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Developing Scalable Pathways for International Migration: Harnessing "Triple Wins" for Global Economic Progress

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International migration is one of the most effective ways of improving the livelihoods of poor workers in developing countries. Mobarak, Sharif, and Shrestha (2023) find that winning a visa lottery to work in a Malaysian plantation as a semi-skilled agricultural worker triples the Bangladeshi male workers' earnings, relative to the lottery losers. The World Bank's flagship publication, the World Development Report 2023, concludes that international migration generates a variety of positive effects: (i) higher income, saving, and investment opportunities for the migrants and their family members, (ii) large benefits for the origin countries in terms of increased remittance inflow, knowledge transfers, entrepreneurship, and poverty reduction, and (iii) filling up crucial labor gaps in aging societies, lower production costs and higher economic growth in the receiving countries. The World Bank has recently created a *Global Skills Partnership* facility (https://gsp.cgdev.org/) in which destination countries agree to provide technology and finance to train potential migrants with targeted skills in the country of origin, prior to migration, which gets migrants with precisely the skills they need to integrate and contribute best upon arrival. The country of origin agrees to provide that training and gets support for the training of non-migrants too – increasing rather than draining human capital. Three such partnerships have already been announced between Belgium and Morocco, Germany and Kosovo, and Australia with various Pacific island nations.

> To create a win-win for both sending and receiving countries, policies need to be devised to overcome migration frictions

Remittances remain a critical source of foreign exchange that facilitates macroeconomic stability, accounting for 5.2% of Bangladesh's GDP in 2023, 26.6% for Nepal, and 48.2% for Tajikistan (Ratha et al., 2023). On the migrant-receiving end, many countries

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without a long history of accommodating foreign-born workers face low fertility rates and rapidly aging populations desperately now need young, working-age migrants to sustain their standards-of-living. To create this win-win for both sending and receiving countries, policies need to be devised to overcome several migration frictions, especially in destinations without large pre-existing migrant networks. These include training on the language and culture of migrant-hosting societies, some vocational skills training for sectors that need workers, setting up trustworthy and affordable migration intermediation, and mechanisms to finance these policy interventions. This brief describes some necessary elements in the design of such programs that can overcome these migration frictions and harness a "triple win" for aging societies that need workers, for source countries that need remittances, and for the migrant workers themselves.

Demand for migrant workers will keep growing

The shortage of young workers in formerly "closed" countries with rapidly aging populations like Japan and Korea is now more evident. And with it, there is a growing recognition that they now desperately need migrants. A shortage of elderly care workers in Japan is associated with higher mortality rates in nursing homes. 35% of the Japanese population will be elderly by 2040. Japanese private sector intermediaries have started recruiting such workers from the Philippines, Myanmar, and Indonesia. The Economist (August 29, 2024) reports that South Korea has tripled its visa quota for migrant workers to 150,000 per year in 2024. Germany has also set up skills partnership programs to recruit workers from Kenya. Fertility rates and demographics suggest that this demand for migrant workers will continue to grow in rich Asian and European countries at least until the mid-century. South Korea will need to increase the number of foreign workers by more than 8-fold by 2040 (OECD, 2024), Japan will need 5 million more foreign workers by 2040 to sustain 1.24% annual economic growth (JICA, 2022), and Europe will have 95 million fewer people in the workforce by 2050 that has to be filled by migrant workers (Kenny and Yang, 2024).

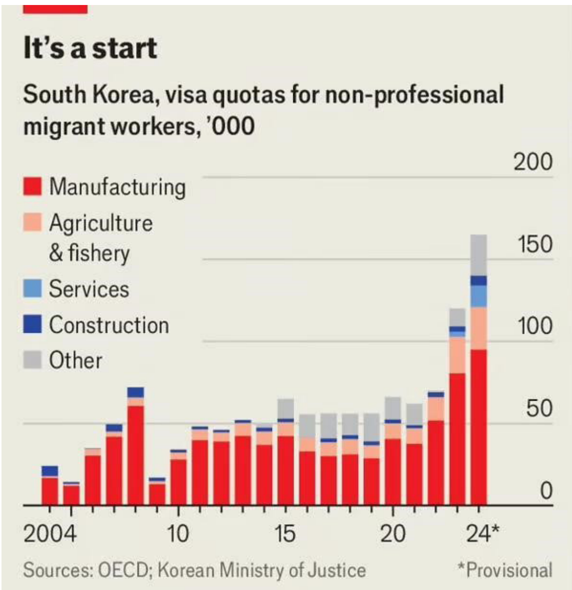

Figure 1: The trend of visa quotas for migrant workers in South Korea

Source: The Economist, August 29, 2024

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Barriers to safe and productive migration in emerging routes

Migration into countries like Japan and South Korea remains limited due to language and vocational skills barriers, plus a limited history that has not yet allowed robust “migration networks” to form from many source countries with large pools of potential migrants. Workers are reluctant to make an upfront investment in Japanese or Korean language and vocational training which are not very valuable in the domestic labor market if the migration attempt fails. The intermediation process remains relatively immature for new potentially profitable migration routes. While the worker, the source country, and the destination country all stand to benefit, workers remain wary of making expensive upfront investments to attain very specific language, cultural, and vocational skills that have low returns outside that specific opportunity. The heart of the problem is that learning Japanese or Korean is not as broadly useful as learning English or French. A financing mechanism therefore needs to be developed to make migrants comfortable about making the investments required to pass language and culture exams required by destination country governments.

> Migrants remain wary of making expensive upfront investments to attain language, cultural, and vocational skills that are specific to only one destination

Supporting Skills Training is Good Public Policy

There is a solid economic rationale for source countries to facilitate the migration process: private benefits accruing to workers investing in acquiring skills necessary to migrate to Japan or Korea are smaller than the social benefits accruing to source countries in the long run. Risk-averse workers would under-invest in country-specific language and cultural skills, given the costs and risks associated with failed migration. However, their investment creates positive externalities for the source country, opening new migration pathways that benefit future potential migrants from the country. Economic theory thus provides a strong rationale for efficient public subsidies for such skill acquisition.

Source countries are sometimes concerned about the “Brain Drain” of skilled ICT or healthcare workers exiting the labor force to work in another country. But the weight of the scientific evidence indicates that migration facilitation produces more “brain gain,” on net. For example, when the U.S. offers nursing visas, Filipinos invest more in nursing education, and the net number of nurses increases in the Philippines (Abarcar and Theoharides, 2024). Many of the computer engineers from India who initially migrated to the United States to work in the information technology (IT) sector subsequently returned to set up IT service businesses in India, which supported India’s subsequent ascent to the status of the largest global IT services exporter (Khanna and Morales, 2021).

Receiving countries have incentives to co-invest

Governments and employers in migration destinations also have much to gain from efficient migration intermediation. They should co-invest in skill-building programs in source countries that they themselves ultimately stand to benefit from. One example is Japanese skills-training and intermediation companies that have set up training institutes in the Philippines and other South-east Asian countries to teach potential migrants Japanese language, culture, workplace expectations, and any other skills deemed relevant and useful by employers in Japan. There is sufficient demand from Japanese employers for these institutes to train thousands of workers each year to prepare for language and culture exams that the government requires for workers to enter the Japanese labor market.

The key innovation in these programs is the financing: the intermediaries are reimbursed by employers upon successful placement. The intermediating company therefore assumes the risk of training workers. Sending countries could facilitate this process by supporting those intermediaries. Intermediaries need access to a pool of workers with the interests and skillsets to migrate. Sending-country governments have the comparative advantage to identify and pre-screen potentially eligible workers. This is especially true of talent resident outside the major cities where the intermediaries typically set up training centers. Source country governments could also provide training facilities, space, and other necessary infrastructure. They could direct local universities to provide courses that enhance potential migrants' ability to benefit from the subsequent training provided by the foreign intermediaries.

> A key innovation in skills-training and intermediation companies in destination countries lies in the financing: intermediaries are reimbursed by employers upon successful job placement

Organizing these well-coordinated, lawful migration pathways reduces subsequent illegal border crossings (Clemens, 2024). Policies that facilitate legal migration thus benefit migrant-hosting countries in other ways.

Intermediary Malpractice

International migration is a complicated endeavor and many potential migrants lack information about jobs, employer characteristics, skill requirements, and the passport and visa requirements for travel. These information asymmetries provide ill-intentioned private intermediaries many opportunities to exploit workers seeking to migrate. Beyond outright fraud, subpar pre-migration training, exorbitant intermediation fees, and employer exploitation are all too common (Bazzi et al., 2024). Information asymmetries also prevent market mechanisms from driving out low-quality intermediaries (Bazzi et al., 2024). Intermediary malpractice thus frequently captures the attention of international media (NST 2024). Destination countries are sometimes compelled to impose moratoria on all migration from certain origins in response to reports of malpractice and migrant abuse (The Daily Star 2024).

Governments Can Improve the Quality of Migration Intermediation

Developing a quality rating system for intermediaries could improve transparency, service quality, and protect migrants from exploitation. The rating system could evaluate intermediary performance against several criteria, including compliance with legal standards, pre-departure services, costs and fees, job placement success, and migrant satisfaction. The ratings should be updated periodically based on ongoing evaluations, migrant feedback, and compliance checks. Origin country embassies at the destination could develop systems to make it easy for their migrant citizens to provide feedback and then aggregate and publicize that data. There are simple ways in which governments can foster greater trust in the system.

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Governments could also directly get involved in the business of intermediation. Direct Government-to-Government (G2G) agreements can lower the cost of intermediation. A Bangladesh-Malaysia G2G agreement in 2013 lowered costs from $4,000-$5,000 charged in the private market to about $450, and this expanded migration opportunities to an entirely new population that was heretofore priced out of this market (Mobarak, Sharif, and Shrestha, 2023).

> Governments could get directly involved in the business of intermediation by Government-to-Government (G2G) agreements or collaborating with social enterprises and NGOs

Social enterprises run by trusted NGOs like BRAC in Bangladesh are another mechanism by which a pro-social organization could improve trust in this market. There is currently little or no rigorous evidence on the performance of social enterprises and NGOs in the migration intermediation sector, and researchers should partner with NGOs and governments to develop that needed knowledge base.

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