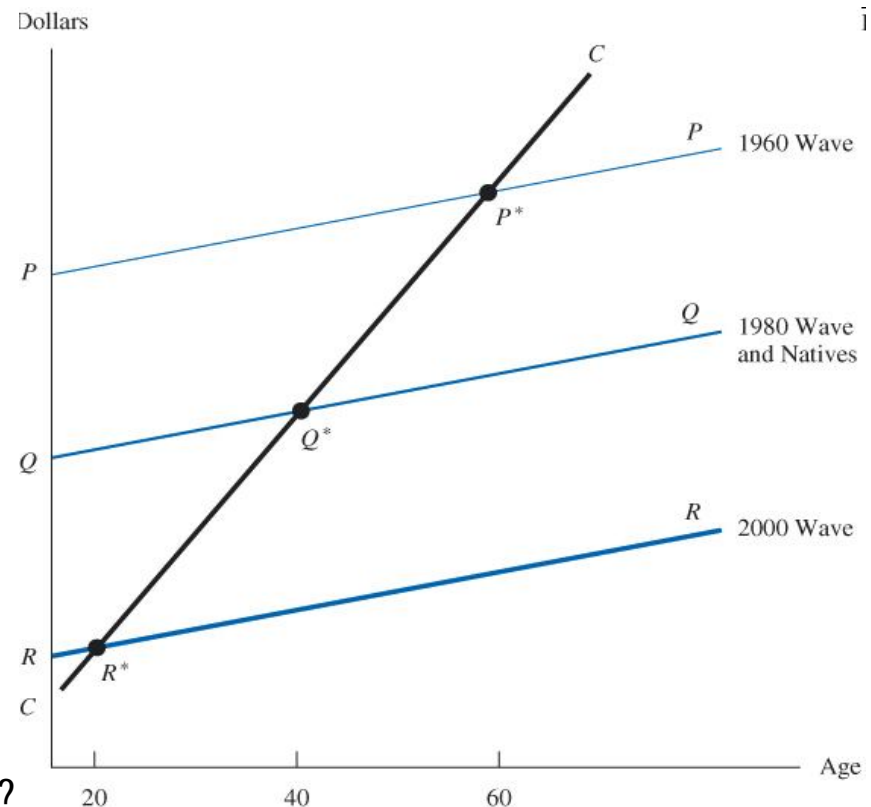
- ▶ Visa and work permit
 - ▶ No visa regime
 - ▶ Point system
 - ▶ Family reunification



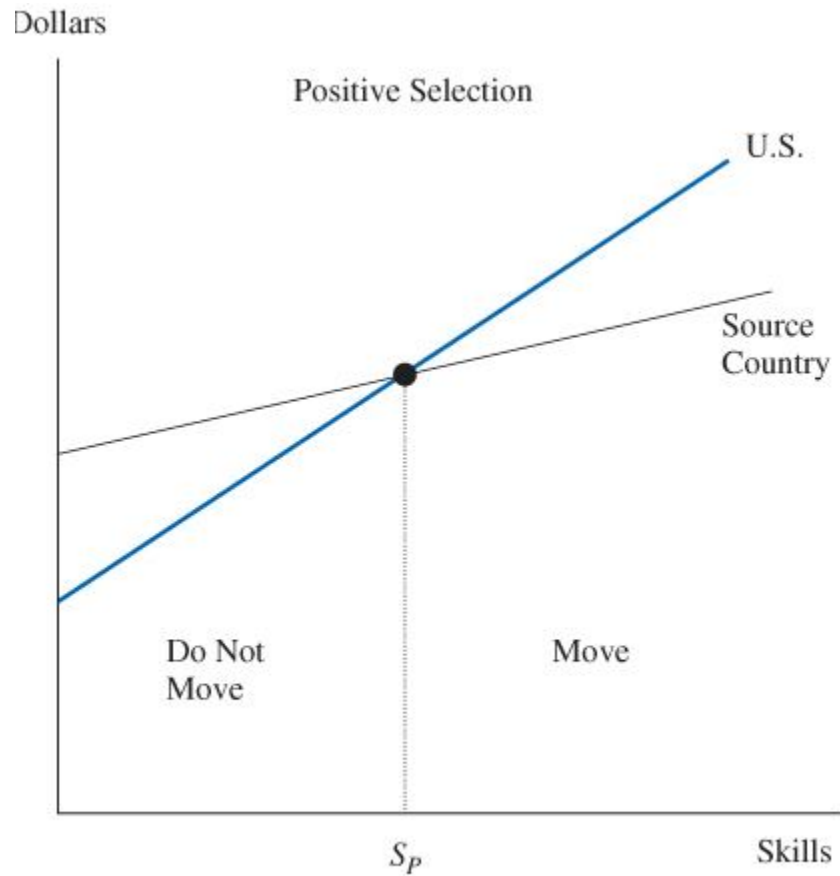
Labor Mobility: Selection

- ▶ Selection, Cohort Effect and Assimilation: Common Pitfall

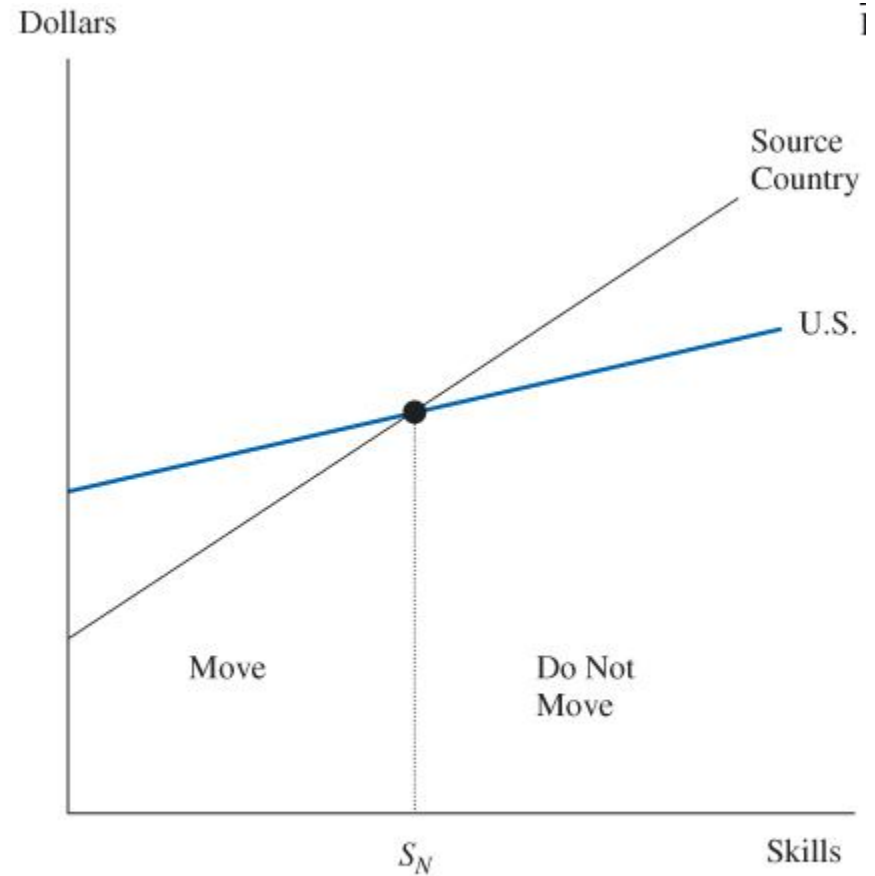
- ▶ When different selection mechanism is used for different years (e.g. changing visa regime)
- ▶ How do the migrants self-select?



Labour Mobility: Roy Model



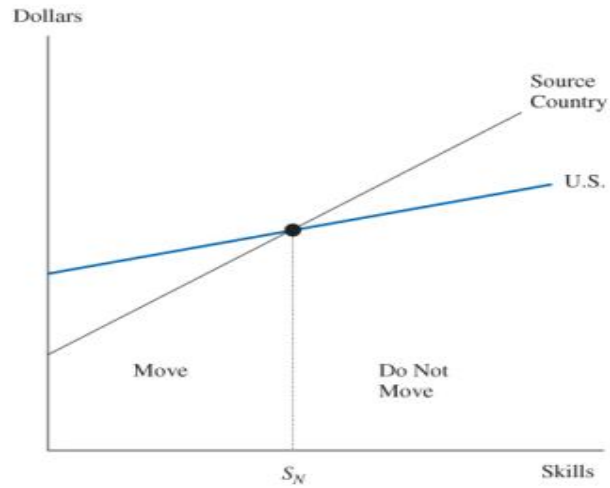
(a) Positive Selection



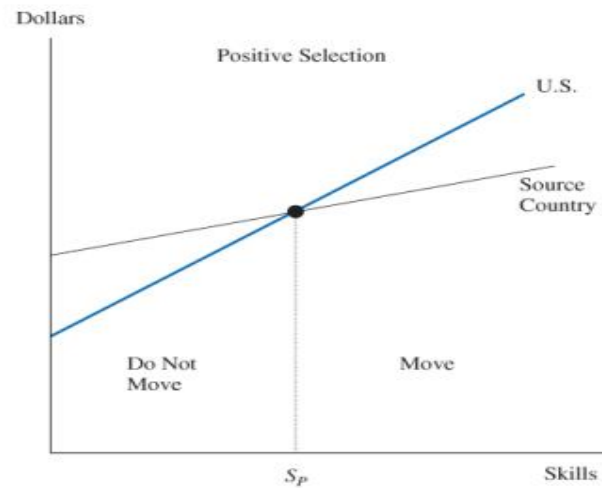
(b) Negative Selection



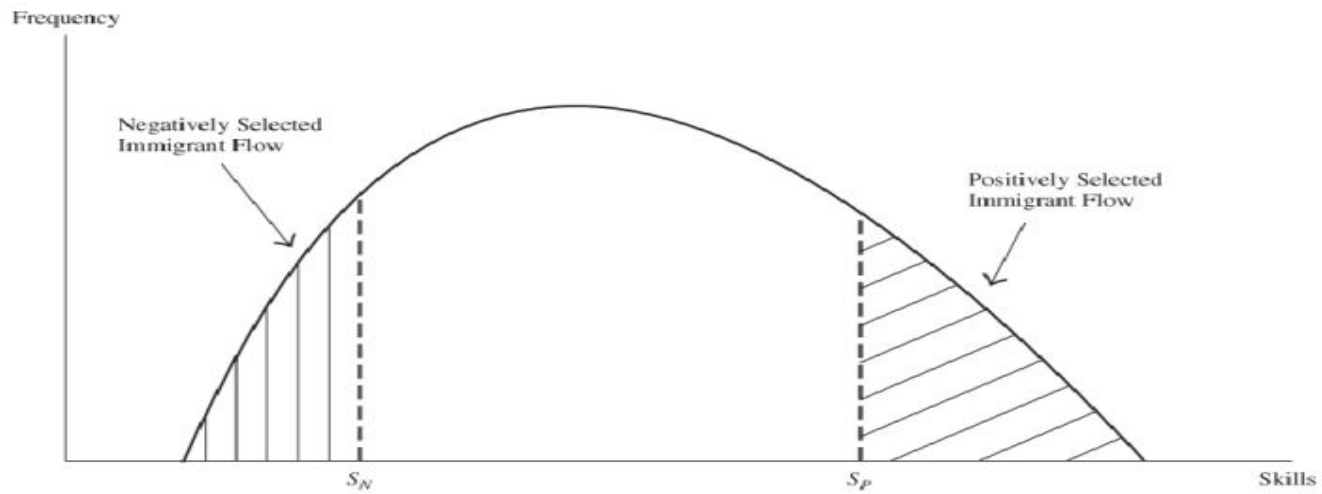
Labour Mobility: Selection



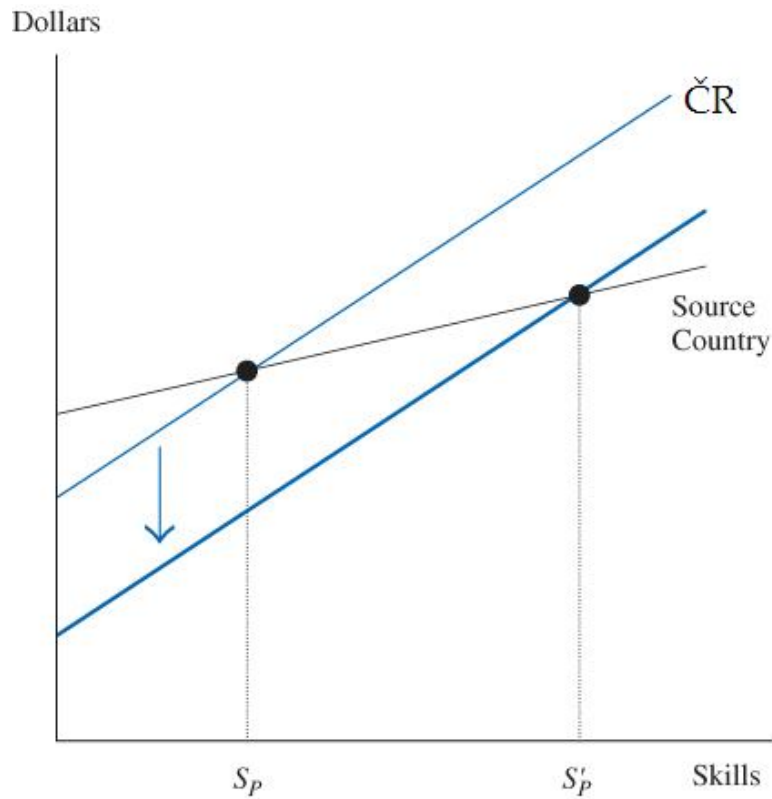
Negative Selection



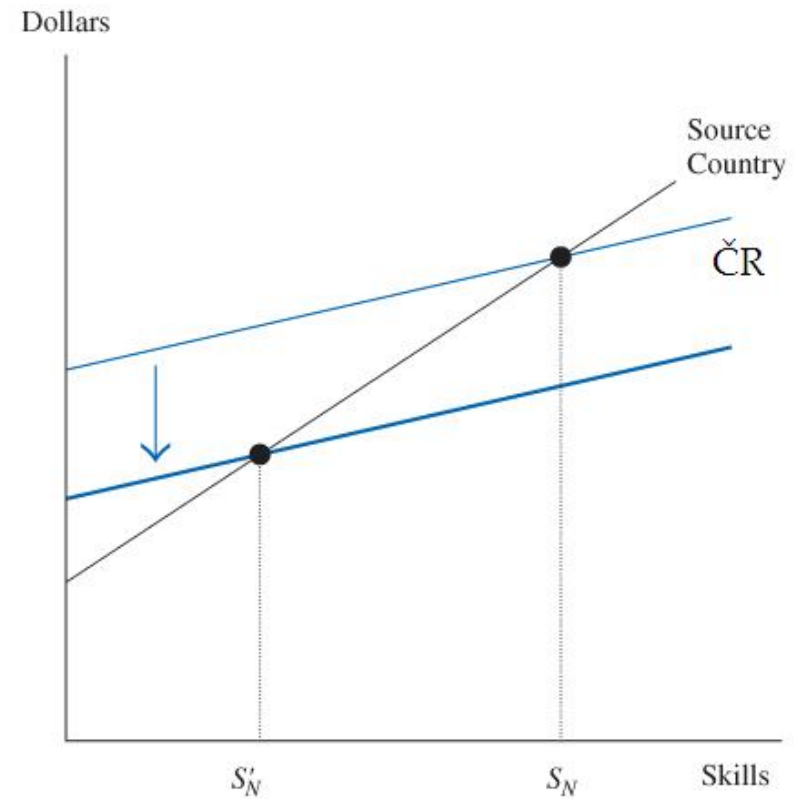
Positive Selection



Self-Selection: Creating a Cohort Effect



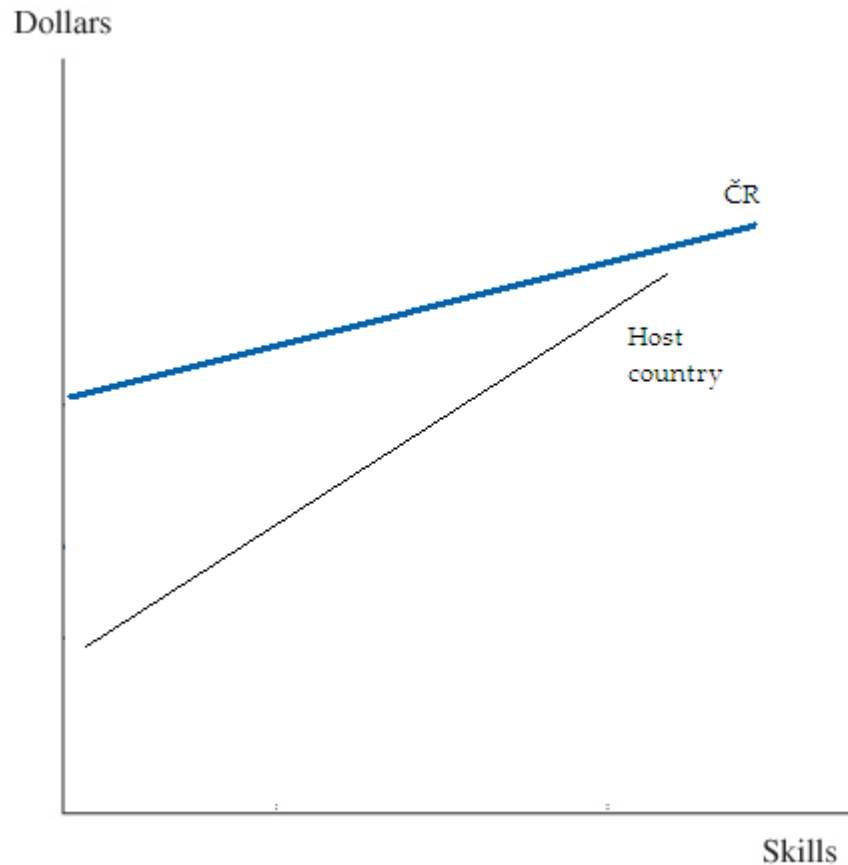
(a) Positive Selection



(b) Negative Selection



Labour Mobility: Roy Model



- ▶ Nobody wants to migrate, not beneficial.
- ▶ Migration as Investment in HC

$$PV^{stay} = w_{20}^{stay} + \frac{w_{21}^{stay}}{1+r} + \frac{w_{22}^{stay}}{(1+r)^2} + \dots$$

$$PV^{mig} = w_{20}^{mig} + \frac{w_{21}^{mig}}{1+r} + \frac{w_{22}^{mig}}{(1+r)^2} + \dots$$

$$Net\ gain = PV^{mig} - PV^{stay} - MC$$

$$MC = TransC + \Psi$$



Labour mobility: Psychological Costs

- ▶ The song of Ψ

*Your loved ones across that ocean
Will sit at breakfast and try not to gaze
Where you would sit at the table
Meals now divided by five
Instead of six, do not feed an emptiness.*

Nadine Sarreal (2002)

- ▶ Remittances missing here...



Labour mobility: Remittances

- ▶ Remittances are spent on
 - ▶ Consumption
 - ▶ Services
 - ▶ Education
 - ▶ Investments

- ▶ Remittances affect the labour supply of the remaining household members (non-labour income)



Labour Mobility: Joint Migration

▶ Tied stayer (A & E)

$$\begin{aligned}\Delta NPV^H + \Delta NPV^W &> 0 \\ \Delta NPV^H &< 0\end{aligned}$$

▶ Tied mover (D & B)

$$\begin{aligned}\Delta NPV^H + \Delta NPV^W &< 0 \\ \Delta NPV^W &> 0\end{aligned}$$

