



March 2009

## The Impact of the Global Economic Crisis



## on Migrants and Migration

### Summary

The global financial crisis, which began in the second half of 2008, has led to a downturn in the global economy (and is rapidly becoming a deeper economic recession). However, the depth, scope and duration of the economic crisis remain difficult to predict and its impact is likely to vary according to country, geographic region and labour market sector.

During economic downturns, however, migrant workers are often the most vulnerable category of workers, in terms of job losses and treatment in the workplace, and while some may well choose to return home, policies aimed solely at sending migrant workers home are not the solution and could have potentially disastrous consequences for development, given the scale of remittances – estimated at some USD 283 billion to developing countries in 2008 – and the already high levels of unemployment in developing countries. Calls to reduce migration in destination countries tend to be based on the false perception that “migrants take jobs” or “compete for welfare benefits”, when in fact the majority of migrants create economic activity and jobs.

Human mobility, as underscored in IOM’s 2008 World Migration Report, <sup>1</sup> makes economies more dynamic and more efficient. Migration may also be a positive force in alleviating various aspects of the economic crisis and potentially make an important contribution towards overcoming the economic downturn. Trying to combat the economic crisis by simply cutting immigration may make the situation worse. Nevertheless, a number of destination countries have stopped or imposed restrictions on new admissions of migrants for employment and countries of origin are already experiencing influxes of returning migrants, which may result in economic and social instability in poorer countries.



Other possible outcomes include reduced labour migration flows and, in the medium term, increases in irregular migration and trafficking in human beings, although there is some evidence that flows of irregular migrants have actually decreased as a result of the crisis. Therefore, flexible, coherent and comprehensive migration management policies are needed, as well as reinforced international cooperation, to maximize the benefits of migration, protect migrants and take their needs into account in measures addressing the crisis.

## Impact of the Financial Crisis on Migrants and Migration: the Evidence so far

The following negative effects of the global economic crisis on migrants and migration have already been observed (or are possible). It is important to note, however, that there is still limited concrete empirical evidence supporting many of these observations, and such evidence is especially lacking when it comes to assessing the differentiated impact of the crisis on migrant men and women:

### Restrictions on new admissions of migrant workers and non-renewal of work permits

- A stop on all new entries of foreign workers has been put into place in some East, Southeast and Central Asian countries. From February 2009, the Government of the Republic of Korea stopped issuing new visas to temporary migrant workers under the Employment Permit System and, in January 2008, the Malaysian authorities instituted a freeze on the issue of work permits to foreign workers in the manufacturing and services sectors. In Thailand, the government announced that it would not issue new work permits or renew the work permits of about half a million foreign workers in the hope that they leave the territory and that their jobs are taken up by Thai nationals. Further, the planned 2009 registration of irregular migrants in Thailand has been postponed. In Kazakhstan, the authorities have imposed a moratorium on the admission of less-skilled workers to take effect on 1 April 2009.
- More restrictive immigration policies are being adopted to protect the local labour market and in response to a decreased demand for foreign workers. For example, a reduction in the number of migrants to be admitted for employment has already been announced in a number of destination countries: Australia aims to limit the admission of skilled migrants; Italy, Kazakhstan and the Russian Federation have reduced the numerical scope of their respective quotas; and the U.K. is raising academic and financial requirements for those migrants applying to enter the U.K. in the highly skilled migrant category for the first time, as well as those applying to switch into that category from another category, and strengthening the resident labour market test for migrants applying for skilled jobs.
- Reductions in regular labour migration flows have been recorded as potential migrants choose to stay home and see out the crisis there. For example, figures published by the U.K. Home Office indicate that there was a 45 per cent reduction in the number of migrant workers coming to the U.K. from Poland and other central and eastern European EU Member States in the last quarter of 2008 as compared with the last quarter of 2007. <sup>2</sup>





### Employment, working and living conditions

- Job losses continue to occur, especially in employment sectors sensitive to economic cycles such as construction and manufacturing, as well as financial services, retail and travel/tourism-related services, thus affecting migrants in these sectors. These job losses have been reported in all parts of the world and unemployment rates for foreign nationals have also increased in some countries (e.g., Spain). In other countries (e.g., Malaysia, Singapore), deliberate policies have been put in place encouraging employers to retrench migrant workers first and/or to replace them with unemployed nationals.
- There have been reports in some countries of reductions in wages or their non-payment, the availability of fewer working days and opportunities for overtime, and poorer conditions in the workplace, which are more likely to affect migrant workers in the weakest bargaining position such as irregular and temporary contractual workers, as companies and employers seek to make savings. Reports of such practices have appeared in Malaysia, Singapore and the Russian Federation.
- Newly arrived migrants or specific categories of migrants such as temporary workers are not eligible for many social benefits and therefore are likely to risk particular hardship on loss of employment if they cannot access alternative resources or are unable or unwilling to return home.
- There have been instances of discrimination and xenophobia against migrant men and women, who are mistakenly perceived as taking the jobs of local workers particularly in low-skilled sectors of the labour market (e.g., protests by native workers in the U.K. against the employment of EU workers).

### Return and reintegration

- There have been reports of an increase in the return of unemployed migrants to countries of origin (e.g., migrants from the Gulf States to India and from Malaysia to Indonesia) where they are also likely to face inferior economic conditions (e.g., high unemployment and poverty) and constitute a potentially disruptive element to economic and social stability at home.
- There has been significant reversal of rural-urban internal migration in some countries such as China where an estimated ten million migrants have returned to their villages because of lay-offs in the manufacturing sector in urban centres due to a steep fall in export demand.
- Some governments in Europe (e.g., in the Czech Republic and Spain) have introduced financial incentives to encourage unemployed migrants to return home. In the Czech Republic, this policy has been targeted at migrant workers in the construction sector, while in Spain it concerns migrants from non-EU countries with bilateral social security agreements with Spain who qualify for unemployment insurance. Eligible unemployed migrants are offered lump sum payments to go home if they agree not to return within a period of three years, although there has been a relatively low take-up rate under this return programme since it was introduced in November 2008, with fewer than 1,400 out of 100,000 eligible migrants signing up on the scheme in the first few months of its operation.<sup>3</sup>
- There is also evidence of policies to speed up the deportation of irregular migrants (e.g., Malaysia).





- Voluntary return migration, however, is less likely to occur from those countries (e.g., EU Member States) where migrants (and their families) enjoy a more secure residence and the safety net of a strong social welfare system. Indeed, some unemployed migrants may seek opportunities in the informal economy thus increasing the stock of irregular migrant workers.
- There is evidence that irregular migrants in some countries, such as the U.S., are not leaving despite the scarcity of employment opportunities because of the difficulties and risks connected with re-entry.
- A number of countries of origin are beginning to institute or discuss assistance packages for returning migrants. The Government of the Philippines has put in place a number of concrete measures to assist migrants. For example, the Philippine Overseas Employment Administration (POEA) is providing legal assistance to displaced workers seeking refunds of airfares and placement fees from recruitment agents and employers, and has also established “help desks” in the provinces to assist retrenched returning migrant workers (as well as local workers) to find jobs at home (or abroad) and to advise them of self-employment. In South Asia, the Governments of Bangladesh and Sri Lanka are closely monitoring the situation affecting their nationals abroad.

## Remittances and their impact on countries of origin

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- A decline in remittance flows has already been recorded in a number of developing countries of origin (e.g., Morocco, Philippines, Sri Lanka, and from the U.S. to countries in Latin America and the Caribbean – 71 per cent of Hispanic migrants in the U.S. reported sending less remittances home in 2008 than in the previous year<sup>4</sup>) as migrants lose their jobs and exchange rates fluctuate (see below), thus increasing poverty and exacerbating development gaps.
- The World Bank observed in March 2009 that remittances were more resilient to economic downturns relative to many other categories of resource flows (e.g., trade, foreign direct investment – FDI) to developing countries, and in 2009 remittances are expected to fall by 5 -8 per cent, a sharper decline compared to earlier World Bank projections and which is now likely to cause hardships in many poor countries.<sup>5</sup> However, these estimates are based on the assumption that migrant stocks are likely to remain stable, which could change if the crisis turns out to be deeper and longer than anticipated and migrants start to return home.<sup>6</sup>
- Migrants may also be more reluctant to send money through formal channels due to a lack of confidence in the stability of banking systems.
- Changes in exchange rates affecting key currencies in destination countries (i.e., U.S. Dollar, Pound Sterling, Russian Ruble) are impacting negatively on the real value of money remitted to migrant families in countries of origin (e.g., Mexico, Poland, Tajikistan).





### Irregular migration

- There is some evidence of a reduction in the flow of irregular migrants to destination countries, as potential migrants are informed by migration networks that job opportunities for them are scarce. For example, the inflow of irregular migrants to the United States has decreased since 2005. Estimates of irregular migrants by period of arrival indicate that new annual arrivals averaged 500,000 over the period 2005-2008 with considerably less irregular migrants arriving since 2007.<sup>7</sup>
- In the medium term, however, an increase in irregular migration is possible with the strengthening of informal labour markets as employers make savings, as unemployed migrants in destination countries overstay and seek to work without authorization, and as opportunities for regular labour migration decrease resulting in emigration of more persons from countries of origin more seriously affected by the crisis. An increase in trafficking in human beings into forced labour is also a possibility.

### Specific gender issues

- The crisis is expected to impact differently on male and female migrant workers especially in affected sectors of the economy dominated by one sex (construction in which men predominate and manufacturing – e.g., textile industry – in which women are overrepresented).
- Job losses and poorer working conditions for migrants are likely to impact disproportionately on women migrants, who are overrepresented in the informal, low-skilled and unregulated sectors of the economy (e.g., domestic and care work).
- For women, return could mean losing the economic independence gained through migration and could impact on potential changes in gender roles that occurred through migration.
- Women are also very often the recipients of remittances and will therefore be impacted adversely if there is a decrease in remittance flows.

In contrast to the largely negative effects of the economic crisis on migrants and migration identified in the areas above, the following developments have also been observed:

- While reductions in the scope of admissions programmes have been announced in some established countries of immigration, no widespread changes are envisaged in view of longer-term economic and demographic considerations driving such programmes.
- Demographic factors are also being considered in specific policy responses in some countries in spite of the economic difficulties. For example, authorities in Japan are attempting to discourage young unemployed migrants (Brazilian nationals of Japanese origin) from leaving the territory.
- Large infrastructural projects, which traditionally provide employment opportunities to foreign workers, are continuing in some countries (e.g., Saudi Arabia).

... and it is also expected that:

- In certain labour market sectors in destination countries, there is likely to be a continued stable need for migrant workers, particularly in healthcare, household/domestic





employment and care work (as well as in agriculture in some countries) where the demand for such workers is structural. However, if the crisis results in significant unemployment of women in destination countries, they may, for example, stop hiring care help and so migrant women could well be displaced from these jobs.

- The volume of remittances to countries of origin affected adversely by the crisis may actually increase, as may the level of investment and trade, as migrants and diasporas seek to reduce the harmful impact of the crisis at home by sending more money or repatriating savings earlier than planned.

## Elements for Policy Responses

Previous downturns in the economy at both global and regional level (e.g., the oil crisis in the early 1970s and the 1997 Asian financial crisis) indicate that migration is not merely a cyclical phenomenon taking place during periods of prosperity but continues regardless (and irregular migration may even increase) despite increases in unemployment because of the continuing structural demand for labour in certain sectors of the economy. Such demand is partly attributable to broad demographic considerations – aging and shrinking populations in much of the developed world compared to growing populations in much of the developing world – as well as to the fact that in many countries local workers either lack required skills or are reluctant to take up certain low or semi-skilled jobs. The Asian financial crisis also demonstrated that keeping markets open to migrants and migration is important to stimulating a quicker economic recovery, although that crisis was restricted to one region and should be distinguished from the current economic and financial crisis, which has a global impact. For example, during the Asian financial crisis, economies in that region were able to recover relatively quickly by re-diverting export trade to North America and Europe, which is less likely today.

Therefore, flexible, coherent and comprehensive responses are needed in respect of a broad range of migration policies to ensure that:

### **Non-discrimination. the rights of migrants. employment and integration**

- Migrants are not stigmatized for job losses that occur and are protected from discrimination and xenophobia – this also calls for measures to inform the general population and raise awareness in destination countries about the valuable economic and social contributions made by migrants.
- The rights of migrants are effectively protected, for example in terms of their working and living conditions and in the event of loss of employment. In particular, discrimination in respect of dismissal from employment needs to be avoided.
- Specific consideration is given to occurrences of multiple layers of discrimination (e.g. women migrants who are discriminated against as women and as migrants).
- Active labour market policies to stimulate employment are also applied to unemployed migrants in destination countries as well as returning migrants in countries of origin.
- Measures aimed at the integration of migrants and funding supporting such measures are continued during the economic crisis with a view to guaranteeing an appropriate level of





social cohesion. A strong case may also be made for strengthening integration measures given that migrants' economic and social integration is likely to be hindered by job losses and ineligibility for welfare benefits.<sup>8</sup>

### Admissions policies

- Regular labour migration channels remain open with a view to meeting any continuing demand for migrant workers, thus helping to prevent irregular migration and trafficking in human beings.
- Wider concerns in terms of labour (i.e., projected skills shortages) and demographic considerations are also factored into any proposed changes to admission policies, and with a view to assisting economic recovery in the immediate post-crisis phase.

### Return and reintegration

- Measures are adopted to assist with the return of migrants, and their reception and reintegration in countries of origin. Reintegration programmes should take account of the need to avoid placing returning migrants in gender-stereotypical jobs or professions and also address the stigmatization of these migrants, especially women, in communities of origin.
- Incentives such as financial assistance covering the cost of the journey as well as a contribution towards reintegration, portability of social security benefits and facilitation of re-entry once economic conditions improve should also be considered in the formulation of return measures.

### Migration and development

- Measures are developed and promoted to facilitate remittance flows through lowering transaction costs and creating favourable economic and financial conditions and cost-effective services in coordination with banks and other partners, taking into account the different patterns of sending remittances by men and women, as well as measures promoting public and private sector initiatives to encourage the productive use of remittances in both countries of destination and origin to counter potential declines and also protect the families of migrants.
- Countries of origin are able to manage reintegration of a large-scale return of migrants, which risks resulting in social tensions particularly in the event where local workers are also adversely affected by the crisis.
- Assistance is envisaged for those developing countries of origin whose economies are reliant to a considerable degree on migration and remittances (e.g., Moldova, Philippines and Tajikistan).
- The consensus achieved between destination and origin countries in recent international fora on migration and development is not weakened as a result of the financial crisis. For example, measures could be taken to increase official development assistance (ODA) or, at the very least, to guard against reductions given that part of ODA contributes to the creation of conditions (e.g., poverty reduction, job creation) that limit the precipitation of irregular movements and related abuses – the objective is to ensure that migration remains a matter of choice.





## Remedial measures

- Labour mobility and the interests and needs of migrants are fully factored into any remedial measures (including reforms to the global financial system) proposed to address the economic crisis.

## Monitoring and evaluation

- The impact of the economic crisis on migration and migrant women and men, including its social consequences in both countries of origin and destination, is carefully monitored and policies adopted to respond to the impact of the crisis on migration are evaluated.

## IOM's Position

IOM considers the following four points to be of particular relevance when responding to requests for policy assistance from government policymakers and other stakeholders:

1. While negative effects of the economic crisis on both migrants and nationals are to be expected and may even intensify depending on the scale, scope and duration of the crisis, on the basis of past experience with similar crises and the current economic outlook, it is already evident that these effects will differ according to country, geographic region as well as employment sector. The skill level, immigration status and sex of migrants are other variables to be taken into account. Considerable attention, therefore, needs to be devoted to ensure that migrants who are particularly prone to stigmatization in such circumstances are adequately protected from xenophobia and discrimination in the employment and social spheres.
2. Given that migration and labour migration in particular is an integral part of today's global economic, political and social life, there is a need for flexible, coherent and comprehensive policies to effectively manage migration. Such policies are all the more pertinent in an economic downturn.
3. A strong degree of solidarity between countries of origin and destination is called for to safeguard and continue to harness the benefits flowing from the migration and development relationship to both sets of countries as well as to migrants and their families. The impact of the crisis on both countries of origin and destination therefore requires balanced and careful assessment, and policy responses need to weigh short-term responses to the crisis against the longer-term implications for development.
4. Migration is an essential part and consequence of globalization and the global economy, which requires that the interests and needs of migrants are fully factored into policy responses aimed at assisting economic recovery (e.g., anti-protectionism measures, stimulation of international trade, etc.). Just as protectionism in trade needs to be avoided, so should protectionism in human mobility be resisted, as migrants and migration – and indeed human mobility – may be part of the solution, not the problem.





In addition, IOM underscores the need to carefully monitor the impact of the financial crisis on migrants as well as countries of origin, transit and destination, and to carry out, collect and disseminate relevant gender-sensitive research and sex and age-disaggregated data in collaboration with its Member States, international agencies (e.g., those agencies participating in the Global Migration Group) as well as other pertinent partners. IOM is preparing an online survey on migration and the economic crisis, which will be sent to IOM field missions with a view to collecting data on a quarterly basis. Concrete empirical evidence on the impact of the crisis on migration and migrants in areas such as working conditions, remittance flows and returns is essential for sound policymaking in migration management, especially in a context when political and public sensitivities concerning migration are heightened in difficult economic times.

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