Migration, Income and Health: Evidence from a Natural Experiment

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Abstract
Over four million people emigrate every year in search of better economic and social opportunities. World Bank calculations suggest that restrictions on these people flows have larger welfare costs than the more widely studied restrictions on international trade. However, measuring the effects of migration is complicated by non-random selection of migrants from the general population, which makes it hard to obtain an appropriate comparison group of non-migrants. In this paper, estimates of the income and health effects of immigration are obtained by comparing immigrants who enter New Zealand through a random ballot with unsuccessful participants in the same immigration ballots who remain in their home countries in the Pacific Islands. Surveys of non-applicants are also used to see how well the non-experimental data and methods typically used by economists can replicate the experimental results. Immigrants appear to be positively selected in terms of both observed and unobserved skills. As a result, most non-experimental methods overstate the income gains from migration, so calculations of global benefits from increasing people flows are likely to be sensitive to the modelling of selectivity bias. However, the income gains for immigrants appear larger than expected by potential emigrants and are not associated with all of the adverse health consequences of immigration that are suggested in the literature.

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