

## Freedom of movement for workers

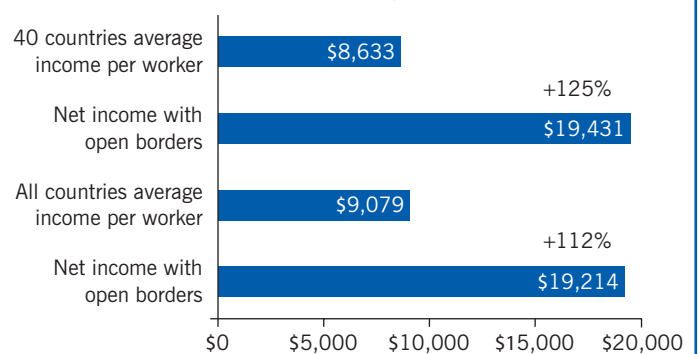
### Relaxing immigration restrictions could greatly improve the well-being of people in developing countries, with little effect on wages

Keywords: migration, open borders, movement of workers, poverty

#### ELEVATOR PITCH

Most developed countries have foreign aid programs that aim to alleviate poverty and foster economic growth in less developed countries, but with very limited success. A large body of evidence indicates that the root of the economic development problem is cross-country differences in the productivity of labor. If workers are much more productive in one country than in another, the obvious way to help people in less developed countries is to allow them to help themselves by moving to places where they can be more productive. Yet immigration laws severely constrain such movement.

#### Open borders could more than double the average income in less developed countries



Source: From [1] using data from [2] and differences in income per worker from Penn World Table version 7.1.

IZA  
World of Labor

#### KEY FINDINGS

##### Pros

- + Immigrants can greatly improve their standard of living, even after allowing for the costs of living away from home.
- + If workers are much more productive in one country than in another, lifting the restrictions on immigration would produce large efficiency gains.
- + The estimated net gains from open borders are about the same as the gains from a growth miracle that more than doubles incomes in less-developed countries.

##### Cons

- Immigrants are a burden on the social welfare system.
- Immigrants “are not like us”—a loss of national identity is associated with large inflows of immigrants.

#### AUTHOR'S MAIN MESSAGE

Allowing workers to move freely across countries could yield large gains, comparable to a doubling of labor income in developing countries. Although the immigrant flows would be large, the wage effects would be small since increases in labor supply would induce investment. So for policymakers wanting to increase the welfare of the average person without regard to nationality, relaxing immigration restrictions could greatly improve the well-being of people in developing countries. And some of the large gains accruing to immigrants could be used to pay for whatever costs are imposed on incumbent workers—for example by levying an income tax surcharge on recent immigrants.