

# Economics of Migration

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# Table of Contents

- 1 Irregular Immigration
  - Introduction
  - Smuggling and Trafficking
    - The Smuggling Market
    - On the “journey” and the decision to resort to smuggling services
    - On policies to contrast smuggling

# Irregular Immigration

## Introduction

- Migrants who enter other countries without complying to all the existing regulations are defined as “irregular” or “undocumented” (see: [https://www.unhcr.org/cy/wp-content/uploads/sites/41/2018/09/TerminologyLeaflet\\_EN\\_PICUM.pdf](https://www.unhcr.org/cy/wp-content/uploads/sites/41/2018/09/TerminologyLeaflet_EN_PICUM.pdf))
- Definition of irregular immigration by IOM: “movement of persons that takes place outside the laws, regulations, or international agreements governing the entry into or exit from the State of origin, transit or destination.”

# Irregular Immigration

## Introduction

- Irregular migration is a key aspect of migration flows in the different regions of the world (IOM, 2019, Ch. 3).
- A particular important channel of irregular migration for Italy and Europe is the “Central Mediterranean Route”, i.e. the stretch of sea between North Africa (mostly Libia and Tunisia) and Southern Italy, mostly Sicily, Calabria and Apulia. (see: <https://frontex.europa.eu/along-eu-borders/migratory-routes/central-mediterranean-route/>)

# Irregular Immigration

## Smuggling and Trafficking

- Two key concepts: smuggling, trafficking.
- Let us consider the definitions by IOM, based on UN protocols (see: <https://www.iom.int/key-migration-terms>).
- Smuggling of migrants: “The procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the irregular entry of a person into a State Party of which the person is not a national or a permanent resident”

# Irregular Immigration

## Smuggling and Trafficking

- Trafficking in persons: “The recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation...
- ... Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs.”

# Irregular Immigration

## Smuggling and Trafficking

- These definitions immediately point out that smuggling and trafficking require an agent (or a group of agents) that interacts with the migrants in order to smuggle or traffic them into another country, breaking the law.
- In the definition of trafficking the element of exploitation of the trafficked person seems prevalent, while it seems almost absent in the definition of smuggling.

# Irregular Immigration

## Smuggling and Trafficking

- This implies, at first sight, that the migrant has more “agency” in the case of smuggling, i.e. s/he can decide to “buy” the services of a smuggler to cross the borders ...
- ... while in the case of trafficking, the immigrant has a more, if not totally, passive role in the process, and is being treated like a commodity whose services can be sold at the destination country (through illegal labor, prostitution, etc.) (Campana and Varese, 2016, p. 92)



# Irregular Immigration

## Smuggling and Trafficking

- Other differences can be the following. Smuggling implies crossing the border illegally, while a person can be trafficked also after legal crossing of the borders.
- Some authors have pointed out that this distinction is not always clear-cut (Campana and Varese, 2016, p. 90). In fact, some elements of agency can exist also in the case of trafficking, in the sense that individual may to some extent decide to be “assisted” by traffickers to cross a border.
- On the other hand, aspects of coercion can also be present during the process of smuggling (Lavezzi and Quinn, 2018).

# Irregular Immigration

## Smuggling and Trafficking

- Smuggling and trafficking are activities typically performed by criminal organizations (Campana and Varese, 2016). This is because they imply breaking laws of one type or the other, so that a legal organization such as a legitimate firm will not be willing to carry out these activities.
- Smuggling and trafficking can be both considered as economic activities as the organizations involved aim at making a profit (a “benefit”, see above).
- In other words, we can consider these activities as market activities as legality is not a pre-requisite for the existence of a market.

# Irregular Immigration

## Smuggling and Trafficking

- It is possible to analyze irregular immigration by taking an economic approach.
- Scholars in the organized crime literature, beginning with the seminal contribution of Gambetta (1993) on the Sicilian Mafia, often adopted an economic approach by focusing on the demand and supply sides in the market for “services” provided by criminal organizations of Mafia-type (see also Lavezzi, 2014).

# Irregular Immigration

## Smuggling and Trafficking

- The advantage of this approach is to provide a simple framework based on basic economic concepts such as supply and demand, which can also facilitate the design of policy prescriptions (Lavezzi, 2014).
- A preliminary remark: if an activity is performed outside the legal sphere there are consequences. The first one is that there are no authorities that can regulate the activity, introduce sanctions, etc.
- This implies that the parties involved must find some form of solutions to, e.g., possible controversies that may arise in these transactions, setting prices, insurances, etc.

# Irregular Immigration

## Smuggling and Trafficking

- The lack of (legal) external authorities has consequences also for the bargaining power of the parties involved (i.e. who sets the prices, the characteristics of the “service”, etc.)
- It is difficult to dispute the fact that, in the circumstances of smuggling and trafficking, the greatest bargaining power is in the hands of the smuggling or trafficking organization.
- In what follows we mostly focus on smuggling.

# The Smuggling Market

- Authoritative institutions such as UNODC recognize the usefulness of adopting an economic approach to smuggling: “Smuggling of migrants follows the same dynamics of other transnational organized crime markets. It is driven by a demand and a supply of smuggling services to circumvent existing regulations.” (UNODC, 2018, p. 6)
- “The many smugglers who are prepared to offer services to facilitate irregular border crossings represent the supply of services ...
- ... Smugglers advertise their business where migrants can be easily reached, such as in neighborhoods home to diaspora communities, in refugee camps or in various social networks online.” (UNODC, 2018, p. 6)

# The Smuggling Market

- Given the decision to migrate, one can choose a regular or an irregular channel: “the demand for smuggling services is determined by the limited legal channels that cannot satisfy the total demand for regular migration or by the costs of legal migration that some migrants cannot afford.” (UNODC, 2018, p. 6)
- Given that entering a country through an “irregular” channel indicates that a legal channel was not chosen, an important preliminary question, which also has important policy implications, is therefore: was a regular channel not available at all or was it just too costly?

# The Smuggling Market

- In Lavezzi and Quinn (2018, p. 169), we point out that: “the lack of legal alternatives seems to be a reason to resort to illegal migration...
- ... For instance, in our sample Ali claimed he had no legal documents in his home country, while Omar claimed to have attempted once to enter Sweden legally (his final destination), but that his application was rejected because he was over eighteen years old.”



# The Smuggling Market

- Another aspect to keep in mind is the distinction between “irregular migrants”, “smuggled migrants”, and “asylum seekers”.
- In fact: “demand for smuggling services is particularly high among refugees who, for lack of other means, may need to use smugglers in order to reach a safe destination fleeing their origin countries.” (UNODC, 2018, p. 6)
- Another important aspect of the smuggling market are the smuggling routes.
- “Geography, border control, migration policy in destination countries, smugglers’ connections across countries and cost of the package offered by smugglers are among the key factors that determine the routes and the travel methods.” (UNODC, 2018, p. 6).

# The Smuggling Market

- “When geography allows, land routes are widely used, more than sea or air smuggling routes that generally require more resources and organization.” (UNODC, 2018, p. 6)
- “Measures to increase or decrease border control with consequent increased or decreased risks of detection for smuggled migrants ... typically lead to rapid route displacement ...
- ... Stricter border control measures often increase the risks for migrants and provide more opportunities to profit for smugglers.” (UNODC, 2018, p. 6)

# The Smuggling Market

- How the demand meets the supply
- “Ethnic and/or linguistic ties between smugglers and migrants is one of the elements that often brings migrants and smugglers together. A reliable connection is key in a market that is unregulated by definition. When demanding smuggling services, migrants seek well-reputed smugglers.” (UNODC, 2018, p. 7)
- Given that criminal organizations cannot advertise their services as regular businesses (Gambetta, 2011), the contact with them takes place through informal channels, typically on their own social networks. (Lavezzi and Quinn, 2018, p. 169)

# The Smuggling Market

- “In presenting their offer, smugglers aim to establish a relationship of trust with migrants ...
- ... The pressing need for migrants to move and the vast information gaps seem, however, to impede migrants from making an informed decision.” (UNODC, 2018, p. 7)

# The Smuggling Market

- As a consequence, migrants try to reduce these information gaps by relying on the opinion of their communities, relatives and friends, and more recently, social media" (UNODC, 2018, p. 7)
- This implies that the search for the best deal is limited. In addition migrants, even if in principle could gather information on different smuggling groups, do not typically spend considerable time on doing this, as the cost of staying in dangerous countries such as Libya is very high.

# The Smuggling Market

- Therefore, the kind of transaction that takes place is one in which consumers face high search costs in selecting the people who sell such services, and therefore are imperfectly informed on how many of them exist on the market and of the quality of the service itself.
- This can have consequences on the structure of the market (competitive/non competitive) and on the bargaining power of the parties involved.

# The Smuggling Market

- There are (few) economic models of smuggling (and trafficking), which make different assumptions on the structure of the smuggling market.
- For example, Friebel and Guriev (2006) assume that the market for illegal migration is competitive. Their model, however, is inspired by the experience of illegal migration from China to the US, an old phenomenon in which it is more likely that competitive conditions were established over time. In such environment, it is more likely that collection of information is easier.

# The Smuggling Market

- The main consequence of a situation in which migrants face search costs in selecting the smuggling supplier, is that smugglers enjoy monopolistic power in the transaction (Stiglitz, 1989), and the wedge between the price paid and the marginal cost is likely to be sizable.



# The Smuggling Market

- The reported violence and intimidation on the part of smugglers at different stages, in particular when negotiating the price, adds to the fact that the bargaining power of the migrants in the transaction is extremely low (see also UNODC (2018, p. 45) on bargaining power.)
- In this case, a form of economic exploitation takes place, as smugglers are able to extract more resources from the migrants than they would be able to do if competitive conditions prevailed.

# The Smuggling Market

- Monopolistic pricing can imply a reduction in potential demand for the smugglers' services as the "price" for the service is higher than under competitive conditions.
- However, given that the elasticity of the demand from the migrants is likely to be very low, the implication could be that, particularly for those that lack the necessary means to pay, submitting themselves to longer periods of work, in Libya, for example, in a highly risky environment, to raise the money for the trip, becomes necessary.
- Another element supporting the view that smugglers have monopolistic power, is the evidence that smugglers largely practice "price discrimination", e.g. they charge different prices to different migrants, depending on a number of factors.

# The Smuggling Market

- UNODC (2018, Tab. 3) presents estimations of the smuggling fees along different routes from a number of sources. The fees may change across different routes, but they may also change within the same route.
- “Smuggling fees change significantly according to a range of factors including distance, region, mode of transportation, border controls, difficulty of the border crossing and other factors. Smugglers operate much like legal entrepreneurs and charge different fees for different services.” UNODC (2018, p. 44)

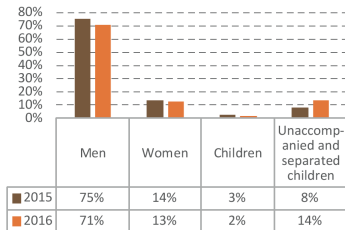
# The Smuggling Market

- The payment can take place in one installments on in two (or more): for example, an initial payment is made before the journey (this will have the consequence of lowering the incentives for the smuggler to provide a safe journey, see UNODC, 2018, p. 45), and a final one at the completion of the journey (the last one help the migrant to insure, at least partially, that the smuggler will make efforts for a successful completion of the journey)

# On the “journey” and the decision to resort to smuggling services

- Many smuggled migrants are male, often of (relatively) young age. See Figure 1.

Share of arrivals in Italy along the Central Mediterranean route by age and sex, 2015-2016

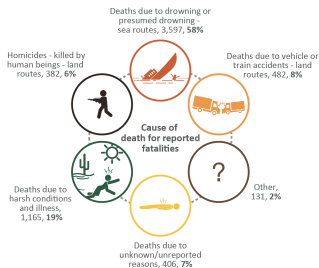


Source: United Nations High Commissioner for Refugees (UNHCR).

**Figure:** Composition of smuggled migrants in Italy along the

# On the “journey” and the decision to resort to smuggling services

- The journey exposes smuggled migrants to a number of risks, primarily death, especially when the border crossing implies sea journeys.



**Figure:** Number of migrant fatalities reported, by cause of death, 2017. Source: UNODC (2018)

# On the “journey” and the decision to resort to smuggling services

- In addition, along the way it is very likely that migrants are exposed to various forms of violence, from physical to psychological.
- In particular, along some legs of the journey, migrants can be kidnapped, for extortion, e.g. to their families.
- This is an important aspect to keep in mind when thinking of the demand side of the market and to the policies to contrast smuggling.

# On policies to contrast smuggling

- Representing the smuggling process for which there exists a demand and a supply helps to design policies to contrast this phenomenon. The same point can be made with respect to criminal organizations in general (Lavezzi, 2014).
- One type of policy can try to reduce demand for smuggling. This can imply:
- Increase the legal opportunities for migration. Many smuggled migrants report that they resort to the irregular channel because of the restrictions (or the costs) of resorting to the legal channel.



# On policies to contrast smuggling

- In this case, the provision of a “legal” service, may reduce the incentives to demand the “illegal” service.
- Pure repression of the demand by, e.g. making harsher the punishment for the irregular entry into a country, are not likely to resort significant effects. This would amount to increasing the (expected) cost of the smuggling journey.
- In fact, the costs of entering a country in an irregular manner are already high enough, implying a non-negligible risk of death.
- Still, a huge number of migrants resorts to the illegal channel.

# On policies to contrast smuggling

- In the terms of the cost-benefit analysis used to describe the migration decision, represented by Eq. (1)

$$I_i = w_i^D - w_i^O - C_i \quad (1)$$

how can a journey with a risk of death be represented?

- A high risk of death can be represented by a very high value of  $C_i$ . Why, then, people decide to choose this type of channel?

# On policies to contrast smuggling

- One possible explanation resides in an extremely low value attributed to  $w_i^O$ .
- If the value of the economic returns at home are extremely low, i.e. they can be represented by a negative number with a very high (absolute) value, then even an extremely high cost of migration does not necessarily deter potential migrants from taking the journey.

# On policies to contrast smuggling

- Keeping this in mind, it is possible that potential migrants do not correctly estimate the risks of taking a journey along a smuggling route.
- As pointed out in UNODC (2018, p. 12): “Some smugglers actively recruit migrants in their communities by misinforming about the risks and the prospects in destination countries.”
- Therefore, a policy that increases the information about the risks of resorting to a smugglers' services, can be an effective way of reducing the demand for smuggling.

# On policies to contrast smuggling

- Policies aiming at reducing the supply of smuggling services should be interpreted as affecting the incentives to become a smuggler, i.e. a criminal.
- In this case they can include measures aimed at giving better economic alternatives to (potential) smugglers, for example by favoring economic development in the countries where smugglers operate, as well as repressive policies aimed at increasing the cost of becoming a criminal, along the lines traditionally set by the economic analysis of crime set by the pioneering work of Gary Becker (see Becker, 1968).

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