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United Nations Institute for Training and Research

SUMMARY REPORT

Migration and Development Series 2009

Seminar on

MIGRATION AND THE ECONOMIC CRISIS

organized jointly with IOM, UNFPA and the MacArthur Foundation

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BACKGROUND

The world is in deep financial and economic turmoil. Given the breadth and intensity of the current crisis, it is not clear how it will affect international migration in the short- and long-term. Nevertheless, as UN Secretary-General Ban Ki-moon noted at the Second Global Forum on Migration and Development in the Philippines in October 2008, “it would be naïve to think that the current crisis will have no effect on the movement of people across borders, and on how our publics perceive migration and the migrants in their midst.” As the international community, including the UN General Assembly, is discussing the implications of the global financial and economic crisis for internationally agreed goals, such as the Millennium Development Goals, and governance structures the seminar was designed, among other, to place migration considerations as a part of this discussion.

OBJECTIVES

The seminar was intended to raise awareness of the impacts of the global financial and economic crisis on the situation of migrants, on global migration movements and patterns, and on migration policies. It aimed to highlight the development impacts of changes in global migration and remittances flows, and to gauge the implications of government responses to the crisis. In this regard, the seminar provided a platform for addressing some of the new challenges that the current crisis poses for ongoing efforts towards the strengthening of international migration governance. Its insights will be shared with the organizers of the third Global Forum on Migration and Development to be held in Athens, Greece, on 4-5 November 2009.

Information on the seminar and the *Migration and Development Series* is available at:

<http://www.unitar.org/ny/international-law-and-policy/migration-and-development-series>



SUMMARY OF DISCUSSIONS

I) Key observations: Impacts of the crisis on migration

One of the main findings of the seminar was that there is not enough evidence to fully grasp the scope and depth of the impacts of the financial and economic crisis on migration, yet. Indeed, a number of currently rather general observations will need to be further probed and nuanced in light of the evolving evidence base and research. Insights derived from previous economic crises suggest that recessions reduce migration *flows*, but not necessarily migrant *stocks*, an observation that is meanwhile difficult to ascertain, given that data on return migration is hardly available. Factors that were identified as shaping the impacts of the current economic crisis on migration and migrants include the respective regional context, the sector of employment of migrant workers, as well as their age and skill level, the legal status of migrants, as well as potentially gender differences.

Indeed, expert inputs suggested that the crisis is differently affecting world regions. While the United States (US) and the European Union (EU) are witnessing a slowdown in economic growth and rising unemployment rates, Asia (with some exceptions like Taiwan) seems to be comparatively less impeded by the current crisis than during the Asian financial crisis in 1997-98. In many developing countries, particularly in Africa, the effects of the economic slowdown may be experienced with some delay, as countries that are less connected to the international markets and financial system are at first sight less vulnerable to the effects of the crisis. However, their economic growth may be hampered in the longer-term through a number of transmission mechanisms with implications for the numerous migrants from least developed countries who are in neighbouring countries rather than in the industrialized states.

II) Impacts on migrant employment

Emphasizing the scale and importance of the current recession, Mr. Demetrios Papademetriou, who focused on the situation in the US and the EU, predicted dramatic changes in remittances and migration as a result of this crisis, warning that “This is not like the other economic crises!” He observed that in the US, illegal migration largely fluctuates in accordance with the economic cycle, while legal migration is less responsive. There is some limited evidence that temporary work programs for skilled foreigners - designed to respond to changing domestic labour markets – are adapting: For instance, applications for the quota-limited visas under the US’ skilled foreign professional worker program were not immediately filled for the first time this year. Still, shortages in some highly skilled occupations (especially those that require long investments in education and training) are likely to persist. Permanent and family-based immigration are least likely to respond to changes in the economic cycle. For the EU, the joint European border protection agency FRONTEX is reportedly observing a decrease in attempts at irregular entry onto European territory. (However, data on apprehensions may better reflect resources dedicated to the border control agency, and the entry channels employed by illegal migrants and smugglers.)

In both the US and Europe, the unemployment rate, which is on the rise, is much higher among foreigners and the foreign born than among nationals. In some Western European countries this is not a new phenomenon (such as in France, Germany, and Belgium), but in the United States and other European countries (for instance, Spain and the United Kingdom) immigrants have historically had unemployment rates comparable with natives. In some European countries, like Spain, which has experienced a rapid growth in immigration over the last years, the unemployment rate among



immigrants is almost double the rate among native workers. Moreover, unemployment rates may mask increasing *underemployment* and participation in the informal economy among immigrants. Mr. Papademetriou quoted a number of reasons why immigrants are more likely to lose their jobs, including because they tend to be younger, less educated, may not speak (or speak well) a country's language, and are often employed in sectors that were hurt earlier and deeper during this recession (e.g. construction, manufacturing, and other export-related branches). They also tend to be more recent entrants into the labour market. However, immigrants are also more mobile in search of employment, which means that they may adjust more quickly to the crisis.

Looking at the situation in Asia, Mr. Manolo Abella identified six major factors determining the impacts of the economic downturn on migrant workers: 1) the industries in which migrants are employed, 2) their skills level and occupations, 3) their immigration status, 4) the type of employment – project-based or continuous, 5) the labour market institutions in the country of employment, and 6) the quality of governance in destination countries. Based on available data, Mr. Abella concluded that the crisis is currently affecting native workers in export industries most severely, but has also led to fewer admissions of new migrants.

Rather than cutting jobs, however, many industries in Asia and in some European countries were reported to respond to the crisis by reducing overtime, and adopting part-time and flex-time arrangements. While this implies wage-losses for migrant and native workers, it also helps to avoid unemployment. Indeed, experts recommended that governments consider following the example of Germany and France, and to provide financial support to companies to maintain jobs and keep people employed, rather than paying out unemployment benefits.

So far, migration-specific policy responses have been mostly restrictive. In Asia, major regional destination countries, like Malaysia, have issued recruitment freezes and adopted policies to lay off foreign workers first. In addition, governments have accelerated the deportation, and when feasible, regularization of undocumented workers. The Malaysian Government was also reported as intending to reduce the country's dependence on foreign labour in the long-term, a step pointing to the longer term political consequences of the crisis, which may go well beyond its immediate economic effects.

Questions were raised regarding the impact of the stimulus packages adopted by governments, which may alter the effects of the crisis on migration and undermine the explicatory value of lessons derived from previous crises to make predictions in the current situation. However, it was deemed likely that the stimuli will primarily protect jobs that are already well protected. A comment quoted at the seminar of Joseph Stiglitz, according to which the world emerged from past recessions through the creation of new bubbles, sparked a discussion about whether there could be another bubble big enough to have this effect and to revive migration flows. Some expressed the hope that the "Green bubble" could play that role. However, given that it is largely Government-sponsored, nationals are likely to benefit first, meaning that prospects for migration to recover soon are low. Looking at previous recessions, Mr. Papademetriou suggested that the most likely scenario is another "jobless recovery", in which recovery in the financial economy is well in advance of recovery in the real economy. The experience of recent recessions in the United States suggests that unemployment rates will continue to rise for about one to two years after the recession officially ends, and will likely not return to their pre-recession levels for four or more years.



III) Impacts on return migration

In the face of rising unemployment rates, many governments in destination countries are preoccupied with the question of whether migrants will stay or choose to return to their countries of origin. Some have even adopted proactive measures to provide migrants with incentives to leave. So far, however, return rates in all world regions seem to be low. Indeed, it was deemed more useful for governments to support job creation in countries of origin, offering migrants a perspective to go back to, than to pay them to return, as has been done in some countries.

Three main factors were identified as influencing migrants' propensity to return. A first factor is the right to come back to the country of destination: This point was illustrated by evidence of intra-European return migration flows, e.g. from the UK to Poland, in the context of guaranteed free movement. The second factor pertains to the conditions and prospects in the country of origin: Here, it was suggested that the motivation and timing for return may be different for lower and highly skilled migrants, as the latter may find it more difficult to find adequate employment opportunities in their countries of origin. However, the concentration of crisis in industrialised countries could also present an opportunity for countries of origin to think strategically about how to attract the highly skilled back. The third factor is likely to be the availability of assets, i.e. the possibility for migrants to sell their house or other property: On this point, differences exist between the US and Europe, where migrants seem to have fewer opportunities for asset accumulation (as evidenced by lower home ownership rates). In the Middle East, property acquisition for foreign workers has reportedly been relatively easy, but migrants were reported to be leaving now without being able to pay off their debts.

IV) Impact on remittances flows and investment in countries of origin

A mixed picture was presented on the impacts of the current economic crisis on remittances flows. Preliminary evidence from UNDP country offices suggests that there is a continued decline in remittances, which also affects internal remittances. Meanwhile, results from a survey of the Pew Hispanic Center in the US indicated that there may be a decrease in the volume of remittances, with 59% of the surveyed native born Hispanics and 71% of the foreign born Hispanics stating that they sent less money home in 2008. However, this did not affect the frequency with which they said to remit.

The same survey also pointed to the fact that migrants and minority populations are being, or perceive to be, harder hit by the recession. When asked by the Pew Center, 61% of the general US population perceived their personal financial situation as 'only fair, or poor', compared to 84% of foreign born Hispanics and 66% of native born Hispanics who perceived the same. Representing the Jamaican diaspora in the North-eastern part of the US, Dr. Harold Mignott suggested that ethnic community banks could serve to strengthen immigrant communities during these difficult times, and also play a role in eliminating fees for money transfers to migrants' countries of origin.

With lower skilled migrants seeming to be harder hit by the crisis than highly skilled migrants, this could exacerbate inequalities down the line, in countries of origin, as some households witness a stronger decline in remittances than others. Indeed, research from Ghana suggests that a slowdown of remittances will more likely hurt relatively unskilled migrants and their recipient households (Ackah, Bortei-Dorku Aryeetey & Aryeetey, 2009). In addition, the implications of a decline in remittances, including additional inequality effects, are likely to be felt in the longer



term, as downfalls in receiving households' spending on education and health care have implications for the next generation, and future economic growth.

A closer look at the situation in Ghana, which has experienced a stark increase in remittances inflows over the last decade (from \$449 million in 1999 to \$1.8 billion and \$1.9 billion in 2007 and 2008 respectively) suggested that remittances have slowed down, but have not dramatically decreased, yet.¹ A drastic fall in remittance levels was predicted to negatively affect growth and development in the country through a number of transmission mechanisms. For instance, remittances enhance consumer demand and also the growth of the private sector as they serve to finance small and medium scale enterprises. They also represent an important source of foreign exchange.

In addition to lower remittances flows, developing countries like Ghana also face a reduced demand for their exports and potentially reduced aid inflows from industrialized partner countries, which will further reduce their foreign exchange receipts. Indeed, according to Dr. Peter Quartey from the Institute of Statistical, Social and Economic Research at the University of Ghana, the crisis has already started to deplete the country's foreign exchange revenue position, with the stock of international reserves down to 1.8 months cover (The Ghanaian Journal, 2009). The result could be the depreciation of the local currency leading to increased inflationary pressure. The loss of revenue is also likely to result in budget deficits. Although Ghana is so far relatively unaffected by the crisis, these kinds of transmission mechanisms could render it more vulnerable in the future.

V) Impact on migrants' rights and protection

Many experts and commentators expressed their concerns regarding the erosion of migrants' rights during the current crisis, in particular of the fundamental right to non-discrimination vis-à-vis national workers. Also, increased vulnerability can result from economic instability and lack of employment leading people to turn to underground opportunities for migration. Human traffickers and migrant smugglers may take advantage of this situation. Experts stressed the need to educate migrants about these risks, as well as about their rights and benefits in countries of destination.

Discussing the impact of the crisis on migrant workers in Asia, Ms. Lorena Macabuag of the Migrant Forum in Asia (MFA) projected that contracting economies and the resultant loss of jobs will exacerbate the already frequent exploitation and abuse of migrant workers, particularly along gender, race, and class lines. MFA has observed recent cases of fraudulent recruitments, in which migrants have been tricked into paying exorbitant placement and contract fees for jobs that no longer exist. Also, ad hoc deportations are on the rise in the region. Asked about the gender-specific impacts of the crisis, Ms. Macabuag mentioned that women migrants in informal, temporary sectors are expected to bear the brunt, while domestic workers will probably be less affected by layoffs, but are likely to suffer a reduction in wages and benefits.

Some of the foreseeable impacts of the recession on Asian migrant workers include: 1) the risk of job loss, 2) wage reduction, delay, or non-payment, 3) more restrictive migration policies and expulsion of migrant workers, especially those who are undocumented and low-skilled, 4) exploitative and opportunistic behaviour by employers and recruiters, 5) irregular migration and trafficking, 6) rising xenophobia in destination countries, and 7) reduced remittance flows and

¹ Remittances into Ghana declined by 14.2% from the fourth quarter of 2007 to the fourth quarter of 2008, with the greatest decline between the first and second quarter of 2008. Since then remittances have marginally increased again.



return migration. According to Ms. Macabuag, migrants have reacted to these impacts of the crisis by accessing savings, participating in reintegration and retraining programs, applying for work in different countries or sectors, and seeking opportunities in destination countries under different contracts or as undocumented workers.

Mr. Abella reported that some governments, in particular the Philippines, have been responding actively to the unfolding crisis. In addition to seeking new markets for their overseas workers, the Filipino government has created a Livelihood Support Fund and microfinance programs for those who have lost their jobs. At the local level, help desks have been installed to identify and match the skill sets of job seekers with opportunities at home and abroad. The Filipino government has also established comprehensive reintegration services for returning migrants that offer financial and legal help.

For the long-term welfare of migrants, more diversified job opportunities, social protection, investment in social infrastructure, and the possibility of voluntary return were deemed essential. Criticizing a development model built on the export of manpower and the inflow of remittances as unsustainable, Ms. Macabuag called for a “fundamental change in development model and the migration and development paradigm” in a “rights-based, people-centred, sustainable, social justice-oriented, gender-fair” manner.

With regard to the situation of Jamaican immigrants in the United States, Mr. Harold Mignott observed that the community is experiencing high unemployment rates (reaching 14% in certain areas), which is particularly challenging for migrant workers because they are often unaware of available benefits or ineligible to receive them. Many also lack extended family or other social safety nets to help them through the economic downturn. He mentioned that civil society organizations have a vital role to play in educating immigrants about the availability and their right to benefits. They should also encourage them on the pathway to citizenship, which will provide greater access to social security and better safety nets, including the portability of retirement benefits. This option is all the more attractive if the possibility of dual citizenship exists.

Mr. Mignott argued that while the crisis presents serious challenges, it also offers an opportunity to press ahead with innovative thinking about forms of engagement between diaspora communities and their home countries. Governments should encourage diaspora investment and savings by developing and marketing diaspora bonds or saving instruments. With the banking sector in Jamaica little affected by the financial crisis, cross border banks working with ethnic community bank counterparts in the destination country could be an attractive tool to provide the diaspora with low to no-cost options for money transfers and savings. In addition, the government should consider laws that will encourage charity donations from the diaspora, e.g. through creative tax offsets or a tax treaty. In order to make returns and retirement migration an attractive option, investments in security and good health care are crucial. In addition, a diaspora “skills bank” could serve to identify diaspora experts and consultants when needed.

VI) Beyond the crisis: Longer-term dynamics and prospects

Generally, experts expected to see a reinforcement of current migration policy trends, rather than dramatic shifts, given that the underlying factors of contemporary migration patterns, in particular global inequalities, are likely to remain intact. In addition, the rise of anti-immigration sentiments could, if successfully seized by political parties and leaders for electoral purposes, have negative political ramifications that go beyond the actual economic impacts of the crisis. The experience from the Jamaican diaspora in the US suggests, interestingly, that situations of economic hardship



have the tendency to enhance ethnic identification and solidarity within migrant communities with potential implications for both integration policies by countries of destination, as well as outreach policies by countries of origin.

Looking at long-term trends in labour migration, Ms. Leila Zlaoui of the World Bank posited that there is increasing pressure for enhanced labour and job mobility around the world, above all due to changing demographic patterns. With declining birthrates, many developed countries necessitate migrant workers from abroad to support their aging populations. For these countries, low labour mobility can stunt economic growth, create fiscal imbalance, and degrade the welfare of the elderly. Accelerated mobility, on the other hand, can lead to brain drain and related labour shortages in migrant origin countries.

Exploring the potential for mutual benefit and complementarity between different geographical regions, a recent World Bank study suggests that mutual benefits could arise from a collaboration between the European Union (whose labour force is estimated to decline by 66 million between 2005 and 2050) and the Middle East and North Africa (MENA). MENA could serve as an important source of labour for Europe, if significant policy changes and investments in educational attainments were made in the region to attune its workforce to the demand of the European labour market for professionals with intermediate and higher skills.

Ms. Zlaoui argued that demographic and labour demand trends in Europe and MENA are representative of those in developed and developing countries more broadly. Demand for skilled labour is expected to increase substantially in developed countries, while demand for education and skills training is expected to rise in developing countries. In order to meet these demands, the international community should collaborate to undertake a joint human resource development strategy. Indeed, a global approach is needed to prevent competition among world regions, as well as skills shortages, brain drain and job outsourcing.

As a first step in that direction, origin countries should reform their education systems and provide strategic training to their students. In collaboration with countries of destination, they should facilitate labour mobility by making social benefits portable. Destination countries also need to adopt more amenable migration policies, including efforts at cultural integration and promotion of transnational financial instruments. Market-supporting institutions that monitor labour markets and educational quality at both domestic and global levels will be another crucial element to match labour demands and supplies more effectively.

This vision, which echoes a recommendation made by the Global Commission on International Migration for the creation of a global “pool” of professionals was greeted with much interest but also scepticism. It was remarked that countries should certainly seek to develop skills in accordance with their domestic labour market needs first. In this regard, an ongoing dialogue about labour needs between governments and the private sector in developing and emerging countries was deemed important. It was also mentioned that, once skills exist in developing countries there is no guarantee that jobs will not “migrate” to where those professionals are, rather than the other way around.

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