DETERMINANTS OF INTERNATIONAL MIGRATION – GRAVITY MODEL APPROACH

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by

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ABSTRACT

Sri Lanka possesses a long history of labor migration commenced from first half of the 20th Century. Today, Middle East region dominates the foreign employment market in Sri Lanka accounting for more than 90 percent departures from the country. In Sri Lanka, macroeconomic studies related to migration are less than that of microeconomic studies. As a contribution to reduce this gap, this research study examines the macroeconomic determinants of international labour migration from Sri Lanka to Middle East countries using gravity model of migration. Since Ordinary Least Squared results in inconsistency in estimated coefficients under the presence of heteroskedasticity, Poisson Pseudo Maximum Likelihood estimation technique was used to estimate panel data directly from its multiplicative form instead of log linearization. Secondary data over the period of 2007 to 2015 were used to estimate the model with destination-year fixed effects to capture unobserved time-variant and time-invariant variables as well as to account for the multilateral resistance. According to the results, Sri Lankan population, GDP per capita, unemployment rate, and poverty head count ratio are the push factors which force people to move from Sri Lanka while the destination countries' population, GDP per capita, unemployment rate and dependency ratio are the pull factors which attract migrants towards the destination. Moreover, distance between Sri Lanka and destination also discovered as significant under the research study.

Keywords: Labour migration, Poisson Pseudo Maximum Likelihood technique, fixed effects, gravity model