



ELSEVIER

Journal of Public Economics 87 (2003) 773–797

JOURNAL OF  
PUBLIC  
ECONOMICS

www.elsevier.com/locate/econbase

## Social security and migration with endogenous skill upgrading

Alessandra Casarico<sup>a</sup>, Carlo Devillanova<sup>a,b,\*</sup>

<sup>a</sup>Università Bocconi, Istituto di Economia Politica, via Gobbi 5, 20136 Milano, Italy

<sup>b</sup>Università di Trieste, Trieste, Italy

Received 27 September 2000; received in revised form 9 August 2001; accepted 17 September 2001

---

### Abstract

The aim of the paper is to investigate the joint redistributive effects of migration and pensions and to reassess the sustainability issue raised in the existing economic literature. The paper first develops a theoretical framework to analyse the impact of international migration on the labour market. The model allows for heterogeneity across native-born individuals and for migrants to affect both the wages and the education decision in the recipient country. It then explicitly focuses on pensions under alternative migration scenarios. The analysis shows that migration causes redistributive effects which increase across-group wage inequality. However, the endogenous educational response by residents partially offsets the redistributive impact of migration while creating additional interest groups. Migration helps the financial sustainability of the pension scheme but the interaction between migration and pensions causes complex inter- and intragenerational redistributive conflicts, which are analysed in the paper.

© 2002 Elsevier Science B.V. All rights reserved.

*Keywords:* Pensions; Human capital; International migration

*JEL classification:* H55; J24; O15

---

### 1. Introduction

All major industrial countries are facing economic problems related to popula-

---

\*Corresponding author. Tel.: +39-02-5836-5342; fax: +39-02-5836-5318.

*E-mail address:* carlo.devillanova@uni-bocconi.it (C. Devillanova).

tion ageing. The declining birth rates and the rising longevity have increased the elderly dependency ratio: according to OECD (1998b), there are currently about two people aged 65 and older for every ten people aged 15–64 in the OECD countries. By 2030, this ratio is expected to reach three-and-a-half to ten and to stabilise only in 2050 (Lutz, 1996). The increase could be even faster if recent (falling) labour market participation trends continued. Though this process occurs at different rates and with different timing across OECD countries, on average their populations are the oldest in the world.

As the share of the elderly in the population of rich countries increases, the cost of paying for pensions and health benefits rises. It is feared that ageing can have dramatic effects on government finances, boosting taxes and placing the government's ability to finance other expenditure at risk. These demographic trends call for policy reforms, notably in those areas where per capita expenditure for the elderly is particularly high. Public retirement schemes are the natural candidates for reform, especially because their pay-as-you-go financing makes them very sensitive to demographic shocks.

Policy makers in developed countries have considered radical reforms undertaken by some developing countries, which replaced part or all of their public systems with private pensions based on individual accounts. In addition international migration, that is, migration from less-developed countries has been argued to be a mitigating factor for a low birth rate<sup>1</sup>. It is held that migration may have a positive impact on the financial soundness of pension systems and therefore help overcoming their shortfalls (OECD, 1998a,b; Razin and Sadka, 1998, 1999a,b).

The aim of this paper is to investigate the joint redistributive effects of migration and pensions and to reassess the sustainability issue raised by the existing economic literature. The analysis developed in this paper differs from the related literature in that it describes migration not only as a demographic phenomenon increasing the number of contributors to the pension scheme but also as an economic shock perturbing the labour market and initiating inter- and intragenerational transfers. These transfers in turn must be understood to assess costs and benefits of alternative migration and pension policies.

We concentrate on the recipient country and first develop a theoretical framework to investigate the impact of migration on the labour market. We allow for heterogeneity across individuals and for migration to affect both the wages and the education choice in the recipient country. We then explicitly focus on social security, which in this paper is synonymous with pension system, and analyse the effects of migration on its sustainability: we evaluate whether migration can complement direct pension reforms. We finally study the joint redistributive effects of migration and social security under alternative migration scenarios. We focus on

---

<sup>1</sup>Though the use of immigration policies for demographic purposes may raise several problems and objections, as discussed in OECD (1998a), the latter reports that some countries already adopt explicit age-related selection criteria for some categories of immigrants.

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات