The Economic and Social Effects of Labor Migration on Destination and Sending Countries

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Abstract
Labor migration is often associated with economic and social consequences on countries. This perception influences public opinion and migration policies which may weaken the protection afforded to migrant workers. Thus, this article examines the effects on sending and destination countries with the aim of assessing whether the available evidence supports these perceptions. It adopts a qualitative review of academic literature, international reports, and secondary sources to analyze four key areas identified as consequences of labor migration: remittances, labour markets, brain drain and brain gain, and diasporas. The findings of this article demonstrate that labor migration, in contrast to what is publicly perceived, does yield positive impacts on both destination and origin countries. The article concludes that the overall economic and social impacts of labour migration are predominantly positive for both origin and destination countries.

Keywords: Labor Migration, Migrant Workers, Remittances, Labor Markets, Brain Drain, Diasporas.

1. Introduction

There are approximately 167.7 million migrants internationally representing 4.7% of the global labor force[1]. It is, however, unfortunate that labor migrants, in search of better opportunities often face difficulties, discrimination, exploitation, and harsh working conditions. The international community has acknowledged the hardships and the need for specialized attention and protection for migrant workers and has developed a comprehensive international legal framework governing the rights of migrant workers, namely the International Labor Organization's Migration for Employment Convention of 1949 and Migrant Workers (Supplementary Provisions) of 1975, and The United Nations Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families of 1990. These three instruments, along with the human rights conventions, constitute the most important in the field of protecting migrant workers. However, all three of them suffer from low ratification, with the

[1] International Labor Organization (2014). ILO Global Estimates on International Migrant Workers International migrants in the labour force Fourth edition. p.17 https://doi.org/10.54394/ESKI5420

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1949 Convention, the 1975 Convention, and the 1990 UN Convention having only 54, 30, and 60 ratifications up to this date, respectively. The lack of ratification of the migrant workers conventions is a significant issue that has been extensively discussed in academic literature[2], and accordingly a number of obstacles have been identified; the political, economic and legal obstacles. Without undertaking an in-depth analysis of the obstacles, it can be understood that the economic obstacle relates to the assumption that there are financial obligations imposed on states as a consequence of ratification. There is also a negative stigma, public opinion and perception that labor migration is not a beneficial for development, that migrants are stealing natives' jobs and exhausting countries resources. For example, a report published by Pew Research Center showed that in a number of countries, the public associates migrants as being a burden on the country and society[3].

The objective of this article is to examine a number of economic and social effects produced by migrant workers on both sending and destination states. The outcomes of this examination shall provide an understanding of whether labour migration produces positive impacts on states and constitutes a positive phenomenon, thereby supporting the promotion and protection of migrant workers' rights. While a considerable body of research has examined this matter and the economic and social affects of labor migration, these issues are often analyzed independently rather than collectively. Moreover, little attention has been given to examining these effects from the perspective of promoting the protection of migrant workers under international law. Accordingly, this article adopts a qualitative approach to review academic literature, reports published by international organizations, and other secondary sources aims to contribute to the discussion on whether the available evidence supports the promotion and strengthening of migrant workers' protection under international law by analyzing four principal areas frequently associated with labour migration: remittances, labour markets, brain drain and brain gain, and diasporas.

2. Discussion

In this part, I examine the effects of labor migrants on sending and destination countries. For the purposes of this discussion, four principal areas have been identified: remittances, labour markets, brain drain and brain gain, and diasporas. While labour migration influences a wider range of economic and social issues, these four areas were selected because they represent direct consequences frequently associated with labour migration and are consistently examined within the relevant literature.

[2] Cholewinski, R., de Guchteneire, P. and Pécoud, A. (eds.) (2009). Migration and human rights: The United Nations Convention on Migrant Workers' Rights, Cambridge University Press, ISBN 9780521136112, Touzenis, K. and Sironi, A. (2013). Current challenges in the implementation of the UN International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, European Parliament and Pécoud, A. (2017). *The Politics of the UN Convention on Migrant Workers' Rights*, Groningen Journal of International Law, 5(1), pp. 1–16.

[3] Pew Research Center (2019). Around the World, More Say Immigrants Are a Strength Than a Burden https://www.pewresearch.org/global/2019/03/14/around-the-world-more-say-immigrants-are-a-strength-than-a-burden/

2.1 Remittances

Remittances refer to the monetary transfers migrant workers make to their home country. Such transfers are intended to support their families back home, and in other cases, it may be for investment purposes for when migrants return home. Before examining remittances, it is important to acknowledge the rate of which remittances occur at. According to an official report by the World Bank Organization, remittance flows to low and middle-income countries reached $656 billion in 2023, surpassing foreign direct investment and official development assistance[4]. Thus, remittances are considered the second source of external funding for developing countries. Remittances also play a significate part in a country's GDP, for example they accounted for 50% of the GDP of Tonga, 38% in Lebanon, and 22% in Nepal in 2022[5]. It is also believed that the numbers shared before, are not the true numbers, and remittances could account for a much larger percentage if we take into account, remittances that are sent through informal channels. It also worth noting that remittances have been recognized to be a resilient source of income for the country, as they tend to not be affected by business fluctuations in the country of origin[6]. Additionally, even in times of economic crisis, they do not appear to be affected, as migrants tend to send money to friends and families even more during economic hardships[7]

Remittances have effects on reduction of poverty in households in the origin country. The mere fact that the income of that family has increased due to remittances helps the family a lot. In terms of real-life evidence, we find that for instance, remittances to Nepal have decreased the poverty rates 40 percent between 2001 and 2018 and in 2018, and remittances reduced the poverty rate in the Kyrgyz Republic from 30.6 percent to 22.4 percent.[8]

In this area, I find that remittances can produce what is referred to as "the butterfly effect". Remittances sent to family back home not only can contribute to elevating the family's ability to purchase produce and life essentials, for example in the case of Somalia, but it also allows them to invest more in education and health. For example, in Colombia households receiving remittances spend 10 percent more on education[9] and/or allow family members to stay in school and continue their education rather than dropping out to find jobs to increase household income, allowing for a reduction in drop-out rates. Furthermore, it has proven benefits on gender-gaps, whereas it was found that in Morrocco, households that receive remittances tend to allow females to stay in schools rather than sending them to the labor market. The ability to spend more on health has also been noted, for example In Mexico, Guatemala, Nicaragua and Sri Lanka children in remittance recipient households have higher birth weights and better health

[4] World Bank Group (2024) *Migration and Development Brief* *https://www.worldbank.org/en/topic/migration/brief/remittances-knomad*

[5] World Bank Group (2023). *World Development Report 2023: Migrants, Refugees, and Societies*, Chapter 5: Origin countries: Managing migration for development. https://www.worldbank.org/en/publication/wdr2023

[6] Ibid

[7] Ratha, D. and Mohapatra, S. (2007). *Increasing the Macroeconomic Impact of Remittances on Development*, Development Prospects Group, World Bank (Background paper prepared for the G8 Outreach Event on Remittances, Berlin, 26–30 November 2007. p. 2

[8] World Bank (2023). World Development Report 2023: Migrants, Refugees, and Societies, Chapter 5 p. 129

[9] Ibid

indicators[10]. It may also allow families to take part in investments and/or business opportunities which elevates their social status, and in turn also create new employment. For example, in Morocco and Tunisia it was found that households that receive remittances are likely to engage in commercial agriculture[11].

Overall, the literature examined demonstrates that remittances have contribute positively in reducing poverty, food security, education, gender issues, health outcomes, and the labor and economic market. On the other hand, it is also identified that consequences from remittances may occurs such as discouraging family members from entering the labor market and being fully dependent and reliable on remittances as the main source of income, not as an additional source. From a sending country's perception, remittances have effects on the economy of the country, specifically in foreign exchange, and the increase the foreign exchange reserves available to pay for imports and to service the external debt. Furthermore, the increase of national income helps stabilize national balance of payments and improve national creditworthiness of the country.[12] However, remittances have other effects on the economy that may be considered negative, whereas the inflow of remittances may lead to exchange rate appreciation due to inflow of foreign currency, leading to loss of international competitiveness leading to a Dutch disease phenomenon.[13] Dutch disease is taken from the economic crisis that occurred in the Netherlands due to the discovery of large natural gas resources. Another identifiable effect is inflation in the country, which happens due to increased demand and unavailable supply, and thus also creates the issue of dependence on imports. Without prejudice to the aforementioned, I find that such effects on origin countries can be mitigated through designing policies that can help eliminate the effects on the economy, and ensure that remittances produce as less as possible and help guide the structure into more benefits-reaping.

Remittances effects are primarily associated with the sending country as remittance flows are directed towards them. However, n the case of destination countries, I find that it has been argued that the out-ward of remittances may produce negative effects on the economy of the destination country, issues such as low levels of consumption and investment activities in the country by migrant workers.[14] However, a number of empirical research have concluded that the effect of outward remittances by migrant workers are not significant enough to make an impact[15].

[10] Ratha, D. and Mohapatra, S. (2007). Increasing the Macroeconomic Impact of Remittances on Development p. 3
[11] Ibid p. 3
[12] international Organization for Migration (2018). *Socioeconomic Opportunities and Challenges of Remittances* (S-19-6). International Organization for Migration, Geneva. https://www.iom.int/sites/g/files/tmzbdl486/files/2019-01/S-19-6%20-%20Socioeconomic%20opportunities%20and%20challenges%20of%20remittances.pdf p. 2
[13] Acosta, P. A., Lartey, E. K. K. and Mandelman, F. S. (2009). *Remittances and the Dutch disease*, *Journal of International Economics*, Vol. 79, No. 1, pp. 102–116. https://doi.org/10.1016/j.jinteco.2009.06.007 p. 102
[14] Khalathlan, K. A. (2013). *The nexus between remittance outflows and growth: A study of Saudi Arabia*, *Economic Modelling*, Vol. 33, pp. 695–700. https://doi.org/10.1016/j.econmod.2013.05.010 p. 695
[15] For example: The nexus between remittance outflows and growth (Ibid) and Periola, O. and Salami, M. F. (2024). *Remittance outflow, financial development and macroeconomic indicators: evidence from the UK*, *Future Business Journal*, Vol. 10, Article 83.

2.2 Labor Markets

In the case of origin states or emigration countries, migration has positive effects on the labor market in terms of unemployment and wages. It is found that migration decreases unemployment in the labor market and relieves pressure from an over-crowded market. For example, excess labor can be removed when migration occurs, thus allowing those who stay behind to take the jobs left in the market. The reduction of excess labor not only opens doors for more employment for those left in the country, it also reduces the stress on the country's resources as a consequence, such as less unemployment benefits and social assistance schemes being paid out. Furthermore, it has positive effects socially and politically, reducing pressure on governments, protests, and crime. This is mostly noted in areas with high unemployment rates.[16] In areas with lower female participation rates specifically in the MENA region, it had been noted that emigration of men has helped raise the participation of women in the labor market[17]. This is backed by analytical research, for example a study analysis on unemployment using data from the eight Central and Eastern European countries has concluded that unemployment rates decrease by at least 3.4 per cent when the emigration rate increases by 10 per cent[18]. Similar was identified for Lithuania, Poland and Romania in 2007 when emigration increased. Another positive effect it produces on the labor market is the increase of wages. As discussed before, emigration reduces excess of labor, and thus laborers may become scarce which raises wages. The increase of wages may not be a general outcome for all workers, and it may affect some more than others. If the skills of those who have emigrated are complementary, then wages may not increase, however if those skills of those who migrated and those who stayed are similar, then demand rises and so do wages[19]. Another aspect of this is how it effects the youth more than other workers categories. For example, if the rates of youth-migrants rise, then the youth who stayed behind will be affected by wages increases, however, groups of other ages may not. This has been noted in an analytical study conducted on Lithuania, where it was found that most emigrants were aged between 20-30 years old, and thus wages increases had affected young workers, while it had a small effect on other groups such as older workers. Similarly, has been noted in Poland where emigration was dominated by medium-education workers, and thus wage increases had been significantly noted for workers of similar skills, but almost zero effect on high-skilled workers[20]. Another study conducted in Mexico which has a high rate of emigration has concluded that there is a strong and positive relationship between emigration and wages, whereas a 10% decrease in the number of workers in a skill group raises the average wages in that group by 4% and that overall emigration from Mexico has raised the average wages by

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[16] Roman, M. and Voicu, C. (2010). *Some Socio-Economic Effects of Labor Migration on Sending Countries: Evidence from Romania, Theoretical and Applied Economics*, Vol. XVII, No. 7(548), pp. 61–76. p. 70.

[17] David, A. and Marouani, M. A. (2016). *The Impact of Emigration on MENA Labor Markets*, ERF Policy Brief No. 21, Economic Research Forum. https://erf.org.eg/publications/the-impact-of-emigration-on-mena-labor-markets/ p. 4

[18] Pryymachenko, Y., Fregert, K. and Andersson, F. N. G. (2013). The effect of emigration on unemployment: Evidence from the Central and Eastern European EU member states, Economics Bulletin, Vol. 33, No. 4, pp. 2692–2697. p. 2697

[19] Elsner, B. (2022). Does emigration increase the wages of non-emigrants in sending countries?, *IZA World of Labor*, Article No. 208 v2. https://doi.org/10.15185/izawol.208.v2 p. 3

[20] Ibid p. 8

8%[21]. While emigration appears to have positive effects on the origin country, it had been also noted that a high of emigration may trigger outflow of capital, which forces firms to switch to capital intensive production, or the notion to invest elsewhere, which can count as a negative effect to the origin country. However, those effects can be navigated by country policies allowing migrants and/or investment incentives. Overall, the literature examined here suggests that emigration produces favourable outcomes, specifically in unemployment, nonetheless, the extent of these benefits depends on policies by the sending state.

From the perspective of the destination country, the general public opinion has been that more migrants mean less jobs for natives and lower wages. Many attribute this induced opinion to politicians that try to portray labor migration as a negative phenomenon worth fighting against. Maffei-Faccioli and Vella[22] in their paper have also supported this idea, stating that immigration in a country can increase the unemployment of the natives and lower their wages. However, many empirical studies have not supported this finding. Among the most influential scholar on the effect of migration on wages of natives has been conducted by David Card in 1990 with his work on the Mariel boat lift. He concluded that although the local economy in Miami has faced a massive shock of low-skilled migrants from Cuba, the wages of natives were not significantly affected[23]. Giovanni Peri[24] has also produced a number of papers focusing on this topic, in which he concludes that increase of labour supply due to migration increases investment which in return increases employment, and furthermore, immigration helps in reducing labor shortages in destination countries. Jonathan Portes has also contributed to those findings, whereas he concluded that in a study on the effects of immigration from central and eastern European countries to the United Kingdom[25] that the increase in the number of immigrants in the has increased the number of jobs available to British workers and another study on the United Kingdom market has concluded that immigration had no negative effect on the employment of nationals[26]. A labor market competitiveness in EU countries has been conducted by Přívara and others[27] has concluded that immigration strengthens the workforce skills and reduces unemployment. Another study concerned with studying the impact of migration on regional labour markets in Australia[28] has concluded that the inflow of migrants is positively correlated

[21] Amuedo-Dorantes, C. and Pozo, S. (2007). Emigration and wages in source countries: Evidence from Mexico, *Journal of Development Economics*, Vol. 82, No. 1, pp. 180–199. https://doi.org/10.1016/j.jdeveco.2005.09.002

[22] Maffei-Faccioli, N. and Vella, E. (2021). Does immigration grow the pie? Asymmetric evidence from Germany, *European Economic Review*, Vol. 138, Article 103846. https://doi.org/10.1016/j.euroecorev.2021.103846

[23] Talani, L. S. (2024). The Labour Market for Immigrants: Evidence from Data, *Social Sciences*, Vol. 13, No. 10, Article 556. https://doi.org/10.3390/socsci13100556 p. 3

[24] Peri, G. (2016). Immigrants, productivity, and labor markets, *Journal of Economic Perspectives*, Vol. 30, No. 4, pp. 3–30. https://doi.org/10.1257/jep.30.4.3

[25] Portes, J. (2019). The Economics of Migration, *Contexts*, Vol. 18, No. 2, pp. 12–17. https://doi.org/10.1177/1536504219854712

[26] Dustmann, C., Fabbri, F. and Preston, I. (2005). The impact of immigration on the British labour market, *The Economic Journal*, Vol. 115, Issue 507, pp. F324–F341. https://doi.org/10.1111/j.1468-0297.2005.01038.x

[27] Prívara, A., Masárová, T. and Tupá, M. (2023). Migration and Labour Market Competitiveness: The Case of EU, *Journal of Competitiveness*, Vol. 15, No. 1, pp. 131–145. https://doi.org/10.7441/joc.2023.01.08

[28] OECD (2023). The impact of migration on regional labour markets in Australia, *OECD Regional Development Papers*, No. 64, OECD Publishing, Paris. https://doi.org/10.1787/d72110b5-en

with native employment growth, unemployment natives might find jobs because of migration, and that employed natives are not likely to lose their jobs to arrival of migrants. Overall, we find that the empirical evidence tends to indicate that migration produces positive effects on the labor market of the destination country, and at worst produces neutral to no-negative effects and merely serves to reduce labor shortages in the destination country. Although the studies analyzed examined different countries, a recurring conclusion found is that perception that immigration reduces employment opportunities or wages for native workers has been challenged, and at time proven to not be true by empirical evidence.

2.3 Brain Drain and Brain Gain

Human capital is widely known as one of the most fundamental contributors to economic growth and development in countries. Thus, the out-flow of human capital, more specifically highly skilled human capital through labor migration is often considered a side effect for origin states. Brain drain can be defined as the loss of the highly-educated and skilled workers due to emigration from the state. Typically, the loss of engineers, nurses, doctors, and other highly-skilled professions. Thus, brain drain is mainly associated with high skilled workers.

The loss of those workers to the origin country means the loss of future tax on revenue, loss of human capital which steers innovation and development. Some political scientists even describe it as the loss of individuals who could have made political changes at home.[29] Countries spend a good percentage of its governmental expenditure for the up-skilling of its nationals, for example: Lebanon spends around 5.9% and Tunisia around 25.3% on the education of its youth, and whereas 17% of graduates in Lebanon have left the country and in 2004 and Ghana lost more than £35 million spent on the training of health practitioners who left for the UK eventually.[30] The concept of brain drain and the economically losses on the countries has been a topic of importance and one of the main negative side effects that countries have faced due to emigration. This phenomenon has led to the proposal of what is known as “Bhagwati Tax” by Jagdish Bhagwati in 1972[31]. Bhagwati has proposed to impose a tax on high-skilled migrants to compensate for the losses of the Less Developed Countries (LDCs). According to him, it is an intervention policy with the LDCs at heart, as it is not possible to prevent migration[32]. Thus, the tax will be paid by the migrant as a supplement to his normal income tax in the destination country, and it is only to be taxed after he migrates[33]. The tax would be levied by the host country and remitted back to the origin country through bilateral agreements, or alternatively, by the United Nations. This proposal has received criticism such as, destination countries’

[29] Batista, C., Han, D., Haushofer, J., Khanna, G., McKenzie, D. R., Mobarak, A. M., Theoharides, C. and Yang, D. (2025). Brain drain or brain gain? Effects of high-skilled international emigration on origin countries, *Science*, Vol. 388, No. 6749, eadr8861. https://doi.org/10.1126/science.adr8861 p. 2
[30] El Ouassif, A. (2021). The Challenge of the Youth Bulge in Africa and the Middle East: Migration and the Brain Drain, *Policy Center for the New South.* p. 15
[31] Bhagwati, J. and Dellalfar, W. (1972). The Brain Drain and Income Taxation: A Proposal, *MIT Department of Economics Working Paper* No. 92, Massachusetts Institute of Technology.
[32] Ibid p. 3
[33] Bhagwati, J. N. (1976). Taxing the Brain Drain, *Challenge*, Vol. 19, No. 3, pp. 34–38. p. 35

reluctance to levy taxes from the high skilled-workers which would be not in favor for the following reasons: damage the country's competition for skilled workers, the fact that imposing additional tax on migrant workers and others not would be discriminatory, and for the loss of fiscal revenues[34]. An alternative has been proposed, whereas all non-resident citizens of the country pay a tax on their income. This would be an approach already used by the United States, Mexico, and the Philippines[35].

Contrary to what has been identified above, recent studies have shown that emigration might not be as negative as it is widely considered, and it can have a positive impact on the origin country's innovation and development. For example, Mountford, Vidal, and Beine[36] have suggested that high-skilled emigration may ultimately contribute to the formation of human capital in the country of origin under the context of probabilistic migration. This can be supported by an analysis conducted in the context of the US policies. The relaxation of visa policies changes for Filipino nurses, have shown an increase in the number of tertiary-educated nurses in the Philippines and the overall stock of tertiary-educated labor. The origin country benefited cause for each new nurse has migrated, nine new nurses were licensed in the Philippines and has stayed in the country as a high-skilled worker. An analysis for India has shown that for Indian workers, when US policies have relaxed concerning IT workers, more and more Indians acquired computer skills and that in general has raised IT employment in India by 5.8%[37]. Similar research conducted by Beine and others found that by doubling the prospects of high-skill emigration raised the number of highly skilled nonemigrants by 1.05 times over a period of 10 years[38], which is what can be known as the Brain Gain for the origin country. In addition to this, return migration of those highly-skilled after acquiring foreign experience and being exposed to more skills will benefit the origin country eventually. The fact that many high-migration countries such as the GCC countries only operate on a temporary and/or short contracts for foreign labor force increases the chances of return migration. Additionally, in the meantime, origin countries may benefit from replacement migration.

For destination countries, there is no denial that immigration has a positive brain gain to the destination countries, whereas the immigration of highly-skilled migrants increases development and innovation in the host country. For instance, 26% of US-based Nobel Prize recipients from 1990–2000 were immigrants[39] and another study has revealed that the rise in H-1B admissions in the US has led to an increase in patenting by inventors with Indian and Chinese names in cities

[34] Scalera, D. (2012). Skilled migration and education policies: Is there still scope for a Bhagwati tax?, *The Manchester School*, Vol. 80, No. 4, pp. 447–467. https://doi.org/10.1111/j.1467-9957.2011.02256.x p. 3

[35] Oldman, O. and Pomp, R. D. (1975). The Brain Drain: A Tax Analysis of the Bhagwati Proposal, reprinted in J. Bhagwati and M. Partington (eds.), *Taxing the Brain Drain: A Proposal*, pp. 751–769. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3003347 p.753

[36] Berger, S. (2022). Brain drain, brain gain and its net effect, *KNOMAD Paper* No. 46, KNOMAD/World Bank. p. 11

[37] Batista et al., Brain drain or brain gain?, p. 5.

[38] Berger, S. (2022). Brain drain, brain gain and its net effect. p. 13

[39] Hunt, J. and Gauthier-Loiselle, M. (2010**)**. How much does immigration boost innovation? *American Economic Journal: Macroeconomics*, Vol. 2, No. 2, pp. 31–56. https://doi.org/10.1257/mac.2.2.31

and firms that heavily used these visas[40]. Moreover, the evidence of the benefits reaped by destination countries due to immigration of the highly-skilled can be evident by the changes of their policies, such as creating new migration policies with points schemes, to attract high skilled migrant and providing them with more rights and pathways to permanent residency in their countries, as seen in Canada, Australia, United Kingdom and The European Union. Accordingly, the literature reviewed suggests that highly skilled migration produces benefits for both origin and destination countries, although these benefits depend on migration policies and the characteristics of migration flows.

2.4 Diasporas

Diasporas refer to the migrant communities who live outside their country however maintain strong ties with their home country. In simpler terms, what we are discussing here is how the ties of migrants who have left to reside in the destination country affect both the origin and destination country. A large body of scholarly literature has identified that migrant diasporas help facilitate migration of people, movement of goods, capital, and ideas across national borders.[41] In terms of migration of people, it has been noted that migration networks help smooth the migration process for those left back home which assists in cutting costs, and provide them with valuable information at no cost, and possibly cutting out the middle man (recruitment agencies) for the purposes of finding employment. Among the other effects diasporas have are remittances, which we have discussed earlier, and thus will not discuss in this part again.

Diasporas have economic, social and political effects on the home country. As discussed earlier economic effects can take from in remittances which elevate the income of the migrant’s family and directly contributes to the country’s funds. Social effects have been also identified earlier as such, with migration of male leads at home, women find themselves more contributing in the labor market of the home country, and children are also able to continue education, and/or are incentivized to obtain higher education. Furthermore, it is identified that a diaspora of migrants abroad can contribute through capital, knowledge and experience, which can even be done remotely without them having to return home by investments in their home country. For example, Immigrant IT sector workers who returned home to India after their US H-1B work visas expired spurred the subsequent offshoring of IT production from the US to India[42].

Diasporas have other effects in the form of changing social norms, especially when those migrants move back home, due to exposure to new communities and new ideologies and new traditions. Some can have a positive effect on the home country, especially when moving back from developed countries with more openness and democracy Thus, contributing to the home country in a form of what can referred to as “social remittances”. Similarly, this can be identified from the political point of view, as migrants have the ability to enhance democracy if the

[40] Docquier, F. and Rapoport, H. (2011). Globalization, brain drain, and development, *Journal of Economic Literature*, Vol. 49, No. 3, pp. 681–730. https://doi.org/10.1086/651934

[41] Beine, M., Docquier, F. and Özden, Ç. (2011). Diasporas, *Journal of Development Economics*, Vol. 95, No. 1, pp. 30–41. https://doi.org/10.1016/j.jdeveco.2009.11.004 p. 30

[42] Berger, S. (2022). Brain drain, brain gain and its net effect. p. 5

diaspora uses their resources and connections to promote better political norms and accountability. Empirical studies have found that there is a positive correlation between openness to migration and improvement of institutional quality in the origin countries[43]. For example, it has been found that individuals in Mexico in households with a migrant in the US or Canada are more likely to vote[44] and emigration from Moldova has influenced and effected electoral outcomes of the national elections in 2009 and 2010 towards voting for democratic parties[45].

Another big influence by diasporas is concerning trade. Rauch[46] is among the first scholars to discuss how migration affects international trade has identified that international trade relies heavily on network-based exchanges that reduce information asymmetries and transaction costs, thereby highlighting the critical role of migrant and diaspora networks in facilitating cross-border economic activity. Thus, proving that labor migrants not only add to the stock of the workforce, but also bring economic value to both destination and origin country. In other words, labor migrants facilitate cross border trade transactions, in terms of export and import. The literature on this topic proves that there is a positive relationship between migration and international and bilateral trade which is attributed to reasons such as: migrants demand goods and services from their origin countries, migrants introduce new products and services to the destination countries, migrants introduce new products and services from destination countries to origin countries and migrants have an impact on business development through the circulation of knowledge and ideas.[47] Migrants can also help reduce costs of trade because of their knowledge, language, information and connections.[48] Among the important empirical evidence on this matter is the one derived from the Vietnamese refugee resettlement in the US.[49] Another study has concluded an estimation that an increase in the number of immigrants by 10% may be expected to increase the volume of trade on average by about 1.5%. A case study from Canada has identified that a 10% increase in migration resulted in a 1% growth in exports and a 3% growth in imports from the countries of emigration.[50] Another prime example is the Kingfisher Beer from India, which had gained a significant market share in areas where Indian diasporas are, specifically the United

[43] Docquier, F., Lodigiani, E., Rapoport, H. and Schiff, M. (2016). *Emigration and democracy*, *Journal of Development Economics*, Vol. 120, pp. 209–223. https://doi.org/10.1016/j.jdeveco.2015.12.001 p. 222

[44] Pérez-Armendáriz, C. and Crow, D. (2010). Do Migrants Remit Democracy? International Migration, Political Beliefs, and Behavior in Mexico, *Comparative Political Studies*, Vol. 43, No. 1, pp. 119–148. https://doi.org/10.1177/0010414009331733

[45] Barsbai, T., Rapoport, H., Steinmayr, A. and Trebesch, C. (2017). *The Effect of Labor Migration on the Diffusion of Democracy: Evidence from a Former Soviet Republic*, *American Economic Journal: Applied Economics*, Vol. 9, No. 3, pp. 36–69. https://doi.org/10.1257/app.20150517

[46] Rauch, J. E. *(1999). Networks versus markets in international trade, Journal of International Economics, Vol. 48, Issue 1, pp. 7–35. https://doi.org/10.1016/S0022-1996(98)00009-9*

[47] Nurse, K (2016), 'The Diasporic Economy, Trade and Investment Linkages in the Commonwealth', International Trade Working Paper 2016/09, Commonwealth Secretariat, London. p. 6

[48] Rapoport, H. (2017). Migration and development: The diaspora externality, *Revue d'économie du développement*, Vol. 25, No. 1, pp. 31–61. https://doi.org/10.3917/edd.311.0031

[49] Batista et al., Brain drain or brain gain? p. 5.

[50] Nurse, K (2016), 'The Diasporic Economy, Trade and Investment Linkages in the Commonwealth' p. 6

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Kingdom, which led to its extension into new markets and engage with other manufacturers, namely Heineken to sell and distribute its products in the UK.[51]

It is noted here, that although diasporas have a positive effect on both destination and origin countries, it is important to acknowledge that the regulations and policies in place in the country's play a huge factor in accessing those benefits, and creating positive and attractive investment policies help reap the benefits of diasporas.

3. Findings and Conclusions

This article examined the economic and social effects of labour migration on both origin and destination countries, with the aim of assessing whether labour migration produces positive or negative outcomes for states. To achieve this objective, four areas frequently discussed in the literature were examined: remittances, labour markets, brain drain and brain gain, and diasporas.
The discussion has demonstrated that labour migration does produce substantial economic and social benefits for both origin and destination countries. Remittances contribute to poverty reduction, positive effect in education and health outcomes, and gender-gaps, while also providing origin countries with an important source of foreign exchange, as well as playing an important part in its economy as the second source of external funding. In the labour market, emigration and labor migration have effects on unemployment pressures and can contribute to wage increases in origin countries. On the other hand, it has been concluded that from a destination country perspective, there are no adverse effects on native employment or wages in destination countries, contrary to the public's perception. Labor migration also helps address labor shortages in destination country. Although brain drain remains a legitimate concern, the literature reviewed reveled that labor migration does not entirely mean the origin country is losing all its human capital, as for example the prospect of future migration motivates human capital and the education of natives. Finally, diasporas contribute to trade, investment, knowledge transfer, and the circulation of ideas, which benefits both origin and destination countries.

The main finding and conclusion of this article is that the overall economic and social effects of labour migration are predominantly positive and contribute to the development of both origin and destination countries. In light of these findings, the commonly perceived economic concerns associated with labor migration should not be regarded as obstacles to the ratification of migrant workers conventions. Rather, the evidence reviewed in this article suggests that labour migration may encourage wider ratification of these conventions.

[51] Ibid

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